

Non-subscription Television Services

Content

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.¹ 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.² 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.³ 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.⁴

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,

¹ 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"].

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

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

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

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.⁵ 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.⁶ It further fosters patriotism and national pride in bringing the nation together.⁷ 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.⁸

- 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".⁹ Coverage via the terrestrial transmitter network covers 82.1% of the viewers.¹⁰ The channel is also available via satellite on the DStv and Vivid DTH digital satellite platforms.¹¹ As indicated earlier, SABC 3's average weekly audience comes to 21.3 million.¹² 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.¹³ The channel broadcasts mainly in English, with African language bulletins provided for in the evening slots.¹⁴ In 2015, the channel became a Pan-African platform which covered the

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

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

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

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

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

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

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

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

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

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

whole of Sub-Saharan Africa with an average weekly audience of 2.3 million viewers.¹⁵ In the same year, SABC Encore was launched on DStv's channel 156.¹⁶ The channel provides quality, memorable retro content for South African viewers.¹⁷ 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.¹⁸ Their average weekly audience reaches 525,000.¹⁹

- DIGITAL MEDIA

According to the SABC's Corporate Plan of 2016/17 to 2018/19, the broadcaster is currently consolidating its digital media strategy.²⁰ The SABC has an active digital media presence on the web, social media, online video, podcasts and streaming media.²¹ 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.²²

- 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.²³

- Podcasts & streaming

All radio stations have live audio streaming via their own websites and the SABC portal.²⁴ Most radio stations also offer podcasts of their most popular shows and SABC News publish hourly news bulletin podcasts.²⁵

- 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*

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

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

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

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

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

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

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

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

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

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

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

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.²⁶

- 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.²⁷

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.²⁸ The SABC says the transformation started with an accelerated shift to mobile technology that provided more one-to-one connections than ever before.²⁹ 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.³⁰

1.1.3. To achieve the above, their strategic objectives and performance indicators for content and platforms are as follows³¹:

Strategic Objective	Performance Indicator	Objective Purpose
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

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

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

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

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

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

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

		(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 workflows 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.³² As such, they say, the focus of the SABC's portfolio on expansion is located in this space.³³ For 2016, the SABC planned two television channels on the DStv bouquet for rollout on DTT.³⁴ 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.³⁵ 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.³⁶ Their aim in 2016 was also to become the first new SABC channel on the DTT bouquet along with SABC Encore.³⁷ 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.³⁸ 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.³⁹ 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.⁴⁰ 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.⁴¹ 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 in villages, towns and cities.⁴² Since the last elections, the SABC has launched a 24 hour

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

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

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

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

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

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

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

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

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

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

⁴² SABC, "Corporate Plan FY2016/17 to FY2018/19".

news channel and this expanded its presence across all platforms.⁴³ 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.⁴⁴

- *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.⁴⁵ 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.⁴⁶ 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.⁴⁷ 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.⁴⁸ 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.⁴⁹ Their aim is to develop the capabilities of individuals and of the country, creating opportunities for all.⁵⁰ 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*.⁵¹ 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.⁵² In the upcoming fiscal, Sport’s role in providing a platform for Indigenous Games will be reinforced.⁵³ More inserts leading up to the Annual Indigenous Games will be featured across the different magazine

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

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

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

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

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

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

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

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

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

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

⁵³ SABC, “Corporate Plan FY2016/17 to FY2018/19”.

shows on Radio and TV.⁵⁴ 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.⁵⁵ 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.⁵⁶ 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.⁵⁷ The SABC is transforming its mainstream services by making its content freely accessible to all South Africans by distributing streaming video over the Internet.⁵⁸ 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.⁵⁹ 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.⁶⁰ 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.⁶¹ 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.⁶² 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.⁶³

▪ *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-Top (OTT) broadcast services.⁶⁴ They maintain these upgrades are imperative for the SABC in order to create a sustainable platform for broadcasting and content distribution in the

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

⁵⁵ SABC, "Corporate Plan FY2016/17 to FY2018/19".

⁵⁶ SABC, "Corporate Plan FY2016/17 to FY2018/19".

⁵⁷ SABC, "Corporate Plan FY2016/17 to FY2018/19".

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

⁵⁹ SABC, "Corporate Plan FY2016/17 to FY2018/19".

