

MÉRTÉK MEDIA MONITOR

THE METHODS ARE OLD, THE CRONIES ARE NEW

Soft Censorship
in the Hungarian Media
in 2015



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1. INTRODUCTION – CRONY CAPITALISM AND THE MEDIA MARKET

The methods and trends of the state's interventions in media policy and the media system after 2010 were both a reflection of and a blueprint for the general workings of the government. When the Media Act was adopted, it provided one of the early glimpses into what would soon emerge as the predominant model of lawmaking, which essentially involved the hollowing out of the legislative process. The system of institutions created by this law made clear that positions that had previously been filled based on political deals between parties would now be filled based on unilateral decisions by a hegemonic governing party. The European debates surrounding this law, and the trajectory of the confrontation with European institutions, was an important experience for Orbán in showing where the boundaries lie which he cannot transgress without causing backlash at the European level. However, it simultaneously also delineated the boundaries of the area within which he can do as he pleases, including the adoption of any autocratic measure he sees fit, as long as he is mindful of the boundary he may not cross. The expansion of media enterprises that are in a symbiotic relationship with Fidesz, and the concomitant squeezing out of foreign investors from the media market, serve as a model for the general scheme whereby the governing party has sought to take control of other markets as well.¹

The media policy/media market developments after the 2014 elections once again serve as the master plan for the changes ongoing in all areas of political and economic life. Fidesz's economic hinterland and media empire had been assiduously built over the years by Prime Minister Viktor Orbán's friend Lajos Simicska. In 2015, however, a spectacular conflict erupted between these two protagonists, and this was the signal for launching the efforts at dismantling the Simicska media empire. The underlying process was a massive restructuring of Fidesz's internal power relations. Up until 2014, media policy decisions and media policy developments manifested a peculiar intertwining of politics and business, which was in fact reflective of the way in which political and economic life in generally worked in Hungary: political power rested with Viktor Orbán, while economic power was concentrated in the hands of Lajos Simicska. Nevertheless, these two centres of power could not be fully independent of one another, and they could not coexist without major friction. The need to exercise economic power more effectively, and the assertion of economic interests – where Orbán and Simicska's economic interests mostly coincided –

¹ See our former reports on soft censorship: Capturing them softly – Soft Censorship and State Capture in the Hungarian Media, <http://mertek.eu/en/reports/capturing-them-softly-soft-censorship-and-state-capture-in-the-hungarian-media> Gasping for air - Soft Censorship in Hungarian Media 2014, <http://mertek.eu/en/reports/gasping-for-air-soft-censorship-in-hungarian-media-2014>

made it increasingly necessary for Simicska to become involved in the political exercise of power as well. An obvious result is that over time parallel structures of power emerged, which also grew increasingly less respectful of their mutual boundaries.

The pre-2014 situation is aptly characterised by the concept of state capture. Simicska, who controlled the economic segment of power and was hegemonic in his own area of control, increasingly began to shape political decisions in his own image. Nevertheless, even in this situation the fundamental problem from Orbán's perspective was not that the efforts of certain economic/business circles to reshape the legal-political environment – which provides the framework wherein the entire economy operates – were directed at promoting their own interests. These efforts were, after all, largely aligned with the interests of those exercising political power. Orbán and Simicska's interests and goals were presumably largely similar until shortly before the 2014 elections. Orbán – and in a broader sense Fidesz – was just as instrumental in the process of state capture as Simicska, even though his control was limited to the other segment of the arsenal these players used to further this goal.

Nonetheless, by 2014 the breadth of Simicska's power, economic and recently political as well, had apparently become too overwhelming, and it had emerged as a greater constraint on the prime minister's own power than any other legal, international or political limitation. This led Orbán to conclude that he had to push Simicska out of both spheres of power - economic and political alike - at least to the furthest extent possible without triggering a conflict that was massive enough to bury them both. The Orbán-Simicska conflict is a typical Cold War-like situation, in that the parties take turns at arming their nuclear warheads but Armageddon ultimately never ensues.

The most important lesson for Orbán was that power cannot be bipolar. Orbán will never again allow a situation to emerge where anyone within Fidesz apart from the prime minister himself will be in a position to exercise power autonomously. The Simicska period rendered it obvious that such a constellation makes the party and Orbán vulnerable, economically and especially in terms of access to media platforms.

Correspondingly, since 2014 Orbán has been consistently dividing economic power - and, as part of that, media power - between a group of persons who are unconditionally loyal to him and who are at his mercy. The previously centralised system was replaced by a decentralised system consisting of several players, and after 2014 the new “cronies” began to take over almost the entirety of the power and economic positions previously held by Simicska. In this particular constellation Orbán is finally left without any checks on his power or countervailing poles. By redistributing resources, Orbán has built a „crony capitalism” in which no one controls sufficient resources to emerge as an autonomous power factor.

To reshape the media system, Orbán inherited the set of instruments that had been first designed by Simicska. There is a market expansion of the pro-Fidesz interests at every level of the value chain, be it through a politically biased distribution of radio frequencies or the manipulative allocation of state advertisements – we have seen these before 2014 as well. The lesson of 2015 is that the same set of instruments can be turned against the previous beneficiary at a moment's notice, and it can be used simultaneously to bolster the positions of new favourites. The same financial, legal and informational resources that previously served the Simicska-type of media empire now serve new players.

Nevertheless, the replacement of the Simicska empire is not at all a completely smooth process. Simicska controls sufficient financial means and has enough influence over other players to ensure the survival of his media business at least until the next election, even as these are gradually morphing into media that are now occasionally critical of the government – to an extent that is still acceptable to their audiences – even as they retain their fundamentally right-wing political outlook. Moreover, relying on the remnants of his previously extensive positions, Simicska is even capable of slowing the consolidation of the new players' positions. One obvious instance of this is the litigation over the ownership rights of TV2, which might lead to several years of legal wrangling.

This study is specifically about Hungary, but the events there might also be instructive in understanding broader processes in the central and eastern European region. In a country with a small market, where the level of political culture is traditionally low, a newly ascendant capitalist stratum can inflict massive damage on the public sphere. The goal of the new elite is to expand and consolidate its economic posi-

tions; absurdly, EU subsidies provide the basis for these newly won economic positions. This is what the struggle, which uses essentially all potential avenues of corruption, is about. To make this possible, the players involved also need to control the levers of political power, which would not be sustainable without limiting the free operation of the public sphere. Thus the Orbán government implemented a tripartite structure of power: it has stable political power through its appropriation of EU funds and the pressure it exerts on the media.

Soft censorship has not at all diminished in the Hungarian media system in 2015, nothing has changed in this regard but the players involved. The manipulations of the media structure and of media market processes for political ends continue to be the main propellants of media policies. The refugee crisis and the incitement in the government communication against migrants left no doubt that the transformation of the media system would turn a significant portion of the media system into nothing more than the instruments of the basest political intentions. The role that state media have assumed in this process is reminiscent of the darkest periods in history. The levels of public funding for state media, which exceed anything seen before by a large margin, and the legal-institutional framework that allows for spending these funds essentially without any control, has in fact yielded its own rewards.

The only encouraging signs were the victory scored by RTL over the issue of the advertising tax – a victory that was nowhere near as beneficial for other players in the market – and, more importantly, the professional achievements of independent investigative journalism outfits (Átlátszó, Direkt36).

The project was supported by Democracy&Media Foundation.

2. KEY FINDINGS

The transformation of the media market

The market expansion of politically-motivated players received a new impetus from the intensification of Fidesz's internal conflicts. As a result of the Orbán-Simicska war, the growth of the Simicska empire was halted, which incidentally had a major impact on the editorial practices and contents disseminated by the affected media outlets. The construction of the new pro-Fidesz empire began at the same time as the Simicska empire's growth began to stall.

The most important media deal of the year was without a doubt the sale of the commercial television channel TV2. The change in ownership turned into an open confrontation between the Simicska-affiliated (media)economy circles and the new media interest groups associated with the Andy Vajna – Árpád Habony duo. The result is a protracted legal dispute, which will also create an ongoing uncertainty in the professional and business environment that the channel operates in.

The launching of the daily newspaper Magyar Idők, owned by Gábor Liskay, and of the online news sites within Árpád Habony's sphere of interest (Lokál, 888.hu) marked the first steps in the creation of the new media empire. Hence the most important developments last year with respect to media policy all pertain to the deliberate efforts at creating a new Fidesz-affiliated circle of media owners.

With the change of owners at the major new site Origo, the withdrawal of foreign investors from the Hungarian market continues apace. Moreover, this change of ownership also resulted in an expansion of the media market share controlled by media owners with strong ties to politics.

With the change in the structure of the advertising tax, the market-distorting impact of this odd form of taxation has diminished, but at the same time smaller media market companies, which had just began to bounce back from the impact of the crisis and the concomitant reduction in the size of the advertising market, are facing a more difficult situation on account of the flat rate of the advertising tax.

The changes in the media agency and advertising sales houses were also politically motivated and sought to squeeze the positions of the Simicska empire while increasing the market access of the new media market players. While the media agency market was influenced primarily through direct government intervention, especially the decisions of the National Communications Authority, the changes in the

market of sales houses were primarily the result of collusion between pro-Fidesz media owners and public service media.

The staff of the Publicus Institute conducted eight interviews with media company executives. The interviewers talked to respondents who hold management positions at media companies but are – with one exception – also involved in content production. The most important insight of these eight interviews is that media workers who are in executive positions do not see statutory rules or the institutional framework governing the operations of media as the main impediments to press freedom. Instead, they view the increasing difficulty of sustaining media enterprises in Hungary as the biggest problem. The dearth of funding makes media vulnerable and potentially leads them to compromise their principles, while the lack of equipment and staff also constitutes a serious impediment to quality journalism and investigative reporting.

The market-distorting impact of state advertising spending

In 2015 the distribution of state advertising was openly aimed at promoting the interests of the new media owners and at undermining the financial stability of the Simicska empire. Thus while there was a change in the main recipients of state advertising spending, viewed from the perspective of the market overall, the distorting impact of the way in which these advertisements are allotted did not change at all.

Considering all media sectors, the biggest winner was clearly TV2: almost a fifth of all state advertising spending ended up with the commercial channel. The vast majority (80%) of Magyar Idők's advertising revenues stemmed from state advertising, and state media have also benefitted from the rapid reallocation of state advertising spending.

New era of the state media

The budget act for 2015 specified that central budget funding for public service media will total 69.86 billion forints (ca 225 million euros)². In addition, the state also assumed 47.149 billion forint (ca 152 million euros) of debt principle that the public media system overall owed. Moreover, public service media also increasingly benefit from a growing slice of state advertising.

The selection of public service channels is continuously expanding. There is no publicly accessible documentation on the expected social and economic impact of the new channels.

The market-distorting impact of non-transparent and excessive funding for state media is increasingly obvious in the Hungarian market, too. The massive resources invested were not all in vain, as public service television is slowly but steadily inching upwards in the favour of the audience and increases its market share at the expense of market players. The overall viewership of public service channels increased to 18% in 2015Q3 as compared to 16.5% in 2014Q3. The market-distorting impact of the new sports channel, M4, is especially striking. The launching of M4 has obviously led to a decline in the other sports channels' audience share in the media market overall.

The market-distorting impact is also readily apparent in the market for advertising time: The advertising time of the public service media is sold with the involvement of a sales house (Atmedia) that sells PSB advertising airtime together with the airtime of certain commercial media providers, first of all TV2, a national commercial television channel. The market players involved in the sales house will be at an advantage over their competitors in terms of selling their own advertising airtime because several channels with a greater joint share of the audience can offer advertisers better value and can reach certain target groups more effectively.

The transformed selection of programmes offered, and especially the re-launching of M1 as a 24-hour news channel, offer more possibilities than previously for manipulation and for pushing the government's

2 Exchange rate for 2015: 309,9 HUF/EUR <http://demo.mtieco.hu/Pages/hist.aspx?sub=I&Category-Id=19&lang=hun&menuid=f86de2d3-4f83-4952-852e-14a09776a2f2&year=2015&histtype=3>

messages. The concealment of news or certain viewpoints, and even the doctoring of some news items are documented, everyday occurrences in the state media's news services, and these are ultimately performed to serve the government's needs as comprehensively as possible.

Frequency tenders in the employ of the new media policy goals

During the last year the pre-existing political biases of the Media Council's radio frequency allocation practices changed only insofar that they now serve the market expansion of the new Fidesz-friendly media companies rather than the interests of the Simicska empire. There is no improvement whatsoever in the professional and procedural quality of frequency tenders, nor in the transparency of the process.

Frequency tenders are often protracted and frequently need to be repeated. The underlying problem is an overly complicated and excessively formalised tender system that results in many submissions being disqualified on formal grounds, which in turn often lead to lawsuits. Tender procedures are not sufficiently public, and the tender process is not transparent enough. There is no way to perform a comprehensive and substantial assessment of the authority's decisions based on those rulings that were actually published on the Authority's website.

Records of judicial proceedings and tender applications obtained by Mérték by way of freedom of information requests unequivocally show that the Media Council uses the frequency tender system as an instrument of discrimination.

Religious radios, which are favoured by the authority, have continued to perform well in frequency tenders: they prevailed in a third of successfully concluded tenders.

The Budapest radio market saw a further intensification of the process whereby the authority prefers radio stations that comply with the Media Council's expectations and act as quasi-public service radios operating under the authority's continuous monitoring, at the expense of a market-oriented distribution of frequencies that is mindful of audience needs. Radios operating under such conditions use over four-fifths of the Budapest frequencies.

Journalism in the manipulated media environment

The Orbán-Simicska war also has a direct impact on the room for manoeuvre of the journalists working for the media companies owned by the latter, and it has influenced their professional practices. The logic of war all of a sudden liberated the journalists who had morphed from being seen (and in fact behaving) as the government's friends into being regarded as its enemies from the pressure they had been subject to until then, and they began to strike a more courageous and more critical tone against those they had previously served. Hence the level of self-censorship appeared to be lower in this segment of the press.

In those segments of the mainstream private media that one might refer to as independent – a classification that essentially extends to a few online products, television channels and radio stations, as well as two centres of investigative reporting – the situation for journalists changed only in the sense that as a result of the war they had to take sides in the conflict, in addition to the complications they already had to contend with. Moreover, the government continued to squeeze this segment of the media further through the use of legal (e.g. tightening the regulations on freedom of information) instruments and public authorities (e.g. barring RTL Klub from directly reporting from Parliament), or pressure on their owners; we detailed the uses of these various methods in our previous reports.

3. NOTES ON METHODOLOGY

As “soft censorship” or indirect censorship we classify those types of media policy interventions which significantly enhance the chances of certain viewpoints reaching media audiences, while they reduce the chances of other viewpoints to achieve the same, and do so by changing the structure of the media market. Over time, such interventions cause lasting distortions in the way the public sphere works. In our understanding, soft censorship involves arbitrary interventions aimed at the structure of media markets and at limiting private companies’ latitude in making business decisions. The objective of such interventions is to boost throughout the entire media value chain enterprises which promote the dissemination of the government’s views, and to weaken or impede the financial viability of media outlets that publish critical views about the government, or to compel them to abandon the communication of such views.

Soft censorship leads to rather slow and gradual, but nevertheless lasting changes in the way the entire media system operates. The influence is not aimed at generating certain individual pieces of content but to shape available content in general, and hence its target are not individual journalists but media companies. The impact of soft censorship is directly perceived by media owners and media managers, and such interventions impact the work of editors and journalists through the influence exerted by these two groups.

State interventions that have a distorting impact on media selection can be informal or formalised interventions. Informal interventions are those instruments that shape the media market with an apparatus outside the scope of the legal arsenal specifically designed to this end, which are generally assigned to the media authority. By formalised interventions we mean those which are realised through some regulated procedure, primarily in the framework of the media authority’s proceedings. Informal interventions - such as for example market acquisitions or the allocation of state advertising - are mostly non-transparent, they are not subject to legal control or public scrutiny. Formalised interventions, however, rely on the arbitrary and abusive uses of the legal system.

The most obvious distortion is wrought by the manipulation of the content provision markets, but soft censorship can affect all elements of the media ecosystem. Distortions of the content production market also have a direct impact on the media selection; the best method for giving preference to certain players in this market relies especially on the distribution of production subsidies and the selection of players who are entitled to produce shows for public service media. Positions won in the media agency market can serve to efficiently allocate advertising revenue among market players. Similarly, influence over sales houses is also a crucial instrument for shaping the revenues and business opportunities of numerous

players in a given market, since it allows for setting the value of advertising airtime or other advertising surfaces. Indeed, entry into the audience measurement market is also a method for shaping the business opportunities of all players in the market, for audience measurement underlies advertising decisions. As a result of state interference in the distribution market, content providers face different conditions in accessing their respective audiences, which ultimately also jeopardises the diversity of contents.

As a rather complex phenomenon, the investigation of soft-censorship calls for the use of a wide variety of analytical methods and viewpoints.

