



## Chapter 5

# *Radio*

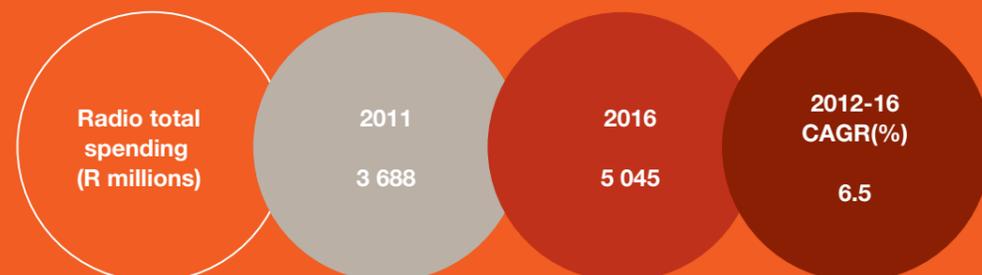
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*The radio market consists of advertiser spending on radio stations and radio networks, as well as public funding provided to the public broadcaster.*

# Outlook

## ... at a glance



### Outlook in brief

Radio market (R millions)	2011	2016	2012-16 CAGR (%)
Advertising	3 243	4 565	7.1
Public funding	445	480	1.5
<b>Total</b>	<b>3 688</b>	<b>5 045</b>	<b>6.5</b>

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

## ...in brief

- Radio remains an important medium in South Africa, reaching over 88% of the population in a typical week.
- Listeners' options have been expanded through the introduction of digital radio and online radio. However, these technologies are not expected to add significant revenues in the forecast period.
- Advertising revenues increased by 7.4% in 2011. This was lower than the 13.3% gain experienced in 2010, which was boosted by the FIFA World Cup.
- Needletime levies are expected to have a significant impact on the radio broadcasting industry.
- Ukhozi FM, a Zulu-language station remains the country's most popular station with over seven million listeners per week, while 94.7 Highveld Stereo continued to attract the most advertising in 2011.
- Total radio spending is expected to grow at a 6.5% compound annual growth rate from R3.7 billion in 2011 to R5.0 billion in 2016.

### Overview

Radio remains an important medium, reaching over 88% of people in rural and urban centres aged 15 years and older in a typical week in South Africa. There are more than 10 million households with radios and many more listeners in the country. This is a higher penetration than television, newspapers and the Internet. Usage remains high despite competition from digital music and Internet radio.

Broadcast radio advertising is by far the dominant segment of the radio market and will continue to be so for the forecast period. Radio advertising accounted for 88% of total radio spending in 2011. Radio advertising revenues increased by 7.4% in 2011, lower than the 13.3% registered in 2010, which was boosted by the FIFA World Cup.

The expansion of community stations, the addition of the new commercial stations and continuing economic growth will spur the above-average increase in advertising spending over the forecast period. Radio advertising is projected to increase by 7.1% on a compound annual rate from R3.2 billion in 2011 to R4.6 billion in 2016.

Public funding, which excludes advertising revenue earned by public stations, rose by 0.7% in 2011. We are expecting an increase in the annual television licence fee, which is used to cross-subsidise the public radio stations in 2013 after which growth in public funding will be modest, based on an increase in television households. Public funding is projected to expand at a 1.5% compound annual rate to R480 million in 2016.

Broadcasters are expanding their listening audiences by streaming their programmes online. Streaming enables consumers to listen to their favourite programmes on their computers, smartphones or tablets wherever they are, even when they are travelling. Broadcasters are also making use of apps to enable listeners to listen to their programming while on the go. Broadcasters such as *Jacaranda 94.2* and *5FM* have their own apps, while other stations can be accessed via a group app such as *tfsRadio South Africa*.

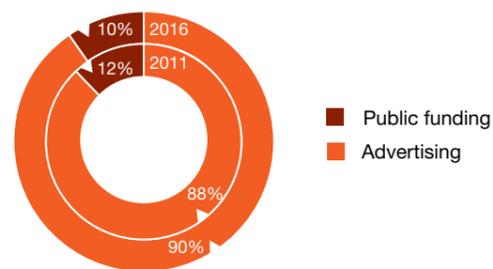
**Radio market (R millions)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2012-16 CAGR (%)
Advertising	2 422	2 650	2 664	3 019	3 243	3 460	3 715	3 990	4 290	4 565	
% change	14.3	9.4	0.5	13.3	7.4	6.7	7.4	7.4	7.5	6.4	7.1
Public funding	430	434	439	442	445	449	470	473	476	480	
% change	1.2	0.9	1.2	0.7	0.7	0.9	4.7	0.6	0.6	0.8	1.5
<b>Total</b>	<b>2 852</b>	<b>3 084</b>	<b>3 103</b>	<b>3 461</b>	<b>3 688</b>	<b>3 909</b>	<b>4 185</b>	<b>4 463</b>	<b>4 766</b>	<b>5 045</b>	
% change	12.1	8.1	0.6	11.5	6.6	6.0	7.1	6.6	6.8	5.9	6.5

Sources: Radio Advertising Bureau, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

We project the radio market as a whole to increase to an estimated R5.0 billion in 2016 from R3.7 billion in 2011, a 6.5% compound annual increase.

