National Association of Broadcasters

State of the Broadcasting Industry Report 2014

Research contributed by pwc

November 2014

It gives me great pleasure to present, on behalf of the members of the National Association of Broadcasters ('NAB'), the first NAB report on the State of Broadcasting in South Africa.

This year our country celebrates, not only twenty years of democracy, but also twenty years of independent broadcasting.

Since its inception in 1994, the NAB has emerged as the voice of South African broadcasters. This is reflected in the membership of the organisation which has grown steadily and currently includes:

- The three television services and 18 radio services of the SABC;
- Licensed commercial radio broadcasters, including Primedia, Kagiso Media, Tsiya Group, AME, MSG Afrika, Classic FM, Kaya FM and YFM;
- All licensed commercial television broadcasters (e.tv, MultiChoice, M-Net, StarSat);
- A host of community radio broadcasters and Trinity Broadcasting Network ('TBN'), a community television service;
- Both the licensed broadcast signal distributors and the selective and preferential broadcast signal distributors, Sentech and Orbicom; and
- Associate members who include Media Connection, MediaMark, Association of Christian Media ('ACM'), DSTV Media Sales, Sabido eAcademy, Joyous Radio (online radio), NEMISA, Telemedia and Globecast.

NAB members wanted to celebrate the twentieth anniversary of the founding of the organization in a way which would be both meaningful and useful. For this reason, PwC was commissioned to prepare the first report on the state of broadcasting in South Africa compiled from data supplied by NAB members.

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 presents some baseline data collected from the membership of the NAB and the intention is that, over time, the report will develop into 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 South African broadcasters over the past twenty years. The democratisation of broadcasting has yielded the greatest benefits for South African radio and TV audiences who are today able to enjoy more services, channels and programmes in more languages and more genres than ever before. Overall, the story of the development of broadcasting in the new South Africa is a good one.

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

KAREN WILLENBERG
CHAIRPERSON

FOREWORD

Over the last twenty years the NAB has contributed to policy formulation and regulation making processes in the interest of growing a sustainable, vibrant and diverse broadcasting industry. The NAB has also championed self-regulation, skills development, innovation in broadcast technologies and more recently, audience and currency research.

Since its inception, the NAB has made hundreds of written and oral submissions to various government entities and key stakeholders. However the scope of work in the last 18 months has escalated due to concurrent policy and regulatory processes unfolding which includes a national integrated ICT policy review process and the formation of two new Ministries for the ICT industry, amongst others.

The country is also required to migrate from analogue to digital broadcasting by mid-2015 and spectrum is to be re-assigned to enable national broadband delivery. To that end, the regulator is preparing for spectrum re-assignment that affects broadcasters and just days prior to this report being finalised, a notice on a Broadcasting Policy Review was published.

This report is therefore timely and necessary as reliable data is required to inform and shape future broadcasting policy. It is also important to consider the challenges facing traditional broadcasters whilst reflecting on the significant contribution that broadcasters make to the economy through job creation, ongoing investment in infrastructure and content development.

The 'NAB State of the Broadcasting Industry Report' is a culmination of extensive research and engagement with NAB members over a six month period. My sincere thanks to all NAB members for their participation, commitment and support and my gratitude to the NAB and PwC teams for their contribution.

As we celebrate twenty years of independent broadcasting we look forward to the NAB's continued role as a credible voice for the broadcasting industry.

NADIA BULBULIA
EXECUTIVE DIRECTOR

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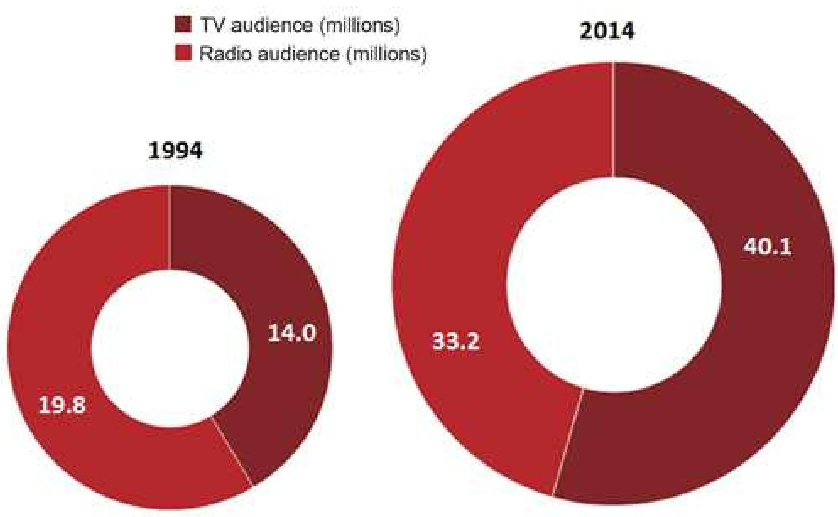
Looking back

A reflection on the development of the broadcasting industry from 1994 to today

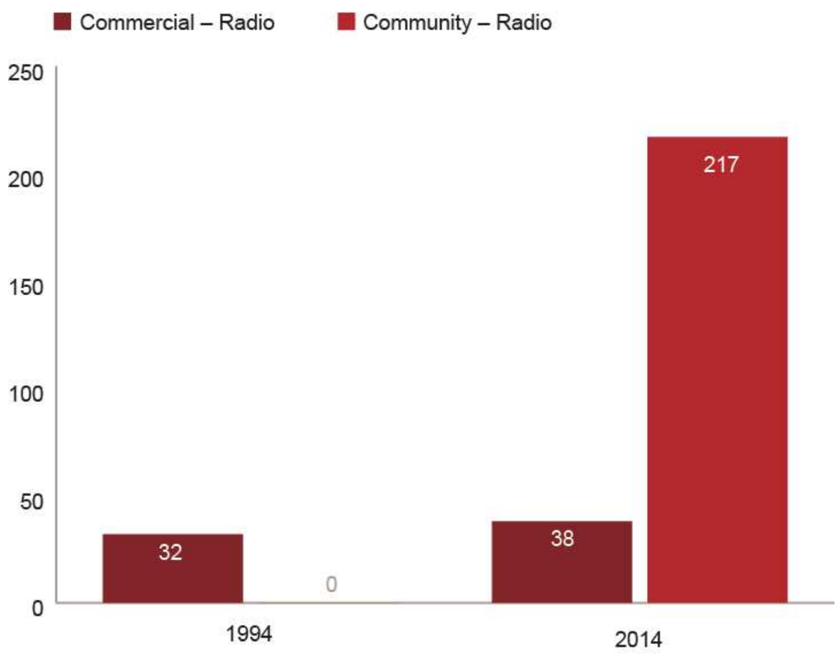
The democratisation of broadcast media was a critical aspect of South Africa's liberation. The election of the first independent board of the SABC in May 1993 and the enactment of the Independent Broadcasting Act 153 ('IBA'), in the same year, paved the way for democratic and free elections. The IBA empowered and enabled the broadcasters to cover all contesting parties, including the opposition.

Total audience (millions)



It was against this backdrop of free and fair broadcasting that South Africans witnessed the dawn of a new South Africa in 1994. A TV audience of over 14 million people watched as the inauguration of Nelson Mandela was broadcast live across the country.

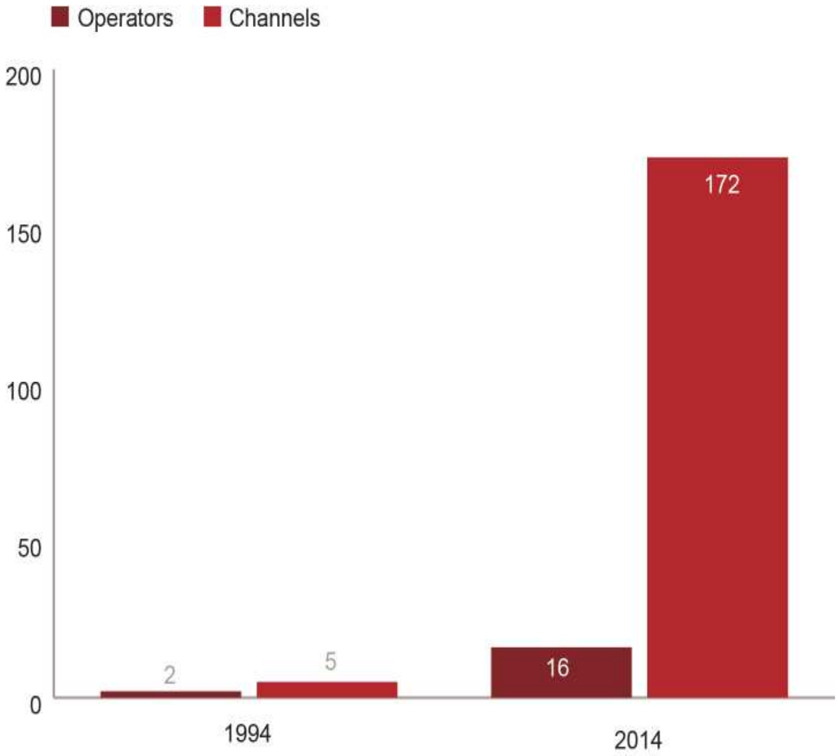
Radio stations (number)



When we look back to 1994, broadcasting in South Africa comprised only 2 licensed TV operators offering 5 channels to an audience of around 14 million people and 32 licensed radio stations with an audience of over 19.8 million people[1].

[1] *Source: Research supplied to PwC by Ovum – a telecoms and media research company*

Television operators and channels (number)



Today, 20 years into our democracy, the picture has improved remarkably – we have a three tier system of broadcasting, comprising public, commercial and community broadcasters. There are currently 16[2] licensed television operators delivering television services across more than 170 channels to an audience of around 40.1 million people and over 250 licensed radio stations with a weekly audience of around 33.2 million people[3].

