National Association of Broadcasters

STATE OF THE BROADCASTING INDUSTRY REPORT

2015 – 2018

(SECOND EDITION)

25 YEARS OF FREEDOM IN BROADCASTING

Research contributed by pwc

August 2019

About the NAB

The NAB is a voluntary association that was formed in 1993 to foster and promote the development of a sustainable and robust broadcasting system in South Africa.

It established the Broadcasting Complaints Commission of South Africa and supports the principles of democracy, freedom of expression and the diversity of voices.

As the leading representative of South Africa's regulated broadcasting industry, the NAB has over the last 25 years responded to policy and regulatory processes toward an enabling environment that strengthens the industry.

The NAB is funded entirely by its members and delivers on a broad range of needs for a vibrant and viable industry.

Advocacy | Innovation | Knowledge

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FROM THE CHAIRPERSON'S DESK

August 2019

It gives me great pleasure to present, on behalf of the members of the National Association of Broadcasters (NAB), the second edition of the NAB Report on the State of the Broadcasting Industry in South Africa.

Our first report was presented in 2014 as our country celebrated 20 years of democracy. We thought it timely and appropriate to develop a second edition of our report to track developments in the broadcasting sector as this year, 2019, we mark both 25 years of democracy and 25 years of independent regulation of the sector.

Since its inception almost 27 years ago, the NAB has emerged as the voice of South African broadcasters. This is reflected in the positive engagement across government and key industry stakeholders and in the wide range of policy and regulatory submissions made. It is also reflected in the membership of the organisation which has grown steadily and includes:

- The 3 television services and 19 radio services of the SABC;
- Licensed commercial radio broadcasters, including media groups: Primedia, Kagiso Media, MRC Management/Tsiya, AME and MSG Afrika, as well as Kaya FM, Smile FM, Classic FM, NWFM and YFM;
- All licensed commercial television broadcasters - e.tv, MultiChoice, M-Net, StarSat;
- A host of community radio broadcasters and a community TV service, Faith Broadcasting Terrestrial;
- Both the licensed broadcast signal distributors and the selective and preferential broadcast signal distributors, Sentech and Orbicom; and
- Associate members - The Media Connection, Mediamark, Association of Christian Media, DStv Media Sales, NEMISA, Telemedia, Globecast, LM Radio, United Stations and MDDA

NAB members wanted to reflect on industry progress since 2014 whilst considering key issues facing this regulated sector in an age of digital disruption and governments' championing of the Fourth Industrial Revolution (4IR). We commissioned PwC to compile data supplied by our members to assist in developing this second edition of the NAB report.

When reading this report, please bear in mind that it makes no claim to be a definitive study of every aspect of the broadcasting industry in South Africa – the report builds on the 2014 baseline data as collected from the membership of the NAB. The intention is that this report (as well as the 2014 edition) will be used as a critical resource through which the progress of the broadcasting sector can be tracked.

Notwithstanding the many challenges in the sector, we are very proud of what has been achieved by the broadcasting sector over the past 25 years. The democratisation of broadcasting has enabled the public to enjoy and engage with more services, channels and programmes, in more languages and more genres than ever before. Overall, the story of broadcasting in our democracy is a good one.

My thanks to the NAB members who contributed to this report and to the PwC and NAB team for their tireless work on this project.

Philly Moilwa

CHAIRPERSON

FOREWORD

In 2014 the NAB developed its first State of the Broadcasting Industry Report. At the time, a National Integrated ICT policy review process was unfolding and then State President Jacob Zuma split the government Department of Communications (DoC) into two ministries, namely the Department of Telecommunications and Postal Services (DTPS) and the DoC.

Toward the end of 2018, State President Cyril Ramaphosa announced that the two departments would be reintegrated and a new department would be established post the 2019 national elections. It is expected that this new department in the 6th administration of government, will usher in a new dispensation that includes the digital economy.

The NAB participated in the previous administration's National Integrated ICT Policy Review process. The review initially included broadcasting issues; however, as a result of the creation of a 'new' DoC and DTPS, the ICT White Paper, as published in 2016, (under the DTPS), excluded broadcasting matters. Attempts were made by various DoC ministers between 2014 and 2018 to progress a broadcasting policy review - this was referred to in government documents as an 'Audio-visual White Paper'. The NAB participated in all iterations of this process, including an industry-wide engagement on the future of the public broadcaster during the last quarter of 2018. However, at the time of completing this report, a holistic broadcasting policy review remained uncertain.

In addition to growing policy uncertainty, the broadcasting sector finds itself competing with unregulated content platforms and services. There is also growing concern about whether the analogue switch-off (ASO) date of July 2020 will be met, as television broadcasters are yet to migrate off the 700 and 800 MHz bands for the digital dividend to be realised.

In the intervening years between 2014 and 2018, the DoC focused primarily on the public broadcaster's funding and governance, whilst the regulator, ICASA, prioritised a review of community broadcasting regulations and instituted a public process to assess the state of competition in the subscription broadcasting market. ICASA renewed commercial and community radio licences and is in the process of reviewing the sports broadcasting regulations. Notwithstanding multiple delays regarding the digital terrestrial television migration project, ICASA licensed a commercial television broadcaster for Mux 3 on the digital multiplex.

Government recently established a Presidential Commission on the Fourth Industrial Revolution (4IR) and the sector regulator, ICASA, established a 5G Forum to begin to develop input into ITU standards on 5G. The 4IR and 5G initiatives are aimed at economic growth and will require clear policies on future spectrum usage.

The NAB consistently makes contributions to policy development and regulation making processes toward a sustainable, vibrant and diverse industry. Regrettably, there has been a lack of policy harmonisation across government departments and the NAB had to petition the State President on the Department of Trade and Industry's Copyright Amendment Bill - given the dire impact of this Bill on the future viability of the broadcasting sector. The NAB also participated in the amendment process of the Films and Publications Amendment Bill regarding content classification. Having spearheaded self-regulation through the Broadcasting Complaints Commission of South Africa (BCCSA) - 27 years ago, the NAB members are at the forefront of innovation in protecting children from harmful content and using digital technologies in both radio and television to that end.

Despite the last 5 years of policy uncertainty, the slow pace of enabling regulations and disruptive content platforms making inroads into the broader media and ICT ecosystem, there have been impressive strides by the NAB members, who collectively make up the bulk of the public and commercial broadcasting sector in South Africa. They are also substantial revenue contributors to the Media Development and Diversity Agency

(MDDA), which in turn funds community and small commercial media. NAB members have also led the sector in trialling digital audio services and are supportive of robust policy and regulatory processes toward future digital audio licensing.

With the support of PwC, the growth and development of the sector since 2014 are unpacked in this report. It provides clear indicators of the contribution made by broadcasters to the economy through job creation, local content creation and investment in infrastructure. It presents reliable data to inform and shape future broadcasting policy and identifies gaps for ongoing industry research.

This second edition of the NAB State of the Broadcasting Industry Report is the culmination of a detailed survey engagement with the NAB membership, without whom this report would not have been possible. My heartfelt thanks to all members for their participation and support. Gratitude also to Charles Stuart and Graham Hyslop from PwC, as well as the MDDA for printing this report.

As we celebrate 25 years of independent broadcasting, we look forward to an equitable and fair regulatory environment that fosters regulatory parity to enable both traditional and new content providers to thrive - and to ensure the continued viability of South Africa's unique local broadcasting industry.

Nadia Bulbulia

EXECUTIVE DIRECTOR

Looking back

Approach and methodology

Information in respect of the 2015, 2016, 2017 and 2018 years was obtained by sending out surveys requesting information from NAB members who are licensed broadcasters and included signal distributors. The surveys covered the following areas:

- Content (including amount of local content, independently produced content and the languages in which content is broadcast);
- Revenue – advertising (excluding discounts and agency commission) and subscription revenue, as well as the time of day when advertising revenue is highest;
- Contributions (in the form of corporate and employee taxes, licence fees, levies, etc);
- Employment levels (permanent and temporary, including number of employees who are persons with disabilities);
- Levels of investment;
- Social contributions (number and value of corporate social responsibility (CSR) projects);
- Ownership; and
- Growth drivers and inhibitors.

The survey responses received were then aggregated and summarised to obtain the information contained in this section of the report. Overall 48 responses were received – 5 from TV, 39 from radio and 3 from signal distributors. We are pleased to have received data on community broadcasting from The Media Connection and the MDDA.

Many thanks to the following respondents who participated in the survey:

TV Respondents	Radio Respondents		Signal Distributors and Associates Respondents
1. e.tv	1. 947	21. Motsweding FM	1. Sentech
2. MultiChoice & M-Net	2. 702	22. Munghana Lonene FM	2. Globecast
3. SABC	3. 5 FM	23. OFM	3. Orbicom
4. StarSat	4. Algoa FM	24. Phalaphala FM	4. The Media Connection
5. Faith Broadcasting Terrestrial	5. CapeTalk 567	25. Power 98.7	
	6. Capricorn FM	26. Radio 2000	
	7. Channel Africa	27. Radio Islam	
	8. Classic FM	28. Radio Laeveld	
	9. East Coast Radio	29. Radio Pulpit	
	10. Gagasi FM	30. RSG FM	
	11. Good Hope FM	31. SA FM	
	12. Heart FM	32. Smile FM	
	13. Ikwekwezi FM	33. Thobela FM	
	14. 94.2 Jacaranda FM	34. Tru FM	
	15. Kaya FM	35. Ukhozi FM	
	16. KFM 94.5	36. Umhlobo Wenene	
	17. Lesedi FM	37. Voice of the Cape	
	18. Ligwalagwala FM	38. XK FM	
	19. Lotus FM	39. YFM	
	20. Metro FM		

Please note:

