



Country: South Africa Broadcasting Services

Luisa dos Santos

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Summary

The South African Broadcasting Corporation (SABC) is the country's national television network and is comprised of three full-spectrum channels (plus Bob-TV which has been integrated with the SABC). Combined, it broadcasts eleven languages reaching an adult audience of approximately 14-million people via the terrestrial signal of the distribution network, and a satellite signal. Electronic Media Network Limited (M-Net) was founded in 1985 as South Africa's first private subscription television service. The first broadcast, comprising one 12-hour channel, went out in October 1986. Today, M-Net boasts an array of general entertainment and niche channels, and broadcasts to over 1.23 million subscribers in 41 countries across Africa. MultiChoice Africa was established in 1993, pioneering the use of digital technology for direct-to-home transmissions. MultiChoice offers subscribers a wider and more cost-effective choice, providing digital television services, through DStv. It also offers services and investment in state-of-the-art technology, in more than 50 countries on the African continent and adjacent islands. MultiChoice Africa is a wholly owned subsidiary of the MIH Group, which is listed on the Johannesburg Stock Exchange, the Amsterdam Stock Exchange and Nasdaq in New York. New entrants who can offer innovative and cost effective broadcasting services and technology are well placed to take advantage of the growing demand for HD technology and services, particularly as the country prepares for hosting the 2010 Soccer World Cup. A key element in successful market entry planning is a thorough understanding of Broad-Based Black Economic Empowerment (BEE), as well as partnering with BEE compliant firms (see "Market Entry" below).

Market Demand

Digital television providing interactive services is a growth area with huge potential. Interactive services cover a wide field and offer functions similar to a personal computer. These include t-mail (the ability to access e-mail on a television screen); t-commerce, which allows shopping and banking to be done via a television screen (similar to e-commerce); and access to the Internet. MultiChoice Africa is already marketing the concept of interactive television in Africa. Their subscribers have undergone a metamorphosis in television viewing as they have traveled with Multichoice into a digital age. BSkyB, the dominant pay-television company in Europe, has set the trend for the industry with the introduction of interactive services. Gambling, and other forms of interactive game shows, have proved popular. In the interactive field M-Net is developing enhanced content, which is also a form of interactive content. With enhanced content the viewer can access information relevant to a particular program.

Another new development in South Africa is an international-format reality television show. M-Net is known to be at the forefront of new developments, and is to introduce reality TV later this year when they feature Big Brother, the first time locally produced reality TV of such a caliber that will be seen in South Africa. The 10 participants have to live in a specially designed house, now being constructed on the M-Net property, for 100 days, cut off from the outside world. They are under 24-hour surveillance by hidden cameras. Every two weeks the viewers vote one person out of the house. The last remaining participant collects \$145,000 (one million South African Rands).

Market Data

Pay television audience in South Africa

Television broadcasting is predominantly focused on the 'LSM 5' (those earning more than \$319 per month) and demographic groups with higher income. South African pay-television subscriber numbers have increased on average by 10 percent and satellite television subscribers by 17.4 percent. This can be attributed to the emerging Black middle-class consumers that are currently providing steady consumer market growth to the economy. (Note: Black is the official South African term for those of African origin).

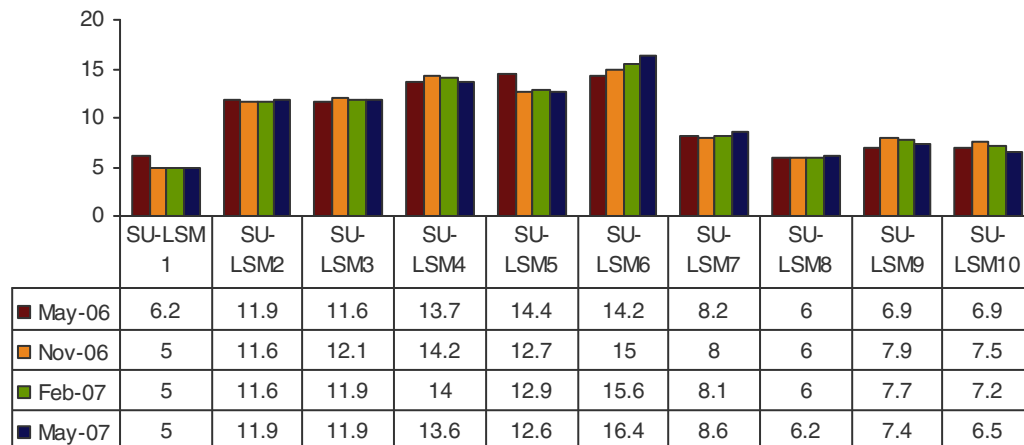
Pay-television subscribers typically fall within the LSM 9-10 (earning more than \$1,000 a month), with a huge chunk of the higher income earners not yet buying into the pay-television universe, because of prevailing service issues such as limited contents being overused, and yearly subscription prices rising without an increase or improvement in content value. The pay-tv industry in South Africa is still considered a potential growth industry.