**Figure 5.1: Sources of income: 2011 vs 2016**

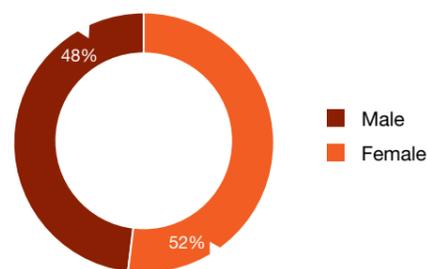


Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

**A snapshot of the radio industry**

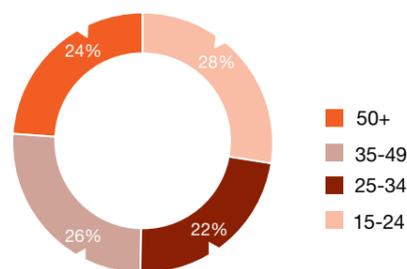
The South African market is made up of an almost even split between male and female listeners, but displays a diverse listenership according to age, with people of all ages tuning in.

**Figure 5.2: Gender of listenership: 2012**



Source: Source: South African Advertising Research Foundation RAMS June 2012

**Figure 5.3: Average age of listenership 2012**



Programmes are broadcast in all 11 of the country's official languages, as well as in German, Hindi, Portuguese, Greek and the San Bushman languages of !Xu and Khwe.

KwaZulu-Natal is the leading province in terms of radio listenership with 20% of total listeners in South Africa. Gauteng is next at 19% followed by Limpopo and the Eastern Cape at 13% each.

English-language radio programming is the most popular in South Africa, accounting for 41.1% of all listening in 2011. Zulu is next at 13.5% followed by Afrikaans at 9.3%.

Music is by far the most popular format on the major stations with contemporary, traditional gospel and classical among the most popular genres. Additionally, other stations air phone-in talk shows, current affairs and news programming.

The radio industry is comprised of three segments: a public service broadcasting sector, a commercial sector and community radio stations.

The public broadcaster, the South African Broadcasting Corporation (SABC), is state owned and funded through public licence fees as well as advertising. The SABC operates public service stations in all of the official languages as well as stations for the Indian (*Lotus FM*) and San (*X-K FM*) communities.

The SABC's isiZulu cultural service, *Ukhozi FM*, is the most popular station in the country, reaching more than six million listeners weekly. *Umhlobo Wenene FM* provides service to those who speak Xhosa, the second-largest population group in South Africa. This station, which is the second-largest public station, broadcasts news and information programmes as well as music.

The SABC also operates three commercial stations that help to subsidise the public service stations. The commercial stations include *Metro FM*, *5FM* and *Good Hope FM*. *Metro FM's* target audience is 25-34 year old black urban adults. The station offers contemporary music programming and is the largest national commercial station in South Africa. A national English station, *5FM* is geared to the nation's youth with an emphasis on contemporary music and entertainment news. *Good Hope FM* is an adult contemporary station based in Cape Town.

*Jacaranda 94.2*, broadcasting mainly in Gauteng, is the largest independent commercial station, reaching approximately 1.8 million listeners weekly with easy listening adult contemporary music and news. *East Coast Radio*, the second-largest regional station, broadcasts a combination of music and news in Durban and throughout KwaZulu-Natal.

There are more than 100 community radio stations that provide diverse programming in different languages for local areas. A community broadcasting service, as defined by the Broadcasting Act of 1999, is one that is controlled by a non-profit entity that serves a particular community. It may be funded by donations, sponsorships, membership fees or advertising. These stations range from *Jozi FM*, which reaches more than 400 000 listeners in Johannesburg, to small stations in remote areas and college stations that reach only a few thousand.

**Market share of radio by language, 2011**

Language	Market share (%)
English	41.1
Zulu	13.5
Afrikaans	9.3
Xhosa	7.9
Setswana	6.7
Sesotho	6.0
Sepedi	5.7
Ndebele	2.9
Swazi	2.6
Tsonga	2.1
Venda	1.9
Other	0.3

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Community radio stations continue to struggle to get advertising and often require private donations and government support to stay afloat. Listenership of community stations continues to increase with more than 8.5 million people tuning in each week, comprising more than a quarter of the overall radio-listening audience.

Community radio plays an important role in the broadcasting environment in that it provides diversity for listeners, local information for specific communities, as well as being a training ground for commercial broadcasting talent. Community radio allows advertisers to target their commercials to very specific audiences in their own language. It also reaches out to its local communities by participating in local events and its radio personalities can become community celebrities.

The Independent Communications Authority of South Africa (ICASA), whose role it is to issue broadcast licences, ensure universal access and hear disputes brought against licensees, regulates the industry.