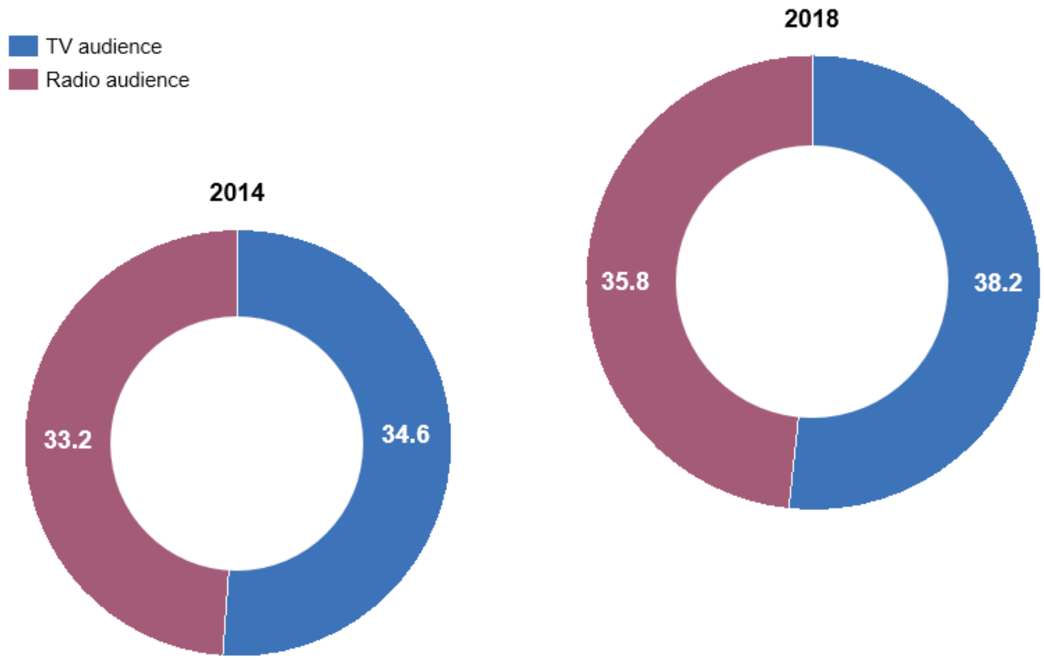
- *The 2015 - 2018 figures are based on annual figures as reported by the broadcasters and are not adjusted to align with a calendar year. 2018 figures may contain both actual and forecast or extrapolated information based on how respondents chose to submit the information and whether final 2018 figures were available from respondents at the time of the survey request being submitted.*
- *Revenue for signal distributors has not been included as this does not fall within the categories of advertising, subscription or licence fee revenue. Signal distributors' information with respect to contributions, employment, investment and corporate social responsibility is included in the survey results relating to those categories.*
- *Information provided by respondents has not made it possible to split the analysis to a level below radio and TV on an overall basis.*
- *Results with respect to employment levels, investment, CSR initiatives and ownership have been presented on an overall basis from a broadcast industry perspective.*
- *The figures presented within the commentary that follows reflect the information provided by the aforementioned respondents. Whilst the participants do include the major players within the broadcasting industry, there are more participants who did not respond and hence the overall actual figures of the broadcasting industry as a whole will be higher than those presented. No extrapolation of figures to the total population has been made.*

A shifting and dynamic industry – the journey from 2015 to 2018

Our 2014 State of the Broadcasting Industry Report looked back on 20 years of independent broadcasting, since the dawn of democracy in 1994. In this period, the SABC and M-Net were the only licensed television (TV) operators, offering 5 channels to an audience of around 14 million people. Thirty-two commercial and public service broadcast radio stations broadcast to a combined audience of almost 20 million people.

From 1994 to 2014 the broadcast industry grew significantly in both size and diversity: in 2014, 10[1] active TV operators, which included e.tv, DStv and StarSat (formerly TopTV), delivered more than 170 channels to a weekly audience of around 34.6 million people. Additionally, 33.2 million people a week tuned into 250 commercial, public service broadcast and community radio stations. The significant growth in channel offerings began in October 1995 when DStv was launched. Additionally, significant listener and station growth in radio was primarily driven by the licensing of a new segment of community broadcasters that sought to diversify the airwaves and promote community development and engagement through radio (the majority of whom are members of the National Community Radio Forum).[2]

Total Audience (millions)[3]

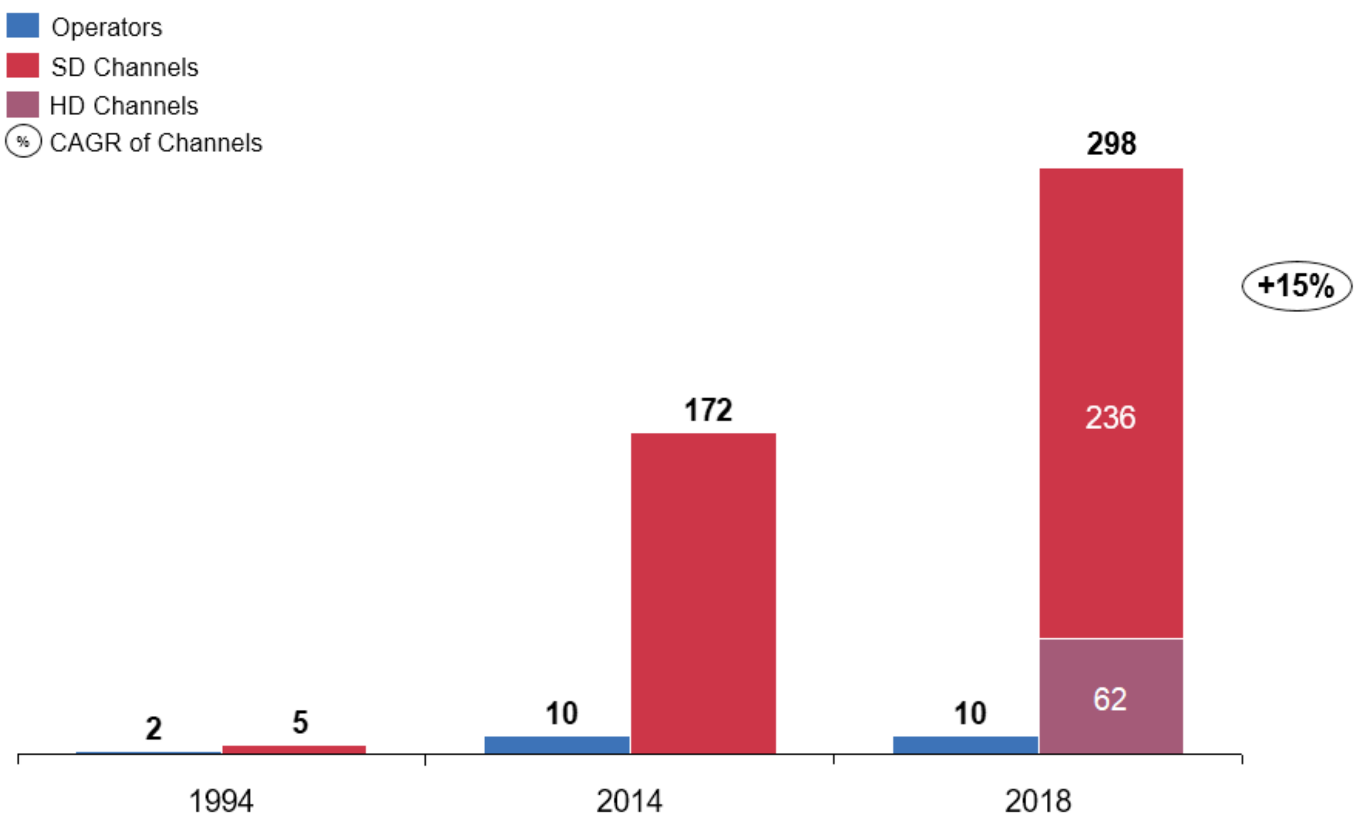


In the past 4 years, audience numbers have shown steady growth in both radio and TV[4]. TV audiences grew at a 2.5% compound annual growth rate (CAGR) – driving the increase to 38.2 million weekly viewers.[5]
Radio saw slightly slower growth at a 1.9% CAGR to reach 35.8 million weekly listeners.

1. *StarSat, Deukom, MultiChoice, SABC, e.tv (including OpenView), 1 KZN TV, Cape Community Television, Soweto Community Television, Trinity Broadcasting Network and Tshwane Community Television*
2. *http://www.thejournalist.org.za/the-craft/expanding-the-airwaves*
3. *2014 audience figures are sourced from AMPS data based on surveys conducted by SAARF. BRC audience figures for 2018 are based on an expanded and more representative sample based on the Establishment Survey conducted by the BRC.*
4. *Broadcast Research Council of South Africa BRC RAM and SEM - February 2019 Release*
5. *Broadcast Research Council of South Africa BRC TAMS Update October 2018*

In the TV space, South Africa, in 2018, had 3 commercial subscription licensed television operators (StarSat, Deukom and MultiChoice), 2 Free-to-air (FTA) operators (SABC and e.tv) and 5 community television broadcasters, (1 KZN TV, Cape Community Television, Soweto Community Television, Faith Broadcasting Terrestrial (former TBN) and Tshwane Community Television), who collectively offer 62 high definition (HD) channels and over 236 standard definition (SD) channels[6] to an audience of 38.2 million people. Of the 14.4 million TV households in the country, 55% are analogue FTA viewers, with the remainder being satellite based.[7]

Active Television Operators and Channels



On the radio front, high quality and varied content across the airwaves and the rise of community radio stations are keeping listeners engaged, with average daily listening time at 3h36 in 2018.[8] Twenty-four commercial stations (21 private and 3 SABC public/commercial), 16 SABC public service broadcasting stations (including Channel Africa) and 264 community stations[9] are attracting a weekly audience of almost 36 million people, tuning in via a variety of devices:[10]

6. *ICASA*
7. *Broadcast Research Council of South Africa BRC TAMS Update October 2018*
8. *Broadcast Research Council of South Africa BRC RAM and SEM - February 2019 Release*
9. *ICASA*
10. *Broadcast Research Council of South Africa BRC TAMS Update October 2018. The majority of cellphone listeners make use of AM/FM compatible devices rather than streaming services*