The rand-dollar exchange adversely affects programming line-up, which means that some stations may have lower quality programs and consequently lower audience ratings. The table below illustrates the number of "pay television viewers" for 2005 and 2006.

Profile of "pay television" viewers in South Africa

| | 2005 | 2006 | % change |
|--------------|-----------|-----------|----------|
| M-Net "Only" | 227,162 | 178,995 | -1.2% |
| M-Net "Both" | 166,740 | 142,750 | -14.4% |
| DSTV "Only" | 738,019 | 919,331 | 24.6% |
| Total DSTV | 904,758 | 1,062,081 | 17.4% |
| Total Pay-TV | 1,131,921 | 1,241,076 | 9.6% |

(Source: SAARF TAMS, 2007, AGB Nielsen Media Research)

Profile of radio listeners in South Africa

Average Listeners - 000's 1210 2854 2859 3254 3926 3919 2055 1477 1765 1548

(Source: SAARF RAMS, 2006)

Best Prospects

- Provision of digital broadcasting technology solutions;
- Training and mentoring;
- Content for new service providers; and
- Technology and Design of new digital broadcasting networks

Key Suppliers

South Africa imports most of its programs from the United States and some from the United Kingdom. The United States remains the main source for movies (and movies are the majority proportion of M-Net's programs). M-Net has contracts with all the major Hollywood studios. TV series are sourced mainly from the United States also, but U.K. sitcoms are becoming popular. M-Net outsources most of its local productions. Many of these meet international standards, such as the local drama, "Egoli", which incidentally has been exported.

Having a reputable and qualified local partner or distributor/supplier is key to the success of new entrants. New entrants should work closely with local partners/suppliers and be committed to after-sales service, marketing, etc., when taking a new brand to the market. The U.S. Commercial Service in South Africa can assist new U.S. firms to identify key IT suppliers and partners. (Contact information appears at the end of this report).

Prospective Buyers

The Independent Communications Authority of South Africa (ICASA) recently held hearings on commercial cable subscription broadcasting (May 28 – June 12). Companies who presented would be prospective buyers. These include:

- The SABC,
- E-sat (Pty) Ltd.,
- Khetha Media,
- Laegoma Digital,
- Ndabenhle Group,
- Black Earth Communications,
- On Digital Media, Deukom (Pty) Ltd.,
- Max Tv (Pty) Ltd.,
- Goal Technology Solutions (Pty) Ltd., and
- Q Digital Cable Vision (Pty) Ltd.

Market Entry

Traders are subject to exchange control approval, administered by the South African Reserve Bank (SARB) <http://www.sarb.co.za>. The Department of Trade and Industry (DTI) is empowered to regulate, prohibit or ration imports to South Africa in the national interests, but most goods may be imported into South Africa without any restrictions. As a matter of government policy, the South African Government is aiming to open its market still further in order to increase trade and to develop more competitive domestic industries.

