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Findings: Printing

IN A NUTSHELL

Printing is one of the major difficulties facing grassroots publishers. This chapter covers the thorny question of whether the MDDA should be contemplating investing in a printing press, and having recommended against this, goes on to discuss the alternatives. It proposes support for emergent printers, credit extension to help publishers, and the use of alternative printing technologies where justified.

The objective of this section is to spell out ways of facilitating publisher access to, and professional relations with, printers in order to place the grassroots on a more viable and competitive footing.

Printing ties in with several vital aspects of management including finance and cash flow, contracting with outsiders, technology platform choices, publication quality, and efficient scheduling and distribution. The objective of this section is to spell out ways of facilitating publisher access to, and professional relations with, printers in order to place them on a more viable and competitive footing.

Printing problems

Most of the case studies and interviews, and all of the documentary record from Roundtables, meetings and so on, mention printing problems as one of the major difficulties facing publishers. For those in the early phases of business development, even finding a printer poses a problem; more established businesses have, of necessity, had to settle on a plan but they complain of high paper costs, delays and discrimination against small businesses, and excessive pricing, among other things.

Looming large is the question whether the MDDA should be contemplating investing in a printing press on behalf of the grassroots sector. We believe it should not, and we review alternative strategies. These include black empowerment of printers, suitable small-run low-cost printing options, and the need for a credit extension system to help publishers meet printing costs. The section includes summaries of particular cases where printing problems have been creatively tackled (detailed cases are reproduced in the Appendices). It also quotes from numerous interviews with small publishers. And it refers to the database of publishers and printers drawn up in the course of the project as a primary attempt to profile the sector in order to identify “progressive” or grassroots-friendly printers.

Failure to cover printing costs is among the most common causes of shutdowns and bankruptcy in all publishing, particularly for small businesses. It is important that the MDDA find solutions, both to help those in dire straits, and to reduce the risks and costs for all.

Phased interventions

S-Curve analysis suggests that interventions will take different forms for publishers in different phases. Start-ups generally have very little idea of the continuous and rising cost of printing, and its impact on their budgets. Those who have published several issues will know what they are in for. Publishers who have matured over time will certainly know the pitfalls to avoid but do need support as suggested below, where we quote the Association of Independent Publishers (AIP).

We came across cases of early phase publishers who recklessly went from printer to printer, failing to pay in each case, until their credit throughout the industry was exhausted. Failure to plan ahead rebounds on cash flow, and quite soon the optimistic publisher is in serious difficulties – either unable to pay the printer or broke after doing so. Defaulters get onto bad debtor lists at credit agencies, making it well nigh impossible to obtain printing again. At this point the publishing business either fails, or urgent pleas are made to the MDDA to fund the shortfall. The publisher has become a pure survivalist. The solution here is not to bail out the publisher, unless firm steps are taken to manage contractual relationships and cash flow better in the future.

At the enterprise, or micro, level:

- Mismanagement needs to be nipped in the bud. A way to do this is to prime the start-up with prior training, then mentor and monitor during production runs to avert disaster. Pure survivalists should not be assisted unless they mend their ways, for otherwise dependence becomes chronic.

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Strongly implied throughout is that an accessible information system about printers and other services is urgently required by grassroots publishers.

- Initially the publisher needs hands-on instruction and mentoring; later, for publishers who have learnt to manage contracts and cash flow and are becoming sustainable, templates covering each of the major functions would help them to standardise their procedures.

At the sector, or meso level:

- Training implies that a system is in place specifically designed to prepare and support publishers in the complex business of drawing up printing specs, obtaining quotes, signing contracts, insisting on quality production, getting timeous delivery, and meeting payment obligations.
- This implies the development of course materials and a countrywide extension of the MDDA's training offerings. Money spent this way would be a far better investment than bailing out chronically mismanaged publications.

At the national, or macro level:

- Several worthwhile initiatives may be undertaken by the MDDA in conjunction with industry partners, both to lower the overall costs of printing and to improve relationships between grassroots publishers and the printing industry.

In what follows, we focus on the issue of printing presses, black empowerment, technologies, and credit extension. Strongly implied throughout is that an accessible information about printers and other services is urgently required by grassroots publishers. To meet these needs, in other chapters we deal with the proposed internet portal and the General Agency for Publishing Services (GAPS). All of these proposals crosscut the levels of intervention – in other words, they involve linkages between micro, meso and macro actions.

The MDDA's own capacity and skills base will be challenged as thoroughgoing solutions to printing problems are sought in the regions, in rural areas, and nationally. Business acumen and the ability to form partnerships with other institutions (such as the Printing Industries Federation of SA, PIFSA) will be required to put an effective printing support system in place.

While it may be tempting to consider buying and owning an MDDA printing press as a quick-fix solution to all the problems, this, in our opinion, would be a serious mistake that would undercut all other recommended solutions in this area.

Printing presses

Of all the questions surrounding the MDDA's role in assisting small print media, the most argued about is whether the agency should obtain a press to service grassroots publications.

There is no consensus on the question of an MDDA press but there are clear lines of division. The AIP appears to be set against any proposal for an MDDA press. Their reasons are spelt out below; they are cogent and persuasive. The observation must be added that, in common with other branches of the printing industry, some AIP members own presses and would see an MDDA press as unfair competition. A press for community newspapers and magazines supported by taxpayers' money would definitely not be popular with the majority of printing firms in this country.