In February 2012, ICASA issued three invitations to apply (ITAs) to provide commercial sound broadcasting in the primary and secondary markets. In the primary markets, the authority intends to award two licences in Gauteng, two in the metropolitan area around Durban and two in the metropolitan area around Cape Town, amounting to a total of six new licences. With regard to the secondary markets, the authority plans to award one licence in the Northern Cape, two in the Free State and one in the Eastern Cape Province, for a total of four new licences in these markets.

Radio provides a reach and frequency that is unmatched by any other medium, making it an important part of any advertising budget. Since radio stations cater to specific audiences, they provide an effective means to reach a geographically or demographically targeted audience.

Radio commercials can also be produced relatively cheaply and with short lead times, which provide advertisers with maximum flexibility. The use of radio personalities at advertising events, as well as the use of social media platforms, allows for effective integrated advertising campaigns.

### Advertising

Radio is the most popular medium in South Africa, reaching almost 89% of the population on a weekly basis with a wide variety of stations available in most areas. With such a wide audience, advertisers are able to reach a broad range of consumers.

*Ukhozi FM*, SABC's Zulu-language station, was the top-rated station by audience size in 2011. It was followed by *Metro FM*, the English-language SABC station programming contemporary black-oriented music and *Umhlobo Wenene FM*, a station targeted at Xhosa listeners.

The Radio Audience Measurement Survey (RAMS), issued by the South African Advertising Research Foundation (SAARF) in June 2012, stated that time spent listening to radio declined by nine minutes on a daily basis from last year to three hours and 33 minutes. The weekly penetration rate remained flat with a negligible 0.1% decline from the prior year.

As a group, the African language stations operated by the SABC have the largest audiences. *Metro FM* continues to be the most popular national station, with over six million listeners above the age of 15 per week, followed by *5FM* with over two million listeners.

#### Top 10 radio stations by listenership (2011)

Ukhozi FM
Metro FM
Umhlobo Wenene FM
Lesedi FM
Motsweding FM
Thobela FM
5FM
RSG FM
Gagasi 99.5
Jacaranda 94.2
East Coast Radio

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates and the South African Advertising Research Foundation



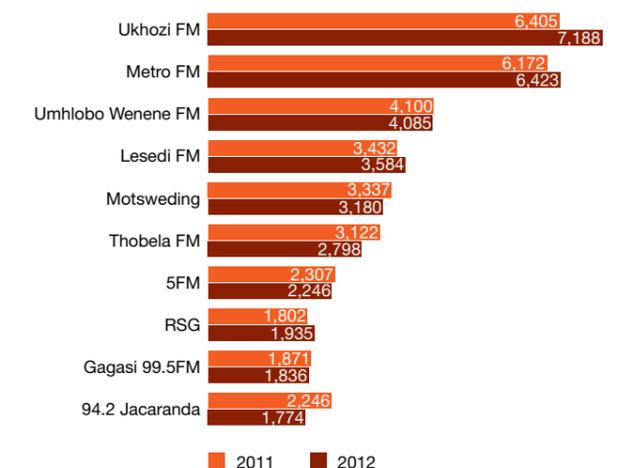
*Ukhozi FM* is the most popular station overall, with over 7 million listeners per week. *Umhlobo Wenene FM* is next at just over four million, followed by *Lesedi FM* and *Motsweding FM* at more than three million listeners each.

Among the regional non African-language stations, *RSG* has overtaken *Jacaranda 94.2* as the leader with 1.9 million listeners per week.

Community radio stations attract much smaller audiences than the commercial or public stations. Overall, the community stations attract more than eight and a half million listeners weekly, with *Jozi FM* leading with more than 400 000 listeners, followed by *Unitra Community Radio* with more than 350 000 listeners. The June 2012 RAMS report estimates that the entire radio industry attracted around 31 million listeners above the age of 15 every week, a 2.6% increase from the same time last year.

*Jacaranda 94.2* is the top radio station for the bilingual English/Afrikaans market in Gauteng. In 2012, *Jacaranda 94.2* launched BrandXpand, a project to encourage new advertisers to try radio. The project entails hosting seminars explaining the benefits of radio advertising as well as providing unsold inventory to a select group of advertisers at deep discounts.

Figure 5.4: Listenership (millions)



Source: South African Advertising Research Foundation RAMS June 2012

The Radio Advertising Bureau (RAB) was launched in 2008 as an association to promote the use of radio as an advertising platform. The RAB's main focus is educating the advertising community as to the strengths of radio and how to use the medium more effectively.

In 2011, the RAB announced the initial results of RadioGAUGE, the largest radio effectiveness study ever undertaken in South Africa. The study, which used telephone interviews as well as face-to-face interviews, evaluated the effectiveness of different types of adverts and the importance of radio as part of a marketing plan.