How listeners access content

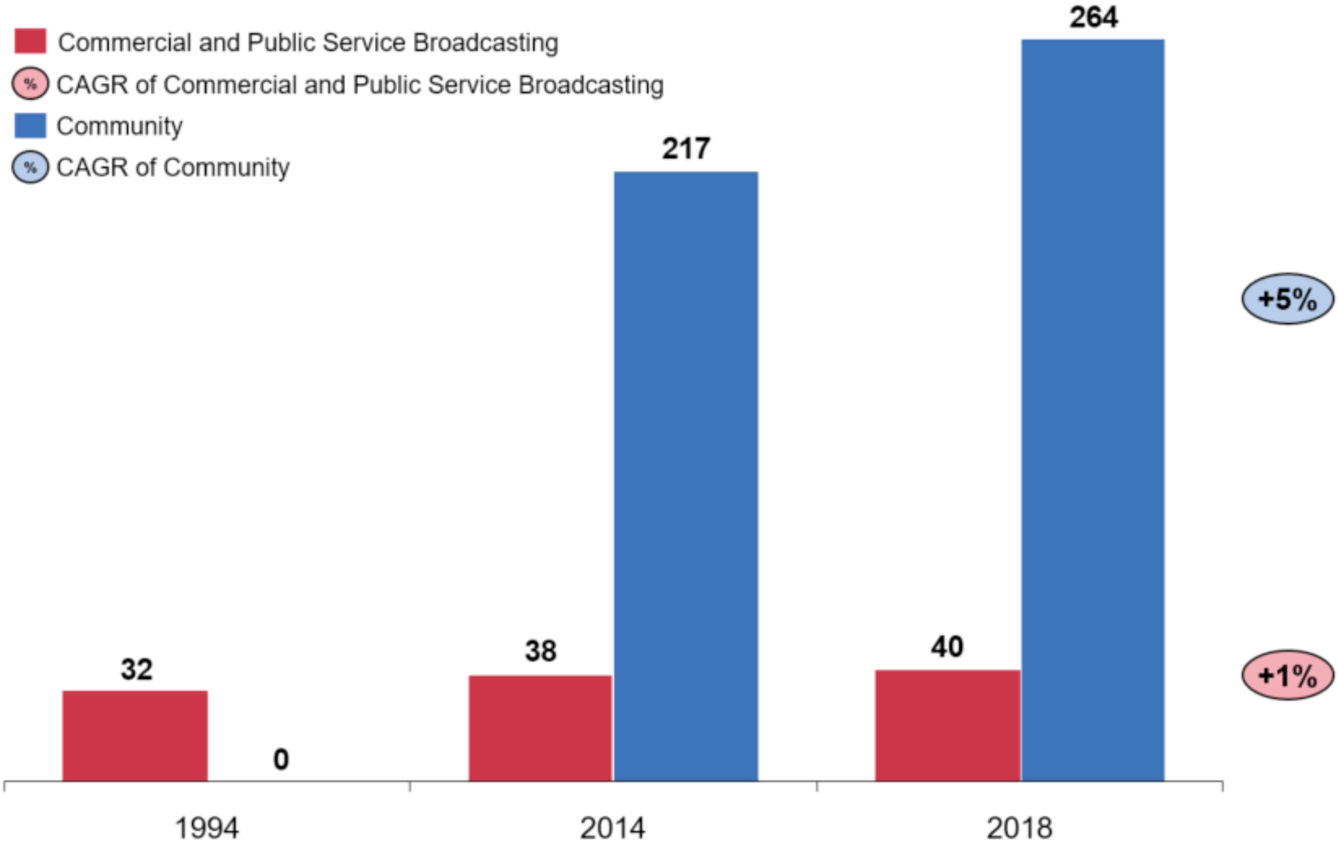
71% of these listeners tune in via a standalone radio, but this percentage is steadily declining as cellphones (33%), vehicle radio (24%), TV (13%) and computer streaming (2%) listening become more popular

The largest daily listenership for a single radio station is the Zulu-language Ukhozi FM with 7.5 million listeners[11], while the remainder of the top 10, with the exception of Gagasi FM, are all SABC stations.

Radio continues to diversify

2018 FIFA World Cup broadcast in Khoi and San dialects !Xun and Khwe, on XK FM, a first in radio broadcasting

Radio Stations



11. Broadcast Research Council of South Africa BRC RAM and SEM - February 2019 Release

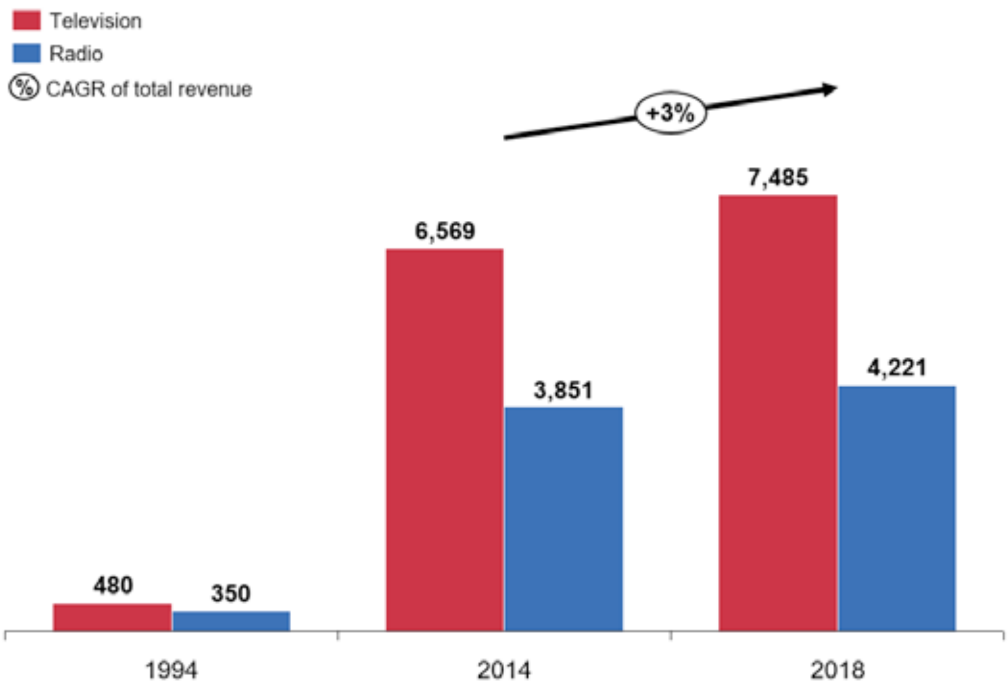
TV and radio – cornerstones of the media landscape

Revenue from TV advertising has grown from R6.6 billion in 2014 to R7.5 billion in 2018, reflecting a 3.3% CAGR in comparison to the 14.0% CAGR of the pre-2014 period. The figures from the 2014 report have been rebased to exclude agency commission (an adjustment of 16.5% was applied) so as to be in line with the advertising revenue definition in the 2015 – 2018 survey request, which was after discount and agency commission. Historically, TV was the largest advertising segment by revenue, however this has started to be challenged by Internet advertising, which has grown rapidly over the 4 years to 2018. Predictions are that Internet advertising may overtake TV advertising in 2022, a trend already witnessed globally in 2016.[12]

Radio's advertising revenue grew from R3.9 billion in 2014 (figure rebased on a similar basis to TV) to R4.2 billion at a 2.3% CAGR, in comparison to the 12.7% CAGR of the pre-2014 period. While radio's greatest strength is its ability to reach a large-scale audience, the ability to deliver targeted content to more specific groups of people needs to be understood and developed.[13]

12. *PwC Entertainment & Media Outlook : 2018-2022 p23*
13. *https://www.businesslive.co.za/redzone/news-insights/2017-03-06-radio-where-is-the-new-revenue/*

Advertising Revenue (R millions)



Since 2014 the South African broadcasting market has seen a stabilisation of audience and revenue growth after the initial post-1994 surge as television and radio democratised. Whilst TV and radio advertising may be under pressure, they remain market leaders in the sharing of information and engagement with the South African population.

Albeit that TV's advertising dominance is expected to end in 2022, it remains a critical component of the media landscape. Broadcasters are responding to changes in technology and consumer behaviour through provision of streaming options on websites, their own video-on-demand (VOD) and over-the-top (OTT) roll-out, partnerships with OTT platforms and making content available on YouTube.

Radio, which has shown slightly slower growth over the past 4 years, has been aided by the rise of community stations to remain prominent, as music streaming and podcasts begin to enter the market. Whilst streaming and podcasts compete with radio on one hand, they also drive a culture of listening and the spoken word – thus contributing to radio's continued relevance and interest therein.

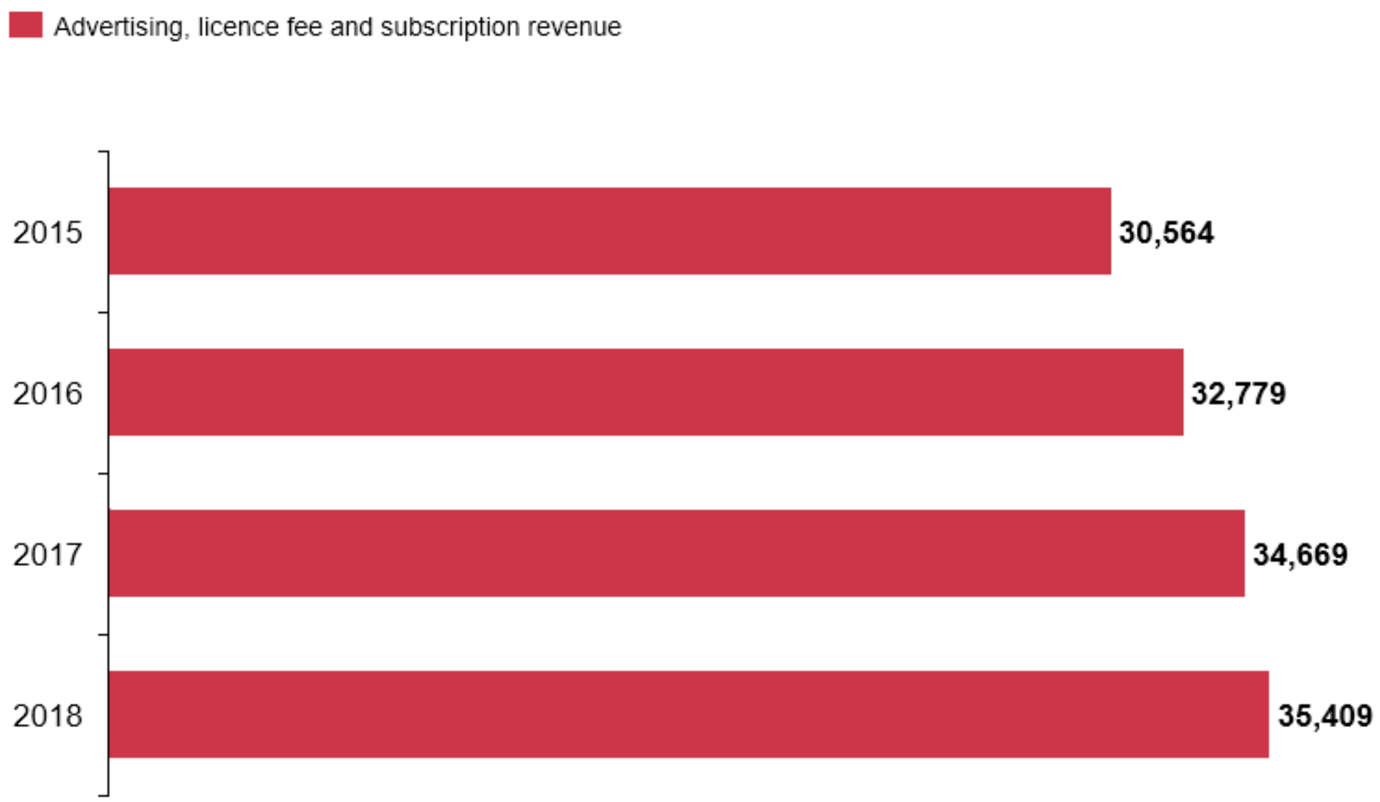
Television

The people's choice

South Africa remains the largest TV market on the continent, and is forecast to continue to show relatively strong revenue growth over the next few years.[14] FTA TV continues to be the mainstay from an audience perspective, with the top 5 most-watched TV shows in 2018 all being on FTA channels. FTA satellite broadcaster OpenView, which broadcasts under the e.tv broadcasting service licence, launched at the end of 2013, and has shown significant growth over the last 2 years. In the 12 months to September 2018, its customer base grew 42%, and in March 2019 reported 1.6 million active set-top boxes.[15] In 2019 Kwesé won the ICASA bid to become the newest participant in the South African FTA market[16]; this is a major step after the last process in 2016 was unsuccessful, with applicants not meeting the requirements.[17] Once ICASA issues Kwesé a licence, it is expected to go live within 24 months.

