

Is Mondi Shanduka seeking to buy Independent Newspapers?



By Gill Moodie: @grubstreetSA

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There is talk on the grapevine that [Cyril Ramaphosa's Mondi Shanduka](#) is interested in buying [Independent Newspapers](#) - making all the more interesting the fact that [Denis O'Brien](#), the biggest shareholder in the group's parent company, [Independent News & Media](#), [said recently](#) that it should sell its South African interests and invest the proceeds in its Australian and Asian businesses.

While both Mondi Shanduka and [Tony Howard](#), CEO of Independent Newspapers - which owns titles such as *The Star*, *Cape Times*, *The Mercury*, *Isolezwe*, *Pretoria News* and *The Sunday Independent* - did not respond to requests for comment before deadline, it would be an interesting move for both parties.

Synergies

[Mondi Shanduka](#) is the leading supplier of news print and telephone-directory paper in South Africa, so there are synergies, while Ramaphosa is a highly respected ANC member and businessman.

Curiously, Mondi Shanduka recently [pulled out](#) of its sponsorship of the annual print-media journalism awards (which has now been [picked up by Standard Bank](#)). Mondi said it dropped the awards due to adverse economic conditions but then it's also possible it was clearing the way for making overtures to [Independent Newspapers](#). You can't very well sponsor one of the big [journalism awards](#) if you own a bunch of newspapers that enter them every year.

This follows [rumours last month](#) that Sekunjalo Holdings - Iqbal Survé's investment firm at the centre of an [inquiry](#) into questionable tender processes in the fishing industry - was interested in Independent Newspapers.

Obituary "somewhat premature and misplaced"

Neither Sekunjalo nor Independent Newspapers commented on the rumours but Howard did pen [this letter](#) to *Business Day* last month saying that an obituary for the group was "somewhat premature and misplaced".

The recent talk of a sale of Independent Newspapers - thrown up after [Gavin O'Reilly resigned this year](#) as CEO of the Dublin-based Independent News & Media - may be a case of wishful thinking as there is no doubt in the minds of hacks across the land that the group would probably fare better in the hands of locals, rather than the ruthless Irish.

We have seen this kind of gossip before - in [2009 when there was last speculation](#) the group might have been up for sale.

Then it was the name of [Moeletsi Mbeki](#), brother of former president Thabo Mbeki, being touted around while [Jimmy Manyi](#) - at the time the head of the Black Management Forum and now CEO of GCIS - said: "There are many black investors who will be interested in buying the Independent's local assets. There is no shortage of black investors out there."

Print industry ownership transformation

The ANC is very keen on ownership transformation of the print industry - particularly the big four of [Media24](#), Avusa, Independent Newspapers and [Caxton](#) - but if the new elite thinks that acquiring a newspaper company is going to bring them great influence, then it's time to point out that that horse has bolted and headed for the hills.

Shadow of themselves

When it comes to Independent Newspapers, I think it's fair to say that many of the papers that the Irish bought in the 1990s are a shadow of themselves. Independent News & Media has hobbled the SA newspaper operation, slashing staff and resources to such an extent that *Business Report's* [Ann Crotty](#) wrote [recently](#):

"Local analysts say it is likely that, after making some provision for tax, the bulk of the approximate R4.5bn operating profit that INM South Africa has generated since it was delisted from the JSE in 1999 made its way to Dublin with minimum amounts invested in South Africa.

"The R4.5bn represents an extremely attractive return on the approximate R650m that INM initially paid to acquire the operations. Employee numbers since the initial move have been reduced from about 5000 to 1700."

Difficult to put a price tag

Although it's difficult to put a price tag on Independent Newspapers because its annual results are rolled into the parent company's financials, analysts estimated to Crotty it could go for between R2.5 billion and R3 billion.

That seems an awful lot for a group of newspapers hammered by declining circulation and falling advertising revenue in our brave, new online world, while morale and skills levels are so low at some of the Independent papers that they may well be beyond repair.

Being a newspaper baron ain't what it used to be, that's for sure. It's hard to make money from newspapers and their influence is diminished in the subversive mash-up of news and opinion that digital platforms and social networks have brought. If you want to influence opinion in SA, you might do better buying something like [The Daily Maverick](#) or [Politicsweb](#), rather than *The Star* or the *Independent on Sunday*.

Doesn't necessarily bring you readers

And, in fact, if you look at [The New Age](#) - the paper owned by the politically connected [Gupta](#) family to emphasise positive news in SA - it seems that newspapers don't necessarily bring you readers either.

The paper's circulation is yet to be audited but it did pop up for the first time in the most [recent AMPS readership figures](#) - for January to December 2011 - with 39 000 readers. Eina!

Started at the end of 2010, this seems rather low for a paper aiming to be a serious national paper targeting LSM 5-7 - which is where the *Daily Sun* plays, with more than five million readers.

It's always tricky to estimate the pass-on rate of a paper - and different papers have different pass-on rates. But if we give *The New Age* a pass-on rate of four (the *Daily Sun*, for instance, is about 14 people) and work backwards, that's about 10 000 circulation. Not exactly what I would call influential.

For more:

- Bizcommunity: [Newspapers dire but not dead, say latest ABC circ numbers](#), February 2012
- Bizcommunity: [Avusa set to join newspapers houses' centralising drive](#), February 2012
- Bizcommunity: [I've gone out of my way to hire grey beards - New Age's Fisher](#), September 2011
- Bizcommunity: [ANC gets what it deserves in Independent Newspapers](#), July 2011

ABOUT GILL MOODIE: @GRUBSTREETSA

Gill Moodie (@grubstreetSA) is a freelance journalist, media commentator and the publisher of Grubstreet (www.grubstreet.co.za). She worked in the print industry in South Africa for titles such as the *Sunday Times* and *Business Day*, and in the UK for Guinness Publishing, before striking out on her own. Email Gill at gill@grubstreet.co.za and follow her on Twitter at @grubstreetSA.

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