According to Gilda de Araujo, former General Manager at the RAB, '2012 heralds a brand new chapter for radio advertising and, more and more, savvy advertisers are acknowledging that successful campaigns demand the time, effort and nurturing of an involved team and more.' This is what she believes we can expect from radio advertising in 2012:

- **Branded content:** Programming and advertising are supposed to form a symbiotic relationship. In order for radio advertising to work, it needs to 'move' or entertain first, and then be skilfully integrated into a station's compelling programming line-up.
- **30-second ads are not the be-all-and-end-all of radio advertising:** Advertisers are looking to go beyond the realm of the generic ad and include features such as interviews, drama serials, sponsorships and outside broadcasts for more innovative programme integration and listener relevance. An example of this is FNB's 'Hello Steve' campaign, which moved away from the traditional 30-second slot. This campaign has earned accolades throughout the industry and, according to reports, great results for FNB.
- **The idea first, then duration:** Consumers are no longer constrained by time as it is the quality of an advertising idea that is more important than the media length of the ad.
- **The return of the jingle:** Jingles and pneumonics trigger instant brand recognition in the hearts and minds of the listeners. These help brands build firm relationships with listeners and stand out from the media clutter.
- **Radio drives online:** Radio has the power to create communities of interest and to act as a focal point for communities to talk about things that are happening around them. By tapping into its immediacy and power to start, maintain and grow conversations, radio will remain one of the best mass-reach media to boost awareness of brand presence on new media platforms.
- **Station-advertiser collaboration:** Marketers will see the need to collaborate with stations, increasingly becoming content generators with the focus of entertaining and engaging listeners.
- **Power of personality:** One of radio's strengths lies in the personal relationship created between listeners and radio personalities. With the ever-expanding scope of radio presenters' influence via social media platforms, we'll see more brands matching themselves to a show or host.

Source: 'Reasons not to touch the dial', [www.bizcommunity.com](http://www.bizcommunity.com) (Jan 2012)

With a growing element of campaigns including online and the social media space, advertisers are increasingly looking to radio stations to develop ways for their brands to be integrated into this ever-expanding content generation and to amplify conversations around their brands to achieve meaningful results.

Regardless of novel promotions or new platforms, the overriding key to success in radio is the same as for all the entertainment and media sectors – attractive content, whether it is new or repackaged. Offering unique and local content is a strategy that radio stations are successfully adopting.

## Digital radio

Digital radio has the potential to improve the effectiveness of radio by increasing the number of stations that can be broadcast with the same amount of spectrum, thereby increasing the advertising potential. Additionally, as a result of less interference, the sound quality is much improved with FM stations having the sound quality of CD recordings. In addition, digital radio provides a data stream that can be transmitted along with the music, allowing the station to provide information about the songs. The biggest drawback to converting to digital radio is that all existing receivers would become obsolete and would have to be replaced.

Mobile TV, a company that is planning to introduce mobile television services in South Africa using the digital multimedia broadcasting (DMB) standard used in South Korea, would also like to introduce South Africa's first digital audio broadcasting (DAB) radio stations, which could potentially replace FM radio. Mobile TV has completed the technical tests of DMB in Gauteng and is applying for a licence from ICASA.

It is unlikely that the complete migration to digital radio broadcasting will take off in South Africa anytime soon as there are currently no plans to replace the analogue FM service with a digital service. The experience of DAB in other countries has been mixed. The United Kingdom is the most advanced in the penetration of DAB but even there digital radio has not translated into meaningful revenues. As a result, we do not expect digital radio to have a meaningful impact on the South African market in the foreseeable future.

## Internet radio

By contrast, another new technology – Internet radio – is making significant inroads in the South African market. Many of South Africa's most popular stations are streaming simulcasts of their programming online, thereby enabling listening throughout the country and the world.

Similar to traditional radio, Internet radio involves the streaming of audio that cannot be paused or replayed. This is in contrast to podcasting, in which content is downloaded.

New technology is releasing Internet radio from the computer, allowing it to become more portable and thereby reaching more people. Wi-Fi radios will enable consumers who are unwilling to pay for satellite radio, but who want more than the limited selection on terrestrial radio, to access Internet stations.

The South African radio community has embraced the Internet and the streaming of radio programmes on the Internet by both traditional radio broadcasters and Internet-only broadcasters is on the rise. By streaming their programmes online, station operators can widen their reach beyond their signal area and increase their potential to sell to national advertisers.

The number of people listening to Internet radio is increasing dramatically as people listen to the radio on their computers and mobile devices. A number of apps are available that enable consumers with smartphones like iPhones, Androids and BlackBerrys to listen to Internet radio on their handsets.

The constant levels of listenership that exist alongside the expansion of the Internet effectively dispel the myth that the online age will bring about the demise of radio. Indeed, the Internet is now seen as a well-suited complement to radio rather than a threat to it.

*The overriding key to success in radio is the same as for all the entertainment and media sectors – attractive content, whether it is new or repackaged.*

*Our digital growth is exploding, but radio isn't going away, it's going everywhere.*

– Gary Knell, CEO, US Pew Research Center

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It is also possible to develop Internet-only niche stations, thereby increasing the advertising potential. For example, *Ja.fm*, an Afrikaans online-only radio station launched by *Jacaranda 94.2*, utilises an app called Listener Driven Radio (LDR) that lets listeners vote for the songs they want to hear next, thereby enabling them to control the playlist. The station, which targets and reaches Afrikaans speakers worldwide, has a wider playlist than its parent station.