Media market processes are shaped by numerous media policy measures. Therefore, a statistical analysis of data and processes are significant tools for revealing the intentions underlying media policies. The chapters 'The transformation of the media market' and 'State advertising as an indicator of political climate' are based on such analyses.

A significant portion of media policy decisions manifest themselves in the form of legal statutes or decisions rendered by authorities and courts. The legal analysis of these also provides important information in terms of exploring the motivations underlying media policies and the efficacy of media policy interventions. The chapters entitled 'Frequency (mis)allocation – Disarray, discrimination and political considerations in frequency tenders' and 'The transformation of state media – Trust rewarded' contain such analyses.

The impact of media policy measures on journalists' conduct and attitude are key factors in shaping the quality of the public sphere. The attitudes, knowledge and opinions about the role of journalism, the breadth of journalist's manoeuvring room in their work, the constraints that impact their work, the business and political pressure on the media, and the esteem in which journalism is held – these all ultimately feed back into the professional behaviour and performance of journalists, and thus they ultimately also affect the selection of contents available in the media. The impact of media policy measures on journalists' behaviour and attitude can be investigated especially with surveys and in depth interviews with journalists and other stakeholders. Quantitative and qualitative analyses of media contents also allow for conclusions regarding policy impacts on journalists. The chapter entitled 'The mood in the trenches' is based on such an analysis.

Ultimately, media policy interventions are directed at influencing media content and media selection which reach audiences. Hence the empirical analysis of media content is an important instrument of investigating media policy. The transformation of the state media is based on a content analysis – the methodology of which was, in this instance, not worked out in detail – and is presented in the chapter entitled 'Trust rewarded'.

4. THE TRANSFORMATION OF THE MEDIA MARKET

The year 2015 brought unexpected changes in the media market. The Orbán government was in its fifth year in power and no one really thought that at this late point the ownership structure of the grand media enterprises and the underlying political preferences that these reflect would be shaken to the core. The system that had emerged over these years appeared stable. An old friend of the prime minister, one of the wealthiest entrepreneurs in Hungary, Lajos Simicska, was the owner of the largest media empire in Hungary, and the oligarchic system appeared to function reliably.

Yet over the course of the last year things suddenly changed. The previously loyal friend suddenly turned into a hated enemy, and the government could no longer rely on what used to be loyal media to continue acting as government mouthpieces, nor could the latter count on material and other support from the government. The rightwing media empire had to be rebuilt almost from scratch, and the new year was characterised by the launching of new media outlets, acquisitions of existing outlets and efforts to further bolster public service media.

4.1. The Orbán-Simicska war

It became apparent already early in the year that something was afoot: In a closed meeting in January, Prime Minister Viktor Orbán announced that the government's communication strategy would be revamped.³ He indicated that in the future the government would be primarily relying on public service media, and it no longer considered it necessary to fund those commercial media outlets that had proved reliable allies over the past years. This simultaneously implied that the state's advertising procurement would be taken over by the MTVA, and, as the article reporting on the meeting stated, „others cannot count on significant sources of state advertising in the coming period. They need to learn to stand on their own two feet.” In light of the fact that state advertising spending had predominantly gone to Simicska's companies in the past years,⁴ this announcement heralded fundamental changes.

3 Kósa, A.: Orbán elengedte a kormánypárti sajtó kezét [Orbán will no longer support the pro-government media]. (15 January 2015) <http://vs.hu/kozelet/osszes/orban-elengedte-a-kormanyparti-sajto-kezet-0115>

4 Mérték Media Monitor: Gasping for air: Soft censorship in the Hungarian media in 2014. http://mertek.eu/sites/default/files/reports/gasping_for_air.pdf

The real change happened in February, however: Lajos Simicska – after years of refusal to speak to the media – suddenly gave a whole series of interviews in the course of a single afternoon. In these interviews he characterised the prime minister using terms that are not fit to print, using one of the most severe Hungarian sexual expletives.⁵ At the same time he also suggested that there might be attempts on his life in the future.⁶ The case was unprecedented not only in the sense that no one had ever said such a thing publicly about the Hungarian prime minister, but also because his remarks constituted an attack against his erstwhile best friend, a businessman who was entrusted with managing large chunks of the Orbán system's economic hinterland.

It was clear from the very first moment that the scandal would not leave the media outlets owned by Lajos Simicska unscathed. In fact, the immediate trigger of the public recriminations was that certain leading figures of the Simicska media empire, the editors of his flagship media who were considered some of his most loyal lieutenants (the daily *Magyar Nemzet*, Hír TV and Lánchíd Rádió), unexpectedly quit. They were quickly followed in the next few days by several prominent journalists and editors. Apart from these resignations, some long-term consequences are also interesting: For one, Simicska's companies are unlikely to receive any state advertising in the future. Second, the government will very likely use the full breadth of its instruments to squeeze these companies' market positions.

It is important to note – and this probably shows the real stakes in the Orbán-Simicska wars – that the impact of this affair extends far beyond media market developments. Lajos Simicska's construction companies used to be the main beneficiaries of EU subsidies, for example, and this has of course changed since the scandal. New corporations emerged practically out of nowhere, and previously unknown businesspersons became the beneficiaries of public procurements worth billions. What did not change, however, is that the key figures of Hungarian business life are still figures from the prime minister's environment, and they were handpicked by the prime minister himself; the oligarchic system itself did not disappear, it was only transformed.

4.2. Ownership changes in 2015

The most important media deal of the year was without a doubt the sale of the commercial television channel TV2. The story of this deal goes back all the way to December 2013, when the then-owner, the German ProSiebenSat1 group, sold its stake in the television to two executives employed by the channel, Zsolt Simon and Yvonne Dederick. Obviously, the two buyers did not have sufficient funds at their disposal to pay for the ownership share they had acquired. The deal was funded based on a vendor loan, in other words the ProSiebenSat1 group gave the new owners credit to buy its share of TV2. Given that TV2 had been accumulating losses for years, this construction was risky for both parties. Already at the time there was considerable speculation as to who was really behind the acquisition.

The next great shift occurred in October 2015. Only a few hours after film commissioner Andy Vajna announced at a press conference that he had acquired TV2 and appointed former RTL Klub (Hungary's leading commercial channel) CEO Dirk Gerken to lead the channel, it emerged that the deal may not be final. Károly Fonyó, Lajos Simicska's friend and business partner, announced the same day that his Megapolis Media Zrt. had already purchased a 100% stake in TV2 Media Group Holdings Kft. He also noted that the company's directing managers, Zsolt Simon and Yvonne Dederick, had been relieved from their positions.⁷ As of this writing, at the end of 2015, it was still unclear who the real owner of TV2 is. What appears increasingly certain, however, is that there are likely to be protracted legal proceedings, which

5 The Economist: Curse like an oligarch. (9 February 2015). <http://www.economist.com/news/europe/21642647-countrys-biggest-media-mogul-turns-against-viktor-orban-no-uncertain-terms-how-cuss>

6 Nagy, J.: Simicska Lajos: Kinyírnak, lelőnek, elüt egy autó [Lajos Simicska: They will whack me, shoot me, I will be hit by a car]. (6 February 2015) <http://24.hu/belfold/2015/02/06/simicska-lajos-kinyirnak-lelonek-elut-egy-auto/>

7 Spirk, J. – Dezső, A. – Haász, J. – Stubnya, B. – Hudák, H: Egy nap alatt ketten vették meg a TV2-t [Two buyers for TV2 within the span of a single day]. (15 October 2015) http://index.hu/kultur/media/2015/10/15/fonyo_karoly_ugy_adtak_el_a_tv2-t_hogy_nem_volt_az_ovek/

are unlikely to further the channel's competitiveness. In any case, it is telling that at the end of the year TV2 received a huge, 6.7 billion forints (ca 21.6 million euros) credit line from state-owned Eximbank.⁸

The other major deal that year was the sale of the leading news portal in Hungary, Origo. The owner of Origo was the largest Hungarian telecommunications company, Magyar Telekom, which in turn is owned by the German telecom giant Deutsche Telekom. Origo was rocked by a huge scandal in 2014, when the portal's editor-in-chief had to leave on account of an investigative piece concerning the foreign travels of a cabinet minister. His forced departure resulted in large segments of the entire newsroom leaving in the following days. This was the most obvious manifestation in Hungary to date of political pressure on newsrooms.⁹ In any case, this was all probably unconnected to the sale of Origo at the end of 2015, which is more likely explained by a strategic shift at Deutsche Telekom, and the decision by the latter to rid itself of its content industry portfolio.

It emerged only towards the end of the year that the buyer, New Wave Production Ltd, is the publisher of a lesser known news portal, vs.hu. That company in turn is owned by the Czech Bawaco Invest, but the Hungarian press had already found out that the latter is owned by a wealthy Hungarian businessman, Tamás Szemerey.¹⁰ The latter is in turn a cousin of György Matolcsy, the president of the Hungarian National Bank (Magyar Nemzeti Bank, MNB), who is also Fidesz's former minister of the economy. For the time being, we do not know whether the company plans to operate both portals or whether it will consolidate them into one; nor is it known what it plans to do with the two minor television channels in its portfolio. What is certain, however, is that one more foreign investor has left the Hungarian media market and was replaced by yet another politically connected Hungarian investor.

Another important development is that there is a new entrant on the already crowded market of Hungarian political daily newspapers. For years, this market boasted a stable selection of four newspapers, two rightwing (*Magyar Nemzet*, *Magyar Hírlap*) and two leftwing (*Népszabadság*, *Népszava*). Due to continuously dropping circulation, no one was expecting a new player in the market. A precursor of this stunning market manoeuvre was that Századvég Zrt., a consultancy with close ties to the government, bought the daily newspaper *Napi Gazdaság* in 2013. This did not result in a major change in the newspaper's outlook, but in the spring of 2015 Gábor Liszkay, the former editor-in-chief of *Magyar Nemzet*, bought the newspaper after his spectacular break with Lajos Simicska in February. Liszkay's goal was to turn *Napi Gazdaság* into a political newspaper, and he invited a large portion of *Magyar Nemzet*'s staff to join him at his newspaper, even as many of *Napi Gazdaság*'s original staff left.¹¹ The paper's previous name (essentially „daily economics” in English) indicated its focus on economics/business, so as of September 2015 it was published under a new name, *Magyar Idők*.

In the meanwhile, a new rightwing media empire controlled by the Modern Média Group Zrt. was founded. It is owned by Árpád Habony, the prime minister's mysterious advisor, who is known in the Hungarian press for his luxury lifestyle and private scandals, even as he holds no official positions. The other owner is Tibor Győri, who is also a longtime friend of the prime minister but is less known in public than Habony. Since May 2015 this company has been publishing the free weekly newspaper *Lokál* (Local), which has a circulation of 500,000: in large parts of Budapest *Lokál* is delivered straight into residential mailboxes, and it is also available at some pre-eminent distribution points (major newsagents in the capital, office buildings, institutions of higher education). A few months later, in September, the company launched the political-tabloid portal 888.hu.

Another portal, faktor.hu, was also launched during autumn. Its editor-in-chief is Bence György, who had previously served for several years as TV2's news director; he was in charge of transitioning the previously reputable news show into a tabloid news show.

8 Bódis, A.: Nincs több titok: Andy Vajna 6,72 milliárdot kap az államtól a TV2-re [The secrets are revealed: Andy Vajna gets 6.72 billion forints from the state to buy TV2]. (15 December 2015) <http://valasz.hu/itthon/nincs-tobb-titok-andy-vajna-672-milliardot-kap-az-allamtol-a-tv2-re-116573>

9 Mérték Media Monitor: Gasping for air. Soft censorship in the Hungarian media in 2014. http://mertek.eu/sites/default/files/reports/gasping_for_air.pdf

10 Szily, L.: Matolcsy György milliárdos unokatesója állhat a Vs.hu mögött [György Matolcsy's billionaire cousin may be behind VS]. (17 October 2013) <http://cink.hu/matolcsy-gyorgy-milliardos-unokatesoja-allhat-a-vs-hu-m-1446936088>

11 Keller-Alánt, Á.: Így vonultak be – Az új fideszes médiabirodalom: a Napi Gazdaság [How they entered the market – the new Fidesz media empire: *Napi Gazdaság*]. (4 June 2015). <http://magyarnarancs.hu/belpol/igy-vonultak-be-95192>

Another peculiar change in 2015 -- though it did not result in changes to the ownership structure -- was the transformation of the Mediaworks management in 2015. This company emerged from the merger of subsidiaries of two grand European newspaper publishers, Axel Springer and Ringier. It is led by the CEO of Ringier, Attila Mihók. Mediaworks is owned by the Vienna-based businessman Heinrich Pecina. Though in the press there was some speculation as to who the „real” owner behind Pecina might be,¹² thus far there is no evidence of political ties.

In any case, in May 2015 Attila Mihók left his position as CEO and was succeeded in that position by Balázs Rónai, who had previously managed a far smaller company, Napi Gazdaság Publishing. There are many rumours about Mediaworks, and maybe it was in response to these that in November the publisher issued an odd press statement in one of the group’s most successful papers, the sports newspaper *Nemzeti Sport*. In the press release the owner denied that the publishing rights to *Nemzeti Sport* had been transferred to Árpád Habony or Andy Vajna.¹³ It is also important to note that in early June the party foundation of the Hungarian Socialist Party (Magyar Szocialista Párt, MSZP) sold its 27.65% stake in Hungary’s highest circulation broadsheet, *Népszabadság*, to Mediaworks, and as a result the company now controls 99.99% of the newspaper.¹⁴ This severed the last formal ties between the once major leftwing party and the market leader in the political newspaper market. However, this move reflects MSZP’s dire financial situation rather than the party’s convictions regarding press freedom.

4.3. Changes in the advertising market

The introduction of the advertising tax led to a huge scandal in 2014, and by comparison the situation had consolidated in 2015. As was prominently discussed in Hungary, the original version of the advertising tax was primarily targeted at the television channel RTL Klub, which is a leader in its segment of the market.¹⁵ In May 2015, however, Parliament adopted an amendment that replaced the previous progressive tax system with a flat tax of 5.3% that sets in once revenue exceeds 100 million forints. Major corporations, and especially RTL, benefit from the change, while for smaller, primarily Hungarian media companies the tax burden has increased. Based on leaks from behind the scenes, the government had been moved to amend the original tax as a result of negotiations with the RTL Group and a complaint lodged by the latter with the European Commission.¹⁶ The new tax scheme does not distort the market as heavily as the old version did, but it does put smaller media companies in a difficult position at a time when they have just begun to recover from the economic crisis and the impact of shrinking advertising revenue.

The other major change that affects the advertising market is the amendment of the regulations concerning the operations of media agencies. For one, these changes have resulted in increased administrative burdens for media agencies, while at the same time have also had an impact on their revenues. Previously, media agencies had received a so-called bonus from media outlets, and this source of income will now cease. At the same time the law mandates that advertisers have to pay the agency a uniformly set 15% fee on media spending, thus effectively imposing government price controls on media planning.¹⁷

The creation of a state agency may have an even greater impact on the market of media agencies. The National Communications Office began its work at the end of 2014, and its responsibility is to coordinate the communication of government units/state institutions, to manage the relevant public procurements and verify their delivery. The public learned about the importance of this agency in August 2015: In a public

12 Csuday, G. –Szabó, Y: Óriási médiaüzlet Magyarországon – fideszes szálak a háttérben [Huge media deal in Hungary – Fidesz strings in the background]. (23 January 2014) <http://vs.hu/gazdasag/osszes/oriasi-mediauzlet-magyarorszagon-fideszes-szalak-a-hatterben-0123>

13 [nemzetisport.hu](http://www.nemzetisport.hu): Közlemény [Statement]. (5 November 2015) http://www.nemzetisport.hu/egyeb_egyeni/kozlemeny-2448311

14 Keller-Alánt, Á.: Pártatlanul – Mi lesz a Népszabadsággal? [Aparitisan - What will happen to Népszabadság?] (25 June 2015) <http://magyarnarancs.hu/belpol/partatlanul-95473>

15 Mérték Media Monitor: Gasping for air: Soft censorship in the Hungarian media in 2014., http://mertek.eu/sites/default/files/reports/gasping_for_air.pdf

16 Német, T. –Szabó, Z.: Reklámadó: legyúrta a kormányt az RTL [Advertising tax: Government caves before RTL]. (3 February 2015) http://index.hu/gazdasag/2015/02/03/lazar_rtl_reklamado/

17 Magyar Marketing Szövetség: Megszűnik a médiaügynökségi bónusz [The Media Agency bonus will be abolished]. (12 June 2015) <http://www.marketing.hu/hirek/szakmai-hirek/644-megszunik-a-mediaugynoksegi-bonusz>

procurement tender worth 25 billion forints (ca 80.7 million EUR), three media agencies won the commission to manage the communications of the entire government sphere. Two of these three agencies are linked to the governing party through personal ties.¹⁸ These political ties are especially important since 2016 is likely to feature strong government communication efforts: It has already been announced that the government plans to launch a campaign against the EU's refugee quota regulations.¹⁹

There have also been important developments in the market for advertising sales. Up until now, RTL's sales house, R-time, was the market leader, but this changed at the end of 2015. In October Atmedia, which had previously only sold advertising time for channels that have a low audience reach, concluded a sales agreement with TV2, and in December it also took over advertising sales for the Hungarian public service media.²⁰ And thus a new market leader in the category of Hungarian sales houses was born, and in light of the changes in TV2's ownership and the strong political control of public service media, these agreements were hardly driven purely by market considerations.