On the other side of the argument are an undetermined number of small publishers who believe that cheap subsidised printing by the MDDA would solve many of their cash flow and credit problems. Although those who believe this do not constitute a coherent group they do seem to come from the ranks of the start-ups and those who are not yet on the road to sustainability. Their attitude is understandable. The reasoning goes that private sector printing costs are too high; the MDDA is in a position to help through subsidies; and commercial printers tend to favour costly high-end solutions in advising small publishing clients without considering their real cash position, technology competence, or audience needs.

We did not canvass the views of publishers representing the thousands of NGOs and CBOs, church and labour groupings, and international aid organisations with mouthpieces, that exist in South Africa. Elements of this extended group are likely to support the notion of a press or presses to serve the whole sector. Exactly who would own and control the presses would require discussion

There is no consensus on the question of an MDDA press but there are clear lines of division for and against.

and financing. There are certainly good reasons to explore possible synergies between the MDDA and civic organisations. It might lead to very different (though complimentary) outcomes to those contemplated by private sector publishers.

The millions of rands needed establish printing press could be effectively spent on empowerment and other measures such as establishing credit guarantees, lowering bulk rates, and funding upgrades to existing facilities.

Against an MDDA press

In principle, the Association of Independent Publishers (AIP) has expressed itself against the MDDA's purchase of a printing press for the sector. The organisation's chair, Justin Arenstein said in 2004:

We ...strongly believe that MDDA should facilitate a wide-ranging debate within the industry on proposals for new printing presses before any significant funding is allocated to the initiative.¹

Arenstein said printers in general would support an “extremely cautious stance on proposals for the establishment of community-based printing presses”. He argued that printing presses, unlike community radio transmitters, require substantial supporting infrastructure (pre-press, printing works, binding, and distribution), expert staffing (master printers, technicians, and highly trained computer operators), and a physical factory to operate. “Even then, the margins are extremely narrow on newspaper printing, and most small printers subsidise this with commercial printing.

Instead of a press, Arenstein contended, the “hundreds of millions of rands you'd need to establish printing nodes” would be “more effectively spent on other aspects of media empowerment”, including but not limited to:

1. Establishing lines of credit & guarantee schemes with existing printers.
2. Negotiating lower bulk (or block) printing rates, backed by guarantees.

3. Negotiating lower bulk ink rates.
4. Funding upgrades of existing grassroots printers, in return for subsidised print costs.
5. Subsidising print costs in return for added value developmental content in beneficiary newspapers.

These are all good points and they prompt the discussion in the box on the following pages dealing with a clearing house for printing. Other opinions have come from a variety of AIP members whose input was sought over email, on the telephone and at Roundtable workshops:

[Printing] is a specialised business that runs on tight margins and is not for sissies and amateurs.

I would go anywhere that offered me the best price and service, big or small printer.

I am certain that my paper was delayed on the press because the printers' major client is my competition.

The AIP has talked about this issue a lot but it is time for real progress. Association members are busy so it could be a good thing for the MDDA to step in.

Ray Joseph, a prominent journalism mentor and owner of the news agency Southern Tip Media CC, said there were already enough independent presses scattered around the country that are printing small publications.

'I would go anywhere that offered me the best price and service, big or small printer.'

Printers' quotes, as everyone knows, can vary enormously from company to company and job to job. One of the things that a central clearing house for printing work could do very effectively is ensure consistency and eliminate overpricing.

One of the prime responsibilities of the proposed General Agency for Publishing Services (GAPS) would be to regularise relationships between grassroots publishers and printers.

Printers and other suppliers are likely to take the grassroots more seriously if the publishers are professionally represented. Reduced time lags, lower prices, more contractual rights, and production consistency would all flow from this.

However, GAPS on its own could not – and should not be expected to – undertake national negotiations with government and industrialists on behalf of the whole grassroots sector. Macro level bargaining should be handled by the MDDA with advice from GAPS and its circle of experts.

An example of how this might work is given by PIFSA's recent negotiations with government to bring about lower paper and board prices for the printing industry. Talks led to the successful elimination of tariffs, which will have a positive effect on the input costs of printers.

The CEO of PIFSA expressed it thus:

GAPS – a clearing house for printing and a source of vital marketing data

Whilst this cannot be quantified easily, it clearly will run into hundreds of millions of Rands over the years to come. PIFSA still believes that it is in the interests of our members to have a healthy local paper industry – but we believe that the “playing fields” between producers and our members should be level.¹

The case demonstrates the benefits of aggregation, with an organisation representing many members whose collective presence cannot be ignored either by paper manufacturers or the Department of Trade and Industry.

The AIP has called for a range of subsidies and bulk purchase discounts that would certainly help make grassroots publishers far more competitive. If the MDDA can negotiate the agree-

ments in principle, GAPS could get results. It would need to provide a round-the-clock advice and service procurements for publishers, accumulating and using knowledge to get the best quotes and final prices from printers, .

This would take the pressure off established grassroots publishers and boost the survival chances of new and battling projects.

Another big plus is that any clearing house of this nature would soon build up a detailed statistical picture of turnovers. Knowing the volume and expenditures of grassroots publishers in various regions of the country would strengthen the MDDA in all negotiations.

It would also – and this is crucial – allow for the accurate collection of data on print orders. In our proposals for an audit system of circulation we underline the need for reliable figures on printing as part of the statistical picture to be presented to advertisers.

