

## **A. Non-subscription Television Services**

## **B. Subscription Television Products and Internet Content Services available to South African Consumers**

### **A. Non-subscription Television Services**

1. Public broadcasting terrestrial channels (SABC 1, 2 and 3)
2. Private sector Free to Air (FTA)
3. Free to View (FTV) services that require a once off purchase of a Set-top Box (STB)
4. Digital Terrestrial Television (DDT)

#### **1. Public broadcasting terrestrial channels (SABC 1, 2 and 3)**

##### **1.1 Main content dynamics, audience segments and geographical reach**

The SABC considers its directive as follows: to educate, inform and entertain all South Africans in all official languages by means of 19 radio stations and five television channels including the SABC News channel.<sup>1</sup> Their content spans multiple genres ranging from children's and educational programmes, drama, documentaries, news and current affairs to top-revenue-grossing soap operas, aired to millions of South Africans across the country.<sup>2</sup> Their research shows that the average South African adult watches 3 hours and 22 minutes of television a day. Of their four channels, SABC 1 is the most popular attracting an audience of 29.4 million on average per week compared to SABC 2's 27.6 million, SABC 3's 21.3 million and SABC News' 2.3 million viewers per week.<sup>3</sup> Although the SABC's management acknowledges the changing dynamic in South African media regarding offerings, new technology and the way in which viewers consume content, the necessity of the SABC as public broadcaster to provide compelling and accessible content spanning a range of genres and meeting mandate objectives at the same time, remains paramount to them.<sup>4</sup>

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<sup>1</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19", Signed off by Jimi Matthews Chief Executive Officer (Acting), James Aguma Chief Financial Officer, Hlaudi Motsoeneng Chief Operating Officer, Prof MO Maguvhe Chairperson of the SABC Board [hereafter SABC, "Corporate Plan FY2016/17 to FY2018/19"]

<sup>2</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>3</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>4</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

### 1.1.1 Free to Air (FTA) Television Channels

- SABC 1

The public broadcaster's corporate plan for 2018/19 regards SABC 1 as a full spectrum, FTA-channel that speaks to a general, youthful South African sector irrespective of race, language, geography and creed. Content relates to values, lifestyle, positive choices and an evolving culture. The channel is aimed at uplifting and empowering the youth of South Africa. Coverage via the terrestrial transmitter network accounts for 91.2% of their viewers. The channel is also available via satellite on the DStv and Vivid direct-to-home (DTH) digital satellite platforms. As mentioned their average weekly audience comes to 29.4 million.

- SABC 2

This channel is a full spectrum, free-to-air channel, defined by a focus on cultural customs and traditions. As stipulated in the SABC's Corporate Plan 2016/17 to 2018/19, SABC 2 places emphasis on community and family values with content that speaks to South African families in their diversity whilst espousing the African philosophy of Ubuntu.<sup>5</sup> The Corporate Plan for this period states that the channel provides inspiring and enabling content, which encourages responsibility and accountability and fosters ethical behaviour as a means to social improvement.<sup>6</sup> It further fosters patriotism and national pride in bringing the nation together.<sup>7</sup> Coverage via the terrestrial transmitter network covers 92.5% of the viewers, and the channel is also available via satellite on the DStv and Vivid DTH digital satellite platforms. As indicated above, SABC 2's average weekly audience reaches 27.6 million.<sup>8</sup>

- SABC 3

This channel is a full spectrum, free-to-air channel providing lifestyle content rooted in South African culture and social trends. The channel offers "inspirational content" that reflects the aspirations of their audience as well as "high impact and mainstream entertainment that drives mass audiences".<sup>9</sup> Coverage via the terrestrial transmitter network covers 82.1% of the viewers.<sup>10</sup> The channel is also available via satellite on the DStv and Vivid DTH digital satellite platforms.<sup>11</sup> As indicated earlier, SABC 3's average weekly audience comes to 21.3

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<sup>5</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>6</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>7</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>8</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>9</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>10</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>11</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

million.<sup>12</sup> In August 2013, the SABC's 24 Hour News Channel was launched on DStv Channel 404 offering continuous news updates and current affairs throughout the day.<sup>13</sup> The channel broadcasts mainly in English, with African language bulletins provided for in the evening slots.<sup>14</sup> In 2015, the channel became a Pan-African platform which covered the whole of Sub-Saharan Africa with an average weekly audience of 2.3 million viewers.<sup>15</sup> In the same year, SABC Encore was launched on DStv's channel 156.<sup>16</sup> The channel provides quality, memorable retro content for South African viewers.<sup>17</sup> Accessing the SABC's vast archives, the channel showcases historical content with a strong focus on the 80s and 90s which appeal to the majority of South Africans between the ages of 37 and 70 years.<sup>18</sup> Their average weekly audience reaches 525,000.<sup>19</sup>

#### ▪ DIGITAL MEDIA

According to the SABC's Corporate Plan of 2016/17 to 2018/19, the broadcaster is currently consolidating its digital media strategy.<sup>20</sup> The SABC has an active digital media presence on the web, social media, online video, podcasts and streaming media.<sup>21</sup> They maintain their television channels and shows, radio stations and other brands have some of the most popular and engaged audiences in the South African social media landscape.<sup>22</sup>

##### - World Wide Web (www)

All SABC radio stations and television channels, as well as SABC News, Sport and Education have dedicated websites, consolidated under the SABC Corporate portal.<sup>23</sup>

##### - Podcasts & streaming

All radio stations have live streaming via their own websites and the SABC portal.<sup>24</sup> Most radio stations also offer podcasts of their popular shows and SABC News publish hourly

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<sup>12</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>13</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>14</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>15</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>16</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>17</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>18</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>19</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>20</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>21</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>22</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>23</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>24</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

news bulletin podcasts.<sup>25</sup>

- Online Video

The SABC hosts YouTube channels for SABC 1, 2 and 3, as well as for several of its most popular television shows such as *Generations*, *Isidingo*, *Skeem Saam*, *7de Laan* and *Top Billing*. The SABC News channel on YouTube has more than 86 000 viewers, which they say is the most popular and prolific YouTube news channel in South Africa.<sup>26</sup>

- Mobile

The SABC has piloted the use of mobile applications with stations such as 5fm, whose Apple, Android and Blackberry apps lead the way.

- Social Media

All brands are active on social media, especially Facebook and Twitter, where they are amongst the most popular social media platforms in the country.<sup>27</sup>

### **1.1.2 Dealing with the changing media landscape**

In its business stratagem for 2016/17 - 2018/19, the SABC recognizes that conventional broadcasting is in flux. They say the means to reach audiences has to adjust to their shifting behaviour; however, media consumption, advertising models and methods of production are changing more quickly than the industry can adapt to.<sup>28</sup> The SABC says the transformation started with an accelerated shift to mobile technology that provided more one-to-one connections than ever before.<sup>29</sup> Intending to adhere to this demand, they believe that although audiences will connect with and consume SABC content in increasingly different ways over the next couple of years, the demand for high-quality, diverse, distinctive South African local content will remain unchanged.<sup>30</sup>

### **1.1.3. To achieve the above, their strategic objectives and performance indicators for content and platforms are as follows<sup>31</sup>:**

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<sup>25</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>26</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>27</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>28</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>29</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>30</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>31</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<b>Strategic Objective</b>	<b>Performance Indicator</b>	<b>Objective Purpose</b>
Meet local content requirements of SABC licences Meet ICASA local content (PBS 5	Meet ICASA local content (PBS 55%, PCS 35%) quotas as per terrestrial channel licence conditions as reported by SABC Policy & Regulatory	Local content is a critical aspect of mandate delivery. This measures SABC delivery against clearly defined ICASA targets
Diversify content by supporting and including production of provincial content.	Number of provincial properties & inserts broadcast.	Geographic diversity in terms of content that is carried on television (primarily insert targets). Industry development is promoted outside the traditional production nodes (primarily programme targets).
Increase number of programmes/productions that will allow people with disabilities (PWD) access to public broadcasting.	Number of properties broadcast with sign language.  Number of companies controlled or owned by PWDs from which content was procured.	To ensure that the SABC's content accessible to People With Disabilities (PWDs).  Ensuring that the SABC is creating opportunities for companies owned by PWDs to participate in the production industry. Contributing to job creation for PWDs.
Launch SABC channels on DTT.	Number of programmes and radio stations distributed over web-based platforms.  Growth of total social media followers.	Ensuring that more SABC content is accessible to audiences via digital platforms. Content consumption preferences are rapidly changing, and consumer prefer to access content via digital platforms and devices as opposed to traditional or linear broadcasting methods.  Content has the potential to create communities of likeminded people who make use of social media platforms to share their views or enter into discussion about the content. The SABC realises the critical importance of social media and embraces it as part of its broadcasting mandate.
Provide balanced, accurate and relevant coverage of local government elections.	Compliance with the approved elections broadcast plan and regulatory and legislative requirements.	The role of the public broadcaster is to provide coverage of the elections on all its platforms.
Develop and implement digital library worklows and infrastructure for SABC content	Developed and approved technology project plan for digital library	The SABC is continuing to upgrade internal and external broadcasting and production facilities to take advantage of the opportunities presented by the launch of Digital Terrestrial Television (DTT). These upgrades are imperative for the SABC in order to create a sustainable platform for broadcasting and content distribution in the digital age.
Replace radio stations' production play-out system	Signed contract with service provider and approved project plan	
Replace TV FCC (final control centre) play-out automation.	Completed user requirement and evaluation of RFI responses. RFP response evaluation and awarding of contract. Approved project plan.	
Upgrade production studios to digital.	Developed and approved plan. Cost gathering via RFI and approved CAPEX budget.	

#### **1.1.4 Achievement of the above goal and strategic objectives are realised through the following key focus areas and intentions:**

- *Programmes, services and partnerships to maximise SABC content to the widest audience*

The SABC regards the launch of Digital Terrestrial Television in South Africa as possibly the most significant change in broadcasting since the launch of television.<sup>32</sup> As such, they say, the focus of the SABC's portfolio on expansion is located in this space.<sup>33</sup> For 2016, the SABC planned two television channels on the DStv bouquet for rollout on DTT.<sup>34</sup> At the time, the corporation also committed to launching additional television channels and radio stations on the DTT platform and wanted innovative funding mechanisms to achieve this objective.<sup>35</sup> In their Corporate Plan for 2016/17 – 2018/19, they maintained that the SABC News channel broadcasts 18 hours a day and increased its audience on the DStv platform with an average daily audience of 39% over the previous year, whilst expanding its footprint to reach the whole of sub-Saharan Africa.<sup>36</sup> Their aim in 2016 was also to become the first new SABC channel on the DTT bouquet along with SABC Encore.<sup>37</sup> They describe SABC Digital News as offering breaking stories and Radio and TV coverage on a variety of on-line and social media platforms continuously updated 16 hours per day.<sup>38</sup> SABC News considers itself to be the most prolific online distributor of South African news video and that their YouTube channel is South Africa's leading online news channel with a growing presence on social media networks.<sup>39</sup> In 2016, they intended to provide live streaming of news events on the Internet, building on their previous coverage of national, provincial and local elections.<sup>40</sup> They see the SABC's role during elections as educating South Africans on their right to vote and to inform them of the political choices, views and policy positions of various political formations in the country.<sup>41</sup> They do this by means of special programming on television, radio and digital media, which allows for the SABC's presence at national and provincial Election Commission (IEC) election centres, as well as, broadcast points across the country

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<sup>32</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".Th

<sup>33</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>34</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>35</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>36</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>37</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>38</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>39</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>40</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>41</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

in villages, towns and cities.<sup>42</sup> Since the last elections, the SABC has launched a 24 hour news channel and this expanded its presence across all platforms.<sup>43</sup> Its network of international bureaus and cross media journalists enables SABC News to provide what they regard as “unrivalled” coverage of election events and breaking news in the country. The programmes are hosted throughout South Africa and are aimed at stimulating public interest in the elections and to serve as part of voter education.<sup>44</sup>

- *Diversified content, services and opportunities for provincial audiences and people with disabilities*

SABC Television wants to reflect life from beyond the metropolitan provinces and diversify the source of content by developing content hubs in non-metropolitan provinces, acquiring content in marginalised languages and from those with disabilities.<sup>45</sup> As a public service broadcaster, a key focus has been on ensuring that the dominance of the metropolitan provinces in terms of commissioned programming is addressed and that the distribution of work among the provinces is more equitable.<sup>46</sup> This has been done to make sure that the process is inclusive of all South Africans and includes those diverse and never-been-told stories.<sup>47</sup> The SABC is also giving special attention to delivering more programmes with sign language, procuring productions from companies owned by people with disabilities as well as procuring provincial productions in different languages.<sup>48</sup> They say this is in line with the National Development Plan that seeks to involve communities, the youth, workers, the unemployed and business in partnership with a capable state.<sup>49</sup> Their aim is to develop the capabilities of individuals and of the country, creating opportunities for all.<sup>50</sup> In 2015, the SABC became the first broadcaster in the world to provide audio descriptions to blind viewers on an analogue platform with its isiZulu description of the drama series *Sticks and Stones*.<sup>51</sup> The SABC continues to increase the accessibility of its content to people with disabilities. SABC Sport has embarked on a regional recruitment drive, where key crews that are provincially based have been appointed to cover events taking place in their respective provinces, as well as being given the required training and support.<sup>52</sup> In the upcoming fiscal,

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<sup>42</sup> SABC, “Corporate Plan FY2016/17 to FY2018/19”.

<sup>43</sup> SABC, “Corporate Plan FY2016/17 to FY2018/19”.

<sup>44</sup> SABC, “Corporate Plan FY2016/17 to FY2018/19”.

<sup>45</sup> SABC, “Corporate Plan FY2016/17 to FY2018/19”.

<sup>46</sup> SABC, “Corporate Plan FY2016/17 to FY2018/19”.

<sup>47</sup> SABC, “Corporate Plan FY2016/17 to FY2018/19”.

<sup>48</sup> SABC, “Corporate Plan FY2016/17 to FY2018/19”.

<sup>49</sup> SABC, “Corporate Plan FY2016/17 to FY2018/19”.

<sup>50</sup> SABC, “Corporate Plan FY2016/17 to FY2018/19”.

<sup>51</sup> SABC, “Corporate Plan FY2016/17 to FY2018/19”.

<sup>52</sup> SABC, “Corporate Plan FY2016/17 to FY2018/19”.

Sport's role in providing a platform for Indigenous Games will be reinforced.<sup>53</sup> More inserts leading up to the Annual Indigenous Games will be featured across the different magazine shows on Radio and TV.<sup>54</sup> The SABC's News and Current Affairs will increase the current broadcast proportion of provincial news from two stories per province to three stories flighted across their platforms.<sup>55</sup> Current Affairs programmes on radio will within budget limitations convene two town hall broadcasts per month to discuss provincial issues with ordinary citizens in their provinces.<sup>56</sup> Current Affairs programmes on television will feature sign language interpreters across programmes and the free to air programmes will convene outside broadcast discussions with targeted audiences once in every quarter.<sup>57</sup> The SABC is transforming its mainstream services by making its content freely accessible to all South Africans by distributing streaming video over the Internet.<sup>58</sup> Some of the nation's most popular shows - including *Muvhango*, *Skeem Saam*, *Generations*, *The Legacy*, *7de Laan* and *i-Identity* - are available on the SABC's YouTube channels.<sup>59</sup> Television, Radio, Sport and News services are all developing a variety of content formats that has a much wider appeal to the diverse audiences the public broadcaster serves.<sup>60</sup> The SABC will further continue to seek distribution partnerships with commercial partners who are able to facilitate the Corporation's goal of providing universal access to its content.<sup>61</sup> By increasing its content contribution from new producers as well as producers from provinces outside of the major urban areas, it aims to broaden the geographic appeal of SABC content.<sup>62</sup> The SABC also recognises that digital channels have enormous potential to enhance the development of the diversity of South Africa's languages and cultures, and that, as a public broadcaster, it has an obligation to invest in ensuring that the Internet is fully inclusive of all South Africans.<sup>63</sup>

- *Technology and infrastructure to support the changing broadcasting landscape*

The SABC says it is continuing to upgrade internal and external broadcasting and production facilities to take advantage of the opportunities presented by the launch of Digital Terrestrial Television (DTT), the rapid rollout of broadband Internet connectivity, the rise of alternative mobile entertainment options such as Video-on-Demand, and the emergence of Over-The-

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<sup>53</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>54</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

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<sup>58</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

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<sup>61</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>62</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>63</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

Top (OTT) broadcast services.<sup>64</sup> They maintain these upgrades are imperative for the SABC in order to create a sustainable platform for broadcasting and content distribution in the digital age.<sup>65</sup> The popularity of SABC content means that opportunities have emerged for the Corporation to distribute its programming on new on-demand digital platforms and therefore the necessary technology platforms will be put in place.<sup>66</sup> The SABC has seen great success with its YouTube channel, with several shows proving very popular via online streaming, and the SABC News channel remaining one of the most popular channels in South Africa.<sup>67</sup> Continuing to expand the reach of SABC programming through these online channels will be possible when the appropriate technology is in place.<sup>68</sup> Their Corporate Plan said that internet growth combined with the increase in smartphone penetration meant that the modernising of the SABC's websites, and continued development in the distribution of content to mobile devices and tablets were key priorities for the broadcaster during 2016 and beyond.<sup>69</sup> They intended to continue implementing new technologies and business processes to keep pace with the rapid changes in the industry while also continuing to support the business on all levels.<sup>70</sup>

## 1.2. Market Outcome

In a recent investigative piece for Daily Maverick, Dirk de Vos – a lawyer who also specialized in electronic media and consulting to free-to-air television networks across Africa - wrote that in 2012, advertising and commercial sponsorships represented 87% of the SABC's total revenues with licence fees making almost all of the balance.<sup>71</sup> "In contrast," De Vos added, "public broadcasters elsewhere do not take advertising and, instead, are funded by a licence fee or by taxes."<sup>72</sup> Since then, De Vos continued, awful management, a bloated cost structure and the dynamics in television have not been in the SABC's favour.<sup>73</sup> Competition from e.tv - South Africa's first private free-to-air television channel which launched in 1998 - cut into the available advertising spend for television. De Vos: "Reliable

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<sup>64</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>65</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>66</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>67</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>68</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>69</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>70</sup> SABC, "Corporate Plan FY2016/17 to FY2018/19".

