Caxton full of bluster on Media24-*Witness* merger

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If you want to sound sincere, then fork out the big bucks for a senior counsel (SC) to argue your case in a court room or a hearing.

I've had a good chuckle over the past couple of months, when Caxton's SC has argued against Media24's acquisition of The Witness Group in a Competition Tribunal hearing on the grounds that it is harmful to competition - especially for the small, independent community papers of KwaZulu-Natal. If you believe that Caxton - or any of the other big media houses - cares about the little guys, then you'll believe anything.

Caxton, I think it's fair to say, cares more about the competition it's getting from Media24 in KZN than protecting the independent newspapers of that fair province. The truth is that many of our newspapers with their existing business models are in their twilight years and the big media houses don't have the luxury of caring about media diversity.

Competition Tribunal's recent hearing

Now, don't feel badly if you've found it hard to keep track of the Competition Tribunal's recent hearing into the merger of Media24, Paarl Coldset and the Natal Witness Printing and Publishing Company. A lot went on behind closed doors because of the sensitive commercial information involved and what journalists could report on was complex because of the various businesses and shareholdings that came to Media24 when it bought into *The Witness* newspaper, which is based in Pietermaritzburg.

In broad terms, it boils down to this:

- In 2000, Media24 bought 50% of The Witness Group from the Craib family trust (with an option to acquire the remaining 50% later), bringing the capital that enabled the acquisition of a new press.
- In 2010, Media24 reached an agreement with the Craib family trust to acquire the remaining 50%, which would also give it an 80% shareholding in Africa Web, a printing business.
- Media24 sought approval for this deal from the Competition Tribunal in 2011 and it was at this point that Caxton, which owns community papers in KwaZulu-Natal, won the right to intervene.
- Caxton argued that the majority shareholding in Africa Web would negatively affect competition in KZN as the price of printing would go up.
- It also argued that Media24 had pre-implemented the merger before it was approved and accused the company of predatory pricing.

Closing arguments have been heard at the hearing and the Competition Tribunal is expected to announce its decision early next month.

Hard to tell

It's hard to tell which way the tribunal will go. Most expect it to approve *The Witness* deal with conditions (though the buyout of *The Witness* newspaper itself does not seem to be at issue).

However, if you look beyond the battle between Caxton and Media24, what we find is a sad indictment of how we've all let the little guys down: it's a case of too little, too late, when it comes to 'media diversity' in the realm of SA's community papers.

'Media diversity' is the important background against which this tribunal hearing has played out because, the argument goes, it is under threat if *The Witness* deal goes through as is, because Media24 will be able to run small independent papers out of town by hiking Africa Web's printing prices.

The influential statutory body charged with promoting media diversity in South Africa, the Media Development and Diversity Agency (MDDA), testified at the hearing, saying that it is wrong for small papers owned by big media houses to even call themselves 'community papers'.

Valid point

And, on this issue, the MDDA makes a valid point.

The big four media houses - Media24, Caxton, Independent Newspapers and Avusa - should never have been allowed to accumulate so many of SA's community papers in the first place.

The big companies will tell you that the rationale to own a swathe of community papers is a sound one: you get economy of scale with back-office functions and sales teams, plus an injection of skills and capital from the larger company.

Maybe so, but the problem is that big companies know best how to act like BIG owners of BIG papers and not as the owners of little papers. And so they increase the advertising loading in their community papers as they woo national advertisers, while their sales reps often lack the right touch to deal with the little advertisers as a little paper would do - in a friendly, personal, coaxing manner.

Slowly go down the tubes

And that's why many of these community papers slowly go down the tubes - devoid of the personal touch of an owner-editor, the paper becomes bland and the community it serves stops caring about it.

Having said this, owner-editors can often be their own worst enemies and many a community paper has come undone as the demands of being both the editor and the business owner means that debtors' books soar and cash flow grinds to a halt. When a big company comes along offering to buy the paper, it's a welcome route out of a financial hell-hole.

If we really all cared out about having a diverse media - especially as the newspaper industry gets increasingly difficult - the focus should be on protecting and supporting those community papers not yet gobbled up by the big companies.

Free secretarial and book-keeping services for independent community papers, for instance, would go a lot further than the sanctimonious bluster going on at the Competition Tribunal.

MDDA mandate limited to funding

Sadly, the MDDA's mandate is limited to funding, rather than offering training and business support to community papers - and that funding (from the government and the media industry) doesn't amount to much that is useful.

As for *The Witness*, it can count itself fortunate to have been bought by Media24.

In fact, the merger deal has made the media landscape in KZN more competitive, rather than less so, by ensuring the future of *The Witness* in a market previously dominated by Independent Newspapers (owners of *The Mercury*, *Daily News*, *Sunday Tribune* and the now 10-year-old *Isolezwe*) and Caxton with its stable of community papers.

Compare, for instance, the fortunes of *The Witness* with a very similar paper: the Avusa-owned *Daily Dispatch* in East London.

Very different prospects

Both have long histories, excellent struggle credentials and were owned by family trusts until they were bought by big companies. Both serve medium-sized towns which have since become provincial capitals (Bhisho, the capital of the Eastern Cape, is half-an-hour's drive from East London and most of the civil servants and politicians live in East London). Both have suffered considerable circulation decline and yet the prospects for the two papers are very different.

Why? Because Media24 had the foresight - and the much-needed capital - to buy a new press when it bought into *The Witness* while Avusa - a company that tends to let things drift - postponed making a decision about the *Dispatch*'s aging press for years. Just recently, Avusa moved the printing of the *Dispatch* to Port Elizabeth, which will put the distribution of the paper to the country areas - especially the important Transkei region - at risk.

While the *Dispatch*'s already dicey circulation numbers may take a dent with the press move, The Witness has no such problems: it has an excellent press and the thriving commercial printing business of The Witness Group gives the paper a solid foundation on which to build.

Of the big four newspaper houses, *The Witness* got the most astute on offer, while KZN got an aggressive new entrant in its media market that has shaken the scene up and is forcing Independent Newspapers and Caxton to lift their games. And that's all good for the reader.

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- Journalism.co.za: The tough business of starting you own newspaper, April 2012
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