⁶⁰ SABC, "Corporate Plan FY2016/17 to FY2018/19".

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

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

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

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

digital age.⁶⁵ 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.⁶⁶ 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.⁶⁷ Continuing to expand the reach of SABC programming through these online channels will be possible when the appropriate technology is in place.⁶⁸ 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.⁶⁹ 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.⁷⁰

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.⁷¹ "In contrast," De Vos added, "public broadcasters elsewhere do not take advertising and, instead, are funded by a licence fee or by taxes."⁷² Since then, De Vos continued, awful management, a bloated cost structure and the dynamics in television have not been in the SABC's favour.⁷³ 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 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%".⁷⁴ 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

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

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

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

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

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

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

⁷¹ 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"].

⁷² Daily Maverick, "SABC Television is unfixable".

⁷³ Daily Maverick, "SABC Television is unfixable".

⁷⁴ Daily Maverick, "SABC Television is unfixable".

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 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.⁷⁵ 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.⁷⁶ 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 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

⁷⁵ Daily Maverick, “SABC Television is unfixable”.

⁷⁶ Daily Maverick, “SABC Television is unfixable”.

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.”⁷⁷

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.⁷⁸ In his early remarks, Grootes acknowledged that the SABC would once again need a bailout from government.⁷⁹ 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.⁸⁰ 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.”⁸¹ The Sunday Times conveyed that the government was planning a R59bn bailout of entities in financial distress, including the SABC.⁸² 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.⁸³ 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.⁸⁴ 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.⁸⁵ There is so much content available that it is entirely possible for families to all be watching different things at the same time on different screens while in the same room.⁸⁶ Yet, Grootes argues, that this adds to the idea of South African society becoming more fragmented by living different lives, and have different interests.⁸⁷ He argues it is key that a diversified nation have a space where they can watch the same content as it creates shared

⁷⁷ Daily Maverick, “SABC Television is unfixable”.

⁷⁸ 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”].

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

⁸⁰ 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>.

⁸¹ 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>.

⁸² 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/>.

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

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

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

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

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

conversations and national unity, which he labels as “South Africanness”.⁸⁸ 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.⁸⁹ He professes his greatest fear for the media is not lack of revenue or censorship, but the splintering of audiences.⁹⁰ 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.”⁹¹ 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.⁹² He says such a forfeiture will render companies catering to those markets unable to reach them.⁹³ 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.”⁹⁴

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.⁹⁵ 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.⁹⁶ As a

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

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

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

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

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

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

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

⁹⁵ Media Club South Africa, “The Media in South Africa”, <http://www.mediaclubsouthafrica.com/culture/36-themedia/mediabg/110-the-media-in-south-africa>.

⁹⁶ 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””, 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”].

free-to-air channel, e.tv's only source of income is advertising revenue.⁹⁷ Launched in 1998, they have approximately 400 employees nationally with offices in Johannesburg, Cape Town, Durban, Port Elizabeth and Bloemfontein.⁹⁸ They say 74% of their employees are black, 43% are women and 5% are disabled.⁹⁹ 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.¹⁰⁰ The channel broadcasts a full-spectrum programming service to 78% of South Africa's population.¹⁰¹ 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.¹⁰² 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.¹⁰³ They added that their channel broadcasts more than 45% South African content.¹⁰⁴ The channel's most popular programmes are wrestling, news, movies and South African drama.¹⁰⁵ They broadcast four hours of prime time South African drama each week.¹⁰⁶ 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.¹⁰⁷ e.news is South Africa's only FTA independent television news service.¹⁰⁸ e.tv broadcasts three English bulletins each night and a daily news and current affairs show, *Morning Edition*, each morning.¹⁰⁹ The channel claims their prime-time flagship current affairs programme, *3rd Degree*, is the most-watched current affairs show in the country.¹¹⁰ Their international programming includes top-class television series and blockbuster movies.¹¹¹ They also state that e.tv was the first channel in South Africa to secure the rights to UEFA Champions League Football.¹¹² Their children's

⁹⁷ Bizcommunity, e Press Office, "About Us".

⁹⁸ Bizcommunity, e Press Office, "About Us".

⁹⁹ Bizcommunity, e Press Office, "About Us".

