

MÉRTÉK MEDIA MONITOR

SOFT CENSORSHIP IN HUNGARY 2016

When Propaganda Rules
Public Discourse



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1. INTRODUCTION – LIQUIDATED DIVERSITY

Népszabadság terminated, Class FM removed from its frequency, TV2 turned into a character assassination machinery, the public media are aggressively disseminating anti-migrant propaganda – as far as the eye can see, the ruins of a media that have seen better days. 2016 was the year when there was no election campaign, and this offered an opportunity to settle the remaining open issues in the media. Even if none of the oligarchs were to buy additional media outlets in 2017; if not a single critical voice was silenced; if no more journalists were laid off; and not another penny of public money was spent on feeding the governmental propaganda machinery, from Fidesz's perspective the media are already set for the elections. But of course 2017 will not be this peaceful at all. The aggressive expropriation of the public sphere has been ongoing since 2010, after all -- and switched into high gear after 2014, with new players. But the last chance for a fair election was removed in 2016. The Habony-Vajna media that was consolidated last year is now ready to pounce with vile attacks on any new players in the political arena. Alternative voices stand practically no chance of reaching people beyond their own narrow base. Political messages have become extremely simplistic, and political communication is completely devoid of all semblance of rationality.

The Media Act of 2010, which imposed serious restrictions on press freedom, has not been substantially amended despite continuous domestic and international criticisms. There is still no institutional guarantee in place to ensure the independence of the organizations that supervise private and public media, or to create a stable legal environment for the work of journalists.

Recently, the government rendered a series of decisions that severely restrict the freedom of journalists in performing their work. In 2016, the transparency of the state-owned companies was practically ceased. Administrative burdens on the work of journalists are increasingly common. The banishment of the journalists from the Par-

liament became a daily routine, the police hindered in more cases the work of journalists, for example when they tried to report on the soccer stadium and the special train built in the prime minister's native village.

Media market processes pose an increasing threat to pluralism: In 2016, the expansion of pro-government media and the pressure on critical media became more aggressive than ever. A substantial portion of media outlets have become concentrated in the hands of a few investors with strong ties to Fidesz. The closing of Népszabadság has significantly reduced investigative capacities to uncover governmental abuses.

The state media have openly embraced a role as uncritical purveyors of government communication. Pro-government tabloid media have emerged as instruments of discrediting political opponents.

The economic environment wherein the media operates is also shaped by political decisions. The overwhelming majority of business investors have left the Hungarian market in recent years, and they have been replaced by oligarchs. The business model of government-affiliated media is based on the manipulated allocation of public resources. Radio frequencies, distribution capacities, state advertising and credits from state banks are all given to government-friendly media, regardless of the actual performance of the given media. This economic environment constitutes an ongoing state of risk for the few remaining independent media outlets. With the exception of RTL, these media outlets have a reach that is significantly more limited than that of the pro-government media. Moreover, often the identity of their owners is murky as well.

2. KEY FINDINGS

The past few years saw major changes in the ownership structures of media corporations in Hungary. Following the economic crisis of 2008, the advertising market dropped by 20%. The adoption of the media law in late 2010 led to an unpredictable regulatory environment. Almost all the foreign investors have sold their stakes in Hungarian media businesses, and several have left the region altogether. This process reached its peak in 2016, when major media companies in Hungary were acquired by investors with close ties to the government. The media holdings of these government-friendly investors reach ever larger audience segments. At the same time, the share of media companies owned by foreign investors or Hungarian investors who have no ties to the government is steadily declining.

The biggest change in the print press market was the closing of *Népszabadság*, and the acquisition by Lőrinc Mészáros of the Mediaworks publishing house, which used to publish the reputable daily along with 12 county newspapers which remain operational.

Three leftwing newspapers, the daily *Népszava* and two weeklies, *Szabad Föld* and *Vasárnapi Hírek*, were acquired by the former treasurer of the Hungarian Socialist Party (MSZP), László Puch. The fate of the business weekly *Figyelő*, once an important player in the market, was decided in December 2016: it was bought by the company of Mária Schmidt, a billionaire with close ties to the government. The free daily *Lokál* has also emerged as an important player in 2016 when *Metropol* went out of business. The daily newspaper *Ripost*, which is also government-friendly, was launched in December 2016.

The biggest development is undoubtedly that the only nationally broadcasting private radio, Class FM, ceased operating as a classical radio station in autumn 2016 and has only been available online since then. The ownership concentration that occurred in the radio market is also striking. Karc FM, a rightwing talk radio station, has been broadcasting on the frequency 105.9 in Budapest since February 2016. It is operated by Karc FM Média Ltd, the owner of which is Magyar Idők Publishing Ltd, a publisher known for its loyalty to the government. Another broadcaster that is openly controlled by interests close to the governing party is the music radio station Rádió 1. It is operated

by Radio Plus Ltd and is owned by the government's film commissioner Andy Vajna, who is also the owner of the company that operates TV2. Rádió 1 was authorised by the Media Council to merge into a network with other radios. Augmented by 9 regional radio stations, Rádió 1's broadcasts reach a major audience in Hungary, and in the private radio segment the station is now the largest market player.

Just as in the other media sectors, government-friendly players play a greater role in the television market as well. The public service media provider operates seven television channels. Advertising time for channels of TV2 Group and for state television is sold by the sales house Atmedia. Atmedia was bought in December 2016 by András Tombor, who previously served as the prime minister's security policy advisor.

In Hungary the online market is the most balanced among the media markets, but providers with close ties to the government have significantly proliferated in this realm, too. The portal with the greatest reach, Origo.hu, was acquired by the New Wave Media Ltd. in February 2016. New Wave Media is owned by the businessman István Száraz. Another portal owned by Száraz, vs.hu was awarded over half a billion forints from foundations affiliated with the Hungarian National Bank. The position of the other major online newspaper, Index.hu, seemed basically stable in 2016, though its future was the subject of constant speculations and rumours. In April 2017 did it emerge that rumours concerning Lajos Simicska's ownership role in Index.hu were true. The businessman has held an option right to buy the publisher of the news portal. Ultimately, Simicska transferred the ownership rights to index.hu to a private foundation. Magyar RTL Televízió Inc has acquired a 30% stake in Centrál Digitális Média Ltd. – the owner of 24.hu – in September 2016, but after a long investigation the Media Council thwarted the deal in early 2017.

TV2 received the highest level of state-sponsored advertising in 2016. The private television is owned by Andy Vajna, who serves as the government's film commissioner. An outdoor advertising company finished second in this ranking – it's the only major company in its market segment that is not owned by Lajos Simicska. Another striking aspect of this data is that four public media brands are also among those that received the most state advertising spending, which means that the public media receive considerable state funding from this source as well.

When we look at the companies with the highest share of state advertising as a percentage of total advertising revenue, we find that the newspapers launched in the past few years (Magyar Idők, Lokál, Ripost) depend to a greater degree on the state's active support, and it is entirely conceivable that they would not be financially viable if they had to sustain themselves based on their revenue from commercial advertisers. State advertisers favour certain companies and they how state advertisers distort the market. When there is a spectacular difference between the respective strategies of state and private advertisers, then the gap is probably no longer only due to special audience targeting. It is reasonable to assume that political considerations, play a role as well.

We did not observe any changes in the Media Council's frequency practices as compared to the foregoing years. Our previous observation that the authority's media policy considerations are more likely to be influenced by a desire to promote the government's media policy objectives than by the goals of promoting the availability of diverse media offerings, the efficient management of frequencies or the role of market mechanisms in the radio market continues to hold. The realisation of the government's goals in this area is obviously the dominant force shaping the media authority's activity. The authority continues to help the pro-government media empire expand, and the course and goal of its interventions is to reduce the market presence of radios that have been declared to be the government's "enemies".

The central budget allocated 71 billion forints to the state media in 2016. At the same time, however, the president of the Media Council granted the MTVA a supplemental support in the amount of 7 billion forints in May

On numerous occasions the contents disseminated by the public media services in 2016 made clear that the goal behind overfunding the public media was to create a media platform that would uncritically disseminate the government's messages. This was most obviously manifest in the state media's role in the anti-refugee campaign carried out by the government. Seventy percent of the relevant news items discussed the dangers stemming from migration, and 91 percent portrayed refugees in a negative light.

Journalists continue to take a bleak view of the state of press freedom in Hungary, and the overwhelming majority still feel that the media are subject to massive political pressure. The dominant perception today is that "politics act as a check on the media" rather than the other way round, that is "the media acting as a check on politics."

The most important instrument of pressure continues to be the allocation of state advertisements. The role of this type of pressure has markedly increased in the last year, as has indirect pressure exerted by politicians and advertisers, which tends to be conveyed through editors-in-chief or the management.

According to information from the affected newsrooms, the content disseminated by the media organisations that belong to the government's immediate circle is determined by those persons who exercise overarching control over the media empire. By 2016, the centralisation in the control of these media had consolidated to such an extent that the operations of the original core of the new pro-government media empire in 2015 and early 2016 seem outright disorganised by comparison. Several interview subjects stated that they had heard that the media managers and editors-in-chief at the helm of the media organisations that are part of this immediate circle hold meetings every week, even more frequently, where they meet with members of the communication team.

3. NOTES ON METHODOLOGY

Mertek Media Monitor does yearly its analysis on soft censorship, in order to give a comprehensive, evidence-based picture on the tendencies of the media system and media market. The first analysis under the title ‘Capturing Them Softly – Soft Censorship and State Capture in the Hungarian Media’¹ was published in 2014. The title of the report from 2015 was *Gasping for Air*², the one from 2016 was *Crony capitalism and the media market*³.

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

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

State interventions that have a distorting impact on media selection can be informal or formalised interventions. Informal interventions are those instruments that shape the media market with an apparatus outside the scope of the legal arsenal specifically designed to this end, which are generally assigned to the media authority. By formalised interventions we mean those which are realised through some regulated procedure, pri-

¹ See <http://mertek.eu/en/2014/03/03/capturing-softly-soft-censorship-state-capture-hungarian-media/>.

² See <http://mertek.eu/2015/01/28/gasping-for-air/>.

³ See <http://mertek.eu/2016/05/05/soft-censorship-hungary-2015-3/>.

marily in the framework of the media authority's proceedings. Informal interventions - such as for example market acquisitions or the allocation of state advertising - are mostly non-transparent, they are not subject to legal control or public scrutiny. Formalised interventions, however, rely on the arbitrary and abusive uses of the legal system.

The most obvious distortion is wrought by the manipulation of the content provision markets, but soft censorship can affect all elements of the media ecosystem. Distortions of the content production market also have a direct impact on the media selection; the best method for giving preference to certain players in this market relies especially on the distribution of production subsidies and the selection of players who are entitled to produce shows for public service media. Positions won in the media agency market can serve to efficiently allocate advertising revenue among market players. Similarly, influence over sales houses is also a crucial instrument for shaping the revenues and business opportunities of numerous players in a given market, since it allows for setting the value of advertising airtime or other advertising surfaces. Indeed, entry into the audience measurement market is also a method for shaping the business opportunities of all players in the market, for audience measurement underlies advertising decisions. As a result of state interference in the distribution market, content providers face different conditions in accessing their respective audiences, which ultimately also jeopardises the diversity of contents.

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

Media market processes are shaped by numerous media policy measures. Therefore, a statistical analysis of data and processes are significant tools for revealing the intentions underlying media policies. The chapters 'Dramatic changes in the ownership structure' and 'State advertising spending – rewarding the loyal media' are based on such analyses.

A significant portion of media policy decisions manifest themselves in the form of legal statutes or decisions rendered by authorities and courts. The legal analysis of these also provides important information in terms of exploring the motivations underlying media policies and the efficacy of media policy interventions. The chapters entitled 'The Media Council's frequency award practice in 2016 – New favourites' and 'State media – propaganda without limits' contain such analyses.

The impact of media policy measures on journalists' conduct and attitude are key factors in shaping the quality of the public sphere. The attitudes, knowledge and opinions about the role of journalism, the breadth of journalist's manoeuvring room in their work, the constraints that impact their work, the business and political pressure on the media, and the esteem in which journalism is held – these all ultimately feed back into the professional behaviour and performance of journalists, and thus they ultimately also affect the selection of contents available in the media. The impact of media policy measures on journalists' behaviour and attitude can be investigated especially with surveys and in depth interviews with journalists and other stakeholders. Quantitative and qualitative analyses of media contents also allow for conclusions regarding policy impacts on journalists. The chapters entitled 'An invasion by government friendly forces and turning the media into a propaganda machine – journalists' accounts of the dark years in the lives of the Hungarian press' and 'Journalists' perception of press freedom in Hungary in 2017' are based on such an analysis.

Ultimately, media policy interventions are directed at influencing media content and media selection which reach audiences. Hence the empirical analysis of media content is an important instrument of investigating media policy. The transformation of the state media is partly based on a content analysis and is presented in the chapter entitled 'State media – propaganda without limits'.

4. DRAMATIC CHANGES IN THE OWNERSHIP STRUCTURE

The past few years saw major changes in the ownership structures of media corporations in Hungary. Following the economic crisis of 2008, the advertising market dropped by 20%. The adoption of the media law in late 2010 led to an unpredictable regulatory environment. Almost all the foreign investors have sold their stakes in Hungarian media businesses, and several have left the region altogether. This process reached its peak in 2016, when major media companies in Hungary were acquired by investors with close ties to the government. The media holdings of these government-friendly investors reach ever larger audience segments. At the same time, the share of media companies owned by foreign investors or Hungarian investors who have no ties to the government is steadily declining.

4.1. The market for print newspapers

Last year saw colossal changes in the print press market, though these were not completely unanticipated; certain previous developments indicated that these shifts were about to happen.

The story of the Axel Springer and Ringier merger began in 2010, and it seemed likely that the fusion of two newspaper publishers who are major players even by European standards could be problematic in a small market such as Hungary, because they are even more significant in this comparatively small market. The anticipated problems did in fact arise, as the National Media and Infocommunications Authority (NMHH) issued a position paper in the spring of 2011 in which it rejected the merger of the Hungarian subsidiaries of Ringier and Axel Springer. The two companies then withdrew their petition, but it was widely assumed that they would continue to try to merge their respective Hungarian holdings at a later time.

In January 2014 the two companies announced that a company called Vienna Capital Partners (VCP) would acquire a major portion of the media portfolio owned by Ringier and Axel Springer, respectively, including the regional newspapers, the national daily *Népszabadság*, the sports newspaper *Nemzeti Sport*, the business daily *Világgazdaság*, and other sports and youth magazines. The remaining newspapers, including the tabloid *Blikk* and some popular magazines, have been published by Ringier Axel Springer Hungary, the Hungarian subsidiary that was formed after the merger of the two media giants, since 2014.

VCP subsequently changed its name to Mediaworks and became the subject of intense news attention in autumn 2016, when on 8 October it all of a sudden suspended the print and online publication of Hungary's leading broadsheet, *Népszabadság*. The owner of the publishing house, the Austrian businessman Heinrich Pecina cited business reasons for the decision, but the way the process was implemented (taking the newspaper's internet archive offline, the humiliation of employees and keeping them in a state of uncertainty) strongly suggested political motives. The political background became obvious when it was announced that Mediaworks' Hungarian holdings will be taken over by Opimus Press. This company has ties to Lőrinc Mészáros, an oligarch who is a personal friend of the prime minister and is now entering the media business.

Mediaworks also significantly increased its influence over the structure of the Hungarian public sphere by purchasing the Pannon Lapok Társasága newspaper company on 30 September 2016, a few days before the suspension of *Népszabadság*. Through this acquisition Mediaworks became the owner of four regional newspapers with over a million readers. As a result, it has emerged as one of the most important sources of news for those living in the Hungarian countryside.

An important development for the public's access to information about politics is the fact that in January 2017, after sustained speculation about their fate, three leftwing newspapers, the daily *Népszava* and two weeklies, *Szabad Föld* and *Vasárnapi Hírek*, were acquired by the former treasurer of the Hungarian Socialist Party (MSZP), László Puch.⁴

Though national broadsheets tend to be economically less significant and have a limited direct reach, on account of their traditional role it is nevertheless worthwhile to take a look at the key owners in this segment of the market. With the closing of *Népszabadság*, four newspapers remain in the market. *Magyar Nemzet* is an openly rightwing newspaper owned by Lajos Simicska, who used to act as the prime minister's financial éminence grise. Today, the tone of the newspaper is openly critical of the government. *Magyar Idők* is owned by Gábor Liskay, who is also well known for his ties to rightwing politics and his loyalty to the prime minister. Moreover, since October 2016 he is also the CEO of Mediaworks and thus one of the dominant players in the market of regional/county newspapers in Hungary. In terms of its editorial tone, *Magyar Hírlap* is a far-right newspaper. It is owned by the businessman Gábor Széles, who is a prominent backer of the prime minister. As we previously noted, the only remaining leftwing newspaper, *Népszava*, was acquired by a politician in the Socialist Party.

The market for political weeklies remains more diverse, and in fact weeklies that are critical of the government continue to dominate (*HVG*, *Magyar Narancs*, *Élet és Irodalom*, 168 óra). *Heti Válasz* can be considered more loyal to the government's policies, while *Demokrata* is distinctly far-right in tone but fiercely loyal to Fidesz. Another media organisation worth mentioning is the weekly newspaper *Hetek*, which is published by the evangelical church Hit Gyülekezete (Faith Church), which also operates the news channel ATV.

