

Something's going on underground

By Gill Moodie: @grubstreetSA

2 Mar 2011

Once upon a time, journalists were mostly working-class guys (and a very few very tough, clever women) who pulled themselves up by their bootstraps - and their brains - by becoming reporters. Nowadays, most reporters and other journalists don't get a look-in at a newsroom unless they have a tertiary degree.



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And this needs to be so as newspapers today are also digital-media players operating in a complex, extremely competitive environment. But it also means that the divide between the increasingly white-collar journalists and the more blue-collar production, sales and distribution departments is growing and, increasingly, people like you and me understand less and less about the nuts and bolts of the business of publishing.

So mention "the presses" and I picture a gang of ink-stained men in overalls slaving away in a subterranean maze of machines and gigantic rolls of newsprint. Which is not so far from the truth if you've ever visited the amazing TNPC printing plant that traverses four floors - literally - underneath Independent Newspapers at its Sauer Street building in Johannesburg. Parts of the press actually move through the different floors through holes in the floor!

Printing press on its last legs

But this press - which is owned 50-50 by Independent Newspapers and Avusa and prints the papers of the two rival media houses - is, sadly, on its last legs and a far cry from the modern web presses owned by Caxton and Media24 that are both faster and better.

Much has been made of the fact that the Independent, with its ruthless Irish owners, has not invested in upgrading its Sauer Street press but that's as far as most journalists such as myself know about what's going on underground our feet in the press rooms. And then in January 2011 came word that [Avusa had ended its contract](#) for Independent Newspapers in Cape Town to do its printing and that it was moving its Cape Town business to Media24's Paarl Media.

As a result, Independent Newspapers said it would mothball its Cape Town press underneath its Burg Street building that was installed in the 1980s as it would no longer be profitable and outsource to Caxton's Cape and Transvaal Printers (CTP) in Parow from April. Ninety-two people at Independent Newspapers Cape will lose their jobs in this move, with 37 expected to be re-employed by CTP.

In fact, we have known since Avusa's last set of financial results (2009/2010) released last June that it wants out of the TNPC Joburg joint venture and other outsourcing arrangement with the Independent's aging presses in Cape Town and Durban. At the time of the results being released last year, the market analysts applauded that Avusa had finally come up with some details of its printing plans. They had been after more information for quite some time and they are now expecting quite a lot more detail in June this year, when Avusa's 2010/2011 results are released.

The elephant in the room

This truly is the elephant in the room that nobody wants to talk about - particularly the media bosses. Independent Newspapers CEO Tony Howard said it was premature to do so, while Mike Robertson, MD of Avusa's media division, had urgently made a two-week conference in Malta after requests were made for an interview with Bizcommunity.

But make no mistake. What Avusa does with its printing business has the power to shift the status quo among the big four South African media houses: Independent, Avusa, Caxton and Media24.

Presses capable of printing newspapers are hugely expensive machines. They cost millions of rands (usually in the range of about R40 million) to buy as they usually come from Europe, can take about 18 months to install and then they cost money and require technical expertise to maintain and upgrade. As a newspaper house, you have to decide if it's worth carrying the cost of this yourself or if it's better to outsource - and for Avusa and Independent that means to your rivals, Caxton and Media24.

But to really understand what's at stake here, it is worth going back to how and why the TNPC joint venture came about with the Argus Newspaper Company, which later morphed into Independent Newspapers. And there is no better person to explain this than Stephen Mulholland, the architect of the TNPC deal in the late 1980s, when he was MD of the South African Associated Newspapers - or SAAN.

The history bit

(Now pay attention, people. This is the history bit. In 1986 - when Mulholland became MD - SAAN, which later became TML and then Johncom and then Avusa, owned the *Sunday Times*, *Financial Mail*, the newly-launched *Business Day*, the *Cape Times*, the *EP Herald*, 40% of the *Pretoria News* and 30% of Natal Newspapers that included *The Natal Mercury*, *Daily News* and the *Sunday Tribune*. The Argus company, which had once been a veritable empire with foreign correspondents across Africa and Europe, was by this stage the *Cape Argus* and *The Star*, as well as the majority shareholdings in the *Pretoria News* and *Natal Newspapers*. Both SAAN and the Argus company, however, had a common shareholder in Anglo American.)

Mulholland may call himself a "jumped-up hack" but he is also credited with the brilliant idea of starting *Business Times* while he was a *Sunday Times* journalist and charging a premium for appointment adverts, thereby making it feel special to join the club and also unlikely that you would have the budget to advertise elsewhere after *Business Times*. (To this day, it is said, Appointments pays for the *Sunday Times* and everything else is profit.)

When he became SAAN MD, Mulholland told Bizcommunity last week, the company was bankrupt but it had recently bought a new press and so the first thing he did was to sell off the printing plant to the US, the UK and Australia.

Then he struck the joint printing venture with the Argus company, based on a similar deal between two newspapers in San Francisco. It was a very bold and unusual move for its time as it made SAAN a company of journalists only but it is also credited today with saving the company and its newspapers from closure. At the time, the Argus company was doing

SAAN's sales and administration (for a fee, of course) but Mulholland wisely took these functions back.

Similarly important

Just as the getting into the deal was critical to SAAN's health then, Avusa's bailing out of it will be similarly important for it and the industry because:

1. Better print quality will certainly complement Avusa's high LSM products such as the *Sunday Times* and *Business Day* in a manner that will please both readers and advertisers. Further, press breakdowns result in lost revenue if the papers hit the streets late.
2. Having said that, outsourcing printing rather than sharing the costs in a joint venture (JV) may well prove to be more expensive for Avusa, which is what it indicated in last annual report.
3. The same is true for Independent Newspapers as it is unlikely to buy new presses in Joburg or Durban(to which Avusa outsources its KwaZulu-Natal printing) so the question is whether the benefits of outsourcing its own printing will outweigh the expense of maintaining its presses.
4. Caxton and Media24 have much to gain from this turn of events so it will be interesting to see where the printing business goes. Caxton has more to lose and gain from a shift as printing makes up a bigger proportion of its overall business than at Media24.
5. Having said this, analysts believe that there is in fact an overcapacity in printing in South Africa and the growing importance of digital means the long-term prospects are not promising.
6. And last but not least, the cat is being thrown in among the pigeons as *The New Age's* owner, TNA Media, has [bought a press from Manroland in Germany](#) that will be installed in Johannesburg in the next 18 months. This means that printing is about to get a whole lot more competitive in South Africa. Not only do TNA's owners, the politically connected Gupta brothers, have deep pockets but my antennae pricked up this Sunday in an in-depth [Times feature](#) that revealed that Atul Gupta was once a computer supervisor at a printing company in Delhi. (A request for more information about TNA's press plans to CEO Nazeem Howa was referred to Atul Gupta.)

Both history and history in the making

So, if perchance, you have the opportunity to see the 36-year-old printing plant underneath Sauer Street, grab it. It is both history and history in the making - with a lot of ink-stained men amid a maze of machines and gigantic rolls of newsprint. Very sadly, these men are a dying breed too.

For more:

- [Avusa's online investor centre, where you can download annual reports](#)
- [A brief history of Saan, Perskor and Caxton/CTP](#)
- [Excerpts from the book, *The Cape Times: An Informal History*, by Gerald Shaw](#)

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