The principle functions of the GAPS clearing house would be:

- To ensure a consistent sector-wide position on pricing, product standards, contractual terms, and delivery terms;
- Gather information and knowledge to which all in the sector can have access;

- Create precedent-setting cases which become part of the protocols by which the sector deals with its suppliers;

- Provide guidance on routine matters like the drafting of printing specs, and analysis in all sensitive cases; and

Maintain a high public profile so that all stakeholders are made aware of the operations and benefits of the agency.

There should be no element of compulsion forcing grassroots publishers to come to GAPS for help and intermediary work. As to the costs, these should be met by suppliers who are obviously going to benefit from the fact that GAPS finds customers for them: in other words, the agency would charge a commission on its procurements. In some cases, however, where publishers want advice or need something investigated specifically to solve a problem, GAPS would have to charge a fee.

As we have said before, it is hardly possible to imagine such a system operating in the digital era without an Internet portal. Access by stakeholders to the interactive functions of an efficient ecommerce website would ensure immediate transmission of information and would also automate data capture for the marketing needs of the sector.

¹ Sykes, Chris – “Successful Elimination of Paper and Board Tariffs”. 2006. <http://www.pifsa.org>.

The MDDA could encourage mainstream companies to offer sponsored printing to community papers as part of their corporate social investment (CSI).

I would rather see the MDDA doing research into where they are situated and negotiating fair prices for smaller media and, if necessary, helping subsidise their print costs. ...One scenario could be that several publications make use of a press identified in the MDDA research and use their numbers to negotiate a better deal based on the amount of work (economies of scale) they will bring to that publisher. ... I can even see a scenario where the MDDA uses its muscle to help negotiate fair print contracts (both on price and time slots) with bigger press owners like Independent and Media 24 on behalf of small independent publishers. Again, the MDDA could subsidise the price to make it affordable.²

Publisher suggestions

We came across highly articulate publishers who were undecided which press options they preferred. Richard Ishmael, manager at the Cape Town-based Big Issue street newspaper, was asked:

Should the MDDA purchase a printing press or presses and provide low-cost subsidised services to small publishers?

His reply was:

This might be a good idea, but it should not artificially lower the production costs. It might be an idea for the MDDA to offer a printing grant a limited period for a publication to gain a market foothold. This could apply whether or not the press is owned by the MDDA.³

The preferable scenario, said Ishmael, would be for the MDDA to encourage black empowerment in the printing industry; help small publishers who want to buy their own presses; and encourage MDDA members to offer sponsored printing to community papers as part of the corporate social investment (CSI) activities of commercial printers. These courses of action were not mutually exclusive. The issue of whether to go for an MDDA press, however, remained a possibility.

Anton van Zyl, owner of the Zoutnet group of newspapers and magazines (including the Zoutpansberger and Limpopo Mirror), sees the key deciding factors as cost and competitiveness. On cost:

I reckon the cost involved would simply be too much. A decent press that can handle the volumes and produce good quality printing (a very important aspect) will cost between R20 million and R100 million to set up.... If the MDDA considers investing in a printing press, they would need to budget for the full costs of setting up a press. A web press should preferably be installed in a building that you own and not rent. The whole building needs to be adapted to accommodate such a machine and you don't want to move the machine once it is installed. Property, no matter where in the country, is very expensive⁴.

'I can print our papers cheaper at Caxton than I can do it myself. ... independence comes at a price.'

On competitiveness, Van Zyl speaks with experience as the owner of a small press. He suggests that rather than buying a press, the MDDA would serve the small publishers better by seeking economies of scale - such as cheaper paper at bulk prices. Van Zyl stresses that it is becoming increasingly difficult to beat the bigger printers. Zoutnet owns and operates a sheet-fed a four unit Harris M1000 press, originally designed to print magazines, with a maximum speed around 35 000 copies per hour. In the 1980s the Harris was shipped second-hand to South Africa from a factory in Milwaukee, USA, and has since changed hands in this country. Although old, it has the ability to deliver excellent quality prints and Van Zyl believes it still outperforms new Goss web printers installed by a major competitor in Nelspruit, Polokwane, Rustenburg and other areas. Despite this, the costs of newsprint to smaller printers such as Zoutnet are much higher than the discounted paper obtained by corporate printers who buy in bulk. The smaller operator simply cannot compete:

I can print our papers cheaper at Caxton than I can do it myself. Why are we then still doing it ourselves, you may ask? We treasure our independence, and we hate being dependent upon a bigger group to print our products. By doing our own printing (or as is the case in the last few years relying on a small independent printing company), we can dictate

printing slots and we don't have to stand in line waiting to be served. Our needs are also a priority for the printer, and it's not just another job. This independence, however, comes at a price.

It is not guaranteed that MDDA ownership or control of a press would achieve savings, yet it would undermine private competitiveness and run counter to market development.

Analysis

What is the solution? We have reached the conclusion that the MDDA should not contemplate the purchase, lease or subcontracting of a printing press of any kind. There are principled, logical and practical reasons to avoid a situation in which the MDDA effectively goes into business with its own press.

Market development and empowerment

The MDDA press option could be very popular with numerous publishers but a warning must be sounded. In principle, it does not seem to us that a popularity poll should decide the issue. While it would certainly be to the advantage of small publishers to have cheaper printing on tap, it is not guaranteed that MDDA ownership or control of a press would achieve this; yet it would undermine private competitiveness. This runs counter to market development.

