# Media as an effective lobbying tool

## Coverage of regulatory issues in South African media

Research links

www.compcom.co.za,
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**Economically speaking, South Africa has been strongly on the rise in the past couple of years, with corporate organisations reaping handsome benefits for themselves and their shareholders, but also often being accused of failing to 'share' this with the people of the country. Additionally, new entries to the market found it difficult to make a mark due to the dominance of the existing players, a fact that the government attempts to address by introducing a number of regulatory authorities. Many of these were given large budgets, but little legal support or even skills to deliver on their tasks. Lately it seems the media are 'assisting' some of the regulators in setting their business agenda, as MEDIA TENOR's research appears to confirm.**

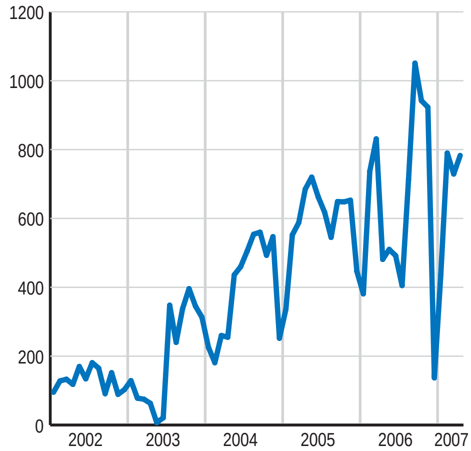
In total, around 20 regulators have to date been established in South Africa. Even though the government was quick in establishing them, it was less speedy in giving the regulators an effective legal framework.

The first major regulatory framework introduced by the South African government was Black Economic Empowerment (BEE), later called Broad Based Black Economic Empowerment (BBBEE). In a nutshell, it guided corporate organisations towards addressing historical issues of white ownership and management through various initiatives, with an emphasis on ownership, management and skills development. Though business initially saw this as a threat, the benefits soon started to emerge and many companies complied with the framework.

Rather unnoticed by the media, and probably the public, 2005 saw investigations by the competition commission into price collusion within the South African motoring industry, the aviation industry (targeting South African Airways) and later the mining industry. With these investigations, the media started to increasingly support the regulators in their task of fighting the 'David-Goliath' battle, but also turned to those regulators who were ineffective in delivering more flexible market conditions, such as within the telecommunication industry. One of these regulators, ICASA, responsible for the telecommunication sector, is for instance frequently referred to as 'the Communication Minister's puppet' in an industry that shows enormous profits on the back of consumers due to a lack of competition.

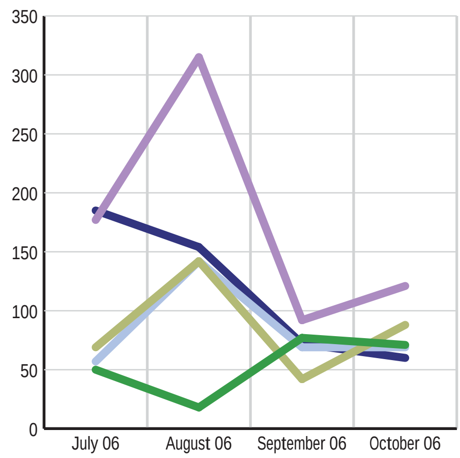
The Pension Fund Adjudicator conversely, caused particular uproar amongst the rich and powerful life assurance industry in making expensive rulings against the industry in terms of benefits due to contributors by the assurance companies. Even though it had a mandate to give a ruling, the legal framework allowed the assurance companies to challenge the ruling in court, with the Adjudicator unable to defend the ruling. Instead, the initial individual complainant had to do this directly, and bear the costs. Naturally, most people did not have the funds to challenge the deep pockets of the assurance companies, resulting in most judgements made by the adjudicator being

**1) Volume of reporting on government relations/ regulatory issues**




Number of statements
Basis: 7 South African financial media
Time period: 01/2002 - 04/2007

**2) Coverage of products and services in the banking sector**




Number of statements
Basis: 31 South African media
Time period: 07 - 10/2006

overruled by the court. This legal 'oversight' was raised by the adjudicator through the media, effectively mobilising a sentiment against the assurance companies and putting pressure on government to amend the legislation to give greater powers to the regulators.

