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CENTRALISED MEDIA SYSTEM

Soft Censorship 2018



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Mária Leonárd et al.

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INTRODUCTION

Observers of the Hungarian media situation have often remarked in recent years that it cannot get any worse. It was difficult to imagine that the state of democratic public sphere could deteriorate further in an EU member state. At the same time, however, our experience shows that there is no objective limit to how far media freedom can be dismantled, which also makes it impossible to claim that at any given time we have now definitely reached an actual low-point and that things cannot possibly get worse still. Experience has taught that it can.

Just as our report last year, the current Soft Censorship report does not provide a cross-sectional overview of the entire media market; instead, we home in on a few vitally important issues for the media market.

The stifling climate in Hungary today clearly influences how much room there is for the free operation of independent media. As our own survey of journalists reveals, those in the profession experience pressure in their work in a variety of forms. Naturally, Hungary cannot be compared to those dictatorships where journalists are exposed to immediate threats to their lives, but at the same time it is also true that compared to democratic countries, they face a wide variety of limitations. This clearly has a detrimental and restrictive impact on the public sphere, and our research highlights the vulnerable and tough position of Hungarian journalism.

Our research on the distribution of print newspapers, which was based on in-depth interviews, is unique in its focus. The print newspaper market has not been discussed much in recent years, and more specifically no one has looked at the difficulties in accessing print newspapers. Yet, consumers experience every day that it is nigh impossible to procure independent newspapers in smaller municipalities, which has emerged as a major contributing factor in further deepening Hungary's massive urban-rural divide. Drawing on in-depth interviews, we look at this phenomenon in detail in our chapter on newspaper distribution.

The year 2018 will definitely go down in Hungarian media history as the year when ownership concentration grew most spectacularly. The creation of the Central European Press and Media Foundation (abbreviated as KESMA in Hungarian) has exerted a profound impact on the ownership structures in the Hungarian media industry. The impact of this major transformation was exacerbated by the distortion of the media market stemming from the state's highly tendentious advertising spending practices, which we have been tracking and analysing for years now.

The creation of KESMA would also not have been possible without the government's creative interventions in the relevant regulatory framework to ensure that nothing would stand in the way of the increased market concentration.

Overall, our report provides an overview of how the distorted media system of an illiberal regime is being built step-by-step within the European Union. The sixth volume in the series of Soft Censorship reports serves to continuously document this process by presenting the systematic transformation of the Hungarian public sphere.

OUTSIDE INTERFERENCE IN THE WORK OF JOURNALISTS

The report below summarises the results of a research jointly carried out by Mérték Media Monitor and the scholar Zsófia Nagy, who is an instructor at the Eötvös Loránd University's Faculty of Social Sciences. The research aims to review outside interference with the work of journalists and harassment of newspaper staff. The comprehensive report will be published subsequently in an academic journal, the present chapter only highlights some instructive results of the study.

Introduction

Freedom of speech is one of the cornerstones of a successful and well-functioning society. A prerequisite of freedom of speech in turn is that journalists can work safely. When journalists are harassed, attacked or subject to undue interference in their work, then the freedom of the entire society is being violated. Despite the general awareness of this, over the past decade violence against journalists and their harassment has been massively on the rise all over the world.

Unfortunately, we often do not have data at our disposal that would reflect on the peculiar situation that Hungary is in when it comes to the increased risk that attaches to working as a journalist. The situation of Hungarian journalists cannot be compared with that of war correspondents and others working in areas afflicted by violent conflicts. At the same time, the situation in Hungary increasingly diverges from that of European democracies in which press freedom is deemed inviolable. The Hungarian media system has undergone dramatic transformations during the last decade, which was readily reflected in the fact that Hungary has been continuously dropping in the annual press freedom rankings¹ of international organisations.

The research below is an effort to map outside interference in the work of journalists. We used anonymous online surveys to collect data about journalists' experience with outside

¹ Reporters Without Borders: <https://rsf.org/en/hungary> and Freedom House: <https://freedomhouse.org/country/hungary>

interference and harassment. The period we examined in the survey spanned three years. In other words, responding journalists were asked to report about their experiences with interference over the past three years. During the one-month data collection period (October 2018), the survey was filled out by 401 journalists in total. The Hungarian research was based to a significant extent on the logic of a study on the same subject by the Finnish scholar Ilmari Hiltunen.² Our survey differed from Hiltunen’s model only where it was indicated by local particularities. The present summary does not reflect on the differences between the two countries, we focus exclusively on the Hungarian results.

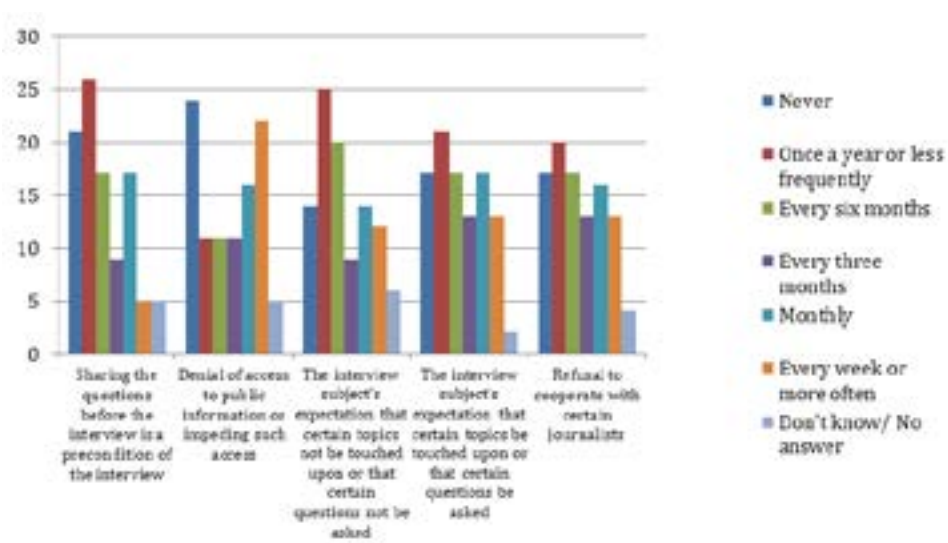
Interviews and sources

At the beginning of our survey we asked about journalists’ interviewing practices, which is a good indicator of the underlying power dynamic between the journalists and their sources.

↓ Table 1: Interviewing and sources (percentage of journalists, n=401)

	Never	Once a year or less frequently	Every six months	Every three months	Monthly	Every week or more often	Don't know/ No answer
Sharing the questions before the interview is a precondition of the interview.	21	26	17	9	17	5	5
Denial of access to public information or impeding such access.	24	11	11	11	16	22	5
The interview subject's expectation that certain topics not be touched upon or that certain questions not be asked.	14	25	20	9	14	12	6
The interview subject's expectation that certain topics be touched upon or that certain questions be asked.	17	21	17	13	17	13	2
Refusal to cooperate with certain journalists	17	20	17	13	16	13	4

↓ Figure 1: Interviews and sources



2 Hiltunen, Ilmari (2018). Another day in paradise – external interference as experienced by Finnish journalists. Manuscript.

The interviewing practices manifest a distinct aspect of the topic under investigation, since they refer not only to attempts at outside interference but also to the respondents' reflection on entrenched routines and established conventions. As is apparent, three-quarters of respondents have experienced situations in which a precondition of the interview was to share their questions beforehand. Even more widespread is the interview subject's expectations that certain topics or question be avoided: 80% of respondents have experienced this in some form, while a quarter of respondents experience this regularly, at least once a month. Similarly, a widespread expectation is that the interviews do touch on certain issues: 30% of respondents regularly run into such requests.

The data on impeding the work of journalists during interviews are especially disconcerting. As far as the refusal of access to public information or the efforts to impede access to such information are concerned, nearly three-quarters (71%) of Hungarian journalists have experienced something of this sort, and 38% regularly experience it. The refusal to cooperate with certain journalists paints an even more dramatic picture: only 17% of journalists said that they had not experienced this, whereas 24% of respondents – that is every fourth Hungarian journalist – regularly encounter such an attitude. It is readily apparent that outside interference with the work of journalists is primarily restrictive, that is it manifests itself mainly in the form of impeding the journalists in the performance of their work.

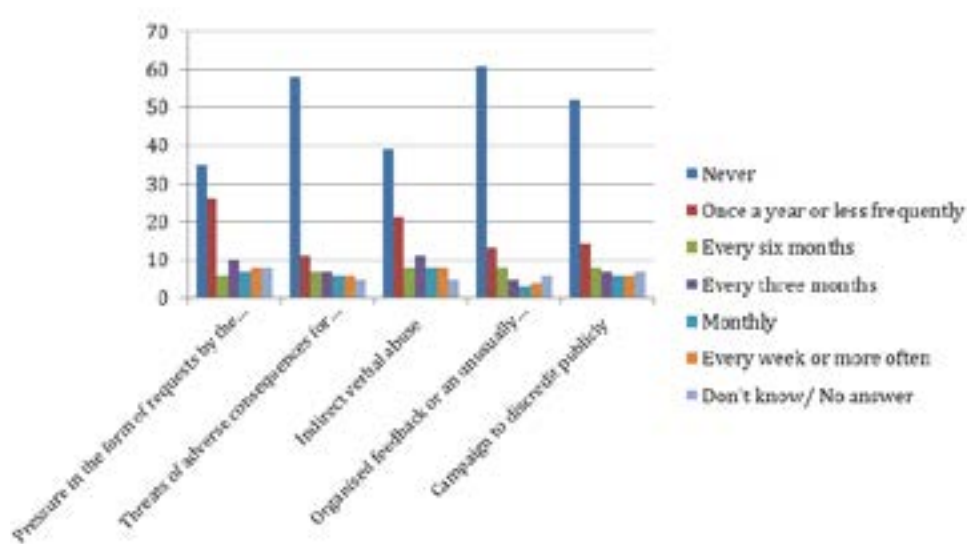
Verbal pressure

We distinguished between four different types of pressure in our study: verbal, physical, institutional and economic. The following section discusses the questions concerning verbal non-physical forms of pressure.

↓ Table 2: Verbal pressure (percentage of journalists, n=401)

	Never	Once a year or less frequently	Every six months	Every three months	Monthly	Every week or more often	Don't know/ No answer
Pressure in the form of requests by the editor, editor-in-chief or owner	35	26	6	10	7	8	8
Threats of adverse consequences for the job (e.g. getting fired, loss of journalistic credibility, impeding future work)	58	11	7	7	6	6	5
Indirect verbal abuse (e.g. insults, accusations and other hateful expressions over the phone, by mail, e-mail or in online comments, social media channel or website).	39	21	8	11	8	8	5
Organised feedback or an unusually large volume of feedback (e.g. organised feedback campaigns).	61	13	8	5	3	4	6
Campaign to discredit publicly (e.g. in other media, campaign by other journalists).	52	14	8	7	6	6	7

↓ Figure 2: Verbal pressure



The most typical forms of verbal pressure are requests by editors, editor-in-chiefs or owners in the interest of exerting pressure (57% have experienced this) or indirect verbal abuse (56%).

The question concerning campaigns by other media or journalists aimed at discrediting media workers received a surprisingly high share of affirmative answers, with 41% of respondents indicating that they had experienced this. This particular data point is revealing in terms of how it reflects on the professional community of domestic journalists. Over one-third of respondents (37%) have experienced threats referring to repercussions at work or personal consequences, and nearly as many (33%) have been the targets of organised feedback campaigns.

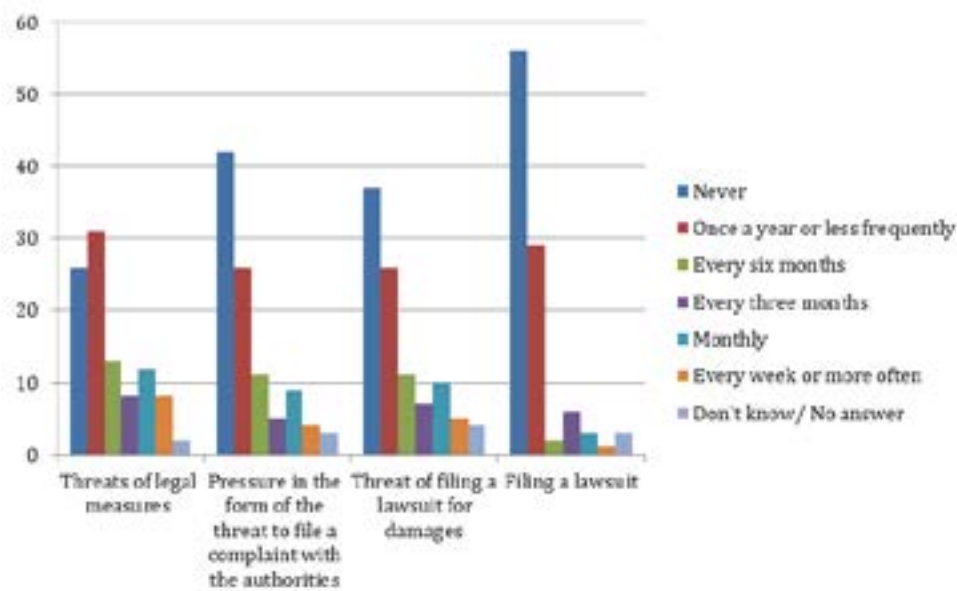
Institutional pressure

By institutional pressure we mean legal pressure and pressure exerted through the media authorities.

↓ Table 3: Institutional pressure (percentage of journalists, n=401)

	Never	Once a year or less frequently	Every six months	Every three months	Monthly	Every week or more often	Don't know/ No answer
Threats of legal measures	26	31	13	8	12	8	2
Pressure in the form of the threat to file a complaint with the authorities	42	26	11	5	9	4	3
Threat of filing a lawsuit for damages	37	26	11	7	10	5	4
Filing a lawsuit	56	29	2	6	3	1	3

↓ Figure 3: Institutional pressure



Being threatened with legal measures is something that many journalists have experienced. Nearly three-quarters (72%) of respondents reported having encountered such threats. Over half, 55% have faced the threat of complaints with the authorities, while the threat of filing lawsuit for damages has happened to 59%, and 41% have in fact been sued in connection with the performance of their work. It is readily apparent that the threat of legal measures is widely used to try to intimidate journalists in Hungary.

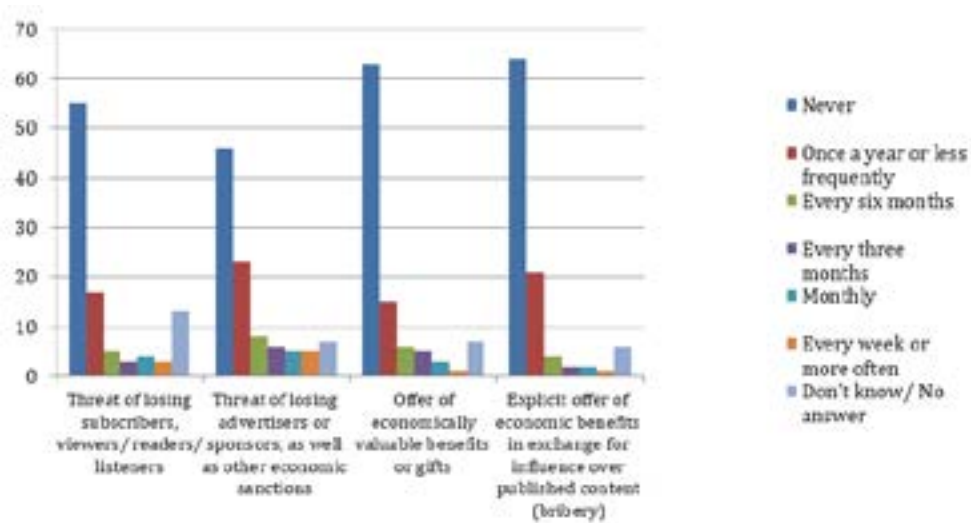
Economic pressure

The survey included questions concerning both, the repressive and the persuasive type of economic pressure.

↓ Table 4: Economic pressure (percentage of journalists, n=401)

	Never	Once a year or less frequently	Every six months	Every three months	Monthly	Every week or more often	Don't know/ No answer
Threat of losing subscribers, viewers/readers/listeners	55	17	5	3	4	3	13
Threat of losing advertisers or sponsors, as well as other economic sanctions	46	23	8	6	5	5	7
Offer of economically valuable benefits or gifts	63	15	6	5	3	1	7
Explicit offer of economic benefits in exchange for influence over published content (bribery)	64	21	4	2	2	1	6

↓ Figure 4: Economic pressure



As far as the forms of economic pressure are concerned, only a relatively small proportion of journalists, roughly a third, have experienced something like this. Only the question about loss of advertisers or sponsors and other economic sanctions were mentioned by a high share of respondents, with 47% of journalists reporting such an experience. This is definitely instructive, since in recent years there has been a fair amount of talk about the economic pressure on newsrooms.

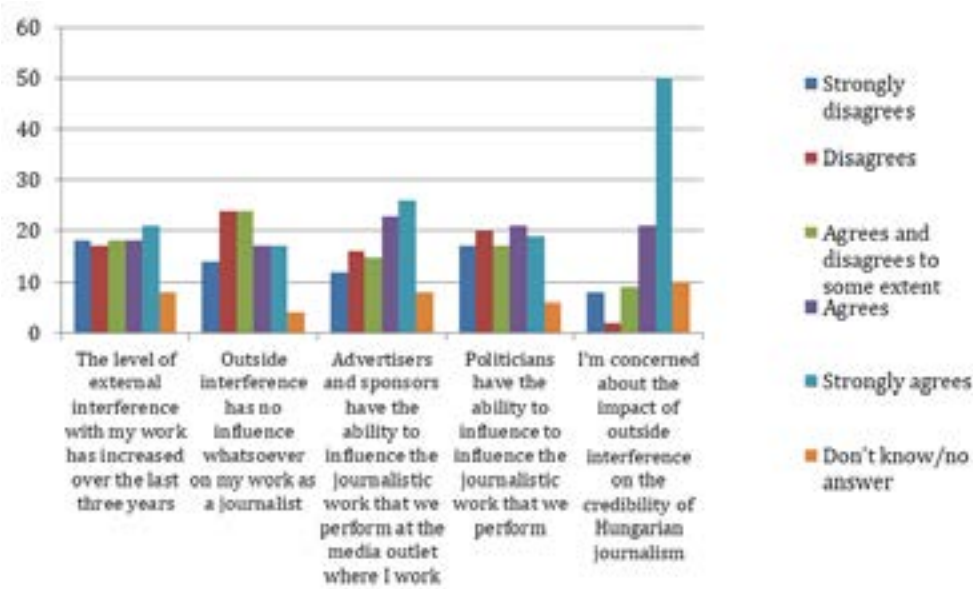
Perceptions about outside influences

The final stage of the survey used Likert-scale type questions to examine the journalists' perceptions of outside influence..