In its structure, the MDDA is a type of public-private partnership involving media owners and government in a shared initiative to develop a more diverse media system. This being the objective, it follows logically that the media system would benefit from the development of smaller printers along with smaller publishers.

- Our strong recommendation is that the MDDA should pursue a strategy of broad-based black economic empowerment (BEEE), which would be in line with government policy and accord with the private sector's own commitment to transform itself. The empowerment of subcontractors to print small publications represents a practical solution to many of the problems currently identified by small publishers themselves.

- At the very least, the MDDA should support “progressive” (grassroots-friendly) printers by sending business their way, provided they offer competitive pricing and acceptable quality. This will have the effect of growing the grassroots sector overall. At present, many publishers feel they are at the mercy of printers who are not progressive and may be owned by media corporations that compete with them for community news and advertising.

Commitment by the MDDA

This does not mean that the MDDA should abandon any role in the printing field – far from it. There is every reason for the agency to make energetic interventions on behalf of disadvantaged small publishers; to help them collaborate in their own interests; and to seek industry synergies combining the strengths of larger players with the nimbleness of smaller ones. Agency interventions, the pooling of resources in co-operatives, and symbiotic relationships across the printing and publishing industry are the way to go. In fact, media diversity will be more effectively developed through joint action than it would be by pursuing the dream of a centrally-run, publicly sponsored printing press for the smaller publishers, which could set the MDDA in opposition to business, both large and small.

An MDDA press is not a panacea. Apart from anything else, its administration could prove difficult if contesting pressure groups with different visions, expectations and regional affiliations try to use their influence on the agency to win concessions.

Connected issues

We now turn to considering some of the implications that flow from an empowerment and transformative approach to printing. This sub-section deals in turn with:

- Black empowerment of printers as an underpinning for small publications
- Appropriate technologies for printing

Grassroots media diversity will be more effectively developed through joint action than it would be by pursuing the dream of a centrally-run, publicly sponsored printing press.

For the MDDA to engage with the printing problems in a manner that will bring about transformation is going to require business acumen and commitment to partnering with the industry

- The need for a credit lines to assist small publishers

We repeat, that for the MDDA to engage with the printing problems in a manner that will bring about transformation is going to require sophisticated business and negotiation skills. Effective and ongoing partnerships are needed with PIFSA, the MAPPP-Seta (sector education authority for media, publishing, printing and packaging), and major corporates like Sappi (paper producer), as well as organs of civil society such as Sanco (the national civics organisation).

Problems have to be tackled on the level of a national, macro strategy, by means of partnerships with the organisations already mentioned, and others. There will also need to be specific interventions in the regions of the country – for example, to help rural publishers who need courier services – and we believe that in some circumstances it makes sense to fund a small-run, low-cost press for a group of publishers in a local area.

No single all-encompassing grand strategy is going to appeal across the board or get buy-in from all stakeholders, but the principles of MDDA action must be made clear, and these same principles carried into effect in particular situations. We repeat that the thousands of civic organisations who run small publications should be included in any discussion of MDDA strategy for printing. They have resources, experience, and independent standing, all of which can strengthen the alliance of small publishers.

Black empowerment

From our reading of the statute setting up the MDDA, it was not created to empower printers or other suppliers of the community media sector. However, empowerment is a logical extension of the projects that the MDDA already supports. It is not suggested that the Agency should pour money into empowerment projects, but rather that it take steps to encourage empowerment as a vital under-

pinning of media transformation. Two kinds of intervention would produce results: 1. working with the established representatives of the printing industry, and 2. identifying emergent printers to support with contracts from grassroots publishers.

PIFSA initiative

A recently launched initiative by the Printing Industries Federation promises to broaden the base of the printing industry to include more black ownership. PIFSA's black economic empowerment strategy, though primarily concerned at this stage with ownership, is broad-based and likely to encourage the development of emergent printers. In September 2006 there were more than 90 of these printers countrywide and the list was growing. A number of workshops were being held across South Africa's various regions to introduce printers to BEE scorecard principles.

The term "BEE participating companies" used by PIFSA emphasises enterprise development, preferential procurement (that is, contracting with BEE printers), skills development and employment equity – all of which are likely to raise the levels of black involvement in management of printing businesses. PIFSA supplied a list of its participating BEE companies for our research and this has been included in the Appendices and in our database of contacts.

PIFSA is recognised as the official mouthpiece of the industry and as such, it is consulted by Government and other national bodies. As a constituent member of the South African Chamber of Business (SACOB), and the Johannesburg, Cape and Durban Chambers of Commerce and Industries, PIFSA is able to both influence and enlist the support of a wide range of organisations for the benefit of members.

The Printing Industries Federation's black economic empowerment strategy is broad-based and likely to encourage the development of emergent printers.

Across the industry there has been a generally unhappy relationship between many small publishers and the larger established printers.

- We recommend that the MDDA open talks with PIFSA concerning how small publishers could access the services of BEE and emergent printers, bringing the benefits of empowerment to both contractual parties. The existing base of “progressive” printers is small and scattered but could well be broadened through engagement with PIFSA, considering that the latter brings capital and established business enterprises to the empowerment scene.