<sup>71</sup> Daily Maverick, "SABC Television is unfixable – so we shouldn't try", by Dirk De Vos, 14 August 2018, <https://www.dailymaverick.co.za/article/2018-08-14-sabc-television-is-unfixable-so-we-shouldnt-try/>, [hereafter Daily Maverick, "SABC Television is unfixable"].

<sup>72</sup> Daily Maverick, "SABC Television is unfixable".

<sup>73</sup> Daily Maverick, "SABC Television is unfixable".

figures are hard to find, but research suggests the SABC still has a 48% share of all television advertising, with e.tv's share at 25%".<sup>74</sup> He went on: "However, both free-to-air broadcasters have felt the effect of MultiChoice's pay TV presence. By 2013, MultiChoice had already surpassed e.tv's share in television advertising and now this share would be significantly larger. Various delays in the introduction of digital terrestrial television (DTT) due to very poor policy and several policy reversals over many years mean that satellite pay television has been able to move ahead without competition. Out of about 12 million television households in South Africa, DStv has perhaps 5 million subscribers, or 41% of the total. The delay in DTT is now so far behind that several commentators now suggest that it is too late to introduce it. Multichannel television will either be delivered via satellite or via the internet through a broadband connection. The rot at the SABC now runs so deep that it delays publishing its financials, so it is hard to get an accurate picture of its current position. The most recent available financials for the year to March 2017 show that the SABC, from revenues of R7.5-billion (including radio), reported a net loss (before accounting adjustments) of nearly a billion rand (R977-million). This loss was on top of losses of R411-million recorded in 2016 and a loss of around R600-million in 2015. A number of issues in the financials strike one immediately. Revenues from licence fees are down at R915-million from R986-million in 2016. The SABC is now spending more on trying to recover unpaid licence fees than it receives from them. In the 2017 financial year, the SABC spent more than 170% on staff salaries and executive remuneration at R3.84-billion than it did on programming of R1.97-billion. Of course, the salary bill would cover the news and actuality programming produced by the SABC in-house by its own journalists and production teams in television and radio. News, radio, television and sport employed 1,580 people. The SABC separately disclosed that it employed 3,613 permanent employees in 2017 at an average cost to the company of R720,000 per employee. The current woes of not being able to pay suppliers could have been predicted. At the end of its 2016 financial year, the SABC's cash and cash equivalents stood at R881-million but at the end of the 2016/17 financial year, these were just R82-million. Effectively, the SABC has probably been technically insolvent for over a year now. On this basis, the SABC's frustrated suppliers might well be justified in taking the view that they have a well-founded legal claim against the SABC's directors personally for reckless trading or trading under insolvent circumstances. Other countries that insist on public broadcasting pay for it. This was proposed in a 2017 SABC parliamentary hearing. Previously, in 2013, the SABC asked for an increased licence fee but its collection

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<sup>74</sup> Daily Maverick, "SABC Television is unfixable".

rate on the existing licence fee. The abandoned Public Service Broadcasting Bill, first published in 2009, proposed eliminating the existing licence fee and replacing it with a combination of sources to fund public broadcasting. Suggestions included a ring-fenced personal income tax of up to 1%, contributions from business, money appropriated by Parliament and contributions from the broadcasting services licensees. As the campaign against the fuel taxes shows, South Africans are not well disposed to paying any additional taxes, to say the least.<sup>75</sup> De Vos thought the current approach of government and the SABC board chairperson, Bongumusa Makhathini, seems to be that the SABC should be run like a commercial business and that key new appointments would allow for this to occur.<sup>76</sup> However, De Vos remains unconvinced: “Much of this is just hopeful thinking. The funding model we have for public broadcasting does not work and things are likely to get worse as broadcast television moves over to digital terrestrial television. This move is going to be both expensive and open further competition for available advertising spend. Organisations like the SOS Coalition, a civil society organisation campaigning for public broadcasting, warns against the dismantling of the SABC. It argues that doing away with the SABC simply puts subscription-based operators in a stronger position and deepens the ‘digital divide’. The SOS argues instead for a higher public funding commitment, a rebuilding of the SABC’s internal financial systems and the revenue collection capacity of the TV licence department. Other ideas include a loosening of the intellectual property provisions with independent content producers to allow them to be shared between them and the SABC. Perhaps regulations that would limit MultiChoice’s access to television advertising or regulations requiring MultiChoice pay to carry SABC channels may help a bit. There are no easy options but the SABC’s funding hole is far too big for mere tinkering. The whole model needs a rethink. In a multichannel and converged environment where an increasing amount of news is consumed via online and social media platforms, perhaps the way to go is to directly fund local content production and not fund this indirectly through a broadcaster, especially one with the SABC’s heavy cost overheads. Any future development of public television broadcasting will need to have a proper separation of commercial and public broadcasting and avoid the cross-subsidisation of these within the SABC. As technology and technology platforms change, regulation and funding of public broadcasting should become technology neutral and not prefer television over other types of screens. There could be a role for public service ‘broadcasting’ on new media platforms. Further, while advertising can continue to

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<sup>75</sup> Daily Maverick, “SABC Television is unfixable”.

<sup>76</sup> Daily Maverick, “SABC Television is unfixable”.

play some part, if South Africa wants to have public broadcasting, it must pay for it through non-commercial sources otherwise it is not public broadcasting. It is reported that the SABC is to be a recipient of an ill-defined stimulus package that appears to be an omnibus funding package for failing State-owned Enterprises. Bailing out the SABC in its present form is really just kicking the can down the road. No matter how well it is run, it will be short of money again and will need another bailout. It is past time to rethink the whole premise of the SABC. There must be better ideas than endless series of emergency bailouts.”<sup>77</sup>

Giving a counter argument to the Dirk de Vos expose, the Daily Maverick published a follow-up article by Stephen Grootes - who left Radio 702 and Eyewitness News in 2018 to join the SABC - on the topic of the SABC.<sup>78</sup> In his early remarks, Grootes acknowledged that the SABC would once again need a bailout from government.<sup>79</sup> In 2009 media outlets such as the Independent Online reported that the then Minister of Finance Pravin Gordhan approved the cash-strapped public broadcaster’s application for a government guarantee of R1,473bn.<sup>80</sup> In August 2018, MyBroadband wrote: “The latest report follows news that the SABC was on its **deathbed**, from a financial perspective. The SABC reportedly owes over R100 million to 64 companies and is operating on a hand-to-mouth basis.”<sup>81</sup> The Sunday Times conveyed that the government was planning a R59bn bailout of entities in financial distress, including the SABC.<sup>82</sup> In his rebuttal of the De Vos article, Grootes said there is evidence that South Africans are letting go of their national identity and reverting to their ethnic and linguistic ones.<sup>83</sup> In short, he maintains the SABC played an integral part in this dilemma and suggests that the broadcaster should help turn the tide towards national unity again.<sup>84</sup> He continues that living in a multi-channel environment with variety, the upper-middle classes do not have to wait a week or a day to watch the next episode of a series.<sup>85</sup> There is so much content available that it is entirely possible for families to all be watching

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<sup>77</sup> Daily Maverick, “SABC Television is unfixable”.

<sup>78</sup> Daily Maverick, “A credible and successful SABC is well worth fighting for”, by Stephen Grootes <https://www.dailymaverick.co.za/opinionista/2018-08-17-a-credible-and-successful-sabc-is-well-worth-fighting-for/>, [hereafter Daily Maverick, “A credible and successful SABC is well worth fighting for”].

<sup>79</sup> Daily Maverick, “A credible and successful SABC is well worth fighting for”.

<sup>80</sup> Independent Online, “SABC gets its state bailout money”, 25 November 2009, <https://www.iol.co.za/news/politics/sabc-gets-its-state-bailout-money-465682>.

<sup>81</sup> MyBroadband, “Massive government bailouts planned for SABC, Post Office, SAA”, 12 August 2018, <https://mybroadband.co.za/news/government/271635-massive-government-bailouts-planned-for-sabc-post-office-saa.html>.

<sup>82</sup> Sunday Times, “State bailouts for Sanral, SAA, SABC”, by Thabo Mokone and Caiphus Kgosana, 12 August 2018, <https://www.timeslive.co.za/sunday-times/news/2018-08-11-state-bailouts-for---sanral-saa-sabc/>.

<sup>83</sup> Daily Maverick, “A credible and successful SABC is well worth fighting for”.

<sup>84</sup> Daily Maverick, “A credible and successful SABC is well worth fighting for”.

<sup>85</sup> Daily Maverick, “A credible and successful SABC is well worth fighting for”.

different things at the same time on different screens while in the same room.<sup>86</sup> Yet, Grootes argues, that this adds to the idea of South African society becoming more fragmented by living different lives, and have different interests.<sup>87</sup> He argues it is key that a diversified nation have a space where they can watch the same content as it creates shared conversations and national unity, which he labels as “South Africanness”.<sup>88</sup> Grootes says that although many may doubt whether the SABC can compete with the production of values of the likes of Netflix, he believes it is entirely possible to produce good quality programming that speaks specifically to South African audiences.<sup>89</sup> He professes his greatest fear for the media is not lack of revenue or censorship, but the splintering of audiences.<sup>90</sup> He continues: “The middle classes have, over time, left the SABC, meaning that they are no longer part of a meaningful national conversation. It is important, vital in fact, that they are brought back. The way to do this is through compelling, credible content. They have to believe that they will be missing something, some vital part of what is happening in this country, if they are not tuned in.”<sup>91</sup> He says De Vos’s argument that if South Africans want a public broadcaster they should pay for it, while the SABC lets go of their advertising revenue, discounts the fact that the SABC broadcasts in the country’s main languages of Zulu, Xhosa, Sotho etc.<sup>92</sup> He says such a forfeiture will render companies catering to those markets unable to reach them.<sup>93</sup> He comes to the following conclusion: “Only the SABC has the capacity to report properly on what is happening all over the country. This is a vital function in any democracy.”<sup>94</sup>

A new survey of 3,154 South Africans by the Broadcast Research Council of South Africa (BRCSA) between January and June 2018 found that SABC1 is the most watched TV channel, with SABC2 and SABC3 third and fourth respectively after e.tv, while SuperSport 4 is the most watched sports channel in South Africa, Business Insider SA reported.<sup>95</sup>

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<sup>86</sup> Daily Maverick, “A credible and successful SABC is well worth fighting for”.

<sup>87</sup> Daily Maverick, “A credible and successful SABC is well worth fighting for”.

<sup>88</sup> Daily Maverick, “A credible and successful SABC is well worth fighting for”.

<sup>89</sup> Daily Maverick, “A credible and successful SABC is well worth fighting for”.

<sup>90</sup> Daily Maverick, “A credible and successful SABC is well worth fighting for”.

<sup>91</sup> Daily Maverick, “A credible and successful SABC is well worth fighting for”.

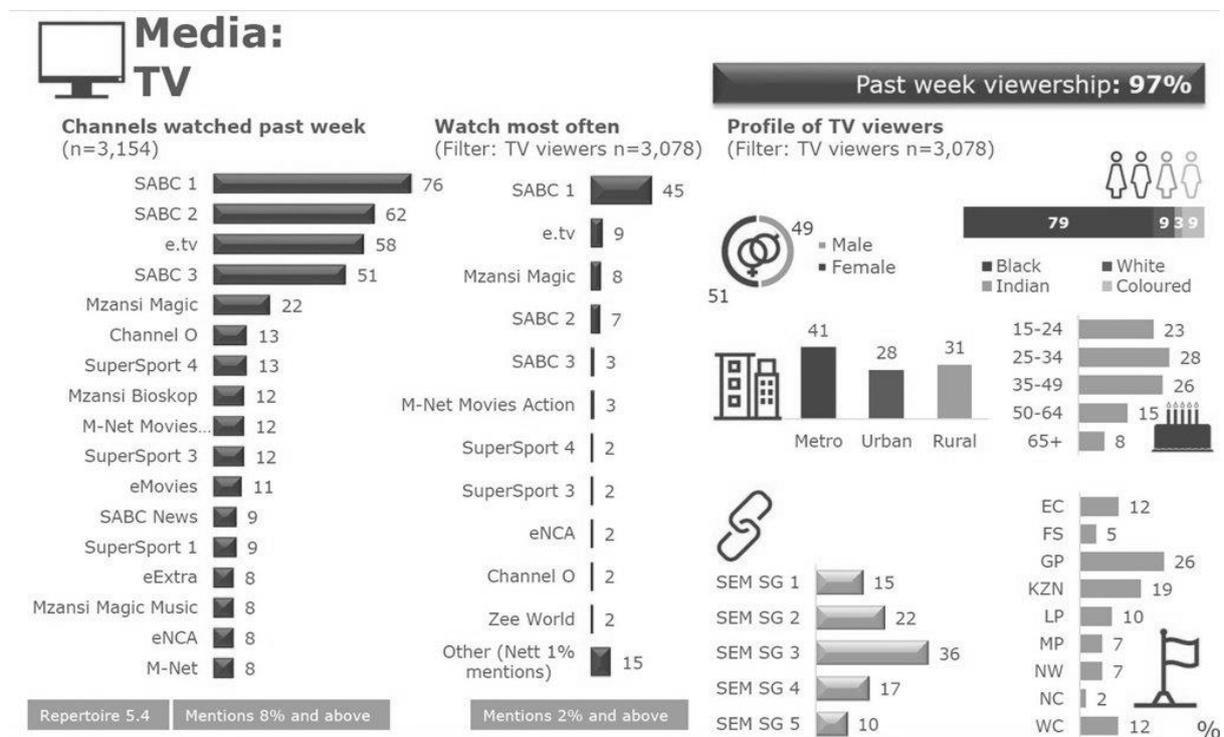
<sup>92</sup> Daily Maverick, “A credible and successful SABC is well worth fighting for”.

<sup>93</sup> Daily Maverick, “A credible and successful SABC is well worth fighting for”.

<sup>94</sup> Daily Maverick, “A credible and successful SABC is well worth fighting for”.

<sup>95</sup> Business Insider SA | Tech, “More South Africans say they watch Showmax than Netflix – but SABC1 and YouTube are tops”, [hereafter Business Insider SA | Tech, “More South Africans say they watch Showmax than Netflix – but SABC1 and YouTube are tops”], by Thinus Ferreira, 28 October 2018, <https://www.businessinsider.co.za/more-south-africans-say-they-watch-showmax-than-netflix-2018-10>.

However, the survey also revealed a rise in the popularity of TV channels carving away at the SABC’s television dominance.<sup>96</sup> See a BRCSA-diagram below of these findings.<sup>97</sup>



## 2. Private sector Free To Air (FTA)

### 2.1 e.tv

#### 2.1.1 Main content dynamics, audience segments and geographical reach

e.tv is South Africa’s first private free-to-air television channel.<sup>98</sup> e.tv’s holding company, eMedia Investments, is majority-owned and controlled by black empowerment group Hosken Consolidated Investments (HCI) Limited and Venfin Limited whose major shareholder is the SACTWU (*Southern African Clothing and Textile Workers' Union*) Investment Group.<sup>99</sup> As a

<sup>96</sup> Business Insider SA | Tech, “More South Africans say they watch Showmax than Netflix – but SABC1 and YouTube are tops”.

<sup>97</sup> Business Insider SA | Tech, “More South Africans say they watch Showmax than Netflix – but SABC1 and YouTube are tops”.

<sup>98</sup> Media Club South Africa, “The Media in South Africa”, <http://www.mediaclubsouthafrica.com/culture/36-themedia/mediabg/110-the-media-in-south-africa>.

<sup>99</sup> ICASA, “Discussion document: Inquiry into the subscription television broadcasting services – comments by e.tv.”, published on 25 August 2017, <https://www.icasa.org.za/uploads/files/etv-Submission-on-Discussion-Document-Inquiry-into-Subscription-TV-Broadcasting-Services.pdf>, [hereafter “Bizcommunity, e Press Office, “About Us”,

free-to-air channel, e.tv's only source of income is advertising revenue.<sup>100</sup> Launched in 1998, they have approximately 400 employees nationally with offices in Johannesburg, Cape Town, Durban, Port Elizabeth and Bloemfontein.<sup>101</sup> They say 74% of their employees are black, 43% are women and 5% are disabled.<sup>102</sup> The e Press Office on the webpage Bizcommunity, maintains e.tv's audience profile is 53 % male and 47% female and that they appeal to viewers across all races, income echelons and age groups.<sup>103</sup> The channel broadcasts a full-spectrum programming service to 78% of South Africa's population.<sup>104</sup> On the e.tv website, the channel states that they have over 16 million viewers and that they are is the most viewed English language channel in the country with local and international entertainment.<sup>105</sup> However, according to an e.tv discussion document submitted to ICASA and published in August 2017 on the internet, e.tv held that 18 million South Africans watch their channel every day.<sup>106</sup> They added that their channel broadcasts more than 45% South African content.<sup>107</sup> The channel's most popular programmes are wrestling, news, movies and South African drama.<sup>108</sup> They broadcast four hours of prime time South African drama each week.<sup>109</sup> Their dramas cater to all target markets: *Backstage* is their daily youth drama set in a school of the performing arts; *Scandal*, is their daily adult drama set in the offices of a struggling weekly newspaper and *Madam & Eve*, their weekly sitcom, appeals across the board to South Africans of all races and ages.<sup>110</sup> e.news is South Africa's only FTA independent television news service.<sup>111</sup> e.tv broadcasts three English bulletins each night and a daily news and current affairs show, *Morning Edition*, each morning.<sup>112</sup> The channel claims their prime-time flagship current affairs programme, *3rd Degree*, is the most-watched current affairs show in the country.<sup>113</sup> Their international programming includes top-class

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[www.bizcommunity.com/PressOffice/AboutUs.aspx?i=155163](http://www.bizcommunity.com/PressOffice/AboutUs.aspx?i=155163), [hereafter ICASA, "Discussion document: Inquiry into the subscription television broadcasting services – comments by e.tv.", published on 25 August 2017 Bizcommunity, e Press Office, "About Us"].

<sup>100</sup> Bizcommunity, e Press Office, "About Us".

