

Newspaper owner: Illogical to compete with Media24

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The owner of a community newspaper in the Goldfields area in the Free State said he could not increase his advertising tariffs to compete with Media24 because it would have been illogical.



(Image: Rod Baker)

He said his tariffs were already higher than those of his competitors in an effort to succeed in the market.

Hans Steyl, former owner of Gold-Net News, said his inability to raise tariffs meant he could not beat inflation, and his printing and wage costs kept increasing without an increase in revenue.

"It had a devastating effect on profitability at the end," he said. Steyl closed his newspaper in 2009.

He said Media24 continued to cut advertising rates between 2005 and 2007. "We kept thinking that sanity would prevail. We thought the price war would change ... We could not compete on the prices as (they) were far below our printing costs."

Predatory pricing

The Competition Commission investigated Media24's pricing after it received a complaint from Steyl. The commission's investigation found that Media24 had engaged in predatory pricing in the market for advertising in community newspapers in the Goldfields area from 2004 to 2009.

The case was referred to the Competition Tribunal in 2011.

Media24 had two newspapers in the region - Vista and Goudveld Forum - competing for advertising revenue with Gold-Net. Gold-Net claimed it was forced out of the market in 2009 after it was no longer able to sustain the price war with Goudveld.

Media24 has denied the allegations of predatory pricing, saying Goudveld Forum covered its costs during the complaint period and also denied the allegation that Media24 kept Goudveld Forum open to deter competition with Vista.

Forum considered 'a nuisance'

The tribunal heard on Tuesday morning that the average advertising tariff for Media24's Vista was R14, that of Forum R9.22 and Gold-Net News charged almost R16 per centimetre column.

Steyl said he considered Forum to be a nuisance in the market. He testified before the tribunal that if Forum had exited the market, Gold-Net News would have been able to gain at least 40% of its advertising business, with Vista taking the rest.

"I think the viability of Gold-Net News would have been far greater without Forum. We might still have been in the business," he said.

"We thought, and still think, that we were subjected to unfair pricing by Vista and Forum. There was no way we could have gone further. We could not make those costs disappear ... What can I say."

Steyl denied Media24's assertions that the distribution of his paper was erratic, that it was dumped as bulk-distribution at businesses and that its printing quality was poor.

He testified that Gold-Net News monitored the distribution, and that at the end of 2008 it cancelled the contract with the distributor because of its deteriorating service.

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