↓ Table 5: Outside influence (percentage of journalists, n=401)

	Strongly disagrees	Disagrees	Agrees and disagrees to some extent	Agrees	Strongly agrees	Don't know/no answer
The level of external interference with my work has increased over the last three years	18	17	18	18	21	8
Outside interference has no influence whatsoever on my work as a journalist	14	24	24	17	17	4
Advertisers and sponsors have the ability to influence the journalistic work that we perform at the media outlet where I work	12	16	15	23	26	8
Politicians have the ability to influence to influence the journalistic work that we perform	17	20	17	21	19	6
I'm concerned about the impact of outside interference on the credibility of Hungarian journalism	8	2	9	21	50	10

Figure 5: Outside influence



In the context of our questions about economic pressure, almost half (49%) of the journalists surveyed agree (or strongly agree) with the proposition that advertisers or sponsors can influence journalism. This ratio is even higher than the responses about politicians' ability to influence journalism, since only 40% answered the latter in the affirmative. Merely a third of all respondents (34%) agreed with the proposition that no form of outside interference has an impact on their work as journalists.

Looking at the prevailing trends, we find that 39% of journalists agree that outside interference in their work has increased over the last three years. It also noteworthy, however, that nearly as many, 35%, did not share this assessment. A strikingly high number, 71% of all respondents, are concerned about the impact of outside interference on the credibility of the Hungarian press.

Summary

The research report above is an important step in continuing the work begun in the foregoing surveys that we published earlier as part of Mérték's *Soft Censorship* series. The most important insights of the present research are summarised below:

- Almost three-quarters of journalists (71%) have been denied access to public information or have encountered impediments in trying to access such information
- 79% of journalists have experienced situations in which certain journalists were denied cooperation
- 57% of journalists have been subject to pressure from their editor, editor-in-chief or owner
- 56% of journalists have experienced verbal abuse
- 41% of journalists have been subject to public campaigns to discredit them
- 72% of journalists have been threatened with legal measures
- 41% of journalists have been subject to lawsuits in connection with their work
- 30% of journalists have been explicitly offered economic benefits, that is attempts at bribing them
- 71% of Hungarian journalists are concerned about the impact of outside interference on the credibility of the Hungarian press

The data show that with a few exceptions, most attempts at interference are part of the everyday experience of Hungarian journalists. At the same time, a look at the data also reveals that there are some pervasive practices – such as the denial of access to public information or impeding journalists' attempts at accessing such information – that constitute an especially major obstacle for the performance of journalism in Hungary, and hence to the rights of the Hungarian public to information. The data point to the vulnerable and exposed situation of Hungarian journalism, and they provide an insider's perspective on the monumental professional and broader implications for society of the changes we observed in the structure of the Hungarian media in recent years.

POLITICAL CONSTRAINTS ON THE NATIONAL POLITICAL PRESS – ACCOUNTS FROM A VANISHING MARKET

The publication and distribution of national newspapers has not been subject to systemic soft censorship. In other words, the printing services that produce the various print titles and the logistical system that delivers them to the readers have not been subject to indirect government influence. Still, according to our interviewees, there have been instances when this form of restricting press freedom has manifested itself in this particular segment of the media system. A newspaper that is critical of the government was denied printing services, presumably on political grounds, and political influence is also behind the drop in the institutional subscriptions of certain newspapers.

The present chapter summarises a dozen interviews conducted with representatives of political dailies and weeklies that are not pro-government. The newspaper staff we talked to (also including representatives of newspapers that have since ceased to exist) were either responsible for publishing and distributing their newspapers or serve/served as the editors managing the newsroom. We also talked to experts in senior positions who are well-acquainted with the market for newspaper distribution and sales. Since several of our interview partners were only willing to talk to us on the condition of anonymity, we quote our interview subjects' accounts without divulging their names.

Although the publication of political newspapers that are critical of the government has been subject to political pressure, the latter is not primarily realised through the production and distribution system but through decisions taken by the owners of the publishing company. Several titles were either shut down or transferred to pro-government owners, while the number of national press products that are not considered government-friendly had dramatically declined by early 2019. In several instances when a publication that was not aligned with the ruling party was shut down, it seemed that it had been in fact

the owners' goal to stop a critical voice from continuing to publish, as well as to forestall the creation of new critical media outlets.

The Hungarian newspaper market was substantially transformed in 2018. With the closure of Magyar Nemzet and its eventual re-launching as a pro-government newspaper, Népszava is the only critical national daily left standing. In the market for weeklies, HVG, Magyar Hang (launched by Magyar Nemzet's former staff), 168 óra, Magyar Narancs and Élet és Irodalom continue to operate, but Heti Válasz and Vasárnapi Hírek have been shut down and Szabad Föld was taken over by pro-government business interests. As a share of the total print market, the market of weekly newspapers that are not government-friendly had been rather limited to begin with; altogether, these newspapers had sold 150,000 copies before the major changes that recently roiled the market. As a result of the subsequent developments, that number dropped to a mere 70,000. According to the accounts of the publishers, the biggest challenge facing the national political print media is the extremely low number of copies sold. And the biggest limiting impact on political newspaper publishing and distribution has been the result of consumer behaviour – especially in rural areas.

Several of our interview subjects also noted that the current constellation in the newspaper distribution market might well lead to the emergence and consolidation of a monopolistic pro-government newspaper distribution and sales system. Nevertheless, for the time being the consensus among stakeholders and experts is that the system operates freely and without restrictions. The problems that do appear, such as the recurring complaints of readers that certain titles that are not government-friendly cannot be purchased in all municipalities, while subscribed copies often arrived with a delay, are not a consequence of political influence but owe to other factors.

1. Cases of soft censorship in the area of newspaper publishing and distribution

1.1 Denial of printing services

The last year, 2018, marked the first time in the history of soft censorship reports about Hungary that the actual process of printing a critical edition of a newspaper was refused by a printing company with ties to the government. Mediaworks Hungary Inc refused to print a special edition of the critical conservative daily, Magyar Nemzet. The special Magyar Nemzet volume followed the last regular edition of the newspaper, but the printing company, which was owned by the company of Lőrinc Mészáros, the leading oligarch with close ties to the prime minister, would not print it, despite a standing contractual agreement between them which designated Mediaworks as Magyar Nemzet's printer.¹ Based on the circumstances, it seems likely that political considerations played a role in the company's decision, which would then qualify as an instance of indirect censorship that has impacted the process of newspaper production.

The last edition of the newspaper, which was owned at the time by another oligarch, Lajos Simicska, who was embroiled in an intense feud with his erstwhile friend Prime Minister Viktor Orbán, was published on 11 April 2018, a mere three days after the national election. The owner had announced the closure of the newspaper out of the blue just the day before, citing problems with financing. The reasons were political, however. What persuaded the oligarch to give up on Magyar Nemzet was that it no longer made sense to wage his multiyear struggle against the government after the massive re-election victory

¹ Szalay, D. (2018): Magyarországon nem találtak nyomdát, Pozsonyban nyomták a samizdat Magyar Nemzet felét [They couldn't find a printer in Hungary, so they printed the Samizdat Magyar Nemzet in Bratislava]. Ujszo.com, 15 April. <https://ujsoz.com/kozelet/magyarorszagon-nem-talaltak-nyomdat-pozsonyban-nyomtak-a-samizdat-magyar-nemzet-felet>

of the ruling Fidesz-KDNP party alliance, which won another two-thirds supermajority in parliament. Simicska's venture had become increasingly risky.²

In response to the sudden closure, the staff compiled a special issue it called *Samizdat Magyar Nemzet*, which was to be distributed for free at an anti-government rally a few days later. However, citing a lack of printing capacity, *Magyar Nemzet*'s previous printing company, Mediaworks, refused the commission. The pro-government media company operates two major printing facilities and wields the country's most modern and largest printing capacity, with an output of 1.5 million copies of newspapers every day. According to former *Magyar Nemzet* journalists, the company still had a standing contract with *Magyar Nemzet* at the time and it should have been ready to print the newspaper. It is important to note that until that time the printing company had no problem with printing the newspaper owned by the oligarch who was opposed to the governing party.

According to former *Magyar Nemzet* employees, no printer was willing to print their special issue because the owners "did not dare to take such a risk". Finally, 40,000 copies of the special edition of the newspaper were printed. Half were produced by the printer of the Hungarian-language newspaper *Új Szó* in the Slovakian capital of Bratislava, while a German-owned company in the town of Vác printed the other half, accepting the commission at the last minute. The successor of the *samizdat* edition of *Magyar Nemzet*, *Magyar Hang*, continues to be printed in Bratislava.

1.2 Preventing the future publication of a newspaper that is not pro-government in outlook

Another form of soft censorship in the context of newspaper publishing is the takeover by a pro-government publisher of a company which owns a newspaper that is not government-friendly, with the objective of shutting down the publication. The practice in such cases tends to be either that the previous owner suspends publication just before the actual takeover by pro-government business interests or, alternatively, the government-friendly investor does so immediately after taking control. The former solution was used when the country's highest-circulation political daily at the time, *Népszabadság*, was shut down in 2016, and it was deployed once again with *Magyar Nemzet* in 2018. Lajos Simicska cited financial reasons for stopping the publication of his critical newspaper, but at the same time he did not sell the publishing company even though there would have been buyers.³ Ultimately, the company was taken over by the pro-government oligarch (and Simicska's former close business associate), Zsolt Nyerges, and was relaunched as a pro-government newspaper on 6 February 2019.⁴

A further instance of newspaper capture was the closing of the weekly *Heti Válasz*, another media outlet that was owned by Simicska and was taken over by Zsolt Nyerges.⁵ The new owner assessed that the newspaper's publisher was near bankruptcy, but according to former employees he was unwilling to sell the publishing rights to a new investor, thereby essentially ensuring that the independent weekly would disappear from the market. He also forestalled the opportunity of the newsroom staff taking over the

2 Pethő, A. – Szabó, A. (2019): Inside the fall of the oligarch who turned against Viktor Orbán. 444. hu, 13 January. <https://www.direkt36.hu/en/feltarul-simicska-bukasanak-titkos-tortenete/>

3 Szalay, D. (2018): *Magyar Nemzet*-eladás: megtudtuk, mekkora összeget kellene fizetnie Ungárnak [Sale of *Magyar Nemzet*: We found out how much Ungár would have to pay for the paper]. 24.hu, 13 April. <https://24.hu/belfold/2018/04/13/magyar-nemzet-eladas-megtudtuk-mekkor-osszeget-kellene-fizetnie-ungarnak/>

4 Kósa, A. (2019): A *Magyar Idők* megszűnésével indul újra a *Magyar Nemzet* [*Magyar Nemzet* is being relaunched at the same time as *Magyar Idők* is shuttered]. *Nepszava.hu*, 7 August. https://nepszava.hu/3004119_a-magyar-idok-megszunesevel-indul-ujra-a-magyar-nemzet

5 Domokos, E. (2018): Ma elesett a *valasz.hu* is [As of today, *valasz.hu* has also fallen]. *Napi.hu*, 3 August. https://www.napi.hu/magyar_vallalatok/ma-elesett-a-valasz.hu-is.667409.html

rights of publication and to continue the weekly as their own business venture. “Media outlets are always shut down in a manner which tries to suggest that the underlying decision was not political but financial, essentially a consequence of a looming bankruptcy. They played the same game with *Heti Válasz*. But the staff had very detailed calculations and projections showing that they could operate the company at a profit” – said a former journalist at *Heti Válasz* who was involved in drawing up the plan for continuing the print edition of the newspaper, which was ultimately nixed.

The journalist referred to the spike in the sales of the weekly in the months before its closing as one indicator of its financial viability. Some 15,000-20,000 digital and hard-copies were sold of *Heti Válasz*’s final edition, a significant surge compared to the previous figures of 10,000-14,000. Last year, in 2018, *Heti Válasz* was the political weekly with the second highest circulation in Hungary; these figures suggest that there was room for a viable business model since weeklies that sell fewer copies continue to survive in the same market.

The final print edition of *Heti Válasz* was published in June 2018. At that time, the newsroom had no information about the owner’s plans for the future of the political magazine, which is why they conducted talks with potential investors. In order to allow the newspaper to survive, the staff decided to continue publishing a digital edition despite the closing of the print edition. Although they found an investor, “by early August it was clear that the newspaper would not be sold to anyone and that the actual decision was to shut it down. That’s when the newsroom stopped working”, a former employee of the newspaper recounted.

A similar event that suggested the presence of a form of indirect censorship⁶ was manifest in the sale of the weekly *Szabad Föld* by its owner László Puch, the former treasurer of the opposition party MSZP (Hungarian Socialist Party). Puch, who at the time also published the sole remaining critical daily *Népszava*, sold the weekly with a circulation of 57,000 copies to pro-government business interests.⁷ *Szabad Föld* counts as an important player in the market because of its extensive reach of elderly rural readers.⁸ Despite the fact of continuously dropping readership, at the time when it was sold the weekly was still turning a profit. The owner’s decision took the newsroom by surprise since a potential sale had not been previously discussed. One of our interviewees with a knowledge of the newspaper’s situation in the period before the sale explained the change in ownership with their impression that *Szabad Föld*’s profits “only looked good on paper”. In fact, some 80% of its revenues came from advertising sources that qualified as some form of state advertising. That is why pro-government players likely made clear to the owners that it was time to sell since *Szabad Föld* could rapidly drop in market value if its access to state advertising were to be cut off, said our source.

This was not the first time that there were speculations about Puch’s willingness to align himself with the governing party’s media strategy. Press reports suggested that he had previously acquired the daily *Népszava* and the weeklies *Vasárnapi Hírek* and *Szabad Föld* with the approval of Prime Minister Orbán. The owner denied this, but he qualified this statement by admitting that he would not have bought the media outlets in question if

6 MÚOSZ (2018): A MÚOSZ a kormánytól független média eróziójáról [Statement of the National Association of Hungarian Journalists (MÚOSZ) on the erosion of media that are independent of the government]. Muosz.hu, 30 November. <https://muosz.hu/elnokseg/2018/11/30/a-muosz-a-kormanytol-fuggetlen-media-eroziojarol/>

7 Sixx (2018): Eddig volt Szabad a Föld [Szabad Föld (Free Land) is no longer free]. Index.hu, 30 November. https://index.hu/kultur/media/2018/11/30/a_szabad_fold/

8 MÚOSZ (2018): A MÚOSZ a kormánytól független média eróziójáról [Statement of the National Association of Hungarian Journalists (MÚOSZ) on the erosion of media that are independent of the government]. Muosz.hu, 30 November. <https://muosz.hu/elnokseg/2018/11/30/a-muosz-a-kormanytol-fuggetlen-media-eroziojarol/>

the government had been against it.⁹ Another indication that Puch is accepted in government circles is the fact that in stark contrast to other critical newspapers, Népszava receives state advertising.¹⁰ The newspaper owes its survival to this source of funding, but according to daily's editor-in-chief, this has no impact on the editorial line of the newspaper.¹¹

Concurrently with the sale of Szabad Föld, Puch also decided to shut down the weekly Vasárnapi Hírek, which had a circulation of 14,000 copies at the time.¹² None of our sources suggested that this particular decision owed to considerations involving indirect censorship. According to those with a detailed behind-the-scenes knowledge of the newspaper's situation, the publisher had been planning to close it and to integrate its newsroom with Népszava's for years, and that is what ultimately ended up happening.

1.3 Preventing a new independent newspaper from being launched

Another form of indirect censorship in the realm of newspaper publication was also linked to the closing of Heti Válasz. The new pro-government owner took steps to hamper the efforts of the newsroom staff to launch a new independent newspaper, and our sources suggested that political influence likely played a role in these efforts. The newspaper's former employees said that unlike Magyar Nemzet's staff, they had not been given a severance package, which effectively foiled their attempts at getting a new print weekly off the ground. "If we had received a severance we could have launched a new newspaper within two weeks. The team was still together and we were planning to invest our severance", said a former Heti Válasz employee.

Although the new owner had previously promised them a severance pay, the newsroom's impression was that "he had never been really in charge because his actions were directed by the actual boss of the pro-government media empire, Gábor Liskay".¹³ Citing information from Liskay's own circles, former Heti Válasz employees claimed that "the media controllers at Fidesz saw how the Magyar Nemzet employees had invested their severance into launching Magyar Hang, which thus managed to establish itself as a new player in the market. They did not want another media outlet that would ride the same wave immediately after its closure". As a result, the newsroom was only able to launch an online edition, which requires a significantly lower level of investment, but its long-term financial viability is still in doubt.

