

MÉRTÉK MEDIA MONITOR

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# GASPING FOR AIR

Soft Censorship in  
the Hungarian Media  
in 2014



MÉRTÉK BOOKLETS

Volume 2.

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## MÉRTÉK MEDIA MONITOR

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# INTRODUCTION

Press freedom in Europe is facing a widespread and growing threat by “soft” censorship that includes governments’ use of financial power to pressure news media, punish critical reporting and reward favourable coverage. While Europe’s press is not generally threatened by the jailing of journalists or the closure of media outlets, “soft” censorship is a more subtle but a significant new danger - noted in 2014 the World Association of Newspapers and News Publishers (WAN-IFRA) when a report on soft censorship practices in the Hungarian media was released.<sup>1</sup>

The report produced by MerteK Media Monitor in collaboration with WAN-IFRA and CIMA (Center for International Media Assistance) concluded that state influence over Hungarian media is unfolding “slowly but surely” and has accelerated under the current government. Among the most important key findings, the report mentioned that the allocation of state advertising spending is opaque and unfair; it is based on the political leanings of particular media outlets, and this distorts market competition significantly. The state’s biased advertising spending influences editorial policies in an indirect way, creating a newsroom atmosphere in which editors accept and journalists practice self-censorship. Market competition among media agencies is clearly distorted by the biased award of state contracts. The report detailed that the legal regulations and financial practices of Hungary’s current public-media financing permit improper state influence over public media and fail to comply with European Commission requirements regarding state support for public-service media.

This new report produced by MerteK Media Monitor thanks to the generous funding of Fritt Ord and Open Society Foundations, aims to track the changes which occurred during 2014, highlight the main new trends and analyse their effects on the press freedom situation of the country.

In the first part of the report, the key findings and the methodology (Chapter One) are introduced, then the different chapters detail the events of the year from various aspects. Chapter Two deals with the trends on the media market and how these effect competition. Chapter Three summarizes the in-depth interviews the researchers conducted with journalists, and media experts. Chapter Four showcases how state advertising is used to reward loyal media, Chapter Five demonstrates how the licensing practices of the Media Council reshape complete segments of the media market, and the final Chapter Six shows a unique transformation of the Hungarian public media into a state broadcaster.

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I WAN-IFRA – MÉRTÉK MÉDIAELEMZŐ MŰHELY, 2013 Capturing Them Softly. Soft Censorship and State Capture in Hungarian Media. Paris.



## KEY FINDINGS

From centralisation of state advertising spending and growing government pressure on the media market to overt political intervention in newsroom practices and forced removal of editorial teams - these were the major characteristics of the Hungarian media in 2014.

Here are the key findings of our report.

### Reshuffling the media market

After the 2014 elections peculiar changes began to occur within the media policy framework designed during the previous parliamentary term. While the state is continually engaged in media market interventions to take control of media outlets or rein in unruly media, recently some conflicts emerged between the governing party and some segments of the pro-government media as well. The centralisation of state advertising spending - by setting up a new state organisation for coordinating it - will further increase the risk of governmental pressure on the media market, and will also make it easier to rearrange the market positions of right-wing media.

During the current term of parliament, the governmental intervention in the media market commenced with the introduction of the advertising tax. In its current form, the advertising tax is an open intervention in the market competition between RTL Klub and TV2. In December 2013, TV2 was sold in a rather peculiar business construct. Probably, the channel was subject to the growing influence of the government's film commissioner, the producer Andy Vajna, who is also friends with the prime minister.

The most spectacular scandal in the media market in 2014 was the removal of origo.hu's editor-in-chief from his position. This was triggered by an investigative report which looked into a strikingly expensive official foreign trip taken by a cabinet member. Many observers conclude that if such a huge company - especially one backed by the German telecommunications giant Deutsche Telekom - cannot withstand political pressure, then smaller Hungarian media owners do not stand a chance.

### A playground for oligarchs and politicians

According to our interviewees, there were fundamental changes in the Hungarian media market in 2014. Those segments of the market that are financially and politically independent, and strive to preserve their professional integrity, have lost ground. The current problems go beyond what we observed in Mertek's previous report, when we described a process of "creeping strangulation". Now we can speak of a sweeping offensive by a political class that is thoroughly intertwined with oligarchs at every level and seeks to

crack down on all instances of independent journalism, be the source a mainstream or non-profit media outlet, an online newspaper or a party-affiliated newspaper. This war is being fought with a diverse arsenal, starting with political pressure, forced changes in ownership structure, efforts at financially bleeding out media outlets, all the way to the use of official and legal instruments – we have observed examples of almost everything conceivable.

Ever fewer outlets have the capacity to resist these varied pressures. Among the rare exceptions are a handful of online media outlets that retain a considerable share of the advertising market despite the distortions in the business environment, editorial teams backed by strong and committed owners, or institutions that do not receive their funding from traditional media market sources, primarily those relying on non-profit funding. Our interview interviewee and the respondents of the public opinion survey we conducted among journalists both confirmed that the situation of press freedom has deteriorated in 2014, and that pressure on the media has intensified, with a concomitant surge in self-censorship.

The aforementioned process has been ongoing at varying degrees of intensity ever since regime transition in the 1990s. Nevertheless, several major and widely publicised cases – often involving journalism – have rendered it obvious to the public that in the past years this process picked up steam after the currently governing political force won the 2010 election with a constitutional supermajority, and has now matured into a full-fledged assault on independent media.

## Changes in state advertising spending

Mertek Media Monitor's study summarised the role and characteristic features of state advertising spending based on data from 2006 to August 2014. It is apparent from the concentration of state advertising spending that there have been substantial shifts over the past years. Major beneficiaries in each sector took an increasingly greater share of state advertising after the change in government in 2010 – in other words the winners turned into “great winners”.

The main beneficiaries in the daily newspaper, magazine, radio and outdoor advertising markets have been the same for years now (Metropol, Heti Válasz, Class FM, Publimont, respectively). Based on the ownership structures, these companies are obviously part of the Fidesz-affiliated media empire.

In the case of media brands in whose revenue streams state advertising plays a key role, for arguably these are the ones that would have difficulty remaining financially viable if they had to depend exclusively on commercial advertising revenue. Most of the brands on this list are well-known players and without fail owned by investors with close ties to Fidesz.

TV2's share of state advertising spending in television has grown in recent years, and how RTL Klub's share has dropped in parallel. For RTL Klub, the declining trend is limited to state advertising spending: in terms of annual revenue and in terms of ratings, RTL Klub continues to remain the market leader.

## Reshaping market segments through licensing practices

As Mertek's earlier studies showed, the Media Council's tender practices between 2010-2014 lead to a fundamental transformation of the radio market, they have constrained market competition, increased market concentration, and both the number and significance of local radio stations – which had previously played a crucial role in terms of the local public spheres – have diminished. One of the major transformations occurred on the national commercial radio market where the media authority did not issue a new tender for the license to operate a national commercial radio instead of the one which previously went bankrupt, but instead used the licenses to expand the coverage area of public radio stations. This decision marked the end of any competition in the market for national commercial radios.

Further consequence of the Media Council's activities was that as a result of the transformations in the media market, stations that had previously operated successfully in the market disappeared either completely or partially. In parallel with this process new players began gaining in strength owing to the media authority's tender practices. Among the preferred players were radios belonging to rightwing media empires and radios with religious content. Decision-makers wanted religious programmes to have a vastly expanded reach in the local radio market, and rather than having local media convey local contents on local frequencies, they wish for centrally broadcasted religious programming to be disseminated



across vast coverage areas. This is such a major media policy intervention that it cannot be regarded as legitimate in the absence of public planning, debate and assessment.

## **Public broadcasting becomes state broadcasting – a distinctly Hungarian transformation**

Public service broadcasting has undergone substantial changes since 2010, and there are still major changes ongoing at least on organizational level. Scandalous editorial practices, operating in a propaganda mode, and politically biased reporting have all continued in the past year. In terms of how public service media are regarded in Hungary, it is very telling that colloquially the term “state media” is increasingly widely used.

The Hungarian Parliament adopted the new amendment of the media law in December 2014, which primarily serves to transform the institutional framework of public media services. It became more centralized, and the most emblematic parts of Hungarian media history (Hungarian Television, Hungarian Radio, Hungarian News Agency) have been abolished. As part of the transformation of the structure of public media, the MTVA also launched new channels. The most important change is that as of March 2015, M1, which was hitherto the main public television channel, will become a 24-hour news channel.

The public broadcaster (MTVA) does not comply with transparency requirements, it provides no publicly accessible surface for tracking the spending of public funds, and unlike many European public broadcasters it has no annual report, nor is it known how it defines public service responsibilities or how it discharges those.

In order to learn about the MTVA's operations, Mertek Media Monitor filed a freedom of information request to access the Public Service Fiscal Council's agenda, its decision-making documents, and the memoranda of its sessions. After a lawsuit Mertek got the documents. They prove that sessions of Public Service Fiscal Council were of low professional quality, and that a significant portion of planning documents contained data that were totally irrelevant in terms of financial planning. Several documents featured the same graphs and tables and, moreover, these had no titles that would have shown what data they actually present and what period they apply to. The background documents also contained scant financial information.



## CHAPTER ONE

# NOTES ON METHODOLOGY

Beyond censorship narrowly understood (i.e. the prior review of media contents by the state) the public sphere may also be distorted by all state interventions that aim to or effectively promote the public presence of certain information, viewpoints, political or other ideological values, or to encumber the presence of opposing information, viewpoints or values. These measures serve in part to reinforce a tendency towards self-censorship, and in part they can be categorized as instruments of indirect and soft censorship. The existence of any form of censorship inevitably leads to distortions in the media selection available throughout the entire media system. Rather than allowing the considerations of newsworthiness and public interest to prevail, it reshapes media offerings along the lines of particularistic interests, namely power interests, that is - for the purposes of this analysis - political interests.

We classify as “soft censorship” or indirect censorship 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. Such interventions cause long-term and enduring distortions in the way the public sphere works. Following Podesta’s definition, soft censorship or indirect censorship “can be defined as the practice of influencing news coverage by applying financial pressure on media companies that are deemed critical of a government or its policies and rewarding media outlets and individual journalists who are seen as friendly to the government”.<sup>2</sup> A typical form of such an intervention is the targeted placement of state (or municipal) advertisement – independent of market performance –, pressure on commercial advertisers to follow the state’s lead and also allocate their advertising orders accordingly, and to provide journalists indirectly with payments.<sup>[1]</sup>

In Podesta’s approach, the most important characteristic of soft censorship is that it manipulates the way the media system works with financial instruments, including the corruption of journalists. Based on our analysis of the Hungarian media system, we delineate the boundaries of soft censorship differently. 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 enterprises which promote the dissemination of the government’s views, and to weaken or impede the financial viability of media outlets that publish views which are critical of

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<sup>2</sup> Podesta, D.: Soft Censorship: How Governments Around the Globe Use Money to Manipulate the Media, Center for International Media Assistance, Washington DC, [http://cima.ned.org/sites/default/files/CIMA-Soft\\_Censorship-Report.pdf](http://cima.ned.org/sites/default/files/CIMA-Soft_Censorship-Report.pdf), p. 4.

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 foremost media policy instrument of soft censorship is market expansion. In certain cases, the state will install itself at some level of the value chain by establishing a state-owned company or institution, or by nationalizing an already working private company. In the Hungarian experience, the more frequent phenomenon – which is at the same time difficult to recognize in practice – is to expand the market of pro-government media companies through acquisitions or launching new services. The political ties of media companies and media entrepreneurs are identifiable especially in the form of party or governmental offices previously occupied by the media owner, the success of their companies in public procurement tenders, or the leading positions their owners or executives previously held at state-owned companies.

The structure of the media market can be efficiently shaped through proceedings aimed at the allocation of terrestrial frequencies and other distribution capacities – for example the cable capacities falling under the must carry obligation – or through changing the conditions for the use of frequencies - license fee, license periods, etc.

Public service media are very particular players in the content provision market, since they always use public funds to operate. Lacking transparency in their funding or excessive funding for them always lead to disorders in the entire media system. Even excessively funding public service media constitutes a threat to the financial stability of private media companies. Excessive funding is often a government's instrument for ensuring biased coverage in public service media.

Soft censorship is often realised with measures that focus on those elements of the value chain through which the widest possible range of content services can be manipulated. This applies especially to the advertising market and the broadcasting market.

A key instrument of reshaping market relations – while simultaneously applying political pressure – is the manipulation of advertising allocations, and especially the biased distribution of state advertising. The size of the media market indirectly also influences the way the public sphere operates: The more a given media outlet depends on individual advertisers, the less it can afford to relate critically to any major advertiser. And if the role of state advertising is substantial, then this prevents critical reporting on the state and the government itself.

In the broadcasting market, the distribution of terrestrial broadcasting is easiest for the state to manipulate. In a situation when the broadcasting company owned by the state does not define the conditions (price and quality) for accessing terrestrial broadcasting capacities in a transparent way, there is a risk that the capacities will not be distributed based on economic or public interest considerations. Governmental interventions concerning cable operators or the companies offering broadband internet access – realised through regulations or special taxes – also affect content selection.

There are many and diverse stakeholders, processes and interests that are potentially subject to the impact of media policies. One of the most important characteristics of analysing media policies is “a multi-disciplinary and multi-dimensional approach.”<sup>3</sup> The impact of media policies on behaviour and attitudes, and business and programming/content, respectively, can be analysed using the frameworks offered by different disciplines and divergent analytical tools.

- 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.
- Media market processes, starting with changes in ownership structure and the competitiveness of local providers all the way to the relocation of media providers, are shaped by numerous media policy measures. A statistical analysis of data and processes also allows for some conclusions regarding

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3 Papathanassopoulos, S. & Negrine, R.: Approaches to Communications Policy: An Introduction, in *Communications Policy. Theories and Issues*, ed. by Papathanassopoulos S. & Negrine R., Palgrave MacMillan, Basingstoke - New York, 2010, pp. 3-22.

the intentions underlying media policies, even if these processes are shaped by numerous economic factors that are independent of media policy decisions.