4 Szalay, D. (2017): Így változik a Puch László által felvásárolt *Népszava* és a *Vasárnapi Hírek* irányítása [This is how the management of *Népszava* and *Vasárnapi Hírek* is changing under the new owner László Puch]. 31 January. <http://24.hu/media/2017/01/31/igy-valtozik-a-puch-laszlo-altal-felvasarolt-nepszava-es-a-vasarnapi-hirek-iranyitasa/>

The fate of the business weekly Figyelő, once an important player in the market, was decided in December 2016: it was bought by the company of Mária Schmidt, a billionaire with close ties to the government. The new owner first installed a government-friendly editorial board at the reputable weekly and then a new editor-in-chief with the same political background, which quickly resulted in conflicts within the newsroom. It took only a few weeks for the newspaper to adopt a government-friendly tone, and critical articles no longer made it to publication. Several journalists and editors left the newspaper. They were replaced by journalists who transferred from the pro-government daily newspapers Magyar Hírlap and Magyar Idők.

The daily Lokál has also emerged as an important player in 2016, for in its own segment of the market – free daily newspapers – it attained a monopoly position when Metropol went out of business in May. The fact that the Budapest public transportation holding company BKV did not renew its contract with Metropol played a key role in this development. After 17 years of cooperation with the newspaper, BKV was planning to issue a tender for the right to distribute free newspapers at its facilities. Nevertheless, once Metropol was shut down, BKV entered into a contract with Lokál without issuing a tender first.⁵ Lokál is also published as a free weekly. The newspaper is affiliated with the media empire controlled by Árpád Habony, the prime minister's advisor.

5 Bednárík, I. (2016): Elképesztő indokkal játszották Habony kezére a milliárdos üzletet [Astounding reasons were proffered for giving Habony the deal worth billions]. 13 May. <http://nol.hu/belfold/habonymak-nyilnak-az-ajtok-1615401>

The daily newspaper Ripost, which is also government-friendly, was launched in December 2016, and it became apparent quickly that the newspaper dutifully follows the government's communication agenda.

Brand	Publisher	Net revenue 2015 ('000 HUF)	Type of the owner	Transparency of the owner	Circulation 2016 H1*
12 regional newspapers, Világgazdaság, Nemzeti Sport, magazines	Mediaworks Hungary Zrt	16 387 008	Hungarian investor (pro-government)	transparent	-
magazines	Central Média csoport Zrt	7 894 384	Hungarian investor	transparent	-
Blikk, magazines	Ringier Axel Springer Magyarország Kft.	6 398 000	international investor	transparent	-
Bors, 2 regional newspapers	Lapcom Zrt	9 510 634	international investor	not transparent	-
3 regional newspapers	Russmedia Kft	5 231 542	international investor	partly transparent	-
Népszava (daily)	Népszava Lapkiadó Kft.	580 016	Hungarian investor	transparent	10 826
Magyar Nemzet (daily)	Nemzet Lap- és Könyvkiadó Kft	2 225 301	Hungarian investor	transparent	18 516
Magyar Hírlap (daily)	Magyar Hírlap Kft	620 755	Hungarian investor (pro-government)	transparent	n.a.
Magyar Idők (daily)	Magyar Idők Kiadó Kft	872 202	Hungarian investor (pro-government)	transparent	n.a.
Ripost (from December 2016)	Ripost Média Kft	-	Hungarian investor (pro-government)	transparent	n.a.
HVG (weekly)	HVG Kiadó Zrt	3 329 957	Hungarian investor	transparent	33 661
Figyelő (weekly)	MediaCity Kft	634 542 (2015. nov.3-ig)	Hungarian investor (pro-government)	transparent	n.a.
Magyar Narancs (weekly)	Magyarnarancs.hu Kft	238 207	Hungarian investor	transparent	n.a.
Heti Válasz (weekly)	Heti Válasz Kiadó Kft	878 658	Hungarian investor	transparent	13 039
168 óra (weekly)	Telegráf Kiadó Kft	417 886	Hungarian investor	not transparent	13 614
Élet és Irodalom (weekly)	Irodalom Kft	189 280	Hungarian investor	transparent	n.a.
Demokrata (weekly)	Artamondo Kft	306 891	Hungarian investor (pro-government)	transparent	10 430
Hetek (weekly)	Hetek.hu Kft	131 846	Hungarian investor	transparent	n.a.
Lokál (free daily)	Modern Media Group Zrt	803 922 (2015. ápr. 16-tól)	Hungarian investor (pro-government)	transparent	n.a.
Lokál extra (free weekly)					

* *Forrás: matesz.hu

4.2. Radio market

We generally do not tend to view the radio market as a key player when it comes to public opinion formation, but over the last years there have been some remarkable developments in Hungary with respect to this market. The radio market is the media market in which the state has the most power to intervene. Through the frequency allocation tenders the Media Council has a direct say in who gets to perform radio broadcasts in Hungary. What makes the radio market especially important is that radio continues to play a major role in the audiences' news consumption and its information about public affairs. Mérték's own research in 2016 demonstrated this.⁶

6 Mérték (2016): The sources of political information in Hungary. http://mertek.eu/wp-content/uploads/2017/01/Mertek_newsconsumption_eng_2016.11.25.pdf

The largest player in the radio market is public radio, which is available on four national frequencies. There were no substantial changes in this area in 2016.

The biggest development is undoubtedly that the only nationally broadcasting private radio, Class FM, ceased operating as a classical radio station in autumn 2016 and has only been available online since then. (For a detailed discussion of the 2016 developments in the area of radio frequency tenders please see Chapter 6.1.). The ownership concentration that occurred in the radio market is also striking.

Karc FM, a rightwing talk radio station, has been broadcasting on the frequency 105.9 in Budapest since February 2016. It is operated by Karc FM Média Ltd, the owner of which is Magyar Idők Publishing Ltd, a publisher known for its loyalty to the government.

Another broadcaster that is openly controlled by interests close to the governing party is the music radio station Rádió 1. It is operated by Radio Plus Ltd and is owned by the government's film commissioner Andy Vajna, who is also the owner of the company that operates TV2. Rádió 1 drew attention recently because the station, which can only be received in Budapest, was authorised by the Media Council to merge into a network with other radios. Augmented by 9 regional radio stations, Rádió 1's broadcasts reach a major audience in Hungary, and in the private radio segment the station is now the largest market player.

In the news segment of the market, two well-known Budapest talk radios, Info Rádió and Klubrádió, remain influential. Rightwing Info Rádió is part of the CEMP group owned by the banker Zoltán Spéder, who has recently become embroiled in a conflict with the prime minister, which renders the fate of his media empire uncertain. The majority ownership of the prominent leftwing station Klub Rádió, which is critical of the government, is held by private persons. A minority stake, however, is held by Brit Média Ltd, whose murky background has been the subject of ongoing speculation in the Hungarian press.⁷

Lánchíd Rádió, which can be received in the country's central and western parts, broadcasts on 14 frequencies overall. It is owned by Lajos Simicska, the media oligarch who used to be one of the prime minister's closest allies.

Ecclesiastical radios have emerged as major players in the Hungarian radio market. Three Catholic radios and one Presbyterian station operate several dozens of local and district frequencies, which makes church radios major players in the rural markets.

Smaller music stations are typically less suitable for influencing the structure of the public sphere, but in Hungary that is not necessarily the case. In order to save on operating costs, a significant portion of local radios receive their news from the state news agency MTI. In other words even if a radio station is independent in terms of its owners, its news services may nevertheless support the government's communication.

7 Becker, A. (2016): Likviditási válság a 168 óránál – ki áll valójában a Brit Média Kft. mögött? [Liquidity crisis at 168 órá – who is really behind Brit Média Ltd?] <https://atlatszo.hu/2016/10/25/likviditasi-valsag-a-168-oranal-ki-all-valojaban-a-brit-media-kft-mogott/>

Brand	Broadcaster	Net revenue 2015 ('000 HUF)	Type of the owner	Transparency of the owner
Rádió 1	Radio Plus Kft	-	Hungarian investor (pro-government)	transparent
Karc FM	Karc FM Média Kft (Hang-Adás Kft)	1 866	Hungarian investor (pro-government)	transparent
Lánchíd Rádió	Lánchíd Rádió Kft	282 157	Hungarian investor	transparent
Info Rádió	Inforádió Kft	465 876	Hungarian investor	transparent
Klub Rádió*	Klubrádió Zrt	102 784	Hungarian investor	not transparent

* other revenues (subsidies, grants, crowdfunding) are not included in the net revenue data

4.3. Television market

Just as in the other media sectors, government-friendly players play a greater role in the television market as well.

The public service media provider (MTVA) operates seven television channels, which had an audience share of 17,4% in 2016.⁸

The market leader RTL Klub is operated by the Magyar RTL Televízió Inc In addition to its flagship channel, RTL Group controls several other television channels in Hungary (RTL II, Cool, Film+, RTL+, Film+2, Sorozat+, MuzsikaTV), and also has an own sales house called R-time.

The second largest commercial television channel is TV2, which is operated by the TV2 Média Csoport Ltd owned by the government's film commissioner Andy Vajna. The TV2 group also boasts a significant number of thematic channels which are registered abroad (Super TV2, Fem3, Mozi+, Spíler TV, Izaura TV, Zenebutik, Prime, Chili TV, Kiwi TV). Advertising time for these channels is sold by the sales house Atmedia. This is particularly interesting because Atmedia also sells ads for MTVA's television portfolio. Public service television and the pro-government commercial television TV2 thus mutually reinforce one another's positions in the advertising market by offering their advertising time to potential advertisers as a package; essentially, this makes it possible to reach any designated target group effectively.

Atmedia's political affiliation became even more obvious when the company was bought in December 2016 by András Tombor, who previously served as the prime minister's security policy advisor. Not only are the advertising times of private and public service channels sold as part of the same package, therefore, but their sale is performed by a company which is owned by a market player with ties to the government.⁹

Four channels are worthy of mention in the news market: These are ATV, HírTV, Echo TV and the Hungarian edition of Euronews.

ATV is operated by the eponymous holding company, which is in turn owned by the Hungarian Hit Gyülekezete (Faith Church Hungary), an evangelical congregation. ATV is generally regarded as a leftwing channel that is critical of the government, but – undoubtedly due to its ownership background – on some major issues it shares a platform with the government.

8 Nielsen (2016): TV market snapshot 2016 http://www.nielsentam.tv/Uploads/Hungary/res_Snap-shot_2016_eng.pdf

9 F. M. László, (2017): Gazdaságon kívüli kényszer [Non-economic compulsion]. 12 January. <http://magyarnarancs.hu/belpol/gazdasagon-kivuli-kenyszer-102157>

On the refugee question, for example, which recently became a dominant issue in Hungarian political discourse, ATV openly endorsed the government’s anti-refugee narrative. Even more surprisingly, ATV – as the sole player in the television market apart from the public television channels controlled by MTVA and the TV2 group – has continuously broadcast government advertisements throughout most of 2016, undoubtedly accruing substantial revenue in the process.

Rightwing HírTV is operated by Hír Televízió Inc, which is part of Lajos Simicska’s extensive media holdings. Since the February 2015 clash between Simicska and Orbán, the channel has shifted towards a stance that is considerably more critical of the government than previously. As a result, government party politicians boycott HírTV, won’t give interviews to the channel and refuse to appear in its shows.

Echo TV is operated by the Echo Hungária Inc., which was acquired in December 2016 by Lőrinc Mészáros, a friend and confidante of the prime minister, who now has stakes in both the newspaper market (through the Mediaworks publishing company) and the television market (Echo Hungária Inc.)

Euronews’ Hungarian edition was launched in 2013. Its ownership structure is complex, and its 25 shareholders include a variety of major European broadcasters. What drew most attention to Euronews in Hungary was that fact that since August 2016 the state-owned Antenna Hungária has not transmitted the channel’s broadcasts on the digital terrestrial platform. As a result, the segment of the public most likely to miss out on the possibility of watching Euronews are those viewers who have a relatively limited selection of channels to begin with, including many elderly and less educated viewers.

In addition to the channels enumerated above, there are countless foreign-owned thematic channels available to Hungarian viewers, but these broadcast entertainment shows and do not play a significant role in informing the public.

Brand	Broadcaster	Net revenue 2015 ('000 HUF)	Type of the owner	Transparency of the owner
RTL Klub, Muzsika Klub	Magyar RTL Televízió Zrt	27 346 437	international investor	transparent
RTL II, Cool, Film+, etc (6 channels)	RTL Group (Luxemburg)	-	international investor	transparent
TV2	TV2 Média Csoport Kft	18 372 275	Hungarian investor (pro-government)	transparent
Super TV2, Fem3, Mozi+, etc (9 channels)	CEE Broadcasting Co. (Romania)	-	Hungarian investor (pro-government)	transparent
ATV	ATV Zrt	1 600 109	Hungarian investor	transparent
Hír TV	HírTV Zrt	4 035 073	Hungarian investor	transparent
Echo	Echo Hungária TV Zrt	791 973	Hungarian investor (pro-government)	transparent
Euronews	Euronews SA	-	international investor	transparent

4.4. Online market

In Hungary the online market is the most balanced among the media markets, but providers with close ties to the government have significantly proliferated in this realm, too.

The portal with the greatest reach, Origo.hu, was acquired by the New Wave Media Ltd. in February 2016. Previously, Origo.hu was owned by the telecommunications company Magyar Telekom, Hungary's leading telecom corporation. Magyar Telekom in turn is a subsidiary of Deutsche Telekom, and the German telecommunications decided to sell off the online news provider. Now New Wave Media is owned by the businessman István Száraz, whose name became widely known in April 2016. At that time a major scandal erupted because another portal owned by Száraz, vs.hu (which is operated by New Wave Productions Ltd.) was awarded over half a billion forints from foundations affiliated with the Hungarian National Bank (MNB). The circumstances of the subsidy were totally inscrutable to the public. Before the change in ownership, Origo.hu had a reputation for investigative reporting, but since then it has changed substantially and is now discernibly more loyal toward the government.

The position of the other major online newspaper, Index.hu, seemed basically stable in 2016, though its future was the subject of constant speculations and rumours. According to the officially registered company information, the online newspaper is owned by Zoltán Spéder. The latter's relationship with the prime minister deteriorated in 2016, with the result that he sold his banking interests; there were also changes in the legal structure of his media portfolio. Rumours were swirling about an option contract and a new owner, but it was impossible to ascertain what the fate of the news portal would ultimately be. Only in April 2017 did it emerge that rumours concerning Lajos Simicska's ownership role in Index.hu were true. The businessman has held an option right to buy the publisher of the news portal. Ultimately, Simicska transferred the ownership rights to index.hu to a private foundation.¹⁰

Another significant player in the online newspaper market is 24.hu. It is operated by the Central Digitális Média Ltd., but the portal itself has no print version. An interesting development is that Magyar RTL Televízió Inc has acquired a 30% stake in Centrál Digitális Média Ltd. in September 2016, but after a long investigation the Media Council thwarted the deal in early 2017.

Further important independent players in the market are hvg.hu and 444.hu, as well as two crowd-funded investigative research projects, atlatszo.hu and direkt36.hu. There were no substantial changes in the ownership of these media organisations in 2016.

On the pro-government side, 888.hu and ripost.hu continue to operate and they are quite obviously used to disseminate the government's communication and – obviously not coincidentally – regularly publish state-sponsored advertising.

¹⁰ Alapítványi tulajdonba került az Index.hu Zrt. április 20. [Index.hu Inc. is now owned by a private foundation]. 20 April. http://index.hu/kultur/2017/04/20/index_uj_tulajdonos_magyar_fejlodesert_alapitvany/

Brand	Content Provider	Net revenue 2015 ('000 HUF)*	Type of the owner	Transparency of the owner	Real User (September 2016)**
origo.hu	Origo Zrt	4 449 697	Hungarian investor (pro-government)	transparent	2.340.685
index.hu	Index.hu Zrt	2 167 950	Hungarian investor	partly transparent	2.005.514
24.hu	Central Digitális Média Kft	2 103 656 (from March 31, 2015)	Hungarian investor	transparent	1.945.415
hvg.hu	HVG Kiadó Zrt	3 329 957	Hungarian investor	transparent	1.788.857
ripost.hu	Ripost Média Kft	373 274 (from January 5, 2015)	Hungarian investor (pro-government)	transparent	1.214.341
444.hu	Magyar Jeti Zrt	205 328	Hungarian investor	transparent	1.114.453
vs.hu	New Wave Production Kft	170 266	Hungarian investor	transparent	652.324
atlatszo.hu	Atlatszo.hu Közhasznú Nonprofit Kft	0	Hungarian investor	transparent	262.307
888.hu	Modern Media Group Zrt	803 922 (from April 16, 2015)	Hungarian investor (pro-government)	transparent	n.a.
direkt36.hu	Direkt36 Nonprofit Kft	6 047	Hungarian investor	transparent	n.a.

* other revenues (subsidies, grants, crowdfunding) are not included in the net revenue data

**Source: Gemius – OLA (data include PC, tablet and mobile users)

On the whole, the governing party is making good progress in the realisation of its ambition to completely transform the media's ownership structure. The only two media organisations with a broad audience reach that the governing party has not yet been able to subsume into its media empire are the television channel RTL Klub and the on-line newspaper Index. But the fact that these remain independent is not for want of trying on the part of the government. Fidesz previously sought to pressure RTL Klub into submission by using an advertising tax designed specifically to undermine the company (the European Commission launched an investigation in connection with the discriminatory regulation and the government adjusted the impugned tax rate). To pressure Index, last year pro-government media launched a coordinated campaign against its owner, Zoltán Spéder. For the time being, RTL Klub has safely held on to its leading position in the market, and the company's German ownership seems also fairly stable. The future of Index appears less certain, though for the time being it is published by a private foundation and the online newspaper's tone remains markedly independent. Lajos Simicska definitely lurks somewhere in the background, however, which means that Index has now become part of the political tug of war; in the long run, that's not a good sign. The decisive questions for the future are whether these two media outlets can survive in a decidedly hostile political environment and whether other, smaller independent news sources can expand their audience reach. The year 2016 was definitely marked by the expansion of pro-government media, and the need for independent and financially viable news sources is greater than ever.

