

■ The Business of Media

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Media business changes journalists' attitude to their rights

Oleg Panfilov

In early 1990s, the Altapress media holding was set up in the city of Barnaul, capital of Russia's Altai Territory. It did not appear overnight, of course – initially a small liberal-minded newspaper saw the light of day and started selling like hotdogs. The proceeds sufficed, some time later, to found another newspaper, and then several more. Now Altapress is one of the biggest media holdings in Siberia, producing eight newspapers and having a modern printshop of its own, which also fulfils orders from several Russian regions and northern provinces of Kazakhstan.

When I asked the founder of Altapress, Yuri Purgin, why he had no serious problems with the local authorities, he replied that he had built up a transparent business, did not dodge taxes, and engaged in an open dialogue with the authorities.

The emergence of Altapress is reminiscent of the establishment of the Polish Gazeta Wyborcza, which turned into the Agora holding, a prime example of a media business in Eastern Europe. One could probably give several more examples of the independent media set up in the post-Soviet environment not only under freedom of expression slogans, but also in full awareness of the fact that acquiring freedom largely depends on the extent to which political independence is shored up by economic independence.

People in the South Caucasus countries have already grown sick and tired of discussing the freedom of expression problem only from the sidelines and of watching two opposing sides – the authorities and the journalistic community – competing in their legal illiteracy.

To be sure, the legal literacy of both sides still leaves a lot to be desired, but in this scramble, we have started losing the main thing – independent media. The results of monitoring violations of journalist and media rights show that small newspapers account for a large proportion of such violations. These newspapers are either published on donations from charitable organizations or have been set up by businessmen to wage information wars.

As a rule, such newspapers are short-lived, because, as belligerents in information wars, they come under pressure and persecution on the part of the authorities or rivaling political parties. Officially, they are registered as independent publications, but their aggressiveness often exceeds that of opposition newspapers.

From the freedom of expression point of view, they have the right to exist, since they reflect the ideas held by part of the public, but in terms of impact on broader readership, they fall behind newspapers that try to maintain a neutral view of sociopolitical events. The printruns of such newspapers are minimal – as many as the budget of charitable grants may permit, and the chief editors are not concerned about their business development.

This situation is easy to imagine if one recalls Hans Christian Andersen's fairytale *The Emperor's New Clothes*, in which only a little boy saw that the Emperor's new clothes, made by sham tailors, were a myth in which the Emperor himself believed and his subjects did not want to disappoint their monarch.

Many journalists in the post-Soviet territory have come to believe in the freedom of expression myth, because freedom of expression means exclusively the right to express oneself. One could argue that way in the late 1980s, during Gorbachev's perestroika period, when relative freedom, called glasnost, was still financed out of the national budget and supported by circulars put out by the Communist Party.

Then charitable foundations and Western governmental organizations came and took root in the former Soviet states, believing it their duty to help promote democracy and its main institution – freedom of expression. The establishment of new newspapers, magazines and agencies with the help of grants donated just marked the start of the media independent of the national budget. But this situation is well known in Japanese folklore: “Don't give a poor man a fish; better give him a fishing rod and teach him how to fish.”

The fate of the state media and the situation of the private media in Georgia

Zviad Kordize

I'm going to focus upon the present and future of the Georgian media outlets that at one time belonged to the government.

Out of all the printed publications that were fully financed by the government in Soviet times, only two national newspapers remained on budget financing under Shevardnadze, Sakartvelos Respublika and Free Georgia, as well as two other newspapers, Vrastan and Kurchustan, which came out, respectively, in the Armenian and Azerbaijani languages for ethnic Armenians and Azeris living in Georgia. Sakartvelos Respublika managed to reregister as a privately-owned newspaper: the government not only abandoned its ownership interest but also refused to continue the budget financing.

As far as the three other newspapers are concerned, they are still subsidized: Vrastan and Kurchustan to the amount of approximately 50,000-70,000 lari (US \$30,000-40,000) a year, and Free Georgia to a slightly higher amount.

No other cases of direct budget financing of national newspapers have been recorded.

The government has a single news agency under its wing, Gruzinform, which, since 1993, has been attached to the press secretariat of the President of Georgia. This agency now faces a choice of either going private or closing down. The first step in this direction has already been made: in August 2006, the building belonging to Gruzinform on Prospekt Rustaveli was sold for 5 million lari (around US \$3 million).

The building belonging to the Samshoblo publishing house, in which almost all governmental media outlets were located, is also for sale. The starting price at which the Ministry for Economic Development was selling this building was 20 million lari (around US \$12 million), but the sale did not go through at the first auction.

The situation is somewhat easier for regional publications. All regions have serious and influential privately-owned printed media, so the problem of privatization of government-owned media is not so pressing there.