4.4. The transformation of the distribution market

As far as media distribution is concerned, the television market is afflicted with the greatest level of uncertainty. Back in 2014 Parliament adopted an amendment that made it impossible for the two nationally broadcasting commercial television channels, RTL Klub and TV2, to require cable companies to pay distribution fees. The goal was to prevent broadcast providers from concluding market agreements with distribution companies. The plan was for the authorities to come up with a fee formula which would then allow the two channels to transition into paid channels. Apart from the question of why the state intervenes in such market relations, almost a year and a half have gone by since and there is still no fee formula. Thus the two leaders in the Hungarian market for commercial television have to operate on the basis of a different business model than their competitors, leaving them exposed to the vagaries of the advertising market. This raises the suspicion that the regulation constitutes unwarranted state interference.

Such a market distortion did not occur in the newspaper market, but the year was not uneventful in this segment of the market either. Changing the previous practice, Parliament placed severe restrictions on Sunday retail; most major stores cannot open on the last day of the week. This significantly restricted the distribution of Sunday newspapers. Several of them moved their publication a day forward to Saturday, which in turn had an impact on newspapers that are traditionally published on Saturdays. On the whole, the mandatory closing of retail outlets on Sundays did not have a major impact on the newspaper market, but the measure nevertheless marked another change that the affected publishers had to adapt to.

The other party that is negatively affected by changes in the distribution of newspapers is the free daily *Metropol*. The daily has been distributed in Budapest since 1998, and the distribution system was always based on the public transportation system: most people received the newspaper in subway stations and other major public transportation hubs. At the end of the year it was announced that the Budapest Transport Company (Budapesti Közlekedési Vállalat) would change the distribution system beginning in 2016. Press reports suggested that the goal was to crowd out *Metropol*.²¹ What is at issue in this context is *Metropol*'s owner, Károly Fonyó, who is Lajos Simicska's business partner. Constricting the avenues for distributing *Metropol* is undoubtedly connected to the previously mentioned conflict between Lajos Simicska and the prime minister.

18 Rényi, P.D.: Köztük oszt ki az állam 25 milliárdot kommunikációs munkákra [These are the companies that will receive 25 billion forints to perform the government's communication]. (7 August 2015) <http://444.hu/2015/08/07/ok-harman-osz-toznak-az-allami-cegek-25-milliardjan/> and Rényi, P.D.: 12 milliárdot takarít be jövőre a kommunikációs tenderek nagy varázslója [The great magician of government communication tenders will be raking in 12 billion next year]. (13 October 2015) <http://444.hu/2015/10/13/young-v3>

19 Thüringer, B.: Indul az újabb menekültellenes kampány [The new anti-refugee campaign is being launched]. (3 December 2015) http://index.hu/belfold/2015/12/03/kormany_kampany_menekultugy_kvota_hirdetes/

20 mmonline.hu: Az atmedia értékesíti a köztévé reklámidejét [Atmedia will be in charge of selling public television advertising time]. (3 December 2015) http://www.mmonline.hu/cikk/az_atmedia_ertekesiti_a_kozteve_reklamidejet

21 M. László, F.: Simicskák már készülhetnek az új háborúra, a szeletelik a birodalmukat [Simicska's holdings may be prepping for war and are dividing up the empire]. (30 January 2015) <http://nol.hu/belfold/simicska-keszulhet-az-uj-haboru-ra-szeletelik-a-birodalmat-1577629>

The municipal assembly's decision to terminate a contract with Lajos Simicska's Mahir Cityposter Ltd and to begin removing the company's 761 advertising columns in Budapest is in all probability another consequence of the war between Orbán and Simicska. When the company indicated that it would take the issue to the courts, the municipal government convened an extraordinary session of the municipal assembly just before Christmas to secure the latter's blessing to immediately begin removing the advertising columns in January 2016. This began as scheduled on 2 January, but Mahir retained the services of a security company to guard the advertising columns, and as a result the new year started with an open conflict in the streets of the capital.²²

4.5. Media managers about press freedom

The staff of the Publicus Institute conducted eight interviews with media company executives. The interviewers talked to respondents who hold management positions at media companies but are – with one exception – also involved in content production. They are editors-in-chief, editors/(co-)owners or staff members who are (also) involved in marketing. Three of the interviewees work at local television channels, while one respondent works for a nationally broadcasting television channel. Three respondents represented the print media segment, while one works for an online media outlet. Four interviews were recorded in rural areas, and four were conducted in Budapest.

The most important insight of these eight interviews is that media workers who are in executive positions do not see statutory rules or the institutional framework governing the operations of media as the main impediments to press freedom. Instead, they view the increasing difficulty of sustaining media enterprises in Hungary as the biggest problem. The dearth of funding makes media vulnerable and potentially leads them to compromise their principles, while the lack of equipment and staff also constitutes a serious impediment to quality journalism and investigative reporting.

The following quote best sums up how respondents who work for pro-government media or municipal media view press freedom: *"It's something that we yearn for but can never actually attain"*. All interviewees agreed, however, that press freedom depends not only on the freedom of expression but also on financial independence. A typical opposition view was that we need *"equal preconditions in obtaining information and attaining the necessary financial background. Neither the state nor local politics should have too much control over media. [Such an ideal state] exists nowhere, of course."*

All interviews mentioned in some way the idea that content should be produced *"by people who are sufficiently independent to express their opinions even if that leads to conflicts"*.

Several respondents also consider the notion that they *"can look into anything"* as one of the preconditions of press freedom. This goal is also encumbered by financial constraints, however. *"We don't have sufficient manpower, cameras, money, etc. to deal with every issue or to look at each issue in detail"*.

Those working for opposition media believe that press freedom is also limited by the government's tendency to seclude itself from the public, as in many instances public interest data can only be extracted by way of litigation. In the meanwhile, easily and cheaply accessible news are pre-selected and manipulated through the news monopoly of the state news agency MTI.

One cannot directly ask questions from the representatives of the government or of the governing parties, and there is no direct public discourse between the press and the political players affiliated with the government. Local television and newspapers did not share this particular complaint, and they described relations between local press outlets and municipal governments – which were also mostly the owners of the local media in question – consistently as good and vibrant. *"We have each other's phone numbers and tend to call one another."*

As one would assume, those working for right-wing media outlets tend to have a more favourable view of the state of press freedom in Hungary than their colleagues who work for opposition media. Neverthe-

22 Spirk, J.: Közelharc lesz a Mahir-oszlopok bontásából [The removal of Mahir's advertising columns turns into a street-fight]. (2 January 2016) http://index.hu/belfold/2016/01/02/kozelharc_lesz_a_mahir-oszlopok_bontasabol/

less, there were only two respondents who were completely satisfied with the current situation, and they both work for local televisions owned by municipal governments.

Those who shared a favourable assessment argued that “anyone can say whatever they want”, though in several cases they added: “Whether they will actually dare say [whatever they want] is of course a different matter.”

Typical reasons provided for a negative assessment of the state of press freedom were the absence of a normal media market, the view that competition in the market has become irrelevant, that circulation does not matter in attracting advertisers and that there are no deep-pocketed owners. No one mentioned the media law or the media authority in this context.

The media wars that followed regime transition were only recalled by older respondents; those in their 30s and 40s did not look back further than 10 years at most when evaluating the trajectory of press freedom. It is nevertheless striking that those who lean towards the government tend to perceive improvements in the situation of press freedom while the rest agree unequivocally that the situation is deteriorating. A typical argument invoked in favour of a positive assessment is that there are many more channels than previously. A typical argument in support of a negative/deteriorating view of the state of press freedom: advertisers (not only the government) increasingly decide based on their sympathies. Protectionism has always existed, but at least there were efforts to balance it somewhat. The media policy of the current government is “*to get their hands on everything, and what can't be taken must be destroyed.*”

From a rightwing perspective: “[W]hen we have a strong government (like for example now) then the desire to take control is palpably stronger ...the Hungarian right, and specifically Fidesz, is ill-socialised with respect to their relationship with and understanding of the media” (with a mistrust that’s often justified, and often isn’t).

The representatives of local (community) television all mentioned the National Media and Infocommunications Authority (abbreviated as NMHH in Hungarian) as the institution that exerts a direct influence over their daily operations, but those who work with print and online media did not refer to the Authority.

At most, the media laws have an indirect impact on everyday operations, and none of the media representatives – including those working for opposition media outlets – perceived that either the laws or the authorities try to directly curtail press freedom in Hungary.

Problems with the legal environment were mentioned in almost every interview, primarily in the context of internet comments; posting comments is possible on the websites of all the media involved, not only those that publish exclusively online. Almost all of the media outlets had experienced situations when the media company was subject to some sort of retribution or unpleasantness on account of a comment on their website. One of the respondents said: “*Courts often look at letters to the editor as point of reference. They argue that the same legal responsibility applies to comments as to such letters. This is obviously a mistake, for the publication of a letter to the editor involves an actual editorial decision, whereas the editor does not come into play in the context of comments.*”

The issue of comments also came up in the context of political pressure: “Writing letters using her ‘Member of Parliament’ stationery, an opposition politician contacted all of our advertisers pointing out that there are ugly comments on our website, and asking them why they advertise there.” Several advertisers cancelled their ads, causing the company millions of forints in damages. “It is hard to tell whether this was decided by the advertiser or the agency ...someone sees the official letter: What the hell is this? We are small players in the media market, that’s why no one even talked to us, they just cancelled their ads. Fine, let’s no longer advertise here, this a problematic website.”

Several interviewees noted ideas along the lines of the following comment: “We quote what A said about B. We do not investigate it, nor do we comment on it, but the court nevertheless argues that we are liable for what was said in the quote. ...if this were to be [implemented seriously and across the board], then the press would not be able to function any more”; ... “the problem with the media law is that it failed to resolve this situation.”

They also felt that the issue of personal rights was not adequately resolved in several areas, for example with respect to the legal assessment of images of police taken in public spaces, or the question of who qualifies as a public figure.

Finally, several interviews mentioned that the rules and laws were too “malleable”. “The governing party keeps bending the rules in whichever way suits them best. Everything can be adjusted or interpreted to serve the government’s wishes. ...They are adopting ridiculous legal stances. With respect to Klubrádió, for example, they said that the radio failed to sign the empty pages [in its frequency tender application]. This causes enormous damage and creates ongoing uncertainty.”

A factor that severely limits press freedom is “the constant threat of lawsuits, the torrent of requests for corrections and the inconsistent judicial practice. All this leads to self-censorship: I cannot take the risk of having to pay many millions in fines.”

Even media enterprises that share the government’s political outlook do not feel that media policy decisions are transparent.

In addition to popular and interesting contents, the main prerequisite for a successful media enterprise is an owner with substantial capital. Everyone thought that this was lacking, and the problem was felt to be especially acute since financial problems render their everyday operations unpredictable. Success also hinges on the media outlet’s ability to reinvent itself, but this, too, is a financial problem. The daily struggle to survive erodes creativity at the media enterprises.

Most media enterprises openly acknowledge that they have a political/ideological outlook. At the same time they also all emphasise their neutrality in terms of party politics. They regard personal relations with politicians as a natural aspect of their profession and they do not deny that these relations influence content: “[I]n fact we even ask for this. We have an online platform, and we accept opinions, news, videos, whatever, submitted through this platform.” ...“We quote the Facebook posts of public figures verbatim on our website. ...This is good for us because it is content, and it is good for them because they reach more people this way”.

Business or political players occasionally provide journalists with favours of some sort. “That’s a murky issue, the question when good relations turn into corruption”. As one would expect, none of the respondents recounted instances when their own media enterprises entered into the “murky” zone. Nor do they know of specific instances when other media enterprises did such a thing, at most they have heard rumours.

The media executives we interviewed also did not personally experience blackmail or threats, nor did they hear directly from someone who did. At most, they are rebuked by political or business players they are personally acquainted with when they publish things that hurt the interests of the latter. When they are embroiled in lawsuits or legal disputes over contents they published, those never involve acquaintances.

5. STATE ADVERTISING SPENDING AS AN INDICATOR OF POLITICAL CLIMATE

This chapter summarises the impact that the transformations in the Hungarian media landscape and the dramatic changes caused by the power struggles between oligarchs exert on state advertising spending. Our hypothesis was that the conflict between the prime minister and Lajos Simicska would define the marketing activities of state institutions as well, because in previous years the public sector's advertising spending had often mirrored changes in the political climate.

The analysis was compiled on the basis of Kantar Media's database, which contains so-called list price advertising spending. This estimates advertising spending based on advertising list prices as they are published by media outlets and the volume of advertising space/air-time actually sold. The specific amounts that we thus estimate do not provide a perfectly accurate picture of reality, for media companies tend to offer steep discounts from their list prices, and hence advertisers tend to procure advertising space far less expensively than the prices advertised. Nevertheless, how this estimated spending is distributed among individual media outlets is very relevant indeed, as is where individual advertisers place their ads. Correspondingly, our analysis is not based on specific forint amounts but on market shares and percentage distributions.

The Kantar Media database does not extend to all media outlets, and we need to assume this as a given and keep it in mind when analysing the data. Thus for example two television channels, Hír TV and ATV, which are both very active in terms of political reporting, are missing, as is a prominent player in outdoor advertising, Mahir. Nor does the database include the – typically pro-government – media outlets launched last year (e.g. 888.hu, Lokál).

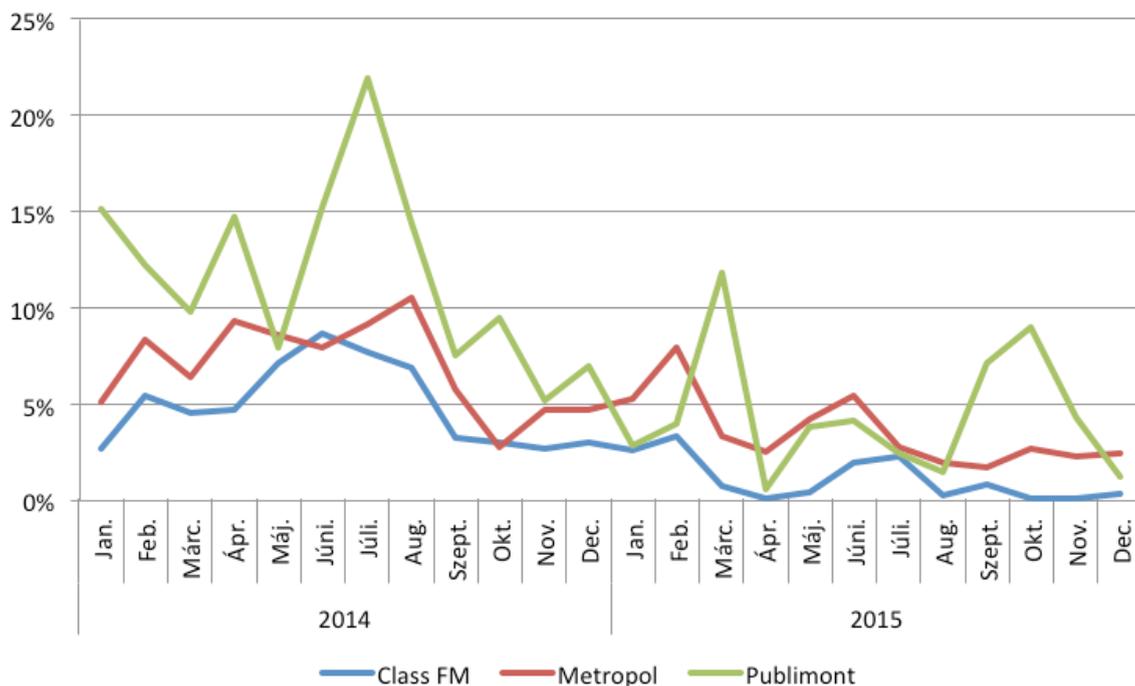
5.1. Transformations in the past two years

As was previously discussed, the media market is undergoing a significant reshuffle as part of a process that began in 2015, primarily as a result of the spectacular deterioration in the relations between the leading Hungarian media owner, Lajos Simicska, and Prime Minister Viktor Orbán (See Chapter 4.1.).