5. STATE ADVERTISING SPENDING – REWARDING THE LOYAL MEDIA

The following chapter summarises how state advertising spending developed in 2016, in the new media system in which Simicska and Fidesz are no longer allies but enemies. In other words, we will review where the state institutions and state-owned enterprises spent their advertising money. Our hypothesis was that political interests became decisive in determining the structure of state advertising spending because of the governing party's desire to build a new pro-Fidesz media empire after Simicska abandoned the governing party. Essentially, the market for state advertising spending has emerged as a key element of media funding in Hungary. The past year was also of major importance on account of the October referendum on the refugee quota; governmental communication campaigns were conducted throughout most of the year (surprisingly, this continued even after the October vote, when the government launched a campaign lasting several weeks in which it touted the success of the referendum -- despite the fact that turnout remained below the level necessary for a valid referendum).

This analysis was compiled on the basis of the Kantar Média database, which contains so-called list price advertising spending. This calculates advertising spending based on publicly available lists prices and actual advertising volumes sold. The database does not extend to every media outlet, which is something that needs to be kept in mind and must be accepted as a given. The specific amounts that we thus estimate do not provide a perfectly accurate picture of reality, for media companies tend to offer steep discounts from their list prices. Thus, for example, the three political/news channels, Hír TV, Echo TV and ATV are missing, as are two important players in the outdoor advertising market, Mahir Cityposter and ESMA, the online newspaper 888.hu, which is part of the

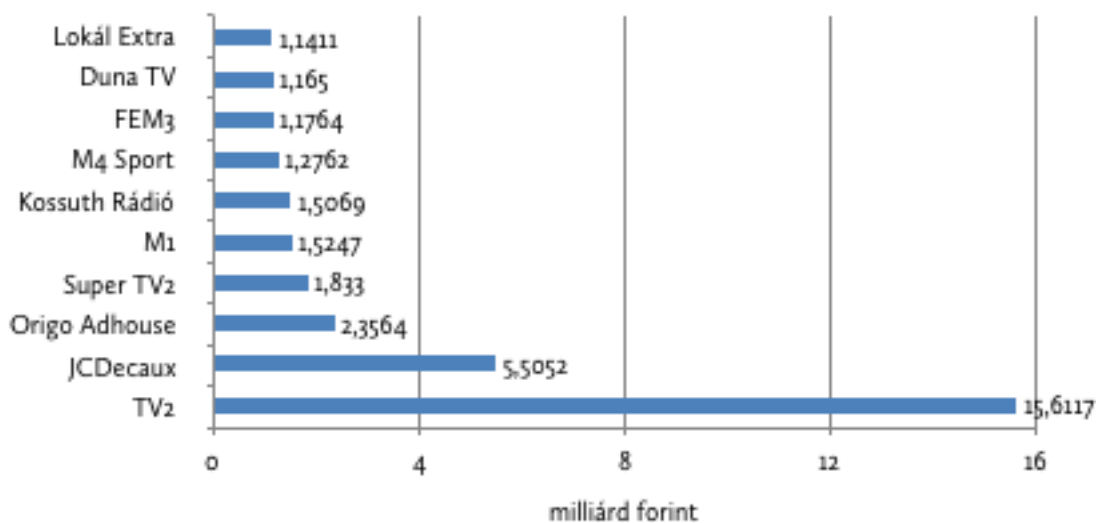
Habony-associated media empire, and Karc FM and Lánchíd Rádió among the major radio stations.

5.1. The biggest beneficiaries

There are two criteria for identifying the biggest beneficiaries of state advertising spending. For one, it is worth examining which media brands received the most revenue from state advertising. The other key data is the share of state advertising in the given media organisation's total advertising revenue: when this ratio is particularly high, it tells us that that the given media outlets do not have sufficient access to commercial advertising and are highly dependent on the state.

Taking a detailed look at the amount of spending, it is apparent that TV2 received the highest level of state-sponsored advertising in 2016. The private television is owned by Andy Vajna, who serves as the government's film commissioner. An outdoor advertising company, JC Decaux, finished second in this ranking – it's the only major company in its market segment that is not owned by Lajos Simicska. The government advertised a lot in public outdoor areas, but for obvious reasons they did not want the money they spent on posters, billboards, etc., to end up with Simicska. Another striking aspect of this data is that four public media brands (three television channels and one radio station) are also among those that received the most state advertising spending, which means that the public media receive considerable state funding from this source as well.

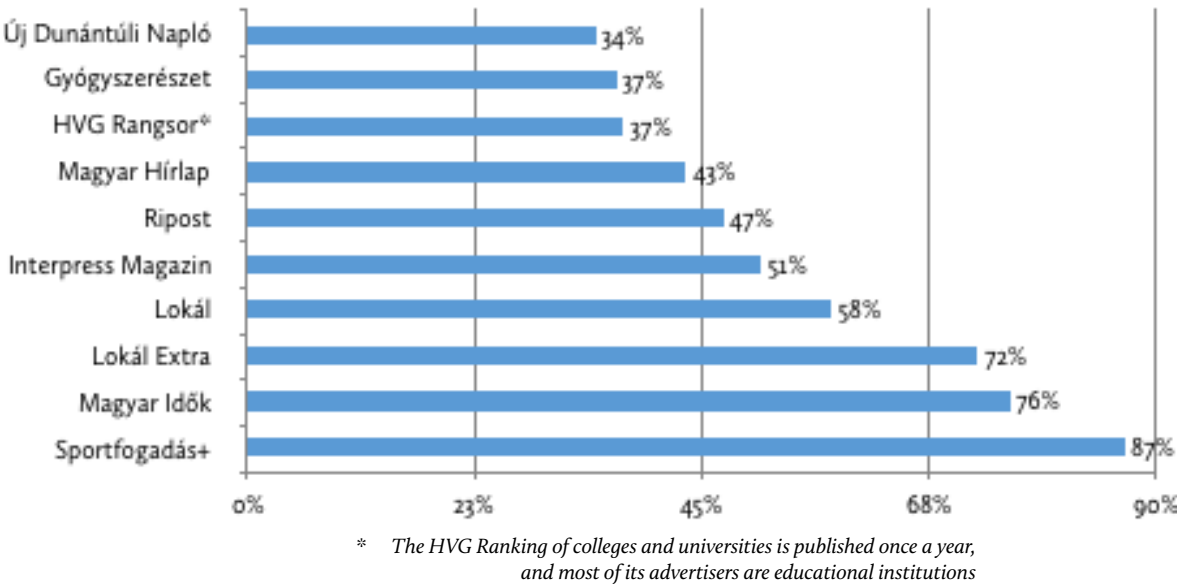
↓ *Figure 1: The media organisations that received the highest amounts of state advertising spending in 2016*



Sources: We designed the figure above based on data from Kantar Media.

When we look at the companies with the highest share of state advertising as a percentage of total advertising revenue, then the list is different, of course. Some of the media on this list are marginal in terms of their role in the market; they have very little advertising revenue, and thus even relatively low levels of government spending play a major role in their advertising income. Another obvious aspect of this list is that it includes several media outlets that are known for their loyalty to the government. This is especially true of the newspapers that were launched in the past few years (Magyar Idők, Lokál, Ripost); it appears that they depend to a greater degree on the state's active support, and it is entirely conceivable that they would not be financially viable if they had to sustain themselves based on their revenue from commercial advertisers.

↓ Figure 2: Media brands that are most dependent on the government, i.e. where the share of state advertising spending as a percentage of total advertising revenue is highest (2016)



Source: We designed the figure above based on data from Kantar Media.

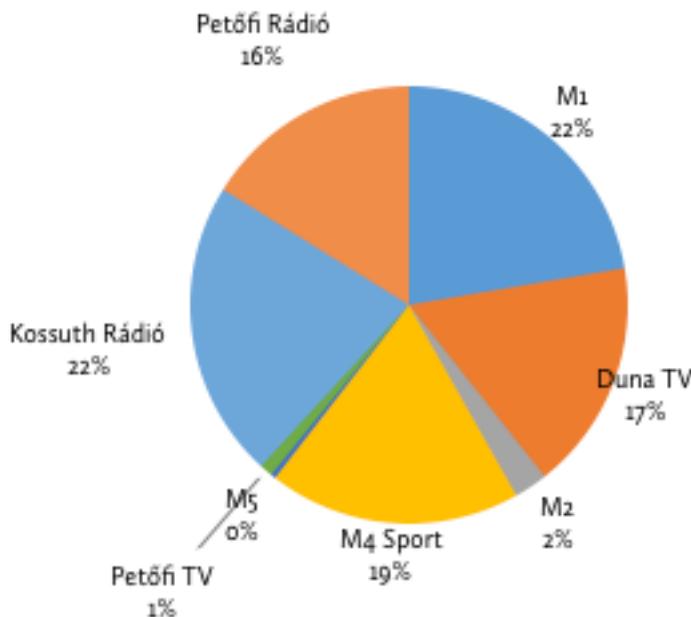
It is worth noting that based on list prices, state advertising made up 4.6% of all advertising revenue. But 103 of the 366 media brands in the database did not receive any state advertising.

5.2. State advertisements in the public media

As is well-known, public media are mostly funded by support from the central budget, which allocates substantial amounts of money to this end each year.

In 2016, the central budget allocated 71 billion forints to the public media, and then augmented this by another 7 billion in ad hoc subsidies during the year (see Chapter 7). Thus far there is no information available on how much money the institution made from advertising last year,¹¹ but based on the Kantar database, a significant portion of that also stemmed from state funding in the form of advertising by state institutions and state-owned enterprises.

↓ *Figure 3: The distribution of revenue from state advertising in public media, by media brands (2016)*



Source: We designed the figure above based on data from Kantar Media.

According to the Kantar database, the public media received 6.9 billion forints in state advertising, but since this information is based on list prices, the actual amount is probably much lower. Nevertheless, the distribution of revenues is most probably realistic. In other words, M1, Duna TV, M4 Sport, Petőfi Rádió and Kossuth Rádió most likely received the highest revenue from state institutions.

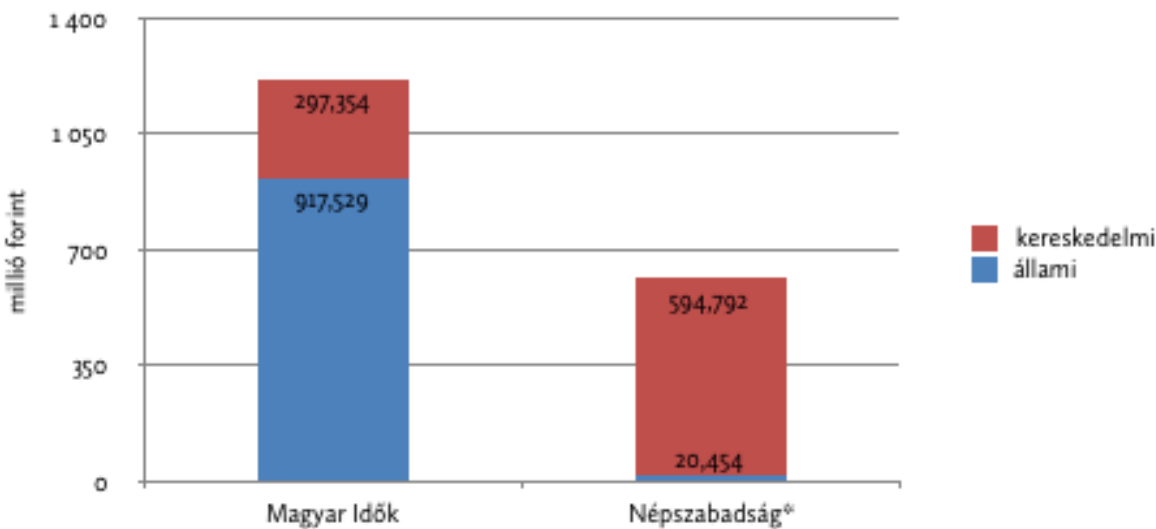
¹¹ A year earlier, in 2015, the public media had received 82.03 billion HUF in budget subsidies and they made 5.13 billion from advertising and asset management (thus 6.5% of their annual revenue came from sources outside the state budget). See: Act CXXIII of 2016 on the implementation of the National Media and Infocommunication Authority's consolidated budget for 2015.http://njt.hu/cgi_bin/njt_doc.cgi?docid=198715.329600

5.3. Head-to-head

It is also worth comparing some of the private media brands with respect to the size of their total advertising revenue and the proportion of state revenues within that. We found three pairs of pro-government and critical major media outlets in three distinct segments of the market.

The first comparison shows the huge difference in terms of advertising revenue between the pro-government Magyar Idők and the major leftwing daily Népszabadság. This situation is especially interesting because the market leader Népszabadság has since been shut down, but it is nevertheless apparent that even in only 10 months of operations last year it drew more commercial advertising than Magyar Idők over the entire year.

↓ Figure 4: A comparison of the advertising revenues from state and commercial advertisers in Magyar Idők and Népszabadság, respectively (2016)

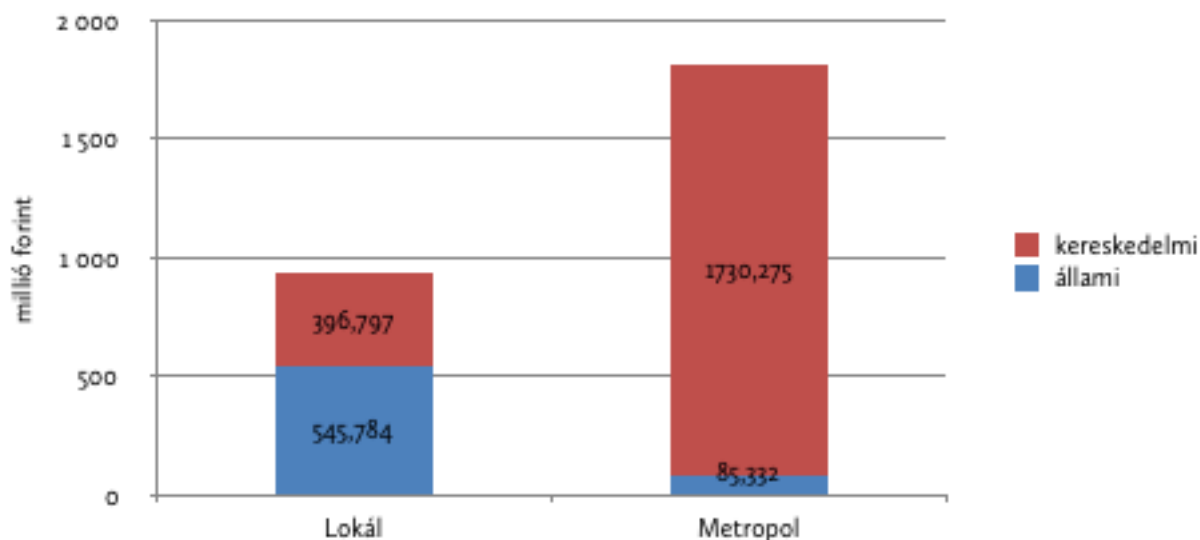


* Népszabadság ceased operating on 8 October 2016.

Source: We designed the figure above based on data from Kantar Media.

The comparison between two free daily newspapers, Metropol and Lokál, is similarly instructive. Metropol was part of Lajos Simicska’s media empire, but the newspaper was only published until June 2016. Its place was taken by Lokál, a pro-government free daily newspaper. The two newspapers were each published for one half of 2016, and each enjoyed a monopoly position in its segment of the market during the portion of the year when it operated. It is readily apparent in the figure below that Metropol was an important outlet for commercial advertisers, while Lokál in turn tends to be preferred by state advertisers.

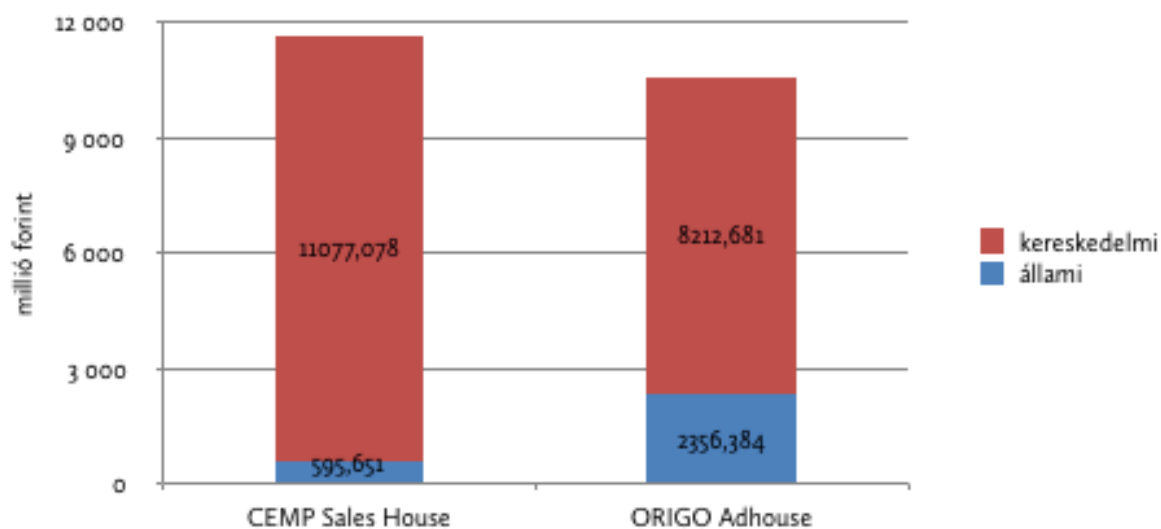
↓ Figure 5: A comparison of the advertising revenues from state and commercial advertisers in Metropol and Lokál, respectively (2016)



Source: We designed the figure above based on data from Kantar Media.