- Ultimately, media policy interventions are directed at influencing media content and media selections that reach audiences. Hence the empirical analysis of media content is an important instrument of investigating media policy.
- The audience's opinions regarding press freedom and the way the media system works are also important imprints of the impact of media policy measures. Public opinion surveys measuring these opinions contribute to efforts describing the overall state of press freedom.
- A significant portion of media policy decisions - including the way the media authority operates, and the transparency of public service media funding and state advertising spending - 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. Public policies and strategic documents - insofar as they are available - also hold out the possibility of such type of analyses.

An investigation of soft censorship as an aggregation of media policy measures must therefore be commensurate with the complexity of the phenomenon examined, and this must also manifest itself in terms of the research methods applied. The analysis extends to the entirety of the media market value chain and all stakeholders - especially journalists, media owners, media agencies and the audience - and relies on each and all of the methods outlined above. It includes an analysis of media market processes and the transparency and market impact of funds expended in the media market in the form of state advertising or subsidies - including the funding of public service media. It also extends to the regulatory environment that shapes market processes, as well as journalists' and media owners' attitudes towards these processes. Ultimately, therefore, the analysis provides a comprehensive picture of media policies overall, their instruments, goals and impact.



## CHAPTER TWO

# RESHUFFLING THE MEDIA MARKET

## From non-transparent changes to overt political pressure

After the 2014 elections peculiar changes began to occur within the media policy framework designed during the previous parliamentary term. As of now, it is impossible to assess the precise direction of these changes and their likely impact. While the state is continually engaged in media market interventions to take control of media outlets or rein in unruly media, recently some conflicts emerged between the governing right-wing party and some segments of the pro-government media as well, leading to a fault line that pits leading government politicians and certain aligned outlets against otherwise pro-government media. These new conflicts have some impact on the positions of right-wing media enterprises and have given rise to uncertainties that reverberate through the entire media market.

## Statutory changes

During the current parliamentary term, the governmental intervention in the media market started with the introduction of the advertising tax.<sup>4</sup> The latter entered into effect in July 2014 and imposes a new levy on income from advertising. It extends to electronic, print and online press products, as well as to outdoor and internet advertising. The applicable rate of the special tax rises progressively. Below an advertising income of 0.5 billion HUF (circa 1.6 million EUR<sup>5</sup>), the rate is 0%. Then it rises to 1% for income over 0.5 billion but less than 5 billion. Above five billion, the rate is 10% and increases by another 10% for each additional 5 billion, up to a maximum rate of 40% (50% from 2015), which kicks in at an advertising income of 20 billion or more. The tax is a serious financial and administrative burden on media companies, but the fiscal yield is very modest.

The advertising tax is a state intervention that severely distorts the market, especially the market for television, since it exerts a disproportionate impact on one of the nationally broadcasting commercial channels, market leader RTL Klub. The other leading national commercial TV provider, TV2, has been operating at a loss for years now, and the law allows it to reduce its taxable income by 50% of its losses.

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4 Act XXII on the advertising tax

5 1 EUR is 310 HUF (forints)

RTL Klub, by contrast, which has been continuously profitable, has no such recourse as a result of an amendment that was aimed specifically at pre-empting the very possibility of RTL Klub writing off losses.

As a result of the above, when it had to pay the first advance on its tax obligations in August 2014, RTL Group owed 80% of the state's total revenue from this tax.<sup>6</sup> Preliminary calculations suggest that the international RTL Group will see its profits decline because of the tax, while the Hungarian branch specifically will no longer turn profits. The discriminative character of the tax is further reinforced by that fact that there is no other media company in the Hungarian market whose revenue reaches 20 billion forints and a corresponding advertising tax rate of 40%. A recent amendment of the law for 2015 will raise the top tax rate to 50%. RTL will therefore face an even higher tax burden.

In its current form, the advertising tax is an open intervention in the market competition between RTL Klub and TV2. It weakens RTL Klub's market positions and thereby improves, relatively speaking, the business position of TV2, which was recently taken over by new owners but has been losing money for years.<sup>7</sup> Among the nationally broadcasting commercial channels, RTL Klub has always been more active in terms of reporting on public affairs/political issues, while TV2 has for years been more oriented towards tabloid topics. Following the adoption of the advertising tax this summer, RTL Klub's news shows began featuring even more public affairs news than previously, and criticisms of the government's policies were given substantial space as a share of all news items, as did investigative reports on corruption affairs and other abusive practices involving government politicians.<sup>8</sup>

There was another instance in 2014 when the state intervened harshly in the operations of the media market. Parliament adopted a law that makes it impossible for the two national commercial television channels, RTL Klub and TV2, to ask the cable companies to pay a programme service fee. The two national commercial broadcasters have long been planning to collect fees from cable, satellite and IPTV operators. Thus far RTL Klub and TV2, unlike the other television channels, were available for free since before the digital switchover they were available in all households as terrestrial broadcast channels.<sup>9</sup> In September 2014, Parliament adopted a legal amendment which stipulates that RTL Klub and TV2 must continue to make their broadcasts available to the distribution companies for free until the government works out a pricing formula, which could serve as the basis for the transition of the commercial channels to become fee-based providers.<sup>10</sup>

This intervention could lead to significant loss of revenue for both television channels,<sup>11</sup> and the law does not provide any guarantees that the pricing formula to be set by government decree will give the two channels identical conditions. In such a thoroughly politicised media system it might just as well happen that a previously favoured market player loses its political support, and thereby its market position is compromised, too. In any case, as of early 2015 no official fee formula has been published, so for now it is impossible to ascertain when there will be any sort of new development on this issue.

## A complex web of interests, nontransparent changes

In December 2013, just before Christmas, an official announcement confirmed what had been previously rumoured for months. The German television channel ProSiebenSat1 sold its Hungarian subsidiary, the MTM-SBS Ltd., which owns TV2, Hungary's second largest commercial television channel. Already back in autumn market players claimed to have information about the conclusion of the deal, and the press had also reported on various potential scenarios involving the sale of TV2. What no one anticipated, however, was that MTM-SBS Ltd., which operates TV2, would be bought by the company's own general manager, Zsolt Simon, and its financial director, Yvonne Dederick. Moreover, the deal is based on a rather

6 vg.hu: Reklámadó: több mint egymilliárdot fizetett az RTL [Advertising tax: RTL pays over a billion forints] (8 August 2014) <http://www.vg.hu/vallalatok/reklam-es-media/reklamado-tobb-mint-egymilliardot-fizetett-az-rtl-434115>

7 Urbán, Á: Médiapiaci folyamatok Magyarországon. [Media market processes in Hungary] In: Polyák, G. – Uszkiewicz, E.: Foglyul ejtett média. Médiapolitikai írások. [Captured media: Essays on media policy]. Mérték, 2014. [http://mertek.eu/sites/default/files/files/szeliden\\_foglyul\\_ejteni.pdf](http://mertek.eu/sites/default/files/files/szeliden_foglyul_ejteni.pdf)

8 Több a politikai hír az RTL-en [There are more political news on RTL], (26 June 2014) Kreatív Online [http://www.kreativ.hu/media/cikk/megduplazodott\\_a\\_politikai\\_hirek\\_aranya\\_az\\_rtl\\_en](http://www.kreativ.hu/media/cikk/megduplazodott_a_politikai_hirek_aranya_az_rtl_en)

9 Act CLXXXV of 2010 on Media Services and Mass Media, Article 207

10 Act XXXIX of 2014 on the amendment of certain laws relating to budget planning, as well as the more efficient provision of financial and public utility services

11 TV2's CEO anticipated a revenue of 6-8 billion forints from this fee. See Galambos, M. – Pál, Zs.: Jó időben, jó helyen kell lenni. Interjú a TV2 új tulajdonosaival, Yvonne Dederickkel és Simon Zsolttal [One needs to be in the right place at the right time. Interview with the owners of TV2, Yvonne Dederick and Zsolt Simon], (2014) Forbes n2, 64-68.



peculiar business construct: The buyers received a so-called vendor loan from the seller, in other words ProSiebenSat1 extends a credit to those acquiring TV2, allowing them to pay off the purchasing price later.

Speculations did not cease once the transaction was concluded. Several articles in 2014 dealt with the events at TV2.<sup>12</sup> The articles, as well as the rumours circulating in the profession, showed that nobody knows for sure who is behind the TV corporation, but no one believes that the two executives decided to make this acquisition all on their own. By the end of the year, the most accepted version was that the channel was subject to the growing influence of the government's film commissioner, the producer Andy Vajna, who is also friends with the prime minister.<sup>13</sup>

The murky situation surrounding the sale and acquisition of TV2 is only one of the indications that the pro-government media empire is undergoing significant changes as well. For the wider public, the events are unintelligible, but it is apparent that there are now conflicts between various pro-Fidesz interest groups, and that since the parliamentary election in the spring various pro-government groups have been fighting with one another. As we noted in an earlier *Mertek* report,<sup>14</sup> the Hungarian media market is dominated by investors who are colloquially referred to as "oligarchs", the most prominent of whom are Lajos Simicska, Zsolt Nyerges and Károly Fonyó. These Fidesz-aligned investors have significant stakes in the radio and television markets, as well as the market for outdoor advertising. This seemingly stable situation was upset in the spring of 2014 when Prime Minister Viktor Orbán apparently decided that these businesspersons had too much influence and sought to do all in his power to reduce this influence. Numerous articles in the Hungarian press dealt with the new situation, but it was still a matter of speculation how much the media portfolio known as the "Simicska Empire" would actually suffer as a consequence.<sup>15</sup>

Already at the time when the advertising law was adopted, it was clear that it would have a detrimental effect on the market positions of right-wing media as well. This marked the first occasion when right-wing outlets also criticised the government's media policies.<sup>16</sup> Not long after the adoption of the advertising tax, the editorial offices of the affected right-wing outlets began trimming their staff.<sup>17</sup> These processes mesh with assumptions that the media market is emerging as an important arena in the conflict between clashing groups within the governing parties' sphere of interest.

This impression is further reinforced by the state's intervention in the workings of the media agency market. The significance of this particular market stems from the fact that media agencies decide about the placement of advertisements - on occasion state advertisements - in various media. Through these decisions they exert a direct impact on the given media outlet's revenues; and in Hungary, as we pointed out, the agencies play a decisive role in the skewed distribution of state advertising. Since 2010, almost all the public contracts for placing state advertisements were won by one of three media agencies, and the greatest slice of state advertising was distributed by the Inter Media Group (IMG), which is tied to Lajos Simicska<sup>18</sup> and was previously not a significant player in the media agency market.<sup>19</sup> At the same

12 On the change in the ownership of TV2, see for example Csuday, G.: Itt a kapcsolat a Fidesz és a TV2 eladása között [Here is the link between Fidesz and the sale of TV2] (20 January 2014) <http://vs.hu/kozelet/osszes/itt-a-kapcsolat-a-fidesz-es-a-tv2-eladasa-kozott-0120#!s21> and Rényi, P.D.: Egy kis figyelmesség a főnök fája alá [A little something for the boss under the Christmas tree] (16 January 2014) <http://magyarnarancs.hu/belpol/egy-kis-figyelmesség-a-fonok-faja-ala-88295>

13 M. László, F.: Fordulat az Orbán-Simicska-háborúban: Andy Vajna a TV2-ben [A turn of events in the Orbán-Simicska war. Andy Vajna becomes involved in TV2]. (21 November 2014). [http://hvg.hu/itthon/20141121\\_Fordulat\\_az\\_OrbanSimicska\\_haboruban\\_Andy/](http://hvg.hu/itthon/20141121_Fordulat_az_OrbanSimicska_haboruban_Andy/)

14 Mérték – WAN-IFRA (2013): 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>

15 On the conflict labelled the „Orbán-Simicska war” see for example Rényi, P.D.: Csak egy maradhat talpon, Orbán Viktor vs. Simicska Lajos [Only one will be left standing, Viktor Orbán v. Lajos Simicska] (2014) n 36 Magyar Narancs September 4, 11-14; Spirk, J.: Ki kivel van az Orbán-Simicska-háborúban? [Who's on whose side in the Orbán-Simicska war?] (26 September 2014) Index, available at [http://index.hu/belfold/2014/09/26/ki\\_kivel\\_utkozik\\_az\\_orban-simicska-haboruban/](http://index.hu/belfold/2014/09/26/ki_kivel_utkozik_az_orban-simicska-haboruban/)

16 Csermely, P.: Egy szimbolikus összegről [On a symbolic amount], (3 June 2014) Magyar Nemzet 7; Borókai, G.: Rossz eszköz a reklámadó [The advertising tax is the wrong instrument], (5 June 2014) *Heti Válasz* 7.

17 Bednárík, I.: Leépítés a Magyar Nemzetnél [Downsizing at the Magyar Nemzet] (16 September 2014) *Népszabadság*, available at <http://nol.hu/belfold/leepites-a-magyar-nemzetnel-1486471>

18 Kovács, Á. - M. László, F.: Így lett egyeduralgó a kormány kedvenc ügynöksége: IMG-sztori 2 [How the state's favourite agency become hegemonic: The IMG story, Part 2]. (6 March 2013) [http://hvg.hu/itthon/20130306\\_Simicska\\_IMG-torteneke\\_kozbeszerzesek](http://hvg.hu/itthon/20130306_Simicska_IMG-torteneke_kozbeszerzesek)

19 Mérték – WAN-IFRA (2013): 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>

time, in 2014 the government set up the National Communications Authority,<sup>20</sup> which will coordinate the communications of public bodies funded by the central budget and state institutions, and will process the public contracts associated with these activities and monitor delivery. The centralisation of state advertising spending will further increase the risk of governmental pressure on the media market, and will also make it easier to rearrange the market positions of right-wing media. Media outlets that receive roughly half or more of their income from state advertising find themselves in a vastly exposed position when it comes to such shifts in the media market - this also applies to several rightwing outlets.<sup>21</sup>

## Overt political pressure

The most spectacular scandal in the media market in 2014 was the removal of origo.hu's editor-in-chief from his position at the helm of the online newspaper in early June. It led to a mass resignation of editors and journalists from the newspaper. This event was triggered by an investigative report which looked into a strikingly expensive official foreign trip taken by a cabinet member. The departure of the editor of the market's leading online newspaper was newsworthy in and of itself, but the fact that it followed on the heels of the publication of the aforementioned article immediately led to a flurry of speculation. In the following days, a growing number of reports appeared about the political pressure on origo.hu's editorial staff, which was conveyed through the portal's owner, the incumbent telecommunications company (Magyar Telekom).<sup>22</sup> Many observers conclude that if such a huge company - especially one backed by the German telecommunications giant Deutsche Telekom - cannot withstand political pressure, then smaller Hungarian media owners do not stand a chance.