The pay-TV sector's subscription revenue has been the main driver behind the overall revenue growth in the TV market and is expected to add an additional 1.5 million households from 2017 to 2022[18]. Growth in pay-TV subscription revenue is expected to slow as the cultural shift towards on-demand, personalised content via streaming services gains traction.

Television Revenue (R millions)



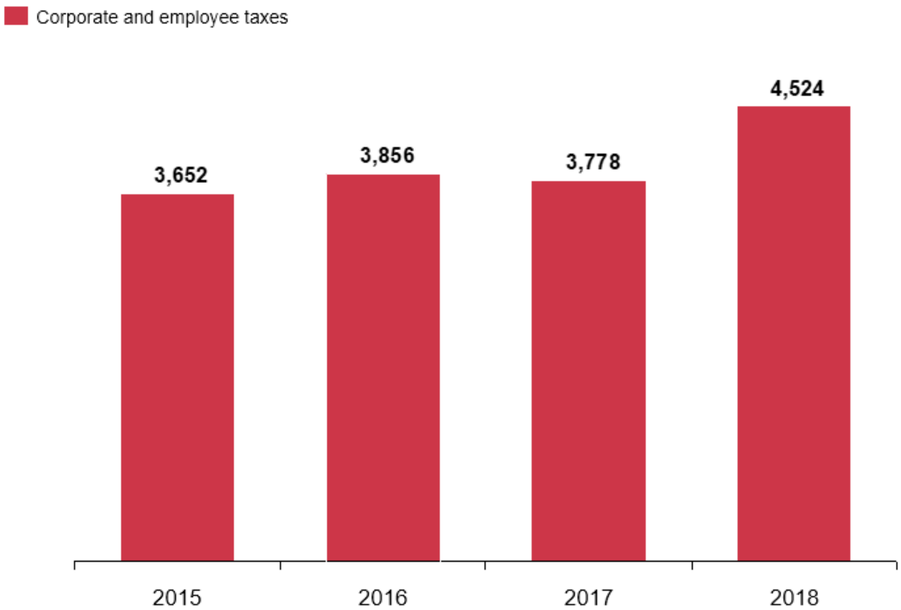
14. *PwC Entertainment & Media Outlook : 2018-2022 p76*
15. *http://www.emediaholdings.co.za/wp-content/uploads/2019/05/eMedia_Annual_Results_Booklet_2019_V2_13506_20190523_JM_15h45-signed.pdf*
16. *https://www.iol.co.za/business-report/companies/kwese-free-tv-set-to-be-a-gamechanger-in-sa-broadcasting-20115869*
17. *https://www.fin24.com/Companies/ICT/icasa-holds-hearings-for-new-free-to-air-tv-licence-20181122*
18. *PwC Entertainment & Media Outlook : 2018-2022 p76*

Approximately 80% of local content is commissioned by broadcasters to independent producers, in excess of the 40% regulatory requirement

TV, given its reach and popularity, retains its position as the dominant advertising platform in South Africa and spend continues to be highest during the evening prime-time slot between 18h00 and 21h00. Content is broadcast in all 11 official languages and a multitude of languages covering all South Africa's major language groups and even extending to languages beyond our borders, including Portuguese, Yoruba and Swahili. The predominant language in which content is broadcast is, on average across the respondents, English. The level of local content broadcast by respondents varies depending on whether they are a public service, community or commercial television broadcaster.

The increased revenue figures have fuelled an overall increase in employment and profitability, which contribute to substantial tax contributions (corporate and employee) by television broadcasters.

Television Contribution (R millions)



R2.32 billion

Licence fees, levies and other contributions by TV broadcasters over the period 2015 – 2018

Television is one of the most heavily regulated sectors of the economy. In addition to the range of public service obligations set out in licence terms and conditions, legislation and regulation and significant contributions to corporate and employee tax, broadcasters are also required to contribute to:

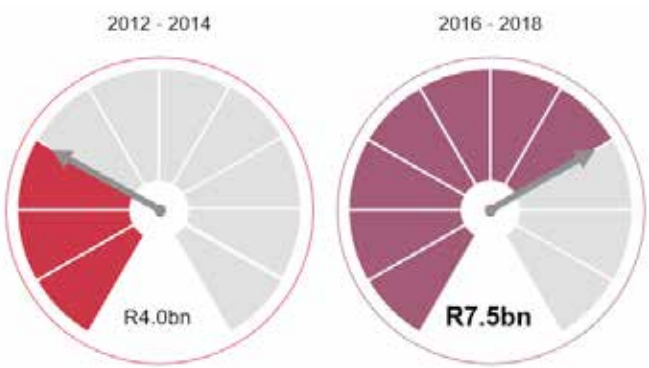
- the Media Development and Diversity Agency (MDDA)
- the Universal Service and Access Agency
- Independent Communications Authority of South Africa (ICASA) licence fees

Furthermore, broadcasters pay significant licence fees for the use of music on their platforms to the:

- Southern African Music Rights Organisation
- South African Music Performance Rights Association
- Recording Industry of South Africa
- Composers, Authors and Publishers Association of South Africa
- Independent Music Performance Rights Association
- Association of Independent Record Companies

Investment in local content continues to be a possible differentiating factor between broadcasters and is becoming increasingly necessary given the big local content budgets that streaming services have earmarked so as to capture an increased share of local audiences. Local content resonates with audiences and has led to significant investment, above and beyond regulatory requirements. Investment in local content amounted to approximately R9.2 billion over the period 2015 to 2018. The three years, 2016 to 2018, saw investment in local content totalling R7.5 billion, an 87% increase on the investment in local content of R4.0 billion in the 2012-2014 period detailed in our previous report.

Local Content Investment



When the aforementioned investment in local content, which in its origins is required from a regulatory perspective, is coupled with statutory contributions in the form of corporate and employee taxes, licence fees and levies and other fiscal contributions, the television broadcasters' share of revenue directed towards these requirements has increased from 19% in 2014 to 22% in 2018.

Radio

Mass audience appeal - relevant and engaging

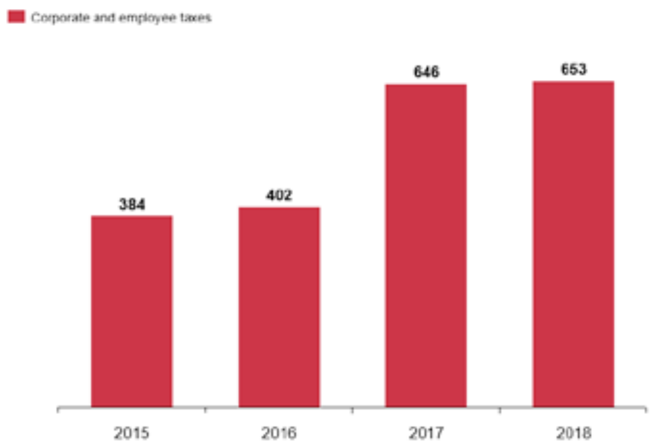
Current trends see a shift towards a focus on higher quality content and niche advertising. New and varied content is being used to target new groups of listeners with varied lifestyle and interests now accessible through new mobile Internet infrastructure and potentially digital radio going forward. Radio broadcasters, as with all advertisers, are reliant on the economic prosperity of South Africa, which has been under pressure. Additionally, broadcasters need to justify their rightful place in the marketing mix as advertisers seek the potentially more measurable impact of advertising spend that can be found in Internet-based models. Community stations will need more support to remain viable for their loyal listener base. Despite these challenges, the traditional radio broadcasters have used radio's reach and geographical relevance to generate strong revenues over the past 4 years.

Radio Revenue (R millions)

Advertising revenues continue, as expected, to be highest during the morning (06h00 – 09h00) and afternoon (15h00 – 18h00) drive times as millions of commuters tune in to catch up on the latest news, current affairs, weather, traffic and sport.

Radio delivers content in all 11 of South Africa's official languages and 7 non-official languages – this is mostly attributed to the language stations of the SABC. The predominant language in which content is broadcast varies across the different stations but English, Zulu and Afrikaans are most common. The level of local content broadcast by respondents varies according to their licence requirements. Radio broadcasters must comply with ICASA's South African music content regulations. These regulations were increased in 2017 and are now set at a minimum of 35% for commercial broadcasters and 70% for public and community radio. Notably, a number of stations exceed their ICASA licence requirements.

Radio Contribution (R millions)



The radio industry continues to contribute significantly in respect of corporate and employee tax contributions. Improving levels of revenue have contributed to improved profitability which in turn have driven increasing tax contributions.

Total contributions over the period 2015 – 2018 in respect of licences, levies and other fiscal contributions amounted to R700 million, substantially higher than the R471 million over the period 2012-2014. This increase is primarily driven by Needletime Royalties following the Supreme Court of Appeal ruling in 2014 on the Needletime formula, which came into effect during the 2015 – 2018 period.

In addition, signal distributors, who responded to this survey, have over the past four years contributed R568 million[19] in the form of taxes and other fees and levies.