Other examples include *Worldtunes.net-All Hit Radio*, which is a new online station launched in February 2012. The station plays the top hits from the last three decades and features well known DJs who provide entertaining talk in addition to the music.

*Ballz Radio*, a talk radio station concentrating on sports and current news launched in April 2012 with a number of well-known radio personalities from other stations. *2OceansVibe Radio* is another of the local pioneers in online radio.

For traditional broadcasters and Internet-only broadcasters, online advertising represents a very small portion of their current radio advertising revenues. It is, however, a growing segment of the radio advertising market and with time will prove more important to the industry.

At present, only licensed radio stations are measured in terms of the RAMS surveys and this measurement includes their Internet listenership. As purely Internet-based radio stations are not currently reported on, this may limit their advertising potential. Revenue potential is also

hampered by the lack of a consistent and uniform audience measuring system, which impacts the reliability of audience data and is, therefore, a concern for advertisers.

Radio stations have been utilising the digital world to foster their relationships with their listening audiences. Most stations are using social networks such as Twitter and Facebook as communication platforms. Stations are enhancing their websites to provide more information about their DJs and are sometimes providing online video feeds from their studios to give listeners a more immediate experience.

Radio stations have also been building their relationships with their listeners through the use of their websites. The sites provide background information on the stations' personalities as well as providing additional information about promotions and the products advertised.

In the near future, online radio listening on computers will be limited due to low local wired broadband penetration. However, wireless penetration is comparable to that of the USA, thereby providing an opportunity to listen to radio on smartphones, expanding the listening audience. The TuneIn app enables South Africans to listen to most of their favourite stations as well as stations from across Africa on their cell phones. Listening via mobile devices is rapidly gaining popularity, with the latest RAMS survey indicating a 24.7% rise in the number of people tuning in in this fashion.

The business model for traditional radio differs from that of Internet radio because there are no incremental costs for traditional radio for an increase in their listenership. In fact, more listeners enable the operators to charge more for their advertising. By contrast, Internet radio operators must pay for a larger audience because of both the increased bandwidth necessary and an increase in royalty payments.

### Satellite radio

Satellite radio is an analogue or digital radio signal that is transmitted via a geostationary satellite and has a much larger geographical footprint than terrestrial FM stations. In the USA, satellite radio entered the marketplace to resolve some of the limitations of traditional radio, including limited range and poor transmission.

For instance, travellers cannot listen to their favourite programming outside their local region. With satellite radio, travellers can listen to their favourite programming with clear transmissions wherever they are.

They can also listen to niche programming in a commercial-free environment. Services provided by companies such as *Sirius XM* offer this service in the USA and Canada. In South Africa, satellite radio is insignificant and therefore no financial information on it has been included in this publication. Digital decoders, primarily used for satellite television, also offer access to a large number of radio stations thereby increasing radio's reach.

### Radio advertising revenues

Revenues for public stations include both advertising and public funding. From a purely advertising perspective, *94.7 Highveld Stereo* again attracted the most revenue in 2011 followed by *Jacaranda 94.2*.

Overall, there were six private radio stations and four public radio stations in the top ten.

#### Top 10 radio stations by advertising revenue (2011)

94.7 Highveld Stereo

Jacaranda 94.2

Metro FM\*

KFM

East Coast Radio

Talk Radio 702

Ukhozi FM\*

5FM\*

Kaya FM

Lesedi FM\*

\*Public radio station  
Sources: PricewaterhouseCoopers LLP, RAB Revenue Report

**Radio advertising (R millions)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2012-16 CAGR (%)
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Sources: Radio Advertising Bureau, PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Advertising revenues increased 7.4% in 2011. This was lower than the 13.3% gain experienced in 2010, which was boosted by the FIFA World Cup.

Unlike the situation in many Western countries where radio is a mature medium, in South Africa the liberalisation of radio is a relatively recent phenomenon. As a result, the number of community stations reaching remote areas is still growing and new commercial stations are being licensed.

Radio advertising is expected to continue to exhibit above-average growth rates compared to other media due to the increase in the number of stations.

We expect that advertising revenues will increase from R3.2 billion in 2011 to R4.6 billion in 2016, a 7.1% increase compounded annually.

**Public funding**

Public broadcasting, which includes radio, is funded by advertising, Government grants and TV licence fees. Public funding, which excludes advertising revenues earned by public stations, is allocated between television and radio. In 2011, public radio received an estimated R445 million in licence fee revenue.

The continuous growth in the number of television households combined with modest fee increases every other year have increased the amount of funding for public broadcasting. The SABC has asked for an increase in the licence fee, which is reflected in the sudden jump in public funding in 2013. The increase, which must receive government approval, is part of the SABC's turnaround strategy following a near financial collapse in 2009. Following the rate increase, we expect the increases to return to historic levels of around 1% per annum.