<sup>101</sup> Bizcommunity, e Press Office, "About Us".

<sup>102</sup> Bizcommunity, e Press Office, "About Us".

<sup>103</sup> Bizcommunity, e Press Office, "About Us".

<sup>104</sup> Bizcommunity, e Press Office, "About Us".

<sup>105</sup> e.tv., "Who we are", <http://www.etv.co.za/about-us>

<sup>106</sup> ICASA, "Discussion document: Inquiry into the subscription television broadcasting services – comments by e.tv.".

<sup>107</sup> ICASA, "Discussion document: Inquiry into the subscription television broadcasting services – comments by e.tv.".

<sup>108</sup> Bizcommunity, e Press Office, "About Us".

<sup>109</sup> Bizcommunity, e Press Office, "About Us".

<sup>110</sup> Bizcommunity, e Press Office, "About Us".

<sup>111</sup> Bizcommunity, e Press Office, "About Us".

<sup>112</sup> Bizcommunity, e Press Office, "About Us".

<sup>113</sup> Bizcommunity, e Press Office, "About Us".

television series and blockbuster movies.<sup>114</sup> They also state that e.tv was the first channel in South Africa to secure the rights to UEFA Champions League Football.<sup>115</sup> Their children's programmes are packaged under the brand name *Craz-e*, a programme aired daily on the channel.<sup>116</sup> e.tv broadcasts 14 hours of children's programming a week, which includes international children's series and eight local series.<sup>117</sup>

### 2.1.2. Market Outcome

Various media outlets including Independent Online reported in May 2018 that eMedia Holdings, the SA TV broadcaster that owns brands such as e.tv, eNCA, OpenView HD, and YFMon, announced an operating loss of R1.54 billion for the period ended March 2018, from a prior profit of R242 million according to its annual results.<sup>118</sup> Revenue had decreased to R2.2 billion from R2.3 billion in 2017.<sup>119</sup> Their gross profit of R983 million was also lower than R1.2 billion in the previous year.<sup>120</sup> The group said it ended the period with a loss for the year from continued operations of R1.6 billion compared to a profit in the prior year of R112 million.<sup>121</sup> Regarding e.tv, their share of the broadcast audience remained under pressure, mostly due to the popularity of local dramas commissioned by the SABC.<sup>122</sup> The group objected that while the SABC commissions a substantial amount of local programming, at much higher cost than equivalent international content, their own ability to commission additional local drama is limited by their production budget and profitability. eMedia added: "Our schedule will remain under pressure while the SABC continues to operate under a subsidised regime; however, we are confident that our current schedule should arrest any significant decline."<sup>123</sup> TechCentral also reported that in commentary to

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<sup>114</sup> Bizcommunity, e Press Office, "About Us".

<sup>115</sup> Bizcommunity, e Press Office, "About Us".

<sup>116</sup> Bizcommunity, e Press Office, "About Us".

<sup>117</sup> Bizcommunity, e Press Office, "About Us".

<sup>118</sup> Independent Online, Business Report, "e.tv's owner has lost R1.5 billion", 24 May 2018, <https://www.iol.co.za/business-report/companies/etvs-owner-has-lost-r15-billion-15142741> [hereafter Independent Online, Business Report, "e.tv's owner has lost R1.5 billion"]; BusinessTech, "JSE-listed e.tv owner eMedia just took a R1.6 billion loss", 23 May 2018, <https://businesstech.co.za/news/media/246733/jse-listed-e-tv-owner-emedias-just-took-a-r1-6-billion-loss/>; TechCentral, "e.tv parent swings deep into the red with R1.6bn loss", by Duncan McLeod, 23 May 2018, <https://techcentral.co.za/e-tv-parent-swings-deep-into-the-red-with-r1-6bn-loss/81363/>

<sup>119</sup> Independent Online, Business Report, "e.tv's owner has lost R1.5 billion".

<sup>120</sup> Independent Online, Business Report, "e.tv's owner has lost R1.5 billion".

<sup>121</sup> Independent Online, Business Report, "e.tv's owner has lost R1.5 billion".

<sup>122</sup> Independent Online, Business Report, "e.tv's owner has lost R1.5 billion".

<sup>123</sup> Hoskin Consolidated Investment Limited, "Integrated Annual Report 2018", [http://www.hci.co.za/reports/Integrated\\_Report\\_2018.pdf](http://www.hci.co.za/reports/Integrated_Report_2018.pdf) Independent Online, Business Report, "e.tv's owner has lost R1.5 billion", 24 May 2018, <https://www.iol.co.za/business-report/companies/etvs->

investors, eMedia said despite tough trading conditions for the free-to-air broadcasting industry and with advertising revenue remaining flat, the group showed an increase of 5% in advertising income with sales amounting to just under R1.6bn.<sup>124</sup> However, the company went on to blame their poor results on a new agreement between them and MultiChoice regarding the supply of the eNCA channel to DStv in which licence fee revenue was “cut substantially”.<sup>125</sup> Additionally, OpenView (Previously OVHD or OpenView HD) - a Free To View Direct Broadcast Satellite television provider in South Africa which is run by Platco Digital (part of the eMedia Group which includes free-to-air channel e.tv and the 24 hour news channel eNCA) - earned advertising revenue of R60 million, but incurred content costs of R173 million.<sup>126</sup> eMedia said the operating loss of Openview amounted to R366.6 million, down from R394.5 million in 2017.<sup>127</sup> Nonetheless, eMedia contended that although these programmes and channels will be loss-making in the beginning, they are part of the content that is required to promote set-top box uptake and viewership.<sup>128</sup> Openview currently attracts about 3.5% of the television audience in South Africa and breakeven is estimated to be in the region of 6%,” it said. The company said that Openview set-top box activations continue to grow at an average of 35,000 per month.<sup>129</sup> At the end of the period, a total of 1,149,217 (778,493 in 2017) boxes have been activated and a total of R74 million (R99 million in 2017) has been spent on retail subsidies.<sup>130</sup> The company also announced that an Afrikaans block of programming, including news and current affairs, would be launched.<sup>131</sup> Independent Online also said that the group “caused distress and anxiety for e.tv and eNCA studios with some staff reportedly leaving the channels amid allegations of ‘constructed retrenchments’”<sup>132</sup>.

The BRCSA survey effected in middle 2018, as mentioned above, showed that eNCA on MultiChoice’s DStv is the most often watched TV news channel in South Africa.<sup>133</sup> After

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owner-has-lost-r15-billion-15142741; TechCentral, “e.tv parent swings deep into the red with R1.6bn loss”, by Duncan McLeod, 23 May 2018,

<https://techcentral.co.za/e-tv-parent-swings-deep-into-the-red-with-r1-6bn-loss/81363/>, [hereafter TechCentral, “e.tv parent swings deep into the red with R1.6bn loss”].

<sup>124</sup> TechCentral, “e.tv parent swings deep into the red with R1.6bn loss”.

<sup>125</sup> TechCentral, “e.tv parent swings deep into the red with R1.6bn loss”.

<sup>126</sup> Independent Online, Business Report, “e.tv’s owner has lost R1.5 billion”.

<sup>127</sup> Independent Online, Business Report, “e.tv’s owner has lost R1.5 billion”.

<sup>128</sup> Independent Online, Business Report, “e.tv’s owner has lost R1.5 billion”.

<sup>129</sup> Independent Online, Business Report, “e.tv’s owner has lost R1.5 billion”.

<sup>130</sup> Independent Online, Business Report, “e.tv’s owner has lost R1.5 billion”.

<sup>131</sup> Independent Online, Business Report, “e.tv’s owner has lost R1.5 billion”.

<sup>132</sup> Independent Online, Business Report, “e.tv’s owner has lost R1.5 billion”.

<sup>133</sup> Business Insider SA | Tech, “More South Africans say they watch Showmax than Netflix – but SABC1 and YouTube are tops”.

SABC1, e.tv. is the biggest and most often watched channels, while e.tv's set of free-to-air channels like eMovies and eExtra are rapidly gaining traction, as is the Indian-infused Zee World.<sup>134</sup>

### **3. Free To View (FTV) services that require a once off purchase of a Set-top Box (STB)**

#### **3.1 Description of FTV**

Free-to-view (FTV) is a term used for audio and/or video transmissions that are provided free-of-charge without any form of continual subscription but are nevertheless encrypted.<sup>135</sup> It differs from free-to-air (FTA) where content is not encrypted. The FTV contrasts with FTA, in which signals are transmitted in the clear, without encryption, and can be received by anyone with a suitable receiving dish antenna and Digital Video Broadcasting (DVB)-compliant receiver [although these services can include proprietary encrypted data services such as an Electronic Programme Guide (EPG) that is only available to reception equipment made for, or authorised by, the FTA broadcaster]. FTV services are broadcast encrypted and can only be viewed with reception equipment that includes a suitable conditional-access module and viewing card, in the same way as a pay-TV satellite service. However, the FTV service viewing card is not subject to a continuing subscription payment for viewing the service's channels and may be available for a regular fee, a one-off payment or even for free.

#### **3.2 Market Outcome**

In an article called "SA's Unfolding Digital TV Nightmare" published on the Satcom-website in March 2013, the **confusion around the encryption and control of set-top boxes, and the complexity of subsidies of the boxes for poorer households were discussed with the view that these issues were threatening South Africa's migration to digital terrestrial television.**<sup>136</sup> **The article read as follows:** "Lack of certainty around the encryption and access control mechanisms to be used for digital terrestrial television, along with how millions of set-top boxes will be subsidised for poorer households, looks set to

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<sup>134</sup> Business Insider SA | Tech, "More South Africans say they watch Showmax than Netflix – but SABC1 and YouTube are tops".

<sup>135</sup> "A-Z of Satellite TV: F" What Satellite & Digital TV", October 2012 p. 37.

<sup>136</sup> Satcom, "SA's unfolding digital TV nightmare", posted by Izak Viljoen on 12 March 2013, <https://www.satcomsa.co.za/sas-unfolding-digital-tv-nightmare/>, [hereafter Satcom, "SA's unfolding digital TV nightmare"].

throw South Africa even further off track in the already long-delayed, multibillion-rand project. There is rising anger in both the broadcasting and telecommunications industries over the continued delays, which could mean South Africa continues to broadcast analogue signals well past the June 2015 deadline set by the International Telecommunication Union (ITU) to complete migration to digital. The prospect of protracted legal action involving e.tv and communications minister Dina Pule, coupled with the complexity of proposed access control mechanisms, the insistence that subsidised set-top boxes be locally manufactured — despite the likelihood they'll cost far more than units imported from Asia — and confusion over who will pay for the subsidy are raising hackles. Few industry players, however, are prepared to go on the record, mostly for fear of losing contracts or falling out of political favour. Government says it intends to subsidise 70% of the cost of set-top boxes for 5m of South Africa's poorest homes, an exercise expected to cost at least R4,5bn. It is unknown where this funding will come from. One of the proposed sources of funds for the subsidy is the Universal Service & Access Agency of South Africa (Usaasa). However, the fund Usaasa administers is not large enough to fund the project fully — it's not clear how much money is in the fund, but industry players peg the number at between R1bn and R2bn. Also, Usaasa's funds don't only come from broadcasters but from telecoms operators as well. These operators have raised objections to the fund being used to fund broadcasting. Operators will, however, potentially gain access to some of the radio frequency spectrum that will become available once the migration to digital broadcasting is complete. Senior industry players, speaking to TechCentral on condition of anonymity because of their need to work with government, say the task of determining who is eligible for a subsidised box is going to be a major headache. They say many people who aren't deemed eligible will argue they are. The process could be a nightmare to manage. The department of communications continues to insist that the set-top boxes be locally sourced, saying the project would create local jobs and stimulate a black-owned manufacturing sector. Again, industry players question whether this plan makes sense, especially since many of the emerging manufacturers will simply be repackaging imported components rather than genuinely building boxes locally. Because government will spend billions of rand on subsidising set-top boxes, it is insisting they include access control mechanisms to stop them from being sold by the intended beneficiaries. Originally, this was limited to a location verification-type mechanism that would prevent them being used outside the country. However, this has been expanded to include facilities to manage subscriptions and turn the boxes on or off remotely. These conditional access (CA) requirements will have to be administered by a CA vendor. Sentech, which was

instructed by minister Pule in May last year to manage the CA system, has proposed Nagravision as the vendor. It already uses Nagravision to manage some of its satellite services. However, free-to-air broadcaster e.tv took exception to Pule's decision to appoint Sentech, successfully suing the minister in the high court last year. That court's judgment is now the subject of an appeal by the minister. This appeal process could take years, further endangering South Africa's commitment to the ITU and prolonging the release of spectrum to broadband telecoms operators and the attendant benefits that will flow from that. e.tv has argued that it and the SABC, along with future free-to-air broadcasters, should administer the CA system because they have the most to lose if it is not done correctly. The broadcaster's chief operating officer, Bronwyn Keene-Young, says it's important that set-top boxes allow e.tv and the SABC to offer competitive services. 'If you look at our court papers, the issue for us as free-to-air broadcasters is that our biggest competition is [MultiChoice's] DStv. If we don't have a platform that's attractive, then free-to-air digital TV is going to be a non-starter,' she says. Keene-Young says that if digital specifications and the CA system are not outlined and controlled carefully, users will not have a cohesive experience across different set-top boxes and this could impact negatively their view of free-to-air broadcasters and their offerings. "Encryption will ensure that boxes that don't meet the specifications won't work. Subscription control must also be considered. The vendor that manages the CA system will be able to turn set-top boxes on and off and identify each box by means of an individual identifier. This means a potential goldmine of data on viewing habits for the vendor that administers the system. *Altech UEC, a subsidiary of JSE-listed technology group Altech, is South Africa's largest manufacturer of TV set-top boxes. Its MD, Rodger Warren, says that once the department of communications has settled its dispute with e.tv over the CA system, UEC will be able to build boxes that include an access control mechanisms government wants.* 'How soon we can begin building set-top boxes is dependent on the department's response to the court case,' Warren says. 'Hopefully, the matter will be settled sooner rather than later.' Warren says that the specifications for the boxes are 'very unlikely to change', even if Pule's appeal fails and e.tv and the SABC end up managing the CA system. 'If it had to change it would have to go back to the technical committee,' he says, adding that this seems 'highly unlikely' given the additional delays that would incur. 'If e.tv wins, it will take time to go through the development phase,' Warren explains. 'We could go whichever way is chosen. We've done several encryption systems on various platforms.

Much of our software can cater for different paths, so we don't see it as being a major setback."<sup>137</sup>

In July 2018, iTWeb posed the question as to whether set-top box had reached its sell-by date?<sup>138</sup> iTWeb stated that as SA prepares to switch from analogue to digital terrestrial television (DTT), the communications ministry has encouraged households in the missing middle-income group to purchase integrated digital TVs.<sup>139</sup> Missing middle households - Simnikiwe Mzekandaba writer and IT in Government editor explained - earn just above the stipulated benchmark for government-subsidised set-top boxes (STBs) but less than R6 500.<sup>140</sup> Mzekandaba said these households would have to fend for themselves or risk being cut off from the free TV services they have come to depend on.<sup>141</sup> The South African government has committed to supply 5.2 million free STBs to households that depend on social grants and those with an income of less than R3 200.<sup>142</sup> The STBs are required to convert digital broadcasting signals on analogue TV sets.<sup>143</sup> While it's been expected that non-qualifying households would also need to purchase decoders for digital migration, the Department of Communications' (DOC's) pronouncements indicate possible changes in the country's route towards digital.<sup>144</sup> Aldred Dreyer, head of the department's BDM project management office, said: "People who do not qualify for the fully-subsidised STBs (in other words, those who earn above the stipulated threshold of R3 200 per month) have an option of buying a new integrated digital television set with the DTT decoder built-in and migrate with us. Households that are on pay-television platforms need not worry as they are already on a digital platform." <sup>145</sup> Mzekandaba wrote: "In the past, pundits and television-focused coalitions cautioned against the use of STBs for SA's switch from analogue to DTT. The STBs were regarded as simply a short-term solution not taking into account the impact of tech evolution on these decoders. Despite this, set-top box decoders for digital migration have been produced and many are said to be gathering dust at post office warehouses. After awarding the R4.3 billion contract for set-top box production,

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<sup>137</sup> Satcom, "SA's unfolding digital TV nightmare".

<sup>138</sup> iTWeb, "Has set-top box reached its sell-by date?", by Simnikiwe Mzekandaba, 16 July 2018, [www.itweb.co.za/content/G98Yd7LxOPj](http://www.itweb.co.za/content/G98Yd7LxOPj), [hereafter iTWeb, "Has set-top box reached its sell-by date?"].

<sup>139</sup> iTWeb, "Has set-top box reached its sell-by date?".

<sup>140</sup> iTWeb, "Has set-top box reached its sell-by date?".

<sup>141</sup> iTWeb, "Has set-top box reached its sell-by date?".

<sup>142</sup> iTWeb, "Has set-top box reached its sell-by date?".

<sup>143</sup> iTWeb, "Has set-top box reached its sell-by date?".

<sup>144</sup> iTWeb, "Has set-top box reached its sell-by date?".