The head of this regulator, Vuyani Ngalwana was one of the driving forces behind the increased media focus on regulatory issues. He was not the first head of a regulatory organisation to level pressure on an industry, but certainly the one that knew how to fight the battle. **Financial Mail** (**FM**) devoted a lead story to him, titled 'The Nigger that caused all the trouble' (a headline which the editor of **FM**, Barney Mthombothi later had to defend).

Recently, Ngalwana resigned because he felt that government was not addressing the concerns quickly enough – one of the possible reasons for turning to the media as a driving force. Ngalwana contributed to the South African media becoming increasingly consumer-oriented in their coverage and regulators are being given a greater space to address issues through another platform.

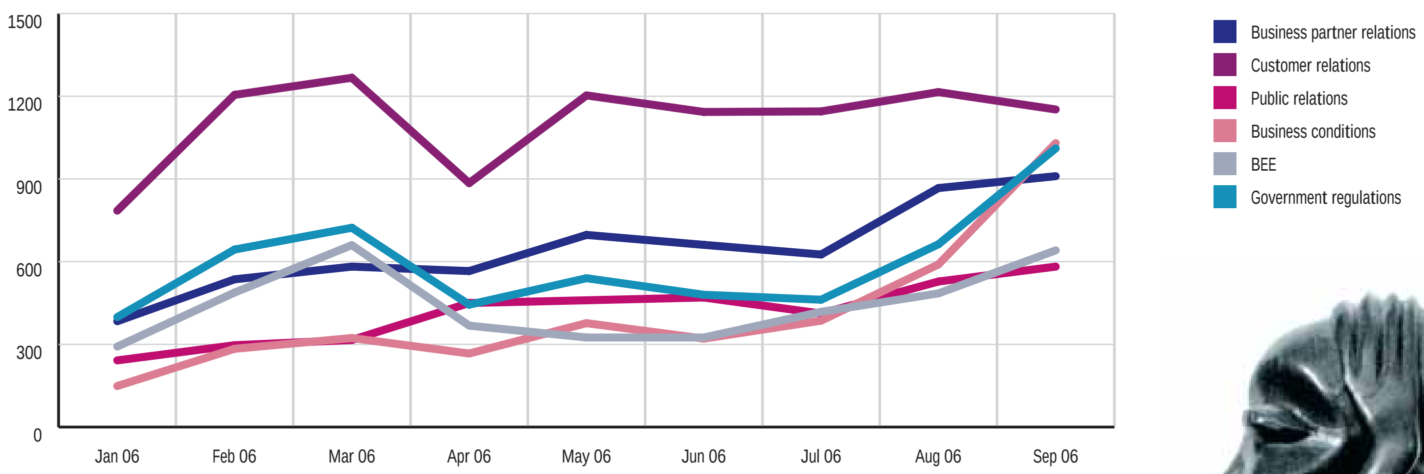
And even though they now have the media contributing to their strategical success, they also have to contend with the media highlighting their ineffectiveness, as the telecommunications regulator ICASA had to experience. The large cellular companies Vodacom and MTN successfully managed to bully the regulator into delaying the introduction of number portability by a month, whereby subscribers could keep their numbers independent of the network.

In November 2006, the competition commission released to the media findings about possible excessive fees charged by banks, findings that led to an official inquiry. Again, the media became the catalyst to this issue, forcing banks to defend their business strategies. The competition commission's inquiry, which continued in February 2007, is posing a serious risk to banks´ reputation and hence has led to different media strategies being utilised in response to coverage of the commission and the issue of bank charges. Some banks have chosen to 'keep quiet'; others have increased their communication efforts through the media in the hope of getting more favourable coverage when findings are eventually made public.

MEDIA TENOR**'s** results show that reporting on regulatory issues increased from an average of around 150 statements a month in financial media in 2002 to over 1,000 a month in 2007, a clear indication of the importance of this issue to the public and the media. Particular industries that are currently under threat by this type of coverage have been the energy industry, media, telecommunications, banks, mining, retail and, to some extent, insurance still. At the same time that coverage of regulatory issues increased, so did coverage of overall business conditions, possibly indicating the link media are making between business and the regulatory framework.