Appendix A contains a detailed overview of developments in the broadcasting industry.

Broadcasting industry – a cornerstone of our democracy

The broadcasting industry plays a pivotal role in promoting and sustaining a free and democratic South Africa and with the advent of our new democracy, it became apparent that an industry body was needed to represent broadcasters. Hence, 1994 also saw the strengthening of the NAB which would, and continues to, be the voice of South Africa's broadcasting industry. The establishment of the NAB was also by virtue of the IBA, which recognised the existence of a self-regulatory body which administered a Code of Conduct, binding broadcasters who subscribed to it. The NAB established the Broadcasting Complaints Commission of South Africa ('BCCSA') to administer the self-regulatory Code. The same recognition was enacted into the Electronic Communication Act 36 of 2005 (the 'ECA'), when the IBA was repealed in its entirety by the coming into effect of the ECA in 2006. The NAB's vision is to maintain an environment in which South African radio and television broadcasters can thrive – serving audiences and contributing to development and diversity.

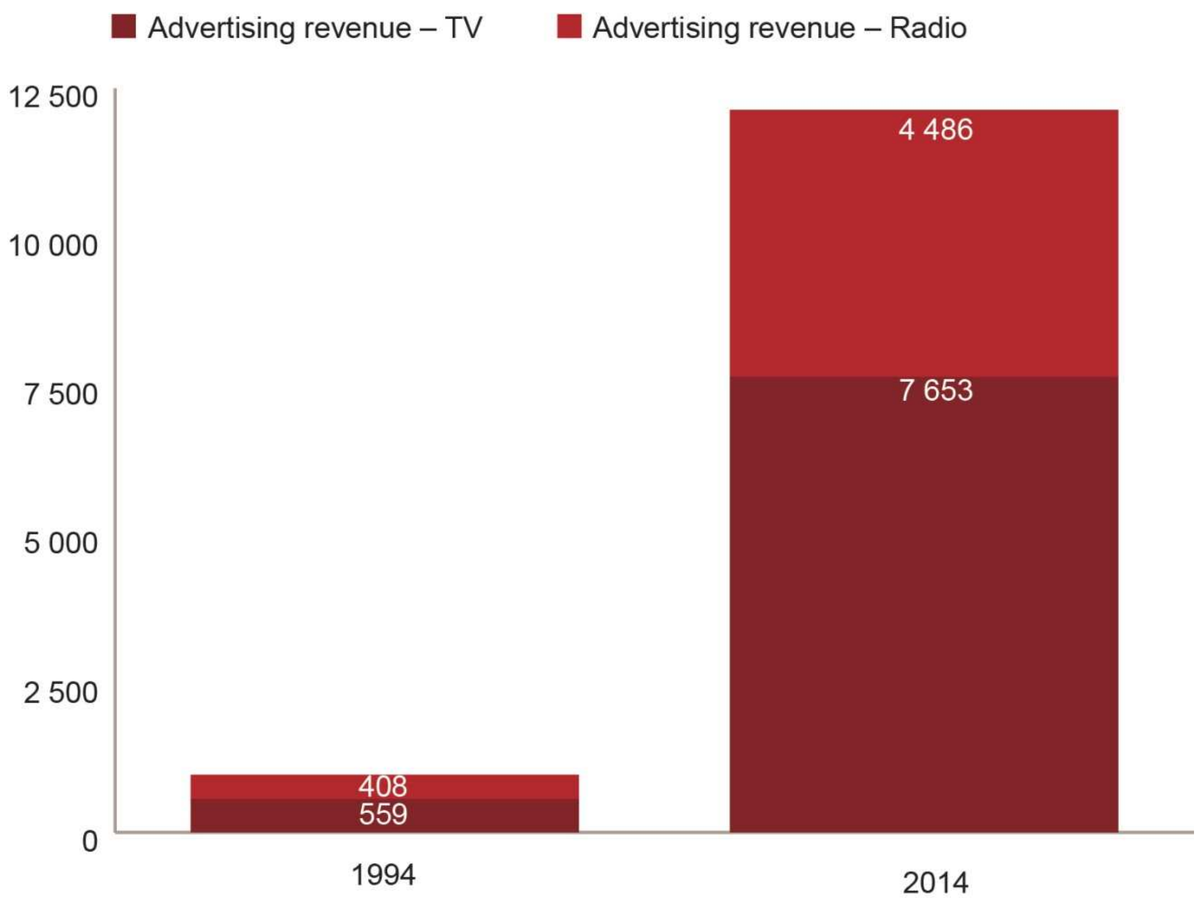
[2] *As per enquiry with ICASA (October 2014)*
[3] *Sources: RAMS October 2014 and research supplied to PwC by Ovum – a telecoms and media research company*

This vision has certainly materialised in the 20 years since its inception. Not only have the aforementioned number of licensed operators and audience figures grown substantially, but the increase in the contribution that the broadcasting industry makes to the economy and beyond has been exponential.

Advertising revenue in the broadcasting industry up 1255% since 1994

Revenue from advertising spend on TV and radio has grown from just under R1 billion[4] in 1994 to over R12 billion[5] expected in 2014.

Advertising revenue earned (R millions)



Television subscription revenues, in the form of public licence fees and pay-TV subscriptions, have also grown exponentially over the past 20 years. The knock-on effects of this growth in consumer and advertising spend from an employment, infrastructure, contribution to the fiscus, social awareness, education and social upliftment perspective are immense.

4 *Sources: Research supplied to PwC by Ovum – a telecoms and media research company*
5 *This figure is lower than the PwC Entertainment & Media Outlook figure due to the Outlook TV advertising revenue figures being forecast figures based on gross rate card net of estimated discounts and agency commission whereas the survey responses include actual and forecast revenue figures net of actual discounts, but before agency commission.*

Back in 1994, it was almost inconceivable that one day, independent community radio and TV stations would co-exist alongside the public broadcaster and commercial players. In 2014, we have exactly that. Community stations, which in some of the metropolitan areas, attract substantial audiences – they are a prime example of how the freedom and opportunity of the broadcasting industry has evolved.

With technological change progressing at an ever accelerating rate, we have also seen major changes in the viewer experience since 1994 – new digital satellite platforms, new screens for viewing, better display technology, more channels, more services and improved distribution which took viewers from Standard Definition ('SD') to High Definition ('HD').

One of the biggest changes to our television environment is imminent – the migration of analogue terrestrial broadcasters to a digital terrestrial platform. Digital Terrestrial Television will for the first time bring the many benefits of digital technology to terrestrial TV audiences. This means vastly improved video and audio quality, many more channels and a host of value added services.

Looking in

The state of the broadcasting industry for the years 2012, 2013 and 2014

Approach and methodology

Information in respect of the 2012, 2013 and 2014 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:

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

The survey responses received were then aggregated and summarised to obtain the information contained in this section of the report. Overall 55 responses were received – 8 from TV, 44 from radio and 3 from signal distributors. Many thanks to the following respondents who participated in the survey:

TV Respondents	Radio Respondents		Signal Distributor Respondents
1. e.tv	1. SAFM	23. 567 Cape Talk	1. Sentech
2. eNCA	2. Tru FM	24. 702 Talk Radio	2. GlobeCast Africa
3. MultiChoice	3. Lotus FM	25. 94.7 Highveld Stereo	3. Orbicom
4. M-Net	4. RSG	26. KFM 94.5	
5. Trinity Broadcasting Network	5. Munghana Lonene FM	27. Vuma FM	
6. SABC 1	6. Lesedi FM	28. Classic FM	
7. SABC 2	7. Radio 2000	29. East Coast Radio	
8. SABC 3	8. XK FM	30. Gagasi 99.5	
	9. Umhlobo Wenene FM	31. Jacaranda 94.2 FM	
	10. MFM 92.6	32. KAYA FM 95.9	
	11. Radio Today	33. Algoa FM	
	12. Motsweding FM	34. Capricorn FM	
	13. Phalaphala FM	35. OFM	
	14. Thobela FM	36. Smile FM	
	15. Ligwalagwala FM	37. Good News - 93.6fm	
	16. Ukhozi FM	38. Bay FM	
	17. Ikwekwezi FM	39. Fine Music Radio	
	18. 5FM	40. Radio Tygerberg	
	19. Good Hope FM	41. YFM 99.2	
	20. Metro FM	42. Tuks FM	
	21. Power FM	43. Radio Islam	
	22. Heart 104.9FM	44. Radio Pulpit	

Please note:

- *2014 figures contain both actual and forecast or extrapolated information based on whether final year-end figures were available from respondents at the time of the survey being conducted.*

- *Revenue for signal distributors has not been included as this does not fall within the categories of advertising, subscription or licence fee revenue.*

- *Responses in respect of audience figures were varied. To achieve consistency in the information presented in this report, we have used the following industry sources – TV audiences based on reach (AMPS) and radio audiences based on reach (RAMS).*

- *Information provided by respondents has not made it possible to split the analysis to a level below radio and TV on an overall basis.*