As Figure 1 shows, those media outlets in the Simicska empire that boast the greatest audience shares in their respective markets still received a significant proportion of all state advertising spending, both in

terms of the amounts they were awarded individually and the total they received altogether. Class FM, the monopolist in the market for national commercial radio stations; Metropol, the country's only free daily newspaper; and the outdoor advertising company Publimont have all played pre-eminent roles in the advertising market in recent years, but their high level of revenue owed a great deal to state advertisers. Figure 1 shows clearly that these three media outlets recently saw a drop in their respective shares of state advertising, even as Publimont, which controls billboard space across the entire country, remained an unavoidable player in that particular market in 2015. In the spring of 2015 the government launched its anti-refugee campaign, and in autumn another campaign was started to advertise the government's policy successes; billboards played a key role in both campaigns.

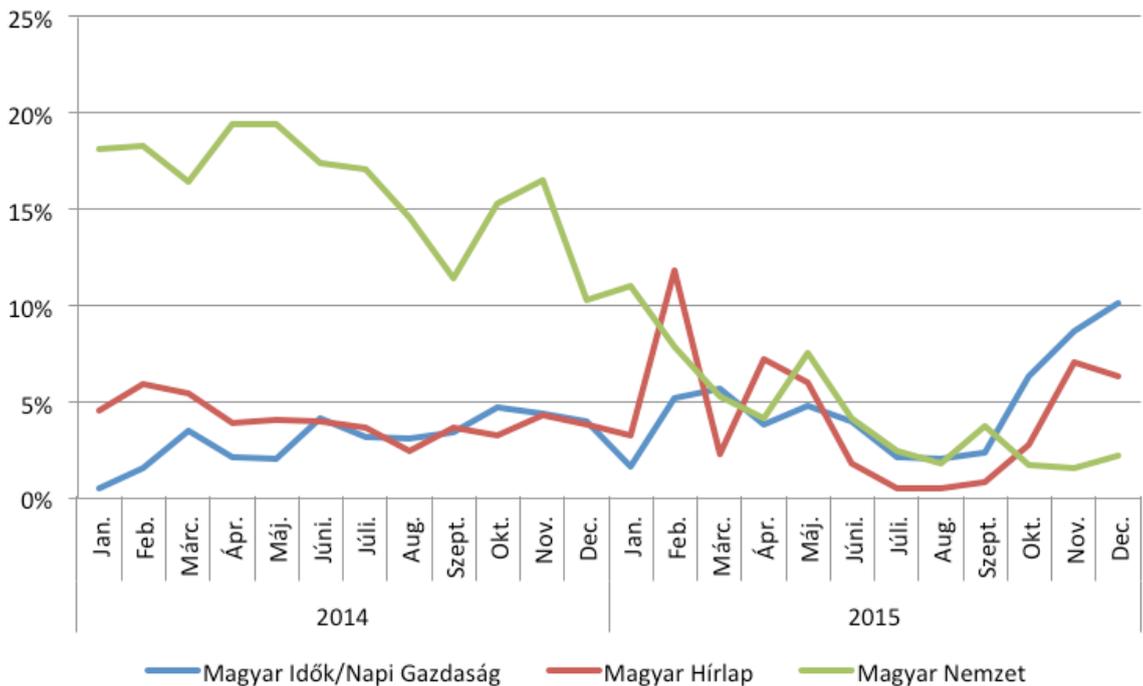
↓ *Figure 1: Trends in the share of state advertising spending received by three major Simicska media companies (2014-2015)*



Source: Created by Mérték based on data provided by Kantar Media

Figure 2 shows the changes in the distribution of state advertising spending in the market for daily newspapers. We selected three outlets: Magyar Nemzet, which is part of Simicska's media empire; Magyar Hírlap, owned by Gábor Széles, a pro-Fidesz oligarch; and a new pro-government newspaper, which was previously called Napi Gazdaság and has been published under the name Magyar Idők since autumn 2015. It is readily apparent that there has been a steady decline in state advertising money awarded to Magyar Nemzet. The wider public only learned about the conflict between Viktor Orbán and Lajos Simicska in February 2015, but the level of state advertising in Magyar Nemzet had begun to fall already earlier. By the end of 2015 the newspaper had essentially lost all its state advertisers.

↓ Figure 2: The share of selected rightwing newspapers in state advertising allocated to the market for print dailies (2014-2015)



Source: Created by Mérték based on data provided by Kantar Media

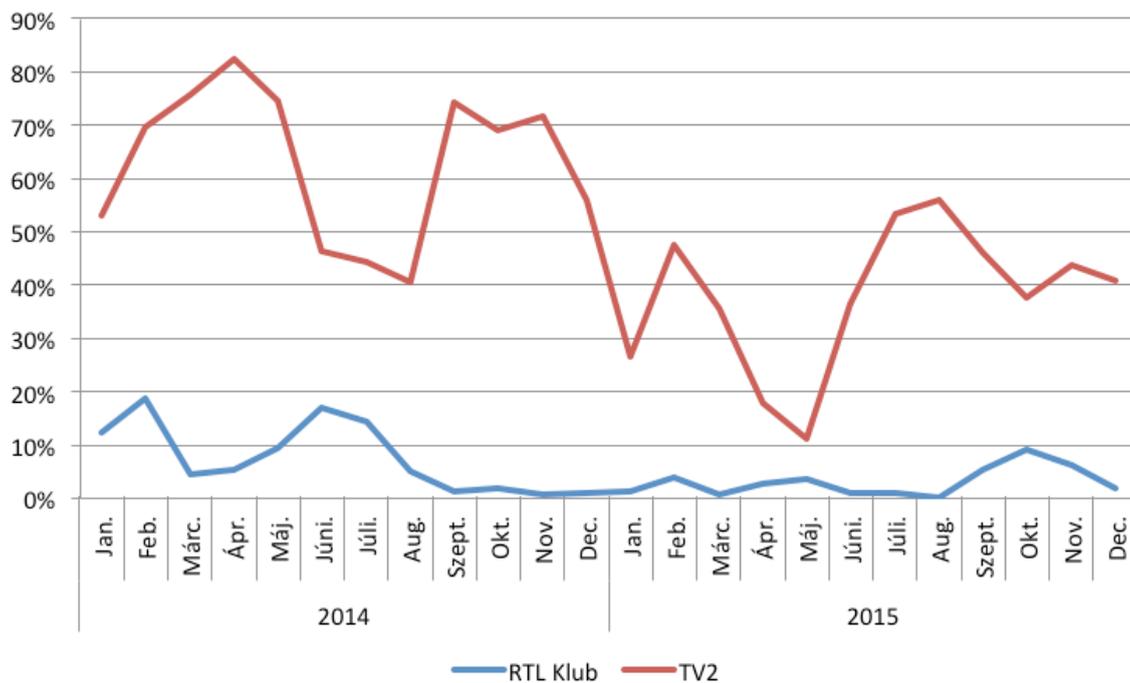
A comparison of the two major commercial television channels is similarly instructive, though Simicska was not directly implicated in this area. RTL Klub's share of state spending has been continuously low throughout the past two years, and in fact it essentially dropped to zero beginning in the summer of 2014, when the row over the advertising tax broke out. As the market leader in television, RTL attracts advertisers relatively easily and is correspondingly not dependent on the state.

In the meanwhile, massive amounts of state advertising money were poured into TV2, though there were also striking oscillations in these allocations, as if someone were jerking the channel around like a puppet on a string. The situation became really tense in the spring of 2015, at which point press reports suggested that the government used the withholding of state advertising to put further pressure on the owners of TV2 to sell the channel to another government friendly media oligarch, film commissioner Andy Vajna.²³ What made the situation especially interesting was that when the idea of relocating the company abroad was raised at the television channel, then Antal Rogán, who was Fidesz's fraction leader in Parliament at the time, basically blackmailed the owners in response, saying that "if they move abroad, they can just go ahead and close up shop" because that will be the end of state advertising.²⁴ In any case, that is when the talks about selling the company commenced, and, as is well-known, they were concluded in autumn, though there are still legal issues left to be resolved (See Chapter 4.2.).

23 Jandó, Z.: Főszerepben: Andy Vajna [Starring: Andy Vajna]. (15 October 2015). Figyelő.

24 M. László, F.: Habony titokzatos médiája: nehezebben épül, mint gondolták [Habony's secretive media: more difficult to build than they had assumed]. (4 March 2015) http://hvg.hu/itthon/20150304_Utana_jartunk_Habony_titokzatos_mediajana

↓ *Figure 3: The share of RTL Klub and TV2 in the state advertising spending allocated to the television sector (2014-2015)*



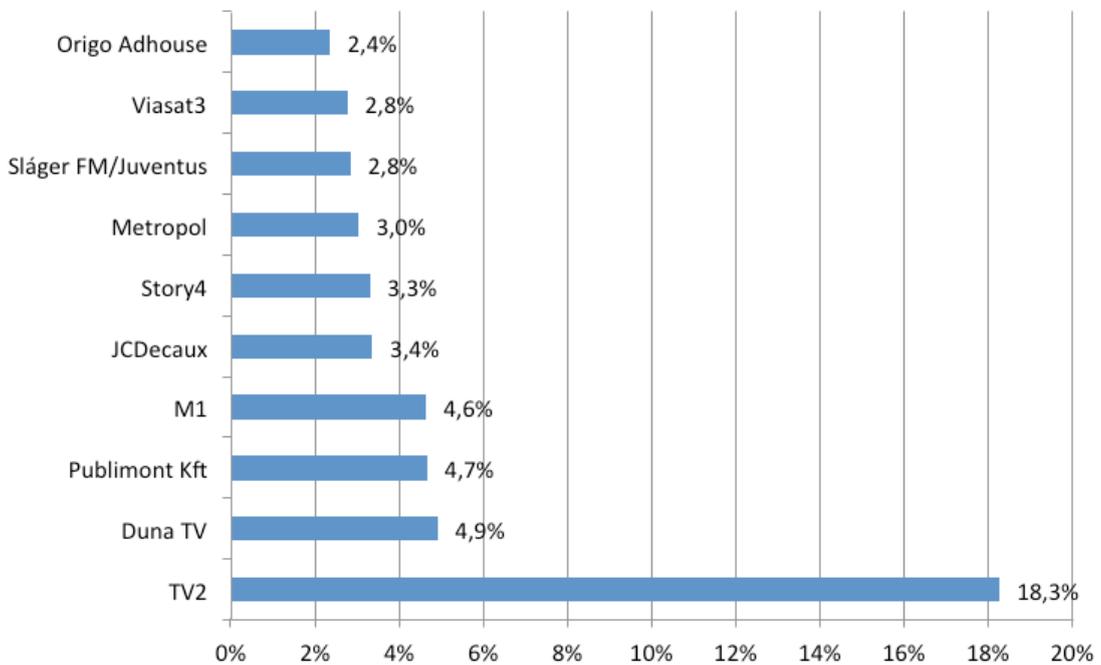
Source: Created by Mérték based on data provided by Kantar Media

On the whole, there have been massive changes in state advertising spending, despite the fact that the political landscape did not change much following the 2014 national elections. From Fidesz’s election victory in 2010 until 2015, Lajos Simicska’s media companies were clearly the main beneficiaries of state advertising spending. This period is over now – probably for good – and the coming years are likely to result in the rise of new players.

5.2. The main beneficiaries of state advertising

Considering all media sectors, the biggest winner was clearly TV2: almost a fifth of all state advertising spending ended up with the commercial channel. It was followed at a significant distance by the other players, including Simicska's companies and the public service television channels, as well as a few other players.

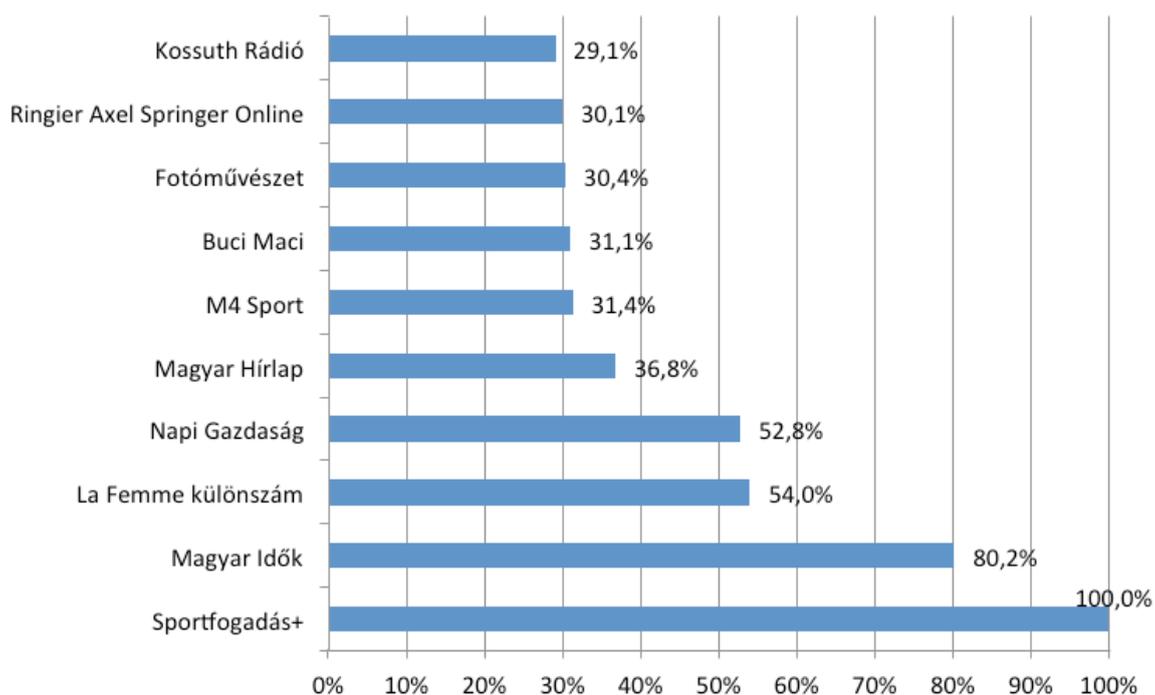
↓ *Figure 4: The greatest beneficiaries of state advertising spending and their respective shares of total state advertising spending (2015)*



Source: Created by Mérték based on data provided by Kantar Media

Another very interesting list is the ranking of media outlets according to their revenue from state advertising as a percentage of their total advertising revenue (Figure 5). It is important to keep in mind that this ranking includes some media outlets that have very little advertising revenue to begin with, and as a result even a single state-sponsored advertisement may result in the state taking up a major slice of the given media outlet's total advertising revenue. And then there are, of course, the media outlets preferred by the government, including the previously mentioned *Napi Gazdaság/Magyar Idők*, *Magyar Hírlap* and, naturally, the various public service media channels. With respect to *Magyar Idők* it must be pointed out that the state's involvement in funding goes beyond the ads that help pay for establishing the newspaper and rebranding it – a large number of subscriptions purchased by state institutions also helps funding the newspaper.

↓ Figure 5: The media brands with the highest level of dependence on the state – the highest level of state-sponsored advertising revenue as a percentage of all advertising revenue (2015)



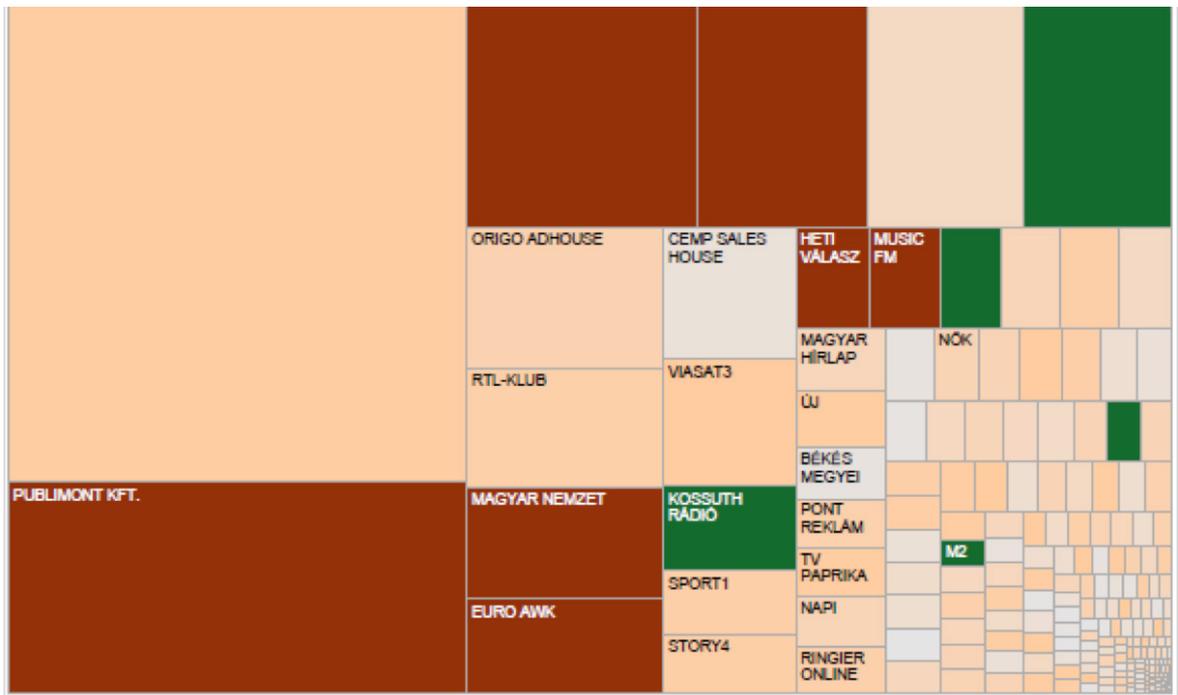
Source: Created by Mérték based on data provided by Kantar Media

The scaling back of the role played by Lajos Simicska's media has also caused problems for the government, since it takes time to build a new pro-government media hinterland. As the new media outlets will reach more substantial shares of their intended audiences over time, the dependence on Simicska's companies in disseminating the government's communication messages will increasingly diminish.