But the trends also indicate that this is probably only a start. All companies that operate within indus-

**3) Issues with greatest increase in volume in 2006**




Number of statements
Basis: 31 South African media
Time period: 01 - 09/2006

## Further questions

Will media in future put equal scrutiny on the performance of regulators as it currently places on corporate organisations in terms of regulatory issues?

Will the increased coverage of regulatory issues lead to greater transparency in corporate communication?

tries that have a few strong players and many emerging ones (such as the steel industry) are well advised to gear up towards the public relations challenges, which will surely emerge, if the case studies of other industries are to go by.

Increasingly it seems that a positive business outlook will be measured against the regulatory framework of the industry, as South Africa's monopoly telephone company Telkom is painfully learning. In its bid to acquire IT company Business Connexion, Telkom has to pass the competition commission, as the deal could be perceived as anti-competitive, particularly since a second network operator (Neotel) has been given a licence to operate.

While the general sentiment in the IT industry, according to the media, seems to be that the merger indeed would be anti-competitive, the media again might be playing the decisive card. In a presentation to financial analysts, one of Telkom's managers said that the impact of the new arrival Neotel would be "no more than 10%" (Business Report, 13 March, 2007). However, during the competition hearing over the Business Connexion deal, the documents displayed indicated a loss of possibly 15%. The media had a field day over this contradiction - blatant lies by either the analysts or the commission.

While regulatory authorities are now starting to awake to the possible lobbying power of the media, the media itself seems to have already grasped the agenda setting power it has on this issue. With the targets clearly set for such industries as the milk and bread industry, other large players in other sectors, such as Mittal and Eskom, are well advised to get their communication strategies in order to face a more critical media environment. (ws)

**Basis**

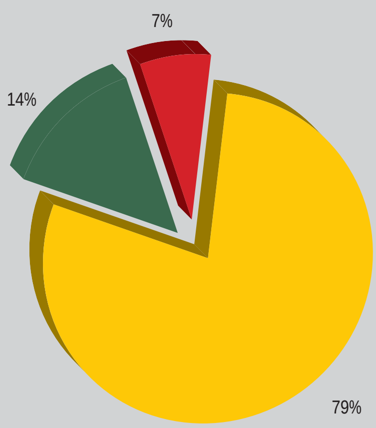
**Media Set:** Beeld, The Citizen, City Press, Daily Sun, Mail & Guardian, Rapport, Sowetan, Sunday Sun, The Sunday Times, Sunday World, Pretoria News, The Star, The Sunday Independent, Business Day, Business Report, Business Times, FinWeek, Financial Mail, Sake24, Sake Rapport, ETV News, SABC 1 Zulu/Xhosa News , SABC1 SiSwati/Ndebele News, SABC 2 Sotho News, SABC 2 Afrikaans News, SABC2 Venda/Tsonga News, SABC 3 Africa News Update, SABC 3 English News, SABC 3 News @ 1, SABC 3 News @ 10, Summit TV News

**Time period:** January 2002 - April 2007

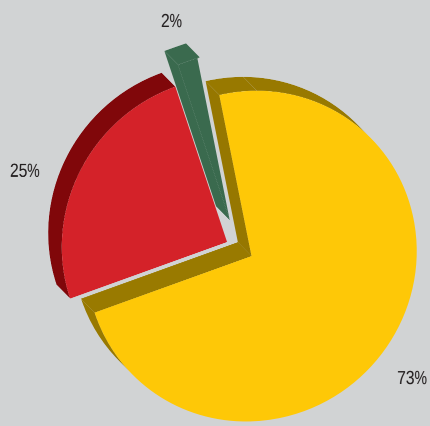
**Analysis:** Selected financial media since January 2002

positive
without clear rating
negative

### 4) Telecom Sector: Rating




### 5) ICS SA: Rating




Basis: 31 South African media: 2006
Basis: 18,571 statements on SA telecom companies & 134 articles on ICASA in main SA Media
Time period: 01 - 12/2006