The departure of the editor-in-chief and large parts of the editorial staff did not mark the end of this story, however. These events were followed by two demonstrations in Budapest, organised to defend press freedom. Then a letter was released publicly in August, in which the former deputy editor-in-chief, András Pethő (the author of the article that triggered the series of events in question) had written to Magyar Telekom's compliance division, complaining about the massive political pressure on the newspaper's editorial staff.<sup>23</sup> There is no publicly available information<sup>24</sup> about the results of the internal investigation, since the company refused to release the relevant documents,<sup>25</sup> but in November the newspaper published a terse statement in which it announced the departure of Magyar Telekom's three top executives, including Miklós Vaszily, the CEO of origo.hu.<sup>26</sup> The affair did not have any political repercussions.

The next time open pressure on editorial offices became the subject of attention was in January 2015. This is when Prime Minister Viktor Orbán announced at a closed meeting that the government's communication strategy would be transformed.<sup>27</sup> In the future, the government would rely on public service media rather than supporting those media outlets that have proved themselves as loyal allies over the years. This also implies that state advertising purchases will be directed to the MTVA, and as the article says the rest "should not count on any significant amounts of state advertising in the coming period, they will have to learn to stand on their own two feet." The fact that the prime minister personally announces

20 The Government's decree 247/2014. (X. 1.) on the National Communications Office and the centralised public procurement systems for governmental communications procurements

21 Mérték (2014): Állami reklámköltés 2008-2012 [State advertising spending, 2008-2012] [http://mertek.eu/sites/default/files/reports/allami\\_reklamkoltes.pdf](http://mertek.eu/sites/default/files/reports/allami_reklamkoltes.pdf)

22 444.hu: Deutsche Telekom, Hungarian government collude to silence independent media (5 June 2014) <http://444.hu/2014/06/05/deutsche-telekom-hungarian-government-collude-to-silence-independent-media/>

23 Magyar. P.: Politikai okokból kellett távoznia az Origo főszerkesztőjének, állítja egykori helyettese [Origo's editor-in-chief was ousted for political reasons] (22 August 2014) <http://444.hu/2014/08/22/politikai-okokbol-kellett-tavoznia-az-origo-foszerkesztojenek-allitja-egykori-helyettese/>

24 Herczeg, M.: A Telekom megvizsgálta, hogy nyomást gyakorolt-e a kormány az Origóra, de az eredményt nem mondja el [Telekom has investigated whether the government exerted pressure on Origo, but it will not divulge the results] (18 December 2014). <http://444.hu/2014/12/18/a-telekom-megvizsgalta-hogy-nyomast-gyakorolt-e-a-kormany-az-origora-de-az-eredmenyt-nem-mondja-el/>

25 444.hu: A Telekom megvizsgálta, hogy nyomást gyakorolt-e a kormány az Origóra, de az eredményt nem mondja el [Telekom has investigated whether the government exerted pressure on Origo, but won't publish the results] (18 December 2014) <http://444.hu/2014/12/18/a-telekom-megvizsgalta-hogy-nyomast-gyakorolt-e-a-kormany-az-origora-de-az-eredmenyt-nem-mondja-el/>

26 origo.hu: Távozott posztjáról az Origo vezérigazgatója [Origo's CEO leaves office] (7 November 2014) <http://www.origo.hu/itthon/20141107-tavozott-a-magyar-telekom-uzletfejlesztesi-vezerigazgato-helyettese.html#>

27 Kósa, A.: Orbán elengedte a kormánypárti sajtó kezét [No more handholding from Orbán for the pro-government media] (15 January 2015) <http://vs.hu/kozelet/osszes/orban-elengedte-a-kormanyparti-sajto-kezet-0115>

the strategy that state institutions will use in their advertising spending, and that he openly acknowledges that political pressure is brought to bear on editorial offices, says everything one needs to know about the situation of the Hungarian media.



## CHAPTER THREE

# INTERVIEWS WITH JOURNALISTS

## A playground for oligarchs and politicians

According to our interviewees,<sup>28</sup> there were fundamental changes in the Hungarian media market in 2014. Those segments of the market that are financially and politically independent, and strive to preserve their professional integrity, have lost ground. The current problems go beyond what we observed in Mertek's previous report,<sup>29</sup> when we described a process of "creeping strangulation". Now we can speak of a sweeping offensive by a political class that is thoroughly intertwined with oligarchs at every level and seeks to crack down on all instances of independent journalism, be the source a mainstream or non-profit media outlet, an online newspaper or a party-affiliated newspaper. This war is being fought with a diverse arsenal, starting with political pressure, forced changes in ownership structure, efforts at financially bleeding out media outlets, all the way to the use of official and legal instruments – we have observed examples of almost everything conceivable.

Ever fewer outlets have the capacity to resist these varied pressures. Among the rare exceptions are a handful of online media outlets that retain a considerable share of the advertising market despite the distortions in the business environment, editorial teams backed by strong and committed owners, or institutions that do not receive their funding from traditional media market sources, primarily those relying on non-profit funding. Our interviewees and the respondents of the public opinion survey we conducted among journalists<sup>30</sup> both confirmed that the situation of press freedom has deteriorated in 2014, and that pressure on the media has intensified, with a concomitant surge in self-censorship.

The aforementioned process has been ongoing at varying degrees of intensity ever since regime transition in the 1990s. Nevertheless, several major and widely publicised cases – often involving journalism – have rendered it obvious to the public that in the past years this process picked up steam after the cur-

<sup>28</sup> In compiling this report, we conducted in-depth interviews with half a dozen media market experts, journalists and media managers, who spoke to us only on the condition of anonymity because of the sensitivity of the issues involved.

<sup>29</sup> Mérték – WAN-IFRA (2013): 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>

<sup>30</sup> Mertek also plans to publish its annual Press Freedom Index at the same time as this report.

rently governing political force won the 2010 election with a constitutional supermajority, and has now matured into a full-fledged assault on independent media.

The main events and trends affecting independent journalism (some of which were mentioned in Chapter Two in the context of market changes) were the following:

Presumably in response to political pressure, the editor-in-chief at one of the largest online newspapers was removed from his position and fired, along with several key editors. The owner of the newspaper is, incidentally, a German-owned telecommunications giant.

Concerted action was taken against the largest national commercial television channel, which the government sought to back into a corner through an advertising tax and other instruments of official intervention. These were complemented by a series of verbal outbursts against the TV channel concerning what the government considers its overly critical reporting.

Several editorial offices that had previously taken a friendly stance towards the government found themselves in a new financial situation with the result that they had to enact previously unthinkable, significant layoffs. Our interviewees have suggested that within the editorial offices in question, the layoffs primarily affected journalists who took a critical attitude towards the owners. According to the respondents, these outlets' recent financial troubles are rooted in the struggle that has erupted between certain oligarchs with a stake in the media business, who found themselves relegated to the sidelines in terms of political influence, on one side, and the leaders of the political party in power and the businessmen recently embraced by the latter on the other.

Using administrative and legal instruments, the government also launched an attack against NGOs which accept foreign support, including the country's largest centre for investigative journalism, which is also a non-profit organisation.

As a result of the abovementioned trends, several journalistic initiatives, which operate outside the mainstream media and rely on a non-profit funding model rather than classic media market financing instruments, have emerged and surged in strength. These envision the future of independent journalism in Hungary based on a reliance on new technological solutions.

## Governmental attacks on western media owners

Several of our interviewees indicated that the most dramatic change in 2014 was that the government, and the main political force behind it, Fidesz, made unequivocally clear that they would not be content with what they have achieved through statutory, legal and administrative changes and market interventions since 2010. As we noted in our previous report, this process was marked by turning public service media into governmental mouthpieces, boosting the positions of media corporations that are friendly to the government with state advertising and other subsidies, and efforts at rendering the financial situation of what the government terms "hostile" editorial offices untenable. The novelty is that this media market expansion, which we had referred to as a "soft" process in our previous report, turned overt and often aggressive in 2014, especially once Fidesz found itself confirmed in office with another two-thirds majority following the parliamentary election in the spring.<sup>31</sup> Another - related - aspect is that this period also saw individual Fidesz interest groups vie with one another for a greater slice of the pro-government media interests.

One important indication of the government's efforts to move against foreign-owned media corporations were its overt actions against one of the country's largest online newspaper, origo.hu, which is incidentally owned by a subsidiary of the German telecom giant Deutsche Telekom.<sup>32</sup> As a result of the government's actions, the editor-in-chief of was ousted, which led in turn to the departure of one Hungary's most prominent investigative journalists and a dozen other staff members of origo.hu.<sup>33</sup> Though the government, the owner and the company's management all denied that the journalists left in protest against political pressure, the affected persons we interviewed on background, coupled with public state-

31 Budapest Beacon: OSCE pronounces Hungarian election free but unfair (8 April 2014) <http://budapestbeacon.com/public-policy/osce-pronounces-hungarian-election-free-but-unfair>. Here is the full report: <http://www.osce.org/odihr/elections/hungary/121098?download=true>

32 Committee to Protect Journalists: Hungary's independent media struggle against economic pressure, intimidation (7 July 2014) <https://cpj.org/blog/2014/07/hungarys-independent-media-struggle-against-econom.php>

33 Columbia Journalism Review: Press crackdown—and pushback—in Hungary (9 June 2014)

ments by the newspaper's former staff members,<sup>34</sup> as well as investigative reports<sup>35</sup> and documents, render it likely that this is how things transpired. Previously, the online newspaper had investigated relentlessly the lavish foreign trip of a senior figure in the government, and in the process it had filed a long series of freedom of information requests and even engaged in legal actions to extract information.<sup>36</sup> "If this can happen here, then anything can happen" - said one of the departing journalists in our interview. The interviewee said that the staff had been stunned at the editorial meeting when the departure of the editor-in-chief was announced, since working for a well-capitalised western owner they had never before imagined that they could become vulnerable to such a political intervention. "This marks a new quality. The government is willing to take on even the strongest media owners to compel changes in content if its interests so demand" - said one media market expert assessing the situation. The Hungarian telecom company that owns the portal argued that the editorial changes were inspired exclusively by business considerations and denied<sup>37</sup> reports claiming that it had undertaken to reshape the editorial staff in the interest of furthering a partnership agreement with the Hungarian state. (In the framework of this agreement, the telecom company committed to investing a billion euros in a digitalisation programme over a period of four years, while the state pledged to complement the investment with a contribution of 80 billion forints - 250 million euros.)<sup>38</sup>

Be that as it may, the key members of the editorial staff unequivocally consider that their owner caved to the will of politicians.<sup>39</sup> (As a former employee of the Magyar Telekom group, one of the investigative reporters who left initiated an internal investigation, which the company concluded in December but has failed to release since.)<sup>40</sup>

Another key media market player that became the subject of a concerted government attack is the Hungarian subsidiary of the European media giant RTL group, RTL Klub, the Hungarian market leader in commercial television. The channel was the subject of open attacks by the government on account of its critical reporting.<sup>41</sup> The targeted deployment of market-distorting mechanisms described in Chapter Two showed that the government is bent on undermining the financial viability of a well-capitalised and profitable channel. "We received unreserved encouragement from the owners to continue our work. They made clear they would back us even if we addressed the most sensitive subjects" - said one of the interviewees, who specifically referred to a situation when the highest level executives of the RTL group visited the editorial offices in person, which indicated the strength of their support. "The government was right in one respect, of course. Previously, when our owners cut their own deals with the government, they had been nowhere near as gutsy. We were given subtle indications about what, whom or how we should not report" - assessed one of our interviewees.<sup>42</sup> Unlike origo.hu, the management of the channel - which finds itself in a difficult spot due to the advertising tax and other economic measures - and the owners behind it decided to take up the fight against governmental pressure. They adopted a genuinely belligerent tone in their statements on the subject.<sup>43</sup> This has placed the journalists who wish to preserve their integrity and feel that it is difficult to remain on the sidelines and neutral in a conflict which has, ultimately, nothing

34 Medium: In Hungary, telling the truth is getting more and more difficult. [https://medium.com/@direkt\\_36/in-hungary-telling-the-truth-is-getting-more-and-more-difficult-heres-our-plan-to-change-that-e8985c8db65a6](https://medium.com/@direkt_36/in-hungary-telling-the-truth-is-getting-more-and-more-difficult-heres-our-plan-to-change-that-e8985c8db65a6)

35 444.hu: Deutsche Telekom, Hungarian government collude to silence independent media (June 5, 2014) <http://444.hu/2014/06/05/deutsche-telekom-hungarian-government-collude-to-silence-independent-media/>

36 Economist: The Lazar-affair (14 June 2014) <http://www.economist.com/news/europe/21604214-freedom-expression-under-threat-lazar-affair>

37 Magyar Telekom denies the speculations published in the press. Company press release (5 June 2014) [http://www.telekom.hu/about\\_us/press\\_room/press\\_releases/2014/june\\_05](http://www.telekom.hu/about_us/press_room/press_releases/2014/june_05)

38 Portfolio.hu: Megtudtuk a Telekom-kormány-megállapodás részleteit [We found out the details about the agreement between the Telekom and the government] (21 February 2014) [http://www.portfolio.hu/vallalatok/megtudtuk\\_a\\_telekom-kormany-megallapodas\\_reszleteit.195680.html](http://www.portfolio.hu/vallalatok/megtudtuk_a_telekom-kormany-megallapodas_reszleteit.195680.html)

39 Medium: In Hungary, telling the truth is getting more and more difficult (6 January 2014) [https://medium.com/@direkt\\_36/in-hungary-telling-the-truth-is-getting-more-and-more-difficult-heres-our-plan-to-change-that-e8985c8db65a6](https://medium.com/@direkt_36/in-hungary-telling-the-truth-is-getting-more-and-more-difficult-heres-our-plan-to-change-that-e8985c8db65a6)

40 444.hu: A Telekom megvizsgálta, hogy nyomást gyakorolt-e a kormány az Origóra, de az eredményt nem mondja el [Telekom has investigated whether the government exerted pressure on Origo, but won't publish the results] (18 December 2014) <http://444.hu/2014/12/18/a-telekom-megvizsgalta-hogy-nyomast-gyakorolt-e-a-kormany-az-origora-de-az-eredmenyt-nem-mondja-el/>

41 Politics.hu: Lázár reportedly accuses RTL of treating Hungary as colony. (20 June 2014) <http://www.politics.hu/20140620/lazar-reportedly-accuses-rtl-of-treating-hungary-as-colony/>

42 MerteK (2011): Self-Censorship in the Hungarian Press. <http://mertek.eu/en/reports/self-censorship-in-the-hungarian-press>

43 Budapest Business Journal: RTL Klub CEO: We'll stay and fight (17 July 2014) [http://www.bbj.hu/politics/rtl-klub-ceo-well-stay-and-fight\\_82490](http://www.bbj.hu/politics/rtl-klub-ceo-well-stay-and-fight_82490)



to do with their actual journalistic work, in a difficult position. “I feel like a war correspondent in this situation. Governmental players are increasingly hostile towards us, which is not ideal. Nevertheless, we do enjoy the fact that the owners have given us a free hand” - said one of our interviewees in describing the professional challenge.