The local regional newspaper Achara, which comes out in Batumi, was fully budget financed in 2006 to the amount of 0.5 million lari (around US \$0.3 million). I asked what the situation would be this year and was told that there would be no financing from the budget, but the draft budget of the Ajarian Autonomous Republic for 2007 includes an amount of 350,000 lari (about US \$200,000). Also in Ajaria, three regional newspapers were closed down and one set up, Mtianeti (Mountain Areas), which is not directly financed by the budget, but is financed by the Supreme Soviet of Ajaria out of its own budget funds.

Besides, Ajaria has but a government-run TV channel which is also budget financed to the amount of 6 million lari (about US \$3.7 million) and not subject to reorganization so far. It cannot be made into a public

broadcaster, since the law on broadcasting prohibits the existence of more than one public broadcasting system in the country. Just a few options remain: either privatization or liquidation or its reorganization into a branch of the public broadcasting system.

Since the summer of 2005, government-owned television has become a public one. It is financed in the amount of 1% of income tax, which is indirect budget financing. It is not direct financing any more but neither is it absolutely equivalent to the western practice of public television being financed by private subscription. It turns out that information costs money only for the public television and radio audiences. On the other hand, the law has left the public broadcaster as a player on the advertising market.

The newspaper business in Armenia and its development prospects

Vardan Aloyan

If you were to go around the news stalls in Yerevan today, you would get the impression that the newspaper business in Armenia is booming, or, at least, is on the way up. Just a few years ago all the display stands were adorned with brightly coloured Moscow publications printed on high-quality paper, and somewhere at the bottom you might have found two or three faded and unappetizing local publications.

Today the situation is drastically changing. It began with the printers, or, to be more precise, Tigran Mets Publishers, which got a whiff of where the wind was blowing on the market, bought the latest printing equipment, and are now putting out local magazines and other colour publications at a high-quality level. A new product appears on the newspaper market almost every month: a youth magazine, a women's magazine, a colour sports weekly, an advertisement newspaper, a sociopolitical analytical weekly, and so on. A good half of them close down after a while, unable to stand the competition, but the rest, after finding their niche on the market, begin to gain momentum, launching new projects.

As of today, expensive elite magazines, TV guides, and sports publications hold secure niches – there is obviously a fierce struggle going on to win over readers and advertisers and to find a place in the sun. The youth and women's segments of the print press market are being actively filled. In short, this is a normal process – it's business and nothing personal.

But I realize fully well that those present here are particularly interested in the situation regarding sociopolitical publications. At first glance, everything is normal in this segment of the newspaper market too – a dozen sociopolitical dailies (or triweeklies) (as well as a dozen small newspapers that don't count) are coming out that cover the entire political spectrum – progovernment, centrist, oppositional, and extremely oppositional. But this is only at first glance. I am deeply convinced that stagnation reigns in this sector.

I will give just one eloquent example. Over the past 12 years, there has not been a single commodity, product, or service in Armenia that has not repeatedly changed in price, or to be more precise, has steadily gone up in price. Employee salaries, taxes, newsprint prices, printing expenses (things that directly concern us) have gone up, only the price of newspapers has remained the same: in 1994, they came out in A-3 format, eight black and white pages, and cost 100 drams (25 cents), and today, they come out in the same format and cost the same 100 drams. What conclusion can be drawn from this fact?

A very simple one – sociopolitical newspapers in Armenia are not yet a commercial product and continue to perform the function of “collective organizer and propagandist,” as the Bolsheviks used to say in the not-so-distant past.

As Napoleon said at one time, three things are needed for a successful fight: money, money, and money. We newspaper people also need the same thing to build up a newspaper and make it profitable, we need to invest big money in it from the very start. But as things turned out, after the collapse of the Soviet Union, in Armenia, as elsewhere in the post-Soviet space, new newspapers began to be founded either by journalists who had newspaper-making skills but no clue about economics or

newspaper management, nor any money, or by political forces that were interested in newspapers not as a business, but as an additional lever for achieving their political ends.

Today, most Armenian dailies have an editor-in-chief and founder rolled into one. He is in his office from early morning until late at night, not able to leave until the next issue has been sent to the printers. He reads and edits the articles himself, he writes the leading articles, he holds talks with sponsors, and he resolves a whole slew of other problems with retailers. And so he goes on from day to day, from year to year, as long as his health holds out. Can a person working such hours have strategic tasks as well: recruiting new manpower, increasing the volume of his newspaper, switching to colour, coming up with new innovative ideas? Of course not. His main worry is how to pay the printers and his employees their salaries at the end of the month.