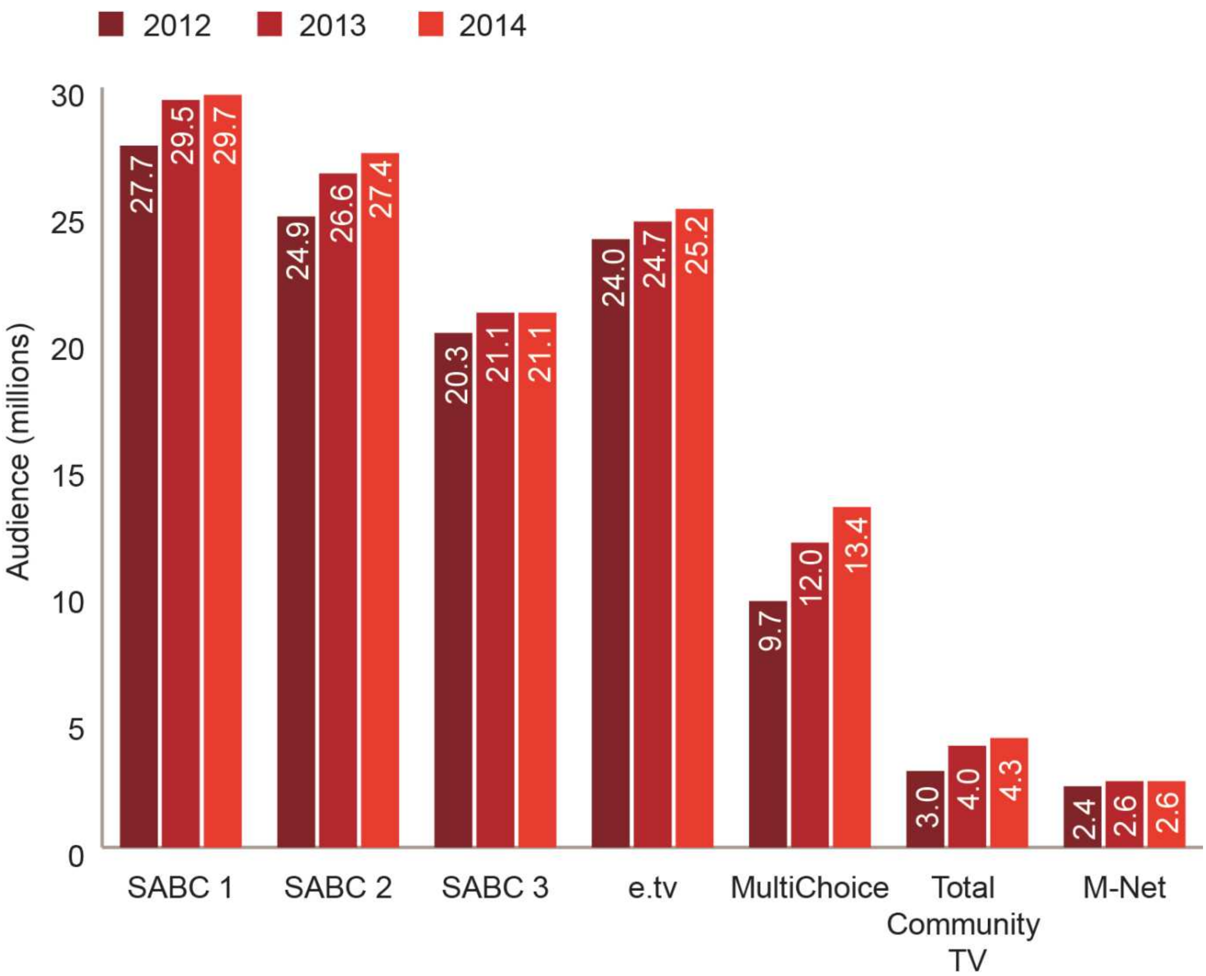
- *Results with respect to employment levels, investment and CSR initiatives have been presented on an overall basis from a broadcast industry perspective.*

- *The figures presented within the commentary that follows reflect the information provided by the 55 respondents. Whilst the participants do include the major players within the broadcasting industry, there are many more participants who have not responded 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.*

- *Signal distributors have only submitted information with respect to contributions, employment, investment and corporate social responsibility. Their figures are therefore included in the survey results relating to the aforementioned categories.*

Television

Television audience by reach (millions)[6]



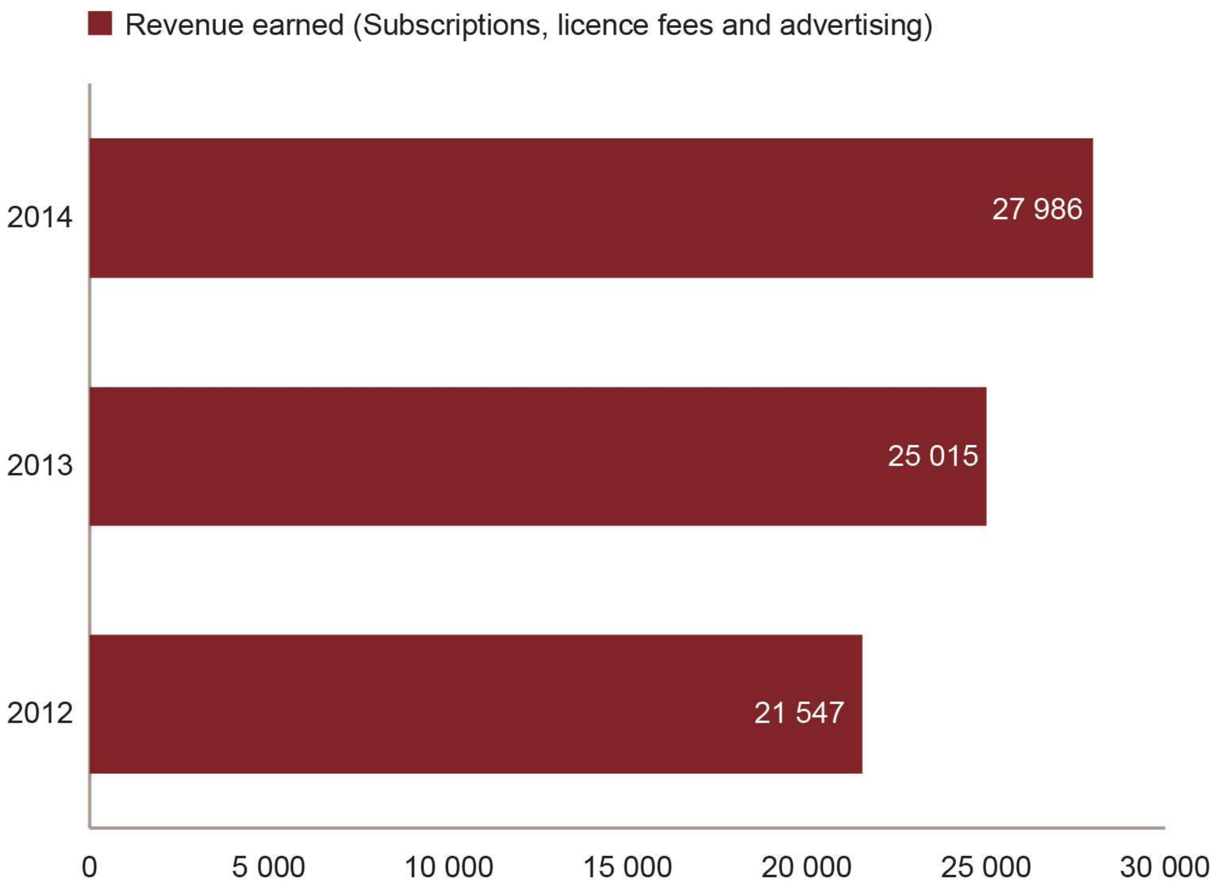
TV – as popular as ever

Television remains the medium of choice for most South Africans – not only is television penetration high (TV audience as a proportion of total SA population), the engagement with television is quite deep. The average South African adult watches 3 hours and 3 minutes[7] of television a day.

TV audiences have shown a steady increase in viewership over the last 3 years. An emerging middle class and increasing levels of disposable income have seen the number of TV households and hence audience figures increase for all categories of broadcasting – public, commercial and community. This increasing audience has driven the growth in revenue from an advertising, licence fees and subscription perspective to reach almost R28 billion in 2014 up from R21.5 billion in 2012.

[6] *Television audience by reach has been calculated based on Past 7 days information as extracted from the AMPS reports. For 2012 and 2013, an average of the June and December reach percentages has been applied to the overall adult population figure. For 2014, only the June reach percentage has been applied.*
[7] *Source: TAMS, Week 42/14: 13 Oct 2014 - 19 Oct 2014*

Television revenue (R millions)



The TV industry has experienced growth not only in the commercial space, but also an increase in freedom and opportunity which has led to community TV stations emerging onto the broadcasting landscape. Community TV operators in South Africa include the likes of TBN, Soweto TV, Cape Town TV, One KZN and Tshwane TV. The reach and growth of Soweto TV has been impressive and it currently commands the 5th highest reach of all terrestrial TV broadcasters.