The Public Service Broadcasting Bill, released in October 2009, proposes eliminating the existing licence fee and replacing it with a combination of sources to fund public broadcasting. These include a ring-fenced personal income tax of up to 1%, contributions from business, money appropriated by Parliament and contributions from the broadcasting services licensees. This new system is expected to be more efficient and less costly to operate than the current licence fee collection system.

It has been suggested that the money would go to a Public Service Broadcasting Fund and some of the money could also go to community stations. The current licence fee structure is still operating as the proposed Public Service Broadcasting Bill was recently recalled by the Minister of Communications.

We expect public funding to reach R480 million by 2016, growing at 1.5% on a compound annual basis from the R445 million registered in 2011.

**Public funding (R millions)**

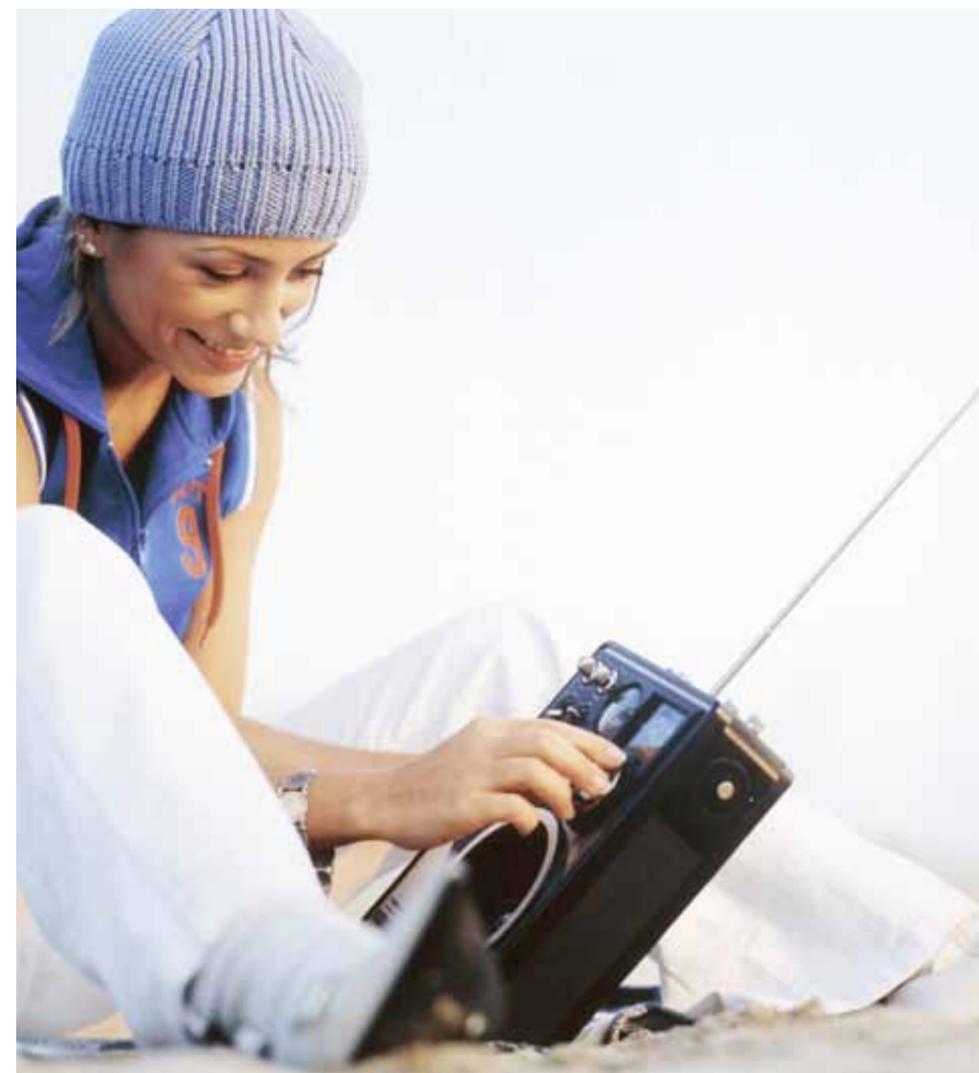
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2012-16 CAGR (%)
Public funding	430	434	439	442	445	449	470	473	476	480	
% change	1.2	0.9	1.2	0.7	0.7	0.9	4.7	0.6	0.6	0.8	1.5

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

**Challenges facing the industry**

The National Association of Broadcasters (NAB) remains in dispute with the South African Music Performance Rights Association (SAMPRO) regarding needletime royalties payable for the broadcast of copyrighted sound recordings. It had been suggested by SAMPRO that radio stations, depending on their content played, be required to pay up to 10% of their net broadcasting revenue to songwriters based on a formula proposed by SAMPRO. A recent judgement by the Commissioner of Copyright at the Copyright Tribunal, established a rate of up to 7% as an equitable measure. The NAB lodged an application for leave to appeal the judgement.