The next figure shows the relevant data for two major online sales houses, the CEMP Sales House (Index) and Origo Adhouse (Origo). In February 2016, Origo was acquired by investors with ties to the government, and since that time the once high quality news portal has increasingly turned into a pro-government propaganda outlet. At the same time, the owner of Index is now in conflict with the prime minister and, furthermore, the public has since learned that Lajos Simicska has had an option right to buy the publisher of Index for a long time now. He finally exercised this option in April 2017. Already in the first year of its acquisition by pro-government interests, Origo received almost four times as much advertising from state institutions than Index, but it is expected that this ratio will become even more lopsided in favour of Origo. It is important to note that the portfolio of both sales houses also includes other media outlets, but the leading online newspapers are both the most valuable elements in their respective portfolios.

↓ Figure 6: A comparison of the advertising revenues from state and commercial advertisers who advertised with the CEMP Sales House and Origo Adhouse, respectively (2016)



Source: We designed the figure above based on data from Kantar Media.

These examples are meant to be illustrative, and it would have been worthwhile to also compare the advertising revenues of the two market leaders in the television segments, RTL Klub and TV2. The problem is that this would result in a distorted picture because in early 2016 TV2 significantly jacked up its list advertising prices.¹² It is widely known that all media corporations offer significant discounts from their list prices, but TV2's price increases resulted in such irrational list price figures that the relevant numbers no longer yield a realistic picture of the comparative positions of the market players. It is hence no surprise that the Association of Hungarian Television Broadcasters (MEME) has decided to release this data in a new format, and soon they will publish the respective ratios of state and commercial advertising for all broadcasters, and the information will be available going back years.¹³

The examples presented illustrate strikingly that state advertisers favour certain companies and they how state advertisers distort the market. We assume that commercial advertisers mostly follow a business logic when they allocate their advertising budgets between various media outlets, that is they spend their money where they can most effectively reach their target audiences (even if they are pressured by the government to advertise in certain preferred media outlets). A state advertiser may of course have different target groups and a different advertising strategy than commercial advertisers, but when there is such a spectacular difference between the respective strategies of state and private advertisers, then the gap is probably no longer only due to special audience targeting. It is reasonable to assume that political considerations, play a role as well.

The impact of political considerations is also apparent based on a data visualisation recently published by Mérték, which presents the trends in state advertising spending in Hungary between 2006 and 2016.¹⁴ This provides a good presentation of all major political developments in this time period (e.g. the change in government in 2010, the Orbán-Simicska conflict in February 2015) and it also shows clearly that state advertisers did their utmost in 2016 to rebuild Fidesz's media hinterland.

¹² Á. Lestyánszky (2016): Olyan reklámáremelés jön a TV2-nél, hogy a kormány a gatyánkat is rákölti a kampányokra [TV2 has increased advertising prices so massively that the government will spend the shirt of our backs on its campaigns]. Budapest Beacon, 15 Februar. <http://hu.budapestbeacon.com/kiemelt-cikkek/12413/>

¹³ D. Szalay (2017): Fordulat a hazai tévés műsorszolgáltatóknál [A major change for Hungarian television broadcasters]. 24.hu, 7 April. <http://24.hu/media/2017/04/07/fordulat-a-hazai-teves-mu-sorszolgáltatoknal/>

¹⁴ Mérték (2016): State advertising 2006-2016 <https://mertek.atlatszo.hu/state-advertising-2006-2016/>

6. THE MEDIA COUNCIL'S FREQUENCY AWARD PRACTICE IN 2016 – NEW FAVOURITES

Mérték has been regularly reviewing the Media Council's frequency allocation and tender practices for years now. Our analyses have documented and analysed in detail the process whereby the Media Council has redrawn the map of the radio market to satisfy the prevailing political needs. As a result of the changes thus implemented, the market has become more concentrated, the role of several players who used to wield considerable positions in this market has been reduced and some have even disappeared outright. At the same time, new players have entered the market. The previously flourishing segment of free (community) radios has also been losing out as a result of this process, with a decline in both the numbers and the significance of radio stations that operate as genuinely local stations, as part of the local public sphere.

On the basis of the frequency tenders carried out last year, we primarily analysed what media policy considerations emerge from the Media Council's tender activities, and in how far the government's media policy aspirations are reflected in said activity.

The analysis looks at the tender procedures conducted in 2016 based on the tender notices, tender decisions, and other documentation published on the Media Council's website.

6.1. Tender for a national private radio station

In the realm of frequency tenders, the most exciting issue of 2016 was whether the Media Council would act on the legal possibility of renewing the licence of the only nationally broadcasting private radio station, Class FM, or whether it would issue a new tender for the use of the national frequency network used by that station. The operator of Class FM, Advenio Zrt, won the right to operate a national station for seven years in 2009. This gave it the licence to broadcast on the national frequency network until 19 November 2016.

Based on the pertinent rules in the media law, expiring licences may be renewed for another five years as long as there are no legal grounds that would prevent the Media Council from renewing the licence and compel it to reject the radio's application for a renewal. The law affords the Media Council a broad margin of appreciation. It is not obliged to renew the licence if the conditions otherwise permit, though the authority has no latitude when it comes to rejecting such an application if any of the legal preconditions disallow a renewal. If any of the grounds for refusal obtain, then the authority must reject a request for renewal without consideration. The law specifies three grounds for refusal:

- the Media Council has held in a legally binding decision that the media provider has repeatedly or grossly violated the law or its contract with the authority;
- the media provider has received written notice for a violation of the previous media law;
- the provider is in arrears on its obligation to pay the media service fee at the time when the application is submitted or when it is reviewed by the authority.

Over the past twenty years since the emergence of the dual media system (the transition from a purely state-owned/managed media system under the communist regime to a system with both privately and publicly-owned media), the renewal of national private television and radio licences has always been a major media policy event. In all previous instances the authority had decided to extend the licence of the existing market player for another five years. Typically, the licences of local radio stations with smaller coverage areas were also renewed; only those were denied this opportunity who were in arrears on the payment of the media service fee. The previous media authority had followed the logic that the market players that had received a licence for seven years (ten years in the case of television channels) should be allowed to continue their activities in the market based on the legally provided option to do so – regardless of their current political assessment.

6.1.1. Prior developments

In 2009, the tender concerning the expiring licences to use the two frequencies for nationally broadcasting private radios was decided based on a political deal between the two major parties at the time. One of the winning stations enjoyed the backing of the then-governing party MSZP, while the other was supported by the leading opposition party at the time, the current governing party Fidesz. The deal concerned the entry into the market of two new players, to replace two radio stations (Danubius Rádió and Sláger Rádió) that had operated on these frequencies for 12 years at that point. The political deal led to a violation of the tender rules, and this determination was later affirmed by a court during the judicial review of the tender based on an appeal by the affected station.¹⁵ The president of the media authority at the time resigned a few days after the majority decision, thus expressing his protest against the unlawful decision.

¹⁵ Decision No. 14.Gf.40.119/2010/15 of the Budapest Court of Appeal, Decision No. Pfv. IV.21.908/2010/6 of the Supreme Court.

Another indication of the role of political influence on this procedure was that the successful applicants committed themselves to paying an unrealistically high media service fee, which the Media Council subsequently reduced for both of them a year and a half after the tender.

In our previous analyses reviewing the media authority's frequency tender practices we continuously tracked the evolution of the market for nationally broadcasting radios, as well as the market-distorting impact of the various forms of state intervention in this market. It was in this context that we wrote about the Media Council's 2012 decision revoking the licence of one of the two nationally broadcasting radios, Neo FM (the station supported by MSZP), because it was behind on the payment of its media service fee obligations. The underlying cause of the station's insolvency was the disproportionately unfavourable distribution of state advertisement and the manipulation of the media market: while in 2011 Class FM's revenue was 2.3 billion forints, Neo FM made only a quarter of this amount, 641.05 million.¹⁶ Even at the recently reduced rate, the radio was unable to keep up with its media service fee obligation, and as a result the media authority revoked its licence. At this point, the Media Council decided not to issue a tender for the national radio network previously used by Neo FM, with the result that the other radio station, Class FM, which was owned by Lajos Simicska and was part of the pro-Fidesz media empire at the time, became a monopolist in 2012.

The next major turn of events for Class FM was the result of the Simicska-Orbán war. In early 2015, the radio lost its privileged status and became the subject of the ruling party's active hostility. The change in the radio's assessment obviously influenced the handling of its expiring licence. In the spring of 2016, the Media Council rendered several decisions in which it determined that Class FM's shows had violated the law, and this foreshadowed its subsequent decision not to renew the station's licence. In light of this situation, in May 2016 the owner ended up selling Class FM to the Sláger Rádió Inc., which had previously operated a private national radio between 1998 and 2009.

6.1.2. New tender instead of renewal

Three months before Class FM's licence expired the Media Council decided not to renew the station's contract.¹⁷ The radio's licence to use the national frequency network expired in mid-November 2016, though it has continued to operate as an internet radio.

The Media Council based its decision rejecting Class FM's application for the renewal of its licence on major changes in the structure of the broader market, as well as in the legal, technical, and frequency management framework. At the same time, it also determined that a ground for refusal defined in the law also applied. In its decision, the Media Council pointed to the realisation of one of the legally enshrined conditions which proscribe a potential renewal: there had been several decisions holding that the station had violated the law,¹⁸ and in these the media authority stated that Class FM "had repeatedly or seriously violated the provisions of the [Media Law]." It is important to note that the Media Council rendered these decisions within the span of a few months in 2016, after Class FM lost its "protected" status. Appeals concerning some of these decisions are still pending in court.

From a legal standpoint, it is impossible to fathom why the Media Council performed an examination of the broader market, legal and technical framework in the context of this decision. Why did the authority deem it important to perform this analysis despite the fact that based on its prior decisions, in which it had determined that the

¹⁶ Source: <http://e-beszamolo.kim.gov.hu/>

¹⁷ Decision No. 956/2016 (VIII.1)

¹⁸ Decision Nos. 440/2016 (IV.12), 441/2016 (IV.12), 534/2016 (V.9)

station had committed violations, there was no more lawful avenue left for renewing the licence? Why did it think it was necessary to back its decisions with such an analysis as well? Reading said analysis makes one thing clear: It failed to bolster the case for the authority's decision. The analysis has some major deficiencies. Though it notes the changes in the broader framework and describes the station's position in the radio market, in reality its description lacks the arguments that would provide the grounds for rejecting Class FM's application for renewing its licence in light of the changes in this framework.

In its decision, the media authority reviewed the changes in the radio market since Class FM had won its licence, and in that context it noted that even though "after reaching its nadir in 2012, the radio sector overall had managed to expand in volume until 2014, its overall share of the advertising pie has exhibited a declining tendency since 2013, which is a result of changes in the advertising market." In reviewing the changes in the radio's situation since 2009, the authority noted that after it was left as the sole private provider in the market of nationally broadcasting radios, there was a continuous improvement in its financial results up until 2015. In addition to its comments concerning Class FM's financial results, the decision also points out that Class FM's share of listeners "surged significantly (by over 40%), and it has emerged as the radio station with the largest audience. Since then, it has further reinforced" its leading position. Yet the decision fails to proffer any arguments beyond these observations that might explain why Class FM was not permitted to continue broadcasting for another five years. Nor can this be explained by the Media Council's discussion of the changes in the legal framework. There was namely no change that would have impeded the renewal of the station's licence. The authority had already previously amended both the contract with the radio and the media service fee the latter had to pay to reflect the relevant provisions of the law as well as the changes in the market and media environment. In reviewing the technological conditions, the authority concluded that a new tender would allow for using the frequency with a higher quality frequency network and a larger coverage area, but it failed to present any details to buttress this claim.

It is typical of the authority's understanding of its role that in rendering and justifying its decisions, it did not go beyond an examination of the underlying market, legal and technical circumstances, and did not address the issue of Class FM's selection of shows during the foregoing seven years; or a discussion of how and whether these have contributed to the diversity of media offerings; or in how far the station had complied with the commitments it had made in its winning tender application in 2009. An evaluation of the radio's role in ensuring a pluralistic selection of media offerings was not even included as an analytical evaluation criterion in the decision.

Based on the descriptive account in its decision, the media authority concluded that by issuing another tender the state's frequency assets can be licensed more effectively, with greater revenues accruing to the state. Nevertheless, had there been no legal grounds for refusal impeding the renewal of the licence, the authority could have just demanded a higher fee from the station in return for a renewal of the licence. (Just as previously the authority had seen no legal impediment to reducing the unrealistically high media service fee that had allowed the station to win the frequency in the first place).

The Media Council's observations describe Class FM as a radio that operates reliably, is a leader in its market segment, is popular with its audiences and widely listened to. The authority concludes laconically, without providing genuine reasons that "in reflection of the prevailing conditions (...) a decision to allow other potential market players an equal chance to apply in a tender for the possibility of offering national private radio services is well-founded."

6.1.3. The tender notice

The rejection of renewing Class FM's licence theoretically afforded the Media Council the opportunity to use the tender procedure launched for finding a new national private radio service provider to assert media policy objectives that reflect the changes that its own findings had previously discussed. The Media Council published its draft tender notice in mid-September 2016.¹⁹ A little later, however, it suspended the tender procedure because the owner of Class FM appealed the authority's decision to refuse a renewal of the station's licence in court. The authority's procedure remains suspended to date.

Even though the legal regulation of the tender procedures endows the media authority with broad latitude in asserting media policy objectives, the tender notice is murky at best when it comes to the media policy objectives that the authority means to realise through the lease of the state's radio frequency assets. It is just as devoid of specifics as the decision refusing Class FM's request to renew its licence had been. Those elements that it did set out as the objectives of the tender, such as maintaining diversity in the radio market and enabling the market entry of a financially consolidated radio station, are general objectives that fail to reflect any specific media policy considerations. The Media Council did not specify any new conditions that might result in substantial changes in the market to reflect the new circumstances detailed in its decision rejecting the aforementioned application to renew Class FM's licence. A closer examination of the evaluation criteria that the authority intends to use in the tender yields the same impression.

Effectively, the evaluation criteria are based on two elements: the programme plan and the so-called media service fee commitment. These two combine for 90% of the total score of 96 points that can be awarded in the tender. The media service fee, that is the annual amount that the applicant commits to pay over the entire licence period, is worth 40 points. According to the tender notice, the lowest fee that can be offered is 497.761 million forints per annum. This is slightly more than the amount paid by Class FM in 2016 (461.9 million HUF). The tender notice does not provide an explanation for the determination of the minimum fee amount, and thus it remains unclear why the figure specified is roughly on par with the fee previously paid by Class FM. This is conspicuous in light of the fact that the authority had argued in its decision rejecting the renewal of Class FM's licence that a higher fee could be demanded for the licence to broadcast in the expanded coverage area. Looking at this issue from another perspective, it also failed to consider that private television channels pay a considerably smaller fee, one hundred million forints, despite the fact that their revenues are far higher. Moreover, in addition to the fee the new market entrant would also be subject to the advertising tax.

The tender notice specifies that 32 points can be awarded for those aspects of the applicant's programme plan that can be evaluated based on "objective" scoring. Broken down into more detail, a 120 minute general interest show a week is worth 20 points; another 10 points are awarded if the applicant commits itself to only broadcast shows that are safe for children in the morning broadcasting segment from 6:30AM to 8:00AM. A further 2 points are awarded if the applicant undertakes to regularly air national traffic and Budapest traffic information news. It is likely that these conditions would be met by all potential applicants, not only because the criteria are relatively easy to satisfy but also because an applicant can only remain competitive in the "subjective" evaluation if it complies with them. Though the child protection requirement advances an understandable media policy objective, its use as an evaluation criterion here raises serious doubts. What the tender notice fails to address namely is what happens when despite this commitment the morning segment of a radio's broadcasts includes elements that

¹⁹ Tender notice for the utilisation of the opportunity to offer radio media services by way of analogue terrestrial broadcasting in a national coverage area http://mediatanacs.hu/dokumentum/171822/orszagos_kereskedelmi_frekvencia_palyazati_felhivas.pdf

are problematic with respect to child protection requirements, be it once or repeatedly. Presumably one such instance would not lead to a revocation of the licence, but at the same time the lacking mention of specific consequences indicates that the use of this element as an evaluation criteria was not properly thought out.

The tender notice also allows for a subjective evaluation of the programme plan, to complement the “objective” score awarded. The Media Council may reward the “surplus value manifest in the programme plan” with a total of 16 extra points. Such a surplus value may include “an aspiration to air shows that do not impact the physical, mental or moral development of minors”; “the promotion of media use awareness”; “a major role in the media market competition through the broadcasting of a rich selection of diverse and high quality shows”; and a commitment to limit the replays of radio shows. It is undeniable that the Media Council has expressed important media policy objectives through these criteria. Yet the way in which it has manifested these suggests that the goal is not so much to elevate the quality of the radio market but rather to allow the Media Council to ultimately select the winner of the competition based on its own subjective assessment. The tender notice fails to specify the scores that can be awarded by meeting any of these specific obligations, and leaves it up to the Media Council to explain its scoring retrospectively. Effectively, this means that the distribution of the score awarded for surplus value can be weighted between these various aspects with a full knowledge of all the applications that have been filed, which allows for giving certain aspects more or less weight. The 16 points that a potentially favoured applicant can attain this way offer a comfortable margin for winning a frequency. Even if two or more competing applicants receive the maximum attainable score in the categories that need to be scored based on objective criteria, these 16 points are still ample to award the frequency to the authority’s preferred station -- this also implies that the other undertakings are a mere formality, this category is the one that really matters.