It is readily apparent from the 2015 data on state advertising spending that the public service media also benefitted from the rapid reallocation of advertising funds (which was incidentally funded by the central budget).

In the following two figures we use a so-called treemap to show how the total state advertising budget was distributed in 2014 and 2015. The larger boxes display the companies that received substantial funds. The smaller a box, the smaller the revenue of the given media outlet from the state's total advertising budget. The figure for 2014 shows that Simicska's companies (highlighted with a dark red colour) received a larger slice of state spending at the time, while public service media (highlighted with green) were not significant players at that time.

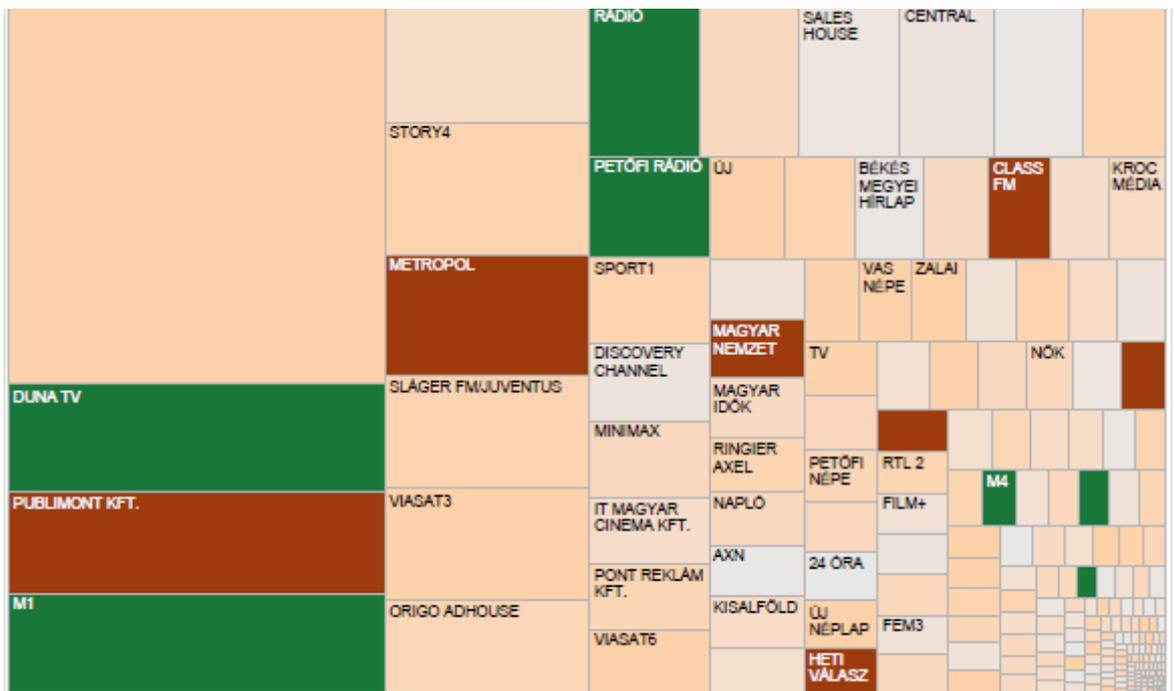
↓ Figure 6: The distribution of state advertising spending in 2014



Source: Created by Mérték based on data provided by Kantar Media

The situation had changed by 2015 in that the positions of Lajos Simicska's companies collapsed strikingly in terms of their share of state advertising spending; only the outdoor advertising company Publimont remained a major player its segment of the market. The share of state advertising received by public service television channels and radio stations increased at the same time.

↓ Figure 7: The distribution of state advertising spending in 2015



Source: Created by Mérték based on data provided by Kantar Media

It is not the goal of this summary to question the strategies of any given advertisers or to chart the foundations of some alternative media planning strategy. Advertisers choose the media channel that will be most suitable for conveying their communication messages to the desired target groups, and only the advertiser knows whom it wishes to reach with said communication messages. It is impossible to ascertain whether a given advertising campaign – much less the entirety of state advertising spending – was effective or not. What is nevertheless obvious is that the change in the political environment rapidly transformed the advertising strategy of state institutions. It appears obvious, moreover, that these transformations were not inspired by considerations involving professional media planning but by political decisions.

6. THE TRANSFORMATION OF THE STATE MEDIA – TRUST REWARDED

The legislator decided on another transformation of the public service media system in 2014, but the impact of these transformations on the organisation and funding of public service media, and the broadcasting content they disseminate, only became apparent in 2015. In 2014 Parliament decided to consolidate four public service stock corporations into a single company, the Duna Médiaszolgáltató Zrt; the decision became effective in July 2015. In and of itself, this did not result in major changes, since even prior to this move the institutional independence of the respective stock corporations had been a purely formal arrangement without practical relevance – without employees, assets or relevant decision-making scope, they were incapable of genuine operations. Hence the real winner of the organisational restructuring was the Media Service Support and Asset Management Fund; since July 2015 it alone decides how funds allocated to public service broadcasting are spent. Previously, these decisions had been rendered by the Public Service Fiscal Council – based on rather superficial professional groundwork – but as of 2015, this body only retains a right to issue opinions about these decisions. Naturally, the audiences saw none of this, in sharp contrast to the changing selection of television programming, which was all too apparent for them. The state's new news channel, which was launched amidst difficulties, the state sports channel, and the repositioning of Duna TV – these developments necessitated changes in viewing habits, while at the same time they also constituted a harsh interference in the operations of the affected segments of the media market, thereby completing the creation of a state media system that fully satisfies the communication needs of the government and Fidesz.

6.1. Generous and non-transparent funding

The state budget for 2015 set the central budget funding for public service media at 69.86 billion forints (ca 225 million euros). In 2010 the state had spent 45 billion forints (ca 145 million euros) on state aid for the public media system. The amount of funding provided in 2015 constitutes a 55% increase over the 2010 level. Compared to the state aid in 2009 (53.6 billion forints, 173 million euros), the current funding is 30% higher. In addition to the level of state aid laid down in the Media Act and in the Budget Act, in 2015 the state also assumed 47.149 billion forints (ca 152 million euros) of debt principle that the public media system overall owed.²⁵ As we noted in Chapter 5.2, the state media are also receiving a continuously growing share of state advertising.

As in the previous years, MerteK Media Monitor submitted a freedom of information request again at the end of June 2015, in which it asked for documents relating to Council sessions held between March 2014 and June 2015. It does not emerge from the documents (and it appears that the Council members also do not exactly know) how much money is allocated to individual programmes. It is readily apparent that the funding is now conducted in a matrix system of sorts, where the costs allocated for the production of shows are not all disbursed from the MTVA's budget but also from external sources of funding. A notable point in the memoranda of the Council sessions is that after years of operation someone realised the lack of online activity in the budget planning. The same document also contains the following statement: "*the online area is a distinct chapter in the public media's budget*" (6 March 2015). It appears that even though the Council has been approving the budget of the public media for years, budget did not include a reference to online content services, and the Council members did not know how much money is being spent on this nor how effective that spending is.

6.2. An endless array of new services

The selection of public service channels is continuously expanding. In 2015 m1, which had hitherto operated as a general interest television channel, became a news channel, while Duna Televízió, which was previously aimed at ethnic Hungarian audiences across the border, became the public media services' main general interest television channel. In July 2015 the M4 sports channel was launched, and press reports suggest that Duna Médiaszolgáltató Zrt. plans to launch an educational and cultural channel. With the exception of m3, these are all must carry channels that have to be broadcast for free; moreover, the law provides that they must be ranked first in the channel sequence.²⁶

The Media Act provides that the Media Council decides about launching new channels. According to the law, the decisions are based on the criteria of feasibility for the purposes of next year's budget and for the implementation of public service objectives. MerteK Media Monitor submitted freedom of information requests in order to review the Media Council's resolutions on launching new channels. In response to our data requests, the authorities only provided documents that list the transmission capacities used by individual channels. The Media Council has refused to turn over documentation on the assessments of technological, economic, financial and media policy considerations, and has failed to comply with our request despite the proceedings we initiated with the Hungarian National Authority for Data Protection and Freedom of Information. Hence, for the time being, there is no publicly accessible documentation on the expected social and economic impact of the new channels.

In 2015, the Hungarian Media Act a chapter entitled "Strategic Plan of the Public Service Media and the Measurement of Public Service Value" has come into force. The introduction of procedures aimed at "measuring public service value" is encouraged by the European Commission primarily because by relying on these, it can be guaranteed that a new public media service does not disproportionately limit or distort the operation of the online and digital content markets. However, the Hungarian regulations require the assessment of already existing services, and no consequences are attached to the outcome of such an appraisal. Pursuant to the Act, the public service media provider is obliged to examine and review the public service nature and value of its services as well as their impact on the diversity of the media market.

6.3. Market distorting effects

The total advertising revenue of the entire Hungarian television market is roughly 50 billion forints (ca 161 million euros) according to data provided by the Hungarian Advertising Federation, while experts in the industry estimate that the revenue from cable fees amounts to around 30 billion forints (ca 97 million euros), though the sector has no precise data about this. In 2015 the total state aid for public service media – including the central government's assumption of the debt of the public service media – amounted to 117.77 billion forints (ca 380 million euros), which is 47% more than the total private market revenue of the entire market (parts of which we only have estimates for). Without the debt transfer, total state aid amounted to 87% of the value of private media market. The overall viewership of public service chan-

nels increased to 18% in 2015Q3 as compared to 16.5% in 2014Q3 (2013Q3: 15.6%). This indicates that the massive resources invested were not all in vain, as public service television is slowly but steadily inching upwards in the favour of the audience and increases its market share at the expense of market players.

The market-distorting impact of the new sports channel, M4, is especially striking. In a news show Péter Banai, a state secretary in the Ministry for National Economy, stated that the 10 billion forints spent on acquiring the broadcasting right of sports events was a justifiable expense. The MTVA has purchased the right to broadcast the football Champions League, the Hungarian national football championships, Formula 1 and other major sports events. At the same time two European (Eurosport 1, 2) and six Hungarian sports channels are available in Hungary, and these will inevitably see their market positions weakened as they have to compete with a strong rival that is very well-funded by the taxpayers. According to Nielsen Audience Ratings, the aggregated viewership of sports channels in 2015Q3 stood at 1.8% as compared to the 2.2% level in 2014Q3. What this means is that since it was launched, M4 had a discernibly negative impact on the audience shares of the other sports channels as a percentage of the total television market.²⁷ The broadcasts of the M4 sports channel regularly show up on MTVA's weekly top lists. They are among the most watched shows. In the meanwhile, the breaks during popular sports broadcasts are regularly interrupted by brief 1-minute news shows.

In October 2015 the digital terrestrial broadcaster Antenna Hungaria, which is owned by the state, removed two popular sports channels, Sport1 and Sport2, from its package (MindigTV), because the parties failed to arrive at a compromise on the broadcasting fee. In the meanwhile, the MTVA's sports channel, M4, is available for free. This arouses the suspicion that the contractual terms of the commercial sports channel were unfavourably modified by the state broadcaster; no evidence to this effect is publicly available, however.

A market distorting impact is also likely to prevail in the market for thematic news televisions, where M1 is facing three competitors: Hír TV, ATV and Echo TV; this segment requires further analysis.

The advertising time of the public service media is sold with the involvement of a sales house (Atmedia) that sells PSB advertising airtime together with the airtime of certain commercial media providers, first of all TV2, a national commercial television channel. This is a market-distorting constellation. The market players involved in the sales house will be at an advantage over their competitors in terms of selling their own advertising airtime because several channels with a greater joint share of the audience can offer advertisers better value and can reach certain target groups more effectively. In light of the fact that state advertisers like to advertise on public service channels, this is also a major boon for the effectiveness of the sale house, providing an indirect advantage for broadcasters that are represented by the same sales house.

6.4. The government's mouthpiece

In 2015-2016 the Hungarian state media was once again the frequent object of criticisms that its coverage of news reflected the government's views on the given issues, or that it outright concealed certain facts or opinion. What is undeniable is that the changes in the contents aired by public service media, and specifically the transition of the television channel M1 into a news channel, provide more possibilities than previously for manipulation and for relentlessly pushing the government angle. We have collected some illustrative examples below.

Concealment of certain news and opinions

In October 2015 the public radio decided not to air an interview it had previously recorded with one of the most prominent scholars of the 1956 Revolution in Hungary because – in the scholar's own assessment –

27 M4's audience is measured as part of the public service audiences rather than as part of the group of sports channels

his views did not mesh with the narrative favoured by the government.²⁸ In October the US ambassador to Hungary sharply criticised the Hungarian government in a public speech delivered at a university; the speech was nevertheless not covered in the public television's evening news show.²⁹ In November the state news agency (MTI) failed to release the press statement of an opposition party, the Hungarian Socialist Party (MSZP), concerning an EU investigation of the company owned by the prime minister's son in law, István Tiborcz, arguing that Tiborcz was not a public figure.³⁰ In December the agency used the same reasoning to reject a statement by another opposition party, the Democratic Coalition (DK), because it assessed that the person named several times in the statement, the prime minister's unofficial advisor Árpád Habony, is not a public figure.³¹ In January 2016 the state news agency's report failed to mention that in a speech President Obama had specifically mentioned Hungary in the context of growing anti-Semitism.³²

Doctoring news

A video that the state news used to illustrate the New Year's incidents in Cologne had been shot in June 2013 and showed women being molested in Cairo.³³ In the state news' reports about the refugee crisis, such distortions were everyday events – as we will discuss in more detail below.

Playing down important domestic news items

In February 2015 a news item that Fidesz had lost its two-thirds majority in Parliament due to a defeat in a by-election in Veszprém was relegated to a barely 50-second item in the last third of the news show, essentially buried, while the importance of the item in domestic politics was completely ignored.³⁴ Similarly, in March the item that the former treasurer of Fidesz, Lajos Simicska, who had supported the party and the prime minister for a very long time, alleged that Viktor Orbán had been a Soviet agent was also put at the very end of the news show.³⁵

Coverage that reflects the preferences of the government

During the refugee and migrant crisis public service television repeatedly used its coverage of the relevant items to link refugees with terrorism. As evidence, they aired recordings that were allegedly taken from

28 Plankó, G.: A közzérádió nem adja le az interjút ,56 egyik legelismertebb kutatójával, mert nagyimrés [Public service radio will not air an interview with one of the most recognised researchers of 1956 because he is a supporter of Imre Nagy]. (22 October 2015) <http://444.hu/2015/10/22/a-kozzradio-nem-adja-le-az-interjut-56-egyik-legelismertebb-kutatojaval-mert-nagyimres>

29 Sajó, D.: Hírek, amik az állami médiában lenyomták Colleen Bellt [News that were more important in the state media than [US Ambassador to Budapest] Colleen Bell]. (29 October 2015) http://index.hu/kultur/media/2015/10/29/hirek_amik_az_allami_mediaban_lenyomtak_colleen_bellt/

30 hvg.hu: Az MTI nem volt hajlandó lehozni az Orbán vejről szóló közleményt [MTI refused to publish the statement on Orbán's son-in-law]. (19 November 2015) http://hvg.hu/gazdasag/20151119_Az_MTI_nem_volt_hajlando_lehozni_az_Orban

31 Tamás, B.G.: Az MTI nem akarja megsérteni Habony Árpádot [The [state news agency] MTI does not want to offend Árpád Habony]. (8 December 2015) <http://444.hu/2015/12/08/az-mti-nem-akarja-megserteni-habony-arpadot>

32 Magyar, P.: Mostanra az MTI is kiszúrta, hogy Magyarországról beszélt az amerikai elnök [Finally MTI has realised that the American ambassador was also talking about Hungary]. (28 January 2016) <http://444.hu/2016/01/28/mostanra-az-mti-is-kiszurta-hogy-magyarorszagrol-beszelt-az-amerikai-elnok>

33 comment.blog.hu: A hírhamisító MTVA ismét hírt hamisított [The news-distorting MTVA has once again distorted the news]. (12 January 2016) http://comment.blog.hu/2016/01/12/a_hirhamisito_mtva_ismet_hirt_hamisitott

34 comment.blog.hu: A szőnyeg alá söpörte a köztétvé a kétharmad elmúlását [Public television swept the loss of Fidesz's two-thirds majority under the rug]. (24 February 2015) http://comment.blog.hu/2015/02/24/a-szonyeg_ala_soporte_a_kozteve_a_ketharmad_elmulasat

35 Bede, M.: A közszolgálati Híradó vajon hanyadik percében említették meg? [Guess at what time during the public service news show it was mentioned?]. (9 March 2015) <http://444.hu/2015/03/09/a-kozzszolgalmati-hirado-vajon-hanyadik-perceben-emlitettek-meg-igen-roviden-hogy-az-oroszag-egyik-leggazdagabb-es-legbefolyasosabb-embere-szerint-egykori-kebelbaratja-a-miniszterelnok-szovjet-ugynok/>

mobile phones left behind by refugees, though they failed to provide evidence to substantiate this.³⁶ Similarly, in several instances they also used recordings which purported to show that refugees had tossed children across the border fence, though once again they failed to provide evidence that this is what was actually going on in the videos; all one could discern on the original recordings was that some people tried to extract children from mass pile-ups of people.³⁷ An internal editorial instruction which was leaked showed that editors at the public service channel were told to avoid showing refugee children and women in the background. The official explanation claimed that this instruction was issued to protect the rights of children, but it was widely assumed that the real reason was to make sure that the public would not develop sympathies for these children.