Two foreign-owned corporations, RTL Klub and Origo, were at the centre of governmental attacks in 2014. But the impact of these attacks was felt beyond the outlets in question, in the independent editorial teams backed by potent foreign and Hungarian owners, and/or the editorial team with great integrity. There are increasingly few such editorial offices left. Respondents who worked in such places report growing pressure by advertisers, or political pressure brought to bear through the influence of advertisers.

## War of oligarchs in the party press

The “oligarchisation” of the Hungarian media market did not begin in 2010 but - as we described in detail in our previous report - the process was given new impetus with the entry into power of the Fidesz government that year. One of the new developments last year was that certain businesspersons with strong positions of power and substantial media investments were squeezed out of their positions close to the highest echelons of political power. The Hungarian press began publishing articles about the struggle between the prime minister and the oligarchs who had backed him until now,<sup>44</sup> and the impact of this conflict soon began to make itself felt in the media market as well. Certain pro-government companies, which had hitherto been favoured in the allocation of state advertising, found themselves in a more difficult position, and the owners reacted to the new situation with spectacular layoffs.

Our interviewees who work for right-wing press outlets confirmed the existence of this clash, and they reported facing the immediate consequences of the struggle in their own work as well: “Initially, before the conflict erupted, we were told to exercise caution, to avoid critical pronouncements. Then, when the whole issue broke out in the open, the owners increasingly communicated that we should feel free to use stronger language” - said one of the respondents we talked to in an interview, adding that that the prime minister and his circles show a declining trust even in editorial staffs that have traditionally been close to the government politically. Another source said that it was around the time when the advertising tax was introduced when it became most obvious that right-wing media owners wish to exert pressure on the government through their editorial teams, since the tax marked a significant loss of income for them. “It would have been inconceivable previously that we attack such a tax in the form and intensity we ended up adopting” - said the interviewee. The fact is that the protest against the advertising tax brought a rare level of unity to the Hungarian press, which is normally strictly divided along partisan lines. Some pro-government press outlets and their prominent columnists also took part in the actions to protest the measure.<sup>45</sup>

There were significant layoffs at a major pro-government daily, Magyar Nemzet, which fired dozens of prominent figures who had stuck by the right-wing camp even in the opposition period from 2002-2010.<sup>46</sup> One of those who was let go assessed that the decision had in fact nothing to do with financial considerations, as the newspaper had amassed huge profits in the previous years. “The businessmen behind the paper wanted to use us to send a message to the political sphere: that they mean business and are willing to sacrifice even the most prominent names. Several of us had stood by them even during the hardest of times in opposition.” - said the interviewee, adding that in their internal disputes they were more critical concerning the business expansion of their owners than the rest. According to the interviewee, this might have played a role in the fact they were laid off. One of the journalists who was let go went so far as to say in a blogpost that “I have indeed no place at a newspaper which takes part in an Orbán-Simicska [the prime minister Viktor Orbán and the man who was previously his most important financial operator, Lajos Simicska] conflict. Especially not on the morally unconscionable side. (...) Had they not fired me, I would have had to quit”<sup>47</sup>. In contrast, another interviewee who had worked in the right-wing media argued that there were indeed financial considerations behind this decision, since these were prominent journalists and hence the largest burdens on the payroll. By laying them off, the owners

44 The Budapest Times: Orbán, Simicska cross blades (28 September 2014) <http://budapesttimes.hu/2014/09/28/i-will-crush-them-if-i-have-to/>

45 EUobserver: Hungarian media in mass protest against new tax rules (6 June 2014) <https://euobserver.com/eu-elections/124515>

46 Hungarian Spectrum: House cleaning at Magyar Nemzet (15 September 2014) <https://hungarianspectrum.wordpress.com/2014/09/15/house-cleaning-at-magyar-nemzet/>

47 Matild Torkos, Publice-blog [http://publice.hu/szerintem/2014/10/10/koszonto/?utm\\_source](http://publice.hu/szerintem/2014/10/10/koszonto/?utm_source)



sent the message that they considered content secondary. “When they cease to become important for politics, they will generate profits at a lower level of cost” - said the interviewee.

It also appears that as part of this conflict the government appears bent on strengthening the positions of public media outlets and businesspersons who were less prominent until now, at the expense of previously powerful oligarchs. It was in line with this objective that it moved to centralise the entire state advertising market and establish a public service news channel (see Chapter Six on public media). According to a media expert we talked to, this indicates that “Orbán no longer trusts even his own party press and wants to create a media space around him in which even constructive criticism isn’t welcome”.

## NGOs as “traitors”

A characteristic feature of the new situation of independent journalism in Hungary is that those in power now also aim to undermine NGOs that rely on the support of international organisations and are engaged in journalism and the publication of public interest data. This attack is aimed at civil society broadly understood, against displays of civil courage in general. Hence specific attacks are carried out against NGOs active in the area of protecting freedom of speech and civil rights in general, against the “infrastructure” which undergirds pluralism in the public sphere. Indirectly, these attacks affect press freedom in general. One of the characteristics of the recent period is thus precisely that in response to the increasingly distorted media market in Hungary, a non-profit media sector has emerged, which operates based on alternative models of financing.<sup>48</sup>

In a speech that received considerable attention in public discourse, the prime minister shed light on the fact that this action is part of a broader political strategy. In his remarks delivered in the summer of 2014 to a mostly ethnic Hungarian audience in Romania, Viktor Orbán said his government is engaged in constructing an illiberal state similar to the Russian and Turkish models.<sup>49</sup> Though he claimed this would not involve a liquidation of liberal civil rights, it would subordinate them to the national interest. It was in this context that he mentioned NGOs which receive support from abroad, whom he considers the agents of foreign powers because they accept such support. They are, thus Orbán, “paid political” activists serving interests that are alien to the Hungarian national interests. Politics needs to monitor their activities at closed quarters, he said. In the weeks preceding the speech, the police raided several NGOs involved in the distribution of grants allocated by the Norway NGO Fund, which is based on an agreement between the Norwegian government, the EU and the Hungarian government.<sup>50</sup> According to the Hungarian government, there had been abuses in the distribution of money from the Fund, which justified official interventions. Yet those affected, including the Norwegian government, unequivocally felt that there were political motivations behind the raids and the related police investigations.<sup>51</sup> Tamás Bodoky, editor-in-chief of the investigative reporting portal *Atlatszo.hu*<sup>52</sup> (which works as a non-profit), referred to the government’s actions as an instance of Putinism. “Gradually, the media backed by civil society are emerging as the sole remaining independent source of information in this country” – said Bodoky in an article. In Bodoky’s view, this explains why the government chose this form of intervention.<sup>53</sup>

One of our interviewees, who works for a right-wing media outlet, argues that the goal of taking action against the media backed by civil society is not necessarily to destroy them financially, but rather to discredit them. “If they can successfully make a majority of Hungarians believe that the activities of the [civil media] are politically motivated, then they will have realised their goal: namely making an audience that is already inclined to think of the press in partisan terms regard these organisations as part of the opposition, or worse, as the enemies of the nation” – said the interviewee.

48 Committee to Protect Journalists: Amid government crackdown, Hungary’s journalists look for new ways to work (9 October 2014) <https://cpj.org/blog/2014/10/amid-government-crackdown-hungarys-journalists-look-for-new-ways-to-work/>

49 Bloomberg: Orban Says He Seeks to End Liberal Democracy in Hungary (28 July 2014) <http://www.bloomberg.com/news/2014-07-28/orban-says-he-seeks-to-end-liberal-democracy-in-hungary.html>

50 Reuters: Hungary raids NGOs, accuses Norway of political meddling (2 June 2014) <http://uk.reuters.com/article/2014/06/02/uk-hungary-norway-funding-ngo-idUKKBN0ED1RK20140602>

51 Norway concerned for civil society in Hungary, press release (6 June 2014) <http://www.norvegia.hu/Norsk/EEA-and-Norway-Grants/EEA-and-Norway-Grants/Norway-concerned-for-civil-society-in-Hungary-/#.U7q88PldVGk>

52 The author of this chapter, Attila Mong, is a journalist, currently deputy editor-in-chief of *Atlatszo.hu*, and also served as an editor with *Origo.hu*, two outlets mentioned in the chapter.

53 Committee to Protect Journalists: Hungary’s independent media struggle against economic pressure, intimidation (7 July 2014) <https://cpj.org/blog/2014/07/hungarys-independent-media-struggle-against-economic-pressure-intimidation/>

## Growing self-censorship

As a result of these processes, respondents working in the Hungarian media report growing political and business pressure, and - as a consequence - self-censorship.

In an interview, Péter Uj, the former editor-in-chief of one of Hungary's largest internet portals, Index.hu, and current editor-in-chief of 444.hu online newspaper, said outright that the currently prevailing climate is reminiscent of the 1970s, an era that is generally referred to as one of the softer periods of the communist dictatorship.<sup>54</sup> Just as back then, those in power no longer use violent dictatorial means to restrain the press. And just as then, independent journalism in Hungary is facing a more complex threat than the one often discussed in an overly simplified manner in public. "There are self-censorship reflexes kicking in which the agitprop division in the seventies would be jealous of" - he said in the interview, adding that in all areas one can observe the end of market mechanisms, the takeover of crony capitalism, and the headway of persons affiliated with the politically influenced segments of the economy. In the meanwhile, "the market as such has almost completely disappeared [in the media], in practice the vast majority of funds is moved by politics. Not only direct state expenditures, but also money spent by countless companies friendly with the government, and one must also add as part of the third line the expenses of companies that join the fray in the hopes of some minor material benefits, concessions, strategic partnerships or whatever else."

Research regularly conducted based on a commission by Mertek also shows that the situation of press freedom has deteriorated in Hungary.

For three years now we have conducted research<sup>55</sup> on how journalists experience the state of press freedom in Hungary.<sup>56</sup> Since the first survey in 2012, journalists have tended to give the effective level of press freedom continuously deteriorates each year. By 2014, they gave it a grade of barely over 4 (an average of 4.14) on a scale of 1-10. Two years prior, the average score had stood at 4.8. Already in 2013, 48% of respondents assessed that the intensity of political pressure was constraining press freedom, and by 2014 this value had risen to 58%. The same deteriorating tendency is manifest in the fact that the ratio of journalists who assess that their workplace and editorial staff depend to a significant extent on politics has increased from 22% to 31% of respondents. The impact of business pressures has grown as well: The share of respondents who felt that this type of pressure is significant enough to constrain press freedom rose from 33% to 48%.

One indication of how strong pressure has become is that 52% of journalists have personally experienced instances of political pressure in the course of their work, and the same proportion admitted having such experience with economic pressure. These tend to manifest themselves in requests to conceal certain issues or names, or to compile their reports in a way that fails to properly reflect reality. At 80%, there was a very high ratio of respondents who have not personally experienced such pressure but knew of close collaborators who did. Pressure was most likely to be transmitted by politicians or journalists' own editor-in-chief, and in some cases it came directly from the advertiser.

In light of the above it is not surprising that the share of those who report self-censorship is high: 30% of respondents said that they had concealed or distorted some facts during the past year to avoid adverse consequence in their workplace. Some 36% also said they felt compelled to refuse an editor or editor-in-chief's instruction to conceal or distort facts.

Interesting changes have also appeared in the perceptions media managers, who had hitherto tended to view the situation considerably more optimistically than journalists and were less concerned about the prevailing levels of political or economic pressure. The most recent data once again show that, in terms of their average values, this group is not "concerned". Media managers assess the levels of press freedom considerably more favourably than journalists, giving it an average score of almost 6 (5.96) points on a scale of 1-10. Only a small proportion, 26%, report strong political or economic pressure. Yet if we only look at the group that has actually encountered political pressure, then the picture is strikingly different. This is crucial because in reality pressure in the Hungarian media tends to focus on a limited range of players who are decisive in terms of influencing public opinion. This is why it is interesting that the relatively high share (45%) of media managers who indicated being personally subject to attempts at political

54 Uj P.: "Üdv a hetvenes években" [Welcome to the seventies], Médiapiac (4 December 2014) <https://www.mediapiac.com/mediapiac/Uj-Peter-udv-a-hetvenes-evekben/112081>

55 The survey of journalists and media managers cited here was not conducted using a representative sample of journalists, but we sought to talk to as broad a range of respondents as was possible for both surveys.

56 Further research is available on Mertek's website [in Hungarian]: <http://mertek.eu/jelentesek>

or economic pressure gave the level of press freedom a score of barely 5 - a value that is considerably closer to the assessment of journalists.

According to media managers, political pressure was most often directed at the concealment of certain issues. A fifth of all respondents in this category had encountered such requests in the course of their work. Twelve percent of respondents said that they had been asked to report certain issues by distorting the facts, while 8% indicated that the pressure took the form of asking them to avoid mentioning certain names or companies.