The evaluation criteria also reveal that the Media Council does not really want Class FM’s application to potentially succeed. This is manifest in the fact that the tender offers a very low additional score – 5 points – for the applicant’s previous experience as a media service provider. Nevertheless, Class FM would qualify only for a fraction (1 point) of even this low score. The other four points that can be won for experience in providing media services can only be awarded to providers that have not been subject to recent condemnatory decisions by the Media Council in connection with violations of media law provisions.

By providing the Media Council with an excessively broad margin of appreciation, the tender notice fails to provide a coherent and stable legal framework for the tender procedure. The tender notice reveals that the Media Council primarily used the definition of the evaluation criteria to secure its own freedom to render whatever decision it sees fit. It also shows that if the procedure ever goes ahead, the authority would prefer a new player in this market. As of April 2017, we still do not know when radio broadcasts will be aired once again on the sole national private radio frequency. As things stand right now, it looks as if the Media Council will continue to keep the tender procedure suspended until the conclusion of the lawsuits that Class FM has launched against it concerning the use of the frequency.

Through a series of decisions the Media Council has made sure that national private radio will remain unavailable in Hungary for an indefinite time. On the one hand, this seeks to steer audiences towards the radio offerings of state media providers, while at the same time it creates favourable conditions for the new player in the radio market, namely Rádió 1, which is part of the media empire controlled by the government’s film commissioner Andy Vajna and has already indicated its desire to expand in the market. Both these objectives are rather obvious translations of the government’s media policy objectives.

6.1.4. Local/district radio frequencies

The Media Council decided on the fate of 18 local/district radio frequencies in 2016. Half of the frequencies won last year went to Mária Rádió, which has been active in the radio market for years by operating a network of religious radios on numerous local frequencies. Some of its licences expired last year, and the Media Council issued tenders for the frequencies in question. Mária Rádió won its previously used licences again in 2016, and as a result it now uses 18 local and district frequencies. The series of decisions

that led to this constellation adheres to the existing trend of allowing stations with religious affiliation to retain their previously used frequencies after issuing new tenders for them.

An important event in 2016 was that the Media Council awarded a radio licence to a company owned by the casino owner and government film commissioner Andy Vajna, who plays an active role in building the government's media empire and had acquired the national private television channel TV2 in the previous year.²⁰ In early 2016, the Media Council declared the Radio Plus Ltd. the winner in the tender issued for the licence to use the Budapest 96.4Mhz frequency. The authority rejected the submission of the only other applicant in the tender on formal grounds, and a court subsequently affirmed this decision. As a result, the sole remaining competitor in the tender, Radio Plus Ltd., won the frequency without any real competition. Since in tenders without actual competition the authority does not attach a detailed explanation to its decision, the radio's undertaking in its application were not publicly revealed.

It took a few months for the new radio station's actual objectives to become unequivocally clear. Already before launching its broadcasts, it asked the Media Council for permission to change its name. The latter consented to the request to launch the new station under the name Rádió 1, which had a good ring to it and had been the name used by a previously successful radio network.²¹ A few months after the station was launched, the Media Council also granted its permission allowing a network of nine stations and Rádió 1's station in Budapest to jointly form an expanded network.²² As a result of this decision, Rádió 1's broadcasts can be heard throughout large parts of Hungary's western Transdanubia region, as well as the country's northern and northeastern parts. The network was expanded by frequencies in the major towns of Győr, Miskolc, and Nyíregyháza.

Operating radio networks is not a novelty in the radio market. The essential idea behind a network is that the broadcasts of a central station which operates as a networked media provider are heard on several previously independent frequencies that combine to form a network. In other words, the central station "leases" the frequencies used by the local radios that are bundled into a network for a maximum of 20 hours a day. It then broadcasts its own shows on these frequencies. In the remaining airtime, which typically amounts to four hours a day, the local radio airs its own local broadcasts. This airtime is the minimum legally mandated amount of time during which networked local radios must broadcast their own shows. For the central station, the benefit of this model is that it can expand without competing in tenders and can thus attain a larger coverage area which makes it easier to sell advertising time.

Interestingly enough, as recently as last year, during the tender for Rádió 1's Budapest frequency, the Media Council's tender notice had unequivocally ruled out the submission of applications for the operation of a radio network -- in other words it did not support the idea of awarding the Budapest frequency licence to an existing network or to a player who sought to expand its operations by creating a network. A little while after Andy Vajna took control of the radio, however, the authority no longer regarded the station's fusion into a network as a problem, and consequently it did not object to amend the radio's contract to that effect. In light of the aforementioned, the claim that Rádió 1's expansion is supported by the government's own media policy goals and massive backwind from the media authority does not seem unfounded.

As long as the government's media policy objective was to prevent the emergence of a competitor to the national private radio station, as well as to prevent private radio in general from increasing its role in the market, the media authority assisted the expan-

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

21 Decision No. 525/2016 (V. 9)

22 Decisions No. 1238-1246/2016 (X.25.)

sion of community radios. But the growing intensity of the conflict between Prime Minister Viktor Orbán and his former friend and ally Lajos Simicska -- as a result of which Class FM fell into disgrace along with its then-owner Simicska -- created an entirely new situation: whereas previously the media authority had systematically thwarted the expansion plans of potential players who sought to compete with Class FM in the national private radio market, now it has offered its assistance in developing precisely such a network.

7. STATE MEDIA – PROPAGANDA WITHOUT LIMITS

7.1. Changes in the regulatory environment

7.1.1. The development and application of the public value test

The statutory framework for the regulation of the state media did not change in 2016. At the same time, however, since 2015 there has been a mandate in the law which says that “[t]he public media service provider shall examine and review the public nature and value of its services, and the impact they may have on the diversity of the media market.”²³ The detailed rules governing this review shall be adopted jointly by “all of the organisations and bodies affected.” The state media institutions did nothing in 2015 to implement these provisions of the law. The CEOs of Duna Média Inc. and of the Media Service Support and Asset Management Fund (MTVA) adopted a Code of Public Value in 2016, based on which they elected the members of the Public Value Board in March, along with the so-called Second Instance Board, which reviews appeals filed against the decisions of the Public Value Board. The Public Value Board is responsible for performing the public value test.

One of our criticisms²⁴ of the relevant amendment of the media law was that based on the text of the law the public value test is only applied to already existing public media services. The Code of Public Value, by contrast, provides that the public value test must be performed before launching any new services as well as before implementing any

²³ Article 100/B of the Act on Media Services and Mass Communication (abbreviated as Mttv in Hungarian).

²⁴ See Gábor Polyák: Közzolgálati légvárak [Public service castles in the air], Mérték Blog, 28 November 2014. <https://mertek.atlatszo.hu/kozszolgalmati-legvarak/>

major changes with respect to an existing service. Moreover, in the course of every calendar year the test must also be administered with respect to at least one of the existing radio and one of the existing audiovisual services. Assuming its proper implementation, this regulation can actually satisfy the objectives that the European Commission has laid out concerning the measurement of public value. The goal of this procedure is namely to prevent the public service media from using public funds to launch new services that are unnecessary for the performance of their public service obligations, or which would disproportionately restrict or distort market competition.²⁵

According to the Code of Public Value – and this, too, is in compliance with the Commission’s expectations –, as part of the test the Public Value Board reviews the public service values that the service represents and its impact on diversity in the media market (media pluralism). The Code also provides detailed analytical criteria for the assessment of both objectives.²⁶

The Public Value Board rendered one publicly accessible decision in 2016: It green-lit the launching of the educational/cultural television channel m5. The Board assessed that the channel “can enrich the current portfolio of public service media (...) with socially important and useful contents” and would also bolster media pluralism because “the educational and artistic genres in its [planned] programme have a negligible presence in the domestic market.” With regard to funding, the Board held that the “channel’s operations can be securely sustained by the budget at its disposal.”²⁷

With respect to the contents to be aired by the channel, the evaluation points to m5’s unique public service value when compared to educational channels already available in the market, arguing that the latter “do not to any extent satisfy the needs of viewers who desire shows about their own national culture and about domestic scientific and educational life”. The reasoning is not devoid of exaggeration: “Unlike the thematically one-sided selection of shows (...) offered by private educational channels, m5’s selection of European and Hungarian contents will fill a hitherto unmet need in the Hungarian media market”. At the same time, however, the review does not even address the issue that these days the main platform for disseminating educational contents is no longer television but various online and mobile services. The channel’s planning documents refer to the issue of m5’s interactive online services only as part of its future plans, and the analysis performed by the Board failed to discuss how it will be possible to reach out to the 14+ age group without offering such services.

There is only a perfunctory discussion of the funding situation of the media service. The planned costs for the operations of the channel are estimated at 5.5 billion HUF in 2017. As to the source of this funding, all that the public value analysis has to say is that “the expenses will be covered by the public media system’s revenues from the central budget and from the commercial market.” It does not emerge from the analysis whether this will result in an increase in the state’s total media expenditures; in the next chapter it becomes apparent that they did not even consider this issue at the time when the channel was launched.

25 European Commission: Communication from the Commission on the application of State aid rules to public service broadcasting, 2009, <http://eur-lex.europa.eu/legal-content/HU/TXT/HTML/?uri=CELEX:52009XC1027%2801%29&from=HU>

26 For a summary of the Code (in Hungarian) see the website of the Duna Médiaszolgáltató Inc.: <http://dunamsz.hu/58-dunamsz/dunamsz-k%C3%B6zszolg%C3%A1ltat%C3%B3-294-a-kozszoigalati-ertek-testulet>

27 Közszolgálati érték-vizsgálat a Duna Médiaszolgáltató Nonprofit Zrt. által indítani tervezett „m5” televíziós csatornára vonatkozóan [The public value test concerning the television channel “m5” which the Duna Médiaszolgáltató Nonprofit Inc. wishes to launch], http://dmsz.hu/images/duna/kozsertek/m5_kzrtk-vizsglat_.pdf

7.1.2. The amendment of the public procurement law

Act CXLIII of 2015 on Public Procurement was amended last year, and the amended rules became effective on 1 January 2017. As a result of the amendment, the range of exemptions from standard public procurement rules have been expanded: agreements concerning “the acquisition, development, production or co-production of programme material intended for audiovisual media services or radio media services, or the acquisition of airtime” can be entered into without a public procurement procedure, regardless of who commissions the work in question. The European Union’s directive on public procurement (Directive 2014/24/EU of the European Parliament and of the Council), by contrast, allows exemptions for “the acquisition, development, production or co-production of programme material intended for audiovisual media services or radio media services, that are awarded by audiovisual or radio media service providers, or contracts for broadcasting time or programme provision that are awarded to audiovisual or radio media service providers.” In other words, the European directive’s exemptions always pertain to procurements by audiovisual or radio service providers.

The goal of the Hungarian amendment is to allow the MTVA to acquire shows without a public procurement procedure. According to the Hungarian media law, the MTVA is not a media service provider, and hence the European public procurement exemption does not apply to it. At the same time, the procurement of shows for public service media providers is an important aspect of its activities. This is the practice that the amendment wishes to legitimate while it disregards the European legal framework.

7.2. The budget of the state media

The central budget allocated 71 billion forints to the state media in 2016.²⁸

At the same time, however, the president of the Media Council granted the MTVA a supplemental support in the amount of 7 billion forints in May. According to the president’s instructions concerning this additional support – which was published as a result of a freedom of information request filed by Mérték – the funds were to be used by the “MTVA for the public benefit objective of funding the MTVA’s broadcasting costs, especially in light of the launching of the new M5 channel, and for broadening the selection of channels and expanding the capacities necessary to this end, as well as for broadcasting that makes Europe-wide transmission possible.”²⁹ Pursuant to the media law, the president may extend such supplemental support by drawing on the funds collected by the National Media and Info-Communications Authority from frequency fees, which the Authority uses to fund its operations.³⁰

This kind of ad hoc support is definitely not in compliance with European legal requirements that state funding must be allocated for the performance of specific responsibilities, that it must be transparent, and that the use of public funds must be effectively monitored. At the same time, the practice of extraordinary subsidies also shows that the annual funding specified in the law – the periodic review of which is not required by the law – cannot adjust to either increasing or potentially decreasing funding needs.

²⁸ See Act CLXXIV of 2015.

²⁹ See Presidential Instruction No. 4/2016. <http://kimitud.org/request/8417/response/12694/attach/11/NMHH%20reel1604.pdf>

³⁰ According to Article 134 (5) of the Act on Media Services and Mass Communication (Mttv): “The portions of frequency charges that were not used by the Authority for operating purposes – under the Act defined under Paragraph (2) – or were not used to generate reserves as outlined under Paragraph (1), shall be paid into the Fund as instructed by the President. The President shall designate in his/her instructions the public purpose for which and the manner in which the amount paid into the Fund in accordance with this Paragraph may be used. Any amount transferred pursuant to this Paragraph may be used by the Fund strictly as instructed and for the purpose designated by the President.”

7.3. Open propaganda in the state media

On numerous occasions the contents disseminated by the public media services in 2016 made clear that the goal behind overfunding the public media was to create a media platform that would uncritically disseminate the government's messages. This was most obviously manifest in the state media's role in the anti-refugee campaign carried out by the government. Partnering with Democracy Reporting International, Mérték performed a content analysis of the campaign.³¹ As compared to the privately-owned channel that devoted the greatest amount of airtime to this issue, namely Hír TV, the public media dwelt twice as long on this issue, which also meant that roughly half of their evening news time was devoted to the refugee issue. There were regularly 10-12 items on the evening news concerning this issue, regardless of whether there were actual events and happenings in this context or not. Seventy percent of the relevant news items discussed the dangers stemming from migration, and 91 percent portrayed refugees in a negative light. Only 6 percent of news items presented opposing views. The Media Council rejected the complaint about the campaign filed on the basis of our analysis, arguing that "no procedures can be initiated [in connection with the legal requirement that the public media be impartial] due to the lacking specificity of the relevant legal obligation."³²

The government made sure that the political slogans of 2016 continuously reverberated through every platform it had access to and control over. The messages that appeared on giant billboards were echoed in the public media news as well – in total contradiction with the responsibilities and obligations defined in the media law. To provide factual proof of this, Mérték Media Monitor's *Spot Check* series randomly chose one MTVA-produced news show each month and analysed in how far it was in compliance with the requirements of the media law. Among the aspects we examined was whether the news show satisfies the conditions for balanced information; whether any biased or manipulated news contents are published; and whether the editorial practices are one-sided, biased, and only focused on amplifying the government's communication. We examined whether we can detect any manipulation techniques in the choice of topics or in the way the news blocks are structured, and whether propagandistic elements appear in the word choice or in the visual or audio elements of the individual news items.

The media law mandates that every media service provider that delivers news to the public has an obligation to report in a balanced manner in its informational and news shows about local, domestic, national and European events and contentious issues that are of interest and relevant to Hungary's citizens and to those who are part of the Hungarian nation. The law specifically designates balanced, accurate, detailed, objective and responsible news and information services as an objective to be pursued by the public service media provider. Such news should also provide the possibility of presenting conflicting views and debates about issues that are relevant for the community, and they ought to contribute to free opinion formation based on reliable information.³³

The Spot Checks we performed showed without fail that the state media cannot satisfy these requirements.

- The [first Spot Check](#) was published in April 2016, and back then roughly half the airtime in the MTVA news show we looked at was taken up by news items concerning migrants.
- At the April [Spot Check](#) we found that the state media news show is trying to conflate refugees and terrorists. It is a widely used manipulation technique to present two things that are not at all similar or hardly similar to one another as being identical. The state media deliberately connected unrelated news items and they repeatedly beat the drum – with frequent replays and a variety of players

31 Erősen elfogult volt a közszolgálati híradó a kvótanépszavazási kampányban [The public service media news show was heavily biased in its reporting on the quota referendum campaign], Democracy Reporting International, 2 October 2016. <http://democracy-reporting.org/?p=2437>; Közvéleménygyártás a híradókban [The production of public opinion by the news shows], Mérték Blog, 14 October 2016. <http://mertek.hvg.hu/2016/10/14/kozvelemenyyartas-a-hiradokban/>

32 A Médiatanács szerint szerkesztői szabadság, ha a közmédia csak kormánypropagandát sugároz [The Media Council argues that the public media's broadcasting of nothing but government propaganda is a matter of editorial freedom], Vastagbőr, 4 November 2016. <https://vastagbor.atlatszo.hu/2016/11/04/a-mediatanacs-szerint-szerkesztői-szabadsag-ha-a-kozmedia-csak-kormanypropagandat-sugaroz/>

33 Article 83 (1) m)-n) of Act CLXXXV of 2010 on Media Services and Mass Communication.

– to push the false or simplistic analogies and the alleged but unreal connection between the phenomena thus compared.