News manipulation practices

The state media used a wide array of manipulation techniques in covering one of the biggest domestic scandals in Hungary last year, the bankruptcy of the Quaestor brokerage firm. Mérték prepared a separate analysis concerning the news coverage practices on this particular issue.³⁸ This analysis concluded that viewers were not even informed about the strong ties between the bankrupted brokerage firm and the government/Fidesz, even though these ties had already been disclosed in detail by several other media outlets. At the same time, however, the coverage of the state media placed a great emphasis on the ties between Quaestor and the opposition. Though some opposition opinions were reported in the context of this issue, they were all without exception presented in the context of the governing party's own interpretation of these events, or were embedded into commentary by government party politicians. Hence the one issue that was serious enough to conceivably even topple the government was presented in a totally one-sided coverage that perfectly reflected the governing party's communication objectives.

36 Dercsényi, D. – Gergely, Zs.: Hogyan kreál a közmédia migránshíreket? [How does the public media create news about migrants?]. (22 October 2015) http://hvg.hu/itthon/20151022_kinos_kotelesseg_kozmedia_migrans

37 vastagbor.atlatszo.hu: “Megint gyerekeket dobáltak át a kerítésen” – így hazudik a közmédia [„They threw children over the fence again” – How the public media lie] (3 November 2015) <http://vastagbor.atlatszo.hu/2015/11/03/megint-gyerekeket-dobaltak/>

38 Mong, A.: Hogyan manipulálta a Quaestor-csődöt az állami tévéhíradó? [How did the state news manipulate news about the Quaestor bankruptcy?]. (30 July 2015) <http://mertek.eu/jelentesek/hogyan-manipulalta-a-quaestor-csodot-az-alla-mi-tevehirado>

7. FREQUENCY (MIS)ALLOCATION – DISARRAY, DISCRIMINATION AND POLITICAL CONSIDERATIONS IN FREQUENCY TENDERS

The Soft Censorship Report 2015 presented in great detail the process whereby the Media Authority has redrawn the map of the radio market over the past years. This process of transformation was characterised by increased market concentration, a retrenchment – and sometimes outright disappearance – of previously major market players, in parallel with the appearance of new market players. As a result of the frequency tenders³⁹, religious networks and radios operated by pro-government business circles have spectacularly proliferated and gained in strength. Free (small community) radios have lost market share, and there was also a decline in the number and importance of radios that operate as genuine local stations, as parts of the local public sphere.

There were around 175 frequency tenders between 2010 and 2015.⁴⁰ The number of tenders conducted in the past two years (2014-2015) was barely over 15% of the total in this roughly five year period. The Media Council did not draft a frequency management plan before publishing tenders for the frequencies and, correspondingly, the media policy considerations and objectives that informed its frequency distribution policies – if they even exist, that is – were not laid down in writing; in fact, despite a legal obligation to this effect, these have not been published to date.

The present analysis examines the frequency tender procedures conducted in 2015 based on tender notifications, tender decisions and other documents published on the authority's website. Overall, 27 radio frequency tenders were conducted in 2015, and only 12 of these procedures were successfully concluded. Thirteen tender procedures ended without a frequency being awarded. In all but one of these procedures the authority rejected every application based on formal objections. As of this writing, two tenders are still pending without a formal decision.

39 See the regulatory background Polyák, G. – Nagy, K.: Hungarian Media Law, <http://mertek.eu/en/reports/mertek-booklets-vol-1>

40 As a result of the digital switchover, tenders for individual terrestrial television frequencies have ended.

7.1. Complicated, non-transparent and discriminatory tender evaluation process

Several court decisions in the past years have stated that the texts of tender notifications contain contradictory elements while the requirements they set out are occasionally inconsistent.⁴¹ Despite such judicial opinions about the tender procedure, the authority has not implemented any substantial changes in the tender system. There have been an increasing number of cases in the past two years when procedures had to be re-launched due to inherent mistakes and contradictions in the tender notifications, as the applicants found it impossible to comply with excessive formal requirements.

Publicly available information about tenders is still seriously deficient, and the transparency of procedures and of decision-making is still not up to the requisite standards. The full text of individual decisions in tender procedures, such as for example negative rulings citing formal problems, are still unavailable to the public. Occasionally even decisions announcing the results of tenders are not fully available on the website. Furthermore, information about the judicial review of the authority's decisions in tender procedures are often absent from the website.

Though in 2015 we submitted freedom of information requests to obtain information about the authority's ongoing lawsuits in court, the authority failed to furnish us with the requested data.⁴² At the minimum, the lack of transparency encumbers the continuous tracking of tender procedures, and in some instances it renders it outright impossible. This in turn undermines the outside review of the authority's activities.

Nor is the situation any better with regard to the decisions that follow the tenders. The exact content of decisions in which the authority decides on the amendment of existing agreements is still not available to the public. The authority also has the power to amend agreements with licence holders. It may modify, for example, the structure of shows or the licence fee that the broadcasters commit to.

In our 2013 analysis we wrote about the suspicion that that the media authority only required strict compliance with the formal requirements from those bidders it did not wish to declare as the winners of the given procedures. In the major wave of frequency awards in the summer of 2012 the authority only announced a winner in half the tenders. In the other half it cited formal reasons for rejecting the applications. The nature of the formal errors cited (such as for example the failure to sign and number the empty back pages in the application, a requirement that was not even clearly laid down in the tender notifications) raised the suspicion that the authority's vigour in demanding applicants' compliance was not consistent. It was difficult to imagine, for instance, that the actual winners would be able to comply with certain unrealistic conditions that were not clearly apparent in the original tender notification and were obviously produced retroactively based on the authority's peculiar interpretations of the law.

In order to verify whether this suspicion is justified, we submitted a freedom of information request that had to be taken to court due to the authority's refusal to respond. In our request we asked for the release of the applications submitted in roughly 20 successfully concluded tenders that had been submitted during the same period; the authority had not raised formal objections in these cases. We wanted to use the tender applications to review the lawfulness of the authority's formal assessment. But in the first two instances the courts rejected our petition – on account of the vague provisions in the law that allow for various interpretations –, and only a spring 2015 decision by the highest court of appeal, the Curia, authorised us to look into the requested applications⁴³.

Following the decision by the Curia the authority gave us access to the requested tender materials, which revealed unequivocally that when it came to the winning applications, the Media Council did not insist on compliance with the same formal requirements that it had requested from those applicants it had

41 See for example Budapest Court of Appeal, Decision No. 2.K.27.441/2012/2., Budapest Court of Appeal, Decision No. 2.K.27.439/2012/2.

42 Freedom of information request http://kimittud.atlatszo.hu/request/frekvenciapalyazatokkal_kapsola#incoming-6939

43 Court Decision No. Pfv. IV. 20.253/2015/4

rejected. Thus in redrawing the map of the radio market, the Media Council had indeed looked at the formal requirements as instruments – and in fact as very discriminatory instruments. Undesirable applicants in the radio market were rejected and driven out of the radio market not on the basis of a substantial assessment of their application but based on made-up formal mistakes. When such a player did not submit a tender application, then the authority did not apply these rules, thereby ignoring the regulations it had set itself.

7.2. Preferred players – The old favourites

A few radios emerged as pre-eminently successful players in the tenders announced between 2011-2013; these stations won a series of frequencies to increase their coverage area. In our previous analyses we presented the phases of their expansion in detail, along with the media policy objectives that informed the authority's support for their expansion. Among these pre-eminent players, the first mention ought to go to Katolikus Rádió (Catholic Radio) for its successful tender application activities. In the period investigated, the station applied in response to six different tender invitations (for the towns of Dabas, Komló, Komárom, Szekszárd, Orosháza and Sopron), and won in three of the resulting tenders (Komló, Szekszárd and Sopron)⁴⁴. The other three yielded mixed results: one of the radios withdrew its application in the course of the proceedings, while in the case of another two the authority identified either formal or substantial problems. Even on its own, these results point to the mistakes and vicissitudes of the tender notifications: it suggests that even an experienced player with a wealth of tender victories may stumble. All three frequencies won by the station serve to expand the coverage area of its existing broadcasts; in other words centrally produced broadcasts will be heard. At this moment, the station uses 19 frequencies.

7.3. Budapest radio market – Media authority in the employment of the new oligarchs

Tenders for the Budapest frequencies are always the subject of great public attention, since in terms of its commercial value, this local market is second only to the national market, and no radio with serious expansion plans can function without a radio broadcasting in Budapest.

The tenders conducted in 2015 show that the authority still has no discernible media policy objectives to boost the role of market mechanisms or to grant more space to market-based radio operations. Overall, eight Budapest frequencies were subject to tenders, and of these only one was for a commercial licence, the other frequencies awarded were for community radios. The absurd situation that prevails in Budapest today is that four-fifths of the locally broadcasting radios operate as community radios, while there are only two commercial stations. The tenders we investigated have only worsened this ratio. Frequencies that previously operated as community frequencies were again advertised by the authority as community frequencies, while another frequency that was previously used by a commercial station (95.8 Mhz) is now being re-awarded as a community radio frequency, along with a new frequency (88.8 Mhz).

The package included five expiring licences. In the case of one (Budapest 96.8 Mhz) the tender procedure was unsuccessful, but the other four frequencies were successfully claimed by radio stations. Tilos Rádió (90.3 Mhz) and Klasszik Rádió (92.1 Mhz) successfully re-applied for their old frequencies. Gazdasági Rádió was not as successful, for it failed to win its previous frequency (105.9) and won another instead, which previously had been used by Mária Rádió (94.2 Mhz). The authority awarded Gazdasági Rádió's former frequency to a new entrant in the radio market, Hang-Adás Ltd. The company maintains close ties with Századvég (a pro-government policy research institute that has provided a professional home to scores of current and former government officials) and with the daily *Napi Gazdaság*, which was acquired in the spring of 2015 by Gábor Lisztkay, former editor-in-chief of *Magyar Nemzet*, which was until recently the flagship pro-government daily. There were reports in the press that Hang-Adás's station is supposed to become part of the new media empire created by Árpád Habony, a personal advisor to the prime minister who has been entrusted with replacing the Simicska media empire, which is now longer considered to be soundly in the pro-Fidesz camp since the conflict erupted between Simicska and Orbán.

The concluded tenders reveal non-transparent decision-making procedures and media policy objectives that are not publicly communicated but are nevertheless clearly apparent based on the decisions. The protracted procedures, which tend to massively miss the legal deadlines and are then often burdened with additional judicial proceedings, point to the flaws of the Media Council's procedures and the internal contradictions of the tender processes.

One indication of the vicissitudes of the tender activities is that there were three tenders (90.3 Mhz, 94.2 Mhz and 105.9 Mhz) in which the media authority's original decision was changed substantially as a result of subsequent judicial proceedings. The authority linked these three tenders in its decision-making procedure; though this was not done openly, it was nevertheless discernible – or at least the outcome of the tenders allowed for this conclusion.

90.3 Mhz

In the first round of the tender issued for the Budapest 90.3 Mhz frequency, the authority rejected the application of Tilos Rádió, the previous licence holder, citing formal problems⁴⁵. The station appealed the decision in court. The Media Council did not wait for the court's decision, however, but withdrew its ruling under its own authority⁴⁶. It then performed a new assessment based on which it declared Tilos Rádió the winner.⁴⁷ This station is considered a pioneer of free radio in Hungary and is known for its outspoken style.

94.2 Mhz

In the tender for the frequency 94.2 Mhz the Authority first declared the previous licensee, Mária Rádió as the winner⁴⁸, but the other applicant for the frequency, Gazdasági Rádió (Műsor-Hang Zrt.), appealed the decision in court. The court reviewed and overruled the Media Council's decision.⁴⁹ It stated that Mária Rádió's application has formal errors and instructed the authority to conduct new procedures. In the course of the latter the authority declared Gazdasági Rádió as the winner, even though it had previously rejected the application citing problems regarding its substance. Regrettably, the authority has released neither the first decision nor the second decision, which also contained its opinion.

105.9 Mhz

Gazdasági Rádió wanted to play it safe and applied for three tenders at the same time. It applied for the frequency it had used previously (105.9 Mhz), as well as for the frequencies used by radios Tilos (90.3 Mhz) and Mária (94.2 Mhz). In the first round the authority awarded the 105.9 Mhz frequency to the Hang-Adás Ltd instead of Gazdasági Rádió⁵⁰. The latter appealed the decision in court. The Media Council reacted in the same way as it had in the case of Tilos: it did not wait for the court to intervene and instead withdrew its decision voluntarily.⁵¹ Its reasoning for either decision is not available to the public. Finally, as the Media Council decided the first on the 94,2 tender and this frequency went to Gazdasági Rádió Media Council could declare the winner of the 105,9 tender without the risk of further litigation the originally preferred Hang-Adás Ltd.⁵²

Gazdasági Rádió tried to continue its broadcasts on its new frequency while retaining its name, but since that was not the name it had proposed in its application for the 94.2 Mhz frequency, it submitted a petition to change the name for which the licence had been issued. The authority did not approve the request,

45 Decision No. 995/2014. (X.14.)

46 Decision No. 1061/2014. (XI.4.)

47 Decision No. 935/2015. (VII.24.)

48 Decision No. 100/2015. (I.27.)

49 Court Decision No. 3.K.31.049/2015/10.

50 Decision No. 997/2014. (X.14.)

51 Decision No. 1060/2014 (XI.4.)

52 Decision No. 936/2015. (VII.24.)

however.⁵³ Thus even though the radio did receive a Budapest frequency, the Media Council did not allow it to continue broadcasting under the brand name it had used until then. Hence the previously successful Gazdasági Rádió will attempt to continue broadcasting on a different frequency and under a new name (Trend Fm).

One can only speculate as to why the authority rejected the request. The decisions were published on the authority's website without an opinion attached, thus the authority's arguments in favour of its decision were never made available to the public. Press reports suggested that the name change was rejected because there was a conflict of interest between Gazdasági Rádió and the new market player Hang-Adás Ltd⁵⁴. In 2013, when the pro-government Századvég research institute acquired the daily newspaper Napi Gazdaság, the press reported that they planned to launch a radio station as well, with a content that was to hew closely to the business newspaper in terms of the topics it dealt with. (Subsequently, the newspaper was acquired by Gábor Liszkay, and since autumn 2015 it has been published under the name Magyar Idők). It does not emerge from the documents released by the media authority what show structure the Hang-Adás Kft. initially applied with, nor what type of shows the new radio was going to start with. As compared to the original plans, there was a change in that the radio requested a name change, which the authority approved – unlike Gazdasági Rádió's request to the same effect – in December 2015⁵⁵. The new radio was not launched under the name NG 105.9 Mhz but under the name Karc FM, and the related press coverage suggests that it will start broadcasting as a news radio. When the authority's decision is eventually released, we might find out what reasons the authority cited when it approved the request.

The series of decisions discussed above show clearly that the tender system is not based on open competition where the various players strive to comply with media policy preferences that the media authority has publicly set out. An established brand with an established frequency clearly has substantial value. If the Media Council does not take this into consideration when it publishes and evaluates tenders, then the procedure overall cannot be considered a transparent and competitive tender scheme.

Further frequencies

The other three tenders that were announced concerned three unused frequencies. Based on the tender notifications for the two frequencies with an extensive coverage area, the authority preferred the market entry of music-centred radios. The tender notification of the frequency with the larger coverage area (95.8 Mhz) called for a focus on Hungarian rock music, while a successful application for the frequency with the smaller coverage area (96.4 Mhz) was expected to focus on youth and feature a high ratio of Hungarian music. The third frequency (88.8 Mhz), which has a considerably more limited coverage area, was advertised by the Media Council as a community service radio.