¹⁰⁰ Bizcommunity, e Press Office, "About Us".

¹⁰¹ Bizcommunity, e Press Office, "About Us".

¹⁰² e.tv., "Who we are", <http://www.etv.co.za/about-us>

¹⁰³ ICASA, "Discussion document: Inquiry into the subscription television broadcasting services – comments by e.tv."

¹⁰⁴ ICASA, "Discussion document: Inquiry into the subscription television broadcasting services – comments by e.tv."

¹⁰⁵ Bizcommunity, e Press Office, "About Us".

¹⁰⁶ Bizcommunity, e Press Office, "About Us".

¹⁰⁷ Bizcommunity, e Press Office, "About Us".

¹⁰⁸ Bizcommunity, e Press Office, "About Us".

¹⁰⁹ Bizcommunity, e Press Office, "About Us".

¹¹⁰ Bizcommunity, e Press Office, "About Us".

¹¹¹ Bizcommunity, e Press Office, "About Us".

¹¹² Bizcommunity, e Press Office, "About Us".

programmes are packaged under the brand name *Craz-e*, a programme aired daily on the channel.¹¹³ e.tv broadcasts 14 hours of children's programming a week, which includes international children's series and eight local series.¹¹⁴

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.¹¹⁵ Revenue had decreased to R2.2 billion from R2.3 billion in 2017.¹¹⁶ Their gross profit of R983 million was also lower than R1.2 billion in the previous year.¹¹⁷ 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.¹¹⁸ Regarding e.tv, their share of the broadcast audience remained under pressure, mostly due to the popularity of local dramas commissioned by the SABC.¹¹⁹ 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."¹²⁰ TechCentral also reported that in commentary to 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

¹¹³ Bizcommunity, e Press Office, "About Us".

¹¹⁴ Bizcommunity, e Press Office, "About Us".

¹¹⁵ 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/>

¹¹⁶ Independent Online, Business Report, "e.tv's owner has lost R1.5 billion".

¹¹⁷ Independent Online, Business Report, "e.tv's owner has lost R1.5 billion".

¹¹⁸ Independent Online, Business Report, "e.tv's owner has lost R1.5 billion".

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

¹²⁰ Hoskin Consolidated Investment Limited, "Integrated Annual Report 2018", 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-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"].

advertising income with sales amounting to just under R1.6bn.¹²¹ 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”.¹²² 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.¹²³ eMedia said the operating loss of Openview amounted to R366.6 million, down from R394.5 million in 2017.¹²⁴ 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.¹²⁵ 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.¹²⁶ 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.¹²⁷ The company also announced that an Afrikaans block of programming, including news and current affairs, would be launched.¹²⁸ 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’”¹²⁹.

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.¹³⁰ 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

¹²¹ TechCentral, “e.tv parent swings deep into the red with R1.6bn loss”.

¹²² TechCentral, “e.tv parent swings deep into the red with R1.6bn loss”.

¹²³ Independent Online, Business Report, “e.tv’s owner has lost R1.5 billion”.

¹²⁴ Independent Online, Business Report, “e.tv’s owner has lost R1.5 billion”.

¹²⁵ Independent Online, Business Report, “e.tv’s owner has lost R1.5 billion”.

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

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

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

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

¹³⁰ "A-Z of Satellite TV: F" What Satellite & Digital TV", October 2012 p. 37.

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.¹³¹ 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 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

¹³¹ 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”].

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 Nagravisio as the vendor. It already uses Nagravisio 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.'"¹³²

In July 2018, iTWeb posed the question as to whether set-top box had reached its sell-by date?¹³³ 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.¹³⁴ 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 500.¹³⁵ 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.¹³⁶ 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 200.¹³⁷ The STBs are required to convert digital broadcasting signals on analogue TV sets.¹³⁸ 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

¹³² Satcom, "SA's unfolding digital TV nightmare".

¹³³ iTWeb, "Has set-top box reached its sell-by date?", by Simnikiwe Mzekandaba, 16 July 2018, www.itweb.co.za/content/G98Yd7LxOPj, [hereafter iTWeb, "Has set-top box reached its sell-by date?"].

¹³⁴ iTWeb, "Has set-top box reached its sell-by date?".

¹³⁵ iTWeb, "Has set-top box reached its sell-by date?".