Emergent printers

Across the industry there has been a generally unhappy relationship between many small publishers and the larger established printers. Grassroots publishers who have managed to get along harmoniously with printers have done so by establishing good credit records, meeting printer deadlines, and generally maintaining professionalism – but even in this group there were bitter complaints over alleged anti-competitive practices by printers owned by mainstream corporates.

Complaints against the latter include serious allegations that the big printing houses are in cahoots with major newspaper and magazine publishers to put small publishers out of business. This allegation took several forms and kept surfacing during interviews with publishers from different parts of the country.

One belief is that credit is refused, and maximum prices charged for printing, in order to bankrupt the small publisher. Another set of charges focused on printers missing publication delivery dates and/or producing very poor quality print runs, deliberately, it was said, to embarrass the small publisher with their advertisers and readers.

For their part, printers dismissed such allegations as being typical of difficult customers with little command of technology or understanding of print needs, and for being bad payers. Ignorance of each other’s requirements and lack of communication characterised these exchanges.

There is a belief that “progressive” printers treat grassroots publishers with more consideration. Until we began to compile one, there was no list of emergent printers willing to take on grassroots publishing jobs. We collected names and these are included in the contacts database. In a sampling of 23 printers used by grassroots publishers, we found that 7 could be classified as corporately owned and controlled, 9 were small independent printers taking in work & sometimes using the facility for their own newspapers, and 6 were very small jobbers who could be regarded as “emergent”.

The base clearly exists for procurement from independent and emergent jobbers, but the issue must be approached with caution. Bigger may not be better, but the bigger printing companies are much more likely to be able to offer technical advice and extend credit than smaller ones.

- We recommend that as a matter of some urgency, the MDDA convene regional meetings of emergent printers to discuss competencies, needs, credit, technologies and prospects for serving the grassroots sector. This would be in parallel with PIFSA discussions relating to the established industry.
- Ultimately, procurement of printing services from any companies, large or small, should rest with the proposed GAPS.

Peer mentoring

It is worth citing the case of how an established small publisher has helped a township newspaper to survive and thrive. The case covers printing and much else that is relevant to broad-based black empowerment and skills development. It may be described as “peer mentoring” or advice and help from one experienced publisher to another less experienced. Anton van Zyl, mentioned earlier as the owner of Zoutnet which runs the Zoutpansberger and Limpopo Mirror in Limpopo province, gave a presentation about peer mentoring to the MDDA Roundtable in May 2006.

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The Zoutnet-Kathorus case demonstrates the potential for developing business and revenue collection systems, improving production standards, and boosting revenue through small-scale engagement.

With all the necessary printing and other facilities, Zoutnet could extend meaningful help to a struggling township paper. Remarkably, Zoutnet has succeeded in pulling the Kathorus Mail – a community paper on the East Rand – out of a spiral of loss and pure survivalism so that in 2006 the newspaper’s proprietor, Zaidi Khumalo, received the award for the Best Emerging Newspaper in the Sanlam Competition. About the mentoring process, Van Zyl told the Roundtable:

Kathorus Mail had serious cash flow problems. It had no bargaining power. It is a one-man operation which had little legitimacy in the marketplace. The editor lacked specialist knowledge and was up against stiff competition. What did Zoutnet bring? Twenty years of experience, enthusiasm, continuity, tested systems, technology, bulk buying and shared resources. The turnaround was achieved by means of a borderless office featuring an Internet-based ad booking system, a web file repository, and a central invoicing department.⁵

As a list of typical problems and ideal solutions this could hardly be bettered. The practical steps were modern, innovative and low cost. Commenting on the success of this mentoring project, the AIP said it demonstrated the potential for developing business and revenue collection systems, improving production standards, and boosting revenue through small-scale engagement. The partnership has been so successful that additional emergent publishers are requesting membership. But why did Zoutnet help Kathorus Mail in the first place? Van Zyl’s answer is illuminating, going to the heart of what real community publishing is all about:

Independent papers are our passion. Newspaper publishers often function like a fire brigade – on certain days we have extra capacity.⁶

Fighting fires is a good metaphor for the crisis management that affects all grassroots newspapers as they battle to overcome the disadvantages of smallness and lack of capacity. Van Zyl went on to point out that by accepting Zoutnet’s help, Kathorus Mail had a bigger platform on which to

mount value-added content which boosted its credibility and clout in the marketplace. A fellow small publisher like Zoutnet might not be in a position to assist financially, but its expertise and business systems were a good substitute for access to capital and limited credit.

This classic small case study reveals that collaborative arrangements do work, with commitment being the operative word. Mentoring of this kind must have its limits on the larger scene of community publishing, for several reasons. Helpful publishers with systems to share are not thick on the ground; Internet connectivity can pose a major hitch; and money may be needed after all to kickstart the process.

- While peer mentoring can be tremendously successful it cannot be seen as the sole answer to deep structural problems in community publishing.
- We understand that a submission is to be made to the MDDA proposing the extension of Zoutnet's software and support system to other regions. This should be seriously considered.

Printing technologies

It makes sense for publishing collectives to invest in low-cost, small-run printing instead of going to established printing houses. Printers have evolved from mammoth presses to compact digital technologies capable of low-cost, small-run printing, folding and binding in one process. An example is the Risograph High Volume Duplicator Printer, which a Cape community media group is using for a variety of magazines, newsletters and brochures.