9 Dull, Sz. (2019): Puch László: Orbán nem ellenezte [László Puch: Orbán wasn't against it]. Index.hu, 8 January. https://index.hu/belfold/2019/01/08/puch_laszlo_mszp_spinoza_nepszava-szabad_fold_eladasa_orban_viktor/

10 Rényi, P. D. (2018): Orbán lerendelte magához Hatvanpusztára Puch Lászlót, hogy vegye meg neki a Népszavát [Orbán ordered László Puch to come and see him in Hatvanpuszta so that Puch could buy Népszava for him]. 444.hu, 9 March. <https://444.hu/2018/03/09/orban-lerendelte-magahoz-hatvanpusztara-puch-laszlot-hogy-vegye-meg-neki-a-nepszavat>

11 Jávör, B. (2019): A kormányzati hirdetéseket úgy tüntetik fel, mintha ezzel Orbán Viktor zsebében lennének [They make it seem like we are in Viktor Orbán's pockets because of the government advertising]. Index.hu, 4 March. https://index.hu/belfold/2019/03/04/nepszava_foszerkeszto_interju_horvath_gabor_puch_laszlo/

12 Herczeg, M. (2018): Megszűnik a Vasárnapi Hírek [Vasárnapi Hírek is being shut down]. 444.hu, 29 November. <https://444.hu/2018/11/29/megszunik-a-vasarnapi-hirek>

13 Gábor Liskay is the chairman and CEO of Mediaworks Hungary Inc. This media company, which publishes all regional newspapers in Hungary, plays a leading role in operating the Central European Press and Media Foundation (abbreviated as KESMA in Hungarian) established in September 2018, which holds the ownership rights of several hundred pro-government media outlets. The foundation operates at the company's headquarters and based on a controlling agreement between them, Mediaworks exercises ownership rights over the Foundation's media companies. See: Népszava (2019): Befészkelte magát a fideszes médiaholding a Népszabadság helyére [The Fidesz media holding has made itself comfortable in Népszabadság's place]. Nepszava.hu, 13 March. <https://nepszava.hu/3028777-befeszkelte-magat-a-fideszes-mediaholding-a-nepszabadsag-helyere>

This vital role of severance payments was also stressed by a staff member of Magyar Hang during our background interviews. As they said, this proved to be their single stroke of luck after Magyar Nemzet was shut down since it allowed them to work for free for first three months, when they began drawing salaries from the sales of their newspaper. At the same time, the launching of the weekly Magyar Hang was encumbered by the fact that “the publisher of Magyar Nemzet refused some subscribers’ request to have their subscription fees transferred to Magyar Hang, choosing to pay back the remainder of their subscription instead”. The publisher further refused to hand over the list of subscribers to the former employees who were thus unable to directly inform their readers that they would be continuing to publish a newspaper in the form of a weekly.

1.4 Cancellation of subscriptions by institutions

One potential indication of indirect censorship with an impact on the distribution of political media is when institutional subscribers (such as state organisations, municipal governments, state or municipal-owned companies) take coordinated action to either cancel or reduce the number of their subscriptions of certain political newspapers. The publishers of several newspapers that have no affiliation with the governing party have reported a significant drop in the number of subscriptions by public institutions in the last years. In some cases they had specific information indicating that the lapsed or cancelled subscriptions were a result of government pressure. In other cases it was impossible to ascertain whether the cancellations owed to cost-cutting measures or political considerations, maybe a combination of the two.

The most identifiable instance of indirect censorship performed through institutional subscribers was observed in the case of *Heti Válasz* and Magyar Nemzet. Once Lajos Simicska spectacularly severed his friendly ties to Viktor Orbán in February 2015 (in what is known as G-Day in Hungary in reference to a sexually-charged slur Simicska uttered publicly about the prime minister)¹⁴ state organisations, ministries and municipal government cancelled their subscriptions to the oligarch’s media outlets that had turned critical of the government. “Máté Kocsis [who was Fidesz’s director of communication at the time] issued the directive ordering everyone to cancel their subscriptions. The mayors also said that there was a central instruction for them to not cooperate [with the Simicska media]”, said a former staffer of one of the affected publications. In the case of *Heti Válasz*, the institutional boycott did not result in a major loss of revenue; state institutions’ share of the magazine’s total subscriptions was not substantial. But in the case of Magyar Nemzet, the fallout was massive, as the number of copies sold dropped to a third of its previous level, in part as a consequence of cancellations by institutional subscribers¹⁵ and in another part because private readers who supported the government abandoned the newspaper.

An employee working for another major weekly which is not government-friendly has also reported a massive decline in institutional subscriptions, noting that they had not heard specific indications that the cancellations were politically motivated. Subscriptions by public institutions dropped from year to year. Municipal governments only ordered a single copy each, even though previously every division manager used to have one on their desk. It seemed like everyone was cancelling at the same time. State-owned companies have almost entirely disappeared from among our subscribers, even though almost all of them had ordered copies before”.

14 Index (2015): Lemondott a Simicska-médiabirodalom teljes vezetése [The entire executive of the Simicska media empire has resigned]. Index.hu, 6 February. https://index.hu/kultur/media/2015/02/06/lemondott_a_simicska-medibirodalom_teljes_vezetese/

15 Szalay, D. (2016): Központilag mondták le a Magyar Nemzetet [Magyar Nemzet subscriptions were cancelled centrally]. 24.hu, 8 February. <https://24.hu/media/2016/02/08/kozpontilag-mondtak-le-a-magyar-nemzetet/>

The newsroom of the weekly *Élet és Irodalom*, which is categorised as critical of the government, has also said that the change in institutional subscriptions was the most palpable sign of shifting political winds. The weekly has roughly 5,000 subscribers and some 10,000 copies are distributed to newsstands. As our interview partner noted, it was not possible to make a definite determination that the newspaper had been banned from public institutions, but at the same time it was clear that even though 15 years ago it had a substantial number of subscriptions among municipally operated/owned public institutions, after 2010 their numbers dropped to a minimum. Subscriptions by the Library of Parliament, the Parliament's Office, and the central office building where MPs work have dropped to a third of their previous levels. The same held for the subscriptions by public media institutions. The newspaper also used to be popular among museums and libraries, but in the first half of the 2010s subscriptions began to ebb after the transformation of the National Library Supplier.

Our source said that it was not possible to ascertain whether this was the result of political intentions or mere economic pressure, but at the same time they assumed that many of the public subscribers cancelled because they felt it was safer to do so. There are also cases of rural libraries that still subscribe but nevertheless do not put the copies they receive out on the shelves. Fifteen years ago there were barely any grammar schools in Hungary where the newspaper was not present; in 2018 there were barely any left that still had them.

2. Problems with newsstand sales

2.1 There is no systemic soft censorship in newspaper distribution

The two main areas of the market for newspaper sales and newspaper distribution are newsstand sales/subscription management and the delivery of newspapers to subscribers, respectively. Since the end of the 1990s, 95-98%, of the newsagent distribution market has been covered by the Hungarian Newspaper Distributor Inc. (*Magyar Lapterjesztő Zártkörűen Működő Részvénytársaság* (Lapker Inc)). Roughly 2-5% of newsstand sales are realised through the publishers' own newsstands or through wholesalers who buy the newspapers directly from the publishers or the Lapker Inc. Roughly 70% of all newspaper sales are realised at newsstands, the remaining 30% are sold through subscriptions. Two major players share the market for the delivery of subscriptions, the Hungarian National Postal Services and Medialog Inc, a subsidiary of the publishing company Mediaworks, which primarily manages the subscriptions and delivery of regional/county newspapers.

All of our interview subjects who work for media outlets that are critical of the government responded in the negative to our questions inquiring whether they have experienced restrictions in the operations of the newspaper distribution market that they perceived as censorship on the part of either a market player with ties to the government or a state institution.¹⁶ As the employee of a weekly put it, "distribution is the least problematic aspect of print newspaper publishing. I've never experienced a situation in which either Lapker Inc. or the postal services interfered with the delivery of our publication to the readers for political reasons".

¹⁶ It was only after we had completed our background interviews when it was revealed that HVG's cover pages would no longer be displayed in various points throughout the country on outdoor advertising columns owned by the Mahir corporation because the company – which shifted from the Simicska empire to control by pro-government business interests, unlawfully terminated its standing contract with HVG's publisher on 12 April 2019. This measure constitutes a restriction of the publishing company's marketing possibilities, and hence it may be defined as a form of soft censorship with an indirect impact on the sales of the weekly newspaper.

At the same time, despite the publishers' own impressions they occasionally receive complaints by consumers who claim that local newsstands or smaller municipalities do not carry political newspapers that are not government-friendly. These complaints often suspect that this is a result of political influence, but the publishers and those with a knowledge of the newspaper distribution market believe that the problem is caused by the fact that the system operates on a market basis. If certain media products are not being bought in a given location, then at one point neither the newspaper distributor nor the newsstand will find it worthwhile to print, deliver and sell the product at the given location. The publishers believe that Lapker Inc is doing everything in its power to make sure that the sale of newspapers is realised with the highest possible level of efficiency, and the market therefore operates on the basis of market and professional principles.

Lapker Inc directly delivers newspapers to 6,500 newsstands, it supplies another 2,500 indirectly, through retailers, and also delivers print products to 2,000 postal newsagents. "There are some 12,000 locations in the country where you can buy newspapers but that doesn't mean you can get all newspapers at all these locations. That depends on sales", said a senior-level professional with intimate knowledge of the newspaper distribution market. It follows that neither pro-government nor non-government-friendly newspapers reach all points of sale and, furthermore, they do not always make it onto the shelves of the newsagents where they are delivered. Apart from a few dozen major stores, there are no newsstands where all the publications distributed by the Lapker Inc are available.

The business of newspaper distribution is about accurately estimating which newspapers and how many copies of each are being bought in a location, so as to maximise sales and make sure that the number of unsold copies remains as low as possible. How many copies of each newspaper are delivered to each location depends on the agreement between Lapker Inc and the publisher. The system is flexible and either Lapker or the publisher can halt deliveries to a given location if they find it no longer pays off.

An important business consideration that determines the distribution of newspapers across the country is the consumer profile in the given destination. This means that a large supermarket in Budapest will not receive the same selection and number of newspapers as a store of the same chain in a small rural town, since these are likely to have different numbers of customers and their interests are likely to differ, too. Another important consideration is seasonality. Budapest empties out during the summer and along the vacation routes of Budapest residents, Lapker Inc increases the number of copies sold of the political newspapers that they tend to read while it reduces them off-season.

Delivering newspapers to small municipalities hundreds of kilometres outside Budapest is the most unprofitable business for Lapker Inc, since often they do not sell a single copy. And that is a loss for the publisher, too. "If I don't sell the product at the points of sale where it is delivered, then that will leave me with a higher number of unsold copies, which will render the activity unprofitable", explained the executive of a company that publishes a leading political newspaper. In some locations, the publishers fail to sell as many as 60% of the copies delivered; in other words, two out of three copies are printed and delivered in vain. There are several political newspapers that consistently fail to sell any copies at roughly half of all points of sale.

This is a natural aspect of the newspaper sale business since no one can accurately predict the titles and quantities that are going to be purchased in any given locations. That is why publishers cannot avoid delivering the newspapers to some locations where they won't be bought. At the same time they must also keep in mind that their newspaper's popularity might decline if it is not seen by the customers.

Unsold copies also generate losses for the newsagents. After a while, it will not be worth it for the retailer to accept delivery of newspapers it cannot sell or which the newspaper distributor "overdelivers". Returning unsold copies generates additional work. That is

why the newsagent expects Lapker Inc to deliver the publications that generate sales in the quantity they are likely to invest extra labour into returning unsold copies. “The publisher will demand in vain that Lapker Inc or the sales location put its newspaper on the limited number of shelves, they won’t do it unless it’s worth it. And that’s okay, this is a profession and Lapker is not doing it badly”, explained the chief executive of the publisher of one of the leading political newspapers.

Another reason for the readers’ complaints about the reduced availability of newspapers that are not Fidesz-friendly may be that with the reduction in the number of print newspaper copies sold, the number of sales locations has also declined. Another negative impact is that the introduction of the so-called national tobacco shops (the government barred regular retailers from selling cigarettes, limiting sales of tobacco to licensed shops – the procedure of awarding the lucrative licences has been subject to numerous allegations of corruption) has massively restructured the retail sector and newspaper sales. Once the tobacco products were removed, there were stores that could no longer be operated profitably based on newspaper sales alone, and as a result they had to close, which in turn further reduced newspaper sales. One must note that print newspapers are currently being sold in 500 official tobacco stores, but they do not generate substantial newspaper sales (the opaque store windows, the limited selection of products and the ban on entering accompanied by a minor makes them ill-suited for selling newspapers).

2.2 The difficulties of being included among the newspapers sold by food chains

In March 2019 a protest by Magyar Hang reverberated through the media: the newspaper complained that the Aldi supermarket chain had refused to include the newspaper among the print titles it sold, even though by the end of 2018 Magyar Hang had emerged as the second largest player in the market for weeklies based on circulation, and other chains had been putting it on their shelves for months.¹⁷ As a result of the protests, which were also joined by opposition politicians,¹⁸ the discount chain announced that it would sell the weekly in its stores. Based on the background interviews we conducted with Magyar Hang staff, it is conceivable that this was a spectacular instance of indirect censorship aimed at restricting newspaper distribution. At the same time, however, the statement of the supermarket chain suggested that political considerations did not play a role in the delay in the distribution of the weekly.¹⁹

The unusually assertive approach of Magyar Hang – both in the sense of its perception that it has been a victim of censorship because it was not included in Aldi’s selection of newspapers and in its willingness to stand up for itself publicly and call out the company for the alleged attempt at denying the newspaper access to its shelves – by the standards of the Hungarian market may owe to the fact that as a publication that is critical of the government, without its own capital or advertising revenue, even a year after its launching the newspaper’s staff are occasionally forced to resort to selling their paper in the streets themselves. “A key element of our business model is that we spend only as much as we have in funds at any time. The pay of our staff is always readjusted to reflect the newspaper’s revenue”, said one of the newspaper’s employees.

17 Szalay, D. (2019): A Magyar Hang beperli az Aldi áruházat [Magyar Hang is suing the Aldi supermarket chain]. Media1.hu, 4 March. <https://media1.hu/2019/03/04/aldi-magyar-hang-per/>

18 Csengel, K. (2019): Nem árusítja a Magyar Hangot az Aldi, Lukácsi Katalin bevitt egyet [Aldi is not selling Magyar Hang, (the opposition politician) Katalin Lukácsi brought then a copy]. Merce.hu, 9 March. <https://merce.hu/2019/03/09/nem-arusitja-a-magyar-hangot-az-aldi-lukacsi-katalin-bevitt-egyet/>

19 24.hu (2019): Az Aldiban is lehet majd venni Magyar Hangot [Magyar Hang will be available at Aldi, too]. 24.hu, 11 March. <https://24.hu/belfold/2019/03/11/aldi-magyar-hang/>

Another explanation may be that a dominant share of newspaper sales in Hungary occurs in supermarket chains. In 2018, 60% of the revenue in direct sales was generated in supermarket chains, 6% at petrol stations, 15% at the chain of Relay and Inmedio stores (small stores usually located in public transportation hubs, malls and other central locations), and 3-4% at postal stores. The rest were sold at independent sales points such as small neighbourhood groceries.

In Magyar Hang's experience the conflict with the supermarket chain dates back to the time when they were still Magyar Nemzet. After the aforementioned G-Day, Aldi removed the newspaper from its shelves citing revenue problems, and the impact of this decision carried over to Magyar Nemzet's successor, Magyar Hang. The weekly turned to the supermarket chain and the distribution company Lapker Inc, repeatedly urging that Magyar Hang be distributed by Aldi. Aldi stated that it consults with Lapker Inc. several times a year about the number of newspaper copies sold, and that it decides about the portfolio of press products it sells in its stores based on these consultations on the one hand, and consumer expectations on the other. At the same time, the supermarket chain also promised to review the possibility of distributing the newspaper, but until Magyar Hang complained they made no changes to that effect.

During our background interview, the employee of the weekly voiced the suspicion that the supermarket chain declined to carry the newspaper because it wanted to conform to the government's expectations. We do not have enough information to verify whether this assumption meshes with reality. At the same time, the assessment of the case is also nuanced by the fact that as part of the portfolio sold by Lapker Inc, the newspaper was also sold at the stores of the CBA chain, which is widely regarded as being pro-government.

Another relevant consideration is that other critical political newspapers are also absent from the shelves of some supermarket chains. The chief executive of a leading political newspaper recounted, for example, that they cannot get access to Lidl because there is no more space for their publication on Lidl's shelves. The sales manager of another weekly also said that their publication is not being sold by either Lidl or Aldi because their sales are not high enough. He added that "supermarket chains will sell neither political newspapers nor magazines that their customers won't buy. They don't decide based on sympathies, they sell those newspapers generate the best sales statistics".

On the whole, critical press outlets consider the selection of newspaper titles at supermarket chains as balanced. As a sales manager explained, "Lidl sells two newspapers that are considered left-wing and critical of the government, 168 óra and HVG, one right-wing newspaper that is also critical, as well as the pro-government weekly Figyelő. Lidl does not carry the [left-liberal] weekly Magyar Narancs, although it could conceivably replace 168 óra if its distribution figures improve. It could not replace Magyar Hang or Figyelő, however, because [as right-wing newspapers] they belong to different categories".

None of the publishers has come across any information suggesting that there had been any central instruction for impeding the distribution of any newspapers by any distribution network. At most, they ran into the antipathy of a given newsagent who would make sure that newspapers that were not pro-government would be "placed among the Barbie magazines with their covers facing the shelf" or just keep them off the shelves altogether and make sure that the customer is aware of their antipathy towards the newspaper when they ask for it.

A professional in a senior position who is intimately acquainted with the workings of the newspaper distribution market said that political considerations do not come into play when it comes to the determining what newspapers are sold at each supermarket chain. "The supermarket chains want to avoid a situation in which their selection of newspapers might give rise to a suspicion of political bias on their part. There is no pressure on either supermarket chain to deny distribution to any title because it is not pro-government or

because they politically disagree with its editorial line. The decisive consideration for chains is revenue, that is whether it is worth replacing any of the newspapers they carry because the new newspaper they sell will likely generate greater revenue. And if a supermarket chain feels that they risk the possibility a backlash, they will immediately backpedal”, our source explained.