<sup>145</sup> iTWeb, "Has set-top box reached its sell-by date?".

the Universal Services and Access Agency of SA (USAASA), which manages the production of the digital migration devices, selected three companies to kick-start production of 1.5 million STBs. The companies (CZ Electronics, BUA Africa and Leratadima) each received a purchasing order for 500 000 decoders from USAASA. In terms of the order, BUA Africa was contracted to manufacture direct-to-home (DTH) decoders, while Leratadima and CZ Electronics were contracted to manufacture DTT decoders. In an update report to the Portfolio Committee on Telecommunications and Postal Services on progress of digital migration and STB production, USAASA revealed CZ Electronics delivered the complete order of 500 000 DTT STBs. Leratadima manufactured 336 026 DTT units. The company is still to manufacture 169 000 decoders as per USAASA's order requirement. On the other hand, BUA Africa has only delivered 23 208 DTH decoders. The DOC, detailing progress of the digital migration project, indicated the average registration for STBs per day in the Free State province is currently sitting at 600, while an average of 1 000 decoders are installed daily. The department is looking to complete digital migration in the Free State province by the end of 2018. According to the department, officials from the BDM project office will visit various districts in the North West and Free State province to register and install government-subsidised decoders to qualifying households in the coming weeks. In the statement, the DOC revealed that last week it met with the local television manufacturing industry on the mass production of integrated digital television sets for the local retail market. The meeting was also attended by other organs of government including the Department of Trade and Industry, it notes.<sup>146</sup> Commenting on the meeting, Dreyer said it was the first of many meetings to come as the DOC seeks to ensure products for digital migration become readily available in the retail market.<sup>147</sup> "What we have been missing," he said, "in the value chain for migration from analogue to digital has been products for the retail market."<sup>148</sup> The integrated digital TV sets have a built-in digital tuner, which means it does not need a set-top box to receive a digital signal.<sup>149</sup> Dean Daffue, go-to-market manager at LG Electronics SA, believes fully digital-ready TVs present huge opportunity for the country to migrate from the current analogue format.<sup>150</sup> Daffue explained the digital tuner allows a consumer to pick up SABC channels in high-definition (HD) only by connecting a regular bunny aerial to the TV.<sup>151</sup> "If a regular everyday consumer wanted HD channels they would either get their

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<sup>146</sup> iTWeb, "Has set-top box reached its sell-by date?"

<sup>147</sup> iTWeb, "Has set-top box reached its sell-by date?"

<sup>148</sup> iTWeb, "Has set-top box reached its sell-by date?"

<sup>149</sup> iTWeb, "Has set-top box reached its sell-by date?"

<sup>150</sup> iTWeb, "Has set-top box reached its sell-by date?"

<sup>151</sup> iTWeb, "Has set-top box reached its sell-by date?"

bunny aerial or normal aerial...it is a cost-effective way of giving customers an HD signal without needing a set-top box. Previously, you needed to purchase an STB to get IDTV, but now you don't have to purchase that decoder and a TV. You just need to purchase the TV to get that digital signal," he continued.<sup>152</sup> After failing to meet the 2015 deadline set by the International Telecommunication Union for countries to complete the full switch from analogue to DTT, government is trying to complete the country's digital migration project by June 2019.<sup>153</sup>

In January 2018, Communications Minister Mmamoloko Kubayi-Ngubane said the Ministry has established a Digital Terrestrial Television (DTT) war room to implement the project and meet the international deadline for digital migration.<sup>154</sup> The department will soon announce registration cut-off dates for households to register for set-top box decoders. Set-top box decoders will be necessary to continue watching television when South Africa switches to digital television transmission. Minister Kubayi-Ngubane said the department would be able to deliver on the project on time if given the necessary resources.<sup>155</sup>

## **4. Digital Terrestrial Television (DTT)**

### **4.1 Description**

DTT refers to the terrestrial broadcasting of television in a digital format. South African television is currently broadcast in an analogue format with the country in the process of switching over to DTT.<sup>156</sup> As indicated above, the International Telecommunications Union (ITU) has set June 2019 as a deadline for countries to have implemented digital migration.

### **4.2 Market Outcome**

In February 2018, The Sunday Independent published an article stating that the successful roll-out of the government's Broadcasting Digital Migration (BDM) programme would be beneficial to both consumers and broadcasters.<sup>157</sup> The article maintained that the success of

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<sup>152</sup> iTWeb, "Has set-top box reached its sell-by date?"

<sup>153</sup> iTWeb, "Has set-top box reached its sell-by date?"

<sup>154</sup> BusinessTech, "Government to issue cut-off dates for new digital TV set-top boxes", 23 January 2018, <https://businesstech.co.za/news/media/220689/government-to-issue-cut-off-dates-for-new-digital-tv-set-top-boxes/>, [hereafter BusinessTech, "Government to issue cut-off dates for new digital TV set-top boxes"].

<sup>155</sup> BusinessTech, "Government to issue cut-off dates for new digital TV set-top boxes".

<sup>156</sup> Department of Communications: DTT Project Management Office, South African Government, "What is Digital Terrestrial Television (DTT)?", <https://www.gov.za/faq/migration-digital-tv/what-dtt>.

<sup>157</sup> The Sunday Independent, "We're all going digital, which means more TV channels", by Mmamoloko Kubayi-Ngubane, 25 February 2018, <https://www.iol.co.za/sundayindependent/analysis/were-all-going-digital-which-means-more-tv->

BDM is dependent on the production of quality content, reliable signal distribution and the availability of affordable access equipment, such as digital television and set-top boxes (STBs).<sup>158</sup> Mmamoloko Kubayi-Ngubane, the current Minister of Science and Technology at National Executive (Executive) since 26th February 2018, but who was also accredited for the article, wrote: “Having missed the previous cut-off dates for digital migration as required by the International Telecommunications Union (ITU), South Africa cannot afford to miss the fast-approaching revised cut-off date of June 2019. The migration to a digital platform will not only free the frequency spectrum, which has become a scarce resource, for other wireless services, it will also result in an increased number of TV channels available for audiences. More channels will lead to more competition in the broadcasting market and hopefully the production of creative and quality content that will captivate and stimulate South Africans. The mass roll-out of DTT (digital terrestrial television) is one way to ensure that South Africans have access to a variety of television and radio services, and move towards the modern information society and bridge the digital divide.”<sup>159</sup> ITU commented: “Making radio and television services widely available is important for enhancing national identity, providing an outlet for domestic media content and informing the public about important news. Radio and television programmes are a principal source of news and information for illiterate segments of the population.”<sup>160</sup> Khubayi-Ngubane pointed out that moving from analogue to DTT comes with high costs for the broadcaster; however, these are far outweighed by the financial benefits digital broadcasting will deliver for all players.<sup>161</sup> She continued: “DTT will broaden opportunities for new terrestrial broadcasters to enter the market, enabling competition in the pay TV market. Convergence in information and communication technology (ICT) combined with the decreasing price of data has enabled the advent of over-the-top (OTT) offerings (such as Showmax and Netflix) through the internet. Throughout the world, broadcasting as we know it is changing. Consumers are now able to connect to the internet and watch programmes which they traditionally would have reached through a linear broadcaster. Traditional broadcasters are now under increasing pressure to keep up with these disruptive technologies. Through DTT, traditional broadcasters will have the technological capability to compete with OTT offerings. Implementing a project of this magnitude requires all the relevant stakeholders to work together. The Department of

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channels-13474254, [hereafter The Sunday Independent, “We’re all going digital, which means more TV channels”].

<sup>158</sup> The Sunday Independent, “We’re all going digital, which means more TV channels”.

<sup>159</sup> The Sunday Independent, “We’re all going digital, which means more TV channels”.

<sup>160</sup> The Sunday Independent, “We’re all going digital, which means more TV channels”.

<sup>161</sup> The Sunday Independent, “We’re all going digital, which means more TV channels”.

Communications has established a war room for the facilitation of the mass roll-out of DTT. This war room brings together Sentech (signal distributor), the SA Post Office (registration and distribution of subsidised STBs), Independent Communications Authority of South Africa (Icasa), Universal Service and Access Agency of South Africa and the SABC, co-ordinated by the Department of Communications. All these agencies have an important role to play. In addition, the department has forged partnerships with the private sector, which include broadcasters and mobile network operators, to fast-track the implementation of this programme. There are an estimated 13 million television-owning households in South Africa. There are 7.1million households which earn less than R3200, also referred to as indigent households. Of these 7.1million households, 5million households have TV sets. Those that do not own TV sets either could not afford to buy or they could afford to buy but live in areas where a television signal is not available. The existing government DTT policy makes provision for the subsidisation of the 5million indigent TV-owning households by providing free STBs. It is evident that the remainder of the indigent households need to be catered for in the government programme. It is important to note that digital migration will not only affect the subsidised households, it will affect all TV- owning households. This means that the unsubsidised households have to acquire digital TV equipment before the cut-off date. Because of the Astronomy Geographic Advantage Act of 2007 relating to the Square Kilometre Array (SKA) in the Northern Cape, the first phase of the project was implemented in this province. The installation of STBs for the subsidised market has been completed in the Northern Cape. The next phase of the project is to address the cross-border interference mitigation by deploying STBs and clearing analogue transmissions along the borders. For this reason, Free State and North West are the focus for the next four months. The cut-off date for registration for indigent houses has been set for March 31. Distribution and installation of DTT equipment in these two provinces will be completed by the end of June. Upon completion, the project will then move to inland provinces. We call on all South Africans to work with us in ensuring that the digital migration project becomes a success. Critical to the success of the project is the participation of all South Africans.”<sup>162</sup>

Also in February 2018, Channel24 reported that Pay-TV broadcaster M-Net was switching off its analogue M-Net signal to its M-Net decoders by the end of March.<sup>163</sup> The report said many M-Net subscribers had not yet switched to a specially customised M-Net

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<sup>162</sup> The Sunday Independent, “We’re all going digital, which means more TV channels”.

<sup>163</sup> Channel24, “M-Net is switching off its analogue decoders”, by Thinus Ferreira, 21 February 2018, <https://www.channel24.co.za/TV/News/m-net-is-switching-off-its-analogue-decoders-20180221>, [hereafter Channel24, “M-Net is switching off its analogue decoders”].

GOtv package and a new digital decoder, and these long-time M-Net viewers were going to completely lose their signal in just over a month's time.<sup>164</sup> M-Net indicated that they could no longer continue to keep its obsolete analogue M-Net decoders going and had to switch these subscribers over as part of the overall South African TV industry's change from analogue to digital terrestrial television (DTT), a process called digital migration.<sup>165</sup> However, it had been difficult to get a hold of all of these legacy M-Net analogue subscribers, and M-Net and MultiChoice did not have a ready-made like-for-like package available to switch these subscribers to.<sup>166</sup> The article on Channel24 by Thinus Ferreira said: "MultiChoice South Africa's DTT pay-TV service GOtv doesn't have the premium M-Net channel included, but MultiChoice and M-Net did now create a special M-Net GO package that does have the M-Net channel included and is only available for existing M-Net analogue subscribers. MultiChoice says that it has been talking to our M-Net analogue customers for the last 3 years about digital migration".<sup>167</sup>

In July 2018, Channel24 reported that the South African government planned to cut off the Free State province's analogue TV signals by December, a shock move in the long-stalled digital TV migration process that could leave millions of viewers in TV households without access to basic public broadcasting like the SABC and e.tv.<sup>168</sup> In a statement, the Minister of Communications, Nomvula Mokonyane, said she planned to cut off Free State TV viewers access to analogue TV signals by December and appealed to the people in the province to start applying for the subsidy or purchase the digital-enabled equipment so that they were ready and enjoyed uninterrupted transmission by the December date.<sup>169</sup> As many media outlets have done, Channel24 also pointed out that South Africa is far behind and have missed all deadlines for the completion of the so-called digital migration process – the switch from analogue to digital terrestrial television (DTT) – due to a lack of leadership from the government and constantly changing regulations, broadcasting standard specifications and policies on encryption, as well as drawn-out court-cases, corruption and industry infighting.<sup>170</sup> Thinus Ferreira of Channel24 wrote: "The South African government originally

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<sup>164</sup> Channel24, "M-Net is switching off its analogue decoders".

<sup>165</sup> Channel24, "M-Net is switching off its analogue decoders".

<sup>166</sup> Channel24, "M-Net is switching off its analogue decoders".

<sup>167</sup> Channel24, "M-Net is switching off its analogue decoders".

<sup>168</sup> Channel24, "Government wants to cut off Free State's analogue TV signals by December", by Thinus Ferreira, 11 July 2018, <https://www.channel24.co.za/TV/News/government-wants-to-cut-off-free-states-analogue-tv-signals-by-december-20180711>, [hereafter Channel24, "Government wants to cut off Free State's analogue TV signals by December"].

<sup>169</sup> Channel24, "Government wants to cut off Free State's analogue TV signals by December".

<sup>170</sup> Channel24, "Government wants to cut off Free State's analogue TV signals by December".

promised that, in line with how other countries did it, analogue TV signals would only be switched off once the bulk of existing TV viewers have switched over. The problem is that millions of South African TV households watching analogue TV have not yet made the switch because they don't know what to do or that they need to get a digital decoder or set-top box (STB), where to get it, or can't afford one. The danger in the switch-off of analogue TV signals before viewers have migrated to digital TV, is that it will cut huge swathes of TV households off and out of the TV ratings system, meaning a loss of available audiences for broadcasters like the SABC and e.tv whose advertising income and ad rates are based on audience rating (AR) numbers. Only South African TV households with a household income of less than R3 200 per month qualify to get a free, government-subsidised STB, but people need to register and apply for this at the South African Post Office, along with ID, proof of residence and proof of income. There are however millions of South African households in the country earning more than the R3 200 cut-off, who are still too poor to afford to buy a set-top box costing around R700, just to keep on watching the free TV channels after digital migration that they used to watch before the switch. There are also the TV households who can afford to buy a STB, but who have no clue that they need to get one, what the process entails, or where to buy one and what exactly they need."<sup>171</sup> Mokonyane also announced the members of a newly established Broadcasting Digital Migration Advisory Council with a mandate to help and advise the Minister of Communications about the DTT process.<sup>172</sup> Sentech's Aldred Dreyer has been appointed as the project director of South Africa's digital terrestrial television programme, overseeing a new so-called project management office dedicated to the government's stalled DTT switch-over project.<sup>173</sup> Mokonyane said in a statement: "Key among the council's immediate task is to, in collaboration with the PMO advise the minister on the analogue-switch-over plan, including the countdown to the Free State province switch-off by December 2018 as announced last month and measures to accelerate the uptake of DTT by the citizens."<sup>174</sup> Mokonyane added that "the members of the Advisory Council shall be in office until analogue switch-over has been completed in the country".<sup>175</sup> The Advisory Council is chaired by Nomonde Gongxeka-Seopa, councilor of Icasa.

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<sup>171</sup> Channel24, "Government wants to cut off Free State's analogue TV signals by December".

<sup>172</sup> Channel24, "Government wants to cut off Free State's analogue TV signals by December".

<sup>173</sup> Channel24, "Government wants to cut off Free State's analogue TV signals by December".

<sup>174</sup> Channel24, "Government wants to cut off Free State's analogue TV signals by December".

<sup>175</sup> Channel24, "Government wants to cut off Free State's analogue TV signals by December".

## **B. Subscription Television Products & Internet Content Services Available to South African Consumers**

1. DStv
2. Showmax
3. Netflix
4. StarSat
5. Amazon *Prime Video*
6. black
7. Digital Entertainment on Demand (DEOD)
8. YouTube

### **1. DStv (Digital Satellite Television)**

#### **1.1 Basic Description**

DStv is a Sub-Saharan African direct broadcast satellite service owned by MultiChoice, which in turn forms part of the Naspers group's portfolio of companies.<sup>176</sup> DStv launched in 1995.<sup>177</sup> Today, their channels cover a broad range of content including first run films, documentaries, children's programming, news and key sport, whilst they broadcasts to many countries across Africa.<sup>178</sup> DStv's M-Net and SuperSport channels maintain a strong focus on local content and extensive investments have been made in the creation of content made in Africa for Africa thus showcasing and building local talent.<sup>179</sup> Additionally, specialised content has been acquired to suit the viewing needs of the Indian and Portuguese speaking markets in Africa. DStv features television 148 channels (including numerous customise and many major international network channels).<sup>180</sup>

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<sup>176</sup> BusinessTech, "How much money MultiChoice makes per DStv subscriber?", 23 June 2017, <https://businesstech.co.za/news/media/181289/how-much-money-multichoice-makes-per-dstv-subscriber> [hereafter BusinessTech, "How much money MultiChoice makes per DStv subscriber?"]

<sup>177</sup> BusinessTech, "How much money MultiChoice makes per DStv subscriber?"

<sup>178</sup> BizTech Africa The Voice of Africa's ICT Sector Pan Africa's Business Technology Daily News "About Multichoice", <http://www.biztechafrika.com/press/multichoice/item/multichoice/45/> [hereafter BizTech Africa, "About Multichoice"].

<sup>179</sup> BizTech Africa, "About Multichoice"

<sup>180</sup> 1Life, Prices compared: DSTV vs Netflix & Showmax, 7 August 2018, <https://www.1life.co.za/blog/compare-tv-streaming>.

## Reception Equipment

DStv has their set-top boxes manufactured by domestic company Altech UEC, along with Arris International. The choice of boxes includes a standard box with "XtraView" capabilities, an older personal video recorder, and the newest PVR box known as the Explora.<sup>181</sup> An additional decoder known as the Drifta allows the conversion of a DStv DVB-H signal to another digital device such as a laptop, tablet or smartphone for portable in-home viewing. DStv also offers the mobile app "DStv Now", which allows access to live television, video on demand, set-top box control and PVR scheduling.<sup>182</sup>

## 1.2 Market Outcome

The concept of a paid television network in South Africa was first promoted in the 1980s when Koos Bekker, head of Naspers, approached Times Media, Argus and Perskor – the three biggest media companies at the time.<sup>183</sup> Despite the initial idea for the media giants to jointly own such an undertaking, only Naspers went ahead with it.<sup>184</sup> M-Net, a single-channel service went to air for the first time in October 1986.<sup>185</sup> In 1993 Naspers created Multichoice, a subsidiary company which was to handle the business arm of M-Net, such as decoder sales, subscriber services and account management.<sup>186</sup> Two years later, Multichoice announced that it was launching a new digital, satellite service in South Africa and on 6 October 1995 DStv was officially activated to subscribers. The original selection of channels besides M-Net and SABC included MGM, Turner Classic Movies, TNT, Sci-Fi Universal, SuperSport, ESPN, SelecTV, Travel Channel, KTV, Cartoon Network, BBC World News, CNN International, Sky News, Rhema Network, MTV, VH1 and TV5Monde.<sup>187</sup> The development of DSTV until 2018, includes the following milestones:

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<sup>181</sup> Magazinos, <https://www.magazinos.com/magazinedetail.php?d=DStv> [hereafter Magazinos].

<sup>182</sup> Magazinos.

<sup>183</sup> South African Media, Spotlight on SA Media, Exploring South African Media, "M-Net Where magic lives", by Thomas Rubin, 23 February 2017, [http://www.southafricanmedia.co.za/project\\_tag/multichoice/](http://www.southafricanmedia.co.za/project_tag/multichoice/) [hereafter South African Media, "M-Net Where magic lives"].