Retention of key personnel, particularly DJs and music managers, but also support staff, continues to test the industry. Listeners associate with particular radio personalities and the loss or movement of personalities may result in quite significant swings between stations, which as a result impacts profit margins.



### **Critical legal issues for radio broadcasters**

South Africa does not currently have a national media law. Journalists and the media are thus not subject to special regulations, but have to comply with general laws. The Electronic Communications Act (ECA) is the overarching legislation impacting the radio sector. The following are some of the critical legal issues facing radio broadcasters:

#### **Licensing conditions**

ICASA stipulates minimum requirements for community radio stations – programming should be relevant to defined communities and sourced within the target community. Stations are also required to broadcast news and local news. The ECA's new licensing regime consists of: individual licences – public and commercial for a maximum of 20 years and class licences – community, low-power stations and channels, for a maximum of 10 years. Radio broadcasters need to have a good understanding of the licence conditions and to ensure they comply with them. Adherence to licence conditions is required.

#### **Frequency coordination**

Holders of radio frequency spectrum licences are required by the ECA to coordinate their respective frequency usage with other such licensees to avoid harmful interference, ensure efficient use and allow for the provision of cost-efficient services.

#### **Choice to self-regulate**

Broadcasters have the option of either adhering to a code developed by ICASA or of abiding by their own code administered by the BCCSA (the Broadcasting Complaints Commission of South Africa). Self-regulation is being challenged by the ANC with its proposed Media Appeals Tribunal that would allow individuals to pursue an action against the press via a body accountable to Parliament as opposed to the Press Ombudsman. Self-regulation is, however, endorsed by the ECA.

#### **Media diversity**

Broadcasters are expected to redress inequities in media ownership. The Media Development and Diversity Act (MDDA) establishes an agency to create an enabling environment for media development and diversity. Ownership, control and access to the media by historically disadvantaged groups are the primary considerations under the Act. The Information and Communication Technology (ICT) Charter has also recently been approved by the Department of Trade and Industry (DTI) and aims to transform the industry much more aggressively than the existing generic charter.

Government expects commercial broadcasters to fulfil certain public service responsibilities, such as the airing of predominantly South African content, provision of news and commentary and increasing the diversity of programme content and ownership in broadcasting.

#### **Ownership**

The ECA provides that no foreign person or entity may own or control more than 20% of any broadcasting licence and no person or company may control more than two FM/AM commercial radio stations. Such stations should not have similar licence areas. The Act also limits cross-media control of broadcasting services ostensibly to prevent concentration and control in the media and to ensure plurality of journalistic opinion.

#### **Competition considerations**

The Competition Commission is reported to be interested in working with the MDDA in gathering information on ownership and control and industry pricing practices. Competition authorities regularly deal with requests to consider applications for mergers in the media industry.

#### **Freedom of expression**

Although freedom of expression is guaranteed by the South African Constitution and promoted by PAIA (The Promotion of Access to Information Act), there are currently laws on the statute books that impede the media. These include the Criminal Procedure Act, the National Key Points Act and the Protection of Information Act. The new Protection of State Information Act is controversial due to the severe restrictions it places on freedom of information and the penalties it imposes. Any information that is deemed to be of 'national interest' can be 'protected' under this bill, whether that information be a government document or files from a police investigation. The sentence for publishing 'protected' information is 25 years in prison. The Protection of Information Act was passed by Parliament in November 2011.

#### **Defamation**

Defamation is linked to the constitutional right to dignity. Journalists are required to weigh up the conflicting rights to unimpaired reputation and to freedom of expression. Permissible defences include public interest, privilege, fair comment and absence of intention to defame. South African law does not recognise journalistic privilege, the protection afforded to journalists from being compelled to testify about confidential information or sources.

#### **Privacy**

Guaranteed by the Constitution, and weighed up against public interest considerations, this right safeguards private information from being published without reason. Invasion of privacy can take two forms: disclosure of private information and intrusion into the private sphere of another. Courts have recognised that the public may take a greater interest in public officials than in other individuals. Salary disclosures and other activities that may impact upon their public role may have to be made available for public scrutiny.

#### **Protection of sources, pre-publication gagging and access to courts**

Section 205 of the Criminal Procedure Act empowers courts to imprison any person refusing to give information relating to a criminal investigation. Although the South African National Editors' Forum (SANEF) has signed an understanding with the Ministers of Justice and Safety and Security to investigate amending Section 205, no such amendments have occurred. The Act allows for hearings to be held behind closed doors and stipulates that no information may be published about such cases. It also contains a 'reveal your sources' provision.

To avoid interdicts to stop information from being published, broadcasters must take reasonable precautions to establish the accuracy of a report and whether such report is in the public interest to defend a defamation claim.

Broadcasters need to bear in mind the specific crime of scandalising the court. This would include attacks on the capacity or impartiality of a judge or magistrate or breach of the sub judice rule. Sub judice means that a particular case is being considered by a judge or magistrate, and therefore reporting on these matters can result in harm to the administration of justice.