If one were to consider the radio selection in Budapest alone, a preference for music radios appears justified, since at the time when the tenders were published fewer than a third of the radios operating in Budapest functioned as music radios. Nevertheless, legitimate objections can be raised about the character of the tenders. The Media Council never explained why it awarded the frequency with the broader coverage area, which it considered more valuable, as a community radio frequency, with the commensurate loss of public revenue that this implies. The licence holder does not pay a fee for a community radio frequency, and thus the public will be deprived of 82 million forints annually, the amount at which the Media Council valued the licence. Nor did the authority provide any reasons why it had decided to award the frequency with the smaller coverage area as a commercial radio, and why it collects an annual fee of 40 million forints from a market player and potential competitor of the station using the previously mentioned community frequency, even though their planned broadcasting profiles overlap significantly.

The Media Council's real media policy objectives were left obscure by the tender notifications, and the underlying media policy and other considerations pursued by the authority only emerged from a post-fact analysis of the frequencies awarded.

53 Decision No. 1326/2015. (X.6.)

54 http://radiosite.hu/index.php?option=com_content&view=article&id=1800:megis-trend-fm-lesz-a-gazdasagi-radio&catid=1:hirek&Itemid=99

55 Decision No. 1693/2015. (XII.15.)

In December 2015 the Media Council declared the only applicant for the 95.8 Mhz frequency, the Favorit Masters Ltd, as the winner⁵⁶. The winner will launch a rock music radio station called MaRock, which will operate as a community radio.

The authority decided in early 2016 about the licence of another commercial radio frequency (96.4 Mhz)⁵⁷, but at the time when the present analysis was concluded, its decision had not yet been publicly released. What we do know is that of the two applications received, the Media Council rejected the one submitted by Autórádió Ltd citing formal grounds, and then awarded the frequency to the single remaining competitor, Radio Plus Ltd (DJ FM). The majority owner of this company is the government commissioner Andy Vajna, who now also owns his own radio in addition to his acquisition last year of the national commercial TV channel TV2.

The objective of supporting the government's media policy emerges clearly from the Media Council's decisions regarding the distribution of Budapest radio frequencies. Awarding frequencies to Karc FM (105.9 Mhz) – a station that has since become part of Gábor Liszka's media holdings and was launched with the former staff of rightwing Lánchíd Rádió – and DJ FM clearly aims to create a new pro-government media portfolio in the light of the Simicska-Orbán war. Before said war began, the Media Council had sought to pave the way for the expansion of the media empire owned by Lajos Simicska. Now it assists the expansion of the emerging new pro-government media groups.

The radio selection in Budapest will obviously change with the market entry of these new players, but it is still difficult to predict how their respective market positions will shape up.

56 Decision No. 1675/2015 (XII. 15.)

57 Decision No. 123/2016 (II.2.)

8. THE SITUATION OF THE JOURNALISM – THE MOOD IN THE TRENCHES

Our interview subjects⁵⁸ indicated that 2015 has fundamentally reshaped the Hungarian media market: this year's events were decisively shaped by the wars that erupted in the oligarchic media system; correspondingly, the various actors in these markets relied on a logic of war in charting their actions in the media sphere, which also had an impact on press outlets that were not controlled by the media oligarchy.

In its two previous reports on soft censorship, Mérték spoke of the „creeping strangulation”⁵⁹ of the independent media, and then of a „total political offensive”⁶⁰ against any manifestations of independent journalism. By 2015 the prime minister and the central government had even launched an offensive against large segments of those media that had proved reliable allies in the past, and had correspondingly hardly voiced any criticisms of the government in recent years. There was a large segment of the rightwing partisan press that was ideologically and culturally close to the governing parties (and in fact remains to this day), but there came a point when this commitment came under fire from two sides: The work of the journalists of these outlets was massively influenced by the increasing distance between the oligarch who is the owner/publisher of their newspaper/television/radio and his erstwhile friend, the prime minister. Their relationship went from growing cold to open warfare early in the year (see the chapter 4.1. for more details). Hence in 2015 Simicska's journalists, too, got a taste of the instruments that had hitherto had been reserved for the media that was critical of the government. This ranged from starving their businesses over the use of legal instruments all the way to a wholesale refusal to talk to journalists who work for the affected media outlets, which effectively constituted an effort to quarantine them. The war resulted in two unexpected outcomes. For one, thanks to various statements uttered in the heat of the fight, the way in which political pressure on the media has worked for years was laid bare for the entire public to see, along with the mechanisms of self-censorship in the media outlets whose ideological outlook and reporting were close to the central government and the prime minister. At the same time, the logic of war all of a sudden liberated the journalists who had morphed from being seen (and in fact behaving) as the

58 We conducted extensive interviews with half a dozen journalists. Due to the sensitivity of the issues addressed, they were only willing to share their views if we kept their name confidential.

59 Capturing them softly – Soft Censorship and State Capture in Hungarian Media, <http://cima.ned.org/publications/capturing-them-softly-soft-censorship-and-state-capture-hungarian-media>

60 Mérték Media Monitor: Gasping for air: Soft censorship in the Hungarian media in 2014. http://mertek.eu/sites/default/files/reports/gasping_for_air.pdf

government's friends into being regarded as its enemies from the pressure they had been subject to until then, and they began to strike a more courageous and more critical tone against those they had previously served. Hence the level of self-censorship appeared to be lower in this segment of the press.

On the opposite side of the front, the prime minister and the oligarchs associated with him engaged in acquisitions and greenfield investments that they used to create a wholly new pro-government media empire, which demanded even greater levels of loyalty from the journalists that joined these media. Even as they were in any case sympathetic to the government, the levels of self-censorship demanded from these journalists reached previously unseen heights. Toeing a predetermined „political line” practically became part of the job description at these press products, which were formally privately owned, though the owners were businesspersons who nurture close ties with the prime minister.

In those segments of the mainstream private media that one might refer to as independent – a classification that essentially extends to a few online products, television channels and radio stations, as well as two centres of investigative reporting – the situation for journalists changed only in the sense that as a result of the war they had to take sides in the conflict – in addition to the complications they already had to contend with. Moreover, the government continued to squeeze this segment of the media further through the use of legal (e.g. tightening the regulations on freedom of information) instruments and public authorities (e.g. barring RTL Klub from directly reporting from Parliament), or pressure on their owners; we detailed the uses of these various methods in our previous reports.

8.1. The two sides of the front

In the first day of last February the journalists working for press outlets owned by Lajos Simicska, a businessman with friendly ties to the government who was linked to the prime minister through decades of friendship, suddenly faced an unexpected dilemma. The war that broke out between the prime minister and the businessman⁶¹ confronted them with a difficult choice: do they stick with their owner, who was now at odds with his erstwhile friend, or do they side with their „political family”, as one of the affected journalists put it. What's more, it was also clear that this choice would have a long-term impact on their career and potentially their livelihood, too.⁶² For several hundred journalists 2015 was spent in adjustment to the consequences of the protagonists' decisions: the year saw a massive realignment in the rightwing partisan press. Dozens switched either to the public service media, which was unequivocally under government control, or to newsrooms that belonged to businessmen who still nurtured friendly ties to the prime minister and the government.

„The winds of freedom are blowing now” - said an influential journalist who still works for Simicska's media empire about the situation in December 2015. The result of the war of oligarchs that had erupted early in the year was namely that the journalists working at Simicska's publishing company felt that the restrictions they had previously laboured under were being relaxed now. Just how restrictive the atmosphere had been came to light in a revealing interview conducted with the editor-in-chief of a news channel that is part of the businessman's media empire.⁶³ The editor unequivocally admitted that Hír TV was intensely intertwined with the governing parties, that those responsible for government communication came to the newsrooms on a weekly basis to instruct the executives there about the editorial line they should adopt, and gave very specific instructions regarding content. It is hardly a surprise that in the wake of such direct control over their work, journalists experienced the recent changes as liberating.

We interviewed several journalists who are still active at one of these media outlets about this, and one noted that their commitment to rightwing ideology is still unwavering, and a great majority of them still consider themselves Fidesz supporters. What has changed, however, is that while previously it would have been inconceivable for them to reveal scandals involving cabinet members or businesspersons close to

61 Hungarian Spectrum: A different kind of media war (6 February 2015) <http://hungarianspectrum.org/2015/02/06/a-different-kind-of-media-war-lajos-simicska-versus-viktor-orban/>

62 Sipos, Z.: Hungary: A dispute between a media mogul and the government put journalists in a difficult situation (17 November 2015) <https://www.indexoncensorship.org/2015/11/hungary-in-a-dispute-among-media-moguls-only-journalists-suffer/>

63 Sipos, Z.: Ez a tévé a szabadság kis szigete lett [This television channel has emerged as a little island of freedom] (7 October 2015) http://www.kreativ.hu/media/cikk/ez_a_teve_a_szabadsag_kis_szigete_lett

the government, in 2015 they obviously received a green light to do so. The owner supports such type of investigative reporting and does not impede the journalists in covering such investigations when they are published in other media. *„The commissars are gone. We no longer get the morning phone calls from Fidesz’s press team telling us how we need to cover things, what guests to invite to the studio or what questions we should ask”* - he said, adding that though this goes unsaid, they are still exercising restraint concerning business deals involving the prime minister personally and his family, and they seek to avoid situations that might make them appear as the enforcer of their owner’s revenge. Hence they also exercise restraint in reporting about the various twists and turns of the Orbán vs. Simicska business wars, all the more so since feedback from readers suggests that even the most loyal ones expect their newspaper to be, on the whole, supportive of the government. *„They often don’t understand the critical tone, since over the past decades their experience was that we supported that government nigh unconditionally”* - said the journalist we interviewed.

The journalists who had previously worked in loyally pro-government media suddenly found themselves in the completely novel situation that the various types of pressure they had previously only heard about through colleagues were now part of their own personal experience as well. *„We woke up one day to suddenly find that we had turned from friends into enemies”* - said one of the journalists working there, who said that the most sensitive issue of „soft” pressure is that the previously accommodating government party politicians introduced a moratorium and refused to comment when it came to the journalists working for the Simicska media empire. The journalists at the media - in the words of our interview subjects - experienced this as a „war blockade”.⁶⁴ There was also activity by government officials and pro-government media executives that these journalists experienced as massive pressure: Throughout the entire year politicians and executives at the newly minted pro-government media companies, which are unconditionally loyal to the prime minister, continuously pushed key editors and journalists working for Simicska’s media outlets to quit and – *„in the interest of their professional and material future”* – continue working elsewhere.⁶⁵ *„This pressure often went beyond the level that could still qualify as normal business competition for human resources. The threat was often clearly that if someone refused to leave, then their future would be sealed in Hungary, and the government would make sure to make them pay personally”* - said our interview subject. As far as the instruments of pressure are concerned, those working at these media found it striking that there were considerably fewer advertisements, and the government advertisements – as the prime minister had indicated at a meeting early in the year⁶⁶ – disappeared completely. *„The owner assured us that at least until the elections in 2018 there would be no financial threat to any of us, he would be able to keep funding our operations even through hard times”* - said one of our interview subjects.

At the other end of this front are the media outlets set up by the new oligarchs surrounding Prime Minister Viktor Orbán, whose operations are partly based on personnel headhunted from the Simicska empire. *„The right has become too dependant on Simicska, both in the media and in business, which is why it makes sense for Orbán to pursue a wholesale change in the elite, even in the media”* – explained one of the editors who left his previous employer. The editor assessed that it does not make sense to question the independence of journalists who work for pro-government media. *„Peti Tarr [the executive vice president of Simicska’s Hír TV] has only just began talking about the BBC, even though for years he had no problems following Fidesz’s instructions and to edit in line with these instructions”* - said our interview subject alluding to previously mentioned interview with Hír TV’s editor-in-chief, in which he referred to the BBC’s professional and ethics code.⁶⁷ *„There is no independent press in Hungary, nor has there ever been one. Journalists were always bound to political parties, and everyone always had an agenda, nor will that ever change. The rest is hypocrisy”* - argued our interview subject, who submitted that the level of control in the new pro-government media was not greater than what journalists had previously experienced. *„When the healthcare system does not work, then we will report that; when there are problems with the mass transportation system in Budapest, then we will cover that and we will hold [politicians] accountable for their promises”* - said another editor who works at a pro-government media outlet, with a reasoning that was strongly reminiscent of the 1980s, when these

64 mno.hu: Információs blokádot hirdethettek [They seem to have ordered an information blockade]. (17 March 2015), http://mno.hu/magyar_nemzet_belfoldi_hirei/informacios-blokadot-hirdethettek-1277589

65 Kósa, A.: Simicska embereire pályázik az új kormányparti rádió, a Karc FM [New government friendly radio, Karc FM is angling for Simicska’s staff]. (6 January 2016) <http://vs.hu/kozelet/osszes/simicskatol-csabit-em-bereket-a-karc-fm-neven-indulo-kormanyparti-radio-0106#!s19>

66 Kósa, A.: Orbán elengedte a kormányparti sajtó kezét [Orbán is letting go of the hands of the pro-government press]. (15 January 2015). <http://vs.hu/kozelet/osszes/orban-elengedte-a-kormanyparti-sajto-kezet-0115>

67 Siposs, Z.: Ez a tévé a szabadság kis szigete lett [This television channel has emerged as a little island of freedom]. (7 October 2015) http://www.kreativ.hu/media/cikk/ez_a_teve_a_szabadsag_kis_szigete lett

were roughly the boundaries within which journalistic criticism was allowed. In response to a question inquiring whether they would report about corruption affairs involving governing party politicians if those were revealed by the independent press, the response was that they would not if they found that the original coverage was biased.

8.2. New situation, new lines

„The big problem is that we must continuously take a position in this war” - said a frustrated journalist who works for the segment of the media that may be labelled independent: The journalist works in a newsroom whose owner is financially independent of the current government. Nevertheless, the Orbán-Simicska wars impact the entire press: „I often have the feeling that the prime minister’s reach is unlimited” - our interview subject said. He argued that journalists working „in those segments of the [media market] that are theoretically outside of the conflict between the warring parties” always grapple with the question of what position their owners taken on this issue, and how that will affect their own work, what consequences it will have on their reporting. „If the businessperson is Hungarian, then they are inevitably linked to the warring parties by a thousand threads, they cannot stay out of the war. If the owner is a multinational corporation, then it is in her most fundamental interest to be aware of what is going on.”

Several interview subjects have pointed out that before 2015 the situation in the media market had been relatively stable, everyone knew on what side of the frontline each newsroom stood, what the owners’ expectations were and how critical they could be vis-à-vis the Orbán government; *„in other words how far we can go”.*

The past year wrought an entirely novel situation in this regard, and this has led to redrawing of the boundaries of self-censorship. As an example, one of our interview partners noted the case of a reporter working for a recently created news portal, VS.hu, whose owner is close the government. The portal is owned by a cousin of György Matolcsy, the president of the Hungarian National Bank (and former minister of the economy in Orbán’s government). Though officially the reporter’s employment was terminated by mutual consent, press reports suggested that the decision resulted from the fact that at a press conference he had repeatedly – in an unprofessional manner, the newspaper’s management allegedly assessed – interrupted a Fidesz politician, even as the press conference was held at the National Bank and the politician was flanked by one of Matolcsy’s deputies. *„The publisher argued that this incident was not what had brought about the reporter’s departure; there had been ongoing ‘behavioural’ problems with him”.*⁶⁸

Another story about the redrawn frontlines come from an interview subject who works for a pro-government newsroom. The interviewee assessed that this situation is also new for the politicians and their press staff. According to this account, relations with the press office of a government institution became tense for a while because the staff of the press office was perplexed by the „provocative and searching questions” of a media that they had previously thought of as loyal.

Incidentally, outside the new frontline against the Simicska media empire, too, attacks on independent media continued. These were carried out using a mix of tried and tested regulatory instruments and new approaches. The Orbán government’s efforts to restrict the space of „watchdog”-type journalism is now regarded as an established phenomenon: the past year has once again resulted in further measures to encumber freedom of information requests. A legal amendment was adopted⁶⁹ that seeks to put administrative and financial burdens in the way of this legal instrument for obtaining information about the government’s operations. An interesting aspect of this development is that – in a futile move – the leading newspaper of the Simicska empire also protested the restrictions adopted by the governing majority in an editorial,⁷⁰ which was published after the abovementioned conflict between Orbán and Simicska had erupted, however.