Unlike the other products they carry, newspapers are not selected by the supermarkets themselves. They ask Lapker Inc to give them the titles with the highest revenue, and only as wide a selection as the shelves can accommodate in the given location. It is up to the newspaper distribution company to decide which newspapers and in what quantities it puts on the limited shelf-space. The total space varies from store to store. Discount chains with smaller stores can accommodate roughly 40 titles, large supermarkets can accommodate around 400, while the biggest stores can provide shelf-space for up to 600. It is because of the limited shelf-space that not every title can be placed on the shelves, a selection must be made. There were roughly 1,100 titles in circulation in 2018, while the 6,500 points of sale that were in contract with Lapker Inc had the space to sell an average of 180 titles each.

The chains leave it up to the distributor to suggest which titles the latter will deliver, but they reserve themselves the right of approval. Generally, they tend to accept the supplier’s proposal. The latter cannot afford political bias in making its proposal, it must strive to ensure that the revenue from newspaper sales does not decline at the supermarket chains because that would jeopardise the viability of the entire product category. Supermarkets frequently tell the newspaper distributor to bring a different newspaper because, for example, only few copies of a given title were sold and there was a lot of work with the large number of unsold copies.

What titles any given supermarket chains will carry also depends on a central decision whether the selection of newspapers will be the same across the entire chain in all its stores, which tends to be the case with the discount chains, or whether it can differ from store to store, as is the case with Spar and CBA stores. It also depends on how large the floor size of the given store is and how much space it dedicates to newspapers.

3. The long-term risk of soft censorship in newspaper distribution

During our interviews, several of our sources noted the risk that the parallel developments of declining sales of print press products, the redundancies in the national system of newspaper sales and distribution, and the problems of postal distribution could lead to the emergence of a monopolistic distribution system under the aegis of the Mediaworks Hungary Inc. If that were to happen, Mediaworks could assume control of the entire area of print newspaper distribution, including both mail delivery and newsstand sales. This could effectively result in a distribution system that is completely controlled by a pro-government player and would harbour the risk of direct and indirect censorship because it would be liable to open up the possibility of governmental influence over newspaper distribution.²⁰

²⁰ In Bulgaria. For example, the concentration of politically affiliated publishers and the owners of newspaper distribution capacities has resulted in a situation where the market entry of smaller publishers and the distribution of their products is impeded. See Center for the Study of Democracy Policy Brief No. 49 (2015): Media Ownership in Bulgaria: State of Play and Challenges. <http://old.csd.bg/fileSrc.php?id=22656>

3.1 Problems with postal delivery

According to the publishers' accounts, the postal delivery system constitutes the biggest problem for their subscribers. In the case of some political newspapers, failure to deliver the respective papers to subscribers is a frequently recurring problem, sometimes affecting tens of customers. When the affected customers complain, they sometimes retroactively receive their daily newspapers in a weekly batch. With weeklies, this problem is less frequent but it is also a regular occurrence.

At the same time, the publishers do not believe that this implies the impact of soft censorship, they tend to attribute the phenomenon to poorly organised postal logistics and the lack of human resources. There are some publishers, however, that nevertheless perceive this problem to be severe and they believe it has an impact on the number of newspapers they sell because it discourages readers from subscribing. "The entire system has been wrecked. The postal services are very ineffective in the performance of their responsibilities and their chain of distribution is dysfunctional", explained the chief executive of the publisher of a major political newspaper.

In principle, such problems should be remedied through the complaint management interface of the postal services, but several publishers agreed that in reality this interface only serves to make complaints disappear. When someone does not receive a copy of the newspaper they subscribed to, they can inform the postal services and the latter will then provide replacement copies. If the delivery failure persists, then the postal services investigate. Those with a knowledge of the internal dynamics of postal delivery are aware of the deficiencies, but they add that all such major systems have flaws. The Hungarian Postal Services deliver some 70 million publications and manage roughly 70,000 complaints annually. In other words, the complaints affect one in a thousand of the copies delivered, which is a good ratio according to the postal services in light of their assessment that keeping the number of incidences that give rise to complaints to a minimum is a major challenge in operating such a vast system.

The postal experts in charge of this area are aware that the careless attitude of mailpersons occasionally impairs the quality of their services. However, they also perceive that problems also stem from subscribers failing to provide proper address information or because the mailpersons cannot enter condominiums. In some instances malevolent neighbours remove newspapers they do not like.

The problem is not new, but it has become more conspicuous recently because of the labour shortage. The problems date back to 2006, when the Hungarian Postal Services began to outsource delivery to subcontractors. Delivery problems are most frequent in areas where the logistical staff are poached by other sectors. According to the postal services, several districts in Budapest qualify as such crisis areas, as do parts of the capital's suburban areas, Komárom-Esztergom county and several large urban areas and county seats, such as for example Debrecen, Miskolc and Szeged.

Nevertheless, despite the fact that market players are all too aware of the problem, there is no reason to expect improvements. The chief executive of a newspaper publisher said that they visited the postal services with a thick folder of files and tried to tell them what was happening. But even before they could open the folder, those in charge said that there is simply no way to remedy the problems. They came away with the impression that it is "not in the postal services' interest" to resolve this issue.

3.2 The risk of ownership concentration in the newspaper distribution market

Two major players perform the distribution of newspapers and the associated administration and fee collection in Hungary: the biggest player is the Hungarian Postal Service, the second is the distribution company owned by Mediaworks, Medialog Inc. To a lesser extent, the publishers also perform the collection and management of subscriptions to circumvent the defects of the postal services. To the latter end, they use logistical services, such as for example sending the newspapers as postal packages to the subscribers' mailboxes. Mediaworks' distribution network extends to the national network of 19 regional newspapers. Since between 2016 and 2018 Mediaworks gained control of all regional newspapers, our market information suggests that the consolidation of the fragmented system into a new coherent and unified system is underway.

Mediaworks' subscription network is also used by other newspapers. Several publishers report that they use the distributor of the major critical weekly HVG to deliver newspapers in rural areas. This provides a better service for the publishers, since subscribers in the rural areas in question receive their weekly newspapers at 6 in the morning together with their local regional newspapers. HVG had been availing itself of this distribution mechanism already before Mediaworks assumed ownership of the network of regional newspapers together with the distribution network used to deliver them.

Because of the impact of lacking logistical capacities, the Hungarian Postal Services and Mediaworks often use the same subcontractors and in some municipalities they act as each other's subcontractors. Our interview subjects assessed that this cooperation is rational for economic reasons, since currently the national distribution system for newspapers is based on parallel delivery capacities operated by the Hungarian Postal Services, Medialog Inc and Lapker Inc, respectively. There are municipalities with only 1-2 subscribers and hardly any newsstand sales. It is a regular occurrence that the same village will be visited in turn by the respective vehicles of the postal services, Mediaworks and Lapker, each delivering four newspapers.

This is not cost-effective and economic logic dictates that the number of logistical providers in the continuously shrinking newspaper market be reduced and that the existing parallelisms be eliminated. "Sooner or later there will be some sort of consolidation, and the reasons are not political, simple economics make this a necessity", said a source with knowledge of the newspaper distribution market who also assessed that such changes in the system are long overdue, although they also added that the fact that the system still operates this way suggests that it remains profitable. "The players will feel compelled to enact these changes when they can no longer turn a profit if they keep the services going. In such a situation a financial or professional investor is unlikely to continue [providing the service]", said our source.

The latter comment probably applies most to Lapker Inc, which is the only purely profit-oriented player in the newspaper distribution business. The Hungarian Postal Services are a state-owned corporation, while Mediaworks is a private company but its owner has strong ties to the government. Until 2017, the owner of Lapker was a professional investor, the Lagardère Group media company, which then sold its Hungarian subsidiary to Gavin Susman, a Croatian-American financial investor. Based on the company's financial report for 2017, newspaper distribution still generated a profit, since the company's after-tax earnings were in excess of a billion forints.

The publishers as well as those of our interview subjects who work in senior positions in the newspaper distribution system assume that in the long run the parallel distribution structures of the postal services and of Mediaworks will be consolidated into a single system, which may also include Lapker in the long run. As the chief executive of a newspaper publisher explained, Mediaworks already effectively possesses a national distribu-

tion network thanks to the distributors of its regional newspapers. “The only thing that still needs to be done is to consolidate this into a single network, and I assume they’re working on it”. The interviewee’s publishing company, which is considered left-wing, has been trying to join the Mediaworks distribution network for years.

To some publishers it seems that no one wants to fix the problems with the postal collection of subscriptions and subscription fees, along with the associated newspaper delivery system. “They have the expertise and know what they would need to do, but the lack of funds and the lack of interest on the part of the legislators probably make it so that it’s easiest to do nothing at all. All the players are becoming aware that the postal service’s newspaper delivery business is gradually perishing as a result. After a while, this issue will be transferred from the postal services to the distribution network of the regional newspapers, where they are rapidly expanding the existing capacities and deliver more newspapers to subscribers than anyone else”, explained one of our interview subjects. The theory further posited that “they are going to buy Lapker because at the right price the media investor will sell”.

A source with knowledge of the operations of postal newspaper distribution added that the “circulation of national political newspapers is now too low for the economically viable and efficient operation of the distribution system, which is why the postal delivery system is increasingly difficult to maintain and finance. In the meanwhile, Mediaworks delivers some 250,000-300,000 political newspapers each day across all the counties in Hungary, which dwarfs the volume of political newspapers delivered by the postal services”.

“You can see the outlines of how this story ends”, said one of our interview subjects who works for the postal services. They answered with a firm “yes” to the question whether they can imagine that the national distribution of subscription newspapers will end up with either Mediaworks or the pro-government media conglomerate Central European Press and Media Foundation (KESMA). Our source added that Mediaworks has a long-term business vision and the trends in the volume of newspapers delivered suggests that maintaining parallel delivery networks is not rational, potential synergies ought to be exploited instead. We asked Mediaworks to comment on the speculations in the market, but the publisher declined to comment.

4. Negative impact stemming from consumer behaviour

According to the publishers’ accounts, the most massive negative impact on the publication and distribution of political newspapers across the country comes from consumers, especially in rural areas. Consumer attitudes do not fall into the domain of soft censorship, since strictly speaking the latter implies the presence of indirect governmental influence over the media, through rewarding loyal media and those working for the latter while punishing critical media.²¹ Nevertheless, a governmental impact often manifests itself in how readers relate to press products, which in turn has an impact on publishers’ ability to sell serious political contents. This includes, for example, the politically motivated abandonment of right-wing newspapers that turned critical of the government; popular fears, indifference and disillusionment with regard to news about politics, as well as the uncritical consumption of propaganda by readers with a diminished capacity to consume serious political contents.

The evidence from our interviews with newspaper market players meshes with statistical data showing that in the terms of newspaper copies sold, Hungarian political print media

21 World Association of Newspapers and News Publishers (2014): *Soft Censorship, Hard Impact - A Global Review*, p. 4. Wan-ifra.org, June http://www.wan-ifra.org/sites/default/files/field_message_file/Soft%20Censorship%20Global%20Review%202014.pdf

are in extremely bad shape compared to the neighbouring countries. While on average 145,000 copies of national political daily newspapers are being sold per one million residents in Austria, and in Slovakia the figure is still 40,000, in Hungary this number is a mere 2,000.²² A 2013 survey suggests that as compared to other countries, Hungarian media consumers are exceedingly less likely to read daily and weekly newspapers while they are far more likely to read free publications and online sites that match their thematic interests.²³

Another key data point in understanding the state of the national political press in Hungary is that the trust of the Hungarian public in the news ranks among the lowest in Europe. Fewer than a third of readers trust the news in general. According to a 2018 report by the Reuters Institute, this owes to the intense political polarisation of the media environment, although another factor may be that Hungarians consumers are among the most exposed to fake news among European media consumers.²⁴

4.1 Party loyalty, fear and indifference

The publishers perceive that the reduction in newspapers sales they have experienced in recent years stems in part from the changes in how their own readers and their potential readers relate to print press products. This particular shift was heavily influenced by the government's activities and communication as well as the way in which the pro-government media operate. Of these, only the most obvious cases can be classified as soft censorship; in the other cases what is at issue concerns the general problems and limitations that the political press struggles with now.

Indirect censorship on the part of the government realised through the readers of non-government-aligned newspapers was most conspicuous in the cases of Magyar Nemzet and Heti Válasz. Sagging sales of the newspapers that turned critical of the government after the so-called G-Day was caused to a significant extent by the shifting allegiance of substantial chunks of their readership; some of these readers reacted deliberately to the changing course of these newspapers, but another segment of those who moved away from these media outlets merely sought to behave in a manner befitting the course charted by the hostile pro-government media.

The exodus of readers had a bigger negative impact on Magyar Nemzet, while in the case of Heti Válasz the process was a far slower process than the pro-government media planners had anticipated. As a former employee put it: "Their belief that this would go down quickly was one of Orbán's major miscalculations. They thought all they had to do was to tell their readers 'do not buy or read this newspaper any longer'. But we lost the uncritical elderly ladies very quickly, even before G-Day". The notion that these newspapers had to be treated as enemies was relentlessly propagated by the restructured pro-government media starting in 2015.²⁵

Another point of orientation for readers who support the government is that Viktor Orbán consistently reminds the public which pro-government newspapers he regards as the most important in the government-friendly media portfolio. After G-Day in 2015, the

22 Sixx – K. Kocsis (2018): Így haltak meg a magyar politikai napilapok [This is how the political dailies in Hungary died]. Index.hu, 13 December. https://index.hu/kultur/media/2018/12/13/a_magyar_politikai_napilappiac_halala/

23 Nossek, H. – Adoni, H. – Nimrod, G. (2015): Is Print Really Dying? The State of Print Media Use in Europe International Journal of Communication 9 (2015), 365–385 <https://ijoc.org/index.php/ijoc/article/view/3549/1306>

24 Reuters Institute: Digital News Report 2018 <http://media.digitalnewsreport.org/wp-content/uploads/2018/06/digital-news-report-2018.pdf?x89475>

25 See for example Szarvas, Sz. (2015): Deutsch Tamás: Simicska terrorista [(Fidesz politician) Tamás Deutsch: Simicska is a terrorist]. Pestisracok.hu, 23 April. <https://pestisracok.hu/deutsch-tamas-simicska-terrorista/>

prime minister was shown in social media and in the pro-government media²⁶ as reading the counter-newspaper to Magyar Nemzet, Magyar Idők, which has since de facto morphed into Magyar Nemzet after the pro-government media conglomerate reclaimed the publishing rights over its former flagship newspaper. After Magyar Nemzet was relaunched once again as a pro-government newspaper, Orbán celebrated the return of the newspaper and of Hír TV into the fold by having himself photographed with Magyar Nemzet.²⁷ He had already deployed this type of visual messaging in 2002. Back then, after his election defeat and on his way out of office, he urged his followers to subscribe to and buy right-wing newspapers, thereby boosting the sales of Magyar Nemzet, Heti Válasz and Magyar Demokrata.²⁸

In addition to a desire to follow the recommended political course, readers' decision on what media to consume are sometimes also guided by fear. A Magyar Hang employee noted for example, that this sentiment is a major obstacle in the way of increasing the number of copies they sell: "People just don't dare to subscribe to our newspaper. They want us to guarantee that their names won't show up anywhere. We tell them that we won't publish it anywhere but we have no way of guaranteeing that the Hungarian Postal Service won't share it with third parties. We sometimes suggest to our subscribers to tell their neighbours that they used to be Magyar Nemzet subscribers and the publisher is sending them Magyar Hang for free. Because within the Fidesz camp it makes a major difference if someone subscribed to the newspaper before G-Day".

According to the employees of Magyar Hang, their subscribers also include Fidesz politicians, although they typically subscribe in the name of elderly family members. They also had a story about an older subscriber who was visited by the mailperson who asked him: "Mr Kovács [the authors of the report do not know the real name of the person in question – the eds.], it no longer matters for you anyway, but there are four other subscribers in the village. Can I put their subscriptions on your name? I'll know where to deliver the papers". The gentleman in question currently subscribes to 5 copies of Magyar Hang and even the Magyar Hang staff are not aware of the names of the actual recipients.

Because of such fears and the excessive politicisation of public life, the newspaper's employees have an increasingly hard time reaching voters. A specific example they mentioned was a planned meeting with readers in a small rural town, which ultimately failed when the municipal government did not authorise their use of the planned venue and the manager of the cultural centre did not want to take the risk.

Still, apart from Magyar Hang none of the newspapers recounted stories of their readers trying to conceal the fact that they subscribe. Instead, the representatives of several other newspapers argued that the readers of political newspapers did not abandon this market out of fear but because they are no longer interested in politics or have become disenchanted with it, and the underlying reasons are also political. "On the left you hear that the left-wing press is being oppressed. But if they are so oppressed, then why aren't the few remaining titles being bought? If there were customers buying their newspapers, then the newsagents would carry them. But no one's looking to buy them, that's the problem", explained the editor-in-chief of a weekly that is regarded as a left-liberal publication.

Our interview subject suggested that a key feature of government party policies is that they render people indifferent towards public affairs, and this is a major shift compared to the political mood that prevailed before 2010, when the general sense was that political change was possible. "It is the governing party's deliberate and successful effort

26 Origo (2015): Orbán Viktor Magyar Időket olvas [Viktor Orbán reads Magyar Idők]. Origo.hu, 3 September. <https://www.origo.hu/itthon/20150903-orban-viktor-magyar-idoket-olvas.html>

27 Origo (2019): Orbán Viktor: Újra itt a Magyar Nemzet [Viktor Orbán: Magyar Nemzet is back]. Origo.hu, 6 February. <https://www.origo.hu/itthon/20190206-orban-viktor-magyar-nemzetet-olvas.html>

28 Magyar Narancs (2002): Közpénz nélkül szenved a jobboldali sajtó [Without government funds, the right-wing press is suffering]. Index.hu, 5 September. <https://index.hu/gazdasag/magyar/mancs904/>

to make the public believe that change is impossible anyway. They are not interested in public affairs, and hence they don't buy newspapers. And why should they? It's like in the sixties under the Kádár regime. People give up politics as a habit and they withdraw into their private lives", said the editor-in-chief.