<sup>184</sup> South African Media, "M-Net Where magic lives".

<sup>185</sup> South African Media, "M-Net Where magic lives".

<sup>186</sup> Revolv, "DStv".

<sup>187</sup> Revolv, "DStv".

- 2000 – Launch of W4 Eutelsat satellite with Ku-band services to sub-Saharan Africa and the Indian Ocean Islands.<sup>188</sup>
- 2002 – Launch of Interactive Television.<sup>189</sup>
- 2003 – Dual View decoder launched.<sup>190</sup>
- 2005 – The DStv PVR decoder and DStv Compact is launched. DStv Premium subscribers in South Africa cross the 1 million mark.<sup>191</sup>
- 2008 – Launch of DStv's first High Definition decoder the HD PVR, XtraView and the first HD channel, M-Net HD.<sup>192</sup>
- 2010 – DVB over IP (Digital Video Broadcast over Internet Protocol) and DStv on Demand service launched, as well as the HD PVR 2P and M-Net Movies 1 HD.
- 2011 – DStv BoxOffice & DStv Mobile launched.<sup>193</sup>
- 2013 – DStv subscribers across Africa reach 6.7 million, with 4.5 million within South Africa. Explora PVR launched.<sup>194</sup>
- 2017 – DStv subscribers reach 11.9 million, while average revenue per user for personal video recorder (PVR) decoders decline slightly.<sup>195</sup>
- 2018 - DStv reaches 13.5 million customers across Sub-Saharan Africa, with 7 million subscribers alone in South Africa.<sup>196</sup>
- 2018 - DStv PVR decoders reach 1.4 million.<sup>197</sup>

Their recent market performance shows that in 2017 Naspers declared an increasing revenue by 19% year on year to US\$14.6 billion.<sup>198</sup> A BusinessTech report in June of that years stated: “Their video entertainment revenue was flat at \$3.401 billion. According to Naspers their subscriber base grew to 11.9 million households, with 1.5 million subscribers added during the period. Of these, 626,000 were new direct-to-home customers in South

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<sup>188</sup> Multichoice,  
<http://superbrands.s3.amazonaws.com/AAA%20MASTER%202%20PAGE%20PDF%20Case%20Studies/South%20Africa/South%20Africa%20Edition%201/South%20Africa%20Edition%201%20Multichoice.pdf> [hereafter Multichoice]

<sup>189</sup> Multichoice.

<sup>190</sup> Multichoice.

<sup>191</sup> Revolvly, “DStv”].

<sup>192</sup> Revolvly, “DStv”].

<sup>193</sup> Revolvly, “DStv”].

<sup>194</sup> Revolvly, “DStv”].

<sup>195</sup> Revolvly, “DStv”].

<sup>196</sup> Revolvly, “DStv”].

<sup>197</sup> Revolvly, “DStv”].

<sup>198</sup> BusinessTech, “How much money MultiChoice makes per DStv subscriber?”

Africa.”<sup>199</sup> The group specified that their growth was mainly from mid- and lower-end bouquets, with the “change in subscriber mix negatively impacting revenue uplift”.<sup>200</sup> Naspers maintained it achieved satisfactory financial results despite tough conditions in the South African economy. However, a weaker rand resulted in cost inflation and margin pressure, offset by continued focus on cost containment. The group saw its average revenue per user for personal video recorder (PVR) decoders decline slightly in 2017. Naspers’ results also showed growth in video entertainment subscriber numbers, with the company’s South African direct-to-home base up to 6.36 million. There was also an increase in the number of subscribers in sub-Saharan Africa. Subscriber mix figures pointed to a decline in the number of viewers on Premium packages, with the number of subscribers and the percentage of total subscribers on lower-end packages both increasing.<sup>201</sup> In June 2018, however, BusinessTech remarked that Naspers’ video-entertainment business recorded only a modest subscriber growth over the preceding year with the total subscriber base closing at 13.5 million.<sup>202</sup> Nonetheless, this indicated a growth of 1.6 million subscribers or a 13% increase in this division. According to BusinessTech, Naspers thought the macroeconomic environment remained a challenge and business continued to face competition from international players.<sup>203</sup> However, despite the difficult conditions, Naspers held that the segment recorded good growth, adding just over 1 million DTH (direct to home) and 520,000 DTT (digital terrestrial) subscribers, to bring the total base to 13.5 million households across the African continent. South Africa accounts for the bulk of subscribers, having grown its base 9% year on year. The group noted that it added just under 500,000 subscribers locally, approaching a total base of 7 million households. Naspers stated: “The mass market growth trend is continuing. The Premium tier growth is declining, and Compact tier growth is starting to stabilise.”<sup>204</sup> The company added that the average revenue per user (ARPU) remained relatively stable at R344 (compared to R353 in 2017), despite an ongoing

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<sup>199</sup> Their video entertainment revenue was flat at \$3.401 billion. According to Naspers their subscriber base grew to 11.9 million households, with 1.5 million subscribers added during the period. Of these, 626,000 were new direct-to-home customers in South Africa. The group specified that their growth was mainly from mid- and lower-end bouquets, with the “change in subscriber mix negatively impacting revenue

<sup>200</sup> BusinessTech, “How much money MultiChoice makes per DStv subscriber?”

<sup>201</sup> BusinessTech, “How much money MultiChoice makes per DStv subscriber?”

<sup>202</sup> BusinessTech, “Here’s how much money Multichoice makes from each DStv subscriber”, 22 June 2018, <https://businesstech.co.za/news/media/181289/how-much-money-multichoice-makes-per-dstv-subscriber> [hereafter BusinessTech, “Here’s how much money Multichoice makes from each DStv subscriber”].

<sup>203</sup> BusinessTech, “Here’s how much money Multichoice makes from each DStv subscriber”.

<sup>204</sup> BusinessTech, “Here’s how much money Multichoice makes from each DStv subscriber”.

change in subscriber mix. PVRs meanwhile, have increased 9% YoY and the 1.4 million customers at present represent an 81% penetration on Premium and 12% penetration on Compact. This represents strong retention and a boost to ARPU, the group said.<sup>205</sup> Nevertheless, in September 2018 several news outlets such as Independent Online, BusinessTech and Business Day reported that MultiChoice may be forced to cut jobs due to strong competition entering the market.<sup>206</sup> Independent Online wrote that employees at MultiChoice were asked to reapply for their positions with as many as 200 jobs that were potentially affected.<sup>207</sup> A MultiChoice spokesperson was quoted by the Sunday Times as follows: “We are creating a leaner and more agile organisation in order to remain globally competitive.”<sup>208</sup> Independent Online reported that DStv also continued to lose subscribers: “At its year-end in March, MultiChoice said it lost 41 000 Premium subscribers in the period. Lower-tier DStv packages, however, have seen user growth, but unfortunately does not generate enough revenue.”<sup>209</sup> Nick Hedley of the Sunday Times reported on 9 September 2018 that DStv “faces its biggest existential threat since its launch 23 years ago as Netflix, Amazon Prime Video and other streaming giants wade into the local market.”<sup>210</sup> Hedley noted that the new competition, which prompted MultiChoice to launch its own streaming platform, Showmax, in 2015 was taking its toll on DStv’s Premium subscriber base. Hedley wrote: “These are its most important customers as Premium packages deliver higher margins and profits and while the total subscriber base is growing, the growth is coming from far less profitable lower-cost packages. World Wide Worx MD Arthur Goldstuck commented: ‘What the growth masks, although Multichoice has not tried to hide it, is the beginning of the decline in the Premium packages, and that is the writing on the wall of traditional pay-TV... as fibre is being rolled out in SA, people are switching from expensive pay-TV to low-cost

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<sup>205</sup> BusinessTech, “Here’s how much money Multichoice makes from each DStv subscriber”.

<sup>206</sup> Independent Online, “Multichoice may cut jobs – report”, 10 September 2018, <https://www.iol.co.za/business-report/companies/multichoice-may-cut-jobs-report-16975932> [hereafter Independent Online, “Multichoice may cut jobs – report”]; BusinessTech, “MultiChoice eyes job cuts as DStv struggles against Netflix – report”, 9 September 2018, <https://businesstech.co.za/news/internet/270353/multichoice-eyes-job-cuts-as-dstv-struggles-against-netflix-report/> [hereafter “”]; BusinessTech, “MultiChoice eyes job cuts as DStv struggles against Netflix – report”]; Business Day, “Jobs on the line as DStv struggles”, 9 September 2018, <https://www.businesslive.co.za/bt/business-and-economy/2018-09-08-jobs-on-the-line-as-dstv-struggles/> [hereafter Business Day, “Jobs on the line as DStv struggles”].

<sup>207</sup> Independent Online, “MultiChoice may cut jobs – report”.

<sup>208</sup> Sunday Times, “Jobs on the line as DStv struggles”, report by Nick Hedley on 9 September 2018, <https://www.pressreader.com/south-africa/sunday-times/20180909/282505774488252> [hereafter Sunday Times, “Jobs on the line as DStv struggles”].

<sup>209</sup> Independent Online, “MultiChoice may cut jobs – report”; BusinessTech, “MultiChoice eyes job cuts as DStv struggles against Netflix – report”; Business Day, “Jobs on the line as DStv struggles”.

<sup>210</sup> Sunday Times, “Jobs on the line as DStv struggles”.

streaming services.”<sup>211</sup> MultiChoice SA CEO Calvo Mawela told MyBroadband that Netflix “has an unfair advantage over DStv in South Africa, and that a regulatory change is needed to address this problem. He has called for Netflix to pay taxes in South Africa and abide by local broadcast regulations, which DStv is subject to.”<sup>212</sup> About this time, MultiChoice’s parent Naspers also created a new video entertainment unit called Connected Video, which would take on the likes of Netflix.<sup>213</sup> MyBroadband reported that this unit would run the Showmax and DStv Now services in South Africa and would also be responsible for developing new over-the-top services for the MultiChoice group.<sup>214</sup> On 11 September 2018 MyBroadband wrote MultiChoice launched a DStv Now app for LG Smart TVs.<sup>215</sup> The majority of LG TVs from 2017 and 2018 running webOS 3.5 and 4.0 were supported. The announcement followed the recent launch of DStv Now apps for Samsung smart TVs, Apple TV, and Android TV media players. Stuff Tech and Gadgets Demystified explained that in addition to being available on Samsung smart TVs and Android TV boxes, DStv Now could be streamed in HD on Apple TV boxes. As of yet, the app is only available on 4th generation (and newer) Apple TV devices. Writer Marcé Bester advised that those who still had a 3rd generation box, could trade it in, while viewers could watch DStv for free on the app (or web browser) even if they were not a DStv subscriber, granting access to a limited number of local shows and certain sport channels.<sup>216</sup> Bester said: “The most compelling part of combining an Apple TV with the DStv Now app (with the Premium subscription), is that it could double as a secondary decoder when travelling. Which will also enable you to access Dual View.”<sup>217</sup>

Most recently, MyBroadband reported in October 2018 that MultiChoice now openly admits that DStv is under pressure thanks to Netflix’s popularity in South Africa.<sup>218</sup> The

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<sup>211</sup> Arthur Goldstuck, in Sunday Times, “Jobs on the line as DStv struggles”, report by Nick Hedley on 9 September 2018, <https://www.pressreader.com/south-africa/sunday-times/20180909/282505774488252>

<sup>212</sup> BusinessTech, “MultiChoice eyes job cuts as DStv struggles against Netflix – report”.

<sup>213</sup> MyBroadband, “No impact to DStv as MultiChoice looks at transforming business”, 10 September 2018, <https://mybroadband.co.za/news/business/274835-no-impact-to-dstv-as-multichoice-looks-at-transforming-business.html> [hereafter MyBroadband, “No impact to DStv as MultiChoice looks at transforming business”].

<sup>214</sup> MyBroadband, “No impact to DStv as MultiChoice looks at transforming business”.

<sup>215</sup> MyBroadband, “DStv now launches LG smart TV App”, 11 September 2018, <https://mybroadband.co.za/news/technology/275003-dstv-now-launches-lg-smart-tv-app.html>

<sup>216</sup> Stuff Tech and Gadgets. Demystified, “DStv Now now available on Apple TV devices”, written by Marcé Bester, 11 September 2018, <https://stuff.co.za/dstv-now-now-available-on-apple-tv-devices/> [hereafter Stuff Tech and Gadgets. Demystified, “DStv Now now available on Apple TV devices”].

<sup>217</sup> Stuff Tech and Gadgets. Demystified, “DStv Now now available on Apple TV devices”.

<sup>218</sup> MyBroadband, “This graph shows what happened to DStv when Netflix launched in South Africa”, [hereafter MyBroadband, “This graph shows what happened to DStv when Netflix launched in South

article said that Naspers chairman Koos Bekker previously said MultiChoice is struggling against Netflix, which he perceives as a major threat to the company.<sup>219</sup> MultiChoice SA CEO Calvo Mawela again stated that Netflix has an unfair advantage over DStv in South Africa, and that a regulatory change is needed to address this problem.<sup>220</sup> He argued that the current regulatory regime is focused on traditional pay-TV services, and does not look at streaming players like Netflix.<sup>221</sup> MyBroadband wrote that MultiChoice has stated that it estimates Netflix has between 300,000 and 400,000 subscribers in South Africa.<sup>222</sup> Their report read as such: “While estimates and sentiment can provide an indication of what is happening in the local broadcasting market, hard numbers provide a more real picture. The impact of Netflix launching in South Africa, which took place in January 2016, on DStv subscriber numbers is shown when one looks at its Premium user base. In terms of TV series and movies, Netflix offers a product that competes with DStv Premium. DStv Premium, however, offers live news channels and multiple sports channels, which Netflix does not. Any movement on DStv Premium subscriber numbers can therefore be linked to Netflix’s launch in South Africa – as at least a contributing factor. Elements like a stagnant economy and families having to cut back on luxury spending are other factors which could play a role in DStv Premium subscriber movement. What cannot be argued, however, is that since Netflix launched in South Africa, DStv Premium subscriber numbers have dropped.”<sup>223</sup> This is shown in the graph at the end of this “Market Outcome”-section as published on by MyBroadband.<sup>224</sup> MyBroadband’s report continued: “It must be noted that in the build-up to Netflix launching in SA, the service had expanded its catalogue and was spreading to more markets in the Americas, Europe, and Asia. South Africans were already accessing Netflix via VPN services, which may have started impacting DStv subscriber numbers before the official local launch at the start of 2016.”<sup>225</sup>

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Africa”], 15 October 2018, <https://mybroadband.co.za/news/broadcasting/279811-this-graph-shows-what-happened-to-dstv-when-netflix-launched-in-south-africa.html>

<sup>219</sup> MyBroadband, “This graph shows what happened to DStv when Netflix launched in South Africa”

<sup>220</sup> MyBroadband, “This graph shows what happened to DStv when Netflix launched in South Africa”.

<sup>221</sup> MyBroadband, “This graph shows what happened to DStv when Netflix launched in South Africa”.

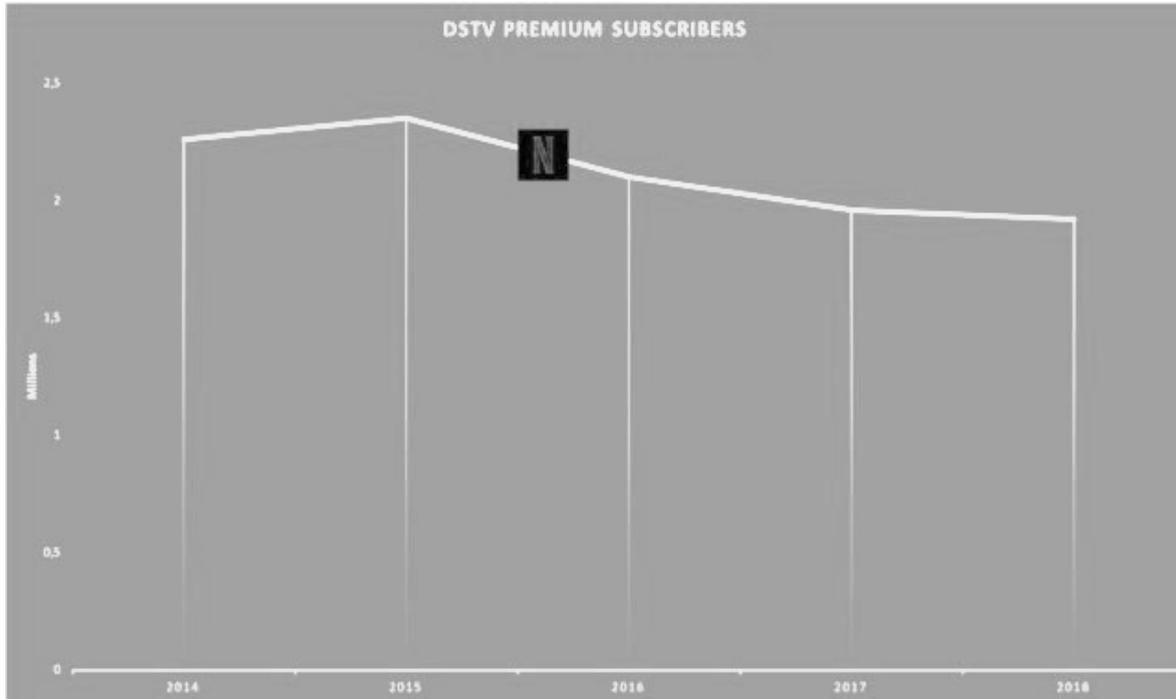
<sup>222</sup> MyBroadband, “This graph shows what happened to DStv when Netflix launched in South Africa”.

<sup>223</sup> MyBroadband, “This graph shows what happened to DStv when Netflix launched in South Africa”.

<sup>224</sup> MyBroadband, “This graph shows what happened to DStv when Netflix launched in South Africa”.

<sup>225</sup> MyBroadband, “This graph shows what happened to DStv when Netflix launched in South Africa”.