- In the May news, the editors no longer talked only about the migrant masses coming to Hungary, but they also began to claim that the entire process was funded by pro-migrant NGOs who received their money from the American billionaire and philanthropist George Soros.
- During the time of the 2016 UEFA European Championship, football moved into the focus of the news – and one would expect no less from a country with so many football stadiums. Despite the topic, however, the viewership of the news shows remained as low as it generally tends to be. Nevertheless, the public media managed to gild the ratings of the public service channel that broadcast the actual game, and the fawning over their own achievements went so far that they talked of “nearly three million” viewers. Yet, even with the European Championships ongoing, Brexit was nevertheless unavoidable as a topic, and that issue was only one degree of separation away from the migrant issue. The order in which the news were presented reflected a rather obvious editorial approach that was meant to manipulate. Briefly, it can be summed up as follows: the idea to leave the European Union arose in Britain in response to the problem of immigration and because of pressure from Brussels. Hungary is struggling with the same problems, immigration must be stopped at the EU border, and illegal migrants come into the EU by the tens of thousands. The minister of defence argued that the army reservists need to be mobilised to counter the elevated threat of terrorism resulting from the migration crisis. And, thus the news, terrorism is already raging in a German small town (there was a shooting in a cinema at this time, and it subsequently turned out that this was not an act of terrorism). The combination of these items as presented was liable to mislead viewers and to give them gratuitously false information in the process of opinion formation. The concerns about immigration that were raised in the context of Brexit mainly dealt with the inflow of migrants from Central and Eastern European countries – that is from other EU countries – and their employment in the UK, as well as the masses of potential new EU citizens that might arrive were Turkey to join the EU. The immigrants who wanted to apply for a refugee status in Hungary and whom the Hungarian government wanted to stop at the EU borders were not the main issue. But the news show never made that distinction.
- A third of the news in July was once again taken up by the threat of terror and the presence of migrants, though the news did discuss the university admission scores that had been announced the day before. Despite the importance of this topic, the relevant infographics presented in the news twice displayed wrong and misleading/confusing results. Since no one had any conceivable interest in disseminating wrong and confusing information about this in the news, in all probability the misleading coverage was the result of professional negligence.
- The editors of the news broadcast before the refugee quota referendum in autumn 2016 did all in their power to ensure that the government’s plebiscite initiative would be successful. The [state news show](#) reviewed during this period completely put its coverage into the service of the government’s anti-migrant referendum campaign, and it presented the viewers with a propaganda show rather than an actual news show. In addition to the propaganda techniques, the news also deployed the mechanism of generalisation that allowed the viewer to draw her “own” conclusions when seeing the carefully selected crimes presented in the news, to come up with her own negative stereotype internally or to foster a black or white type of thinking in the viewers by deploying the “either or” technique.
- In October, migrants continued to be in the news every day, though in the news show of 26 October the murder of a police officer by an extreme rightwing militant with ties to Russia was the top news item. In the absence of reliable background information, the editors used the event as an instrument to try to discredit the

far-right opposition party Jobbik, speculating about potential ties between it and the murderer.

- One of the [last news shows of the year](#) featured surreptitious advertising during a report on end-of-the-year shopping habits. One cannot refer to in-show advertising for champagnes or for a fashionable music club as a decent practice, and it shows that the MTVA's news shows can use even contents devoid of political relevance in a way that contravenes the media law.

A review of MTI's operations also reveals instances of reporting that violate the principle of objective and balanced information. The state news agency practically failed to report about the fact that the government's decision to award one of the highest state prizes, the Kossuth Prize, to the journalist Zsolt Bayer, who had risen to fame with a slew of racist opinion pieces, triggered an unintended wave of returned prizes. Over a hundred previous recipients, including prominent artists and other public figures, returned their own awards.³⁴ At the same time, however, the news agency activities of the public service media are not subject to legal provisions that can be enforced through another authority or by a court in the case of a transgression. The media law specifies only very vague principles and objectives concerning the activities of the state-funded public service news agency, which enjoys a monopoly position in the Hungarian media market.

34 Az MTI szabad, ezért adott eddig összesen két hírt a Bayer-botrányról [MTI is free, which is why it only published two items thus far on the Bayer scandal], NOL.hu, <http://nol.hu/belfold/mti-bayer-botrany-ujsgaras-lovagkereszt-hir-sajtoszabadsag-1629115>

8. JOURNALISTS' PERCEPTION OF PRESS FREEDOM IN HUNGARY IN 2017

As it did in previous years, Mérték Media Monitor performed a survey among those who work in the media inquiring about their assessment of the state of press freedom in Hungary. Our April 2017 survey used the online data collection and analysis software Survey Monkey. We have performed this survey every years since 2012, mapping professionals' assessment about the conditions shaping the work of the journalists in the given year.

We have tried to reach as wide a circle of journalists as possible. We sent out the online questionnaire to print and online media organisations, to radios and television channels, and to the public service media institutions. The responses were anonymous, and as a result we do not know how high the response rate was at each of the media organisations we contacted. Furthermore, in the absence of a relevant group of comparison, we also do not know how representative our sample is of the profession in general.

Ninety journalists filled out the online questionnaire this year. This is a lower number than in previous years, even though the target group of our questionnaire was the same as before. We can only speculate as to the reasons for the lower rate of response, but we cannot rule out the possibility that the current atmosphere in Hungary discouraged some from answering our survey despite the fact that it was anonymous. It is of course also possible that as compared to previous years, fewer people currently believe that sharing their opinions or experiences is a meaningful or worthwhile exercise.

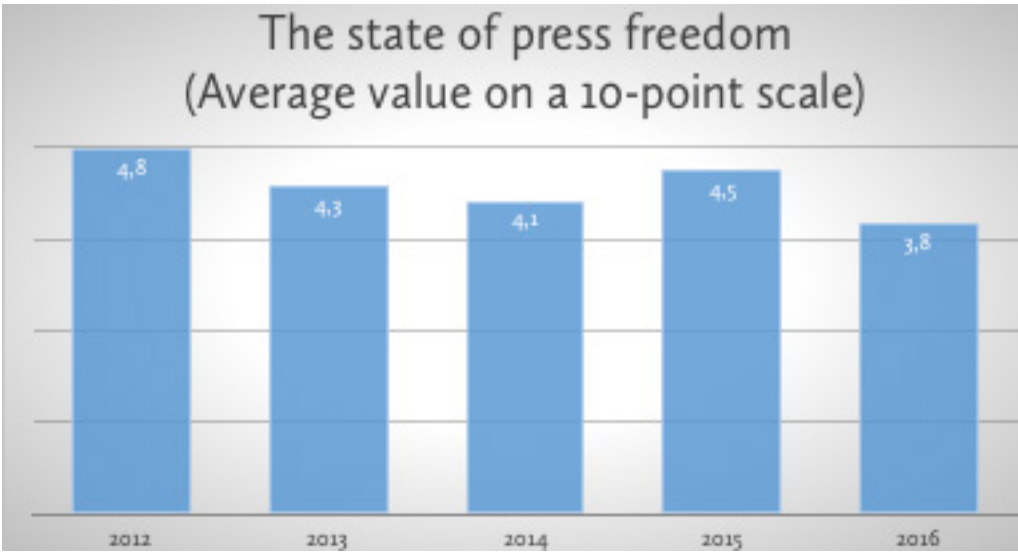
Roughly half of our respondents (52%) work as journalists, the second largest group are editors (42%), and the remainder are managers or work as ad sales agents. Almost three-quarters of respondents (73%) are Budapest residents, 18% live in county seats, 7% in rural towns and a mere 3% reside in villages. The overwhelming majority (92%) of

respondents has a university or college diploma. As for the type of media organisation they work for, the majority of responding journalists (60%) indicated that are employed by online media. The rest divides as follows: 20% work for a print newspaper, 15% for private television channels, 3% for community radios, 1% for a private radio and 1% for public service television.

The basic demographic and professional data concerning the journalists who filled out the survey are similar to the relevant data in last year's survey and to the information collected in the foregoing years, which implies that this data can also be used in a time series analysis. Fortunately, the response rate had no significant impact on the validity of the research results.

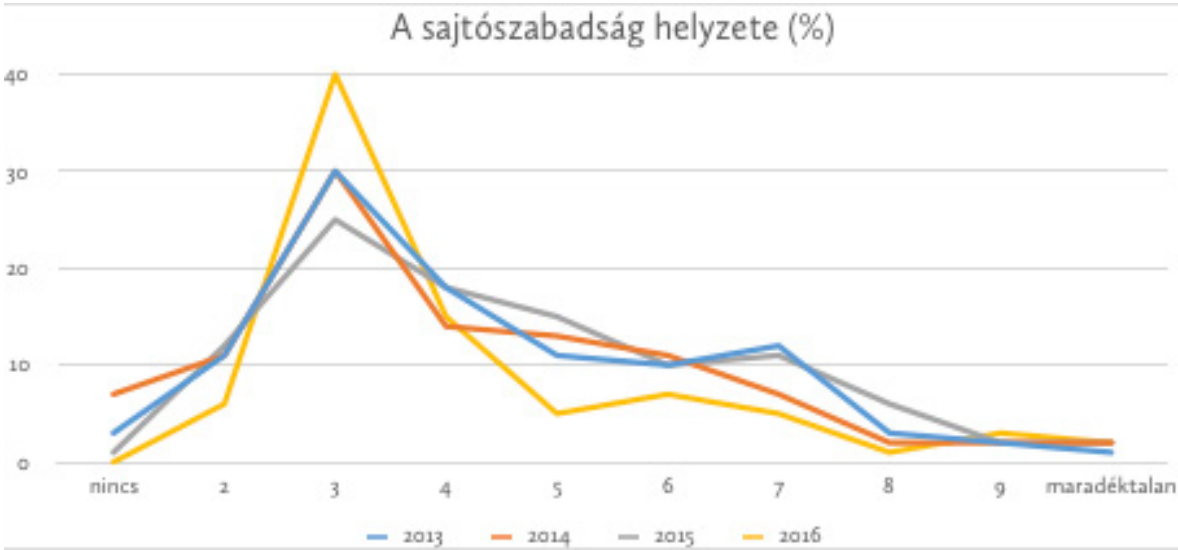
8.1. Press freedom

In the assessment of journalists, the state of press has deteriorated since we started our annual survey. Though there was a slight improvement in 2015, the relevant indicator dropped substantially in 2016, below even the worst level of assessment measured previously.



A closer look at the data reveals that there has been a surge in the share of respondents who take a very negative view of the state of press freedom (in other words respondents who gave this a score of 1-3 on a 10-point scale), from 48% last year to 60% this year. At the same time there was no major shift in the share of those who have a decidedly positive view of the state of press freedom (a score between 8-10): 7% shared this view in both years.

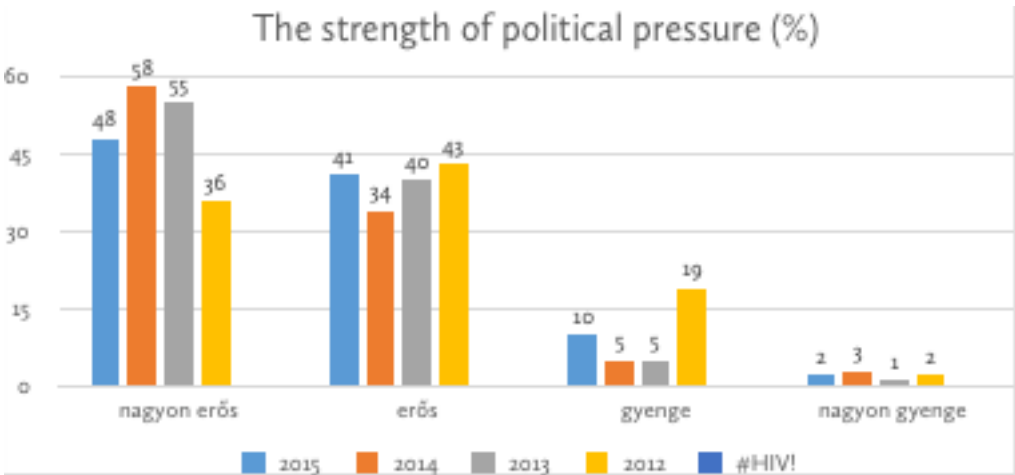
The figure below shows, however, that there has been no fundamental shift in the overall trend of opinions; on the whole journalists still give the state of press freedom a below average score.

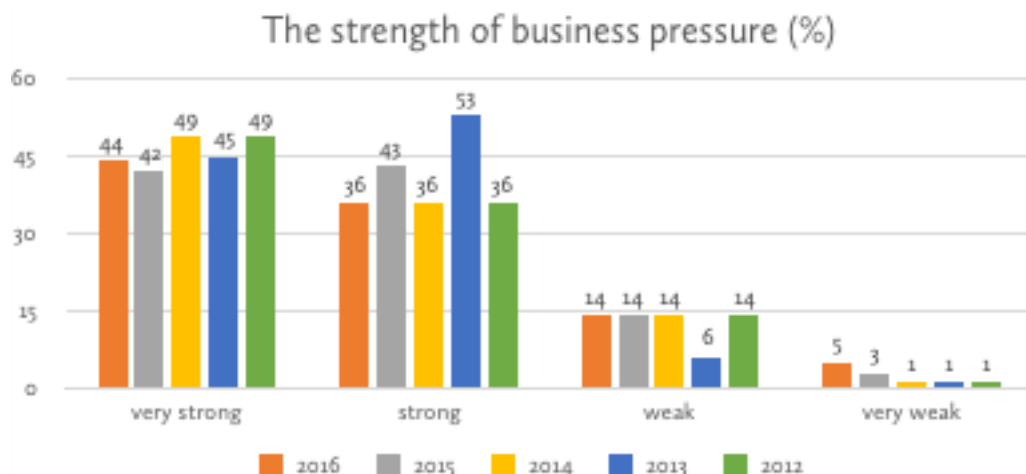


The picture becomes more nuanced when we consider the devastatingly grim assessment journalists have concerning the control functions of the press. The overwhelming majority (89%) perceive that “politics act as a check on the media” rather than the other way round, that is “the media acting as a check on politics.” There has been no major shift in this assessment since last year.

8.2. Political and economic pressure

The responses to the question “Please rate the degree of political pressure on the media from ‘there is no pressure’ all the way to ‘the pressure is massive enough to impede press freedom in Hungary’” also paint a woeful picture. Converting the answers to a 100-point scale, journalists’ assessment of the degree of political pressure was 89 points, a larger number than last year. The perception of business pressure was somewhat lower, but it was still a 74 on a 100-point scale (there was no change in this number as compared to last year).





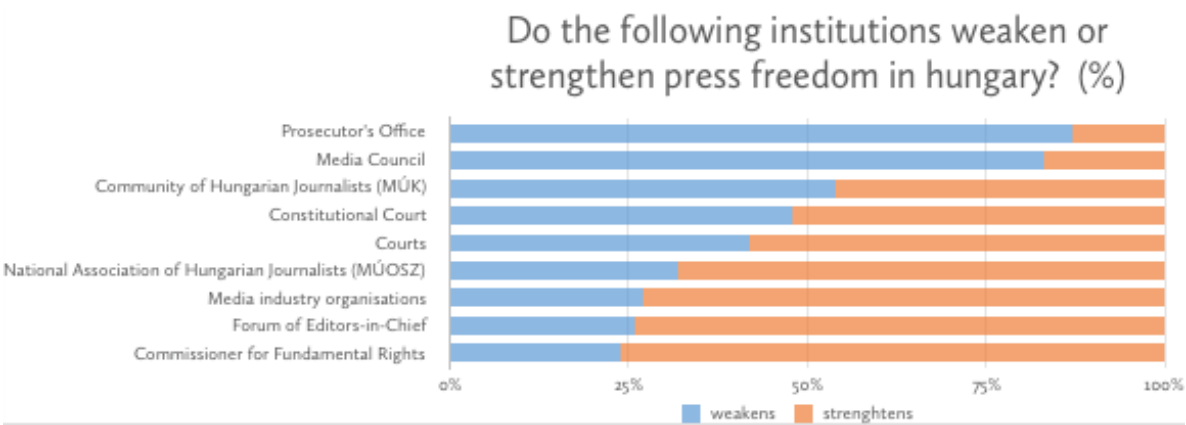
We listed 18 potential factors in the questionnaire that may be relevant in terms of determining the extent to which press freedom prevails. The responses differ only slightly as compared to last year's results. This year “the transparent distribution of state advertising spending and state support” ranked first (85% considered this very important), but last year's top-ranked issue, “the dissemination of unbiased and balanced information by the publicly funded media” received the same level of mentions (85%) as an important consideration. The existence of an independent news agency (81%) also continues to rank among the top issues, as does the possibility to criticise public figures without the threat of legal retribution (75%).

A transparent relationship between the owner, the management and the newsroom (73%), and the absence of intertwinements between media owners and political parties (68%) were also assessed as important to roughly the same degree as last year.

8.3. Factors of the press freedom

Just as in previous years, this year, too, we used specific questions to measure in how far the institutions that provide the framework conditions for the operations of the media and the relevant independent organisations contribute to the state of press freedom. We specifically designated institutions whose role respondents had to assess. Journalists had to answer the question: “Do the institutions listed below strengthen or weaken press freedom in Hungary?”

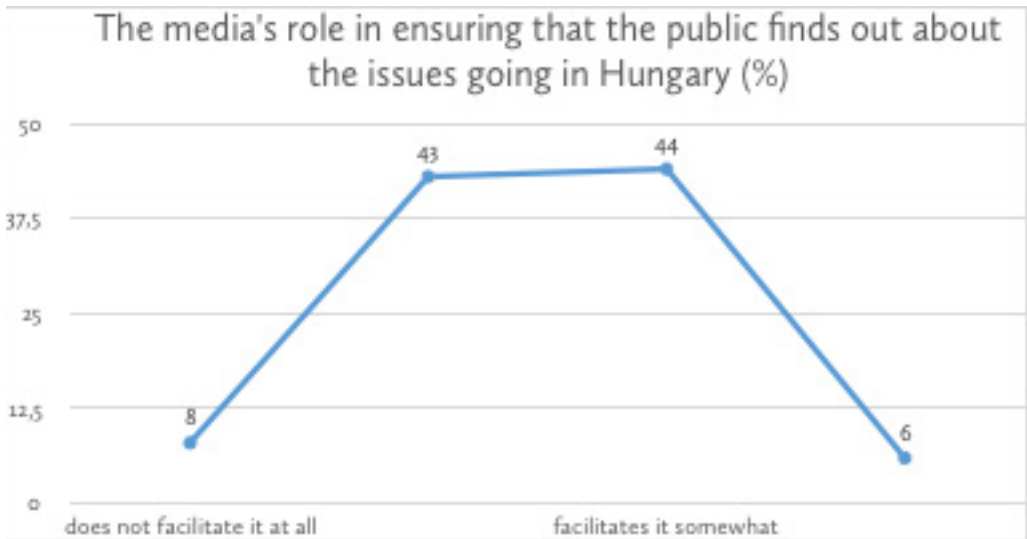
Respondents could choose between four answers ranging from “significantly strengthens” or “somewhat strengthens” to “somewhat weakens” and “significantly weakens.” Our experience was that individual institutions were largely viewed roughly the same as last year. There was only one institution that was perceived significantly more positively, namely the Commissioner for Fundamental Rights, which is seen as the institution that does most to strengthen press freedom.