## CHAPTER FOUR

# CHANGES IN STATE ADVERTISING SPENDING

## Concentration and political influence

Mertek Media Monitor's study summarised the role and characteristic features of state advertising spending based on data from 2006 to August 2014.<sup>57</sup> The objective of the research project was to explore what impact the state sector (including public institutions and state-owned companies) had on the advertising market, in how far the structure of state advertising expenditures has changed over time, and if there was any discernible rise in the concentration of state advertising spending.

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 reliable 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, the way this estimated spending is distributed among individual media outlets is very relevant, as is where individual advertisers place their ads. The analysis is therefore not based on specific forint amounts but on market shares and percentage distributions.

The goal of this writing is not to question the advertising strategies of any particular advertiser, or to sketch some sort of alternative media planning strategy. Advertisers, be they commercial or state advertisers, normally decide where they place their ads based on rational criteria, that is they select the media outlet they find most optimal for conveying their message. Only the advertiser knows whom it wants to reach with its communication message. It is impossible to tell merely by analysing advertising expenditures whether the funds devoted to a campaign were efficiently spent or not.

The goal of this analysis is to shed light on general trends in state advertising spending. For one, it seeks to explore the concentrations of spending, and at the same time it wishes to ascertain whether advertising space or airtime are identifiably associated with a political side or not. An ideological affiliation

<sup>57</sup> We obtained data regarding 2013 and 2014 from a joint project by K-Monitor Association (an anti-corruption NGO) and the Norway NGO Fund entitled Adatozz okosan! (Be smart with data!).

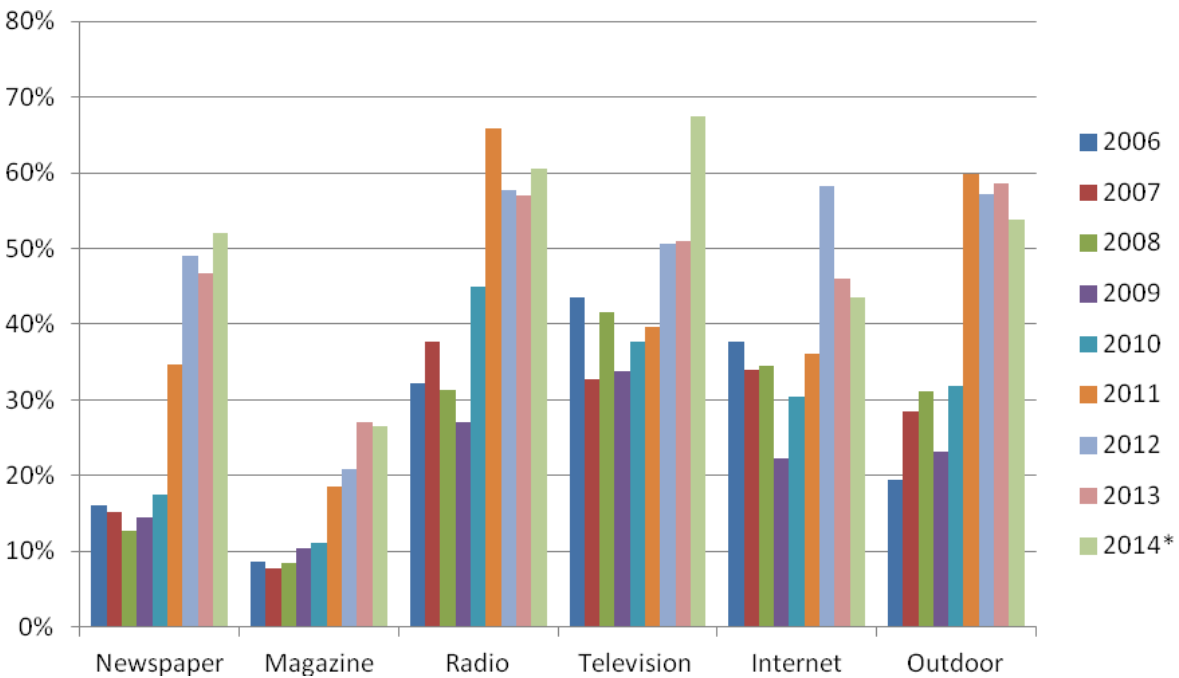
may manifest itself either in ownership structures or editorial principles that are prominently known to hew to one party or another.

The Kantar Media database does not contain all media outlets, and this needs to be kept in mind when analysing the data. Thus for example two TV stations, Hír TV and ATV, which are - as news channels - very active in political reporting, are missing, as is a prominent player in outdoor advertising, Mahir. In our analysis we considered individual media brands (that is newspapers, channels or other outlets) rather than their publishers as our units of analysis. If the publisher were the unit of analysis, then in many sectors the levels of concentration would be much higher than in the current brand-based approach.

## Growth in the concentrations of advertising spending

It is readily apparent from the concentration of state advertising spending that there have been substantial shifts over the past years. In all six sectors (dailies, magazines, radio, television, internet, outdoor advertising), the main beneficiaries of state advertising have claimed a greater share of state advertising spending in 2014 than in 2006. In most cases there were of course also changes in terms of what brands benefited most from state advertising spending, but even more important is the development that the major beneficiaries in each sector took an increasingly greater share of state advertising after the change in government in 2010 - in other words the winners turned into “great winners”.

↘ Figure 1: The share of the main beneficiaries of state advertising spending in each sector, 2006-2014



Source: Edited by the author based on data from Kantar Media

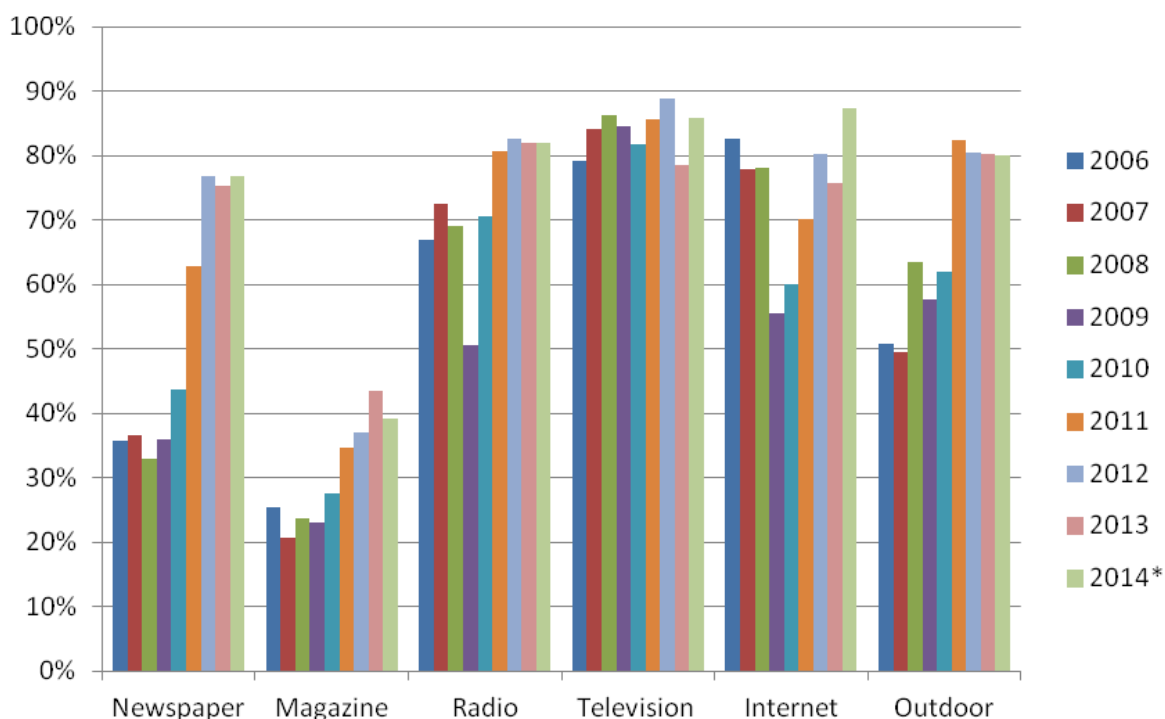
\* Until August 2014

In the markets for daily newspapers, magazines, radio and outdoor advertising, it is readily apparent that after 2010 the major beneficiaries received a much greater share of state advertising spending in their respective sectors than previously. In the case of television, this surge became palpable in 2014, and it was probably not at all independent of the fact that TV2 was purchased by a Hungarian owner - in fact

by investors with some proximity to the government.<sup>58</sup> The internet is the only sector where there is no obvious trend; in that sector the concentration of state advertising spending peaked back in 2012.

We get a similar picture if we not only look at the main beneficiaries but also at the share of the three main players (C3 concentration ratio). This reveals that in the period from 2010-2014, concentrations of advertising spending surged in all sectors: with the exception of magazines, they are close to or exceed 80%. This clearly indicates that there are main beneficiaries to which state funds flow, and apart from these the main market players have to make do with comparably small amounts.

↓ *Figure 2: The aggregate share of the three main beneficiaries of state advertising spending in each sector, 2006-2014*



Source: Edited by the author based on data from Kantar Media

\* Until August 2014

It emerges from the data on both, the single greatest beneficiary and the share of the three greatest beneficiaries, that after 2010 the concentration of state advertising spending has visibly grown. This is an important development, for it allows the state to influence individual companies' competitive positions. In the case of media brands that the state visibly spurns as compared to previous periods, the loss of revenue obviously causes serious problems, especially considering that the commercial advertising market has also failed to expand in these years. At the same time, the media brands that have emerged as the main beneficiaries of state advertising have realised significant revenue from this source, which might balance declining revenues from the commercial advertising market.

## The major state advertisers

During the first eight months of 2014 the Hungarian National Bank (Magyar Nemzeti Bank, MNB) was the most significant state advertiser, while the state-owned lottery company, Szerencsejáték Zrt., which is traditionally the first in advertising spending among public institutions, was relegated to second place. This is obviously connected to the MNB's changed conception of its own role. Its previous two-tier banking system logic has changed somewhat on account of the fact that the MNB launched a growth pro-

<sup>58</sup> Itt a kapcsolat a Fidesz és a TV2 eladása között [There is the link between the sale of TV2 and Fidesz]. <http://vs.hu/kozelet/osszes/itt-a-kapcsolat-a-fidesz-es-a-tv2-eladasa-kozott-0120>

gramme based on credits extended to small and medium-sized enterprises and actively sought to communicate this in the media. Given that the MNB has already announced that it wishes to become active in areas outside the scope of its mandate (e.g. higher education for economists), the National Bank’s advertising activities will probably continue to remain significant.

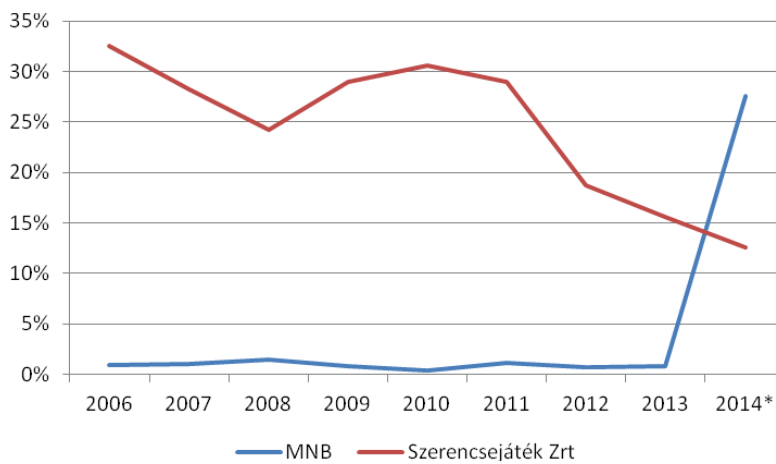
↓ Table 1: The ten greatest state advertisers, January-August 2014

	Advertisers	Share of state advertising spending in %	Cumulative %
1.	Hungarian National Bank (Magyar Nemzeti Bank)	27.5%	27.5%
2.	National Lottery (Szerencsejáték Zrt.)	12.6%	40.1%
3.	Government Debt Management Agency (Államadósságkezelő Központ)	8.8%	48.9%
4.	Prime Minister’s Office (Miniszterelnöki Hivatal)	7.1%	56.0%
5.	Hungarian Postal Services (Magyar Posta)	4.3%	60.3%
6.	National Employment Office (Nemzeti Foglalkoztatási Hivatal)	3.5%	63.7%
7.	Hungarian National Foundation for Recreation (Magyar Nemzeti Üdülési Alapítvány)	3.1%	66.8%
8.	National Police (Országos Rendőrfőkapitányság)	2.4%	69.3%
9.	Geological and Geophysical Institute of Hungary (Magyar Földtani Geofizikai Intézet)	2.3%	71.6%
10.	Hungarian National Tourist Office (Magyar Turizmus Zrt.)	1.9%	73.5%

Source: Kantar Media

In total, 131 state institutions advertised in this period, and at list price the total value of the advertising they purchased amounted to 21.5 billion forints (ca. 67.1 million euros) (it is important to stress again that media outlets tend to offer significant discounts from list prices, in other words this amount does not reflect actual spending). As is obvious from the table, the ten greatest state advertisers account for 73.5% of spending.

↓ Figure 3: The share of the Hungarian National Bank (MNB) and the National Lottery (Szerencsejáték Zrt) in total state advertising expenditure, 2006-2014



Source: Edited by the author based on data from Kantar Media  
 \* Until August 2014

Figure 3 shows how Szerencsejáték Zrt, which was for years the single greatest state advertiser, lost its top spot as in the light of data from the first eight months of 2014 MNB became the most significant state spender.



# The main beneficiaries

Based on data from 2014, TV2 was unequivocally the most important beneficiary, receiving over a fourth of total state advertising spending.