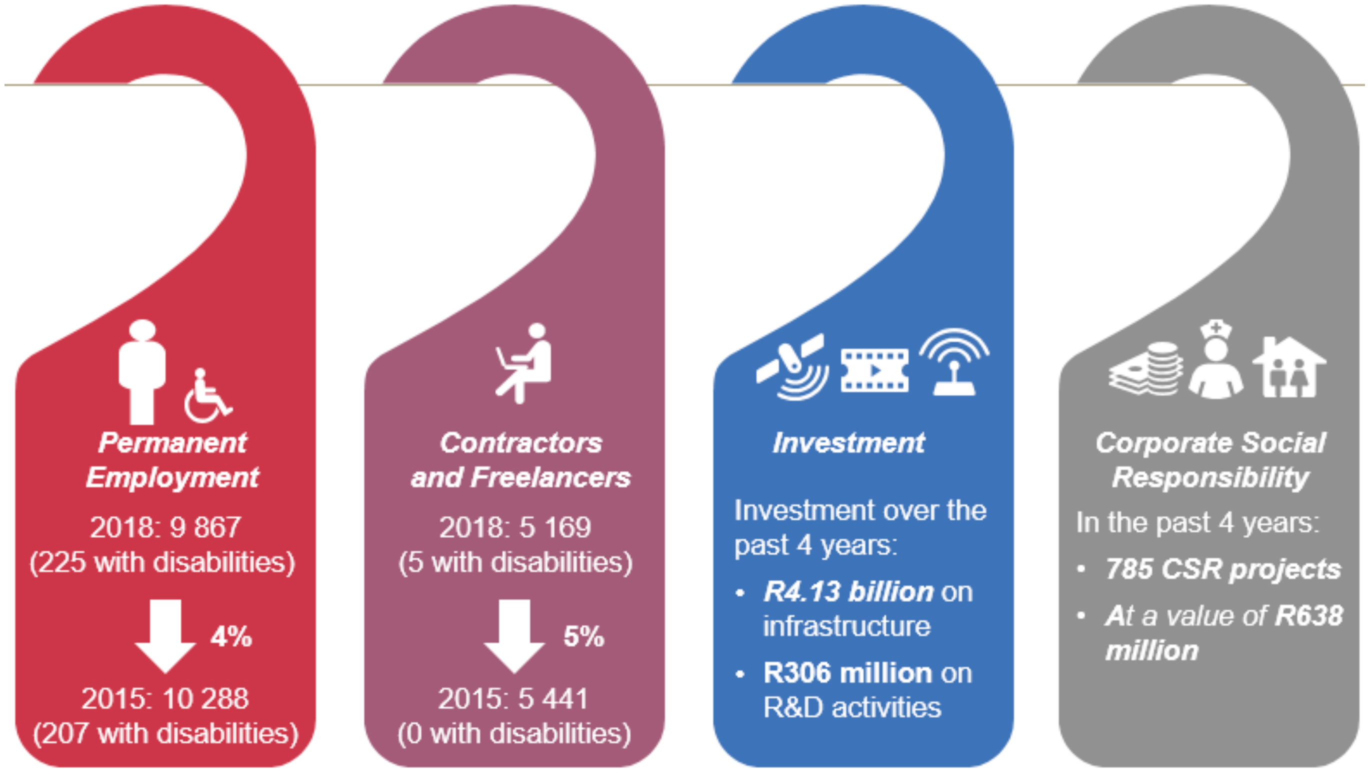
R700 million

Licence fees, levies and other contributions by radio broadcasters over the period 2015 – 2018

19. This comprises Sentech and Globecast; the Orbicom figures are consolidated in MultiChoice's TV figures.

Overall

Broadcasters and signal distributors – investment in South Africa and its people



In 2015, the broadcasters and signal distributors who responded in this survey employed 10 288 permanent employees, 207 of whom were persons with disabilities. These figures decreased by 4% and increased by 9% respectively in 2018, to 9 867 permanent employees, 225 of whom were persons with disabilities. Additionally, in 2018 they engaged a further 5 169 contractors and freelancers, which indicates a notable investment in the South African labour market (despite being down 5% from 5 441 in 2015).

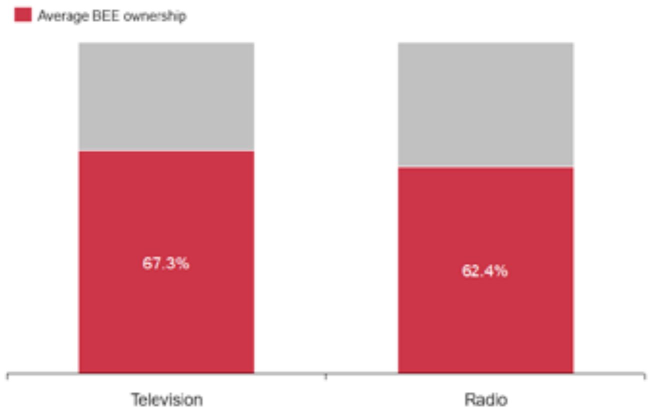
The broadcasting industry, in addition to being a substantial employer, also drives significant economic and employment multipliers across the South African economy, both on the supply side (content production and acquisition) and the demand side (delivery and distribution). An economic impact assessment by the National Film and Video Foundation[20] found that the South African film industry contributed R12.2 billion to total production during the 2016/17 financial year and contributed R5.5bn to GDP. Additionally, it created opportunities both directly and indirectly with an estimated 21 656 jobs created with an employment multiplier of 4.9 and a multiplier of 2.81 in respect of the production of content by the South African film industry.

The broadcasting industry has continued to employ and empower those with disabilities, with radio stations supporting initiatives such as the Skhumba Wheelchair drive for those with motion disabilities and the eDeaf learnership programme. Television also supports disabled customers through programming that includes files played with audio descriptive soundtracks to service the visually impaired and the use of subtitles and sign language for those with hearing impairment.

Investment in South African infrastructure and networks totalled R4.13 billion over the past 4 years, primarily comprising investments in anticipation of the migration to digital television. A further R306 million was invested into research and development activities since 2014.

20. *http://www.nfvf.co.za/home/22/files/2017%20files/NFVF%20Economic%20Impact%20Study%20Report_14_06_2017.pdf*

Private Commercial Broadcasters – BEE ownership 2018 (%)



Not only does the broadcasting industry directly drive significant employment, investment and production of South African content, it also contributes heavily to transformation. Private commercial players who responded to this survey indicate a simple average BEE ownership of 67% in television and 62% in radio. With respect to the community and public tiers of the industry, ICASA asserts that “community broadcasting services constitute a critical avenue through which communities express their history, heritage, languages, culture and experiences. They should be community owned platforms where views and interests are expressed and shared among the constituents”. The shareholder of the public broadcaster (SABC) is government, not the private sector.

Community broadcasters – popular, but under pressure

Community radio is collectively the third largest tier of broadcasters nationally with 8.8 million listeners[21] found in mostly rural areas across all the provinces. This translates into community radio’s share of audience being around 26% of the total radio audience of approximately 33.6 million. Unfortunately share of audience does not translate into share of revenue and revenue generation remains a significant challenge to the sustainability of many stations. Many rely on funding from government sources such as the MDDA to keep their operations afloat and NAB members, as significant funders of the MDDA, contribute to this extensive community network.

Whilst some level of financial support is inevitable within the community broadcasting environment, the societal benefit that these community players provide justifies that cost. Apart from keeping people informed and connected, the existence of these community broadcasters also provides employment. According to their 2017 – 2018 report, the MDDA’s support and promotion of community broadcasters has resulted in 778 full-time and 1 320 part-time jobs having been created. In addition to the jobs that have been created, the numerous volunteers that are involved in assisting the stations translates into the mobilisation of communities around the awareness and development initiatives

21. MDDA 2017-2018 Annual Report page 55 – audience figures refer to March 2016 RAMS undertaken by the broadcasters with 3 295 individuals trained and 348 bursaries given to date. The MDDA continues to deliver on its mandate to promote media development and diversity by providing support and assistance with governance and compliance to community and small commercial media projects[22].

The NAB supports the role of community broadcasting and, together with an independent sector expert, developed a future-proofing guideline on community radio. This document has been printed by the MDDA and is also accessible on the NAB website.

22. *SANews – South African Government News Agency (www.sanews.gov.za/south-africa/mdda-capacitate-community-media-compliance-governance)*

Television

OTT on the rise

ShowMax launched in South Africa in August 2015, ahead of Netflix's January 2016 market entry. Today, these two streaming services are the most popular in the country, with Netflix being the market leader with an estimated 300,000 – 400,000 subscribers[23]. Despite this being a drop in the ocean of South Africa's TV households, its impressive growth is indicative of the Internet TV & video industry, expected to grow at a 17.5% CAGR from 2017 to 2022[24].Other players in the growing OTT space include Cell C Black, Kwesé Play and Vodacom Video Play.

This rapid growth is driven in part by streaming services' spend on new, original content. From 2014 to 2018, Netflix's spend on content rose from \$3.1 billion to \$12.5 billion[25], and in 2018 it planned to launch more than 700[26] original or exclusively licensed new series. This may, in fact, be too much of a good thing; industry experts have termed the content glut "Peak TV"[27] – consumers can only watch so many hours of TV each day, and the variety of content may make it more difficult to choose. This poses an opportunity for content providers – streaming services or more traditional operators – to play a valuable role in curating content to in fact constrain consumer's choice to a realistic number of shows that they are likely to enjoy.

This is where OTT has the power to be disruptive with regard to user experience and personalisation that these services provide, and the resulting consumer demand across their TV consumption. Netflix has identified 2,000 "taste clusters" and uses these analytics to calculate what acquisition costs can be justified for a specific show to target a precise niche. Netflix also uses artificial intelligence (AI) to choose one poster from a variety of options per show that will most appeal to an individual user, based on their viewing history.[28]

23. https://mybroadband.co.za/news/broadcasting/278963-how-many-subscribers-netflix-has-in-south-africa-the-estimates.html
24. PwC Entertainment & Media Outlook : 2018-2022 pg.78
25. The Economist
26. The Economist
27. https://www.vanityfair.com/hollywood/2018/08/peak-tv-fx-john-landgraf-tca-donald-glover-chris-rock
28. https://medium.com/netflix-techblog/artwork-personalization-c589f074ad76

An impediment to the take-up of long-form video on demand (VOD) streaming services in South Africa is arguably fixed broadband (FBB) penetration. VOD streaming is Internet-intensive: in September 2017, Netflix streams were taking up 20% of the world's downstream bandwidth.[29] In 2017, FBB penetration in South Africa was at 14%, translating into 1.9 million households.[30] FBB is expected to reach 2.9 million households by 2022 (22% penetration), but this pales in comparison to the number of TV households at 14.4 million and even pay-TV households at 6.5 million. Mobile broadband (MBB) penetration and speeds are increasing rapidly: by 2022, 3G coverage is expected to be about 90% and 4G market coverage will have grown from around 12% to 30%,[31] and the rollout of 5G is expected to begin, with speeds of up to 5 times 4G's maximum.[32] With telcos offering discounts and zero-rating of video bundles, mobile streaming is set to grow. However, the price of mobile data remains prohibitive for long-form, although streaming-specific data bundles offered by telcos may start to change that.