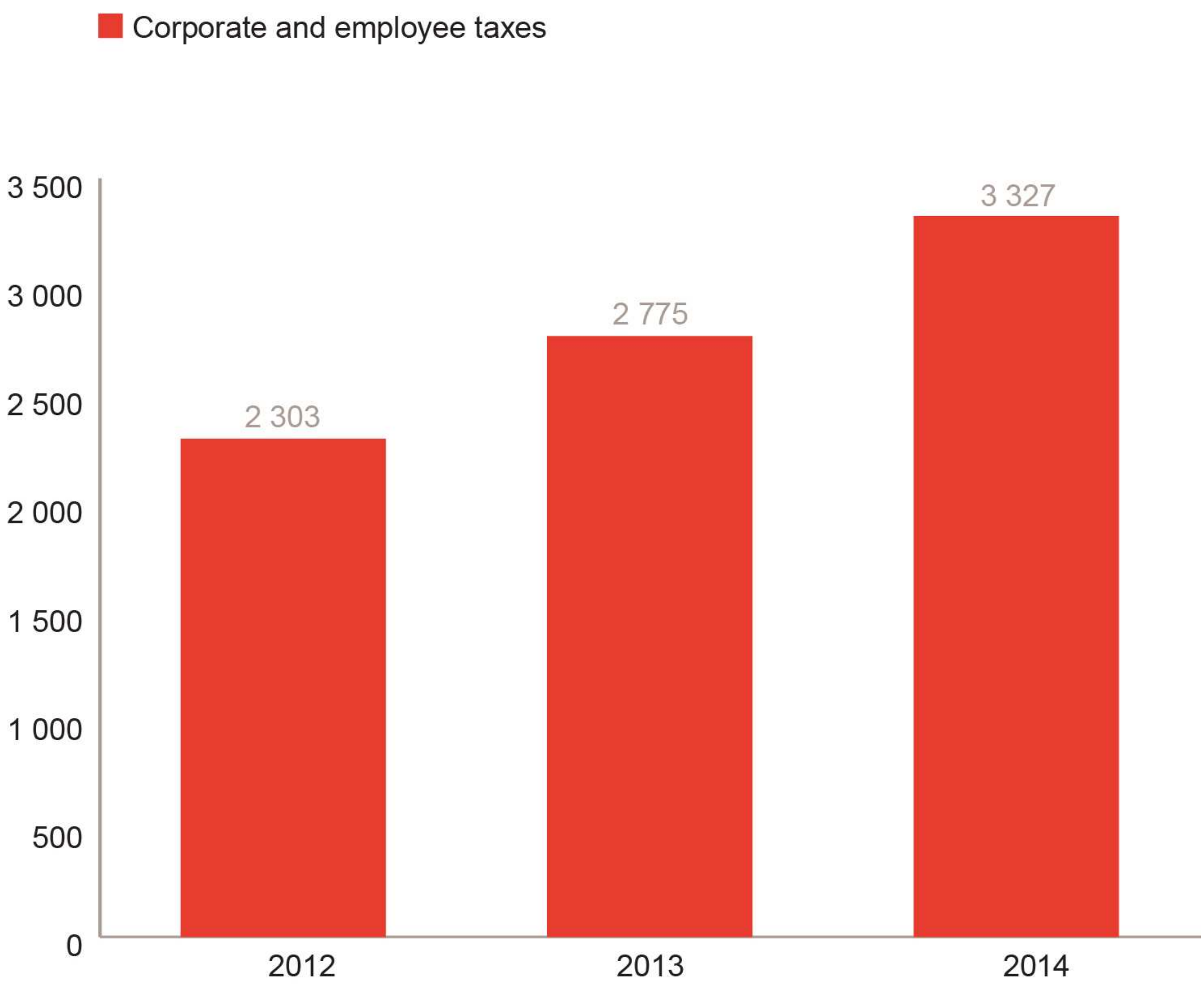
TV, given its reach and popularity, remains one of the pre-eminent advertising platforms in South Africa, with advertising spend highest during the evening prime-time slot between 18h00 and 21h00.

Content is broadcast in a multitude of languages covering all South Africa's major language groups and even extending to languages beyond our borders such as Portuguese, Yoruba, Swahili and Indian. 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. Of this local content, in excess of 90% is independently produced (ie not produced by the broadcaster).

The increase in revenue has fuelled increasing levels of employment as well as increased profitability. This has translated into increasing contributions. Tax contributions have risen from R2.3 billion in 2012 to R3.3 billion in 2014.

Contributions - Television (R millions)



Broadcasting remains 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:

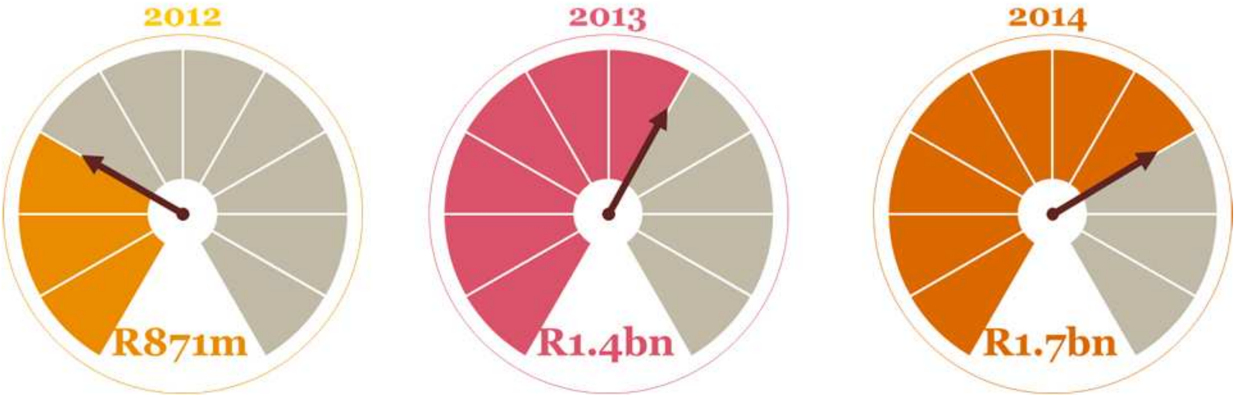
- the Media Development and Diversity Agency ('MDDA')
- the Universal Service and Access Agency
- Independent Communications Authority of South Africa ('ICASA') licence fees

R1.46 billion
Licence fees, levies and other contributions by TV broadcasters over the period 2012 – 2014

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

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

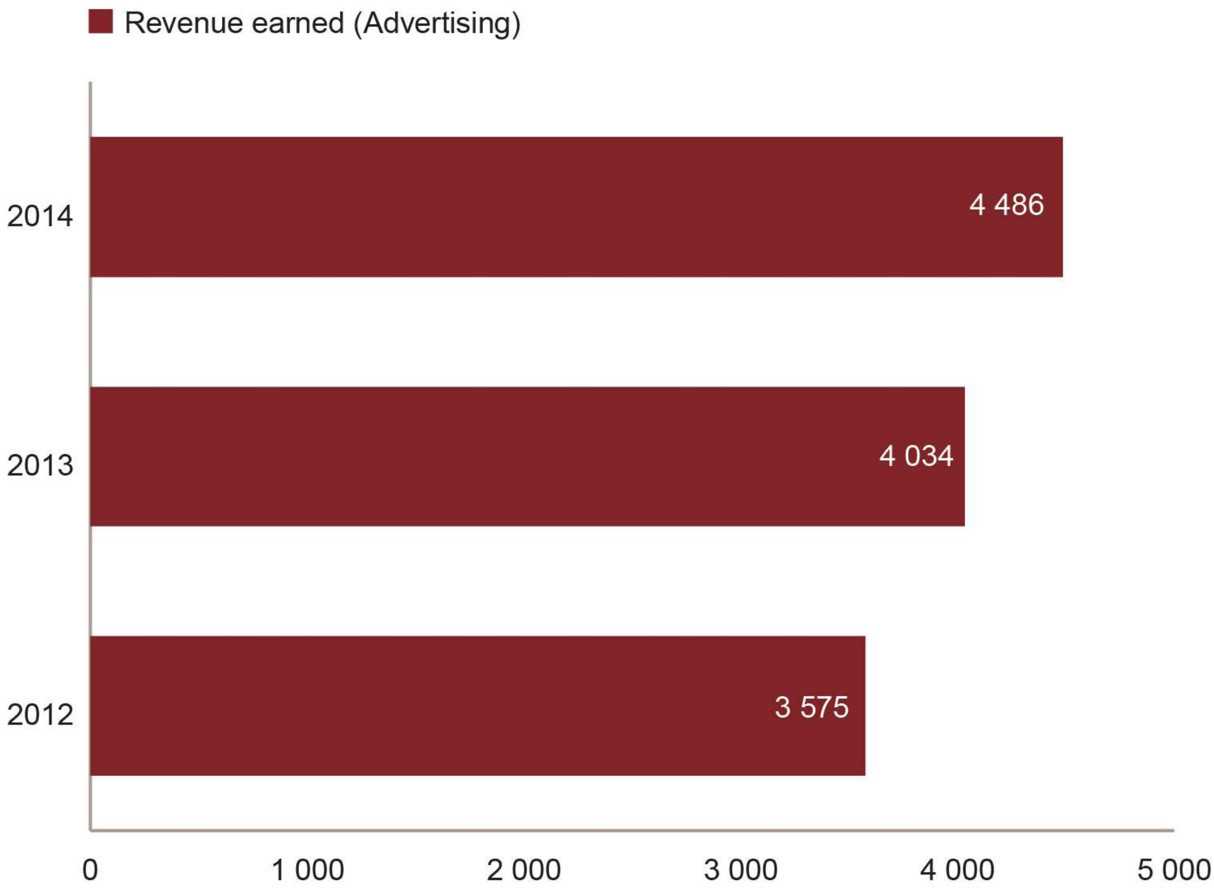
Local content has emerged as a way for broadcasters to differentiate their service. Local content resonates with audiences and has led to significant investment, above and beyond regulatory requirements. This has resulted in local content spend doubling from R871 million in 2012 to over R1.7 billion in 2014.



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, the television broadcasters' share of revenue directed towards these requirements has increased from 17% in 2012 to 19% in 2014.