↴ Table 2: The ten media brands that benefit most from state advertising spending, January-August 2014

	Media brand	Operator/publisher	Type of media	State advertising spending based on list prices (,000 forints)	State advertising spending based on list prices (%)	The share of revenue from state advertising spending as a percentage of total advertising revenue
1	TV2	MTM-SBS/TV2 Kft.	Television	5,962,697	27.7%	8.3%
2	Publiment	Publiment Kft.	Outdoor	2,625,986	12.2%	34.6%
3	Metropol	MTG Metro Gratis Kft.	Daily	1,753,375	8.1%	34.5%
4	Class FM	Advenio Zrt.	Radio	1,397,497	6.5%	15.2%
5	RTL Klub	RTL KLUB	Television	944,388	4.4%	2.1%
6	JCDecaux BB	JCDecaux	Outdoor	698,828	3.2%	12.0%
7	M1	Magyar Televízió	Television	674,943	3.1%	4.2%
8	Magyar Nemzet	Nemzet Lap-és Könyvkiadói Kft.	Daily	666,179	3.1%	44.3%
9	Origo-Adnetwork Portfólió	Origo Adhouse	Internet	597,876	2.8%	13.1%
10	EURO AWK	EURO AWK	Outdoor advertising	574,026	2.7%	27.7%

Source: Kantar Media

TV2 is followed by well-known brands often mentioned in the past years as major beneficiaries of state advertising spending; by virtue of their ownership structures these companies are obviously part of the Fidesz-affiliated media empire. Typically, these tend to be media outlets that are indeed capable of reaching wider audiences, for no matter how complex the calculus of interests underlying the state’s advertising spending strategy, it is important for the client that the message reach the widest public possible.

It may be surprising that the commercial television channel with the most critical attitude (as shown in the previous chapters of this report) towards the government, RTL Klub, occupies a pre-eminent position on the list (5), but one must also consider that for that particular channel revenue from state advertising is only a very minor share (2.1%) of total advertising income. In the case of other media brands, not only is the absolute volume of state advertising very high, but so is the share of state advertising as a percentage of total advertising revenue.

In light of the fact that 2014 was full of reports about the Orbán-Simicska wars and the shift in power among government-aligned oligarchs (for details, see Chapter Two), it is easily conceivable that the structure of state advertising spending will change considerably in the coming years. Seen from this angle, 2014 may well qualify as a transitional period - it is conceivable that this will be the year when the previously established beneficiaries (e.g. Publiment, Metropol, Class FM, Magyar Nemzet) and the new winners (of these, for now TV2’s position is most obvious) will appear jointly on the list.

↓ Table 3: The media brands with the greatest share of state advertising as a percentage of their total advertising revenue, January-August 2014

	Media brand	Operator/publisher	Type of media	State advertising spending based on list prices (,000 forints)	Advertising spending based on list prices	The share of revenue from state advertising spending as a percentage of total advertising revenue
1	Dörmögő Dömötör	Drize Kiadói Kft.	Magazine	480	0.0%	66.3%
2	EURO AWK Citylight	EURO AWK	Outdoor advertising	50,748	0.2%	51.6%
3	Publiment City Light	Publiment Kft.	Outdoor advertising	486,447	2.3%	47.3%
4	Magyar Konyha	Magyar Konyha Kiadó Kft.	Magazine	40,755	0.2%	46.9%
5	Magyar Nemzet	Nemzet Lap-és Könyvkiadói Kft.	Daily	666,179	3.1%	44.3%
6	Heti Válasz	Heti Válasz Lap- és Könyvkiadó	Magazine	202,594	0.9%	42.0%
7	Magyar Hírlap	Magyar Hírlap Kiadói Kft.	Daily	161,767	0.8%	41.9%
8	Napi Gazdaság	Napi Gazdaság Kiadó	Daily	115,158	0.5%	37.1%
9	Publiment	Publiment Kft.	Outdoor advertising	2,625,986	12.2%	34.6%
10	Metropol	MTG Metro Gratis Kft.	Daily	1,753,375	8.1%	34.5%

Source: Kantar Media

Table 3 contains only those media brands in whose revenue streams state advertising plays a key role, for arguably these are the ones that would have difficulty remaining financially viable if they had to depend exclusively on commercial advertising revenue. Surprisingly, the children’s magazine Dörmögő Dömötör tops the list, but as is apparent from the ranking of revenues in terms of absolute amounts, it attained this high share based on a negligible amount of actual advertising revenue. All the other brands on this list are well-known players and without fail owned by investors with close ties to Fidesz. Least known of these is probably the ownership background of the gastronomy magazine Magyar Konyha (Hungarian Cuisine), but in a blogpost published earlier Mertek had already pointed out<sup>59</sup> that the majority owner of the publisher is the same as that of the prominent pro-Fidesz weekly Heti Válasz, and its CEO is Gábor Borókai, the owner/editor of Heti Válasz and previously the spokesman of the first Orbán government. A special oddity in this context is that the Ministry of Foreign Affairs was Magyar Konyha’s main state advertiser in the period under investigation.

On the list we also find media outlets whose whole income derives from state advertising (outdoor advertisers and the freely distributed newspaper Metropol), and these are of course quite vulnerable to the vagaries of the commercial advertising market. In the case of media brands where a significant portion of income stems directly from consumers (paid newspapers), the dependence on state advertising is less pronounced, even though its share in terms of total revenue is fairly high.

59 Felcsútra tart az állami hirdetés [State advertising is flowing to Felcsút (Orbán’s home village)]. 19 July 2013. <http://mertek.hvg.hu/2013/07/19/felcsutra-tart-az-allami-hirdetes/>

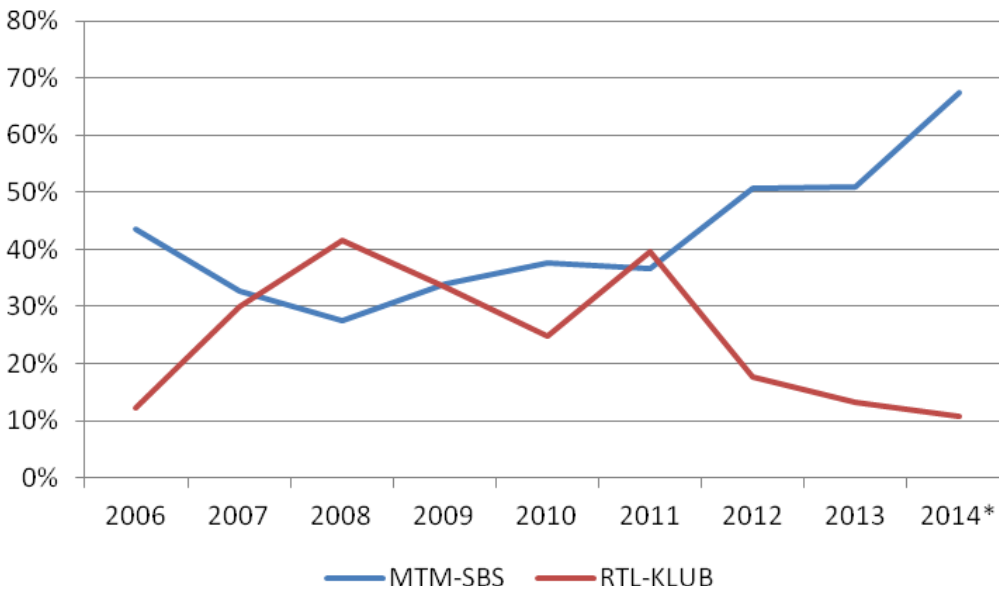
↓ Table 4: The media brands that were the greatest beneficiaries of state advertising spending in individual media sectors, January-August 2014

Type of media	Media brand	Operator/publisher	Share of total state advertising in the sector	Share of revenue from state advertising spending as a percentage of total advertising revenue
Daily	Metropol	MTG Metro Gratis Kft.	52.1%	34.5%
Magazine	Heti Válasz	Heti Válasz Lap -és Könyvkiadó	26.5%	42.0%
Radio	Class FM	Advenio Zrt	60.5%	15.2%
Television	TV2	MTM-SBS / TV2 Kft.	67.4%	8.3%
Internet	Origo-Adnetwork Portfólió	Origo Adhouse	43.6%	13.1%
Outdoor advertising	Publimont	Publimont Kft.	53.9%	34.6%

Source: Kantar Media

The main beneficiaries in the daily newspaper, magazine, radio and outdoor advertising markets have been the same for years now (Metropol, Heti Válasz, Class FM, Publimont, respectively). In the case of online media , the process has been less obvious, while in the television sector the announcement of changes in the ownership structure of TV2 also resulted in previously unseen levels in the flow of state advertising.

↓ Figure 4: The respective shares of RTL Klub and TV2 (MTM-SBS) in the state’s advertising spending in the television sector, 2006-2014



Source: Edited by the author based on data from Kantar Media

\* Until August 2014

Figure 4 shows how TV2’s share of state advertising spending in television has grown in recent years, and how RTL Klub’s share has dropped in parallel. It is crucial to add that for RTL Klub, the declining trend is limited to state advertising spending: In terms of annual revenue and in terms of ratings, RTL Klub continues to remain the market leader.

Similarly to previous analyses, it is still apparent that state advertising spending is inordinately concentrated, that the players who tend to benefit most from the advertising decisions of state institutions are easily identifiable. Even if we were to forget for a moment about the obvious political motivations,

the market-distorting effects would still be damaging in and of themselves: It is readily apparent that in the case of certain major media brands, which play an important role in informing citizens, income from state spending can exceed 30-40% of total revenue in advertising plans. It is obvious that there is a very high level of dependence on the state in these cases, since if state spending were to disappear, then the operations of the given outlets would not be sustainable at their current levels. It is easy to see that under such conditions the media's watchdog function, its mission to act as a check on political power, cannot work properly, for the state has an efficient instrument for exerting pressure on media companies.

But the situation is made worse by the fact that among the main beneficiaries of state advertising there are media brands whose owners are well-known for nurturing close ties to the governing party. The share of foreign ownership in the Hungarian media system has declined over the past years, several international media companies have left the country, while the role of owners who are either political investors close to Fidesz or difficult-to-identify investors has surged. For the time being, the long-term impact of this development is not obvious, yet it is hardly likely to increase pluralism and diversity in the media.





## CHAPTER FIVE

# THE MEDIA COUNCIL'S FREQUENCY TENDER PRACTICES (JANUARY 2014 – OCTOBER 2014)

## Reshaping the radio market

Mertek Media Monitor has been examining and analysing the media authority's frequency tender practices since 2011.<sup>60</sup> Based on the calls for tenders, decisions and other documents published on the authority's website, Mertek records the most important features of the Media Council's activities and assesses the direct and indirect impact of the tender processes on the media market. Our analysis is primarily aimed at investigating in how far the media selection that results from the authority's frequency distribution is capable of ensuring media pluralism and diverse information, and in how far prevailing tender practices mesh with the requirement of efficiently managing the state's frequency resources. We also analyse the media authority's key decisions concerning the distribution of frequencies and the amendment of licenses, in other words the decisions that most impact the structure of the media market. Our analysis primarily concerns processes in the radio market, since as a result of the digital switchover individual tenders for terrestrial television have ceased.

60 Mertek (2012): Médiatanács frekvenciapályáztatási gyakorlata [The Media Council's frequency tender practices] <http://mertek.eu/jelentesek/a-medianacs-frekvencia-palyztatasi-gyakorlata>  
Mertek (2013): A Médiatanács frekvenciapályáztatási gyakorlata [The Media Council's frequency tender practices] <http://mertek.eu/jelentesek/a-medianacs-frekvenciapalyztatasi-gyakorlata-2-jelentes>  
Mertek (2013): Mária országa, a Médiatanács újírja a rádiós piacot [The land of Maria, the Media Council is rewriting the radio market] <http://mertek.eu/jelentesek/maria-orszaga-a-medianacs-ujirja-a-radios-piacot>  
Nagy, K. (2014): A Médiatanács frekvenciapályáztatási gyakorlata 2010-2013 [The Media Council's frequency tender practices, 2012-2013] in: Foglyul ejtett média [Captive media] (eds: Gábor Polyák - Erik Uszkiewicz) Gondolat, Budapest.

# The legal framework for frequency distribution activities<sup>61</sup>

The new media regulation system that entered into effect in early 2011 did not fundamentally transform the previous regulatory framework which had been effective since 1996. Nor did the method of frequency distribution change: The distribution of broadcasting capacities continues to remain part of the media authority's competencies. The authority can authorise the use of radio frequencies for a maximum period of seven years, which may be extended by another five years assuming that the conditions set out in law have been met.

The partial amendment of tender regulations has resulted in changes to the authority's practice as compared to the previous period. For one, with the introduction of the rules of administrative procedure, the tender process is now embedded in a more formal framework. At the same time, as the media authority enjoys a greater level of subjective latitude, the potential scope of state intervention has also increased substantially. Coupled with the political one-sidedness of the media authority's composition, this new regulatory framework provides substantially greater potential than previously for the direct assertion of governmental media policy objectives.

## The main characteristics of the media authority's tender practices between 2010-2013

### The fundamental transformation of the radio market

An examination of the media authority's work over the past three years shows unequivocally that as a result of the authority's tender practices, the previous market structure was substantially transformed. The fact that the introduction of new media regulations mostly coincided with the period when the renewal of tenders affecting large segments of the radio market were issued also played a crucial role in the radical transformation of the radio market. The licenses of the radio stations that had entered the market at the end of the 90s expired between 2010 and 2012, which necessitated frequency management and media policy decisions regarding the reassignment of frequencies.

Before issuing the new tenders, the media authority failed to release a frequency management plan outlining the media policy guidelines governing its decisions, and thus neither market players nor the affected professional public or the wider general public had the chance to learn about the media policy objectives that the authority sought to follow in the process of issuing new tenders for frequencies already in use. Hence analysts could only glean information about the media authority's policy objectives by way of interpretation based on the tender notices, the tender results, and in certain cases the lack of a tender. The analyses of the past three years have shown unequivocally that the goal of the media authority is to completely restructure the radio market.

In issuing new tenders for expired licenses, the Media Council expressly failed to consider the existing market structure. All frequencies were issued as independent licenses, even if they had previously operated as part of a larger radio network. In light of the tenders, it is obviously apparent that the tender methodology used has expanded the Media Council's already extensive latitude and has facilitated the comprehensive rearrangement of prevailing market structures.

The Media Council's frequency tender activities have constrained market competition, increased market concentration, and both the number and significance of local radio stations - which had previously played a crucial role in local public spheres - have diminished.