Globally, telcos have made aggressive plays to encourage content consumption over mobile data. In the US, for example, T-Mobile's Binge On service allows unlimited free video streaming for customers with specific data plans.[33] Cell C's Black offering is probably the closest example seen in the SA market. The increasing penetration of smartphones will also encourage more mobile content consumption; however, the combination of small screens and mobile data charges could drive the consumer towards short-form, lower quality content such as short video clips. Streaming services are also adapting to Internet quality issues: in 2017, Netflix started using AI, called "Dynamic Optimiser", to analyse video and compress it, to reduce data consumption without affecting image quality. This was a specific move to make Netflix an enjoyable user experience in emerging markets who watch video on mobile devices.[34] In South Africa, streaming service Tuluntulu's "rate-adaptive" technology enables mobile devices to deliver video with a streaming rate as low as 50 Kbps.

If Internet connection is not an issue, content choices may be. Streaming services often struggle with the decision to buy rights for a specific sports league in a specific country as it does not make financial sense for international players such as Netflix. However, social media sites have been making inroads into sports broadcasting, albeit with more specific plays: Amazon Prime Video streams some National Football League (NFL) games and Facebook streamed college basketball games for free in 2017.

Let me package that for you

Bundling and convergence are major trends across the content landscape, across types of content, access technologies and distribution methods, with the aim of creating direct-to-consumer relationships and owning the full user experience. Apart from enabling more personalised and interactive content, IPTV will also enable more bundled services, such as Internet access and pay-TV – traditional and/or OTT – combined, with one monthly bill. Bundled services (connectivity plus content) are already gaining popularity. For example, customers can pay for Netflix with their Vodacom mobile bill.[35] Other South African telcos are making more aggressive content plays. Cell C's Black and Vodacom's Video Play, for example, are platforms aggregating local and international content with a few originals and some e-services (online betting and ticket booking).[36] Although user adoption is increasing, it remains to be seen how such services will perform in the long term.

Globally, convergence across the value chain has been driven by telcos looking for revenue diversification opportunities as data prices are driven down. AT&T's controversial $85 billion acquisition of Time Warner is one of the best examples of this and appears to have cleared the

29. *The Economist*
30. *PwC Entertainment & Media Outlook : 2018-2022 pg.44*
31. *PwC Entertainment & Media Outlook : 2018-2022 pg.18*
32. *https://www.businessinsider.co.za/south-africa-will-only-get-5g-in-2020-telecommunications-minister-siyabonga-cwele-says-2018-9*
33. *https://www.t-mobile.com/offers/binge-on-streaming-video*
34. *https://qz.com/920857/netflix-nflx-uses-ai-in-its-new-codec-to-compress-video-scene-by-scene/*
35. *https://www.vodacom.co.za/vodacom/services/netflix*
36. *https://www.cellc.co.za/cellc/more-about-black#/interactive*

competition concerns. This style of merger may not overcome competition commission scrutiny in South Africa, but the trend of blurred lines between owners, producers and distributors of content is a reality.

Digital migration

There have also been major changes in the viewer experience since 2014, including the shift from standard definition (SD) to high definition (HD) of some FTA services, VOD offerings such as DStv Now allowing viewing across a variety of screens, streaming services (ShowMax, Netflix etc) and the ability of consumers to access HD content through handheld devices. However, some promised and anticipated developments have not yet fully come to fruition – most notably the migration of analogue terrestrial broadcasters to a digital terrestrial television (DTT) platform. All broadcasters are currently running DTT services, with Mnet having switched off its analogue service completely. The Free State began the switch-off of its FTA analogue signal but deadlines continue to be missed with the communications ministry confirming it had pushed the Free State's switch-over to DTT to end February 2019. The end of February came and went without all the households fully migrating.[37]

The national analogue switch-off process, which was approved 11 years ago, was revised in 2018, with the deadline having recently been extended to July 2020.

Additionally, the significant delay in the completion of the digital migration in South Africa has seen the DTT transmitters reach their half-life, without the system having been commercially launched. This delay may have led to consumers choosing other affordable offerings by satellite providers such as OpenView and entry-level packages offered by subscription operators. This is potentially similar to the switch over process that occurred in Ireland, where ITC already had affordable offerings through a set top box and standard aerials similar to the situation OpenView finds itself in. The impact of the analogue switch-off in Ireland on viewers was therefore limited; however, the digital dividend that was released in the process benefitted the mobile companies, reducing data rates as capacity on the frequency bands was opened up.

On 17 June 2015, the original digital migration deadline set by the International Telecommunication Union passed. However, at the end of 2017 only 4[38] of the 15 SADC member states had completed the migration process . At the time South Africa and Zambia had their networks in an operational state but had yet to complete the migration process.[39] The digital migration process across Africa appears to be inhibited by the scale and cost of the process. This is highlighted by only 29 of 56 countries expected to have completed the migration by end 2020[40].

37. https://www.itweb.co.za/content/LPp6VMr4mpQvDKQz
38. Malawi, Mauritius, Namibia and Tanzania
39. https://www.itweb.co.za/content/XGxwQDM1dxe7lPVo
40. https://www.balancingact-africa.com/news/broadcast-en/44355/83-million-african-households-to-have-access-to-digital-terrestrial-television-by-the-end-of-2020-but-will-they-actually-be-consuming-it

TV advertising – tipping point on the horizon

Traditional TV advertising was heavily affected by South Africa's political and economic environment in 2017, with very cautious growth of just over 2%.[41] The outlook is more positive, with a CAGR of nearly 3.3% expected from 2017 to 2022. However, the pressure from digital advertising is increasing; in 2022, Internet advertising is set to surpass TV advertising for the first time.[42] TV and Internet advertising are becoming increasingly linked: the number of traditional TV watchers using "second screens" – usually cell phones – at the same time is rising rapidly. In the US, the number of simultaneous Internet and TV users is expected to reach 193.5 million in 2019.[43] This poses an opportunity for multi-platform campaigns with effective digital media presence to complement the reach of their TV adverts with a more targeted Internet campaign, for example, driving viewers to the online point-of-sale or boosting discussion on social media.[44] This can also be done to advertise TV shows themselves. For example, when advertising their millennial-targeted show Mr Robot, NBC Universal commissioned original content for multiple social networking platforms, a virtual reality (VR) simulcast for a Comic-Con, and a Mr Robot experience in a Manhattan storefront.

Overall, traditional TV advertising is still one of the best ways to effectively target and build an emotional connection with a mass audience: Coca Cola's CMO said in 2017 that TV still offers the best return on investment of all media.[45]

41. PwC Entertainment & Media Outlook : 2018-2022 pg.20
42. PwC Entertainment & Media Outlook : 2018-2022 pg.23
43. https://www.emarketer.com/Article/Few-Viewers-Giving-TV-Set-Their-Undivided-Attention/1016717?ecid=NL1001
44. PwC Entertainment & Media Outlook : 2018-2022 pg.23
45. https://www.coca-colacompany.com/stories/coke-cmo-tv-advertising-delivers-strongest-roi

Radio

Podcasts and on demand listening

The disruption of traditional TV broadcasting by more personalised streaming content extends to traditional radio. Podcasts in the form of "classic" podcasts as well as catch-up shows of radio broadcast shows have started to gain traction in South Africa, having grown rapidly off a small base from 1.4 million monthly listeners in 2013 to 5.1 million by the end of 2017.[46] To offset the increase in data consumption required for both podcast and music streaming, data bundles for streaming services are being offered by major mobile network operators with no or limited data charges for app-specific streaming – examples include Telkom's LIT bundles and Vodacom's "data tickets" for various content bundles. Data penetration in South Africa,

particularly for mobile networks, is shifting towards a higher speed broadband network, with 63% coverage of 3G or above and 12% coverage for 4G or above in 2017.[47] The development of smartphone devices has also contributed to this disruption as their improving sophistication now offer a spectrum of entertainment opportunities such as gaming, listening and streaming. This is highlighted by data consumption trends, with smartphone data usage driven by video consumptions overtaking fixed line broadband in 2017.

Digital radio

Although television has been the digital priority, radio broadcasting has also seen significant technology developments in South Africa. The members of SADIBA and the NAB have been testing digital audio broadcasting (DAB+) as an alternative to existing analogue broadcasting and Digital Radio Mondiale (DRM) has also been tested as an alternative to medium and short-wave broadcasting.[48] As recently as March 2018, ICASA published a discussion document on the implementation of digital radio highlighting the scarcity of frequencies and the need for an alternative broadcasting system. Following on from this process, the DoC subsequently published a draft policy directive on the introduction of digital sound broadcasting services in South Africa. The benefits of digital broadcasting include the transmission of signals using lower levels of power, being easier to use and tune than analogue radio and being more spectrum-efficient thereby allowing more broadcasters. However, in 2018 only 25% of listeners had access to digital radio programming, and no clarity had been given on the roll-out of a digital network. The introduction of digital radio in South Africa is being inhibited by falling commercial revenue and the financial investment required for commercial stations as noted by ICASA.[49]

Part of the process of the digital migration will be a period known as dual illumination, which is between digital activation and analogue switch-off. This period when both digital and analogue platforms are active will be costly for both government and broadcasters.[50] The digital migration for radio is relatively less urgent in comparison to television. Firstly, because of the ability of FM and digital radio to transmit side by side and provided the quality of the FM broadcast is sufficient, there will be little reason to shift to a digital alternative. Secondly,

46. *PwC Entertainment & Media Outlook : 2018-2022 pg.159*
47. *PwC Entertainment & Media Outlook : 2018-2022 pg.18*
48. *https://techcentral.co.za/sa-moves-closer-to-commercial-launch-of-digital-radio/82029/*
49. *https://techcentral.co.za/digital-radio-in-sa-could-be-stillborn-primedia-warns/82205/*
50. *NAB State of the Broadcasting Industry Report 2014 pg. 20*

the shift in radio towards podcasts is removing the geographical limitations of traditional radio as Internet based podcasts are being set-up by both traditional radio stations and private podcasters. This removes the need for a digital transmission base as mobile data coverage and prices become the main drivers in the audio content space.

Whilst interactive car dashboards do feature within South Africa, and have become quite common in developed markets around the globe, their impact is expected to be limited as they are ultimately constrained by the cost of the technology and data within the SA market.

Current South African television and radio regulation

The Internet and other advancements in technology are fundamentally transforming the broadcasting industry, creating a broader audio and audio-visual content market than traditional broadcasting through the introduction of new content distribution platforms and OTT services.