In the BRCSA-survey performed in middle 2018, they found that M-Net’s Mzansi Magic is the TV channel that leads the charge on smartphones as the most watched channel on this type of device.<sup>226</sup>



## 2. Showmax

### 2.1 Basic Description

Showmax, a subsidiary of Naspers, is an online subscription video on demand (SVOD) service which launched in South Africa on 19 August 2015 and has expanded to a total of 40 countries on the continent.<sup>227</sup> Showmax is employing a localisation strategy to take on

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<sup>226</sup> Business Insider SA | Tech, “More South Africans say they watch Showmax than Netflix – but SABC1 and YouTube are tops”.

<sup>227</sup> MyBroadband, “Showmax: we’re better than Netflix”, by Jan Vermeulen, 19 August 2015 <https://mybroadband.co.za/news/broadcasting/135750-showmax-were-better-than-netflix.html>; IGN Africa, “Showmax officially launched in South Africa, here are the details”, by Kyle Lautenbach, 21 August 2015, <https://za.ign.com/scitech/93548/news/showmax-officially-launched-in-south-africa-here-are-the-det>; Business Day, “Costly data slows internet TV’s growth in Africa: Naspers’s Showmax,” 9 April 2018, <https://www.businesslive.co.za/bd/companies/2018-04-09-costly-data-slows-internet-tvs-growth-in-africa-naspers-showmax/>

established video-on-demand competitors with a focus on local content and partnerships with mobile telcos.<sup>228</sup>

## 2.2 Reception Equipment

It requires an internet connection, preferably uncapped, according to Stuff.<sup>229</sup> This could take the shape of a dongle from your favourite service provider, an LTE-A modem and account, or ADSL, VDSL or a fibre connection.<sup>230</sup> A fixed line installation needs an ISP (internet service provider). A set-top box - a mini-PC with its own operating system, which can be plugged into any TV that has an HDMI-port - is not necessarily required.<sup>231</sup> A Smart TV, laptop, desktop PC, PlayStation 3 or 4, or an Xbox 360 or Xbox One, smartphone or tablet can be used to install VOD (video-on-demand) app.<sup>232</sup> But, if you do not have one of these devices, or you are looking for something more DStv-esque to help with the transition you can opt for a set-top box.<sup>233</sup>

## 2.3 Market Outcome

In South Africa, Showmax competes with Netflix and Amazon Prime Video. In December 2017, MyBroadband reported that Showmax had shown exceptional growth during 2017, increasing its overall customer base by around 1,000%. This growth was supported by the service being available on more devices, including Xbox One and PS4 consoles as well as the streaming service's improved content offering, which includes the launch of original productions such as iNumber Number (with Mzansi Magic) and Waterfront (with kykNET).<sup>234</sup> The service intended more original programming and more "first and only on Showmax" top series in 2018.<sup>235</sup> However, in April 2018, Business Day published a report that the high cost of data in Africa hampered the take-up of internet TV, even though the number of internet users had grown rapidly and while Showmax was seeing "healthy usage" in SA, the

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<sup>228</sup> Wall Street Journal, "In Africa, a Homegrown Rival Takes On Netflix", by Alexandra Wexler, 24 December 2016, <https://www.wsj.com/articles/in-africa-a-homegrown-rival-takes-on-netflix-1482588003>; Variety, "Africa Offers Big Potential for Streaming Video", by Christopher Vourlias, 14 December 2016, <https://variety.com/2016/digital/news/africa-streaming-video-vod-smartphones-1201941493/>; TechCentral, "Showmax seeking new telco partnerships", 18 January 2017, <https://techcentral.co.za/showmax-seeking-new-telco-partnerships/71215/>.

<sup>229</sup> Stuff, Tech and Gadgets. Demystified. "How to drop DStv and move to Netflix (or Showmax)", <https://stuff.co.za/drop-dstv-move-netflix-showmax/> [hereafter Stuff, Tech and Gadgets. Demystified. "How to drop DStv and move to Netflix (or Showmax)"]

<sup>230</sup> Stuff, Tech and Gadgets. Demystified. "How to drop DStv and move to Netflix (or Showmax)".

<sup>231</sup> Stuff, Tech and Gadgets. Demystified. "How to drop DStv and move to Netflix (or Showmax)".

<sup>232</sup> Stuff, Tech and Gadgets. Demystified. "How to drop DStv and move to Netflix (or Showmax)".

<sup>233</sup> Stuff, Tech and Gadgets. Demystified. "How to drop DStv and move to Netflix (or Showmax)".

<sup>234</sup> MyBroadband, "Showmax's exceptional growth", 12 December 2017, <https://mybroadband.co.za/news/broadcasting/241382-showmaxs-exceptional-growth.html> [hereafter MyBroadband, "Showmax's exceptional growth"].

<sup>235</sup> MyBroadband, "Showmax's exceptional growth".

internet TV business elsewhere in the region was at a nascent stage.<sup>236</sup> Richard Boorman of Naspers commented that data costs in Africa are among the world's highest and the catalyst will be the provision of uncapped mobile data.<sup>237</sup> To this end, Naspers is trying to persuade telecoms operators in Africa to offer customers unlimited data to help boost the growth of internet television on the continent.<sup>238</sup> According to the UN's International Telecommunication Union, the number of internet users in Africa has risen from 15-million in 2005 to 213-million in 2017.<sup>239</sup> A 2016 GMSA (the Global Mobile Operators Association) study also showed that mobile ownership - encompassing both the cost of the phone and of data, voice and messaging services - as a share of monthly income was at 11% in Africa, which was far higher than other regions.<sup>240</sup> Nanjira Sambuli, who leads the World Wide Web Foundation's advocacy efforts to promote digital equality in access to and use of the web, agrees that internet costs are quite prohibitive for unlocking meaningful use in Africa.<sup>241</sup> The foundation's definition of affordable internet is 1GB of data not costing more than 2% of monthly income, the target of which it found in only five of the countries studied.<sup>242</sup> "One gigabyte costs an average of 18% of monthly income," Sambuli said.<sup>243</sup>

### **3. Netflix**

#### **3.1 Basic Description**

Netflix, Inc. is an American over-the-top media services provider, headquartered in Los Gatos, California.<sup>244</sup> Founded in 1997 by Reed Hastings and Marc Randolph in Scotts Valley, California, the company's primary business is its subscription-based streaming service, which offers online streaming of a library of films and television programs including those produced in-house.<sup>245</sup> Netflix's initial business model included DVD sales and rental by

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<sup>236</sup> Business Day, "Costly data slows internet TV's growth in Africa: Naspers's Showmax", 9 April 2018, <https://www.businesslive.co.za/bd/companies/2018-04-09-costly-data-slows-internet-tvs-growth-in-africa-naspers-showmax/>, [hereafter Business Day, "Costly data slows internet TV's growth in Africa: Naspers's Showmax"].

<sup>237</sup> Business Day, "Costly data slows internet TV's growth in Africa: Naspers's Showmax".

<sup>238</sup> Business Day, "Costly data slows internet TV's growth in Africa: Naspers's Showmax".

<sup>239</sup> Business Day, "Costly data slows internet TV's growth in Africa: Naspers's Showmax".

<sup>240</sup> Business Day, "Costly data slows internet TV's growth in Africa: Naspers's Showmax".

<sup>241</sup> Business Day, "Costly data slows internet TV's growth in Africa: Naspers's Showmax".

<sup>242</sup> Business Day, "Costly data slows internet TV's growth in Africa: Naspers's Showmax".

<sup>243</sup> Business Day, "Costly data slows internet TV's growth in Africa: Naspers's Showmax".

<sup>244</sup> The New York Times, "A Stream of Movies, Sort of Free", by David Pogue, 25 January 2007 [hereafter The New York Times, "A Stream of Movies, Sort of Free"] .

<sup>245</sup> The New York Times, "A Stream of Movies, Sort of Free".

mail, although Hastings jettisoned DVD sales about a year after Netflix's founding to focus on the DVD rental business.<sup>246</sup>

### 3.2 Reception Equipment

Viewers need a Netflix app available on many Smart TVs, game consoles, streaming media players, set-top boxes, and Blu-ray players.<sup>247</sup>

### 3.3 Market Outcome

In 2007, Netflix expanded its business with the introduction of streaming media, while retaining the DVD and Blu-ray rental service. The company expanded internationally, with streaming made available to Canada in 2010 and continued growing its streaming service from there.<sup>248</sup> By January 2016, Netflix services operated in over 190 countries – it was made available worldwide except Mainland China, Syria, North Korea and Crimea.<sup>249</sup> Netflix entered the content-production industry in 2012, debuting its first series, Lilyhammer. It has greatly expanded the production of both film and television series since then, offering "Netflix Original" content through its online library of films and television.<sup>250</sup> Netflix released an estimated 126 original series or films in 2016, more than any other network or cable channel.<sup>251</sup> In a letter to shareholders in July 2018, Netflix indicated that they had 130 million total subscribers worldwide, including 57.38 million in the United States.<sup>252</sup> However, their efforts to produce new content, secure the rights for additional content, and diversify through 190 countries have resulted in the company racking up billions in long-term debt: \$21.9 billion as of September 2017, up from \$16.8 billion from the same time the previous year, although only \$6.5 billion of this is long-term debt; the remaining are long-term obligations.<sup>253</sup> At the beginning of 2016 Netflix Inc.'s video-streaming service covered almost the entire globe, including South Africa, but not China, in a huge global push by Chief Executive Officer

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<sup>246</sup> Keating, Gina. *Netflixed: The Epic Battle for America's Eyeballs*. New York: Portfolio/Penguin, 2012, p. 47.

<sup>247</sup> Netflix, "How can I watch Netflix on my TV?", <https://help.netflix.com/en/node/33222>

<sup>248</sup> CBC News, "Netflix launches Canadian movie service". CBC News, archived from the original on February 13, 2016.

<sup>249</sup> The Wall Street Journal, "Netflix Expands to 190 Countries" by Minaya, Ezequiel; Sharma, Amol, archived from the original on February 7, 2016.

<sup>250</sup> USA TODAY, "Netflix chief bulks up on series (600 hours!)". Archived from the original on January 29, 2016. Retrieved February 7, 2016.

<sup>251</sup> The Hollywood Reporter, "The Netflix Backlash: Why Hollywood Fears a Content Monopoly", by Kim Masters, 14 September 2016.

<sup>252</sup> "Netflix Q2 18 Letter to shareholders" (PDF). *Netflix Investor Relations*, July 2018.

<sup>253</sup> The Toronto Star, "Netflix sinking deeper into debt to fuel subscriber growth", by Michael Liedtke, 16 October 2017;

Reed Hastings to counter slowing growth in the United States.<sup>254</sup> In little over two years later, the MyBroadband 2018 DStv and Netflix Survey indicated that South Africans preferred Netflix as their streaming service.<sup>255</sup> The survey was taken by 9,857 MyBroadband readers and forum members. MyBroadband wrote: “The respondents were tech-savvy individuals, meaning the survey results were indicative of what South Africans with a knowledge of the TV and streaming space think. Netflix was the top pick when it came to streaming services, followed by Showmax, and Amazon Prime Video.”<sup>256</sup> The report noted that of those who subscribed to Netflix, 41% had the Premium package, which costs \$11.99 per month and lets users watch on four devices at the same time – all in UHD.<sup>257</sup> 42% of Netflix subscribers were on the Standard package with a cost of \$9.99 per month, goes up to HD resolution and which can be used on two devices at the same time.<sup>258</sup> Netflix subscribers also stated they were happy with the service, with 95% having no plans to cancel their subscription in 2018. Interestingly, the percentage of respondents subscribed to Showmax was higher among DStv subscribers compared to the “all respondents” result.<sup>259</sup> MyBroadband attributed this to MultiChoice bundling Showmax with DStv Premium for free.<sup>260</sup> DStv Compact and Compact Plus users also received a discount for Showmax with their subscription, priced at R49 per month. Showmax’s normal price is R99 per month. 26% of all streaming service subscribers said they watched an average 5-10 hours of content per week, while 19% of respondents said they watched over 20 hours of content per week.<sup>261</sup> In July 2018 The South African compared DStv against Netflix, stating that there is a battle raging in the arena of media services and broadcasting.<sup>262</sup> The author of the article, Luke Daniels, wrote: “Over the last five years, the rules of engagement have changed, leaving traditional television brands, like DStv, rattled and afraid – while new kids on the block, Netflix, are better equipped and more in touch with consumers. In recent months, South African broadcasting giant, MultiChoice,

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<sup>254</sup> Eyewitness News, “Netflix launch in SA”, January 2016, <https://ewn.co.za/2016/01/07/Netflix-goes-global-launches-in-SA-except-China>

<sup>255</sup> MyBroadband, The most popular Netflix package in South Africa, 4 June 2018, <https://mybroadband.co.za/news/it-services/263061-the-most-popular-netflix-package-in-south-africa.html>, [hereafter <sup>255</sup> MyBroadband, The most popular Netflix package in South Africa].

<sup>256</sup> MyBroadband, The most popular Netflix package in South Africa.

<sup>257</sup> MyBroadband, The most popular Netflix package in South Africa.

<sup>258</sup> MyBroadband, The most popular Netflix package in South Africa.

<sup>259</sup> MyBroadband, The most popular Netflix package in South Africa.

<sup>260</sup> MyBroadband, The most popular Netflix package in South Africa.

<sup>261</sup> MyBroadband, The most popular Netflix package in South Africa.

<sup>262</sup> The South African, “DStv vs Netflix: Which is better for the South African viewer? In the battle between two entertainment giants, only one will win. South Africa, who's your money on - DStv or Netflix?”, by Luke Daniels, 16 July 2018, <https://www.thesouthafrican.com/dstv-vs-netflix-which-is-better-for-the-south-african-viewer/>, [hereafter The South African, “DStv vs Netflix: Which is better for the South African viewer?”].

have criticised digital competitors, Netflix, for what they say is an ‘unfair’ advantage in the media market. It’s the DStv death rattle, the last gasps of air, as subscriptions dwindle, and the monopoly begins to crumble. In the past year alone, DStv has lost 100,000 Premium subscribers. While Netflix does not break down its international subscriber numbers by country, Multichoice have estimated the viewership to number between 300,000 and 400,000. Bear in mind, Netflix has only been operating in South Africa for two and a half years.”<sup>263</sup> Daniels also analysed the price difference between Netflix and DStv: “DStv Premium costs R959 per month, which includes installation. Netflix’s UHD Tier costs \$11.99 (about R160) per month. Purely based on the above monthly costs, Netflix leaves DStv in the dust – but it’s not so simple. Digital internet-based services require a fast internet connection, and while it may be true that most middle-to-upper class South Africans have access to fast internet, the same cannot be said about the majority of South Africa. A yearly 10Mbps fibre/ADSL package from Telkom costs R9 684. DStv Premium includes a Showmax subscription, which requires the same internet operating speeds as Netflix, but unlike Netflix, DStv Premium viewers can still access all channels not affiliated to Showmax. Both DStv and Netflix require TV licenses which are calculated at R265 per year.”<sup>264</sup> Daniels went on to assess DStv’s package, writing that their predetermined 24-month contract with a subscription would come to R23 016. They would also need a TV license at R530 and a fast internet connection at R19 368. A two-year subscription would therefore total to R42 914.<sup>265</sup> Applying the same method to Netflix, also basing costs on a 24-month contract, the subscription cost was R3 844.47, plus a TV license of R530 and an ADSL line at R19 368. This would come to R23 742.47 in all.<sup>266</sup> However, Daniels pointed out that although Netflix had far cheaper subscription costs, it could not operate without internet, whereas DStv could operate as ‘standalone’ programming, minus Showmax.<sup>267</sup> Daniels said this was an important consideration as less than half of the South African population have access to the internet.<sup>268</sup> He continued: “Of the 23 million people that do have permanent internet access, a third can only access the internet using their smartphones – not the best platform for Netflix. That leaves Netflix a speculative target market of 15 million people, but how many of those have access to a 10Mbps fibre/ADSL internet package?”<sup>269</sup> He surmised: “It’s these

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<sup>263</sup> The South African, “DStv vs Netflix: Which is better for the South African viewer?”.

<sup>264</sup> The South African, “DStv vs Netflix: Which is better for the South African viewer?”.

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<sup>268</sup> The South African, “DStv vs Netflix: Which is better for the South African viewer?”.

<sup>269</sup> The South African, “DStv vs Netflix: Which is better for the South African viewer?”.

variables which make outright deductions difficult. One thing that is clear, however, is that the more accessible high-speed internet becomes in South Africa, the greater Netflix subscription numbers will grow. This is a fact that has MultiChoice incredibly worried. Affordability may be the greatest persuading factor, but it isn't the only one. Many die-hard DStv subscribers are afraid to make the digital jump to Netflix; because it doesn't offer the key channels and regular local viewing that consumers have become accustomed to."<sup>270</sup> Daniels concluded that local content on channels such as AfricaMagic, Mzansi Magic and kykNET keeps DStv in the running, but their trump card is sport. Daniels: "If Netflix can figure out a way to capture the sports streaming market, with as much scope as DStv, it'll be game-over for South Africa's premiere broadcasting company."<sup>271</sup> In August 2018, BMIT (Technology Industry Research and Advisory Firm) released its Digital Lifestyle Measure (DLM) report, looking at the digital lifestyles of South Africans.<sup>272</sup> Over 1,500 interviews were conducted, with sample weighted against the urban population that have at least cell phone internet access.<sup>273</sup> One of the key focuses of the survey was digital media usage in South Africa.<sup>274</sup> The survey found that the incidence of having DStv at home increases with DLM, from 44% of DLM 1 consumers having DStv at home, up to 63% of DLM 5 consumers having DStv at home.<sup>275</sup> In addition, the type of DStv package a consumer is on is correlated with DLM, with higher DLM 5 consumers being most likely to be on Premium.<sup>276</sup> The survey found that awareness of digital streaming services also increases significantly with DLM.<sup>277</sup> While 45% of DLM 1 consumers are unaware of any digital streaming service, only 3% of DLM 5 consumers have not heard of any of them.<sup>278</sup> 93% of DLM 5 are aware of Showmax, while 90% are aware of Netflix.<sup>279</sup> When comparing the usage of streaming services to DLM, the survey found that among DLM 5 consumers 62% have a Netflix subscription, while 51% have a Showmax subscription.<sup>280</sup> Upper DLM consumers were also much more likely to

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<sup>270</sup> The South African, "DStv vs Netflix: Which is better for the South African viewer?"