### Monopoly in the national commercial radio market

New tenders for licenses to operate the two national commercial radio stations at the time had been issued by the previous media authority in 2009. Back then, the authority decided to give new market players a chance to enter the market and replace the existing operators of the stations that had used the frequencies in question. The results of the tender process at the time, which had been subject to direct

61 The detailed study reviewing the changes in the legal environment: Polyák, G. – Nagy, K. (2014): A médiatörvények kontextusa, rendelkezései és gyakorlata [The context of the media laws, their provisions and application] JURA, 20. No. 2.



party political influence, were intensely criticised, and the president of the authority resigned his position in protest, while the players who had been effectively crowded out of the market filed a suit in court. The unrealistic undertakings of the new players in their tender applications, coupled with the shifts in the political/business climate following the change in government in 2010, resulted in one of the two stations (Neo FM) going bankrupt in 2012, and the media authority revoked its license. Yet the authority did not issue a new tender for the license to operate a national commercial radio, but instead used the licenses to expand the coverage area of public radio stations. This decision marked the end of any competition in the market for national commercial radios, and since November 2012 Class FM has been the sole nationally broadcasting commercial radio station.

## Previously major market players lose ground while preferred players receive support in their expansion

As a result of the transformations in the media market, stations that had previously operated successfully in the market disappeared either completely or partially. The biggest loser of the Media Council's tenders is Rádió 1, which moved from being a successful national network to becoming a local radio station. The radio that had previously operated the network went out of business. The operations of Juventus Rádió, a major Hungarian music radio, also narrowed considerably, and the owners sold the station in autumn 2013. As a result of the Media Council's actions, the talk radio Klubrádió, which is critical of the government, also lost its network (although not its license for Budapest).

In parallel with this process, new players began gaining in strength owing to the media authority's tender practices. Among the preferred players is Lánchíd Rádió, a station whose ownership structure is identical to Class FM, the national commercial station that is part of the rightwing media empire. Lánchíd Rádió saw its coverage area expand by thirteen frequencies. Four religious stations should also be mentioned: Magyar Katolikus Rádió (Hungarian Catholic Radio), Szent István Rádió, Európa Rádió, which is associated with the Reformed churches, and Mária Rádió, another Catholic station. As a result of tenders, Katolikus Rádió has sixteen new frequencies, Szent István Rádió has seven, while Mária Rádió won eight. Using these local frequencies - which they won as individual applicants - these stations will avail themselves of an opportunity specified in the call for tenders and either commit themselves to broadcasting centrally produced content or have already pledged to do so in subsequent amendments of their agreements with the Media Council. Hence their broadcasts will not serve local public discourse but the dissemination of homogeneous centrally-produced shows.

## Strong preference for religious programming

Religious stations won 30% of tenders that resulted in successful frequency assignments. One consequence of their success is that in several coverage areas there will be municipalities where only a religious radio station will be available - apart from national radios, that is. In many other instances there will be one additional, commercial, station available locally. The prevailing level of religious activity in Hungary, that is the public's level of engagement in the activities of various religious denominations, does not tend to underline the need for such a vast expansion of religious programming. According to the most recent census data (2011), there has been a massive decline in the number of those who profess to be religious since the last census took place a decade ago.<sup>62</sup> The results of these tenders clearly point to political considerations: Decision-makers wanted religious programmes to have a vastly expanded reach in the local radio market, and rather than having local media convey local contents on local frequencies, they wish for centrally broadcasted religious programming to be disseminated across vast coverage areas. This is such a major media policy intervention that it cannot be regarded as legitimate in the absence of public planning, debate and assessment.

62 Census 2011 [http://www.ksh.hu/docs/hun/xftp/idoszaki/nepsz2011/nepsz\\_10\\_2011.pdf](http://www.ksh.hu/docs/hun/xftp/idoszaki/nepsz2011/nepsz_10_2011.pdf)

## Growing concentration, few new players in the local market

In the new tenders for existing frequencies a mere third of previously active market players retained their previous levels of market penetration. This indicates that the earlier structure of the radio market - which had also been subject to controversy - has been completely reshaped. Yet this transformation did not result in the market entry of a substantial number of new players. Instead, the authority's tender practices ended up boosting the expansion of certain stations that had already been active in the Hungarian radio market. The decline in the selection of available programming has at the same time clearly resulted in a constriction of local public spheres and has increased levels of market concentration.

## Reduced diversity in the local public sphere

While previously competitive selections of radio programmes were typical of individual local markets - a situation that was fraught with its own conflicts - today most municipalities lack genuinely local stations, while the national frequencies only feature the programmes of those market players who have managed to expand their reach in recent years.

## Narrowing competition, market mechanisms in decline

The prevailing frequency distribution practices, which have resulted in reducing the number of market players, and the process of market concentration they engender do not tend to foster diverse programme selection. Moreover, the current concentration in the radio market is not a result of market mechanisms. The stations that are currently improving their positions in the market do not owe their expansion to their successful operations or ratings, but exclusively to the Media Council's market-distorting frequency practices.

## Declining transparency in tender proceedings

Over the past years there has been a gradual decline in the transparency tender practices. The public availability of decisions on tender outcomes did not conform to a standardised policy. In some cases, detailed decisions including the authority's opinion were not published on the authority's website. One change with an impact on transparency is that while prior to 2010 tender notices were part of the agreements which the authority concluded with successful applicants, post-2011 this contractual form was removed from tender notices. This change has encumbered both the transparency of the conditions under which the service providers operate and public oversight of the authority's activities.

## Tender practices between January-October 2014

The Media Council issued tenders for 19 frequencies in the period under investigation, and in the case of two frequencies<sup>63</sup> new tenders were issued after the first attempt proved unsuccessful. Three proceedings were concluded successfully, and in the case of the remaining tenders proceedings are still ongoing as of this writing. The primary reason for the fewer number of tender procedures as compared to earlier is that greatest portion of expired licenses had already been subject to new tenders in the past two years. The frequencies announced in the investigation period expired in 2014.

Main observations:

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63 Barcs 102,7 Mhz, Budapest 96,8 Mhz

## The prevailing tender practices have resulted in a significant decline in the role of previously major market players

The media authority still has not issued tenders for the twelve frequencies used by those stations that were crowded out from their respective markets by the authority's frequency distribution practices. The process of re-assigning these frequencies in 2012-2013 was unsuccessful as the applications were declared invalid on the ground of formal mistakes in the applications. Radio broadcasting ceased on the affected frequencies. As we noted in our previous analyses, a review of what stations operated on these frequencies raises the suspicion that the media authority tended to refer to formal mistakes only in the context of applications by non-preferred players. Of the twelve frequencies in question, seven were used by Klubrádió, which is critical of the government. Also among the stations on this list is radio Kék Duna, whose previously used frequency was broadcast in the Danube bend region, in a significantly greater coverage area than the one it currently serves.

To verify this suspicion, we filed a freedom of information request for public interest data. Since the authority's response was silence, the case went to court. The motion we filed requested insight into the tender applications of the nearly twenty successfully concluded tenders submitted in the period discussed above which had not been subject to formal exceptions on the part of the authority. We sought to use the tender applications to review the lawfulness of the formal examination of tender applications. Yet the court rejected our motion in both instances - on account of the vague stipulations in the law which allow for multiple divergent interpretations. In its decisions, the court accepted the authority's reasoning that tender applications qualify as confidential business information. We filed an appeal against the judgment since the court's interpretation of the law fundamentally violates freedom of information and bars access to public interest data on the management of state property. Qualifying these data as confidential business information makes it impossible to examine the lawfulness of the authority's activities.

This suspicion is also reinforced by the fact that in the meanwhile certain frequencies that had undergone a similar fate - thirteen licenses in all - were subject to reassignment tenders issued by the authority. Typically, these tenders did not advertise the frequencies as commercial radio frequencies, even though that was how they had been used before. Instead, they were announced as community radio frequencies and all of the thus advertised licenses were won by the previously mentioned Katolikus Rádió or Lánchíd Rádió.

Some market players expressed concern over the lack of tenders: Among the publicly released decisions we also find the petition of Kék Duna Rádió, in which it requested to submit a bid for several frequencies on the list. Yet the authority rejected the petition without reviewing the merits (1540/2013. (X.30)).

The failure to issue tenders indicates that the media authority is insistent on comprehensively reshaping the radio market, in other words its ambition to reduce the role of certain market players.

## Tender notices resulting in the reduced role of market mechanisms

Four-fifths of all tenders were issued for licenses to use community radios frequencies, and in the case of only four frequencies did the Authority allow applications for the operation of commercial radios. The previously observed trend did not change, therefore, the Media Council's tender practices still do not aim to promote a rise in the share of radios that operate on a market basis.

Based on the requirements set out in law, community radios devote two-thirds of their airtime to public service programming. They pay no media service fee and their possibilities to sell advertising airtime are more limited than in the case of commercial radios. As we elaborated in more detail in previous analyses, the recently designed legal framework does not favour the operation of real community radios, known as free radios in the international radio community. For its part, the media authority has unequivocally stated over the past four years that in its effort to push community radio services it does not wish to promote "free radios" but stations with a strong financial background. Lánchíd Rádió and the religious channels which were favoured in the tender practices of the past years all operate as community radio providers. In Hungary today, community radio has taken on an entirely different meaning than what the radio profession in the rest of the world understands by the term.

The media policy motivations aimed at reducing the role of market mechanisms are clearly discernible in the tenders for the Budapest licenses. All of the licenses advertised now are for community radios, which indicates that the media authority has no intention of changing the radio structure in Budapest,

which is - from a market perspective - patently absurd. Four-fifths of the stations currently operating in the radio market of the capital, which is considered the most valuable after the national market, are community stations; of the 13 active radio services, a mere two operate as commercial providers. Before issuing new tenders for the licenses due to expire, it would have been important - especially in the case of the Budapest radio market - to draw up a frequency management plan, which is legally required anyway, and to have it reviewed in the framework of a public debate. Yet the media authority has once again failed to present a frequency management plan detailing its view of how it seeks to ensure diversity in market supply, assess the viability of applications, and also the media policy considerations it applies during the tender procedures. Nevertheless, the fact that it has decided to reissue the expiring licenses as community radio licenses indicates that it does not wish to change the Budapest radio situation.

The tender notices also contain contradictory stipulations which are difficult to reconcile with real community operations. The requirement to submit a hefty application fee is a rather dubious condition, for example, for it is a significant impediment to the application of stations that wish to operate as genuine community radios.

## Complicated calls for tender that specify contradictory requirements

Several court rulings in the past years have held that the texts of frequency tender notices contain contradictory elements, and occasionally the requirements are inconsistently incorporated in the resulting agreements. Yet tender notices have not become any simpler in the period under investigation, in fact they were expanded with further formal requirements. Originally, the point of formal requirements was to facilitate an assessment based on uniform criteria, thereby ensuring that applicants enjoy equal opportunities. Yet the overly complicated and ambiguous tender notices have the opposite effect and fail to provide a reliable and predictable framework for assessing applications, which could also be used by the public to monitor and review the authority's frequency award practices.

One new condition incorporated into tender notices is the absurd requirement to cross out empty pages, which was obviously a reaction to the notorious case involving Klubrádió. In 2012, the media authority rejected Klubrádió's application on haphazard grounds, noting that the station had failed to sign the empty reverse sides of the pages in its application.

Subsequently, the authority specified new special rules for "handling" the empty reverse sides of printed pages in applications. Pursuant to the calls for tenders, applications must be submitted both on paper and electronically. In the paper-based application the empty reverse sides of each page must be crossed out, and they must be submitted without numbering and signatures. The call also specifies that the paper-based copy must be submitted in a scanned version as well, including the identical and uniquely indistinguishable crossed out reverse sides. In case of a 500-page application, for example, this means that 500 crossed out empty pages must be scanned individually. This absurd requirement emerges from the joint interpretation of several distinct clauses in the calls for tender, it is by no means unambiguous and is completely illogical, too, for it has absolutely no bearing on the substance of the application.

Yet this was one of the grounds cited by the media authority in its rejection of an application for a Budapest frequency by the station that currently broadcasts on the frequency in question. The electronic copy of the application submitted by Tilos Rádió did not contain all the crossed out empty reverse sides, which is why the authority arrived at the determination that a formal mistake had been made (995/2014. (X.14.)). Subsequently the authority withdrew its decision once the judicial review of the radio's appeal pointed to formal mistakes in the decision (1061/2014. (XI. 4.)). As of this writing, no final judicial decision has been rendered in this case.

## Tender procedures and the public dissemination of the decision after the conclusion of the tenders

The effective legal regulations provide for the possibility of submitting observations and suggestions concerning calls for tender in the form of a public hearing or in writing. The authority is required to consider these in finalising the text of the tender. Though observations were published concerning the calls for tender issued in the period under investigation, it does not emerge from the published documentation what these submissions suggested or to what extent the authority took them into consideration in drafting the final text. Obviously, the possibility to submit observations only makes sense if the communi-

cation concerning the draft text is publicly disseminated, as is the outcome of the consultation. Unless observations and suggestions are publicly accessible along with the authority's response, this rule fails to fill any kind of legal guarantee function. Yet apart from public review, there is no other outside public control over decisions concerning the contents of calls for tenders, for there is no possibility to appeal these decisions in court.

In only one of the three successfully concluded cases did the authority publish the administrative decision along with the corresponding opinion. In the particular proceeding one of the applicants had been the station which had previously used the frequency in question, but it had failed to retain the license to broadcast on that frequency. Based on the information available on the authority's website, the decision was rendered on the basis of the programme plan, the assessment of which falls into the authority's subjective margin of appreciation. Nonetheless, no detailed assessment is available on the website, and hence it is unclear why the winning application was awarded a higher score by the authority.

The authority's practice of amending the operating conditions stipulated in the agreements it concludes (i.e. the licenses) still lacks transparency. Amending these agreements is part of the authority's discretionary competency, and it also extends to changes in the programming structure or the license fee. Based on the general rules governing administrative procedures, such amendments are effected through administrative decisions. But these decisions are not available on the authority's website, and what they say is not discernible from the published decisions. This practice makes it difficult for market players to assess the competitive conditions that apply to their activities, and, moreover, it also has an adverse effect on the possibility of reviewing the authority's work.

In the period under investigation the authority adjudicated 35 petitions to amend agreements governing the use of licenses. The majority of these primarily served to formally settle previous decisions, 15 requested the amendment of undertakings pertaining to programming structure or programming plans, and two asked for a reduction in the applicable license fee. The authority accepted four-fifths of the petitions to amend programming structures, in some cases in part and in others in full, but it did not endorse either of the requests to reduce the license fee.