Another impact of the indirect censorship that affects newspaper circulation is that the expansion of pro-government players in the media market and the propaganda published in pro-government newspaper also influences the behaviour of media consumers. Once press products are taken over by pro-government interests, for example, some readers disappear from the market. After the closing of *Népszabadság*, what actually transpired went counter to the expectations of publishers that similar titles will successfully establish themselves as substitutes for the press product that was taken off the market. Most of the readers do not switch to another newspaper – at most, a small minority will do that – the majority decides to forgo newspaper consumption altogether. As one of our interview subjects put it, what actually happened was not simply that the government took over some media outlets and turned them into pro-government newspapers. Instead, the result was that many readers were lost in the process. The pro-government newspapers are not being read, the actual sales figures for these titles tend to number in the few thousands (at the same time, however, regional newspapers, which are all controlled by pro-government business interests, are still being read by several hundreds of thousands of consumers).

4.2 The rural problem of the national political press

For the majority of national political newspapers, the biggest obstacle to more robust sales is that their newspapers are not being bought in rural areas and small municipalities. Over half or even more of their newspaper sales occur in Budapest and surrounding Pest County. As one of our interview subjects put it succinctly, when it comes to political newspapers, "rural Hungary is dead".

Apart from the regional newspapers, which are all controlled by pro-government interests now and still have solid sales and circulation figures (and, importantly, they sell 95% of their sold copies to subscribers)—although they, too, are experiencing a decline –, newsstand sales, which are less predictable, tend to be a negligible source of revenue for national political newspapers. Looking only at the number of copies sold, the national political press seems insignificant compared to regional newspapers. According to data provided by the Hungarian Circulation Audit Federation, the total number of regional newspapers sold stood at 351,000 in December 2018, while the only national political daily that is not pro-government, *Népszava*, sold fewer than 22,000 copies at that time.

The situation is not improved by the fact that the national political newspapers offer serious contents, for which the demand is low all across Hungary, but especially in the rural areas outside Budapest. As our interview subjects explained, the reason why a vastly disproportional amount of political newspapers are sold in Pest County (including Budapest) is not the result of a political will that is making this happen but a consequence of a critical stratum of readers simply missing from the market. Many potential readers have fairly limited media-consumption capacities: "We are talking about people who take the main messages of the public television's propaganda message quite literally and they believe every word of it".

"The quality of county-level newspapers is low, they are like tabloids. Big font size, little text, huge images, "girl of the day", obituaries, and so on. So the readers think they are now informed because they have read a few dozen smaller news items. The regional newspapers give pensioners the same tabloid quality of information that [Hungary's leading tabloid] *Blikk* gives urban audiences", said the employee of a publishing company.

Publishers believe that the other reason for the weak performance of national political newspapers in rural areas is that residents outside Budapest spend increasingly less on political print newspapers. To some extent, this owes to the fact that they have gotten used to the notion that the “press” is free, like the pro-government tabloid *Lokál*, for example, and in part because they simply cannot afford more. “As compared to Budapest, the average regional salaries can be 20-30% less. This income gap might well make the difference between being able to afford the subscription fee for a weekly newspaper or not”, said the employee of a publisher.

The publishers also took a more nuanced view of the conventional wisdom that the national press’ major defect is its inability to look beyond the Hungarian capital. “We occasionally toy with the idea of opening up towards rural Hungary. We tried to do so and produced contents that were aimed at specific rural areas, and we even advertised it on local radio. But our sales showed that it had not been worth it, we were probably talking to the same five people (who were already subscribers) in the given municipality”, said the employee of a leading newspaper.

THE IMPACT OF THE 2010 MEDIA LAWS

Despite the fact that it could do so at any time, since the elections of April 2018 Fidesz has not used its two-thirds supermajority in the Hungarian parliament, the National Assembly, to amend the media laws. The media laws, to wit Act CLXXXV of 2010 on Media Services and Mass Communication (hereinafter referred to as the Media Act) and Act CIV of 2010 on the Freedom of the Press and the Fundamental Rules of Media Content (the Press Act) had been originally adopted by the National Assembly back in 2010, also with a two-thirds Fidesz majority. At the time, they were the subject of a massive controversy in Hungary and abroad.

Between 2010 and 2014 the laws were amended twice, but the modifications did not touch on any essential elements in the law and thus did not result in conceptual changes. The Fidesz majority in the Hungarian parliament, the National Assembly, intended for the two amendments to satisfy the decidedly modest criticisms of the European Commission (2011), the [Constitutional Court](#) (2012) and the [Council of Europe](#). In the 2014 election Fidesz won another two-thirds majority – although as a result of a series of lost by-elections this majority proved temporary –, which it used to complete the [transformation of the Hungarian public media](#). In practice, this meant that it consolidated the formally independent but practically already massively centralized public media providers into a single structure, thereby giving all formal power over the public media to the Media Support and Asset Management Fund (abbreviated as MTVA in Hungarian). Despite the fact that the [Venice Commission published](#) a comprehensive analysis and criticisms of the Hungarian media regulations and found that practically every article of the media laws was incompatible with the principle of press freedom, the Hungarian legislator did not feel compelled to enact further amendments in response to the Commission's findings. Fidesz lost its two-thirds majority in February 2015, and with it the authority to enact further media law changes at will. As a result, media regulations were no longer on the government's legislative agenda.

Equipped with another two-thirds majority since 2018, the government can once more amend any regulations it sees fit. If it wanted to, it could set up a mandatory professional chamber of journalism; in fact, if it wanted, it could turn Media Council membership into

a hereditary position. Indeed, it could even regulate Facebook with the goal of reigning it in, although it could not be sure that it would be able to actually enforce such rules. Up until the end of the second year of its term of office, there was no indication that it entertained any specific plans concerning changes to the laws – which does not suggest however, that the government will not return to the amendment of the media laws until the end of the term. But it seems Fidesz might not even see the need to make the existing media regulations even stricter. On the one hand, it cannot simply ignore the fact that the EU's Article 7 procedure is pending with its concomitant investigations into the violations of the rule of law and democracy in Hungary. In this situation, the Hungarian government's position would certainly not be helped by setting up a discriminative chamber of journalism, for example. On the other hand – and this is the weightier argument – Fidesz can use the present media regulatory environment to continue its wholesale domination of the media system and the media market, and the latter are sufficient for the unbridled dissemination of its propaganda. In so doing, it can always rely on the Media Council and the organisational structure of the public media as the institutional hinterland charged with the responsibility of a Fidesz-friendly enforcement of the prevailing media regulations.

In 2014 we summarised the importance of the media laws [in the following points](#):

- “Were it not for the media laws there would be no Media Service Support and Asset Management Fund (abbreviated as MTVA in Hungarian, this is the umbrella organisation that controls all of the public media in Hungary) and public service broadcasting would not have sunk to the lows that we have observed in the past years. It is obvious that even before these changes, the operations of the public service media – especially the public service television channels – did not have much to lose in terms of quality, credibility and audiences, but whatever reserves existed in this regard, it has since lost these comprehensively. It is now fully characterised by servility, dilettantism, waste and failed shows – no one has ever managed to produce such awful quality with this much money. The faux autonomy of the public service media providers has only rendered the operations of the all-powerful MTVA – the CEO of which serves at the pleasure of the Media Council's president and may be removed and replaced at any time, and which is not subject to any type of social control – confusing and bereft of transparency.
- Were it not for the media laws, there would not be any centralised news services either, which is a major threat to the diversity of information across the entire media system. The news centre has emerged as a key instrument in the successful efforts to turn the public service media institutions into a propaganda machine, while its free news service was also totally destructive of all competition in the news agency market, thereby giving a massive boost to the dominance of governmental messages in the commercial media as well.
- Were it not for the media laws, it would not take endless series of lawsuits to access basic information about the operations of the media system, starting with the method whereby the media service fees are calculated, over the reduction in these fees (in the case of national radios and television), the reasons for these re-assignment of certain radio frequencies to public service use, the show production services of public service media providers all the way to the principles underlying the mechanism whereby funds allocated to supporting public service media are actually distributed. The closed nature of the operations of the Media Council and the MTVA is one of the chief causes of this lack of transparency. No one that could potentially stop Fidesz from fully implementing its political will has any insight into the operations of these institutions, neither from the outside nor from the inside.
- Were it not for the media laws, the print and online press would not be subject to the control of the media authority. Moreover, they would not have been compelled to accept the co-regulatory system – in order to avoid the looming fines – and to thereby publicly legitimate the regulatory framework provided by the media law, which burden their operations with a great deal of uncertainty. The real goal and result of the regulation of media contents, of the several tens of millions in fines that newspapers and news sites could be potentially subjected to, was to keep

journalists, editors and especially media owners in a constant state of uncertainty. Fidesz was aware that the Media Act, in combination with several provisions of the new Civil Code, the new restrictions in the Criminal Code rammed through parliament within days in response to the fake video about the election in Baja, or the assault on freedom of information, would achieve the desired results given the prevailing state of the Hungarian media market. In a market environment in which every third journalist acknowledges that they have either concealed or distorted information in order to avoid negative consequences; where journalists are threatened by total financial insecurity in the event of losing their jobs; where industry players acknowledge at public events about the media industry that commercial advertisers loyally follow the course charted by state advertisers; where unfriendly or insufficiently friendly media are exposed to constant extraneous business risks; a restrictive regulation will achieve the desired impact even without having to actually apply the sanctions they proffer”.

These observations have withstood the test of time. For all those who are interested in the detailed analysis of Hungarian media regulations, we recommend our study on the subject published in 2014.¹

Investigating media market mergers based on media law criteria

Article 171 of the Media Act provides that the “Hungarian Competition Authority shall obtain the position statement of the Media Council for the approval of concentration of enterprises [we refer to these as mergers for the purposes of this paper – the authors] [...] which enterprises, or the affiliates of at least two groups of companies as defined in Article 15 of the Competition Act bear editorial responsibility and the primary objective of which is to distribute media content to the general public via an electronic communications network or a printed press product.” In addition to the previous provision, the law also states that the Media Council’s position as the competent authority on the subject is binding for the Competition Authority.

According to the law, the Media Council cannot refuse to issue its consent as the competent authority as long as the independent sources of opinion that remain in the market after the merger are sufficient to ensure that the public’s right to diverse information continues to prevail in the market segment of the given media services.

The Media Council has issued five position statements thus far. On one occasion it terminated its official procedure citing a lack of competence to handle the underlying issue, while in another case it issued a preliminary position statement – on an issue not specified in the law. The Media Council has not published these position statements, and it has even removed those position statements from its website which it had previously published there.² Thus, public access to the relevant statements is only possible through freedom of information data requests, or – to a limited extent – by finding the relevant sections of the Competition Authority’s decisions on the given case. Apart from the case examined in detail in the present study, position statements were issued in the following cases:

- In 2011 the Media Council refused to approve the petition of the Axel Springer and Ringier corporations for a merger between them.³ Because of the retrospective effect of the Media Act, the Council’s position statement pertained to a case here

1 Gábor Polyák - Krisztina Nagy A médiatörvények kontextusa, rendelkezései és gyakorlata [The contexts, provisions and practice of the media laws], JURA 2014/2, pp. 127-149, https://jura.ajk.pte.hu/JURA_2014_2.pdf.

2 See http://mediatorveny.hu/tulajdoni_koncentracio_tilalma/.

3 Case No.: MP-1671-13/2011. Available at: http://mertek.eu/sites/default/files/files/nmhh_szakhatosagi_allasfoglalas.pdf

that was already pending before the Competition Authority at the time when the relevant media law provisions were adopted.⁴ In light of the Media Council's position statement, the petitioning parties withdrew the petition they had filed with the Competition Authority.

- It was also in 2011 that the Media Council issued a position statement concerning the merger of the M-RTL and IKO corporate groups.⁵ In that case, M-RTL sought to acquire a 100% direct stake in IKO Romania, the media service provider that operates the channels Cool TV, Sorozat+, Reflektor TV, Prizma TV, Film+ and Film+2, as well as in IKO Televisions, which operates Muzsika TV. The Media Council approved the merger.
- As part of a ruling in 2014 the Media Council issued a simplified official decision – which did not come with an opinion attached – for the acquisition by VCP Capital Partners of parts of Axel Springer's and Ringier's respective portfolios.⁶ This transaction gave rise to the Mediaworks Hungary Inc, the business activities of which include – in addition to newspaper publishing – the printing services previously provided by Ringier Printers as well as newspaper distribution, which they also took over from Ringier.
- The Media Council also issued a simplified decision without an attached opinion when it approved Mediaworks' acquisition of the newspaper publishing group Pannon Lapok Társasága Kiadói Ltd, which was owned by the German Funke Mediengruppe at the time. As a result of this transaction, Mediaworks came into the possession of a further five county newspapers, free local information bulletins and advertising newspapers, a few magazines and new printing and distribution capacities.⁷ Thanks to the merger, Mediaworks owned 13 county newspapers at the time (Hungary has 19 counties, so this covered a wide segment of the regional newspaper market).
- In a proceeding from 2017, where the issue was the approval of a controlling stake in the Opimus group, the Media Council determined that it was not competent to decide the case.⁸ As a result of the merger, Mediaworks' portfolio was taken over by a company jointly controlled by Lőrinc Mészáros and Konzum Management. Both, the parties involved in the merger as well as the Competition Authority, concluded that they needed to request the Media Council's position statement during the procedure for approving the merger. Despite the aforementioned, the Media Council did not deem it necessary to issue a position statement.
- In 2016 the Media Council prevented Magyar RTL Inc from acquiring a controlling stake in the Centrál Digitális Média Ltd which operates 24.hu. This was another case in which the opinion attached failed to address the methodological issues that tend to be raised in international practice; the opinion is superficial and contains redundancies.⁹
- In 2017 the Authority issued a so-called preliminary position statement that allowed the AVALUE Befektetési Ltd, which was owned by Andy Vajna, to acquire the Lapcom Kiadó publisher and to thereby take control of two county newspapers

4 Cf. Article 216 (5) of the Media Act; furthermore, also see the Competition Authority's ruling No. Vj-42-307/2010.

5 Media Council Ruling No. 1309/2011. (X. 5); for the opinion of the decision see the Appendix of the Competition Authority's Decision No. Vj/066-301/2011.

6 Media Council decision No. 477/2014 (V.29), see decision No. Vj/06/2014 of the Competition Council.

7 Media Council decision No. 999/2016 (VIII.1), see decision No. Vj/58/2016 of the Competition Council.

8 See decision No. Vj/26/2017 of the Competition Council.

9 Mihály Gálik – Gábor Polyák: Az RTL – CDM összefonódási kérelem elutasítása [The rejection of the RTL-CDM merger application], *Fundamentum* 2017/1-2. 55-66.

and the tabloid Bors.¹⁰ The Media Council did not publicly release the opinion attached to the decision.

Of these seven cases, there were only three in which the Media Council issued a position statement which also included an opinion, and in only one of these did it approve the merger. In terms of their substantive reasoning, the most important common feature of the position statements was that they were unfounded and inconsistent.

There are doubts as to the legality of the two position statements that the authority issued as simplified decisions without an opinion attached. According to Article 72 (2) of Act CXL of 2004 on the General Rules of Public Administration Procedures and Services, a simplified decision – which does not include a reference to the grounds on which the decision rests or the legal remedies available – may only be issued if the Authority fully approves the underlying petition and if there is no party with a contravening interest in the given case or if the decision does not impinge upon the rights or rightful interests of the party with the contravening interest.

On the one hand, the involvement of the Media Council as a specialised public authority in competition procedures is intended to further a public interest objective, namely the protection of the rights of all audiences to diverse information. It is precisely the public interest, the interest of audiences, that can justify a decision to block media market mergers even in some situations when economic or market consideration narrowly understood would not stand in the way of the underlying transaction. The legislator's decision to include media law aspects among the issues that the competition procedure must consider – and thereby indirectly infusing constitutionally protected interests into the competition law process – simultaneously obligates the media authority to examine whether the aforementioned public interest is jeopardised or if there is a probability of it being jeopardised in such situations.

On the other hand, if we look at the position statement as one of the components of the Competition Authority's decision, then in arguing against the decisions of the latter one could also invoke that its decisions should be subject to appeal not only by the companies that are directly involved as the parties in a given case, but the right to appeal should in fact be extended to any party whose interests are implicated.¹¹ In its decision in principle No. EBH 2003/911, the Supreme Court stated that someone's rights or rightful interests are implicated in a case when they have a direct interest in a decision by a public authority as to whether someone else has a given right or obligation, and if so then in what form and with what substance. According to decision in principle No. EBH 2016. K.8, "in such areas subject to regulation where market competition is the protected interest that is being regulated – especially in situations when the underlying regulation also has an EU dimension – a party's quality as a competitor could give rise to their standing as a party that has the right to file an action in the given context".¹² The rulings on the approval of media market mergers involve market competition decisions in which other competitors not directly involved in the cases have a direct interest in the decision that concerns the specific parties that are directly involved in the merger request. And if it can be ascertained that with respect to the decision on the merits in the given case, other parties, too, may have contravening interests that give rise to their standing as potential appellants against the decision, then in its position statement the competent public authority may not argue that there are no parties with contravening interests. In this sense, the Media Council's decision violates the law, and by implication so does the Competition Authority's decision, which subsumes the former. At the same time, however, it is also a fact that in neither of these cases did any of the competitors actually appeal the decisions at hand.

¹⁰ Media Council decision No. 893/2017 (VII. 25).

¹¹ Article 17 of Act I of 2017 on the Code of Administrative Court Procedure.; Pp. [EZ A POLGÁRI PERRENDTARTÁS?] 327.

¹² The decision itself pertains to the regulation of the energy market.

The legal background of the creation of the Central European Press and Media Foundation

As we wrote in detail in Chapter xxx, on 28 November 2018 most pro-government media owners offered their media companies for free to a non-profit company, the Central European Press and Media Foundation (abbreviated as KESMA in Hungarian). Within a single day, 13 media companies had joined the foundation, and none of them were paid anything in return. Among the major players, only Andrew Vajna's TV2 (the second largest commercial television channel in Hungary) and the Rádió 1 network stayed out of the merger. However, in light of Andrew Vajna's passing in January 2019 the situation of his erstwhile media companies may change in the future. The foundation was set up in August 2018 by a stock corporation that was owned exclusively by Gábor Liskay. The foundation is registered at the address of Liskay's vacation home. The foundation's board was initially made up of a former and a current Fidesz MP (István Varga István and István Bajkai, respectively), and the director of a pro-Fidesz research institute (Tibor Szánthó); István Varga was quickly replaced Szabolcs Zoltán Hegedűs who had previously managed a public media corporation. According to its Articles of Association, one of the goals of the foundation is "to promote those activities of the print, radio, TV and online sections of the Hungarian mass media which serve to build values and strengthen Hungarian national consciousness".