Radio

Radio revenue earned (R millions)



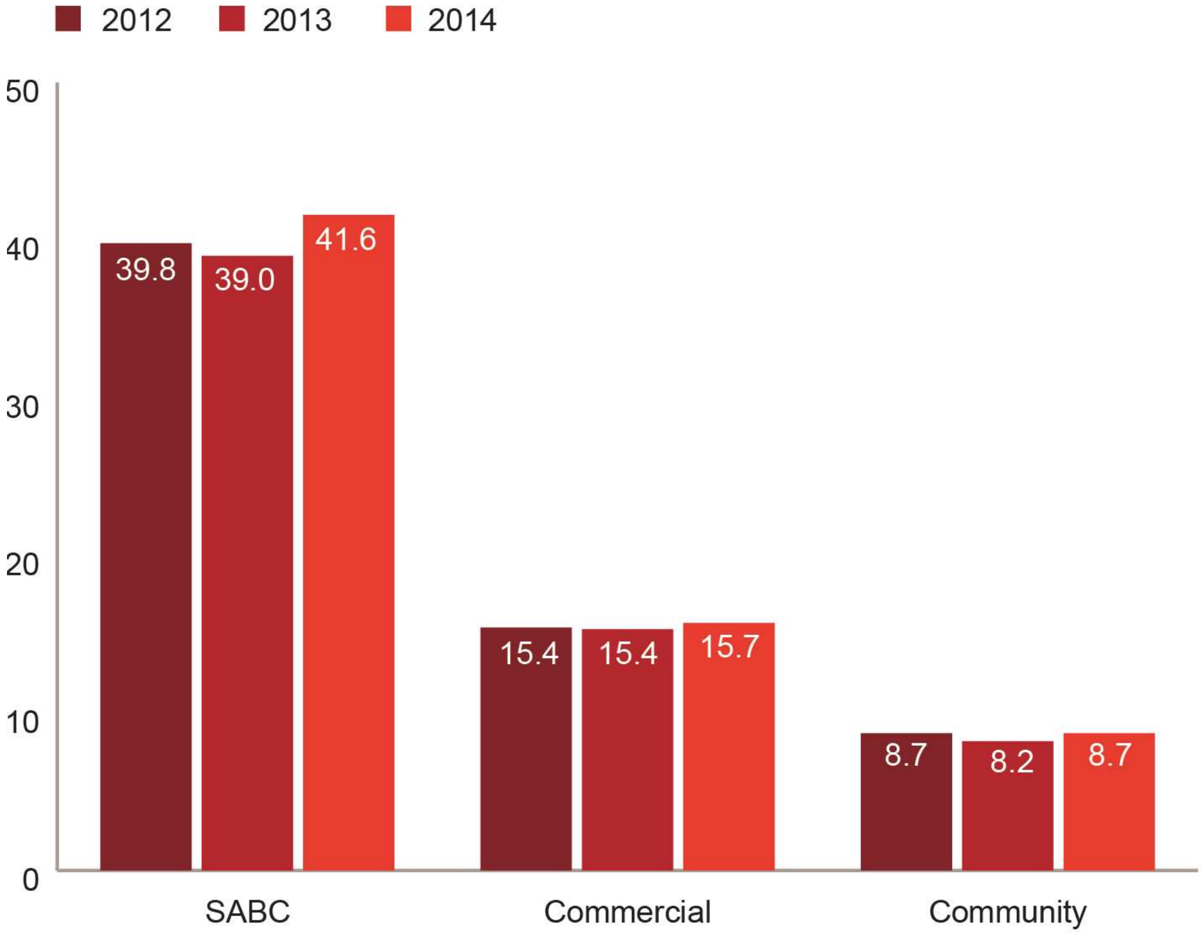
Radio continues to thrive

The enduring appeal of radio due to its reach and ability to be geographically relevant has resulted in strong advertising revenue growth – double digit compound annual growth since 2012 – up from R3.6 billion to R4.5 billion in 2014.

Advertising revenues are, as expected, 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, weather, traffic and sport.

Listenership levels remained relatively static over period 2012 – 2014. Whilst there does not appear to be too much growth relative to TV, one of the reasons contributing to this is the advent of internet-based radio stations which currently do not form part of the RAMS population. There are certainly people listening to them, but they would not be included in the figures outlined on the following page.

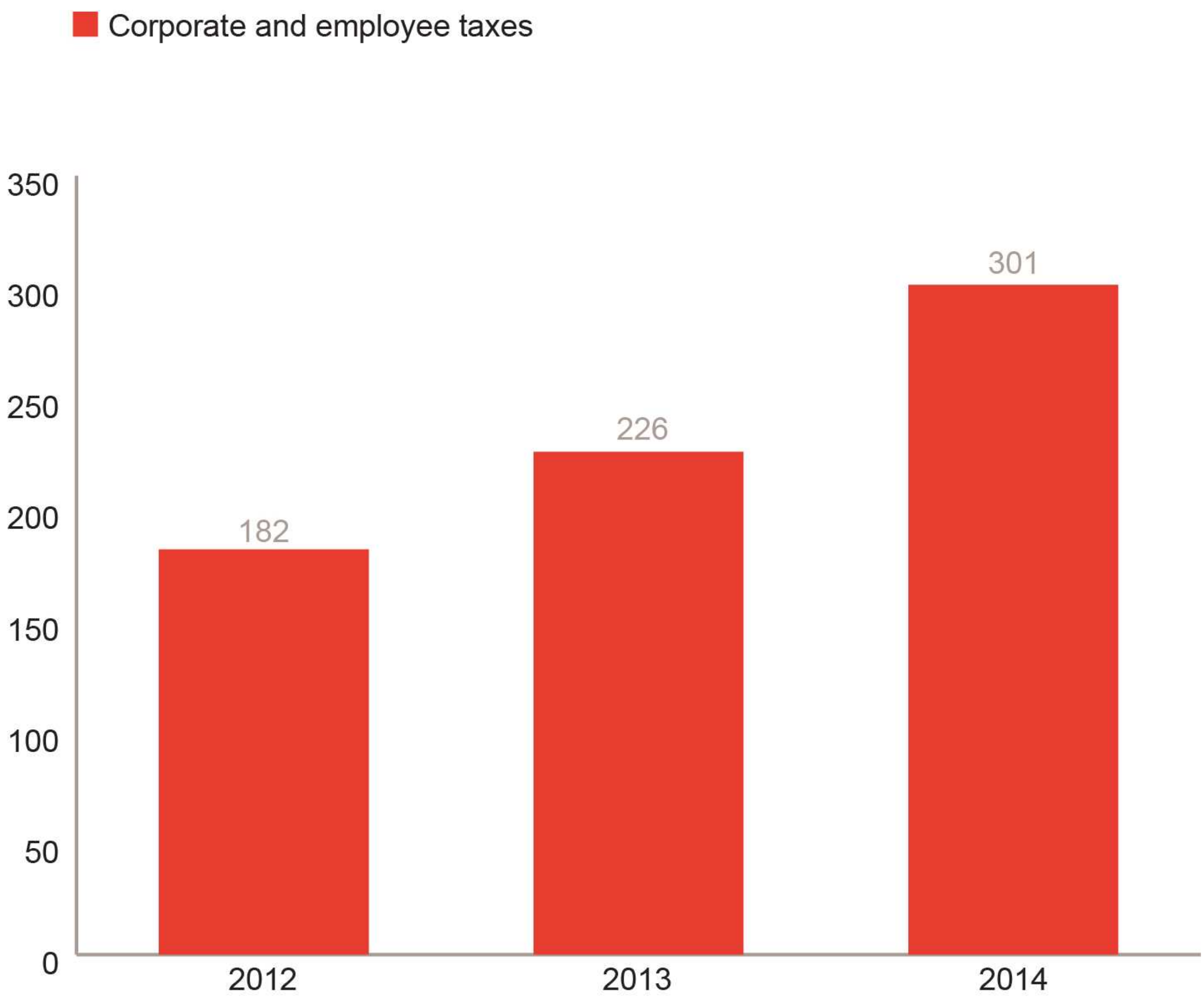
Radio audience by reach (millions)[8]



Radio delivers content in all 11 of South Africa's official languages, and 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 the two largest predominant languages are English and Zulu. The level of local content broadcast by respondents varies according to their licence requirements. As a minimum, radio broadcasters who devote 15% or more of their broadcasting time during the performance period to music, are regarded as music stations and must therefore comply with ICASA's South African music content regulations. These regulations are set at a minimum of 25% for commercial broadcasters and 40% for public and community radio. However a number of stations exceed their ICASA licence requirements with local content as high as 85% on some stations.

[8] *Radio audience by reach is based on Past 7 days information as extracted from the June RAMS Station Audience data for 2012, 2013 and 2014.*

Contributions - Radio (R millions)



Tax contributions from radio have increased consistently over the period 2012 to 2014 which is in line with increasing levels of employment, revenue and profitability. Corporate and employees' tax contributions have risen from R182 million in 2012 to R301 million in 2014.

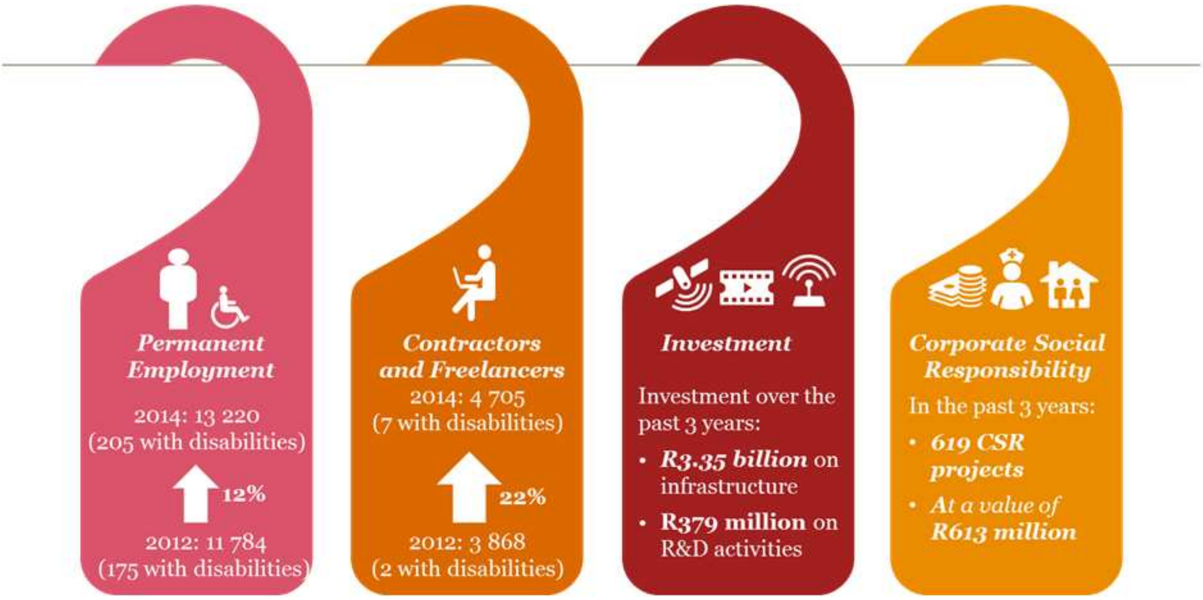
R471 million
Licence fees, levies and other contributions by radio broadcasters over the period 2012 – 2014

In addition to the contributions made by television and radio, signal distributors have over the past three years contributed R219 million in the form of taxes and other fees and levies.