## About the results

In all the cases resulting in a successful tender, one of the applicants was the radio station that had used the frequency until then. In two cases the authority declared new applicants as the winners (Budapest 105.9 Mhz; Tiszaújváros 89.6 Mhz), and in only one proceeding did one of the previous license holders manage to retain its frequency (Dunaújváros 102.9 Mhz). Though the small number of tenders makes it difficult to draw general conclusions, it is nevertheless possible to state that there is no change in the authority's practice of not giving preference to previously established market players.

In the most recent period there were no applications filed by radio stations that had previously expanded their coverage area thanks to successful tender procedures, and thus the criteria examined during the earlier periods did not pertain to this analysis.



## CHAPTER SIX

# PUBLIC BROADCASTING BECOMES STATE BROADCASTING

## A distinctly Hungarian transformation

Public service broadcasting has undergone substantial changes since 2010, and there are still major changes ongoing. A previous report by Mertek provided evidence that the public service media operate as a propaganda machine.<sup>64</sup> This assessment continues to reflect the current situation. In terms of how public service media are regarded in Hungary, it is very telling that colloquially the term “state media” is increasingly widely used, even though in the past two decades one was tempted to believe that we would only encounter this notion in history books.

Scandalous editorial practices, operating in a propaganda mode, and politically biased reporting have all continued in the past year. Nevertheless, it is also worthwhile to look deeper behind the scenes and review how the Media Service Support and Asset Management Fund (Médiaszolgáltatás-támogató és Vagyonkezelő Alap, MTVA) works, and in how far its operations comply with requirements that the European Union has laid down with regard to member states’ public service broadcasting providers.

## The transformation of the institutional system

The institutional background of the public media system was changed significantly with the media laws of 2010, and the result is a very centralised system. Previously distinct public service media providers were merged into the Media Service Support and Asset Management Fund. The law states that this Fund exercises the ownership rights and responsibilities of public service media assets, and - among other things - is also in charge of producing or supporting the production of public service broadcasting items. At the head of the Fund is a CEO who can be appointed and recalled by the president of the Media Council without providing reasons for the dismissal, and whose work is not subject to review by any public body. The political dependence is rendered obvious by the fact that the Media Council’s president was elected

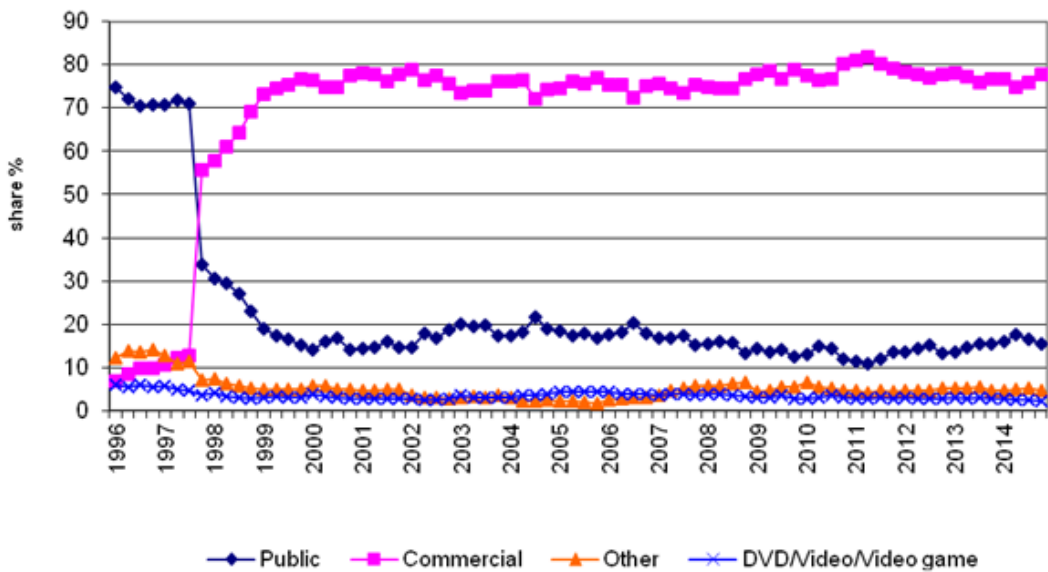
64 Mérték – WAN-IFRA (2013) Capturing Them Softly – Soft Censorship and State Capture in the Hungarian Media. <http://mertek.eu/en/reports/capturing-them-softly-soft-censorship-and-state-capture-in-the-hungarian-media>



by the governing parties for nine years. Pursuant to the corresponding act, public media services are provided by four closely held corporations (Magyar Televízió Zrt., Duna Televíziós Zrt., Magyar Rádió Zrt. and Magyar Távirati Iroda Zrt.), but public media service providers have no production capacities of their own, so their latitude is limited to ordering shows from the Fund.

The transformation of the institutional setting went hand in hand with an increase in public funding (ca. 30 billion forints/97 million euros in 2010<sup>65</sup> and almost 77 billion forints/245 million euros in 2013<sup>66</sup>). Nevertheless, the expansion of financial resources did not result in a corresponding growth in the audience share of MTVA's television channels - the market leaders are still commercial television channels. The shows produced by the MTVA have failed to break through in terms of attracting viewers. Only major sports events are capable of generating outstanding ratings.

↘ Figure 5: Audience share of public service and commercial channels, 1996-2014



It may have been the failure of the existing system that prompted decision-makers to act and initiate another major transformation of the institutional structure a mere four years after their previous effort. The Hungarian Parliament adopted the new amendment of the media law<sup>67</sup> in December 2014, which primarily serves to transform the institutional framework of public media services. As a result of this amendment, the Duna Médiaszolgáltató Zártkörűen Működő Nonprofit Részvénytársaság (Duna Non-profit Media Service Ltd.) was established as the legal successor of Magyar Televízió (Hungarian Television), Duna Televízió (Duna TV), Magyar Rádió (Hungarian Radio) and Magyar Távirati Iroda (Hungarian News Agency)Effective 1 January 2015 it will become the provider of all public service television, radio and online content services, and will also perform public service news agency's activities. An interesting aspect of this restructuring is that the institutions that have now been abolished are the most emblematic parts of Hungarian media history; the only surviving institution that represents some measure of continuity with this history is Duna Televízió, which was established in 1992.

Thanks to the amendment of the law, the MTVA is practically given its own legal system, or at least an exemption from numerous Hungarian laws. Essentially, it is not subject to copyright laws, that is only

65 Act CXLI of 2010 on the implementation of the 2010 budget of the National Radio and Television Authority and its legal successor, the Media Council of the National Media and Infocommunications Authority

66 Act LXIII of 2014 on the implementation of the National Media and Infocommunications Authority's budget of 2013

67 Act CVII of 2014 on the amendment of certain laws concerning public service media provision and the media market.



to an amended version of them, and the same goes for labour law, asset management, public procurement, motorway fee and value added tax regulations.

As part of the ongoing comprehensive transformation of the structure of public media, the MTVA also launched new channels. This particular change is not completely unexpected, for the number of television and radio channels has been expanding over the past years. Dankó Rádió, which broadcast traditional Hungarian melodies, began operating in December 2012. An interesting aspect of the creation of Dankó Rádió is that it received a portion of the frequencies formerly used by Neo FM, which has thus helped cement Class FM's status as the sole national commercial radio station (in terms of its ownership, Class FM is affiliated with Zsolt Nyerges, one of the investors aligned with Fidesz whom the Hungarian press refers to as oligarchs).

A year later, in December 2013, a new television channel appeared, M3, which broadcasts shows from the archives of Hungarian public television. This is interesting primarily to elderly viewers. MTVA has already officially announced that new television channels will be launched shortly: M4 will be a sports-themed channel, but an even greater change is that as of March 2015, M1, which was hitherto the main public television channel, will become a 24-hour news channel. M1's previous position as the flagship channel will be taken over by Duna Televízió, which had previously considered reaching ethnic Hungarian viewers across the border as its main mission.

Pursuant to the law, the Media Council must decide about launching new public media channels. Mertek had previously submitted freedom of information requests regarding the launching of new media services, and from these it emerged that this decision was merely a formal one, that it had not been preceded by any calculations or planning. Following the January 2015 announcement that new public service channels will be launched, we submitted another freedom of information request to see the planning documentation for the new television channels, but this request is still being processed.

## A lack of transparency

The media law provides that the Public Service Fiscal Council has the authority to decide on the distribution of funds between the public service media providers. The media law also sets the exact amount of total funding available for this purpose. It would be the Fiscal Council's responsibility to ensure that in line with the European Union's corresponding requirements, the funding be used to discharge public service responsibilities.

The European Union has clear expectations regarding the transparency of funding for public broadcasting.<sup>68</sup> There are at least two conditions that transparency must comply with.

One condition is that there must be publicly available information that which allows to clearly ascertain how much public funding taxpayers contribute to public broadcasting, and to what specific public service missions, content production or procurement these are allocated. In order for the public to know what the public funding amounting to roughly 78 billion forints (ca. 244 million euros) in 2014 were used, one would also need to know what type of public service concept is underlying these expenditures, and how much the implementation of this concept costs in terms of each minute of broadcasting produced. In itself, the mere number of the amount allocated to public service broadcasting tells us nothing about how transparently these funds were used.

Another condition of transparency is that all contracts with suppliers must be publicly accessible. More generally, all documents pertaining to the realisation of public service responsibilities should be available for public review. Numerous freedom of information requests were filed by journalists in the past years,<sup>69</sup> and since the MTVA generally failed to comply with these requests, they tended to result in

68 2009/C 257/01 Communication from the Commission on the application of State aid rules to public service broadcasting [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C\\_.2009.257.01.0001.01.ENG](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2009.257.01.0001.01.ENG)

69 Hungarian Media Monitor: Átlátszó fights to expose public media spending <http://mediamonitor.ceu.hu/2013/05/at-latszo-fights-to-expose-public-media-spending/>

protracted litigation. The public learned about the contracts relating to certain shows and their producers only after such litigation.

The MTVA does not comply with transparency requirements, it provides no publicly accessible surface for tracking the spending of public funds, and unlike many European public broadcasters it has no annual report, nor is it known how it defines public service responsibilities or how it discharges them.

In order to learn about the MTVA's operations, Mertek Media Monitor filed a freedom of information request to access the Public Service Fiscal Council's agenda, its decision-making documents, and the memoranda of its sessions. We did not receive the requested documents, so we had to sue.

It emerged from the documents thus obtained that the sessions of this body were of low professional quality, and that a significant portion of planning documents contained data that were totally irrelevant in terms of financial planning. The information that was truly important, however, was lacking. Several documents featured the same graphs and tables and, moreover, these had no titles that would have shown what data they actually present and what period they apply to. The background documents also contained scant financial information. They mainly provide information about the audience shares of the public service channels and programme minutes by genre. Furthermore, the few financial tables and detailed tables of by the minute broadcasting time did not feature the same system of categories, which makes it impossible to calculate the average costs of individual genres.

The documents of the Public Service Fiscal Council did not even mention the Hungarian press agency, MTI, even though it is also part of the MTVA. It is also astonishing that the body failed to address derogations from the financial plans, even though there were significant instances of over- and under-spending in certain genres. The fact that the financial plans feature an unrealistically round figure (exactly 500,000,000 HUF) as the annual budget for one of the channels also casts doubts on the professionalism of the institution's work.

On the whole, the documents drawn up by the Public Service Fiscal Council speak for themselves. The body operates irresponsibly and appears unsuitable for rendering transparent and well-founded decisions concerning the uses of public funds. There is no respect in which the Council's operations comply with the European Union's requirements concerning the financing of public service media. The amendment of the media law adopted at the end of 2014 creates a new situation entirely: Starting in 2015, the Public Service Fiscal Council only retains a right to submit opinions, the allocation of funds is decided by the MTVA, the organisation which actually spends the money then.

Recently, certain scandalous incidents in the MTVA's operations have attracted the attention of the press. One of these was a loan taken out by the MTVA, the underlying contract for which was published only after corresponding lawsuits were filed by the investigative journalism portal *Atlatszo.hu*.<sup>70</sup> At the end of 2012, the MTVA took out a gigantic loan of 61.6 billion forints (ca. 200 million euros), which is close to the amount of its annual budget. *Atlatszo.hu* received the documents at the end of 2014, and from these it emerges that the annual instalments of this loan approximate 10% of the Fund's budget for the same period (though this amount is not shown separately in the organisation's budget). Moreover, a mortgage is limiting the Fund's ability to draw on assets or to borrow against them. What is most striking about this story, however, is that the management of public media is authorised to render a decision of such weight without parliamentary approval. From the documents obtained by Mertek through litigation, it also emerges that the Public Service Fiscal Council failed to even debate the issue.

It is also interesting that hardware procurement for the channel whose establishment was officially announced in January began already in December. Overall, this involves an investment amounting to billions of forints, but in light of the short deadlines (the channel will begin operating on 15 March) it seems likely that the affected companies already knew about this and began production earlier.<sup>71</sup>

For many, public service media in Hungary epitomises corruption, and its editorial practices are often the subject of ridicule. Yet in the final analysis the billions expended on their operations are not at all funny. Furthermore, what makes this especially problematic is that there is still a stratum of the population - primarily the elderly - who draw their information from public service channels. The MTVA makes a mockery of public service broadcasting, and the most recent developments do not suggest that they could emerge as a competitive and credible media alternative in Hungary.

70 Seps, T: Így adósodott el a közmédia: kipereltük és közzétettük az MTVA 61,6 milliárd forintos hitelszerződéseit. [How the public media became indebted: We successfully sued the MTVA to release its 61.6 billion forint credit agreements and published them] (5 December 2014) <http://atlatszo.hu/2014/12/05/igy-adosodott-el-a-kozmedia-kipereltuk-es-kozzetesszuk-az-mtva-616-milliard-forintos-hitelszerzodeseit/>

71 Sixx: Nemzeti hírtévé: mindenáron, két hónap alatt. [A national news channel: At any price, within two months] (16 January 2015) [http://index.hu/kultur/media/2015/01/16/mindenaron\\_nemzeti\\_hirteve/](http://index.hu/kultur/media/2015/01/16/mindenaron_nemzeti_hirteve/)