Even though the Foundation is not profit-oriented, its position in the media market is disconcerting because of the underlying massive merger. The total revenue of the media companies that have acceded to the Foundation stood at 55.7 billion forints in 2017. The Foundation enjoys a monopoly in the county-level daily newspaper markets of all 19 counties; the same holds for the national commercial radio market, where its Retro Rádió is the sole broadcaster; as well as in the free tabloid market, where Lokál is the only print publication. At its launch, it was in a dominant position in the news television market with its control of Hír TV and Echo TV, whose only competitors are the public service media's news channel and ATV; since then, Echo TV has been merged into Hír TV. With Bors and Ripost, KESMA is also in a dominant position in the tabloid newspaper market, where Ringier Axel Springer (Blikk) is its only competitor. KESMA further has strong positions in the market for online news sites – Origo.hu is one of the leading online newspapers in Hungary, and 888.hu and Mandiner.hu are also important right-wing online media outlets. With its flagship daily, Magyar Idők, which has since been renamed Magyar Nemzet, the Foundation also has a presence in the market of national political daily newspapers, which only boasts three titles.

In any case, the government relieved the competition and media authorities of the burden of having to rule on this merger. An amendment of the Competition Act in 2013 – that is during the time of the first constitutional supermajority of Fidesz – authorises the government to declare some mergers as being of "national strategic importance", which exempts them from the otherwise obligatory review by the competition authority. On 5 December 2018 the government exercised this exemption option with respect to the media market merger: it issued a decree that the consolidation of the private pro-Fidesz media enterprises was of "national strategic importance" and hence exempt from any kind of authorisation procedures. This was at the same time a tacit acknowledgment that even under the general legal framework created by Fidesz the underlying fusion of companies could not be realised lawfully.

Legal assessment of government propaganda

In addition to analysing the legal solutions that were deployed to transform the Hungarian media system, Mérték has also devoted substantial attention to the legal provisions that could be used to at least partially delimit the spread of propaganda. There are strict

regulations in place to govern the dissemination of political campaign messages. The regulation distinguishes between various types of message based on the instrument used to disseminate them rather than their content, and thus it pertains to the structural and financial issues concerning the method whereby the given message is relayed rather than its substance. The strictest rules apply to political ads on television and radio.¹³ Such ads can only be broadcast during campaign periods or in the context of an approved and officially scheduled referendum. Indeed, even in campaign periods television ads may only be used to a very limited extent. The Hungarian constitution, the Fundamental Law, provides that media service providers may only disseminate political ads for free (Article IX of the Fundamental Law).

Based on the relevant provisions of the Media Act, it can be stated unequivocally that political messages emanating from the government rather than political parties also qualify as political advertising, which means their dissemination is also subject to the strict conditions outlined above. According to the Media Act, political advertisement is “any programme promoting or advocating support for a party, political movement, or the Government, or promoting the name, objectives, activities, slogan, or emblem of such entities, which appears and is transmitted in a manner similar to that of advertisements”. The law does not define more specifically what messages qualify as promoting or advocating support for the government, but based on the colloquial meaning of these terms these ought to include messages presenting the government’s achievements or highlighting certain elements of the political programme that the government seeks to implement.

A communication in which the governmental message also includes information that citizens can use directly, or which informs them about opportunities available to them or about impending emergencies affecting them, qualifies as a public service announcement according to the Media Act. According to Article 203 (27) of the Media Act, a “public service announcement shall mean any announcement released without consideration, originating from an organization or a natural person fulfilling state or local governmental responsibilities or from a State financed or State managed institution, which provides specific information of public interest for the purpose of attracting the attention of the viewers or the audience, and does not qualify as political advertisement”. A definition of certain elements of this concept, especially “specific information of public interest” is missing from the law. What the emphasis on the public interest character of the information definitely implies is that the given message is not meant to serve the particularistic interests of a political organisation – or the government, for that matter – but that they disseminate contents that are relevant to the public’s own decision-making competence or their own circumstances, either affecting society as a whole or certain specific subsegments thereof. The emphasis on the “specific” nature of the information suggests that the message conveys information about some situation that involves decisions or actions that the public can take, and that those in the target group at whom the communication is aimed are themselves autonomously capable of making the relevant decisions or taking the relevant actions.

Apart from the differences in substance, another key distinction between political advertising and public service announcements is that the media provider may not ask to be compensated for the latter (Article 32 (5) of the Media Act). It is obvious that disseminating governmental messages as public service announcements provides a more effective way of using public funds. In reality, for the government it appears to be instrumentally rational to portray its message as a public service announcement even in situations when the underlying communication is political in nature. In light of the aforementioned, one would expect that the potential legal disputes about the legal assessment of a given gov-

¹³ Most recently, the National Assembly has limited the use of outdoor posters and billboards for political purposes, mandating, among other things, that persons and organisations that receive funding from the central budget may only display such posters on outdoor advertising surfaces based on so-called list prices, that is without receiving any discounts on the published prices of such advertising spaces. See Article 11/G of Act LXXIV of 2016 on the Protection of Municipal Landscapes.

ernment message would centre on the issue of distinguishing political advertising from public service announcements. If namely the government's goal is to promote its popularity by disseminating messages through television and radio, then abusing the vague boundary between the concepts of political advertising and public service announcements offers itself as an obvious opportunity. Political communication disguised as a public service announcement can be a cheap and effective method for conveying some messages that are animated by political objectives.

The legal assessment of the government's messages in practice

Despite the aforementioned, the legal disputes that actually arose in this context revolved around the issue of whether the government's messages qualify as advertisements or as public service advertisements. Both types of communication require compensation, which in the case of the government means that public funds must be spent. According to Act 203 (64) of the Media Act, a public service advertisement is "any communication or message with a public purpose, which does not qualify as a political advertisement, is not for profit and does not serve advertising purposes, is transmitted for or without consideration, and which aims to influence the viewer or the listener of the media service in order to achieve a goal of public interest". This legal definition, too, contains several conceptual elements that lack a clear and unequivocal colloquial meaning on the one hand, while on the other hand they are also devoid of a meaning that is clearly distinct from the conceptual elements of political advertising or public service announcements. Just as in the case of public service announcements, with respect to public service advertising, too, the idea is to realise or support some public interest objective. However, while a public service announcement may only be disseminated by an organization or person that performs state or municipal responsibilities, as well as entities that are owned or operated by the state, a public service advertisement may be disseminated by anyone or any type of organisation. It follows that the public service messages of state bodies, including the government, are public service announcements, and public interest messages from other sources are public service advertisements. The law does not expressly rule out the possibility of state bodies disseminating public service advertisements, but they also do not delineate a clear boundary that separates the two concepts. This raises the question of why the public interest messages of state bodies, including the government, are not disseminated in the form of free public service announcements rather than as paid public service advertisements.

According to the Media Act's Article 203 (59), advertisement is "any communication, information or representation [qualifying as a programme] intended to promote the sale or other use of marketable tangible assets – including money, securities, financial instruments and natural resources that can be utilized as tangible assets – services, real estates or pecuniary rights or to increase, in connection with the above purposes, the public awareness of the name, designation or activities of an undertaking, or any merchandise or brand name". Based on this definition, it is difficult to conceive of any government message that qualifies as advertising. The government's messages can hardly be aimed at the sale of some product or services, the government is not a private enterprise. The text of the law defined advertising clearly as a message that is economic in nature and is aimed at realising business objectives.

Despite this fact, the first legal case that revolved around the legal assessment of the government's messages investigated the lawfulness of messages that were also disseminated as advertisements. Mérték Media Monitor¹⁴ turned to the Media Council in September 2015 with the complaint that the communication campaign entitled *The Hungarian Reforms Work!* included spots with the same title that were also being disseminated

14 The author of the present study is the research director of Mérték Media Monitor.

by television media providers. The sports were aired by the Duna Médiaszolgáltató Inc television provider as public service advertisements and separately also as ads in their advertising bloc. The television provider TV2 aired them only as regular ads. The spots included brief statements such as “Utility price reduction”, “Economic growth”, “Family tax rebate”, “Free kindergarten lunch”, “Housing allowance” and “The minimum wage is rising again”. The “men on the street”-type persons who spoke about these in the spots did not in fact share specific information on how one could avail oneself of these government-provided benefits, instead they briefly lauded the positive impact of these measures. The end of the spot featured a sign saying “Government Information”, along with a statement that the spot had been “Produced based on a commission by the Hungarian Government”.

The Media Council’s decision¹⁵ also revealed that the spots complained about had been aired 832 times in the various television broadcasting services of the Duna Médiaszolgáltató Inc, and 856 times on TV2. The decision noted that the media service provider had initially begun to air the spots as public service advertisements, but “following a corresponding request by the client who ordered the broadcast, it designated them as advertising” instead.

A single sentence in the decision establishes that in the “absence of a message designed to promote the purchase of a good or the use of a service, and to thereby influence consumers’ decisions and to reflect business interests”, the spots do not qualify as advertisements. The authority did not examine whether the entity that disseminated the message, that is the government, even had the right to define what category of messages these spots fell into. According to the Media Act, the person or entity ordering an advertisement, a public service announcement, a public service advertisement or a political advertisement, may not exert editorial influence over the media service in question (Articles 25 and 32 of the Media Act). Since the legal consequences for the classification of the spot are always borne by the media service provider, said classification also falls into the media service provider’s editorial competence.

In its decision, the Media Council argues in detail why it assessed that the spots examined do not qualify as political advertisements or as public service announcements, and why they qualify as public service advertisements instead.

The petition submitted that the spots complained against qualify as political advertising and are hence subject to the strict rules governing the dissemination of political ads. The petition argued that apart from portraying the government’s measures in a positive light, these spots contained no public interest information of any kind. Their sole objective was to present certain governmental decisions as successful accomplishments and to thereby boost public support for the government. In terms of the substance of these communications, these spots fell into the category of political advertising, while at the same time they failed to meet the criteria that define either public service advertisements or public service announcements.

By contrast, the Media Council concluded that the spots do not qualify as political advertising. The decision proffers several arguments in support of this claim.

The first is that the colour spectrum of the spots “does not overlap with the colours used by the governing parties or typically associated with them”. This argument would only be relevant if the Media Act would not classify communication designed to promote the government as political advertising. In terms of assessing whether any given communication may be classified as political advertising, therefore, it is immaterial whether the appearance of the message is reminiscent of a political party’s visual appearance.

¹⁵ Decision no. 160/2016. (II. 9) of the National Media and Information Communication Authority’s Media Council.

According to the next argument in the decision, the “tone of the verbal communication was readily intelligible, simple and objective, it did not deploy the formal linguistic methods of political propaganda”. The messages are “simple and positive”, especially in light of the fact that the “merry persons appearing in the clips interpreted the corollary messages as ‘men of the streets’”. It follows that the obligatory formal linguistic methods of political propaganda include a set of distinct instruments the presence of which is investigated by the Media Council in deciding whether a given communication qualifies as political advertising. All we learn about these from the decision, however, is that they definitely rule out the use of an “intelligible, simple and objective” tone or the involvement of “merry persons”. This clearly does not mesh with either the publicly accepted notions of propaganda or its scientific definition – at the same time it is also legally unfounded, however, since the authority’s decision remains vague on what points of reference it relied on in construing what propaganda meant in this context.

The Authority also invokes that “the presumed goal of the communication aimed at wide swathes of the public (the viewers) is to highlight tangible economic accomplishments. Furthermore, the information disseminated could also have been aimed at alerting the affected social groups about possibilities that might be available to them (for example the housing allowance or the family tax rebate)”.

For one, the wording of the phrase, which exudes uncertainty, its repeated use of conditionals – “presumed goal” and “could have been aimed” – make no sense in a normative document. The authority’s presumptions and unsubstantiated subjective views cannot serve as the basis for legal consequences. At the same time, the way the authority summed up the gist of the spots does not mesh with their actual substance. Among the messages disseminated, the only two that might be construed as raising the awareness of potential beneficiaries to possibilities that they could avail themselves of are the spots about the family tax rebate and the housing allowance. The spots about economic growth, the increase in the minimum wage, the utility price reduction and the free kindergarten lunches do not call on the citizens to perform any kind of action. Finally, in the Media Council’s own examination of whether the spots qualify as public service announcements, it holds that “the goal was not to present a clearly defined ‘specific information of public interest’ designed to raise the awareness of viewers or listeners; instead, several types of public interest messages had been broadcast”. In other words, the decision’s reasoning contradicts itself.

In its further analysis of the spots, the decision holds that “for one, they conveyed messages that were useful either for all of society or designated groups therein”, while at the same time they also served “to present and help understand certain goals that had been set for society”. These observations also do not make sense from a legal perspective. The social utility of the underlying message is a subjective criterion, while conflating the government’s decisions with the goals of society reflects a misunderstanding of the government’s administrative and political functions.

Thus, the Media Council’s reasoning does proffer any arguments that are based on objective and factual foundations. Instead, the decision puts forth subjective perceptions based on vague concepts, occasionally completely disregarding the actual text of the law. Based on these it concludes that the messages investigated “are inevitably linked to political issues (since the benefits and possibilities that are the discussed in the communication necessarily reflect the goals pursued by individual parties – the governing parties included – in the form of the policies as they were adopted by the National Assembly), but the spots themselves – with respect to their content and visual appearance – do not include any elements which imply an effort to support or promote the government, its goals, its activities, its slogan and its emblems”. That is why the Media Council did not qualify the government messages as political advertisements.

As we previously noted, the Authority argues that the messages of the spot are not specific enough to qualify as public service announcements, which could be disseminated

free of charge. Instead, it classified the spots as public service advertisements with the argument that their most important element is that “they disseminate public interest messages and present public interest goals”. Naturally, the Media Council made no effort to justify why these messages were of a public interest when the information they disseminated was already known in the widest swathes of the public already months before the spots were released, all the more so since roughly a year before the publication of the spots there had been an election campaign in which the themes overlapped significantly with the messages featured in the spots.

Ultimately, the authority’s reasoning fails to make clear what generally applicable criteria it uses to distinguish political advertisements from public service advertisements and public service announcements.

Although one can turn to the courts to appeal the Media Council’s ruling, this option is only available to media service providers that are affected by the decision. The organisation that actually filed the complaint cannot appeal it since it was formally not a part of the procedure. Citing Article 5, paragraphs 1 and 2 of Act CLXIII of 2011 on the Prosecutor’s Office, Mérték Media Monitor turned to the Prosecutor’s Office to request that the latter ask the Media Council’s to initiate proceedings with the objective of putting an end to the practice that runs afoul of the media laws. The response provided by the Prosecutor’s Office did not reflect on the issue of establishing clear criteria to distinguish the various types of communication from one another. All it stated was that the Media Council’s “decision-making had properly evaluated the underlying facts, presented the relevant provisions of the law, and drew a logically accurate parallel between the facts established and the relevant legal provisions. Hence, the decision it rendered in the exercise of its margin of appreciation was factual, objective and logically substantiated”.¹⁶

Following the case mentioned above, Mérték Media Monitor turned to the Media Council on three further occasions concerning issues involving television spots that had been published based on a government commission. The *Did you know?* campaign was launched during the campaign preceding the national referendum on the EU resettlement quota on 2 October 2016. Since this was an official campaign period, the dissemination of political ads was lawful, under the conditions previously discussed – above all that they had to be free. With regard to the messages disseminated through the *Did you know?* campaign, the National Election Commission held that those reflect “the political opinions of the government with regard to the referendum scheduled for 2 October 2016, which the government had itself initiated”, and that they “serve to influence the citizens who have the right to vote in their voting intention, supporting them by clarifying their options”.¹⁷ This was also the interpretation of the Curia in its legally binding final ruling on the issue. Both the National Election Commission as well as the Curia unequivocally took the position that these messages qualify as political advertising and that their explicit goal is to allow the government “to express its political opinion though them in order to influence the will of the voters or to try to influence said will”. Even though this interpretation of the underlying campaign left no doubt that the messages in question qualify as political advertising, the Media Council issued only a brief response to Mérték’s petition that did not include its opinion and reasoning on the issue, saying merely that it would not review the case “because the content of the communication in question does not raise the suspicion that the law has been violated”.

In the same letter, the authority also replied to Mérték Media Monitor’s third submission, in which the complainant took exception to the classification as public service advertisements of the television spots produced and aired as part of the communication campaign entitled *We told Brussels: 98% NO! against the forced resettlements [of refugees in Hungary]*. This campaign was meant to publicly promote the results of the referendum on the EU refugee quota – which was, incidentally, invalid because turnout was below

¹⁶ Position Paper No. T.K.2091/2016II-I of the Budapest Prosecutor’s Office.

¹⁷ Decision No. 53/2016 of the National Election Office.

the legally established threshold. The submission complained that the public interest objective – which would have justified its classification as a public service advertisement – was once again not discernible. The Media Council refused to investigate the issue and also failed to explain why it had declined to do so.¹⁸

We have pointed out before that in the case of public service advertisements the law allows media service providers to charge for broadcasting spots. In all of the cases reviewed here, the media service providers in question availed themselves of this possibility. At the same time, the law provides that public service announcements and political ads must be aired free of charge. This allows for the conclusion that the government simultaneously used its continuous stream of communication campaigns for the purposes of media funding, providing the Duna Médiaszolgáltató Inc and TV2 with substantial revenue in the process.