At a capital setup cost ranging from R27 000 for an entry-level copier to R350 000 or more for higher-end copying, machines like the Risograph can print up to 120 pages per minute and can have spot colour. They are typically used when distribution requirements are between 20 and 5000 items. Paper formats range from standard A4 to A2 although costs rise dramatically for larger formats. This

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One outcome of the digital printing revolution is that traditional printers have bought into fast-run technology themselves and are now able to offer a competitive bouquet of options, from web offset and gravure to silk screening and digital production.

type of technology combines direct-from-screen-to-paper scanning, precision imaging, and high speed printing, offering the convenience of a copier, the economy of a duplicator, and the durability of an offset press.

Unfortunately the new printing technologies are uneconomical when required to turn out complete multiple-page A3 folded tabloids or magazines with glossy covers, and it is still cheaper to go to a printing company. In any case, a group of publications making use of one central printing technology would require expertise in scheduling, pagination, repro and paper handling, and customization of each job. Maintenance contracts can be costly and cumbersome.

Fortunately, one outcome of the digital printing revolution is that traditional printers have bought into the technology themselves and are now able to offer a competitive bouquet of options, from web offset and gravure to silk screening and fast digital production.⁷ Some are investing in machines like the Kodak Continuous Inkjet (CIJ) – although it has to be said that this is a sophisticated and pricey solution that would entirely miss the point as far as grassroots publishers are concerned.

- We recommend that the MDDA consider applications for in-house printing facilities on merit, mainly where the economics of collective publishing may warrant installing a printer. In all other cases, sector solutions need to be sought through mainstream and emergent printing houses.

Credit & financing

The evidence culled from interviews and observation shows that small publishers in South Africa are particularly vulnerable in their pockets: failure either to get credit can wreck the business no matter how worthy the editorial content may be. A publisher who is perpetually on the verge of insolvency will be driven to desperation. As one publisher told us: “I go from printer to printer with each edition, knowing I can’t settle with any of them”. Without money a publisher may simply give

up and sell the business to competitors. These and other crisis responses weaken the grassroots press both by worsening the reputation for credit worthiness of the entire sector, and by eliminating independent voices which close down or sell up.

Clearly some move needs to be made to assist the publishers with credit lines and guarantees. It is critical that the MDDA seek forms of creative intervention to come to the assistance of legitimate small publishers and put them on the road to sustainability. A number of solutions suggest themselves for the small publishing industry. Solutions can be grouped as follows:

- Training in in-house cash flow management
- Vouchsafing the publisher to obtain credit from printers and other suppliers
- Sector reputation enhancement to improve creditworthiness
- Banking and stokvel solutions to deliver low-cost credit

Today's business climate is characterised by stricter credit rules, making it harder for small publishers to obtain credit at all or obtain it on favourable terms. Credit managers in printing businesses routinely check the personal or business credit ratings of those who bring work to them, and in many cases credit is refused. Either full payment must be made upfront, or a substantial deposit (40-60%) must be paid and the balance settled before the publication is released by the printer.

Many factors other than pure credit scores (generally based on bank records and court judgments) make up a credit rating. Factors include steady employment and place of residence, proven business competence, the community background of the applicant, and the nature of the expenditure. Credit managers in South Africa are wary of unknown entrepreneurs and of township and rural businesses, and since they seem to believe that printing is ephemeral they draw the conclusion that there is no way to get money back from repossessed goods. These factors weigh against small publishers.

Today's business climate is characterised by stricter credit rules, making it harder for small publishers to obtain credit at all or obtain it on favourable terms.

Here is an in-house finance entity for the printing industry in general, offering a wide range of financing products.

With this background in mind the primary goals of financial management should be to improve creditworthiness and assure the supplier of the predictability of payments. Unfortunately both goals are difficult to achieve. Publishers rely on advertising payments that may or may not be paid in a 30-to-90 day period, and may be defaulted. Publishers also face severe cash flow problems for other reasons which include lack of systematic controls, high levels of debt, high running costs, losses due to theft and accidents, and more.

Financing vehicle

PIFSA has shown the way towards creative financial solutions for common problems among its members. Although not directly a credit system, it has set up a financing vehicle as a joint venture with Absa Bank called PIFSA Finance. This is an in-house finance entity that provides asset based finance to members specifically and to the printing industry in general. A wide range of innovative and flexible options for capital equipment financing products such as instalment sale, rental and lease agreements, tax-based leases and various insurance products. Profits of the scheme are used to the benefit of members, funding provision of expertise and supporting financial and risk management tasks.

Two lessons are to be drawn from this model, as far as the MDDA is concerned. The first is that an association with a major bank would certainly help in devising schemes to finance the needs of the small publishing sector. There is every reason why small publishers should be afforded the opportunity to gain advice and finance through a joint scheme rather than - as is the case at present - mainly fending for themselves when asking for loans or credit.

Secondly, with specific reference to the creation of GAPS, the finance model here appears to be self-financing through the profits of its schemes (with the bank able to keep track of all transactions). Exactly how this is achieved should be explored to suggest ways of providing services at generally lower costs while charging fees or commissions to provide expertise and put the name of the MDDA behind the publishers.

Banking finance

The most expensive option for credit is the bank overdraft (or worse, credit card payments). The MDDA could, however, seek to set up a financial support system in conjunction with a bank or banks, as the latter are in the market to open current accounts for budding and established SMMEs. Given the growing success of the Mzansi low-cost banking package, aimed at recruiting new bank account holders from the lower-income groups, there is every reason to believe that the banking sector will be amenable to an approach regarding the financing of small publishers.