These developments have impacted on the effectiveness of the current legislative instruments to promote inter alia freedom of expression, media plurality, investment in local content, fair competition and protection of children. In this section we highlight some of the policy and legislative developments and processes.

The National Integrated ICT Policy review process led by the DTPS sought to holistically review the regulatory framework for the broader ICT industry, in order to adapt legislative instruments in line with the emerging market trends. However, the final report, which was published in 2015, excluded the broadcasting industry as that section was to be finalised by the then DoC. Unfortunately, notwithstanding the increasing number of new content distribution platforms competing directly with traditional broadcasters, the policy review process has remained stagnant.

As discussed before, the most recent iteration of the broadcasting policy review process was in 2018, however, the focus was on the public broadcaster and not the entire three tier broadcasting system.

Protection of Children

The convergence of technologies and emergence of multiple content distribution platforms have brought about new challenges for the current content regulatory approach globally. This has brought a new focus on the need to ensure adequate measures to protect children. The South African Film and Publication Board (FPB) revised

its founding statute to promote the protection of children from harmful online content, and ensure adequate consumer advisories.

The FPB Amendment Bill has been finalised, following its adoption by both the National Assembly and National Council of Provinces.

ICASA Disability Code Regulations

The National Development Plan seeks to inter alia build an inclusive society. For the broadcasting industry inclusivity entails accessibility of content to persons with disabilities. In keeping with this principle, ICASA is currently reviewing its disability code regulations, which seek to prescribe the various measures to be implemented, including audio description, subtitles and close captioning. Broadcasting services licensees are also encouraged to conduct public awareness campaigns in collaboration with organisations representing persons with disabilities. Innovation enables accessibility of content through various technological solutions, and regulation ought to provide for the use of a variety of solutions, as opposed to being too prescriptive, in line with the principle of technology neutrality.

Self–regulation: NAB Piloted 'On-Demand Guidelines'

As signatories to the code of conduct administered by the BCCSA, the NAB members have ensured that their broadcast content adheres to the protection of children requirements. In 2017 the NAB members developed guidelines applicable specifically to their on-demand services, to ensure consistent protection of children across their respective content services, which are under their editorial control. Where appropriate, the on-demand guidelines have been informed by the Code of Conduct for Broadcasters.

The NAB on-demand guidelines were piloted for a period of 16 months and NAB members have indicated that they will continue to apply the guidelines and assess whether additional measures may be required in the future on complaints handling. These guidelines do not fall under the jurisdiction of the BCCSA.

Looking Forward

Frontier trends in broadcasting

Artificial intelligence (AI), virtual reality (VR) and augmented reality (AR) can vastly improve companies' abilities to derive actionable data on consumer behaviour, which is at the core of advertising today. In the years to come, AI will enable enhanced addressable advertising based on in-home "conversational insight" from virtual assistants such as Amazon's Alexa. But AI requires personal data, an increasingly regulated commodity.

Altogether new ways of consuming content are becoming a reality: VR video is a hot topic, and may be a threat to traditional content consumption in the years to come, judging by the current excitement in this space. VR video revenue is expected to grow at a CAGR of 73.1%[51] from 2017 to 2022, but off a very small base.

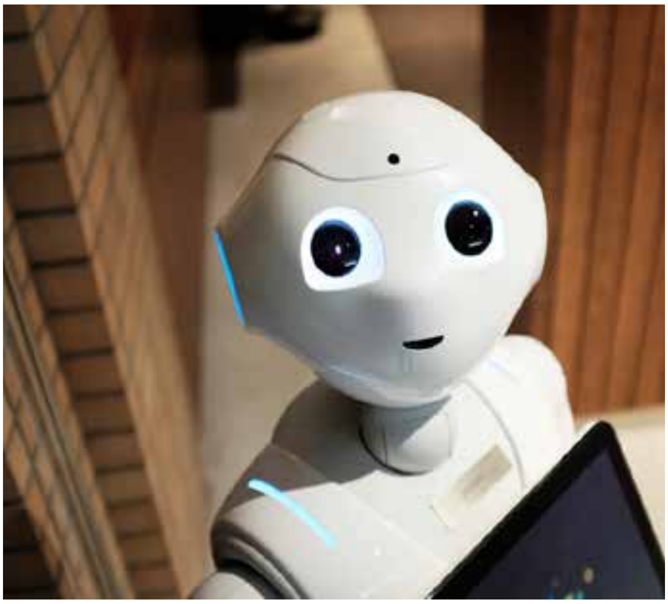
Blockchain – the much-hyped but little understood technology – will likely also play its part in the broadcasting value chain. Consider, rather than paying subscription fees for a "one size fits all" content offer, blockchain could enable micro-payments, via smart contracts, for individual series – or episodes of series – from streaming services. Similarly, for royalty payments for content usage, blockchain could make this process more efficient and transparent. Other use cases include significantly reducing piracy through better record-keeping of content assets, crowdfunding of creative productions and digital ad impact measurement.

In the South African context, capturing the full value of the 4th Industrial Revolution (4IR) will primarily require a reassessment of our current use and allocation of spectrum. New technologies will demand greater quantities of data, which under current conditions would be expensive due to high data costs and unavailable due to limited capacity. By completing the digital migration process through terrestrial, satellite or a hybrid, South Africa will be able to realise the full digital dividends through restacking the spectrum's multiplexes with the future in mind.

4IR – are we ready?

The widely cited 4IR offers South Africa an exciting opportunity to leverage global technology such as 5G to drive economic growth and development locally. Like some Asia-Pacific nations, South Africa has an opportunity to leapfrog the developed world in the implementation of 4IR technologies. This is due to South Africa's relatively greenfield launch platform, whereas more developed economies will have the added lag of legacy systems, processes and capabilities.

While this opportunity is present, South Africa's infrastructure and policies will need to first shift out of the analogue era and accommodate digital capabilities that do not yet exist actively in the market. South Africa will need to manage its developed market aspirations with its responsibility to address its emerging market challenges, ensuring that all South Africans can benefit from the movement into the digital era.



A second challenge deemed to be greater than infrastructure will be the need for cultural change. South Africa currently lacks a digital culture and the skills to capitalise on the benefits of 4IR and so a gradual cultural change and future proofing of transferred skills will become key success factors for South Africa's 4th Industrial Revolution[52].

51. PwC Entertainment & Media Outlook : 2018-2022 pg.115
52. PwC Industry 4.0: Building the digital enterprise

Environmental impact

Technology in the broadcasting sector is also aiming to reduce the environmental impact of the industry. The environmental impact of the broadcasting industry is driven by energy use, raw materials and electronic waste, contributing 2% of global greenhouse gases from the ICT sector and 1.8% from physical television sets and related peripherals[53].Mapping carbon footprints to make informed sustainability decisions and switching from generators to new technology batteries are already underway in the United Kingdom, with the BBC being one of the founders of the Albert Consortium. This initiative aims to promote and realise environmental matters through broadcasting in the future[54].

Regulation – what are the hot topics?

In 2018, the International Intellectual Property Alliance (IIPA) returned South Africa to its watch list, citing some problematic bills in recent years that have had a detrimental impact on copyright.[55] The Copyright Amendment Bill proposes substantial changes to copyright laws. In the broadcasting industry, content creation is key and overreaching fair use and royalty provisions envisaged in the new act could negatively affect IP rights and consequently content creators / IP owners' livelihoods.

Another hot topic in regulation has been the numerous local content regulations over the last few years. In March 2018, the African National Congress (ANC) stated its aim of attaining a 70% local content quota by 2022, across the full broadcast landscape (i.e. not only the SABC).[56] Recently, broadcasters have been calling for regulatory parity with OTT providers. This is consistent with the approach in some international jurisdictions. In November 2018, the European Union (EU) adopted the revised Audio-visual Media Services Directive which requires video on demand streaming services to devote a minimum of 30% of their catalogues to European productions. Some EU countries, including France and Germany, have even more aggressive demands, such as requiring subsidies for local TV and film productions from streaming services revenue[57].

With the increasing demand for local content, these demands may become a moot point as streaming providers are already increasing their local content catalogues. South African legislation has not yet been amended to follow the EU example. However, the South African Revenue Services amended regulation to charge VAT on services supplied electronically from 1 April 2019[58]. Netflix itself states that is was already contributing to VAT prior to this so the impact of the change may be negligible.

Regulatory and other insights from other developed and developing markets

Regulators' response to emerging media content distribution platforms varies across different jurisdictions and the environment is extremely fluid with policymakers and legislators still grappling to formulate appropriate responses in the fast-changing audio-visual environment. The United States has not yet introduced any legislative provisions aimed specifically at OTT and they therefore remain generally unregulated, albeit with some obligations pertaining to compliance with advertising standards and closed-captioning. In Brazil, there has not yet been much deliberation on the possible regulation of OTT services. Whilst OTT platforms are broadly unregulated in India, they are subject to content regulation under the Information Technology Act. The popularity of OTT TV is growing in Sri Lanka and OTT services in that country are subject to the same regulations as traditional pay TV services, whilst licensing requirements for offshore OTT service providers depend on the nature of their operations.

Singapore has developed an OTT Content Code which is applicable to all OTT services, and Singapore-based OTT TV services are further subject to the Internet Code of Practice.

53. *EBU Sustainable Technology in Broadcasting Group*
54. *https://www.ibc.org/production/green-around-the-edges-how-broadcasting-is-becoming-eco-friendly/3530.article*
55. *PwC Entertainment & Media Outlook : 2018-2022 pg.76*
56. *https://mybroadband.co.za/news/broadcasting/253707-all-tv-and-radio-in-south-africa-must-have-70-local-content-anc.html*
57. *https://www.hollywoodreporter.com/news/netflix-criticizes-european-content-quota-1152970*
58. *https://mybroadband.co.za/news/Internet/287606-new-netflix-tax-in-south-africa-netflix-responds.html*

In China, the regulatory framework for OTT services makes a distinction between (i) content that is delivered via the internet to televisions and via privately managed networks to other devices, and (ii) content delivered via the internet to other devices other than televisions. Each category is subject to specific licensing requirements and restrictions.

The Asia Video Industry Association has observed that Asian governments are focusing on three major goals in respect of OTT services. These are: Content Standards (adherence to local market standards with regard to politics, social harmony, morality, etc), Taxation (OTT players to pay their fair share of taxes) and Control (sovereign governments attempting to control access to international internet, flowing from regulatory frameworks adopted for domestic terrestrial FTA broadcasting).