Broad-based Black Economic Empowerment (BEE)

Broad-based Black Economic Empowerment (BEE) is a key policy framework of the SAG whereby the economy is being transformed such that the ownership, management and control of the country's financial and economic resources are progressively transferred to the majority of its citizens, specifically targeting race, gender and disability. More information on BEE "codes of good practice" are available on the South African Department of Trade and Industry (DTI) website: <http://www.thedti.gov.za>

The Industrial Participation Program (IP)

All South African Government (SAG) and parastatal purchases and contracts (goods, equipment or services) a minimum imported content of \$10 million, are subject to an Industrial Participation (IP) obligation. The IP became obligatory in September 1, 1997. All industrial Participation Projects/Business Proposals must be based on the principles of mutual benefit and business sense. The IP program was designed to encourage foreign suppliers of major SAG contracts to seriously evaluate the South African market as a potential business location. More information on the IP program can be found at: www.thedti.gov.za

Market Issues & Obstacles

Regulatory Framework

The Independent Communications Authority of South Africa (ICASA) is the national regulator of telecommunications and broadcasting in South Africa. ICASA was established in July 2000, and is a

combination of the two previous broadcasting and telecommunications regulators, the South African Telecommunications Regulatory Authority (SATRA) and the Independent Broadcasting Authority (IBA).

The Policy Development Department of ICASA facilitates the process of determining, drafting and evaluating broadcasting regulations in South Africa. In terms of its broadcasting mandate, ICASA is primarily responsible for regulating and managing the existing broadcasting frequency spectrum, developing broadcasting license conditions; assessing license applications and determining and reviewing general broadcasting policies relating to public, private and community broadcasters such as South African content quotas and cross media control regulations.

In addition to spectrum regulation and the provision of broadcasting licenses, ICASA has a consumer protection and education mandate, and is therefore also responsible for the mediation of public disputes with broadcasting license holders. A copy of the National Broadcasting Act can be downloaded from <http://www.icasa.org.za/Documents.aspx?Page=71>

This is not an exhaustive list and specific challenges may pertain to niche markets or certain sub-sectors. Therefore, when planning to establish a presence in the South African market, we strongly advise that you contact the U.S. Department of Commerce Domestic Export Assistance Centers, or Commercial Service South Africa directly. We can assist with market research studies, trade contact lists, agent/distributor searches, credit reports on foreign companies and company profiles on potential business partners.

Trade Events

MediaTech Africa
June 2008
Sandton Convention Centre, Johannesburg
Contact: Simon Robinson
Tel: +27 11 549 8300
Email: simon@teeq.co.za
www.mediatech.co.za

Description: Advanced technology for the broadcast, audio visual communication, media and staging industry

Resources & Contacts

Electronic Media Network Limited (M-Net)
3 Oak Avenue
Randburg, South Africa
Tel: +27-11- 289-2222
Email: enquiries@multichoice.co.za
www.mnet.co.za

E-tv
5 Summit Road
Hyde Park
Tel: +27 (0)11- 537-9300
Email: info@etv.co.za
www.etv.co.za

ICASA (Independent Communications Authority of S.A.)
Private Bag X1
Marlboro 2063
Republic of South Africa
Tel: + 27 (0)11- 448-2496
Fax: +27 (0)11- 448-2499
Email: info@icasa.org.za
www.icasa.org.za

Sentech
Augusta House, Fourways Golf Park,
Roos Street, Fourways
Tel: +27 (0)11- 691 7000
Email: support@sentech.co.za
www.sentech.co.za

South African Advertising Research Foundation
54 Queens Road,
Bryanston
P O Box 98874
Sloane Park 2152
South Africa
Tel: +27 (0)11- 463-5340/1/2
Fax: +27 (0)11- 463-5010
Email: saarf@saarf.co.za
www.saarf.co.za

South African Broadcasting Association
Tel: +27-11 714-4918
Fax: +27-11 714-4868
Email: sabahq@sabc.co.za
www.saba.co.za

South African Broadcasting Corporation (SABC)
Private Bag X1
Auckland Park
2006
Tel: +27-11 714-9797
Email: info@sabc.co.za
www.sabc.co.za

For More Information

The U.S. Commercial Service in Johannesburg, South Africa can be contacted via e-mail at: Luisa.D.Santos@mail.doc.gov; Phone: +27(0)11-778-4800; Fax: +27(0) 11-268-6102; or visit our website: www.ussatrade.co.za

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Comments and Suggestions: We welcome your comments and suggestions regarding this market research. You can e-mail us your comments/suggestions to: Customer.Care@mail.doc.gov. Please include the name of the applicable market research in your e-mail. We greatly appreciate your feedback.

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