Some background is in order here. Credit is one of the financing techniques for development. Lack of it can kill the enterprise but credit granted without the proper scrutiny regarding reimbursement is equally likely to land the enterprise in a vicious circle of indebtedness or bankruptcy. In South Africa, the FinMark Trust was created in 2002 in collaboration between DFID (the British overseas development agency) with the Banking Council of SA “to make financial markets work for the poor”.⁸ In the public-private process of market development, it was clear at the inception of FinMark that SA financial markets required a catalyst to bring about financial system changes in favour of the poor.

Increasing government pressure over transformation of the financial sector, especially in hot spots like housing and SMMEs, has prompted visionary leaders in the private sector to seek ways of bringing financial stability and benefits to all.

- The time is truly ripe to approach the banks to discuss possibilities for grassroots publishers.

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Because stokvels are well used in South Africa and form part of the cultural landscape, they offer a popular way for small publishers to aggregate financial resources.

Co-operative funding

Beyond formal banking, co-operatives offer various credit models worth considering. We deal with them here in succession showing how the MDDA could be least involved, somewhat involved, and most involved.

The stokvel solution

The conjoint lending system known as the stokvel offers a means whereby publishers could meet printing payments. In a stokvel, the members make regular contributions so that at intervals they may withdraw from the common fund. Because stokvels are well used in South Africa and form part of the cultural landscape, they offer a popular way for small publishers to aggregate financial resources. The stokvel is a promising solution, though recent financial legislation forbids unsecured credit and the informal management of funds. Organisations like Itala in KZN have found that it is necessary to formalise the stokvels as societies with definite contractual relationships between members and a legal identity for the entity itself.

A new newspaper, the Stokvel Times, has been launched covering the field.⁹ The paper is a venture between The Stokvel Company and Results Media Group and the result of extensive market research, according to Simon White, CEO of Stokvel Media. The ultimate goal of the publication is to assist stokvels in understanding the diverse financial options available and to highlight the powerful force the stokvels can command in the market.

The international precedent exists for stokvel-style financing of micro enterprises. The term “micro-credit” became well-known following the launching of Grameen Banks in Bangladesh. The Grameen model is based on the same principles as the Caisses Raffeisen or Desjardins: credit and savings facilities are extended for small groups, mainly women, who know each other, meet weekly

and accept the responsibility of a peer lending guarantee to cover the potential risk that one of the members may not be able to reimburse the loan. Management based on the understanding of each member's personal situation, solidarity at times of hardship, and saving and lending within a familiar environment, are the recognised values of this system.¹⁰ Unfortunately, the heavy demands likely to be made on such a system by publishers with printing and other bills to pay probably rules out its successful application in the grassroots sector, except for limited cash crises.

But various more elaborate forms of mutual fund could be considered. In Kenya, for instance, poverty reduction strategies have included Savings and Credit Co-operative Societies (SACCOs), Rotating Savings and Credit Associations (ROSCAs), Financial Non-Governmental Organizations (FINGOs), and the increasingly popular 'Front Office Services Activity' (FOSAs) run by SACCOs. We cannot go into detail here but in essence, as a study of Kenyan micro-finance concludes, "browsers who already have assets and skills are able to make better use of credit... The poorest are less able to take risks or use credit to increase their income".¹¹

Yet even if micro-credit societies can deliver enough money for publishing needs, other problems of competence and sector know-how present themselves. A study of micro-credit as a development tool makes this point:

Professionalism, knowledge of the environment, adapting resources to local conditions in order to respond to the true needs – these are the keys to success. Micro-credit is a weapon against poverty but it is expensive and must be subsidised. Small and medium-sized credit must be further developed as it is the only way to fight the causes of poverty by creating employment and facilitating growth.¹²

- Setting up and running stokvels should not be the MDDA's responsibility, but advice and even templates could be provided with the assistance of financial planners.

Micro-credit is a weapon against poverty but it is ultimately fairly expensive to run the system which may need subsidy.

One step further than a managed mutual fund would be an agency to handle payments on behalf of publishers.

Central credit fund

An extension of the stokvel principle could take the form of a managed mutual fund towards which publishers make the payments in return for regular drawings. In addition to financial transactions, they would be advised and helped with repayable funding where necessary. The fund would not write blank cheques for printing or other services. Facilitation would ensure that the small publishers receive the professional guidance and backup needed to frame their printing specs, obtain quotes, seek credit, and make payments. It would also give them a fallback in case of emergencies.

A publisher would join the fund as a member, provide full information, undergo a credit check, and undertake certain disciplines to ensure steady cash flow for printing and other costs. A lay-by system would be a familiar formula for many who have used stokvels, entailing deposits against future payment needs. A form of insurance scheme could be developed from the central fund created by deposit-makers, allowing for shortfalls to be met on a temporary basis provided that the publisher concerned acknowledges the debt and agrees to pay it back. The creation of a central fund is a form of aggregation.

Independent credit agency

One step further than a managed credit fund would be an agency to handle payments on behalf of publishers. This would involve a large commitment in terms of time, expertise, setup costs and bankrolling. The structure and scope of such an agency should be discussed with banks and with SEDA (the Small Enterprise Development Agency). Guidelines should be drawn up for the system to be put into operation, granting or denying membership status to small publishers based on clear criteria and limits.