Mérték most recently turned to the Media Council in March 2019 with a complaint about the government's communication campaign with the title *You have a right to know what Brussels is up to*, which was an attack on the president of the European Commission, Jean-Claude Juncker. In our submission we argued once again that in terms of its content, the communication actually falls into the category of political advertising, while it clearly does not match the categories of either public service advertisement, public service announcement or commercial advertisement. We argued that even if the Media Council were to find that in terms of its substance this communication does not mesh with the category of political advertising, then it still does not qualify as a public service advertisement, which means it could only be disseminated as a public service announcement – in other words for free. The Media Council had not responded to our submission.

18 Decision No. 34/2017. (I. 17) of the Media Council.

THE EVOLUTION OF THE MEDIA MARKET: MASSIVE MARKET CONCENTRATION

The transformation of the Hungarian media market has resulted in numerous new and unexpected turns in 2018, all the while the trends observed in recent years have also continued to prevail. This was another year in which prestigious and well-known brands disappeared from the market, while new media outlets were also being launched, drawing significantly on crowdfunding. Nevertheless, the most important new development was undoubtedly the creation of the new pro-government media holding, the Central European Press and Media Foundation (abbreviated as KES-MA in Hungarian), which has resulted in an unprecedented level of ownership concentration in the Hungarian media market.

The most important changes in 2018

The first major wave of ownership changes began in April 2018, within one week of the general election. As is well-known, Fidesz, the party of prime minister Viktor Orbán, won its third successive national parliamentary election and, moreover, it was so dominant electorally that it netted another two-thirds supermajority in parliament.

Lajos Simicska, previously a long-time friend of Viktor Orbán and Fidesz's former treasurer (in the early 2010s he was widely known as the first Hungarian oligarch), divested himself of his media holdings in April 2018. Although the massive conflict between Orbán and Simicska had already erupted in 2015, Simicska would hold on to his media empire for several years longer, although his motivations were never really clear. He might have had political reasons, but it is also conceivable that he wanted to personally rile up Viktor Orbán by turning his previously pro-Fidesz media into critical outlets. After the 2018 election, however, Simicska decided immediately: he shut down the prestigious conservative daily newspaper Magyar Nemzet, along with the critical radio station Lánchíd Rádió. The weekly Heti Válasz, an independent conservative magazine, lasted another two months but ultimately had to shut down as well. Simicska sold the most emblematic item in his media empire, Hír TV, to his former business partner Zsolt Nyerges, who remained

loyal to the prime minister. Thus, HírTV became a pro-government television channel once again. Simicska's outdoor advertising companies also ended up with Zsolt Nyerges, which was vital because in the last years outdoor posters have tended to play a major role in political campaigns.

Following the closure of the right-wing conservative newspapers, the journalists at the outlets launched new newspapers. A portion of the Magyar Nemzet newsroom created the weekly Magyar Hang, while the former staff of Heti Válasz launched the web-based Válasz Online. Thus far both continue to survive in the market.

The former treasurer of the Hungarian Socialist Party (MSZP), László Puch has also reshuffled his media portfolio in 2018. The critical weekly Vasárnapi Hírek was shut down in November, and an even greater surprise was that Puch sold the weekly Szabad Föld, which boasts a high circulation by Hungarian standards and mainly reaches rural voters, to Lőrinc Mészáros' Mediaworks. Thus, the highest circulation political weekly also became part of the pro-Fidesz media empire.

The most significant change in the ownership structure of the Hungarian media in 2018 was the creation of Central European Press and Media Foundation (abbreviated as KESMA in Hungarian). On 28 November almost all Fidesz-friendly media owners transferred the ownership rights of their media holdings to KESMA. Their companies joined the foundation, all of them without any type of compensation for the owners. Government Commissioner Andrew Vajna's TV2 and Rádió 1 network stayed out of this merger.

The foundation had been created in August 2018 by a stock corporation that is owned exclusively by Gábor Liszkay, the famous media figure loyal to Viktor Orbán. The foundation's board was made up of a former and a current Fidesz MP, as well as the CEO of a Fidesz-friendly think-tank. Its mission is to "promote activities that serve value creation and strengthen Hungarian national identity in the print, radio television and online media platforms that make up Hungarian mass communication." The total net revenue of the media companies that became part of the foundation was 55.7 billion forints (ca. 175 million euros) in 2017, which meant that with one fell swoop the foundation consolidated 16% of the entire Hungarian media market revenue under its aegis. Altogether 476 media brands joined to KESMA.

As in any other situation involving a merger of such value, the Hungarian competition authority would have been obliged to examine whether the merger substantially reduces competition in the relevant market, especially in terms of creating or reinforcing a dominant market position. At the same time, the Hungarian Media Act provides that the media authority needs to review how the merger affects the media pluralism. The government however moved to relieve the competition and media authorities from the burden of having to decide this. A 2013 amendment of the Competition Act gives the government the authority to exempt certain mergers from the obligation of a review by the authorities if they are declared to be of "strategic national importance." On 5 December 2018 the government exercised this prerogative in the context of the new media merger. It issued a decree declaring that the consolidation into a single foundation of the pro-Fidesz media enterprises is of "national strategic importance" and is thus exempt from reviews and approvals.

In the following parts we analyse the level of ownership concentration in the market for news and public affairs.

Concentration in print media

Role of print media in political information has diminished in the last years, almost all print products suffered from circulation decline. Only the regional newspapers can reach a broad base of readers and all of these are part of KESMA.

In the past the two major and traditional political dailies, left-wing Népszabadság and conservative Magyar Nemzet¹ were closed in 2016 and 2018 respectively, so the whole political newspaper segment lost the majority of the readers.

Tabloids are much more popular and two of them are part of KESMA. The only free newspaper, Lokál is also a KESMA product.

↓ Table 1: Print media companies in news/political segment (2018)

Newspaper(s)	Publisher	Net turnover from sales 2018 ('000 HUF)*	Type of owner (at the end of 2018)	Circulation 2018 H1**
12 regional newspapers, Világgazdaság, Nemzeti Sport, magazines	Mediaworks Hungary Inc.	27 715 172	KESMA	206 662 (regional newspapers)
Bors, 2 regional newspapers	Lapcom Inc.	10 155 018	KESMA	80 693 (regional newspapers) 53 226 (Bors)
3 regional newspapers	Inform Média Lapkiadó Ltd.	3 950 697	KESMA	102 484 (regional newspapers)
Magyar Idők (daily)	Magyar Idők Kiadó Ltd.	1 699 639	KESMA	n.a.
Ripost (tabloid)	Ripost Média Ltd.	2 536 049	KESMA	n.a.
Figyelő (weekly)	K4A Lapkiadó Ltd.	971 896	KESMA	n.a.
Szabad Föld (weekly)	Mezőgazda Lap- és Könyvkiadó Ltd.	1 476 411	KESMA	60 048
Lokál (free newspaper) Lokál extra (free weekly)	Modern Media Group Inc.	2 683 912	KESMA	n.a.
Magyar Hírlap (newspaper)	Magyar Hírlap Ltd.	770 247	Hungarian investor (pro-government)	n.a.
Magyar Demokrata (weekly)	Artamondo Ltd.	565 800	Hungarian investor (pro-government)	10 855
Blikk (tabloid)	Blikk Ltd.	5 933 110	Foreign investor (independent from government)	91 732
168 óra (weekly)	Telegráf Kiadó Ltd.	173 987	Foreign investor (independent from government)	10 598
Népszava (daily)	XXI. század Média Ltd.	1 842 166 (incl. Vasárnapi Hírek)	Hungarian investor (independent from government)	20 742
HVG (weekly)	HVG Kiadó Inc.	3 714 775	Hungarian investor (independent from government)	30 869
Magyar Narancs (weekly)	Magyarnarancs.hu Ltd.	233 745	Hungarian investor (independent from government)	n.a.
Élet és Irodalom (weekly)	Irodalom Ltd.	199 724	Hungarian investor (independent from government)	n.a.
Hetek (weekly)	Hetek.hu Ltd.	151 050	Hungarian investor (independent from government)	n.a.
Magyar Hang (weekly)	Alhambra Press Bt	70 652	Hungarian investor (independent from government)	n.a.

* Source: Annual financial accounts (<http://e-beszamolo.im.gov.hu/oldal/kezdolap>)

** Source: matesz.hu

Pro-government media outlets are bolded

The table does not include publishers that do not have a presence in the market for news and public affairs media, but the data on turnover also includes those consumer magazines (e.g. women's magazines, home décor magazines) that are part of some major

¹ Magyar Nemzet was resurrected in February 2019, but with a completely different ownership structure and new journalist staff coming from Magyar Idők daily, which was closed at the same time.

publisher's portfolio (e.g. Mediaworks). The total turnover of the 18 publishers analysed here was 65 billion HUF (ca. 210 million EUR) in 2018.

↓ *Table 2: Summary of print media market in news/political segment (2018)*

Type of the owner	Number of publishers	2018 turnover ('000 HUF)	Share from overall turnover (%)
KESMA	8	51 188 794	78.9%
Hungarian investor (pro-government)	2	1 336 047	2.1%
Foreign investor	2	6 107 097	9.4%
Hungarian investor	6	6 212 112	9.6%

The KESMA and other publishers that are identifiably held by pro-government publishers received 81.0% of the 2018 turnover.

Concentration in the radio market

In the case of radio market, the dominant position of KESMA cannot be proved based on the 2018 data. Right wing Retro Radio is part of the KESMA portfolio and it is in monopolistic position in the national commercial radio segment, but it was launched only in 2018. Previously the Radio 1 network was the biggest commercial player and its owner, Andrew G. Vajna, government commissioner was able to keep out his radio of KESMA.

↓ *Table 3: Major radio stations in news/political segment (2018)*

Radio station	Broadcaster	Net turnover from sales 2018('000 HUF)*	Type of owner	Reach ('000) October-December 2018
Radio 1	Radio Plus Ltd.	2 097 045	Hungarian investor (pro-government)	989
Retro Radio	Hold Reklám Ltd.	424 118	KESMA	1 382
Karc FM	Karc FM Média Ltd.	360 676	KESMA	n.a
Info Radio	Inforádió Ltd.	549 612	Hungarian investor (independent from government)	56
Klub Radio	Klubrádió Inc.	74 192	Foreign investor (independent from government)	n.a

* Source: Annual financial accounts (<http://e-beszamolo.im.gov.hu/oldal/kezdolap>)

The data on net turnover does not include other revenues (subsidies, donations)

** Source: http://nmhh.hu/dokumentum/201067/NMHH_negyedves_ttekint_201810201812_IA_vo2_orszgos_fin.pdf

The table includes data for the commercial radio stations with the widest audience reach (Radio 1, Retro) as well as for three major political talk radios (Karc, Info, Klub).

This table does not include public service radios because the public media's budget is not transparent and hence there is no way to determine how much money their stations receive for their operations. Kossuth Radio, which focuses on politics and public affairs, reaches a million listeners a day.

Pro-government Retro Radio began broadcasting nationally in 2018, hence its turnover data for 2018 is relatively low. As a result, the share of KESMA-owned stations among the radios in this list is merely 22.4%, but if we widen the net to include non-KESMA held government-friendly media outlets, then thanks to the high turnover of Rádió1 the total pro-government portfolio in this market segment received 82.2% of the total 2018 turnover (again: not considering the openly pro-government public media).

Public broadcaster has a special role in the radio market as a news service provider. It produces entire news blocks for commercial radios at a low price. Given that news services take up a significant portion of the production costs in radio, many commercial radios

availed themselves of this opportunity and now broadcast news blocks produced by the public broadcaster. In practice, this means that the news blocks are recorded at hourly intervals at the MTVA and are then sent out to all contractual partners. Thus, the radios involved do not need to hire their own news editors. As a result, the various local radios broadcast the same news block throughout the day, thereby granting space to government propaganda.

Concentration in the television market

Based only on revenue data the television market seems to be rather healthy, since the RTL commercial television is owned by professional foreign investor. In fact, RTL has to balance the other pro-government channels, since the public and private channels strictly follow the communication of the Fidesz.

↓ Table 4: Television stations in news/political segment (2018)

Channel	Broadcaster	Net turnover from sales 2018 ('000 HUF)*	Type of owner	2018 audience share(4+)**
RTL Klub	Magyar RTL Televízió Inc	32 768 373	Foreign investor (independent from government)	10.09%
TV2	TV2 Média Csoport Ltd.	39 101 320	Hungarian investor (pro-government)	10.21%
ATV	ATV Inc.	2 396 674	Hungarian investor (independent from government)	2.94%
Hír TV	HírTV Inc.	2 316 436	KESMA	1.43%
Echo	Echo Hungária TV Inc	4 954 242	KESMA	0.66%
Euronews	Euronews SA	n.a	Foreign investor (independent from government)	n.a

* Source: Annual financial accounts (<http://e-beszamolo.im.gov.hu/oldal/kezdolap>)
** Newsletter of Nielsen Közönségmérés Ltd.

The table includes data on those commercial television channels with major audience reach (RTL Klub, TV2) that broadcast daily evening news shows, along with the four major political/public affairs television channels (ATV, HírTV, Echo² and Euronews).

This table does not include public service media television channels because the public service media's budget is not transparent and the data available do not clearly reveal how much money the channels actually receive to fund their operations.

The share of KESMA channels is 8.9%, while the share of KESMA + pro-government channels is 56.9% based on 2018 turnover in this segment. This relatively balanced state of affairs in the television market owes to the strong position of RTL Klub, which is foreign-owned.

Concentration in the online market

The list of online media outlets online includes the four largest online news portals. However, it does not include data on media outlets whose data we have included elsewhere in the analysis (HVG – hvg.hu). Another limitation of the scope of our analysis here is the fact that some major pro-government outlets (e.g. 888.hu) do not participate in the Gemius measurement, which is accepted as a market standard, and hence we do not know how many visitors they have.

2 In April 2019 the Echo TV was closed, but its staff is working at HírTV.

↓ Table 5: Major portals in news/political segment (2018)

Portal	Content provider	Net turnover from sales 2018 ('000 HUF)*	Type of owner	Real User (November 2018)**
24.hu	Central Digitális Média Ltd.	4 072 866	Hungarian investor (independent from government)	2 936 165
origo.hu	New Wave Media Group Ltd.	4 145 674	KESMA	2 859 437
index.hu	Index.hu Inc.	1 303 864	Hungarian investor (independent from government)	2 584 657
444.hu	Magyar Jeti Inc.	510 365	Hungarian investor (independent from government)	1 721 226

* Source: Annual financial accounts (<http://e-beszamolo.im.gov.hu/oldal/kezdolap>)

**Source: Gemius (<http://dkt.hu/hu/menu/ola.html>)

The online segment is the most independent segment of the Hungarian media space. Among the major online newspapers, Origo is the only one that is part of KESMA. KESMA received 41.3% of the four companies' aggregate turnover, even though based on the number of unique visitors, the only KESMA held outlets in this group, Origo, is not the leading player in the market (although its market position is very strong).

Summary and aggregate revenue data

Above we have examined the major media companies that have a presence in the political/public affairs market. Our compilation did not include smaller music radio stations even though those, too, feature news every hour, nor did we look at smaller online newspapers that focus on public affairs.

The aggregate data below presents the share of pro-government companies in the market overall based on 2018 turnover data.

↓ Table 6: Summary of news/political segment (2018)

Market segments (number of companies)	Total turnover	KESMA	KESMA + pro-govt	KESMA	KESMA + pro-govt
	billion HUF			Share	
Print (18)	64.8	51.2	52.5	78.9%	81.0%
Radio (5)	3.5	0.8	2.9	22.4%	82.2%
Television (5)	81.6	7.3	46.4	8.9%	56.9%
Online (4)	10.0	4.1	4.1	41.3%	41.3%
Total	159.9	63.4	105.9	39.6%	66.2%

The KESMA companies received 39.6% of the total turnover of the private media publishers analysed here, and if we broaden the scope to include the entire pro-government portfolio, that figure rises to 66.2%.

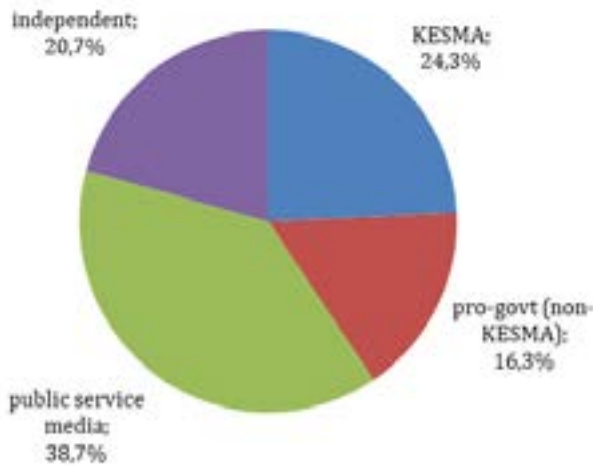
It is reasonable to include the public service media portfolio in the political/public affairs market, although it is not a market financed company, as it belongs to the news media market.

↓ Table 7: Summary of news/political segment including public service media (2018)

Total turnover (private+public)	KESMA	KESMA + pro- govt	KESMA+ pro- govt+ public	KESMA	KESMA + pro- govt	KESMA+ pro- govt+ public
billion HUF				share		
261.1	63.4	105.9	207.1	24.3%	40.6%	79.3%

If we add the public media budget for 2018 (101.2 billion HUF) to the market of private companies (159.9 billion HUF), the proportions are even worse. **Altogether 79.3% of the news and public affairs market is financed by sources decided by the ruling party.**

↓ Figure 1: Shares of political information market after the creation of KESMA (based on 2018 turnover data)



Source: own figure based on data from corporate financial reports (<http://e-beszamolo.im.gov.hu/oldal/kezdolap>)

In the print and online markets, most pro-government media brands were subsumed into the KESMA. Two major pro-government brands outside KESMA remain in the radio and television markets, namely Radio 1 and TV2. Despite the fact that they are readily identifiable as being staunchly pro-government in their coverage, they are legally still independent.

The pro-government media companies de facto act alike and providing exactly the same kind of news and information. They follow the communication of the ruling parties and at the same time they are critical with other political actors. It does not mean purely critical attitude, which is part of journalism, but it is often character assassination and spreading fake news.³ The actions of these media outlets prove the de facto dominant position. In fact, such a position seriously undermines media freedom and through that the democracy in Hungary.