68 Sarkadi Nagy, M.: Megvállik a VS.hu a Rogán szavába vágó újságírótól [VS.hu fires journalist who interrupted Rogán]. (7 February 2015) <http://atlatszo.hu/2015/02/17/megvalik-a-vs-hu-a-rogan-szavaba-vago-ujsgairotol/>

69 Mong, A.: New hurdles for Hungary’s press as Orbán restricts FOI requests. (24 July 2015) <https://cpj.org/blog/2015/07/new-hurdles-for-hungarys-press-as-orban-restricts-phi>

70 Lukács, Cs: A nyilvánosság próbája [A trial of the public sphere]. (6 July 2015), <http://mno.hu/vezercikk/a-nyilvanossag-probaja-1295482>

Another major controversy was the decision to ban the news reporters of one of Hungary's major commercial television channels from Parliament for weeks, thereby preventing them from doing their work. The Speaker argued that the crew had covered a NATO press conference (including a video recording) in Parliament even though their permit had only extended to covering the work of the plenary and thus did not include a permission to report directly from the NATO press conference. In defending its actions, the television news crew invoked that the press conference had been announced as a public event on the NATO website, noting that in reporting about this public event they were only doing their work as journalists.⁷¹

One of our sources – who is not an RTL employee – remarked that this proceeding was specifically intended as an attack against the only nationally broadcasting television channel still willing to strike a critical tone in its coverage of the government, while it was simultaneously also a warning to other newsrooms.

The Fidesz-delegated Speaker, who personally made the decision to bar the RTL crew, expounded on his understanding of the role of the press as part of an extensive interview he gave during the year. His statement provided an excellent distillation of what the Hungarian media market was like in 2015. László Kövér believes that the meaning of press freedom is not that journalists may write about anything and anyone as they please without any limitations; the responsibility of the public service media is to disseminate the government's opinions („Who can we expect to mediate the government's views towards the people if not the public media?"). And indeed, the public service media, operating under full government control, lived up to this responsibility. The most scandalous case, which reverberated outside Hungary as well, was one in which internal editorial instructions at the public service television mandated that during the refugee crisis no refugee children should be shown, not even in the background of a video coverage, in order to prevent that the public develop sympathies for the refugees – this decision clearly aligned the public service media with the government's anti-refugee stance.⁷² Another indication of government control was the case when editors prevented an interview with one of the most prominent historians of the 1956 revolution from being aired on public radio because the historian's „narrative" was regarded as the wrong one.⁷³ Moreover, according to the Speaker's statement on press freedom – in the form in which it was originally envisioned – and in the way demagogues advocate it, has long ceased to exist and has been replaced with the owners' freedom to shape their media in their own image, as their interests dictate. *„Despite this, there is a hypocritical attitude out there that voices concern for press freedom only with respect to state intervention, even as it refuses to acknowledge the phenomenon in which Lajos Simicska is not the most important person in the list of priorities" – he argued.*

8.3. Journalism in numbers

For the past four years Mérték has been conducting annual surveys of journalists' perceptions and experience of the state of press freedom in Hungary. We sent out our questionnaires in January 2016 and received responses from 204 journalists. Half of those who responded are employed at online media; most of the remaining journalists work for print publications. The composition of the sample was similar to previous survey samples. The questions referred to respondents' assessment of the situation of the media in 2015.

Ever since our first survey, right up to last year, the answers we received showed a progressively worse picture overall, that is journalists gave the prevailing level of press freedom in Hungary a worse score each year. In 2015, however, they gave the state of press freedom an average score of 4.5 on a scale of 1-10, which marks a slight improvement over the value measured in 2014. The continuous deterioration we had

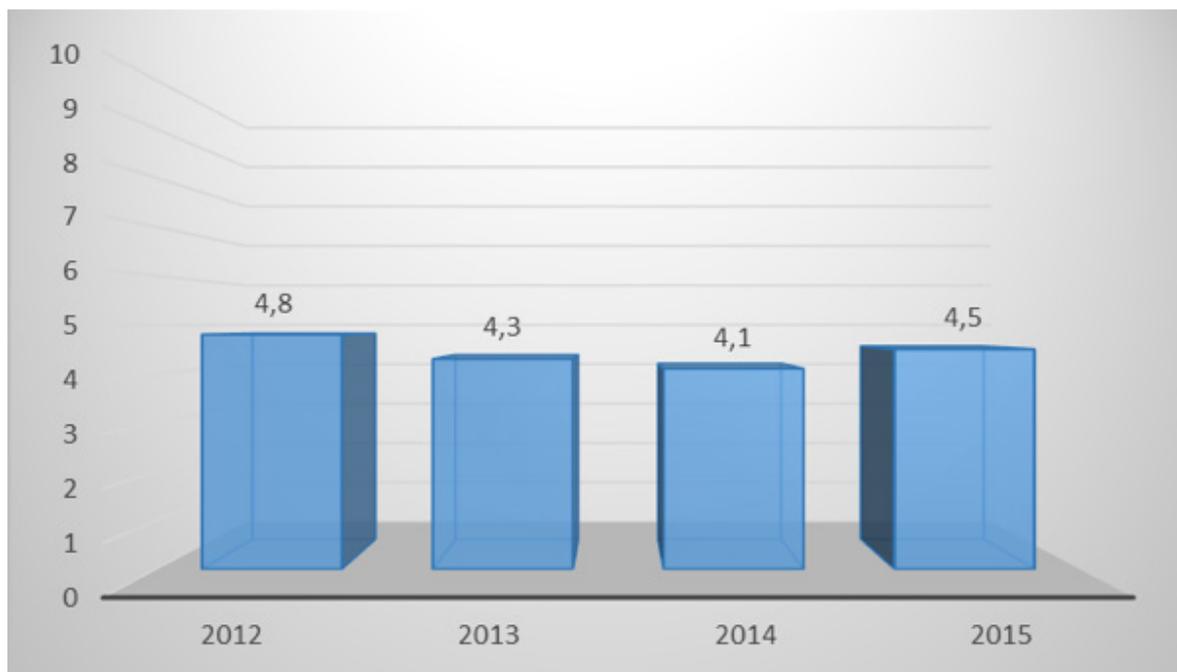
71 rtl.hu: Kitiltotta az Országgyűlésből az RTL Klub munkatársait Kövér László [László Kövér has banned the crew of RTL KLUB from Parliament]. (20 November 2015) <http://rtl.hu/rtlklub/hirek/kitiltotta-az-orszaggyulesbol-az-rtl-klub-munkatarsait-kover-laszlo>

72 Nolan, D.: Hungarian TV 'told not to broadcast images of refugee children. (1 September 2015) <http://www.theguardian.com/world/2015/sep/01/hungarian-media-told-not-to-broadcast-images-refugee-children-memo>

73 Plankó, G.: A közrádió nem adja le az interjút, 56 egyik legelismertebb kutatójával, mert nagyimrés [Public service radio will not air an interview with one of the most recognised researchers of 1956 because he is a supporter of Imre Nagy]. (22 October 2015) <http://444.hu/2015/10/22/a-kozradio-nem-adja-le-az-interjut-56-egyik-legelismertebb-kutatojaval-mert-nagyimres>

observed since 2012 has thus stopped in 2015, though the overall value is still below average (the values on the scale range from “there is no press freedom” (1) to “press freedom fully prevails” (10)).

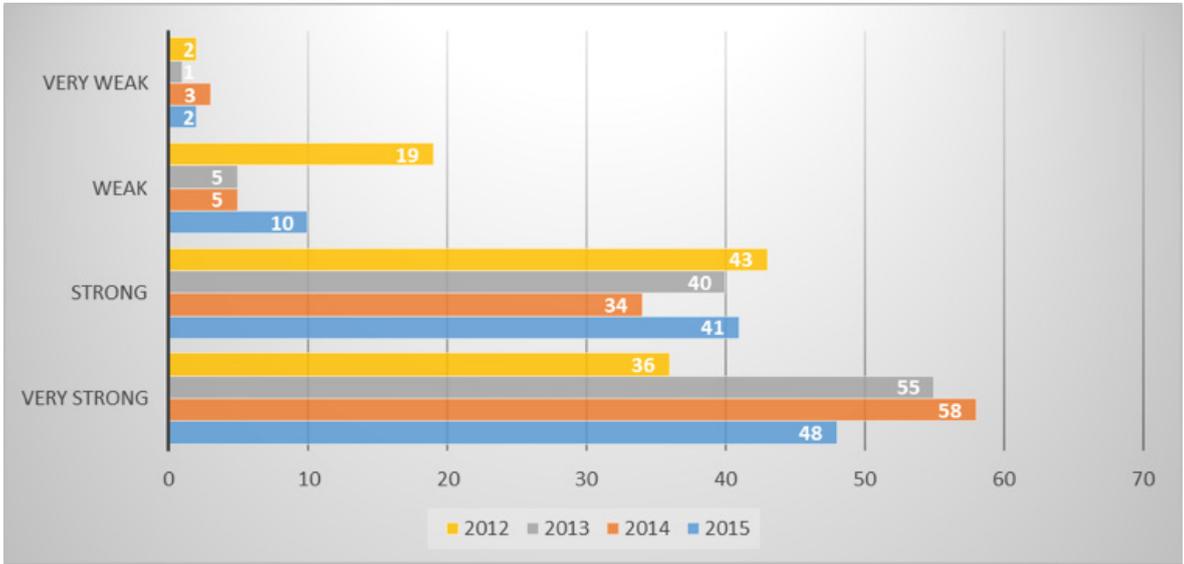
↓ *Figure 8: The state of press freedom (10-point scale)*



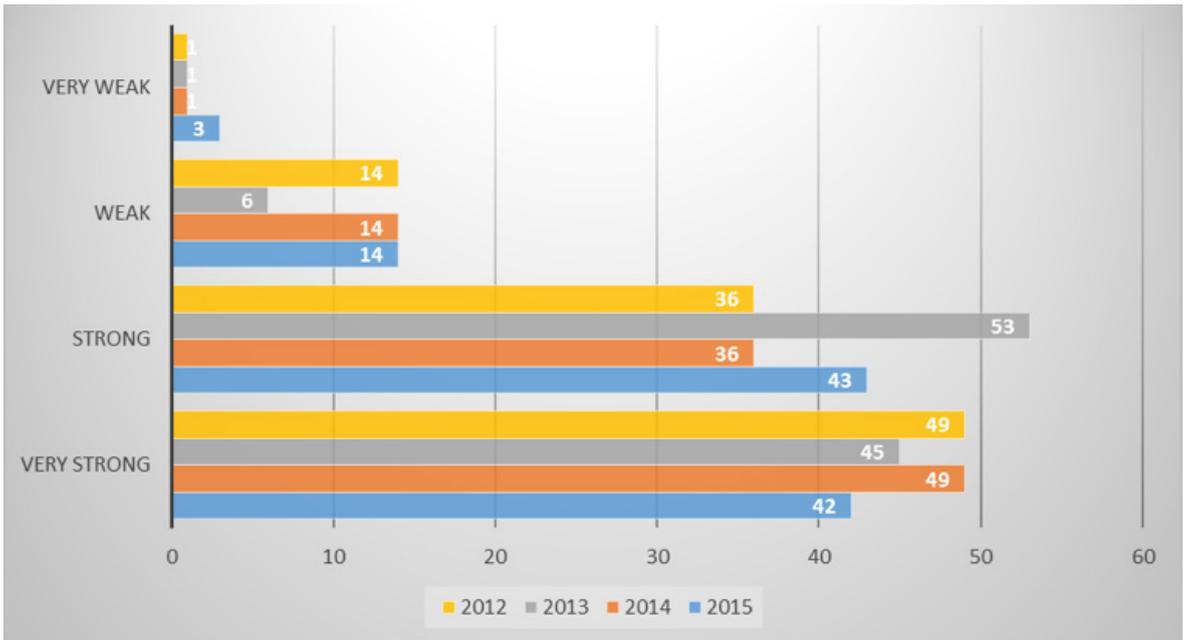
Still, the overall picture of press freedom not deteriorating further is marred by the fact journalists have a devastating opinion of the way in which the press is able to perform its watchdog functions. The majority of journalists (87%) assessed that “politics controls media” rather than the way it should be, namely “media acting as a watchdog of politics”.

Nine out of ten journalists feel that political pressure on the media is very strong, and this has been the case for years now. On a four-point scale ranging from weak pressure to strong, 92% selected the strong/very strong values, and in 2015 it was still 89%. The only significant change was that fewer respondents selected very strong pressure, while there were more who indicated strong pressure. The situation was similar with respect to the assessment of business pressure on the media: In both 2014 and 2015, four out of five journalists spoke of some degree of strong business pressure, but the internal ratios shifted somewhat; the share of those who perceived very strong pressure declined somewhat, while there was an increase in the ratio of those who selected strong pressure as their answer.

↘ Figure 9: Degree of political pressure (%)

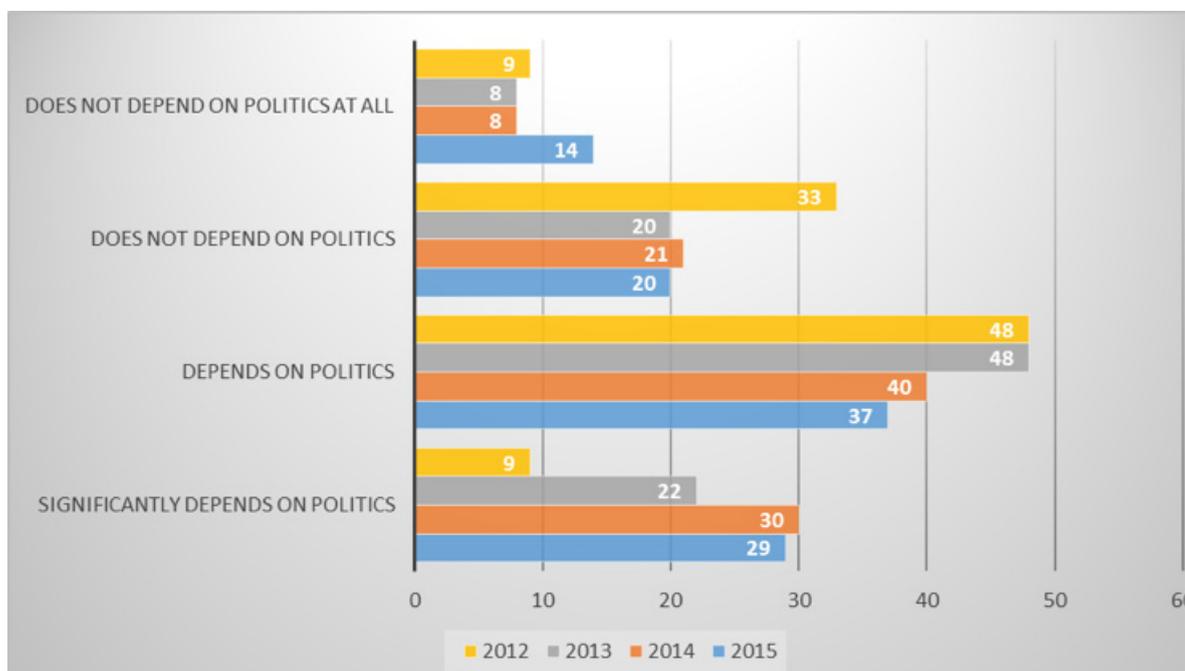


↘ Figure 10: Degree of business pressure (%)



No change occurred in this period in the ratio of those who assessed that the fate of their workplace and newsroom depends on politics.

↘ Figure 11: How much does the financial stability of the respondents' workplace depend on politics (%)



An indication that the intensity of pressure that journalists are subject to has not declined over the years is that roughly half of journalists (53%) have personally experienced political pressure and politically motivated interferences with their work. Still, the share of those who recounted specific instances of business pressure has decreased in 2015 (from 50% to 35%). There was no decline in the rates of reported interferences by workplace managers, however: the ratios of journalists who have encountered interferences by their editors-in-chief (43%) or their owners (40%) in connection with their coverage of some political/economic fact are virtually identical.

It appears that the various methods for exerting pressure have scarcely changed over the years, but the role of certain methods has grown significantly in 2015. Journalists named the placement of state advertising as the most potent instrument of pressure in 2015: media outlets that publish critical content (or publish such content as well) lose their state advertising, while those that nurture friendly ties with the government saw their share of the state's advertising budget increase significantly. On a scale ranging from -100 to +100, this factor received 72 points, while a year earlier this value had stood at "only" 52. In the second and third positions, respectively, were indirect pressure by politicians (58) and advertisers (45) – exerted through editors-in-chief and the managements – but these values, too, have grown since 2014 (back then they stood at 39 and 31 points, respectively), thus indicating greater levels of interference. Journalists said that pressure is also manifest in the decisions of private advertisers, but its significance was far lower (28 points) than in the case of the organisations that decide on the placement of state advertisements.

Journalists also do not have a favourable assessment of the public's freedom of information, which is probably not independent of journalists' overall view of press freedom. In other words they do not only have a negative view of how their own daily circumstances have evolved, but they also have a gloomy perception of the meaning and uses of their work. This value stands at 5.0 on a 10-point scale, which is only a tiny bit better than their perception of press freedom. They also assess the media's ability to help people properly inform themselves about the events ongoing in Hungary as mediocre.

The 2015 data suggest that as a consequence of the Orbán-Simicska war – and this also emerges from the in-depth interviews – the harness of self-censorship and censorship has become less restrictive than it was previously, which in turn impacts the present assessment of general press freedom. Yet it also emerges from the answers to these questions that the level of state interference in the world of media has become stronger than ever.