The proposal dovetails with the notion of phased support for publishers under the S-curve analysis. At different levels of experience, from start-up to sustainable, small publishers should be led to expect graduated levels of credit advice and support.

To facilitate credit assessments and credit extension, a system of clearly defined credit rules and up-to-date record keeping based on verifiable information, is required. Any such system would need to be managed by a competent, independent agency which is accessible to the small publishers and has a database of printers to whom work can be contracted on an agreed basis. In effect, this would make the MDDA part of the financial management chain of the sector, though it is strongly emphasised that any agency so created should have the freedom to make informed business decisions with the MDDA having final oversight only. This would avoid possible accusations of favouritism or inefficiency.

The key issue, however, is whether the agency itself is going to assume the risk - that is underwrite the contractual agreements reached by small publishers with their printers, with an undertaking by the agency to see that payments are timeously made and if necessary come forward with the money to make them. This is a policy issue to be decided by the MDDA. Bankrolling such a system could lead to limitless demands if the word goes out that the MDDA or the agency will pay if the publisher cannot.

Credit: conclusion

A well administered system of facilitation would be a vast improvement on the current situation where small publishers are at the mercy of their bank manager or credit controllers in printing businesses. It would not be a substitute for credit but a means of obtaining more favourable terms and maintaining the reputation of the individual publisher and the whole sector. It was not part of

The key issue is whether a credit extension agency could assume risk by underwriting the contractual agreements of publishers – a system that could lend itself to abuse.

the Brief for the current report to design any such agency or system, but we are laying the proposal on the table as a potentially effective solution, in principle, to problems that are widely experienced in the sector.

- Any credit fund or credit agency should fall under GAPS but be administered through an accredited accountancy arm.

Support systems

A great deal of attention has been paid in this chapter to the need for extensive and intensive support systems in printing for small publishers. We are of the view that printing and all its associated costs, skills, quality controls and risks do require expert oversight. Very few start-ups will have the competencies required. The more mature publications will have sorted out many of the technical issues but will still gain enormously from clearing house services and co-operative buying. Because large amounts of money are involved – the major portion of budget, in fact – printing should not be left to take care of itself. The MDDA needs to take vigorous proactive steps at all levels, from macro negotiations through sector aggregation to enterprise advice and support.

Footnotes

¹ Arenstein, Justin - “AIPSA MEMO: printing presses”, email copy to researchers, 8 December 2004.

² Joseph, Ray – compilation of personal discussions and emails, May-September 2006.

³ Ishmael, Richard – email response to research questions, September 2006.

⁴ Van Zyl, Anton – email response to research questions, September 2006.

⁵ Researcher notes from Roundtable, based on presentation by Anton van Zyl.

⁶ Anton van Zyl – personal communication to the researchers, September 2006.

⁷ Tribute, Andrew - How Offset Is Fighting Back To Gain Respect As the Best Solution for Short-Run Color Printing. <http://members.whattheythink.com/home/tribute54a.cfm>

⁸ Porteous, David – Market Development: What is the Role of Market Catalysts? Lessons from the experience of FinMarkTrust 2002-2004. http://www.dfid.gov.uk/news/files/trade_news/adb-workshop-makingfinancial.pdf

⁹ <http://www.bizcommunity.com/Article.aspx?c=39&l=196&ai=12240>

¹⁰ United Nations Report : Role of Micro-Credit in the Eradication of Poverty. 1997. <http://www.grameen-info.org/mcredit/unreport.html>

¹¹ Mudibo, Edward K - A Case Study of Kenya. 2006. Kenya Union of Savings and credit Co-operatives (KUSCCO). Paper presented at conference on Integrating Financial Services into Poverty Reduction Strategies, Dar Es Salaam, Tanzania, June 2006.

¹² Vincent, Fernand - Is Micro-credit a Development Tool? Translated from the French by Anne Renaudin. http://www.ired.org/modules/news/article.php?item_id=36

Argument

Printing is a central function in publishing but because it is technical, costly, requires scheduling and detailed specifications, many small publishers cannot manage it properly.

They feel exploited by printing houses owned by the mainstream competition. All sorts of problems have arisen around pricing, credit, technologies, deliveries, quality controls, and most individual publishers are simply in no position get better deals.

Here is a situation where macro interventions are demanded. One possibility is that the MDDA buy its own press or presses to service the grassroots sector.

A second is that the MDDA does all it can to support print the empowerment of emergent small printers to serve the grassroots.

A third is that publishers who form co-operatives or hubs could be granted funding to buy their own low-cost, short-turn printers.

In this and other spheres the objective is to broaden the base of the media industry and stabilise the situation for grassroots enterprises by means financial and operational interventions.

Recommendations

- The MDDA should not seek to own and control its own press or presses. There is no guarantee that the outlay would be worth it, and it could prove a costly drain on finances.
- Market development should be kept in mind as the goal of MDDA enablement efforts – that is, in the case of printing, it is better to support the creation of infrastructure than to go into competition with the print industry.
- The proposed service agency, GAPS, should treat printing procurement and advice as a primary responsibility.
- A printing information system would have several valuable spin-offs including the capture of print order statistics to show advertisers.
- Credit is a burning issue and the extension of credit for printing needs financial solutions of one kind or another. We have reviewed several options and recommend some form of alliance with PIFSA and the banks.