Radio broadcasters bear largely the same payment obligations as television broadcasters. In addition, radio broadcasters will soon begin making payments of needletime royalties to the South African Music Performance Rights Association. These payments have not been included in the diagram above, because negotiations are ongoing. However, radio members of the NAB confirm that needletime royalties will amount to millions of Rands.

Overall

Broadcasters - investing in people, opportunities and communities



In 2012, 11 784 permanent employees, of whom 175 were persons with disabilities, were employed by the broadcasters who responded to this survey. These figures increased by 12% and 17% respectively to reach 2014 levels of 13 220 permanent employees of whom 205 were persons with disabilities. In addition to permanent employees, the broadcasters also employed 4 705 contractors and freelancers during 2014, up from 3 868 in 2012.

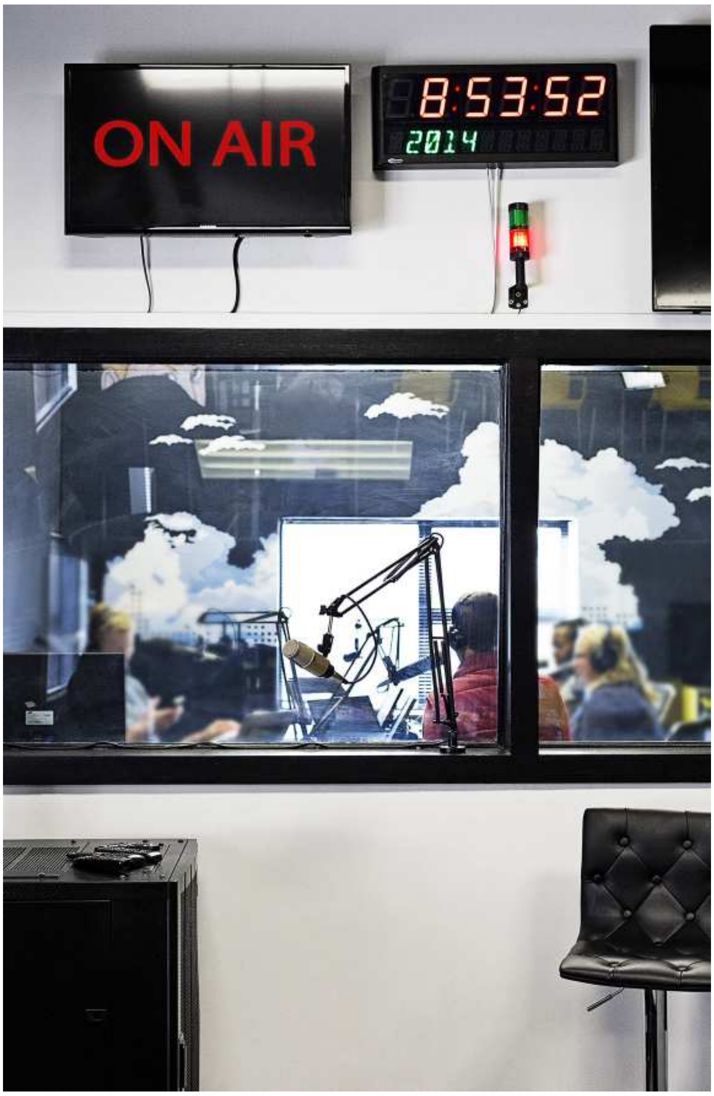
Not only does the broadcasting industry directly drive significant employment and contributions to GDP, its value chain drives significant economic and employment multipliers across the South African economy, both on the supply side (content production and acquisition) and the demand side (delivery and distribution). The Department of Trade and Industry recognised this in its commissioned 2011 report, *The Economic Contribution of Copyright-Based Industries in South Africa*, which attributed a simple output multiplier of 2.635 and a simple employment multiplier of 5.715 to the television, radio and communications equipment industry. The National Film and Video Foundation's April 2013 *South African Film Industry Economic Baseline Study Report* reported that it created 25 175 full-time equivalent jobs and contributed more than R3.5 billion to GDP. This translates into an economic multiplier of 2.89 in respect of production done in the areas of feature films, documentaries, TV series, TV films, animation series and animation films. Television broadcasters are the impetus behind the majority of these production requests.

Investment in South African infrastructure and networks totalled R3.35 billion over the past three years, primarily comprising investments in anticipation of the migration to digital television. A further R379 million was invested into research and development activities.

What the above figures do not fully capture is the contribution of community broadcasters.

Community broadcasters – playing their part

According to a GCIS 2012 Media Landscape publication, community media is playing an important and increasing role. This is evident in the broadcasting space which has witnessed a proliferation of community TV and radio stations in recent times.



Community radio is now collectively the third largest broadcaster nationally with almost 9 million listeners[9] found in the most deeply rural areas of all the provinces. This translates into community radio's share of audience being around 27% of the total radio audience of approximately 33 million. Unfortunately share of audience does not translate into share of revenue and revenue generation remains a significant challenge to the self-sustainability of many stations. Many rely on funding from government sources such as the MDDA to keep their operations afloat.

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 the 2012 report, through the MDDA's support and promotion of community broadcasters, 1 632 indirect jobs and 416 full-time and 259 part-time jobs have 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 undertaken by the broadcasters.

[9] *Source: RAMS October 2014*

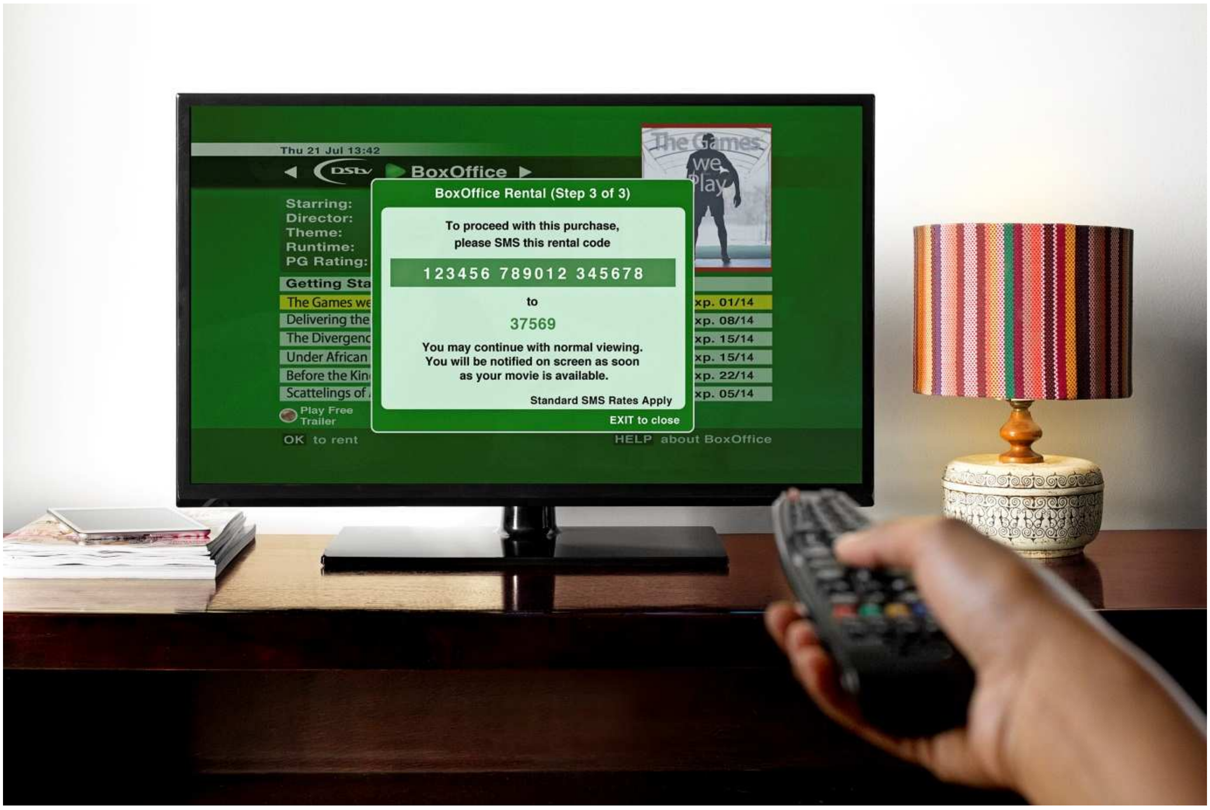
Looking forward

Challenges, trends and opportunities facing the industry

Television

Traditional TV still dominates, but changes are starting to appear on the horizon

Although traditional viewing (of scheduled linear television channels) still continues to dominate the South African landscape, the way content is consumed is changing. Internationally, we observe the meteoric rise of over-the-top (OTT) streaming internet video services such as Netflix, HBO GO and Hulu. Add to these the recent launch of two new video-on-demand ('VOD') offerings, namely TMG's Vidi which seeks to take advantage of consumer broadband connections and local servers to deliver streaming on-demand entertainment (similar to the US-based Netflix) and Altech's Node which operates via a satellite set-top box (similar to DStv's BoxOffice) and offers VOD along with a range of other features and services and it becomes apparent that these changes are not distant phenomena of the future.