Governing party dominance in news consumption

The past year, 2018, marked the fifth time that Mérték Media Monitor worked together with Median Public Opinion and Market Research to analyse Hungarian news consump-

3 There were 109 court cases against pro-government media outlets in 2018. Detailed data are available in Erdélyi, K. (2019): Pro-government propaganda outlets lost dozens of defamation cases in court last year. <https://english.atlatszo.hu/2019/02/07/pro-government-propaganda-outlets-lost-dozens-of-defamation-cases-in-court-last-year/>

tion patterns.⁴ The research was designed to find out what sources news consumers rely on when informing themselves about public affairs/political issues. The data allowed us to create news consumption segments and to ascertain how prone news consumers are to lock themselves into the news bubbles of their respective political camps.

In the present subchapter we will summarise the part of the research in which we tried to capture the existence of the various news bubbles in which Hungarian media consumers tend to receive their news.

Our survey showed that 94% of our 1,200-person sample – which was designed to be representative of the adult population of Hungary – are regular news consumers. In the case of television channels, radio stations, daily newspapers and online news sites, regular consumption was defined as consuming news generated by the given media outlet at least once a week, while in the case of weeklies reading articles at least once a month were classified as regular consumption. A total of 69 persons, in other words 6% of the total sample, used none of the 45 media outlets covered by the survey. Regular news consumers tend to follow 5 news sources, and only 5% (62 persons) of them rely on a single media outlet for their news. At the other end of the spectrum, there was one respondent who regularly follows 24 media outlets.

After identifying which media each of the users consumes regularly, we divided the outlets into pro-government and critical categories.

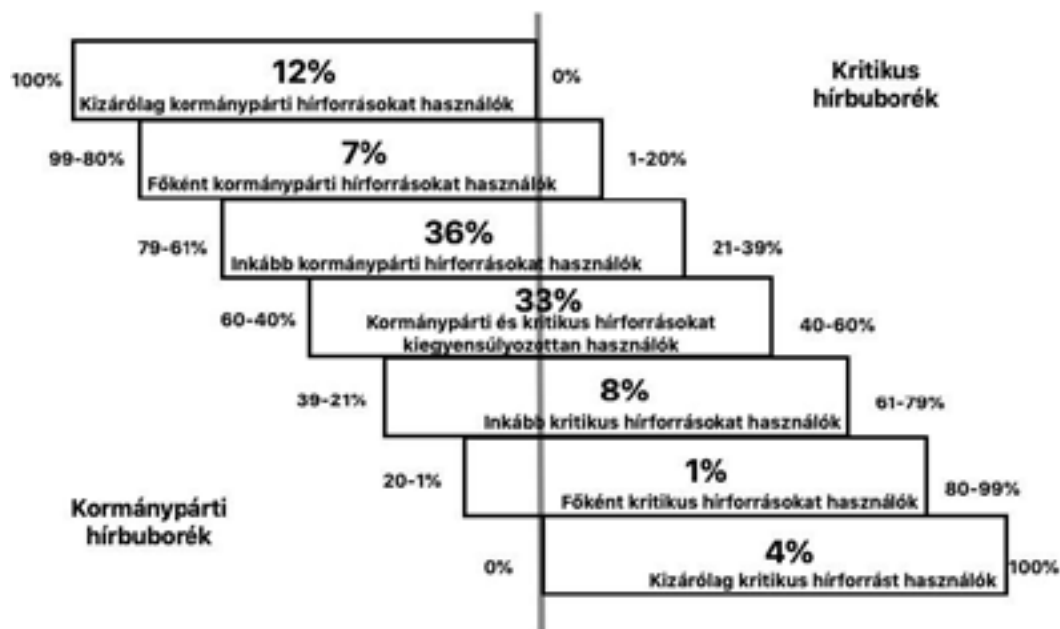
In the first step, we categorized those media in the case of which the joint survey of Mérték and Medián found a significant correlation between party preference and the consumption of the given outlet.

Another readily applicable objective factor in the political classification of media outlets is the ownership background. As problematic as the creation of the KESMA media foundation – which the government classified as being of “national strategic importance” – may otherwise be, in the context of the current research the fact that KESMA is the owner helps us in assigning a substantial portion of pro-government media into the right category in our model.

Even outside of KESMA, the ownership background was often decisive in terms of the given media outlet’s political alignment. However, in the remaining cases, when the identity of the owners was not totally dispositive with respect to the political leaning of the given media outlet, we relied on a classification based on a mix of prior information, public perceptions and an analysis of the contents disseminated by the given media outlet. A few – not many – of the media outlets thus categorised were assigned to a neutral/balanced category.

After assigning the media outlets to categories, we sought to ascertain what share of an individual’s media consumption was made up by news from media outlets associated with each political side, that is what percentage pro-government and critical news media, respectively, make up the basket of media outlets they regularly consume to inform themselves. Since we did not include the consumption of balanced/neutral media in this analysis, our result was a pair of percentages for each category. If we imagine the results visually, laid on a spectrum from left to right, this meant that at the level of an individual consumer there would be a figure between 100% and 0% on the pro-government side of the spectrum (100% meant someone exclusively relied on pro-government media), and another from 0% to 100% on the critical side (once again, here 100% meant that someone relied exclusively on critical media).

4 Mérték-Medián (2018): Sources of political information in Hungary. Trends, 2015-2018. <https://mertek.eu/en/2018/12/29/sources-of-political-information-in-hungary-trends-2015-18/>



In order to break the vast array of results down into intelligible categories and to present these visually, we divided the consumption ratios into segments ranging from 0-100%, which left us with 7 distinct groups:

- who exclusively inform themselves from pro-government media
- those who predominantly consume pro-government media
- those who tend to follow pro-government media
- those whose media consumption basket was balanced;
- those who tend to follow more critical media;
- those who predominantly consume critical media;
- and those who only rely on critical media

in their news consumption.

The left side of the figure above depicts those users who exclusively consume pro-government media, while its right side presents the polar opposite of the latter, namely those who get all their information from critical media. In the middle we find the “balanced” group, a segment which comprises 33% of regular news consumers. These are the individuals who consume both pro-government and critical news sources, and there is a rough parity in the balance of news from the two sides. An even greater slice of media consumers is made up of consumers who “tend to favour pro-government news sources”; this segment is home to 36% of media consumers and the share of pro-government outlets in their news basket ranges between 61-79%. Those who “predominantly rely on pro-government news sources” in informing themselves make up 7% of all media consumers, and pro-government media make up 80-99% of their news consumption; but their basket still includes at least one critical media outlet. The latter, that is the inclusion of at least one critical outlet, no longer holds for the “exclusively pro-government” media consumers (12%), which refers to those consumers who do not read any critical news sources regularly. Looking at the other side of the spectrum, at those who predominantly or exclusively consume news from critical sources, we find far lower figures: those who “exclusively rely on critical news” and do not follow a single pro-government media outlet only make up 4% of the sample. An even smaller segment, 1% of all consumers, are

those who “predominantly [inform themselves] from critical media”. Finally, 8% of media consumers rely on a media mix that consists to 61-79% of “more critical” news sources.

The numbers unequivocally show that audiences are substantially more likely to consume information provided by pro-government outlets, while the share of those who exclusively draw information from news sources that are friendly towards the government (12%) is far higher than the share of those who only follow critical outlets (4%).

The results of the survey show a massive dominance of pro-government media in the news consumption of our sample; outside those whose media consumption is balanced – that is among the majority of users whose media basket tilts one way or the other – 81% draw more heavily on pro-government media while only 19% predominantly rely on critical media outlets when informing themselves. What seems especially disconcerting is that 12% have chosen to hermetically seal themselves off in a news bubble that is exclusively made up of pro-government media outlets – based on the representative data, this means that every eighth Hungarian voter does not encounter any media perspectives or views – neither offline nor online – other than of the government.

It is striking that the previously cited calculations, which were based on the financial turnover of the media outlets, also yielded a pro-government dominance over critical media of roughly 80%, just like the news consumption-based survey. The similar results of the two completely different methodological approaches suggest that the government’s media dominance is indeed unequivocal and the market is heavily distorted.

STATE ADVERTISING SPENDING IN THE YEAR OF KESMA'S CREATION

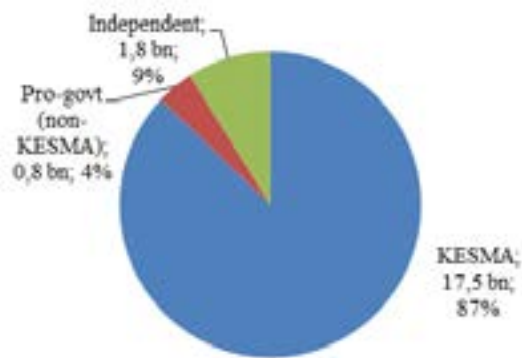
This chapter shows the market-distorting impact of state advertising in 2018. In the first quarter of the year the government campaign was incredible intense (against the EU, Jean-Claude Juncker, George Soros, etc.) because of the parliamentary elections held in April. Calculated on the basis of list prices, the spending in 2018 reached 98,7 billion forints, which marks a 21% increase over the foregoing year.

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 important political/news channels, Hír TV and ATV are missing, as are two important players in the outdoor advertising market, Mahir Cityposter and ESMA, the online newspaper 888.hu or Karc FM radio station, which are part of the pro-government media empire.

Share of state advertising

In this chapter those media brands are included in the calculations which have any kind of political and public affairs content. Entertainment content and other thematic publications are excluded.

↓ Figure 1: State advertising revenues in print media at list prices (2018)

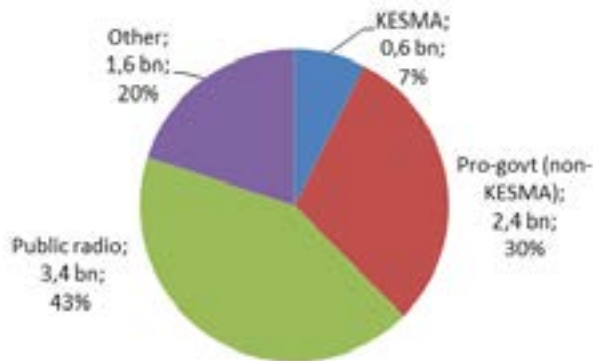


Source: The authors' own work based on data provided by Kantar Media

The state advertising spending is highly concentrated in the political segment of the print media. Altogether 87% of the state money went to those brands which became part of KESMA portfolio at the end of 2018. Other 4% of the state spending went to an other pro-government brand Magyar Hírlap. Only the remaining 9% of state advertising was spent at those media outlets which are independent from the Fidesz.

Concerning the radio market, only 37% of the state spending went to KESMA or other pro-government radios stations. It is important to mention, it was a transitional year because of the launch of the national Retro Radio.

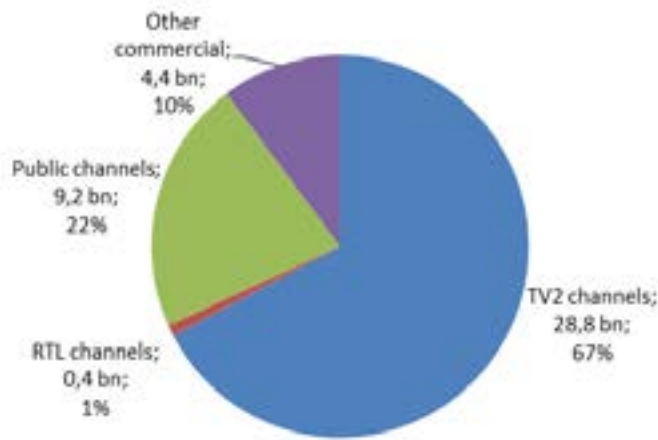
↓ Figure 2: State advertising revenues in radio market at list prices (2018)



Source: The authors' own work based on data provided by Kantar Media

The state advertising spending in the television market was highly imbalanced. The independent RTL channels could hardly gain state advertising revenues, but the TV2 group which was owned by government commissioner Andrew G. Vajna in 2018 was heavily financed by such sources.

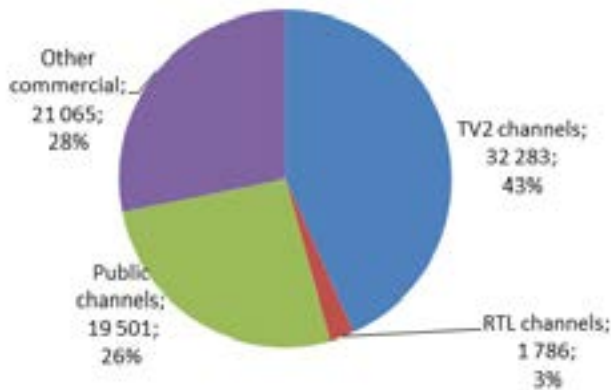
↓ Figure 3: State advertising revenues in television market at list prices (2018)



Source: The authors' own work based on data provided by Kantar Media

In the case of television market the list prices (in HUF) are not realistic, broadcasters give significant discounts to the advertisers. It gives a more realistic picture if we calculate the number of seconds advertised by the state advertisers.

↓ Figure 4: State advertising in television market in seconds (2018)



Source: The authors' own work based on data provided by Kantar Media

The position of TV2 is very strong especially if we compare to its direct competitor, RTL. The market distortion effect of the state advertising spending is clear on the example of TV2 and RTL. TV2 owned by pro-government investor has been continuously financed by state advertising for years, the very same state advertisers avoid the foreign-owned RTL. Ownership is not the only difference between the two channels: TV2 is part of the Fidesz propaganda in their news making, while RTL is balanced in the editorial practice.

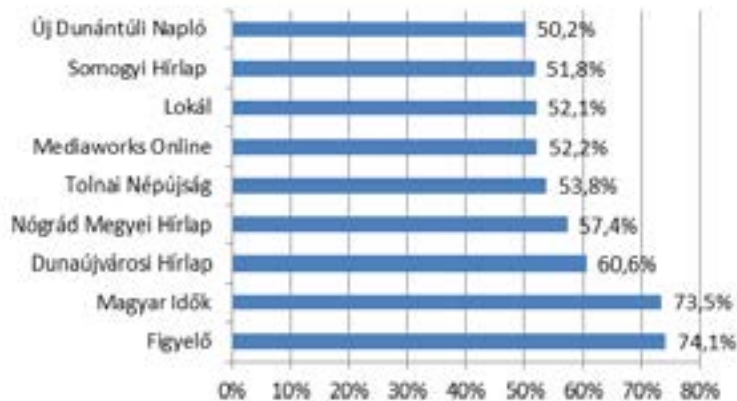
Kantar database does not include data for news and public affairs channels like ATV or Hír TV, so their state advertising analysis is not possible.

State advertising spending database does not give a clear picture in the case of online market. The database contains the sales houses, not the news portals and the sales houses typically have larger portfolio.

The biggest beneficiaries

It worth to examine some KESMA brands to what extent they are beneficiaries of state advertising spending.¹ We can also learn a lot from investigating where the share of state advertising as a proportion of total advertising revenue is high; this will show us which media brands would not be able to attract sufficient advertising from the market and are thus financially dependent on the state.

↓ *Figure 5: KESMA brands with the highest level of exposure to state advertising spending, i.e. the highest proportion of state advertising as a share of total advertising revenue (2018)*

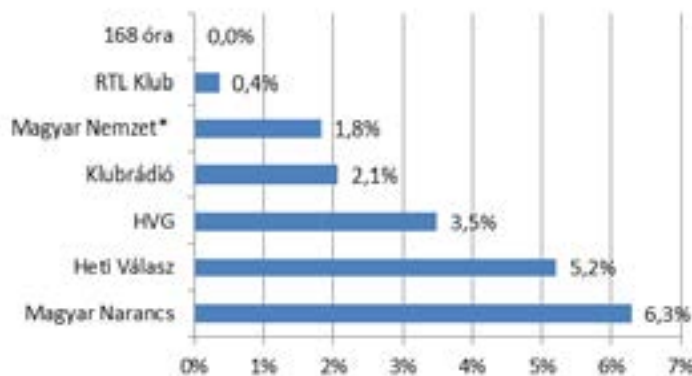


Source: The authors' own work based on data provided by Kantar Media

All of the listed brands are part of the KESMA, most of them are print brands (2 national newspapers, 5 regional newspapers, 1 weekly, 1 online). In all cases more than 50% of advertising revenues is coming from the state.

As a comparison there is a similar calculation for some independent media brands:

↓ *Figure 6: Proportion of state advertising as a share of total advertising revenue in the case of some independent brands (2018)*



*Magyar Nemzet was closed in April 2018, the owner did not want to finance the losses. It was relaunched in 2019 as a government propaganda newspaper (part of the KESMA)

Source: The authors' own work based on data provided by Kantar Media

¹ State advertising data visualization is available for 2006-2018:
<https://mertek.atlatszo.hu/allamihirdeteselek/>

In the case of independent brands the share of state advertising is much lower, only a few percent. The major independent political weeklies (Magyar Narancs, Heti Válasz, HVG, 168 óra) can hardly get any state advertising. It is worth to compare to the pro-government political weekly Figyelő which gained 74.1% of the total advertising revenues from the state (Figure 5). Klub radio is a popular government-critical talk radio available in region of Budapest, traditionally more right-wing daily Magyar Nemzet was also government critical in 2018, until it was closed and reopened again in the heart of KESMA. RTL Klub had high audience share, but it was not appealing enough for state advertisers.

These figures illustrate how state advertisers favour government-friendly companies and thereby seriously distort market competition. It stands to reason that the decisions of commercial advertisers are more likely to reflect market logic because they have a business incentive to effectively reach their target groups. A state advertiser may of course target different groups and pursue another advertising strategy than a commercial company, but when the advertising strategies of state advertisers consistently and spectacularly diverge from those of commercial advertisers, then the issue is probably not one of specialised target group formation. There is reason to assume that in the case of state advertisers, the guiding principle is not effectiveness but some other, political consideration.