<sup>271</sup> The South African, "DStv vs Netflix: Which is better for the South African viewer?"

<sup>272</sup> BusinessTech, "Amazon vs Showmax vs Netflix – these are the streaming options top South African tech people are using", 16 August 2018, <https://businesstech.co.za/news/technology/265337/amazon-vs-showmax-vs-netflix-these-are-the-streaming-options-top-south-african-tech-people-are-using/>, [hereafter BusinessTech, "Amazon vs Showmax vs Netflix"]

<sup>273</sup> BusinessTech, "Amazon vs Showmax vs Netflix".

<sup>274</sup> BusinessTech, "Amazon vs Showmax vs Netflix".

<sup>275</sup> BusinessTech, "Amazon vs Showmax vs Netflix".

<sup>276</sup> BusinessTech, "Amazon vs Showmax vs Netflix".

<sup>277</sup> BusinessTech, "Amazon vs Showmax vs Netflix".

<sup>278</sup> BusinessTech, "Amazon vs Showmax vs Netflix".

<sup>279</sup> BusinessTech, "Amazon vs Showmax vs Netflix".

<sup>280</sup> BusinessTech, "Amazon vs Showmax vs Netflix".

have all types of technology in their home, with 90% of DLM 5 consumers saying they have a home laptop, and 58% saying that they own a Smart TV.<sup>281</sup>

## **4. StarSat**

### **4.1 Basic Description**

StarSat, South Africa is a subsidiary of the Chinese satellite television provider, StarTimes, broadcasting in South Africa since 1 May 2010.<sup>282</sup> StarSat is owned by On Digital Media, who were granted a pay-TV license by ICASA (Independent Communications Authority of South Africa) in September 2007.<sup>283</sup> On Digital Media is 20% owned by TV satellite operator SES and 20% owned by China's StarTimes.<sup>284</sup> StarSat's service is aimed at the LSM 6-9 demographic, targeting middle class viewers. StarSat services are broadcast via satellite, using the SES-5 satellite at the 5° east orbital position, and 3 of the six 36 MHz transponders in the 'Sub Saharan Africa Ku-band' beam providing coverage of the whole sub-Saharan Africa region.<sup>285</sup> Transmissions are in the DVB-S2 MPEG-4 digital TV format with reception using a simple set-top box and with the Combo3 PVR decoder launched in 2011.

### **4.2 Reception Equipment**

Pay-TV operator StarSat launched its first personal video recorder (PVR) capable decoder in South Africa in 2017, making it possible for subscribers to digitally record programmes available on StarSat's TV channels for the first time.<sup>286</sup> The new StarSat Combo 3 decoder, which provided a full HD 1080p signal, was the third decoder for the company in South Africa.<sup>287</sup> Asked why StarSat was introducing a new decoder with a PVR ability, the pay-TV operator said it was "constantly striving to improve its service and commitment to the customer experience, with emphasis on providing the highest possible quality digital

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<sup>281</sup> BusinessTech, "Amazon vs Showmax vs Netflix".

<sup>282</sup> On Digital Media. "TopTV Launch - Rise Up South Africa!", 29 April 2010

<sup>283</sup> De Lanerolle, Indra, "Convergence and regulation in South Africa: in search of a new public interest paradigm". *info*. 13 (3): 47–63, 2011.

<sup>284</sup> City Press, "More delays in store for TopTV as shareholders head to court", 22 October 2013.

<sup>285</sup> SES, "Astra 4A", <https://www.ses.com/our-coverage/satellites/330>

<sup>286</sup> MyBroadband, "StarSat finally launches its first PVR capable decoder in South Africa", 5 June 2017, <https://mybroadband.co.za/forum/threads/starsat-finally-launches-its-first-pvr-capable-decoder-in-south-africa.892180/>, [hereafter MyBroadband, "StarSat finally launches its first PVR capable decoder in South Africa"].

<sup>287</sup> MyBroadband, "StarSat finally launches its first PVR capable decoder in South Africa".

signal".<sup>288</sup> MyBroadband elaborated that the StarSat Combo 3 decoder was so-called as it incorporated 3 abilities: besides being used as a PVR, when a subscriber attached an external hard drive or big enough USB, it combined the features of digital terrestrial television (DTT) and digital satellite direct-to-home (DTH) technologies on the same decoder.<sup>289</sup> This enabled StarSat subscribers to get access to subscription pay-TV channels like the various bouquets offered by StarSat, but also the free-to-air digital TV channel signals that might be available.<sup>290</sup> MyBroadband indicated that while South Africa was lagging far behind with the switch to DTT, a process known as digital migration, and with almost no DTT channels available, StarSat subscribers with the new decoder could now for instance pick up the SABC News (DStv 404) channel as well, which up till then had only been available to DStv satellite viewers.<sup>291</sup> While the SABC News channel was available exclusively to MultiChoice's DStv subscribers as part of a SABC channels deal, SABC News was already being broadcast as a digital terrestrial channel as well, with people who could receive it with a proper DTT set-top box (STB) able to decode the signal like the new StarSat decoder.<sup>292</sup> The RF In and RF Out feature also allowed StarSat subscribers to connect more than one TV set to the Combo 3 decoder.<sup>293</sup>

#### **4.3 Market Outcome**

Until 31 October 2013, StarSat was known as TopTV.<sup>294</sup> About three years earlier, On Digital Media (ODM) unveiled plans to enter SA's pay-TV market, becoming the first company to compete with incumbent operator MultiChoice and its DStv service.<sup>295</sup> It was the only licensee of five operators licensed by the ICASA commercial services to take on the long-standing incumbent, which is owned by JSE-listed Naspers.<sup>296</sup> It was therefore the first company to launch a commercial alternative to the pay-TV operator MultiChoice's DStv. However, in 2012 TopTV was in serious financial difficulty as the Mail & Guardian also

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<sup>288</sup> MyBroadband, "StarSat finally launches its first PVR capable decoder in South Africa".

<sup>289</sup> MyBroadband, "StarSat finally launches its first PVR capable decoder in South Africa".

<sup>290</sup> MyBroadband, "StarSat finally launches its first PVR capable decoder in South Africa".

<sup>291</sup> MyBroadband, "StarSat finally launches its first PVR capable decoder in South Africa".

<sup>292</sup> MyBroadband, "StarSat finally launches its first PVR capable decoder in South Africa".

<sup>293</sup> MyBroadband, "StarSat finally launches its first PVR capable decoder in South Africa", 5 June 2017, <https://mybroadband.co.za/forum/threads/starsat-finally-launches-its-first-pvr-capable-decoder-in-south-africa.892180/>

<sup>294</sup> TVSA, "Goodbye TopTV, Hello StarSat", 31 October 31.

<sup>295</sup> TechCentral, "TopTV: The full list of channels", 18 March 2010, <https://techcentral.co.za/toptv-the-full-list-of-channels/13438/>; Mail & Gaurdian, "TopTV files for business rescue", by Duncan McLeod, 1 November 2012, <https://mg.co.za/article/2012-11-01-toptv-files-for-business-rescue>, [hereafter Mail & Gaurdian, "TopTV files for business rescue"].

<sup>296</sup> Mail & Gaurdian, "TopTV files for business rescue".

reported.<sup>297</sup> The company's management team decided to seek a "business rescue" under section 129 of the new Companies Act.<sup>298</sup> Looking for a business partner, TopTV stated that due to the competitive landscape locally and the legislative requirements that allowed a foreign entity only a 20% share in ownership, the process of finding an appropriate partner had proved challenging for the start-up business."<sup>299</sup> Chinese-based media group StarTimes then took a 20% equity stake in ODM. This enabled ODM to pay off R45 million in debt.<sup>300</sup> In a letter to shareholders, ODM's lawyers - Bowman Gilfillan - wrote that "the early payment of the distribution amount was made possible by the early provision of funds for this purpose, by StarTimes".<sup>301</sup> Management rejected industry pundits' long-held belief that the broadcaster was forced to offer adult content as a means to survive in SA's uncompetitive pay-TV landscape.<sup>302</sup> The Mail & Guardian reported that StarSat offered three pornography channels - Playboy TV, Desire TV and Private Spice - which started airing in November 2012 as a standalone sex TV package, at a subscription fee of R159 per month.<sup>303</sup> However, a court order then granted ICASA an interdict to stop the broadcaster from unveiling its adult channels.<sup>304</sup> In 2015, various media reports announced retrenchments at StarSat. MyBroadband wrote that the pay-TV operator indicated "difficult economic circumstances" were affecting its operations, and various methods to cut costs and increase revenue have been considered.<sup>305</sup> Nonetheless, in 2016 the business rescue process was ended as the company was no longer "financially distressed".<sup>306</sup> Despite its financial situation improving, MyBroadband wrote StarSat was nonetheless still struggling to retain customers and channels.<sup>307</sup> Arthur Goldstuck, founder of World Wide Worx, described StarSat as a "train wreck in slow motion".<sup>308</sup> He said all indications were that its subscriber base "had not recovered significantly after collapsing from around 140,000 in 2012 to around 110,000 in

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<sup>297</sup> Mail & Gaurdian, "TopTV files for business rescue".

<sup>298</sup> Mail & Gaurdian, "TopTV files for business rescue".

<sup>299</sup> Mail & Gaurdian, "TopTV files for business rescue".

<sup>300</sup> Mail & Gaurdian, "TopTV files for business rescue".

<sup>301</sup> Mail & Gaurdian, "TopTV files for business rescue".

<sup>302</sup> Mail & Gaurdian, "TopTV files for business rescue".

<sup>303</sup> Mail & Gaurdian, "TopTV files for business rescue".

<sup>304</sup> iTWeb, "TopTV porn launch halted", by Bonnie Tubbs, 16 January 2012, <https://www.itweb.co.za/content/VgZey7JVYDB7djX9>.

<sup>305</sup> MyBroadband, "StarSat to retrench staff", 20 September 2015, <https://mybroadband.co.za/news/business/139168-starsat-to-retrench-staff.html>.

<sup>306</sup> MyBroadband, "StarSat leaves business rescue, but troubles not over", 21 August 2016, <https://mybroadband.co.za/news/broadcasting/176581-starsat-leaves-business-rescue-but-troubles-not-over.html>, [hereafter MyBroadband, "StarSat leaves business rescue"].

<sup>307</sup> MyBroadband, "StarSat leaves business rescue".

<sup>308</sup> MyBroadband, "StarSat leaves business rescue".

2014”.<sup>309</sup> In July 2017, Thabiso Mochiko of Business Day reported that StarSat aimed to acquire 1-million subscribers by 2020 as it repositioned itself in the highly competitive market dominated by MultiChoice.<sup>310</sup> Their target market was rural and small-town households.<sup>311</sup> Yet, Business Day noted the platform had limited local content, compared to MultiChoice.<sup>312</sup> In 2018, though, Starsat launched the FilmBox Africa HD and FashionBox HD for the South African pay TV market on StarSat’s DTH and OTT platforms with the intent of enhancing the quality and depth of its Pay TV entertainment offer in South Africa.<sup>313</sup> To this end, they cooperated with Serial Peripheral Interface (SPI), a synchronous serial communication interface specification used for short distance communication, primarily in embedded systems.<sup>314</sup> The interface was developed by Motorola in the mid-1980s and had become a de facto standard. Typical applications included Secure Digital cards and liquid crystal displays. Debbie Wu from StarSat said the South African market wanted content that was culturally relevant and entertaining.<sup>315</sup> In July 2018, StarSat added the BRICS TV channel to the pay-TV operator's line-up, which would be covering events, news and showcasing trade opportunities between the five emerging economies group of Brazil, Russia, India, China and South Africa.<sup>316</sup> Besides StarTimes and On Digital Media's (ODM) StarSat, the BRICS channel - in collaboration with Moja Media, StarSat's pan-African Chinese parent group - would also be carried by StarTimes in the rest of South Africa..<sup>317</sup>

## 5. Amazon Prime Video

### 5.1 Basic Description

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<sup>309</sup> MyBroadband, “StarSat leaves business rescue”.

<sup>310</sup> Business Day, “StarSat in push to gain more consumers PayTV services provider eyeing 1-million subscribers in three years as it repositions itself in the highly competitive market”, by Thabiso Mochiko, 12 July 2017, <https://www.businesslive.co.za/bd/companies/2017-07-12-starsat-in-push-to-gain-more-consumers/>, [hereafter <sup>310</sup> Business Day, “StarSat in push to gain more consumers”].

<sup>311</sup> Business Day, “StarSat in push to gain more consumers”.

<sup>312</sup> Business Day, “StarSat in push to gain more consumers”.

<sup>313</sup> Broadband TV News, “Filmbox/SPI channels launch on StarSat”, by Robert Briel, 14 May 2018, <https://www.broadbandtvnews.com/2018/05/14/filmbox-spi-channels-launch-on-starsat/>, [hereafter Broadband TV News, “Filmbox/SPI channels launch on StarSat”].

<sup>314</sup> Broadband TV News, “Filmbox/SPI channels launch on StarSat”.

<sup>315</sup> Broadband TV News, “Filmbox/SPI channels launch on StarSat”.

<sup>316</sup> TV with Tinus, News and Analysis on South African Television, “China's StarTimes and StarSat in South Africa adds the BRICS TV channel as a permanent addition just before the 2018 BRICS summit of the 5 emerging economy nations”, 20 July 2018, <http://teeveetee.blogspot.com/2018/07/chinas-startimes-and-starsat-in-south.html>, [hereafter TV with Tinus, “China's StarTimes and StarSat in South Africa”].

<sup>317</sup> TV with Tinus, “China's StarTimes and StarSat in South Africa”.

In 2016, Amazon launched Prime Video in over 200 countries around the world, including South Africa. MyBroadband wrote that JustWatch, a search engine for video streaming services, estimated Prime Video's launch catalogue in South Africa to be 255 titles strong.<sup>318</sup> This is smaller than the local launch catalogues of ShowMax and Netflix, but Prime Video came in cheaper than its competitors at US\$2.99 per month.<sup>319</sup>

## 5.2 Reception Equipment

Prime Video is available through the viewer's computer web browser as well as hundreds of streaming media devices, including:

- Smart TVs
- Blu-ray players
- Set-top boxes (Roku, Google TV, TiVo, Nvidia Shield)
- Amazon Fire TV
- Fire TV Stick
- Game consoles (PlayStation, Xbox, Wii)
- Android devices (Prime Video app for Android phones and tablets)
- iOS devices (Prime Video app for iPhone, iPad & iPod touch)
- Fire phone
- Fire tablets<sup>320</sup>

## 5.3 Market Outcome

At the end of 2016 Amazon.com took its video-on-demand platform, known as Prime Video, live in 200 countries around the world, including South Africa, according to media sources such as TechCentral.<sup>321</sup> Prices started at just US\$2,99 per month as part of an introductory offer.<sup>322</sup> The introductory price was valid for the first six months, after which membership renews at a price of \$5,99 per month, significant undercutting both Amazon's US rival Netflix and homegrown competitor Showmax. The biggest draw, at least at first, TechCentral said,

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<sup>318</sup> MyBroadband, "Everything you can watch on Amazon Prime Video in South Africa", by Jan Vermeulen, 27 December 2016, <https://mybroadband.co.za/news/broadcasting/192430-everything-you-can-watch-on-amazon-prime-video-in-south-africa.html>, [hereafter MyBroadband, "Everything you can watch on Amazon Prime Video in South Africa".]

<sup>319</sup> MyBroadband, "Everything you can watch on Amazon Prime Video in South Africa".

<sup>320</sup> Amazon. "Help and Customer Service Get Prime Video", <https://www.amazon.com/gp/help/customer/display.html?nodeId=201422820>

<sup>321</sup> TechCentral, "Amazon Prime Video launched in SA".

<sup>322</sup> TechCentral, "Amazon Prime Video launched in SA".

was likely to be The Grand Tour, the new show hosted by former Top Gear presenters Jeremy Clarkson, James May and Richard Hammond.<sup>323</sup> Amazon declared that this was just the beginning as it would continue to add a full line-up of fresh new original programming from some of the world's greatest storytellers and entertainers to Prime Video globally in early 2017.<sup>324</sup> They promised all-new seasons of many critically acclaimed shows such as The Man in the High Castle, Mozart in the Jungle, Hand of God, Red Oaks and more, plus full first seasons of The Grand Tour, Woody Allen's Crisis in Six Scenes, David E Kelley's Goliath featuring Billy Bob Thornton, docuseries American Playboy: The Hugh Hefner Story, Sneaky Pete produced by Bryan Cranston and Graham Yost, Z: The Beginning of Everything starring Christina Ricci, Patriot, The Tick, among other Hollywood movies and TV shows coming soon.<sup>325</sup> Like Showmax and Netflix, the website said the service included offline downloads. There's also a seven-day free trial.<sup>326</sup> In August 2018, the media reported that Amazon was also planning to launch another service, tentatively called Free Dive, that would bring free streaming content to anyone who owned one of its Fire TV sticks.<sup>327</sup> The service would have a selection of back-catalogue shows streaming for free.<sup>328</sup> Boy Genius Report (BGR), a website devoted to bringing exclusive mobile and gadget news, explained that at the time Amazon had 48 million customers who own some kind of Fire TV device, which would give any new streaming service an immediate and big user base. They suggested that if Amazon could license content cheaply and reach a substantial audience, money was to be made.<sup>329</sup> More importantly, it would give Amazon a potent weapon in its ongoing fight with Google to gain control of the smart home. Currently, Google's Chromecast devices are the most serious threat to the Fire TV ecosystem, thanks in no small part to YouTube compatibility.<sup>330</sup> BGR said Fire TV doesn't work with YouTube, which cuts down on the utility and Free Dive could help limit that.<sup>331</sup>

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<sup>323</sup> TechCentral, "Amazon Prime Video launched in SA".

<sup>324</sup> TechCentral, "Amazon Prime Video launched in SA".

<sup>325</sup> TechCentral, "Amazon Prime Video launched in SA".

<sup>326</sup> TechCentral, "Amazon Prime Video launched in SA".