As our broadband penetration and affordability improves within South Africa, competition from international OTT players will increase. This coupled with the ever-present threat of piracy means that broadcasters are going to have to remain intimately engaged with their consumers and ensure that their offerings satisfy consumer demands and behaviours – the status quo will certainly be challenged in this fast-changing environment.

The outlook for pay-TV remains bright, as incumbent subscription TV services have moved quickly and successfully to counter the potential impact of OTT and other disruptive influences. In particular, they have implemented attractive product and service initiatives (such as different packages at different price points) that meet changing customer demands for the integration of stand-alone services into a consolidated user experience.

Although a great deal of attention has been paid to OTT services and their potential impact on traditional broadcasting, the linear television environment is also about to undergo a major change which cannot be overlooked. The migration of SABC, e-tv, M-Net and community television broadcasters from analogue to digital will probably be the most significant event in South African broadcasting since the launch of TV in the 70's. Not only is migration a complex and costly exercise for government and for broadcasters (who will carry the costs of running both analogue and digital platforms for a period of time known as dual illumination), the impact of this migration on South Africa's broadcasting environment will be significant. Digital migration will mean true multi-channel free-to-air broadcasting and the introduction of an array of new channels and services. This will have consequences for the television advertising market and the local production sector as broadcasters seek to optimise their offerings on this new platform.

Changes on the horizon signal increased competition

Siyaya TV, a newly licensed subscription service, has shaken up the industry by acquiring the rights to air national soccer team matches, including Bafana Bafana, Banyana Banyana and junior teams, in a R1 billion, six-year deal. The South African Football Association confirmed the agreement in August 2014. Siyaya is, however, not the only new kid on the block; the consortium is among four other new provisionally licenced pay-TV operators, namely Close-T Broadcast Network Holdings, Mindset Media Enterprises, Mobile TV and Kagiso TV.

August also saw an invitation to apply ('ITA') being issued by ICASA to interested parties for individual commercial free-to-air ('FTA') television broadcasting service licences. Once awarded, it will be the first time since 1998 that South Africa will have additional FTA broadcasters since e.tv took to the airwaves.

Advertising

Broadcasters are currently grappling with a number of threats to their advertising revenue. The Department of Health is contemplating severe restrictions on the advertising and sponsorship of alcohol and unhealthy foods. These categories make up a significant part of the advertising revenues generated by broadcasters and while broadcasters are supportive of the public health objectives, these could be achieved in a way which minimises the impact on the broadcasting sector.

Shifting consumer behaviour patterns mean, for example, that more TV content is being viewed on mobile devices. This provides a significant new location for advertisers to target. One of the reasons for limited online advertising revenues to date has been advertiser reluctance to allocate significant portions of their budgets to devices other than conventional TV, especially while broadband coverage is poor and expensive. This will improve, in part as usage patterns and audience-measurement capabilities evolve. While digital media advertising revenues continue to grow quickly, this trend has not necessarily proved to be a negative one for the TV sector. Indeed traditional and 'new' forms of advertising are sometimes complementary, with some advertising campaigns now containing an element of digital media buying within them.

Rapid change in technology has allowed online companies to improve their value proposition to advertisers with targeted, customised and interactive advertising. Companies like Netflix are able to personalise recommendations and allow for streaming services to select the right commercial for the right consumer. This would mean viewers seeing fewer, but more relevant ads and marketers would be better able to target very specific consumers. While the growth rate for online TV advertising is forecast to be an impressive in the coming years this will be from a low base and will remain constrained due to the lack of infrastructure and the low levels of broadband penetration in the country.

My time…my screen…my price

As with markets across the world, South Africa needs to adapt to the new reality of TV as one of many screens that command attention in the modern home by producing more of the on-demand content and user-led experiences that interactive TV can offer. New measurement metrics are also essential to ensure that revenue levels remain robust – advertisers will only continue to utilise TV as their preferred medium if they can measure with confidence their return on investment. The NAB will undoubtedly be at the forefront of driving such measurement initiatives to ensure that the TV broadcasters are able to best demonstrate the advertising bang for buck that their platforms offer.

Studies have indicated there is a huge appetite for consuming video-on-the-go. Strategy Analytics recently conducted a survey amongst mobile users in the US, China, France, Germany, Spain and the UK, and found that 72% of users were consuming video on their phones.[10] With the increasing presence of 4G services in South Africa, the bandwidth to watch live TV or stream catch up TV actually exists for the first time. Mobile operators need to find reasons to get subscribers to upgrade to 4G and video content consumption is a primary reason.

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10 *http://www.techradar.com/news/phone-and-communications/mobile-phones/mobile-tv-has-been-a-spectacular-failure-but-that-is-all-about-to-change-1242345/2*

Radio

Radio is the original form of 'social media' in that it allowed listeners via the DJ and phone-ins to raise their points of views and connect with other listeners in their communities. This interaction, together with its reach and affordability, is what drives the longevity of radio and far from being replaced with the advent of modern social media, radio has embraced it to become a critical component of any integrated advertising campaign.

Terrestrial radio is growing as well as the Internet and online radio - the entire pie is getting bigger. The DAB+ standard for digital radio broadcasts will be trialled in Gauteng as a complement of the congested FM and AM dials. The NAB members and the Southern African Digital Broadcasting Association ('Sadiba') will run a 12-month trial to test the technology with the participation of Sentech.

A completely separate trial is also under way to examine the replacement of analogue medium-wave broadcasts with DRM (Digital Radio Mondiale) broadcasts. The specific challenge for DRM will be the availability of suitable receivers in cars. Despite digital radio providing listeners a wider choice, encouraging consumers to switch will be challenging as it is thought that local authorities will not be as aggressive as those in other markets in turning off FM signals. Despite the DAB+ trials, it is expected that traditional analogue radio, supplemented by the Internet, will continue to dominate the radio sector in South Africa for the foreseeable future.

Traditional FM radio offers reliable sound and has decades of historic listening behind it. Unlike TV going digital which will offer dozens more channels, HDTV and interactive services, radio going digital is currently not a national priority until television has fully migrated to digital broadcasting. As broadband and smartphones remain out of reach for many South Africans, radio will continue to play an important role in entertaining and engaging with those sections of the population who might otherwise be excluded from mainstream media. Radio stations are still, however, embracing social media platforms in order to enhance engagement with their audiences.

Measurement matters

Thus far, traditional radio stations have not been threatened by Internet radio stations due to a lack of broadband coverage, while radio stations have anticipated the competition by moving to online platforms. The lack of a regulatory framework for the Internet radio in South Africa makes it an easy platform into which new radio stations can expand. The challenge is that the metrics for measuring Internet radio listenership in South Africa are also only just starting to gain traction. Accurate listenership figures are crucial in determining appropriate advertising rates, which currently vary substantially. The other challenge is that the lack of regulation creates uncertainty around the rules applicable to and responsibilities of the online players.

For all the media consumption threat of streaming music and video, radio retains its position as one of South Africa's, and indeed, the world's pre-eminent media platforms. The fact that big brands and small local advertisers alike continue to invest heavily in radio illustrates the strength of the platform as a means of reaching mass market consumers at true scale. Radio remains an important medium for South Africans to keep abreast of key events shaping the country, such as the funeral of Nelson Mandela and the trial of Oscar Pistorius.

Radio is able to tailor output to local areas, with regional and community stations reflecting current weather and traffic conditions, as well as being able to feature extended coverage of local sports teams. Listeners are engaged with the stations via social media (a station's Facebook pages or Twitter feed) and more conventional means such as the radio phone-in.
What's more, radio offers relatively low costs of consumption when compared with television. Radio stations have been successful in adapting to technological advances by making their content accessible on mobile devices and will benefit further as consumers take advantage of the growth in the country's 4G's network. Furthermore some commercial stations have made podcasts of their shows available via SoundCloud, giving listeners the chance to catch up with shows they have missed. In a country where less than 20% of households are forecast to have a broadband connection by 2018, radio remains an attractive medium for advertisers as it reaches approximately 90% of the adult population.

Public transport in South Africa remains inadequate, with the private car continuing to be a critical mode of transport for people getting to work. Growing car ownership has led to further traffic congestion and with commuting times getting longer, radio advertisers have a captive audience of in-car listeners. Interactive car dashboards are starting to enable music streaming apps to make their presence felt. While this development threatens to take some radio listening time away from traditional radio, it is not expected to be significant in the near term.

Radio superior to streaming and holding its ground

Even if this development does become more prevalent, a music streaming service can have a catalogue of more than 30 million tracks, which can be dizzying for the consumer. Millions of tracks do not guarantee a good user experience. In fact, they offer so much choice that there is in effect no choice at all. This is the 'tyranny of choice'.

Curation is the answer and radio broadcasters have the opportunity to capitalise. Radio does not even attempt to deliver all the music in the world, but rather the music that its audiences want to hear. It delivers the relatively small number of songs that matter rather than the 30 million that don't.

Radio has the opportunity to reassert itself as the trusted voice of curation and taste. The brands of the DJ, the show and the station are beacons that can guide the consumer. For all of the technological innovation and disruption on the horizon, no amount of algorithms can replace the human touch of radio. This is the value that radio broadcasters must learn how to communicate clearly and at scale in the digital marketplace.