¹³⁶ iTWeb, "Has set-top box reached its sell-by date?".

¹³⁷ iTWeb, "Has set-top box reached its sell-by date?".

¹³⁸ iTWeb, "Has set-top box reached its sell-by date?".

possible changes in the country's route towards digital.¹³⁹ 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."¹⁴⁰ 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, 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."¹⁴¹ 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

¹³⁹ iTWeb, "Has set-top box reached its sell-by date?"

¹⁴⁰ iTWeb, "Has set-top box reached its sell-by date?"

¹⁴¹ iTWeb, "Has set-top box reached its sell-by date?"

readily available in the retail market.¹⁴² "What we have been missing," he said, "in the value chain for migration from analogue to digital has been products for the retail market."¹⁴³ 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.¹⁴⁴ 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.¹⁴⁵ 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.¹⁴⁶ "If a regular everyday consumer wanted HD channels they would either get their 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.¹⁴⁷ 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 2019.¹⁴⁸

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.¹⁴⁹ 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.¹⁵⁰

4. Digital Terrestrial Television (DTT)

4.1 Description

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

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

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

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

¹⁴⁶ iTWeb, "Has set-top box reached its sell-by date?".

¹⁴⁷ iTWeb, "Has set-top box reached its sell-by date?".

¹⁴⁸ iTWeb, "Has set-top box reached its sell-by date?".

¹⁴⁹ 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"].

¹⁵⁰ BusinessTech, "Government to issue cut-off dates for new digital TV set-top boxes".

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.¹⁵¹ 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.¹⁵² The article maintained that the success of 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).¹⁵³ 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."¹⁵⁴ 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."¹⁵⁵ Khubayi-Ngubane pointed out that moving from analogue to DTT comes with high costs for the broadcaster; however, these are far outweighed by the

¹⁵¹ 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>.

¹⁵² 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-channels-13474254>, [hereafter The Sunday Independent, "We're all going digital, which means more TV channels"].

¹⁵³ The Sunday Independent, "We're all going digital, which means more TV channels".

¹⁵⁴ The Sunday Independent, "We're all going digital, which means more TV channels".

¹⁵⁵ The Sunday Independent, "We're all going digital, which means more TV channels".

financial benefits digital broadcasting will deliver for all players.¹⁵⁶ 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 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

¹⁵⁶ The Sunday Independent, “We’re all going digital, which means more TV channels”.

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.”¹⁵⁷

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.¹⁵⁸ The report said many M-Net subscribers had not yet switched to a specially customised M-Net 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.¹⁵⁹ 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.¹⁶⁰ 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.¹⁶¹ 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”.¹⁶²

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.¹⁶³ 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

¹⁵⁷ The Sunday Independent, “We're all going digital, which means more TV channels”.

¹⁵⁸ 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”].

¹⁵⁹ Channel24, “M-Net is switching off its analogue decoders”.

¹⁶⁰ Channel24, “M-Net is switching off its analogue decoders”.

¹⁶¹ Channel24, “M-Net is switching off its analogue decoders”.

¹⁶² Channel24, “M-Net is switching off its analogue decoders”.

¹⁶³ 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”].

they were ready and enjoyed uninterrupted transmission by the December date.¹⁶⁴ 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.¹⁶⁵ Thinus Ferreira of Channel24 wrote: “The South African government originally 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.”¹⁶⁶ 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.¹⁶⁷ 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.¹⁶⁸ 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

¹⁶⁴ Channel24, “Government wants to cut off Free State's analogue TV signals by December”.

¹⁶⁵ Channel24, “Government wants to cut off Free State's analogue TV signals by December”.

¹⁶⁶ Channel24, “Government wants to cut off Free State's analogue TV signals by December”.

¹⁶⁷ Channel24, “Government wants to cut off Free State's analogue TV signals by December”.

¹⁶⁸ Channel24, “Government wants to cut off Free State's analogue TV signals by December”.

accelerate the uptake of DTT by the citizens."¹⁶⁹ Mokonyane added that "the members of the Advisory Council shall be in office until analogue switch-over has been completed in the country".¹⁷⁰ The Advisory Council is chaired by Nomonde Gongxeka-Seopa, councilor of Icasa.

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

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