**Consumer rights considerations**

Particular consideration must be given to the eight established consumer rights in relation to marketing, competitions and giveaways. The Consumer Protection Act provides redress mechanisms for consumers. Consumer rights include the right to disclosure, to equality and to reasonable terms and conditions.

**Internal security limitations**

The Defence Act empowers the State President to censor information when a state of national defence is declared and provides for classification of information. The Protection of Information Act denies access to prohibited areas and prohibits disclosure or receipt of official secrets. The National Key Points Act makes a transgression of reporting on activities at a key point. Journalists often only discover the transgression when authorities invoke the Act.

**Equality**

The Promotion of Equality and Prevention of Unfair Discrimination Act prohibits speech advocating hatred and constitutes incitement to cause harm.

**Content rules**

ICASA Regulations set quotas that require the airing of a higher proportion of local content. Music content – public and community stations must air at least 40% South African music; 25% for commercial stations. Commercial radio stations are required to broadcast at least 30 minutes of news each day.

**Acknowledging copyright**

Broadcasters are bound to respect the intellectual property rights of the owner of an original work. Copyright in a work vests in the author as soon as the work is created. A media organisation is the owner of copyright created by its employees. The exceptions to infringement of copyright include news reporting that is fair dealing and that mentions the source and author's name.

Copyright is not infringed in any other written work available to the public as long as fair dealing, extent of quotation is justified and the source and author are mentioned. It is lawful to reproduce for reporting on judicial proceedings and official texts and Parliamentary speeches can be freely used. Confidential sources must remain so.

Royalties have to be acknowledged. The National Association of Broadcasters is currently in dispute with the South African Music Performance Rights Association (SAMPRA) regarding the charging and distribution of needletime royalties.

**Online challenges**

Online broadcasting creates potential jurisdictional and ownership difficulties. Online purchasing of radio products (podcasts and subscriptions) places the broadcaster within the ambit of the Electronic Communications and Transactions Act.

Denise Fouché – Technology Legal Advisory Service, PwC

**Global trends in the radio industry****Outlook**

- Advertising represents around two-thirds of global radio industry revenues, the remainder being funded through public broadcast subscriptions and individual subscription fees.
- The radio market will increase by 3.5% compounded annually to \$56.2 billion in 2016 from \$47.3 billion in 2011.
- EMEA will increase at a 1.9% compound annual rate from \$16.4 billion in 2011 to \$18.0 billion in 2016.
- Global radio advertising will increase by 3.8% compounded annually to \$38.7 billion in 2016 from \$32 billion in 2011 as revenues recover from the effects of the economic downturn.
- Public radio licence fees will grow at a modest, 1.1% compound annual rate from \$12.4 billion in 2011 to \$13.1 billion in 2016.
- Satellite radio subscriptions will be the fastest-growing component, averaging 9.5% compounded annually to \$4.5 billion from \$2.8 billion in 2011.

**Key drivers**

- The radio industry rebounded in 2010 following the devastating global economic events of 2009. Continuing improvement in economic conditions led to an increase in advertising revenues in 2011, though at a slower rate.
- Terrestrial radio broadcasters are seeking additional revenue streams through the introduction of digital radio and online radio, which expand listeners' options. However, these technologies are not expected to add significant revenues in the near future.
- Satellite radio will boost spending in North America.
- Modest increases in public radio licence fees will help maintain the radio markets in EMEA and the Asia-Pacific region.

## Global radio market by component (US\$ millions)

	2007	2008	2009	2010	2011p	2012	2013	2014	2015	2016	2012-16 CAGR (%)
Radio advertising	35 774	34 118	29 640	31 568	32 038	33 537	34 751	36 047	37 358	38 687	
% change	0.6	-4.6	-13.1	6.5	1.5	4.7	3.6	3.7	3.6	3.6	3.8
Public radio licence fees	11 754	11 939	12 192	12 357	12 383	12 467	12 703	12 801	12 933	13 086	
% change	2.2	1.6	2.1	1.4	0.2	0.7	1.9	0.8	1.0	1.2	1.1
Satellite radio subscriptions	2 016	2 440	2 479	2 617	2 834	3 597	3 830	4 063	4 267	4 471	
% change	48.2	21.0	1.6	5.6	8.3	26.9	6.5	6.1	5.0	4.8	9.5
<b>Total</b>	<b>49 544</b>	<b>48 497</b>	<b>44 311</b>	<b>46 542</b>	<b>47 255</b>	<b>49 601</b>	<b>51 284</b>	<b>52 911</b>	<b>54 558</b>	<b>56 244</b>	
% change	2.3	-2.1	-8.6	5.0	1.5	5.0	3.4	3.2	3.1	3.1	3.5

Sources: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates, Global entertainment and media outlook 2012-2016 (PwC, 2012)

Drill down through data across segments and components.

Visit Outlook online at [www.pwc.co.za/outlook](http://www.pwc.co.za/outlook)