Australia applies a light touch regulation. There are currently no laws regulating the entry of OTT services into the market, and no licences or approvals are required. However, general industry codes are applied to these services including requirements relating to the protection of children.

The UK's content regulations extend to video-on-demand services. The regulations require the service providers to inter alia implement child protection mechanisms and consumer advisories.

The EU has been engaged in reviewing its Audio-visual Media Services Directive (AVMSD) in recognition of the impact that technology continues to have on the media landscape. This process culminated with the adoption of the revised AVMSD in November 2018.

Notably, the newly adopted AVMSD extends obligations regarding the protection of children to video sharing platforms and video on demand (VOD) services. The provisions aimed at protection of children also include protection from inappropriate commercial communications for foods high in fat, salt, sodium and sugars. Furthermore, the AVMSD requires VOD service providers to have at least 30% share of European content in their catalogue and local content must be given prominence.

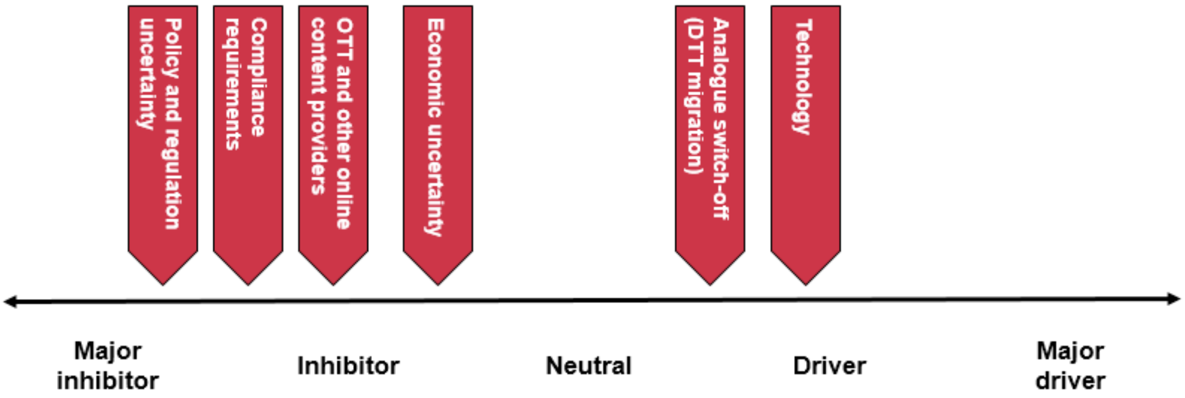
The AVMSD provides a comprehensive global standard for international best practice for the regulation of a converged media landscape, whilst continuing to promote the fundamental objectives of diversity, access to information, investment in local content and consumer protection.

Moving the TV broadcasting industry forward

TV broadcasters view on topical issues

Survey respondents were asked for their views on a series of topical matters:

Industry drivers and inhibitors



Reflections on what could be changed

- Consideration of foreign direct investment requirements and rights exclusivity
- Policy certainty and evidence-based Regulatory processes
- Analogue switch-off accelerated
- Sustainable local content expectations
- Revision of regulatory framework toward licencing of new audio-visual services

Possible growth opportunities

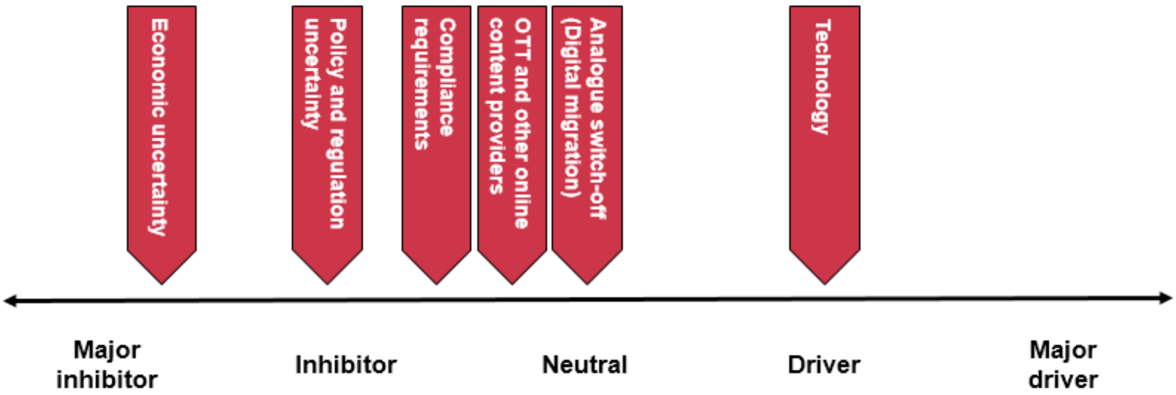
- Internet-based opportunities
- Mobile content distribution (AV & audio)
- Niche distribution models
- FTA broadcasters to increase the content offering across multiple platforms
- Content development
- Opportunities to roll out multi-channel offerings to underserved households
- Partnerships with OTTs, multi-platform, multi-channel digital environment

Moving the radio broadcasting industry forward

Radio broadcasters’ views on topical issues

Survey respondents were asked for their views on a series of topical matters:

Industry drivers and inhibitors



Reflections on what could be changed

- Improved government funding to support community radio stations
- Equitable licence conditions
- Regulator to monitor more effectively and sanction non-compliance
- Research methodologies to be reviewed regularly (by industry and regulator)
- Accelerate DTT migration to address spectrum limitations
- Clearly defined policy
- Integrating digital with radio more effectively
- New models for revenue generation
- Relaxing of ownership regulations

Possible growth opportunities

- Digital migration and digital broadcasting integration
- Niche services
- Lighter touch regulation
- Growth in community radio stations and ability to purchase across platforms
- Online content
- Technology and media convergence

So, where to from here?

Technology and innovation have been identified as one of the key pillars of the economy, and broadcasters have also begun increasing their digital footprint through new online services. With this rapidly advancing convergence, it remains an ongoing challenge to ensure that all audio-visual providers, including traditional broadcasters and new OTT services, are subjected to the same regulatory and compliance framework.

The Department of Communications has indicated that it will be formulating an audio-visual policy in the coming year which, once finalised, would allow ICASA to introduce regulations for OTT services.

Various engagements on the future of the audio-visual industry have raised the need to consider minimum content regulations for all content providers irrespective of their market and revenue share. As illustrated above, OTT service providers are increasingly required to adhere to codes of conduct and ensure adequate child protection mechanisms and that their content does not contain any hate speech or other prohibited content.

There has also been an increased realization of the need to ensure that online platforms provide local content, and invest in the local creative industry.

The NAB is hopeful that the newly named 'Department of Communications and Digital Technologies' (DCDT), which essentially re-integrates the DTPS and DoC (following President Ramaphosa's cabinet reshuffle in November 2018), will bring policy coherence, regulatory parity and new investment opportunities into the South African creative industry.

In addition to the many regulatory interventions, the role of the NAB as an industry body may need to be expanded to support our members as they engage with new platforms to deliver content that is relevant, to audiences on multiple platforms and devices.

The NAB will continue to adapt to the changes that will be experienced in a developing and converging broadcasting industry and it will, no doubt, still have an important role to play in the years to come. The NAB's relevance and raison d'etre is unquestionable, especially in an era of cost containment and the growing demands on broadcasters to respond to a dynamic media landscape.

Highlights in the Broadcasting Industry 2015 - 2019

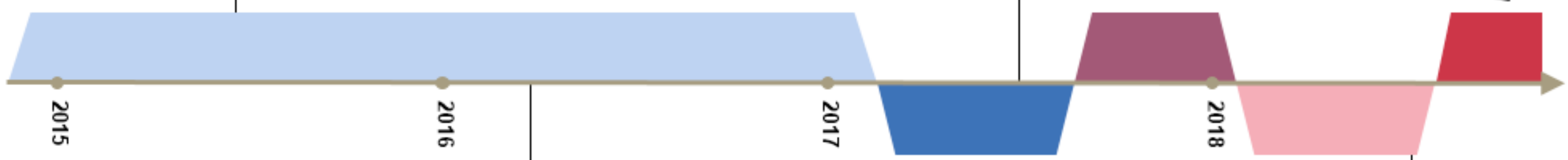
2015

- ShowMax offered to South African market
- Deezer enters South African market through a partnership with Vodacom
- DStv Now app for Android and IOS launched
- Vodacom launches Video Play OTT service

2017

- ICASA extended DAB+ trials deadline for radio participants to November 2019
- ICASA starts inquiry into state of competition in pay-TV space
- DTT deadline extended to June 2019 by the Minister of Communications
- Kagiso Media launches SoundBar with 12 Internet music stations
- Cell C's Black streaming service launched, with app-specific data terms
- DStv Now made available for all subscribers and HD streaming roll out begins
- Kwesè launches OTT service in partnership with telecom companies offering Netflix, YouTube and on-demand channels and offers World Cup Soccer viewing
- VIDI, Times Media Group's video on demand service shuts down after entering in 2014
- MTN VU, originally launched as FrontRow shuts down

- In Nov 2018, the State President announced that the DTPS and DOC would be reintegrated into a single department namely the Department of Communications and Digital Technologies
- Ms. Stella Ndabeni Abrahams was appointed as the new Minister of DCDT
- Ms. Pinky Kenana was appointed as Deputy Minister appointed in 2019



2016

- DTT deadline set to the end of 2018 by Minister of Communications
- Netflix formally enters the South African market
- Apple Music launches in South Africa
- Showmax is offered at no additional cost to DStv premium subscribers
- Altech Node satellite-connected box for HD video on demand shuts down after launching in 2014
- Amazon Prime Instant Video launches in South Africa

2018 - 2019

- ICASA announces intention to review "must carry" TV regulations, making pay-TV operators with more than 30 channels carry FTA SABC channels as well
- Local radio stations Jacaranda FM and East Cost Radio are make available on Deezer
- MultiChoice conducts successful 4K streaming test on DStv Now
- Spotify enters the South African market
- ICASA publishes discussion document on digital sound broadcasting services
- SABC and Viu announce strategic partnership in February 2019

Key: Ministers from 2014 - 2019

DoC: Faith Muthambi → *Ayanda Dodlo* → *Mmamoloko Kubaya-Ngubane* → *Nomvula Mokonyane* → *Stella Ndabeni Abrahams*

DTPS: Siyabonga Cwele

Key: Ministers from 1994 – 2014

Pallo Jordan (1994) → *Jay Naidoo* (1996) → *Ivy Matsepe Casaburri* (1999) → *Siphiwe Nyanda* (2009) → *Roy Padayachie* (2010) → *Dina Pule* (2011) → *Yunus Carrim* (2013)

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