Knowing your audience – critical to success

The NAB is also currently in the process of shaking up the media measurement space. This is being done to ensure that media measurement is done in a credible and robust manner, and more importantly, that it is responds to the ever-changing South African media landscape.

In mid-2013, the NAB informed the South African Audience Research Foundation ('SAARF') that it would be withdrawing from SAARF. The NAB is a member of SAARF until 31 December 2014 and is currently in the process of establishing a separate non-profit company to manage industry research from 2015 onwards. This is another example of the NAB's role in delivering on the needs of its members. The creation of the new Broadcast Research Council ('BRC') follows a study of international best practice models of media measurement organisations. Broadcasters will collaborate with media owners and stakeholders in pursuing the development of an Establishment Survey ('ES').

Whilst the ES is being developed, the All Media and Product Survey ('AMPS') contract that comes to an end in December 2014, will be extended to 2015 - this will allow a smooth transition to the establishment survey, as well as serving the best interests of the industry.

The current Radio Audience Measurement Survey ('RAMS') contract also ends in December 2014 and the NAB initiated an unprecedented public and open tender process to award a new contract for a radio audience and currency research survey. The NAB engaged an independent company to manage the tender process as well as international and local experts including a statistician. A new radio research contract will be entered into for a period of five years. In the interest of ensuring continuity, there will also be an extension of the current RAMS contract allowing an overlap between RAMS and the new service provider.

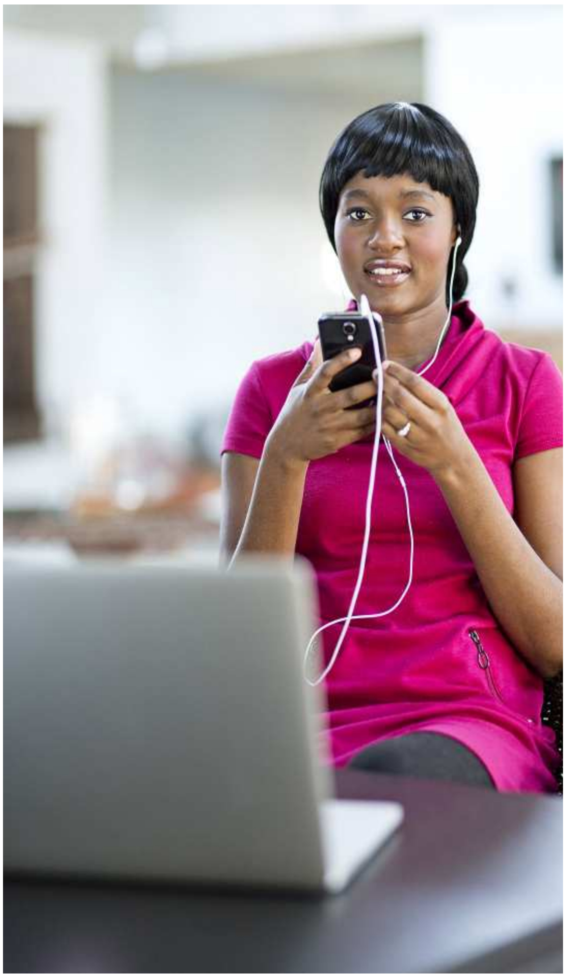
The Television Audience Measurement Survey ('TAMS') contract continues and the NAB television members have ensured that regular on-going audits are conducted and that key performance areas are met. This has already resulted in a significant improvement in the quality of the data.

The radio and television audience and currency research is funded by broadcasters directly. The broadcasters also fund their portion of the AMPS survey and will participate in the envisioned ES. The self- regulatory body for advertising, the Advertising Standards Authority ('ASA'), is funded by the media industry and broadcasters account for a significant portion of that funding.

So where to from here?

Life and regulation in a multi-device, multi-platform world

The world of broadcasting is changing on an almost daily basis – new players are entering the market, offerings are constantly evolving and new technology is changing the way in which content is consumed. Some of these changes are attracting new consumers to the market, others threaten to take consumers away. Regardless of these changes the necessity of the broadcasting industry to provide content which is fair, inclusive and which does not infringe on the protection of children, in particular, remains paramount.



With the convergence towards the consumption of content via digital channels, it begs the question as to whether one self-regulatory body, as opposed to the multitude that currently exist, would be better suited to ensure that a consistent and standardised approach is applied in the overall sphere of content consumption. One of the biggest challenges in the digital space, and in particular the online space, is that the online operators often do not fall within the ambit of the existing regulations. As a result, they are also not obliged to comply with codes of conduct and other mechanisms put in place to ensure that their content meets appropriate standards. This may appear problematic, but given the experience and track record that the NAB has within the self-regulation space, and also that it already represents both free to-to air and subscription content providers, it would seem a natural fit that its models and approach to self-regulation should inform any future proposals on the development of self-regulation across different content platforms.

The NAB will certainly have to adapt to the changes that will be experienced in a developing and converging broadcasting industry, but it will, no doubt, still have an important role to play in the years to come. The NAB's relevance and raison de'tre is unquestionable, especially in an era of cost containment and the growing demands on broadcasters to respond to government mandates in a dynamic media landscape whilst delivering diverse and competitive services to the many publics they serve.

Appendix A – Key developments in the broadcasting industry

Pre 1993

Broadcasting Act of 1976. Broadcasting controlled by the apartheid government.

1993

Independent Broadcasting Authority Act (No 153 of 1993) enacted. It established an independent broadcasting regulator - the Independent Broadcasting Authority (IBA).

1994 - 1996

1994 : IBA licenses four-year community radio services

1995: IBA publishes Triple Inquiry Report into the protection and viability of Public Broadcasting Services, cross media control of broadcasting services and local television content and South African music

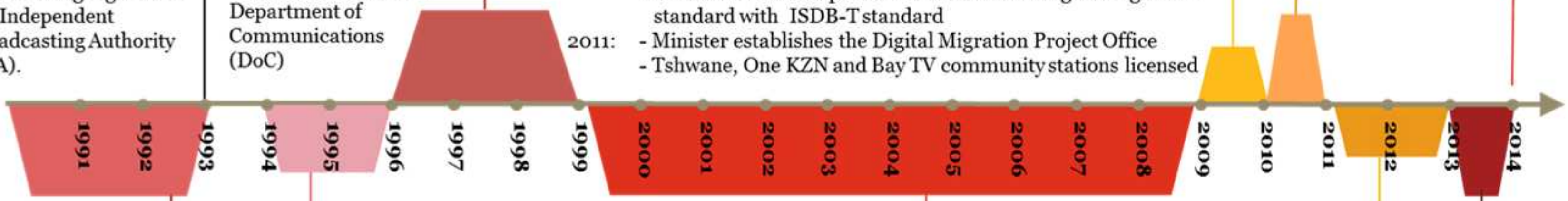
1996 - 1999

1996: Six former SABC radio services privatised

1997:
- Licensing of greenfield commercial radio services
- ITA for first FTA commercial TV service

1998:
- First commercial FTA licence issued to e.tv
- White Paper on Broadcasting Policy

1999:
- Broadcasting Act 4 of 1999 is passed
- Establishment of the Department of Communications (DoC)



1999 - 2009

2000:
- ICASA Act 13 of 2000 is passed
- Merger of IBA and SATRA to form ICASA
- TBN licensed as a Community TV broadcaster

2004: ICASA Position Paper on Community Television Services

2005:
- Position Paper on Subscription Broadcasting Services
- ITU confirms that Africa will migrate to digital broadcasting (SA by 2015)
- DoC establishes the Digital Migration Working Group
- Electronic Communications Act (ECA) enacted
- ICASA Act amended

2006: Cape Community TV licensed

2007:
- 5 satellite and cable subscription broadcasting services licensed
- TV and radio licence conversion in accordance with the ECA
- Soweto Community TV licensed

2008:
- Temporary Community TV licences granted
- DoC publishes Broadcasting Digital Migration Policy
- DoC establishes Digital Dzonga

2009 -2011

2010:
- SA hosts World Cup Soccer – successful globally broadcasted event
- ICASA Position Paper on IPTV and VOD
- Minister dissolves Digital Dzonga
- Minister seeks to replace DVB-T a national digital migration standard with ISDB-T standard

2011:
- Minister establishes the Digital Migration Project Office
- Tshwane, One KZN and Bay TV community stations licensed

2011 - 2013

2012:
- ITA for Commercial Sound Broadcasting licences in primary markets (MW)
- ITA for Commercial Sound Broadcasting licences in secondary markets (FM)
- Minister initiates a National ICT Policy Review process

2013:
- ICASA Reviews of the Broadcasting Regulatory framework towards a digitally converged environment
- National ICT Policy Review Framing Paper published
- Community TV licences are operational
- Cabinet approves the National Broadband Policy

2014

2014:
- DoC publishes a National Integrated ICT Policy Green Paper
- De-coupling of the DoC into the Department of Telecommunications and Postal Services (DTPS) and Department of Communications (DoC) and the Department of Telecommunications and Postal Services (DTPS).
- Six individual commercial radio licences issued
- ICASA issues a notice on an Inquiry into the State of Competition in the ICT sector
- Five additional commercial subscription TV licences provisionally granted
- ITA for FTA television broadcasting service
- DoC publishes notice of intension to undertake a Broadcasting Policy Review
- DTPS publishes National Integrated Policy Discussion Paper

Key: Ministers in a democratic South Africa

- *Pallo Jordan*
- *Jay Naidoo*
- *Ivy Matsepe Casaburri*
- *Siphiwe Nyanda*
- *Roy Padayachie*
- *Dina Pule*
- *Yunus Carrim*
  - *DTPS: Siyabonga Cwele*
  - *DoC: Faith Muthambi*