<sup>327</sup> BGR, "Amazon is going to launch a free streaming TV channel for Fire TV owners", Chris Mills, @chrisfmills, 28 August 2018, <https://bgr.com/2018/08/28/amazon-fire-tv-vs-chromecast-netflix-youtube/>, [hereafter BGR, "Amazon is going to launch a free streaming TV channel for Fire TV owners"].

<sup>328</sup> BGR, "Amazon is going to launch a free streaming TV channel for Fire TV owners".

<sup>329</sup> BGR, "Amazon is going to launch a free streaming TV channel for Fire TV owners".

<sup>330</sup> BGR, "Amazon is going to launch a free streaming TV channel for Fire TV owners".

<sup>331</sup> BGR, "Amazon is going to launch a free streaming TV channel for Fire TV owners".

## **6. black**

### **6.1 Basic Description**

At the end of 2017, mobile operator Cell C announced a slew of new data bundles and specials to go along with the launch of its Black streaming service.

### **6.2 Reception Equipment**

C-Fibre with black promotion launched on 1 September 2018.<sup>332</sup> Their website currently states that customers who sign-up for a 20Mbps, 50Mbps or 100Mbps line speed service on any fibre network, will enjoy 3 months free access to their BINGE Premium entertainment package on black, with access to over 60 TV channels, local and international movies, series, music videos, kid's shows, documentaries and much more, plus receive a free black Smart Box.<sup>333</sup> Their C-Fibre Connector deals provide customers with an all-inclusive home connectivity plus on-the-go mobile voice, data and Wi-Fi calling service, for families and SME businesses.<sup>334</sup> Cell C also introduced MediaPlay Fibre, an ultra-fast converged tariff plan, which offers all-in-price access to on-the-go communication, home connectivity and entertainment to watch movies, TV shows, music, sports and news on BINGE Premium entertainment package on black, to uncapped data on fibre, plus mobile data, voice and Wi-Fi calling inclusive benefits.<sup>335</sup>

### **6.3 Market Outcome**

According to the Cell C-website, Cell C black launched with a full 360-entertainment experience from video-on-demand through to live TV streaming, catering for both the local market, and those that enjoy international content.<sup>336</sup> BusinessTech noted in November 2017 that the service would include live streaming of five top European football club channels, and services like gaming, sports betting and ticketing.<sup>337</sup> Subscriptions started at R5 per day and customers could use prepaid airtime (which is a first in South Africa) in addition to debit/credit cards and vouchers to purchase content.<sup>338</sup> Cell C Chief Executive

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<sup>332</sup> Cell C, "Access unlimited entertainment when you're connected to super-fast fibre, <https://www.cellc.co.za/cellc/c-fibre>, [hereafter Cell C, "Access unlimited entertainment"].

<sup>333</sup> Cell C, "Access unlimited entertainment".

<sup>334</sup> Cell C, "Access unlimited entertainment."

<sup>335</sup> Cell C, "Access unlimited entertainment."

<sup>336</sup> Cell C, "Access unlimited entertainment".

<sup>337</sup> BusinessTech, "Cell C launches Black data packages for new mobile streaming service", 15 November 2017 <https://businesstech.co.za/news/mobile/211011/cell-c-launches-black-data-packages-for-new-mobile-streaming-service/>, [hereafter BusinessTech, "Cell C launches Black"].

<sup>338</sup> BusinessTech, "Cell C launches Black".

Officer, Jose Dos Santos said at the time: “The cost of data has often been cited as a barrier to entry for customers wanting to stream or download content using their mobile data. The black data products will address this challenge.”<sup>339</sup> In May 2018, Cell C launched a new promotion for black over a period of three months, which saw users given unlimited data usage on the streaming platform.<sup>340</sup> In an interview with ScreenAfrica in September 2018, Dos Santos highlighted an incredible potential for growth in this sector throughout the African continent.<sup>341</sup> Dos Santos was convinced that “the pricing and flexibility of black [would] change that”.<sup>342</sup> ScreenAfrica wrote that the platform had already seen great uptake in its app-based VOD service, while a set-top box for home TV viewing was also available.<sup>343</sup> The article continued: “Affordable data packages and a premium selection of content are central to the platform’s goals, and black has already established some high-profile content partnerships with major networks and sports organisations.”<sup>344</sup> black’s chief executive of Content, Surie Ramasary indicated their November 2017 agreement with the Fox Networks Group (FNG) of Europe and Africa to launch the FOX+ VOD service in South Africa was a “momentous deal”.<sup>345</sup> However, Deyasha Sukdeo, head of Television Broadcasting at Global Access, a company which uses “television broadcasting, digital signage, web-streaming and other technologies to distribute relevant and impactful content, underscored the importance of technological advancements for success in this industry.<sup>346</sup> Sukdeo acknowledged that although things were improving, she maintained that “data costs remain a big challenge to people viewing on mobile devices. Mobile video content is data hungry, and connectivity isn’t always available, stable and reliable for the viewing experience.”<sup>347</sup> Sukdeo continued that “a shift in mindset, where mobile content consumption is encouraged, has also been beneficial” – and this reveals the key difference of mobile TV as a mode of broadcasting. In contrast to the traditional model, mobile broadcasting has a ‘one-to-one’ style of transmission and a ‘bi-directional’ mode of broadcast, meaning that although users may be restricted by bandwidth

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<sup>339</sup> BusinessTech, “Cell C launches Black”.

<sup>340</sup> MyBroadband, “Cell C launches free unlimited data for Black streaming”, 6 May 2018, [//mybroadband.co.za/news/cellular/258883-cell-c-launches-free-unlimited-data-for-black-streaming.html](https://mybroadband.co.za/news/cellular/258883-cell-c-launches-free-unlimited-data-for-black-streaming.html)

<sup>341</sup> ScreenAfrica, “The rise of mobile TV in South Africa”, by David Cornwell, 4 September 2018, <https://www.screenafrica.com/2018/09/04/digital/business-digital/the-rise-of-mobile-tv-in-south-africa/>, [hereafter ScreenAfrica, “The rise of mobile TV in South Africa”].

<sup>342</sup> ScreenAfrica, “The rise of mobile TV in South Africa”.

<sup>343</sup> ScreenAfrica, “The rise of mobile TV in South Africa”.

<sup>344</sup> ScreenAfrica, “The rise of mobile TV in South Africa”.

<sup>345</sup> ScreenAfrica, “The rise of mobile TV in South Africa”.

<sup>346</sup> ScreenAfrica, “The rise of mobile TV in South Africa”.

<sup>347</sup> ScreenAfrica, “The rise of mobile TV in South Africa”.

or data limitations, they can view content on demand, either by streaming it from the internet server, or downloading it to watch at a later time.<sup>348</sup> She stressed that the importance of this “shift in mindset” cannot be overstated. Around the globe, viewers have responded to this ability to watch not only the content they want to see, but also when and where they want to consume it. A 2015 Nielsen survey estimated that nearly two-thirds of the world’s viewers regularly access some kind of VOD service.<sup>349</sup>

## **7. Digital Entertainment on Demand (DEOD)**

### **7.1 Basic Description**

In May 2017, Discover Digital - a technology business that provides access to end-to-end digital media and fintech technology products - launched DEOD, a new online video service that offers live streaming, on demand content, and movie rentals.<sup>350</sup> Working from the notion that you should not pay for content you do not watch, their website states: “The biggest difference between DEOD and other online entertainment services is the ability to pick and choose what content category you wish to watch or subscribe to, with no obligation to take everything on offer.”<sup>351</sup> DEOD’s on-demand packages span news, sports, entertainment, and several other combinations. Their packages start at R49 and goes up to R189.<sup>352</sup> The company stated that users will soon be able to download content for offline playback, and that scheduled downloads would be available for customers who want to take advantage of off-peak data usage.

### **7.2 Reception Equipment**

Accessible direct to the end consumer DEOD is available on an array of PC Browsers, iOS and Android mobile devices and Chromecast.<sup>353</sup> DEOD has planned future deployments to

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<sup>348</sup> ScreenAfrica, “The rise of mobile TV in South Africa”.

<sup>349</sup> ScreenAfrica, “The rise of mobile TV in South Africa”.

<sup>350</sup> MyBroadband, DEOD TV launched in South Africa – Pricing and package details Jan Vermeulen, 4 May 2017, <https://mybroadband.co.za/news/broadcasting/209246-deod-tv-launched-in-south-africa-pricing-and-package-details.html>; Discover Digital, <http://www.discoverdigital.co.za/about/>, [hereafter MyBroadband, DEOD TV launched in South Africa – Pricing and package details”]; MyBroadband, “DEOD TV in South Africa – The technical details”, Jan Vermeulen, 7 May 2017, <https://mybroadband.co.za/news/broadcasting/209272-deod-tv-in-south-africa-the-technical-details.html>, [hereafter MyBroadband, “DEOD TV in South Africa – The technical details”].

<sup>351</sup> Discover Digital, “DEOD”, <http://www.discoverdigital.co.za/product/deod/> [hereafter Discover Digital, “DEOD”].

<sup>352</sup> Discover Digital, “DEOD”.

<sup>353</sup> Discover Digital, “DEOD”.

enable support for Airplay, Scheduled download and download to own as well as for a comprehensive list of all major smart TV and media player applications.<sup>354</sup>

### **Market Outcome**

DEOD describes itself as the first converged online OTT television service to launch in Africa, offering a mix of On Demand Subscription content, Internet TV Channels and Pay-Per-View Rentals of the latest cinema releases.<sup>355</sup> Established as a Business to Business (B2B) brand and reseller product, DEOD enables local telcos, ISP's, loyalty and hospitality partners the opportunity to offer movies, series, TV Channels and general entertainment to their customers as a valued added service, without incurring the large-scale tech and content capex and operating costs associated with a white-label offering.<sup>356</sup> MyBroadband also noted that DEOD opened its platform to partners – with Sun International the first South African company to climb on board.<sup>357</sup> Discover Digital managing director Stephen Watson said they have also signed up telecommunications partners in Zimbabwe and Zambia, but declined to reveal who the partners are at this stage.<sup>358</sup> However, Watson said that with the help of these partnerships, they have rolled out content delivery infrastructure across sub-Saharan Africa.<sup>359</sup> Its CDN infrastructure in South Africa is hosted in Teraco's data centres and DEOD uses Microsoft PlayReady and Google's Widevine digital rights management technologies to protect content on its platform.<sup>360</sup> MyBroadband relayed that DEOD features more than 16 adaptive bitrate profiles so that videos may be scaled to resolutions as low as 480p on slower Internet connections.<sup>361</sup> The maximum video resolution for streaming on the platform is currently 720p, as 1080p is very bandwidth intensive. However, they do have plans to support higher resolution formats in the future.<sup>362</sup> Only stereo audio is currently supported, and DEOD said audio quality is never degraded over slower connections – only video quality is adjusted automatically.<sup>363</sup> According to the Discovery Digital-website, DEOD includes seven launch subscription packages.<sup>364</sup>

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<sup>354</sup> Discover Digital, "DEOD"; MyBroadband, DEOD TV launched in South Africa – Pricing and package details".

<sup>355</sup> Discover Digital, "DEOD".

<sup>356</sup> Discover Digital, "DEOD".

<sup>357</sup> MyBroadband, "DEOD TV in South Africa – The technical details".

<sup>358</sup> MyBroadband, "DEOD TV in South Africa – The technical details".

<sup>359</sup> MyBroadband, "DEOD TV in South Africa – The technical details".

<sup>360</sup> MyBroadband, "DEOD TV in South Africa – The technical details".

<sup>361</sup> MyBroadband, "DEOD TV in South Africa – The technical details".

<sup>362</sup> MyBroadband, "DEOD TV in South Africa – The technical details".

<sup>363</sup> MyBroadband, "DEOD TV in South Africa – The technical details".

<sup>364</sup> Discover Digital, "DEOD".

## 8. YouTube

### 8.1 Basic Description

YouTube is an American video-sharing website started by Chad Hurley, Steve Chen, and Jawed Karim in 2005. Google bought the site in 2006 for US\$1.65 billion; YouTube now operates as one of Google's subsidiaries.<sup>365</sup> YouTube allows users to upload, view, rate, share, add to favourites, report, comment on videos, and subscribe to other users. Most of the content on YouTube is uploaded by individuals, but media corporations including CBS, the BBC, Vevo, and Hulu offer some of their material via YouTube as part of the YouTube partnership program. According to a Wall Street Journal report in February 2017, there were more than 400 hours of content uploaded to YouTube each minute, and one billion hours of content being watched on YouTube every day.<sup>366</sup> As of August 2018, the website is ranked as the second-most popular site in the world, according to Alexa, an Amazon.com company.<sup>367</sup> On February 28, 2017, YouTube announced the launch of YouTube TV, an over-the-top MVPD-style subscription service that would be available for United States customers.<sup>368</sup> Although not available to South Africans, YouTube carries a massive library of television programme content accessible to the local market.

### 8.2 Reception Equipment

To watch YouTube videos, an up to date browser, operating system, and a good Internet connection is needed, according to YouTube Help.<sup>369</sup> These include the following:

- Most recent version of Google Chrome, Firefox, MS Edge, Safari, or Opera
- Internet connection with 500+ Kbps
- Movies, TV shows, and live events requirements<sup>370</sup>

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<sup>365</sup> NBC News, "Google buys YouTube for \$1.65 billion Search giant's purchase of video sharing service biggest in its history", 10 October 2006, [http://www.nbcnews.com/id/15196982/ns/business-us\\_business/t/google-buys-youtube-billion/](http://www.nbcnews.com/id/15196982/ns/business-us_business/t/google-buys-youtube-billion/).

<sup>366</sup> Wall Street Journal, <https://www.wsj.com/articles/youtube-tops-1-billion-hours-of-video-a-day-on-pace-to-eclipse-tv-1488220851>

<sup>367</sup> Alexa, "[youtube.com Traffic Statistics](https://www.alexa.com/siteinfo/youtube.com)", <https://www.alexa.com/siteinfo/youtube.com>.

<sup>368</sup> CNBC, "YouTube officially launches YouTube TV in select markets", by Julia Boorstin, 5 April 2017, <https://www.cnbc.com/2017/04/05/youtube-officially-launches-youtube-tv-in-select-markets.html>

<sup>369</sup> YouTube Help, "System Requirements", [hereafter YouTube Help, "System Requirements"], <https://support.google.com/youtube/answer/78358?hl=en>.

<sup>370</sup> YouTube Help, "System Requirements".

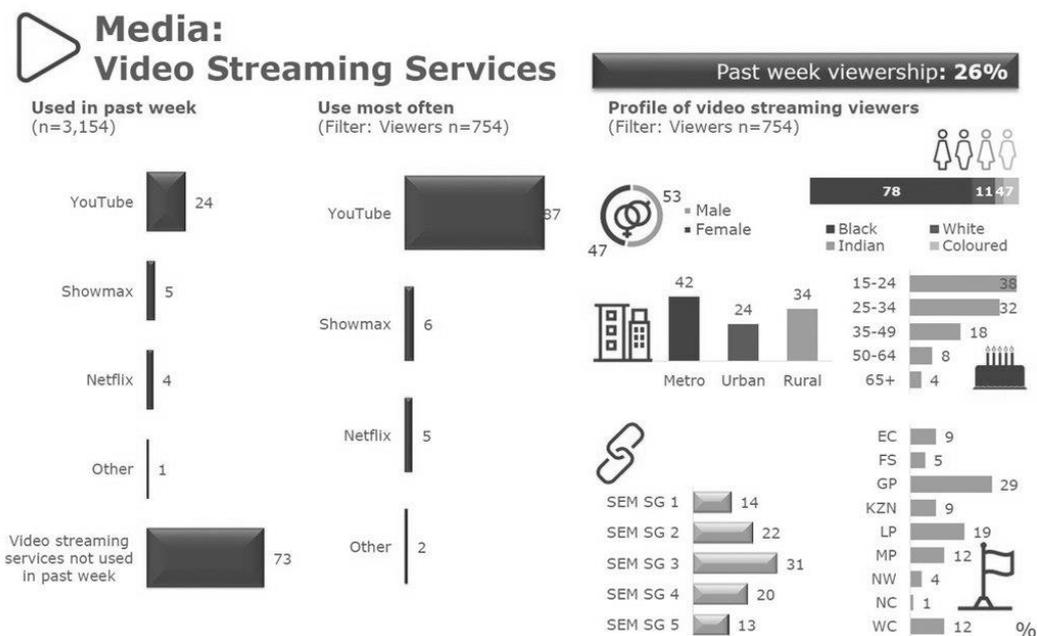
Some premium content on YouTube - like movies, TV shows, and live events - require a faster connection and greater processing power to ensure optimal streaming speeds.<sup>371</sup>

Requirements are:

- Most recent version of Google Chrome, Firefox, MS Edge, or Safari
- Operating system: Windows 7+, Mac OS X 10.7+, or Ubuntu 10+
- Internet connection with 1+ Mbps.<sup>372</sup>

### 8.3 Market Outcome

The survey of 3,154 South Africans by the Broadcast Research Council of South Africa (BRCSA) between January and June 2018, as mentioned earlier in this report, found that YouTube is the top streaming video service in SA by an enormous margin, Business Insider SA reported.<sup>373</sup> Thinus Ferreira of the online business media outlet wrote: “A whopping 87% said they use YouTube most often, followed by 6% for Showmax, 5% for Netflix and 2% for other services, such as Amazon Prime. 24% of users said they’ve used YouTube in the past week; for Showmax that last-week number was 5%, and for Netflix 4%.”<sup>374</sup> Below is a BRCSA-diagram of their findings regarding YouTube.



<sup>371</sup> YouTube Help, “System Requirements”

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<sup>373</sup> Business Insider SA | Tech, “More South Africans say they watch Showmax than Netflix – but SABC1 and YouTube are tops”.

<sup>374</sup> Business Insider SA | Tech, “More South Africans say they watch Showmax than Netflix – but SABC1 and YouTube are tops”.

However, Business Insider pointed out that the survey made clear how small video streaming services are still in South Africa, with 73% of South Africans in the survey saying they have not watched any video streaming content in the past week.<sup>375</sup>

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<sup>375</sup> Business Insider SA | Tech, “More South Africans say they watch Showmax than Netflix – but SABC1 and YouTube are tops”.