8.4. Freedom of information

The picture remains bleak when we look at the media’s activities not from a professional angle but from the perspective of the audience. Journalists also take an unfavourable view of the state of citizens’ right to freedom of information. In other words they have a negative view not only of the trends affecting their own working conditions, but also of the meaning and usefulness of their work. Previously, this value was a 5.0 on a ten-point scale, but it has deteriorated substantially this year, falling to 3.9. While last year journalists had a somewhat more favourable assessment of citizens’ freedom of information than of the state of press freedom, this year their perceptions of these two aspects of freedom were almost perfectly aligned.

In addition to asking them for a general assessment of the state of freedom of information, our survey also asked respondents to evaluate the extent to which the media helps the average citizen learn about the goings-on in Hungary, and in how far it facilitates debates on our common affairs. There has been no change since last year in journalists’ assessment of this question.



9. AN INVASION BY GOVERNMENT FRIENDLY FORCES AND TURNING THE MEDIA INTO A PROPAGANDA MACHINE – JOURNALISTS’ ACCOUNTS OF THE DARK YEARS IN THE LIVES OF THE HUNGARIAN PRESS

According to our interviewees, the year 2016 was marked by the governing party’s continued expansion in the media sector, and its efforts to turn the media thus acquired into a coordinated propaganda machine. In parallel, the space available to media organisations that are independent of the government is rapidly and drastically diminishing.

The following chapter summarises the insights of 12 interviews we conducted with journalists and editors. Our interview partners talked to us under the condition of anonymity. The interview subjects included journalists from both pro-government and critical media organisations. The goal of our research is to present the media market processes and developments over the past year – and of course the longer period leading up to it – from the perspective of the everyday work of journalists.

An analysis of the changes in media ownership, along with information from governing party and government sources, suggests that the scenario currently being implemented is the one that Lajos Simicska and his allies had predicted after the oligarch – who had been the leading figure the pro-government media and had acted as its overseer

– clashed publicly with Prime Minister Viktor Orbán.³⁵ They claimed that on the day after the parliamentary election of 2014, the prime minister told Simicska that the decisive issue of the legislative term 2014-2018 would be the media issue, and the plan was the total occupation of the media space by the governing party.

In a 2016 interview, one of Simicska's old confidantes, the editor-in-chief of Lánchíd Radió, said that the prime minister "wants a classic socialist media world: there can only be a pro-government and a neutral press devoid of criticism."³⁶ In 2016, pro-government media investors made greater strides than ever before in implementing this plan by buying up several major media organisations and turning them into a set of coordinated tools that serve the governing party's communications needs.

The government side is obviously following a pre-determined schedule for occupying the media. Government party sources suggest that Viktor Orbán had originally planned to conclude all the major issues in the media by 2016, so that by the time of the 2018 campaign there would be no more scandals or international conflicts left concerning this issue.

Fidesz has worked for years now on increasing its control over the media. "During the term of the second Orbán government, that is from 2010-2014, they were mostly at the stage of experimentation. They sought to shift the balance in the press by trying legal instruments, the media constitution, and by funnelling all state advertising spending to friendly media. The government had two main targets during this period: RTL Klub and Index. Orbán believes that these media organisations are trendsetters, opinion leaders" – said one of our interviewees, who has been tracking the governing party's media strategy and its changes for years now, about the antecedents of last year's events.

The governing party launched another offensive during the term that began in 2014. It began with the introduction of the advertising tax, which did not prove effective, however, as the European Commission first held up the implementation of the tax and then had the government remove the discriminatory rule that sought to weaken RTL Klub. The total occupation of the media was also delayed by the growing acrimony between Orbán and Simicska. Finally, the relationship between the prime minister and his erstwhile friend and confidante Simicska (who is also a former Fidesz treasurer) deteriorated beyond saving in February 2015.³⁷ This proved to be a major challenge for the governing party, since all of a sudden it lost much of its media hinterland and had to adjust its media strategy in light of the novel situation. Since the governing party had miscalculated when it gave Simicska this pre-eminent role in building its media empire, a new schedule was drawn up for achieving comprehensive changes in the ownership structure of vast portions of the Hungarian media. The first item on the agenda was to rebuild the party media that Fidesz had lost with Simicska's turn away from the governing party. Hence new media organisations were created to work in parallel with the oligarch's media outlets.

The most symbolic step in changing ownership structures in the media in 2016 was undeniably the closing of Népszabadság, which resulted in the sudden termination of the operation of Hungary's leading political daily newspaper. Citing business considerations, the publisher suspended both the print and online versions of Népszabadság, a newspaper that had caused the governing party many embarrassments by uncovering a long string of sensitive scandals. Thus a sixty-year-old newspaper was shut down in

35 Ténytár (2016): Egyéves a G-nap! Egy barátság emlékére, amely kifosztotta az országot [We are up on the one-year anniversary of the open conflict between Simicska and Orbán. Here's to the memory of a friendship that looted the country] 6 February. http://tenytar.blog.hu/2016/02/06/egyeves_a_g-nap_egy_baratsag_emlekere_amely_kifosztotta_az_orzagot

36 Lampé, Á. (2016): Schlecht Csaba: Persze, Lajos! [Of course, Lajos] MédiaPiac, 19 July <https://www.mediapiac.com/mediapiac/Schlecht-Csaba-Persze-Lajos/112685/>

37 Mérték (2016): The Methods Are Old, the Cronies Are New. Soft Censorship in the Hungarian Media 2015. <http://mertek.eu/wp-content/uploads/2017/04/MertekFuzetek9.pdf>

one fell swoop, and the company laid off the 80-member staff with mutual consent agreements. The owner at the time was still the Austrian businessman Heinrich Pecina, but a few weeks later the publishing rights to Népszabadság were transferred to Lőrinc Mészáros, the prime minister's confidante (for the background on this story see Chapter 4.2.).

“Népszabadság was little more than a fly-speck in this story, an inconvenient burden that it was better to be rid of. The governing party's plans concerning the takeover of the publisher [which publishes several newspapers and weeklies – the ed.] said that they would not be able to do much with the newspaper; the new owner would have to constantly square off with the newsroom, he would have to fire journalists and replace the editor-in-chief, and each round of this struggle would result in protracted scandals lasting months. They probably also considered that selling the publishing rights would be a mistake because someone might actually use it. That's how they came up with the idea of letting Pecina do the dirty work for them” – explained a journalist with insight into the change of ownership at the company.

9.1. The new pro-government propaganda machine

The most spectacular features of the pro-government media landscape that took shape by 2016 are that the media involved uniformly support and take an active role in promoting the government's policies and that they operate as a political weapon against persons, parties or other groups that the government side in Hungary dislikes. Several of our interviewees noted that they have heard that media organisations in the pro-government segment of the media coordinate with one another and exchange information about their work. “I think there is even some type of HR management that spans across several outlets: they coordinate which journalist can go to which newspaper” – said a journalist who works for a pro-government media organisation.

At the same time these media organisations do not form a homogeneous bloc. For the time being, individual subsegments within this larger segment display disparate levels of organisation and effectiveness when it comes to constricting or influencing the work of journalists for the purposes of propagating political messages. The most conspicuous segment is a group of media organisations that one of our interview subjects referred to as media organisations within the government's immediate circle: this includes Origo, Lokál, Ripost, TV2 as well as the public media and the news portal operated by the latter, Híradó.hu. Until early 2016 it also included the news portal Faktor; at that point Faktor was merged into Ripost. Those charged with building the pro-government media empire allegedly even took the managers/editors in charge of the media organisations in question to a team-building event. Several of our interview subjects pointed primarily to Árpád Habony, the prime minister's unofficial advisor, and Antal Rogán, the prime minister's chief of staff, as the leading figures in influencing the work of the media organisations that make up this segment of the media landscape. According to the interviewees, Habony and Rogán have insight into and track the work of the newsrooms in question.

The other large subgroup within the overarching pro-government media segment is made up of Magyar Idők, Karc FM – which one of our interview subjects, who works for a pro-government media outlet, described as part of János Lázár's (the minister in charge of the Prime Minister's Office) “sphere of influence” – Mediaworks and Echo TV. “They are on the same side as us, but there is no connection between the two groups. Indeed, to some extent there is even an opposition of sorts, just not on an ideological but on an emotional basis: the ideologically committed conservatives/longstanding Fidesz supporters clash with the Árpád Habony-type dandies, who regard the whole

thing as a political product and an avenue for self-realisation” – said one of our interviewees who works for a pro-government media organisation.

In addition to the aforementioned, the unofficial conglomerate of pro-government media also includes some smaller players, such as the online newspaper *Pesti Srácok*, which takes an active role in discrediting political opponents of the government. One of our interview subjects, who works for a pro-government media outlet, suggested that the latter is under the influence of Máté Kocsis, a Fidesz politician who is the mayor of a Budapest district and served as the party’s director of communications until mid-2016. Another media outlet in this category is the online newspaper *Mandiner*. The previously mentioned interviewee said that though there is some government influence on *Mandiner*’s activities, it is neither accountable to nor dependent on the government.

According to interviewees working in the affected newsrooms, the content disseminated by the media organisations that belong to the government’s immediate circle is determined by those persons who exercise overarching control over the media empire. By 2016, the centralisation in the control of these media had consolidated to such an extent that the operations of the original core of the new pro-government media empire in 2015 and early 2016 seem outright disorganised by comparison. “It took at least six months after [the conflict between Orbán and Simicska erupted out in the open] for the new system to take shape, and it took at least another half a year for the system to become fully consolidated” – explained one of our interview subjects who is intimately familiar with the workings of a pro-government media outlet. Our source suggested that at that time it was not yet entirely clear to journalists which other media outlets they had to regard as hostile. As our source explained, initially “the whole thing was all soft and disorganised, it took a while until it became clear that RTL Klub is a not a friend, but TV2 is; Index is a no, Origo is a yes.”

During the early period there were even instances when journalists were instructed directly from outside the newsroom by someone who told them specifically what issue they ought to tackle. “A request like that would say, for instance, that some pro-government news portal published an article that we were asked to republish. Or they would tell us what aspects of a politician’s speech we should focus on. They did not say that this was an instruction in so many words, but it was made clear that it was a weighty request. During this time we would also receive preliminary e-mails telling us what to expect next week, for example. Political action items, media appearances, statements, and the agendas of the government and of the governing party, respectively. This was not a detailed list, but it referred to some important events that the media would subsequently report on, and we would learn a few days in advance that it was about to happen” – explained one of our interview subjects, adding that this practice has since been phased out, which he/she attributed to the fact that the system had evolved and had become fully settled: “They now follow the official route, and instructions are relayed through the editor-in-chief.”

At the same time, however, in the group we refer to as the government’s immediate media circle the highest decision-making level with respect to media contents is not the editor-in-chief. Another active player that ranks above the editor-in-chief is an independent communication crew which operates in the background and is also involved in shaping the government’s communication. Several interview subjects stated that they had heard that the media managers and editors-in-chief at the helm of the media organisations that are part of this immediate circle hold meetings every week, even more frequently, where they meet with members of the communication team. These meetings allegedly became regular occurrences around mid-2016, and one of our sources said that only the chiefs of the core organisations in the immediate circle are invited to them. The bosses of *Magyar Idők*, the *Mediaworks* outlets, *Pesti Srácok* and *888.hu* are apparently not part of this group.

“The events are used to convey information, such as the communication panels were are to use against persons who have been designated as targets for attack. Why certain things need to be done is often not explained”, however, said one of our interview subjects with intimate knowledge of the workings of a pro-government media outlet. When it was in the role of the main pro-government media, the Simicska empire used to operate in a similar mode of organisation and with a similar form of external political control. Those at the helm of Simicska’s media outlets, which have now been relegated to an opposition role, publicly acknowledge³⁸ this today.

This media group performed several campaigns in 2016 to discredit figures disliked by the governing party, for example opposition politicians. These campaigns, which were occasionally also supported by pro-government media outside the immediate circle, involved attacks that amounted to character assassination.³⁹

The most intensive campaign in 2016, which was taken up by practically all segments of the pro-government media universe, was conducted against the businessman Zoltán Spéder. When the order to attack Spéder was issued, we all knew about it. Nothing had ever been as hot as this case, not even those issues where there were substantial political interests in the background, such as for example the migrant crisis” – said one of our interview subjects, adding that the topic likely became this intense at the time because it was part of an internal showdown in Fidesz. Since Spéder has been successfully sidelined, “our newspaper no longer bothers with him, we have moved on from this issue” – he/she added.

According to one of our interview partners, the communication team occasionally even attempts to shape leadership elections in opposition parties by attacking certain political figures, with the goal of creating more favourable conditions for the governing party. When a candidate for a leadership position appears to be detrimental to Fidesz’s interests, they try to dig up dirt on them.

The media outlets in the immediate circle also played a pre-eminent role in disseminating the governing party’s messages in 2016. Before the referendum on the migrant quota in October, for example, both the M1 public service television news and TV2 were significantly biased in favour of the government’s position, and their coverage of the issue consisted near exclusively⁴⁰ of anti-refugee contents.

This transition to full propaganda mode was palpable even at the state news agency MTI, which was already used to towing the government line. One interviewee recounted that starting in September 2015 the news agency began to “work hard at crafting the narrative” on the refugee crisis. Instructions on what to write were increasingly common. Often, these were tabloid news items concerning violent acts committed by refugees. The interview subject said that by 2016 this had become part of the daily routine. “We had to write a summary of migrant-related scandals every day. Generally, MTI writes such summaries when there is a major event on a given day, with 5, 6 or 7 significant news items. [Based on this criterion], this was not at all called for with respect to this issue at the time” – he/she said.

One of the interview subjects who is familiar with the operations of a pro-government newsroom opined that the communication crew that monitors the work of their news-

38 Lampé, Á. (2016): Több néző jött, mint ment - Tarr Péter: Rabszolgának tekintettek [More viewers came than went - Tarr Péter: They considered me their slave]. Médiapiac, 5 February 2016 <https://www.mediapiac.com/mediapiac/Tobb-nezo-jott-mint-ment/112473/>

39 Ténytár (2016): TV2 „Tények” – Így vált a csatorna politikai fegyverré. [„Facts” – How the channel became a political weapon] 25 November http://tenytar.blog.hu/2016/11/25/tv2_tenyek_igy_valt_a_csatorna_politikai_fegyverre

40 Democracy Reporting International – Mérték (2016): The public media news show was heavily biased during the quota referendum campaign. Joint research performed by Democracy Reporting International Mérték Media Monitor. (2 October 2016) <http://democracy-reporting.org/?p=2437>

room does not receive political instructions on a day-to-day basis. He/she believes that the group's boss is aware of where Fidesz policies are headed and he/she selects the appropriate communication tools to support these policies.

By 2016, this communication crew had presumably amassed such power that it was able to interfere with the way ministers organised their communication, and to override the communication decisions taken by the members of the cabinet. "I think it would be mistaken to believe that the creation of the new pro-government media empire is only about communication. The stakes are considerably higher, thus for example the assertion of political interests, which depends on being closer to the prime minister. Political success is easier to attain through the media, and even though the media empire controlled by Habony may be more repulsive, in this respect it is far more successful than the more conservative Magyar Idők. "This media empire was at the fore in pressing almost every political scandal [disseminated by the pro-government media] – the Spéder story, the campaign to discredit Jobbik" – explained an interview subject who works for a pro-government media outlet. He/she perceived that these activities are not assessed based on professional criteria but "based on political effectiveness, that is the angle from which they were seen as useful. And if you do well by politics, then you'll get a political reward, which will yield business benefits, too".

The organisation and operational mode of the pro-government media is aptly illustrated by the place of Lokál in this scheme. The newspaper's content had become consolidated by the time when the free daily was launched in June 2016. Following an initial period during which it tried to find the right approach, the only direction remaining was a simplified and partisan presentation of public affairs combined with a tabloid perspective. This approach targets an even more lowbrow audience than Magyar Idők or the pro-government online newspapers. "Local's activities in 2016 show clearly that it was not designed to be a media outlet that writes its own news, but rather to take items from other outlets and to make sure that they disseminate the right political message" – said an interviewee with deep knowledge of the newspaper's operations.

Incidentally, this model of using the media in question for their multiplier effect in spreading pro-government news is characteristic of the general approach to the pro-government media. What makes Lokál distinct in that category, however, is that it disseminates extremely simplified propaganda. There are few items in the newspaper with a length exceeding 2000 characters, and this limit applies even to lead stories. "It is impossible for the journalist to present an issue in any detail. They can't raise questions, they merely give a written form to the directive that is clearly reflected in the article's message. The key statements are pre-determined, they just express those, and that's enough" – he/she said. It is also said that Lokál functions very efficiently, so that the staff don't have to work that much – after all, filling a page takes no more than 3500 characters. There are about a dozen staff members in the central newsroom, while the local offices outside Budapest have about 2-3 staff members each. But the central pages are put together by the Budapest newsroom.

9.2. Censorship and self-censorship in the new pro-government media

There are hardly any instances of ideas or initiatives from below at the media in the immediate circle, nor would these make any sense according to the journalists working there. The essence of the model is namely the dissemination of political messages. It doesn't matter how low the quality of the items thus created may be, the only relevant assessment criteria is that they include all the main points of the message.

"If I heard some sensitive information right now that seemed politically relevant, I wouldn't even ask if we can work on the story. I have a sense that it would be totally

pointless to try. My impression is that the political side I work for has no interest in making sure that this information is publicly disseminated. If by chance you were to wind up with some information that is not in the system yet, then that would mean that for the time being they do not want to talk about this – because if they wanted to, you'd have heard about it. There is no way for information to flow the other way round; our instructions or directions always come from above. There are some pre-eminent topics that need to be discussed, and after a while you start to get a feel for [what you have to do], but you also receive clear instructions. This could hardly work if folks started to organise from below” – explained an interviewee who is familiar with the workings of a pro-government media organisation.

According to several of our interviewees, this kind of heavy-handed and restrictive mode of operation also governs the activities of Origo, which became part of the pro-government media segment a short while ago. The change in the ownership of the online newspaper took place in February 2016. Since the new management was installed, censorship has become commonplace. According to the journalists, the new management strives hard to ensure that no delicate issues are covered or that current affairs issues are not presented in an unfavourable light for the government. Several journalists have left the newspaper because of growing political pressure, and several others were fired.

“It was stunning to see how easily the newspaper switched to propaganda mode and how paralysed the entire newsroom became. No one tried to hold their superiors accountable for the fact that the content disseminated was obviously manipulated for political and other reasons” – said an interview subject who knows the operations of Origo's newsroom. Allegedly, there was an instance when Árpád Habony's name had to be removed from a report because the editor-in-chief called in with this instruction and no one stood up to him.

There were apparently also many cases in which journalists were not even told to re-write articles – instead others on staff removed entire passages from their articles even as they kept the journalist's name in the by-line. If someone complains they are informed that this is none of their business. “At the same time they also began pressuring journalists to write about certain things, and the underlying objective was clearly to satisfy the expectations of certain people” – said an interviewee.

The management also reached new lows in terms of blocking articles. Several foreign and domestic political journalists were sidelined. According to one of our interview subjects, these were colleagues who could have written about issues that were embarrassing for the governing party. The interviewee noted that some kept writing their pieces but the management left the articles unpublished in the editorial system. After a while one such journalist was transferred to review and republish MTI news items, and was then fired, said one of our interview partners.

Journalists realised that in this new era media managers prize loyalty above all. “All is fine as long as they think you're loyal. You will get excellent opportunities, for instance financially. When they tell you to do something, you do it, and when they say don't do something, then you don't” – said a source. Journalists who are willing to write pieces that discredit government opponents will fare well in this system. One of them was awarded a prize at a 2016 staff meeting, where he was also referred to as Hungary's best domestic politics journalist.

In his speech at the aforementioned meeting, Origo's editor-in-chief is also to have commented that they do not need journalists who impede the work with theatrical disputes; they need staffers who cooperate constructively. According to our interview subject, an example of a theatrical dispute would be if some were to ask a question or

make a critical comment because the title of her article was rewritten to say the opposite of what it had said originally.⁴¹

Our sources also say that self-censorship is a common occurrence in the newsrooms. Journalists self-evidently treat sensitive issues such as for example immigration with a substantial sense of restraint. They perceive that the coverage of homelessness and other socially sensitive issues could also result in problems because it is easy to construe them as casting a bad light on the government. The range of sensitive issues now also includes the new president of the United States, Donald Trump, and a journalist can find herself in hot water by discussing him in some negative context. Other sacred cows that journalists need to be careful with are the managements of the National Theatre and of the Hungarian State Opera, as well as the football club Fradi.

Self-censorship is an integral part of the journalistic work at several pro-government media. “This is a thoroughly politicized media organisation. The selection of issues covered and their presentation must fundamentally reflect the underlying political orientation. If something might be embarrassing for this side, then at the very least we won’t emphasise the issue. Basically, this has always been the case in the Hungarian press, with any organisation I previously worked for. When self-censorship was not the result of political considerations, then it reflected the interests of advertisers” – explained an interviewee who works for a pro-government newspaper.

There are some in the newsroom who learn to adapt to this, while there are others who enthusiastically embrace the governing party’s news philosophy. Our interview partner suggested that this is just like working for a company: “they too have a business code, you know how to dress, how to greet the customers.” That is why in performing his/her work, he/she takes into consideration the newspaper’s overall outlook and approach and writes the headline and the lead for the article with this in mind. As for the rest, he/she strives to write it in a way that is acceptable and informative from any political perspective. “I don’t look at this as self-censorship, I’d rather call it stylistic tactical manoeuvring. Everyone does this in the Hungarian press. A newspaper that is critical towards the government will publish an article with a lead saying how bad things are because their job is to find fault in everything. My job, by contrast, is to find the advantageous aspects of the current developments” – he/she said, adding that if he/she were allowed to write as he/she would prefer, then he/she would do so from a centrist perspective, neutrally.

This source also said that it would be inconceivable for him/her or for any colleague to work on a topic that could result in hurting the governing party. It is also impossible for such materials to make it into the newspaper by way of press reviews from other outlets. He/she also noted, however, that there is also no demand for any of these, neither on the part of the newsroom nor on that of the management. “There were some instances when it seemed that it would be a good idea to write about an issue because it would have been big news, but then it soon emerged that we won’t be writing about it” – he/she said.

Another interview partner referred to the operations of the pro-government media organisation that he/she is familiar with – and which is not part of the immediate circle – as a “propaganda machine operated mindlessly by untalented folks”. The work of the media organisation in question is substantially influenced by journalistic self-restraint, but he/she said that this was not even a deliberate attempt at manipulation; it’s just the excessive cautiousness of journalists who perform low quality journalism. There are no blocked articles because there are also no independent initiatives. In fact, there were serious problems with self-restraint at the newspaper even before it was taken over by

41 Plankó, G. (2017): “Húsz éven át építették, a lakájmédia konca lett” - itt a teljes levél arról, mi lett az Origóból [They built it for 20 years and now it’s spoils for the flunky media – here is the full letter about what happened to Origó] . 444, 11 March <https://444.hu/2017/03/11/husz-even-at-epitettek-a-lakajmedia-konca-lett-itt-a-teljes-level-arrol-mi-lett-az-origo>

owners with close ties to the governing party. Back then, editors often blocked certain issues and reports.

The interviewee suggested that an old trouble that has always plagued the Hungarian press continues to afflict the new pro-government media as well: this is the widespread model, common in both pro-government and non-government affiliated media, that the journalist who covers a certain subject maintains friendly relations with the players in the given area, who are always available when he/she needs them. The price, however, is that he/she can only write what these people want him/her to say. Such friendly journalists are then flown around the world with expensive tickets and occasionally they get little gifts or potentially even more substantial goods to express appreciation for their work. “This model says you have to stay loyal to your owner, while at the same time you also can’t harm your advertiser or your informant. The publishers also like this type of journalism because it doesn’t create conflicts or problems, the work done by such journalists does not result in the withdrawal of advertising or in losing funds” – he/she explained.

Our interviewee also assessed that the government often uses the media organisation he/she works for to shape public opinion. They receive information in advance and they prepare items on governmental policies or steps taken by the governing party well ahead of their scheduled announcement. Then, in accordance with the governmental/governing party agenda, the item can be published at the time when the underlying policy, event, etc., is announced. “The strategy here is that they do not want to wait for journalists to try to start scribbling something after the announcement. Instead, the [friendly media] are one step ahead. They explain what’s going on, and then the other media organisation won’t go out researching this, they will just recycle the item we write” – explained our source.

9.3. Suspicion of government party influence in the opposition media

Several of our interview partners suggested that in 2016 the governing party had gained some measure of influence over the daily *Népszava*, a leftwing political newspaper that has been traditionally affiliated with the main opposition party on the left, MSZP. At the time when this report was drafted, this information was still unconfirmed. Hearsay on this issue suggests that the governing party has begun to reposition *Népszava* as a controlled opposition newspaper, and it is alleged that as a result of this transformation the newspaper will be allowed to publish critical op-eds, but there will be no investigative reporting items that might prove embarrassing to the government. This information began to spread when *Népszava*, along with the weeklies *Vasárnapi Hírek* and *Szabad Föld*, was acquired by László Puch, MSZP’s former treasurer, in December 2016. Following the acquisition by the new owner, the editor-in-chief of *Vasárnapi Hírek* left the weekly in early 2017. In his farewell piece he suggested⁴² that the new owner had struck a bargain with Viktor Orbán in the hope of drawing state-sponsored advertisements. The hearsay also says that the editor-in-chief of *Népszava*, who wanted to retire, ultimately stayed on because he is the editor that Fidesz has approved.

As of early 2017, the rumoured state advertising has yet to materialise. László Puch stated that the newsrooms operate independently, and that this independence will be enshrined in an editorial statute. He said that he does not wish to interfere with editorial content in any shape or form, and that he would shield the newsrooms in question from any political influence and provide them with total freedom.

42 Gál, J. Z. (2017): Utolsó [For last]. *Vasárnapi Hírek*, 28 January https://www.vasarnapihirek.hu/fokusz/gal_j_zoltan_utolso_szerk_velemenye_2017_04

A source with insight into Népszava's working said that he/she did not experience any kind of restriction in the newsroom that could be attributed to a deal such as the one described above, which leaves him/her uncertain for the time being about whether the information about the deal has any basis in reality. "What I am certain about, however, is that there are efforts to influence Népszava through state advertising," – he/she added. He/she also noted that there had been attempts at blocking certain articles at the newspaper, but ultimately they had been allowed to go ahead. However, such attempts at interference had existed previously as well.

There is also a type of conformity at Népszava, and those in charge seek to pre-emptively comply with external pressure because the newspaper is financially vulnerable. "What I mean is simply that there is a mentality that makes the bosses in the newsroom tell journalists to be more cautious, to avoid risks that might stop advertisements from coming" – our interview subject explained.

Similarly to the situation of Népszava, in 2016 journalists also began to refer to the television channel ATV as "His Majesty's loyal opposition". This television channel, which is under the influence of the evangelical church Hit Gyülekezete (Faith Church), has recently taken stances that hew close to the government's view on several issues. This was most obviously manifest in the channel's anti-migrant and anti-liberal attitude. The rapprochement between the channel and the governing party presumably commenced in 2016 – said one of our interviewees who tracks changes in the governing party's media strategy. Nevertheless, this process may have been interfered with by some people who pursued opposing interests – that may be the explanation why on 22 December 2016 the opposition politician Péter Juhász posted a photo on his Facebook page showing the owner of ATV, Sándor Németh, in consultation with government film commissioner and pro-government oligarch Andrew G. Vajna and Árpád Habony at the upscale restaurant Nobu, which is owned by Vajna.

Németh later stated that "neither the television channel nor domestic politics had been on the agenda", and that "nothing was said about a potential cooperation or agreement".⁴³ The news editor at the television emphasised the channel's independence in an interview he gave in January 2017, and he/she claimed that there had been no attempt to influence their work.⁴⁴ However, it should be mentioned in this context that Sándor Friderikusz, a television host who worked at the channel until recently, stated⁴⁵ in October 2016 that the news director had also met with Árpád Habony and Andrew G. Vajna. Friderikusz also suggested that there were murky processes going on at the channel.

Another peculiar development was that the channel's most prominent host, Olga Kálmán, unexpectedly quit in December 2016, and then switched to Lajos Simicska's Hír TV. The TV host deflected questions concerning her decision to leave ATV, claiming that there was no conflict between her and the owner. In the meanwhile, however, the owner publicly attacked the TV host,⁴⁶ and when Olga Kálmán was asked whether

43 Teczár, Sz. (2016): "Közös ismerőseink hosszabb ideje szorgalmazták - Németh Sándor a Vajna-ebédről" [Our joint acquaintances have urged this for a long time - Sándor Németh about his lunch with Vajna] Magyar Narancs, 23 December. <http://magyarnarancs.hu/belpol/kozos-ismeroseink-hosszabb-ideje-szorgalmaztak-nemeth-sandor-a-vajna-ebedrol-102018>

44 Sixx (2017): Minden fán nem terem Kálmán Olga [You won't find an Olga Kálmán behind every tree]. Index, 19 January. http://index.hu/kultur/media/2017/01/19/minden_fan_nem_terem_kalman_olga/

45 Sixx (2016): Orbán egykor nem rendelt volna propagandariportokat [There was a time when Orbán would not have ordered propaganda reports]. Index, 13 October http://index.hu/kultur/media/2016/10/13/orban_egykoron_nem_rendelt_volna_propagandariportokat_a_tv2-tol/

46 Herczeg, M. (2016): Elszabadult a pokol: Németh Sándor kiborult Kálmán Olga távozása miatt, és üzent az Orbán ellen vendettát folytató Simicskának [All hell broke loose: Sándor Németh is beside himself because of Olga Kálmán's departure and he sent Simicska – who is out on a vendetta against Orbán – a message]. 444, 19 December <https://444.hu/2016/12/19/elszabadult-a-pokol-nemeth-sandor-kiborult-kalman-olga-tavozasa-miatt-es-uzent-az-orban-ellen-ven-dettat-folytato-simicskanak>

there were any contacts between ATV's owners and the government, she responded by saying: "I definitely wasn't invited for a lunch at Nobu."⁴⁷ Another peculiar aspect of Kálmán's departure is that for several days after the announcement the pro-government media reported intensely about the issue, with a combination of real and fake news items.⁴⁸

9.4. The limits of press freedom in the non-government friendly media

Our interview subjects voiced very disparate views concerning the independence of the press and the freedom of journalists to pursue their work in the segment of the media that is not friendly towards the government. What everyone agreed on was that the Hungarian media are subject to enormous pressure by those with power, and that the press is in a rather sorry state. The most optimistic assessment in this context was that this was not a reason to give up on press freedom in Hungary, for the most important online newspaper and the most important television channel, Index and RTL Klub, respectively, are critical of the government, and a few other financially independent and viable neutral media organisations remain as well. The latter will likely soon be caught up in a confrontation with the government. One spectacular indication of the serious friction between parts of the media and the government was that in 2016 journalists working at media organisations critical of the government were regularly barred from entering and reporting directly from parliament.⁴⁹ This was the fate of some individual journalists working for Index, 24.hu, a hvg.hu, and RTL Klub, while the entire staff of 444.hu was banned.⁵⁰

Those interviewees who work for pro-government media outlets did not agree with the notion that the critical media operate independently. As one of them put it, there is no independent and neutral press, the media are all politicised, which is why there is no distinction between government friendly and critical media organisations. "When I contact an opposition politician, then she would be fully justified in assuming that there is an underlying political motive, and that I do not intend to write something nice about her. So my question is this: Are there political motives driving the opposition media? When they write something bad about Viktor Orbán or about the government, isn't there an underlying goal that he should fall as prime minister?" – he asked. "And if the answer to that question is yes, then neither the news reporting nor the objectivity – which we could otherwise be very proud of – do actually prevail" – he/she added.

There were some who said that even in such an environment it was possible to aspire to neutrality. Another respondent assessed that his/her work is indeed constrained by the fact that he/she criticises the government from an opposition perspective, but that what compels him/her to do so is precisely the propaganda machinery operated by the government side. In this context, several of our interview subjects also noted their reservations about the Simicska media. These media organisations became criti-

47 Plankó, G. (2017): Olga Kálmán: Hallom a nép hangját, én is ebben az országban élek [I can hear the people's voice, I live in this country, too]. 444, 6 March <https://444.hu/2017/03/06/kalman-olga-hallom-a-nep-hangjat-en-is-ebben-az-orszagban-elek>

48 Horváth, B. (2016): Az ATV-s fizetéséhez képest jóval kevesebbet kap Kálmán Olga a Hír TV-nél [Olga Kálmán receives a far lower pay at Hír TV than she did at ATV]. 444, 22 December <https://444.hu/2016/12/22/az-atv-s-fizetesehez-kepest-joval-kevesebbet-kap-kalman-olga-a-hir-tv-nel>

49 Német, T. (2016): A TASZ az Alkotmánybírósághoz fordul a Parlamentből kitiltott újságírók miatt [TASZ is turning to the Constitutional Court in connection with the journalists banned from Parliament]. Index, 28 April http://index.hu/belfold/2016/04/28/a_tasz_az_alkotmanybirosaghoz_fordul_a_parlamentbol_kitiltott_ujsagirok_miatt/

50 Plankó, G. (2016): Az egész 444-et kitiltották a Parlamentből [The entire staff of 444 has been banned from entering Parliament]. 444, 19 October <https://444.hu/2016/10/19/az-egesz-444-et-kitiltottak-a-parlamentbol>

cal towards the government because their owner has clashed with the prime minister, which led several of our interviewees to claim that the work of these media is motivated by underlying political considerations. Nevertheless, looking at the other side of this coin, several journalists who work at Simicska-owned media organisations noted that no one interferes with their work, they can write about whatever they want. Of course they do not pry into the owner's issues, but the management has no problems with statements critical of Simicska in an interview or in a live broadcast, for example. Nevertheless, we also heard about items that were critical of the government and were blocked in the Simicska media for the reason that though criticism of the government is allowed, it must be voiced from a Christian-conservative perspective.

Several of our interview subjects also reported the problem that journalists' freedom of work in the non-government affiliated media was constrained by the owners' interests and the financial difficulties facing their organisations. "Even as we brag about lofty ideals in the so-called independent media, I perceive ever fewer differences between us and the government side; at the government media, I will be told by someone from the government party to go to some irrelevant press conference or to write something for a friendly company, while at the independent newspaper I will be approached by the ad sales person who tells me to write about inflatable mattresses rather than about an important issue because that's now a sales issue. The two are the same" – said an interview subject in explaining this problem.

He/she assessed that the press in Hungary today is subject to political/economic interests, and all media organisations are "bound" in one way or the other. The political and economic players keep newsrooms on a short leash. The economic aspect of this issue is that as a result of pressure by advertisers, the role of important content is diminished, while there is a growing share of advertising disguised as reporting and other content that serves the goal of having readers fill something out or to just generate clicks.