So today we have the present situation. Aikakan Zhamanak has the largest circulation of the daily newspapers with 5,250 copies (I am basing this on the figures the newspapers give themselves in their imprint). The others have a circulation of 2,500, 3,000, or 4,000 copies. Is this a lot or a little? We are all perfectly aware that the daily press throughout the world is going through hard times – the Internet is encroaching from all sides.

But not to that extent! The year before last, a group of editors went to Slovenia with the support of the Yerevan press club. There, in a country with a population of two million, the two main dailies have a circulation of 40,000 and 60,000 copies, respectively. Estonia's main national daily also has approximately the same circulation. And never mind Slovenia and Estonia! In Kyrgyzstan, Vecherny Bishkek has a circulation of 70,000. In my view, the appearance of one or two national newspapers with a circulation of 20,000-25,000 copies on the newspaper market in Armenia, a country with three million residents, is very realistic in the foreseeable

future. Incidentally, this is well within the possibilities of its printing capacity. This year, Tigran Mets Publishers purchased a Gess printing press capable of putting out 30,000 copies of a full colour 32-page newspaper an hour. But at the moment it is standing idle. It is used for two hours on Wednesdays to print the TV guide put out by our publishing house.

So who can load this press to its full capacity the rest of the time? I think media holding companies are our hope for the future. Take the example of our publishing house, which belongs to the CS media holding company, which also includes several television companies, in particular Armenia TV that broadcasts essentially worldwide via a satellite, an FM station, a sound recording studio, and, finally, the Armenfilm movie company purchased by the founders last year. In two years, CS Publisher became the largest publishing house in Armenia. Today we put out two weeklies and three magazines – a youth, a women's, and a medical magazine.

We drew up a precise business plan for each publication, selected the staff we needed, set aside the necessary amount of money, and all of the holding company's structures began to promote the new product on the market. Some time later, the initial, already successful publication joined the rest in promoting the next newspaper product on the market.

Illustrated magazines published in Yerevan for several years have a maximum circulation of 2,500-3,000 copies, plus return. Our youth magazine «Ec», which is translated as "I," the employees of which, including the editor-in-chief, are all 2nd-3rd year students from the University's journalist department, started in May with 5,000 copies. In October, we put out issue No. 6 in 10,000 copies with essentially zero return.

Each of CS Publisher's publications has its own editor, who also deals with tactical and creative issues, but is not involved in management, sales, advertising, and organizational problems at all. These problems are dealt with by the relevant units.

I, as general director, have not had to deal with editing worries, concern myself with deadlines, talk to aggrieved authors or people mentioned in articles. Strategy, coordination, and management – at a high level – are enough of a headache, and at least it is not aggravated by editorial routine.

All our projects have high circulations – in terms of Armenia, of course. But all of them are in the segment of the popular press. However, it is this niche that made us economically successful. So much so that we could essentially afford ourselves some economic lumber in the form of a sociopolitical newspaper (as they traditionally exist in Armenia) intended for a specific audience. That is, a small audience to which the newspaper is targeted in both its political thrust and content.

But what would this give us? We have no political ambitions, and such a wretched existence of newspapers at the level of 3,000-4,000 copies is not justified by anything else.

That is, if we are to put out a high-quality newspaper, it should only be done at a high-quality level with a large circulation. But this is an entirely different story, with different expenses and anticipated profit in the future. So if the founders so wish, we are also ready to enter the market of the sociopolitical, or, as it is also called, quality press. But keeping in mind that our founder has recently bought Armenian Reporter, which has been published in New York for 60 years now, in a circulation of 8,000-10,000 copies and is distributed among the Armenian diaspora in the north of

America, and has set himself the task of bringing the circulation up to 100,000 copies to make it a national paper for the entire English-speaking diaspora living in the United States and Canada, I do not think it would be wise for us to come out with any large new projects on the local market. At least for the moment.

Nevertheless, beginning this year, a new company called Forum Press has begun gaining momentum in Yerevan. It is a serious team that apparently has good financial backing. In any case, their impressive analytical sociopolitical magazine Forum makes it possible to draw this conclusion.

They recently purchased the city newspaper Yerekoyan Yerevan (Evening Yerevan), a brand put out since 1957 and very popular in Soviet times. Its full-colour pilot issue is currently in the making. Time will show what will become of this. I do not think the new press will stand idle for long. Particularly since parliamentary elections are due to be held in Armenia in 2007, and the next presidential election is scheduled for 2008.

Privatisation of state-owned media in Azerbaijan

Kenan Guluzade

My report deals with a fairly complex subject, since it does not, as such, actually exist. I am going to focus on denationalization of state-owned media in Azerbaijan or rather about the need for it, instead of giving details of an existing process or one planned for the near future. I believe it would be more to the point to speak about the new wave of pressure being brought to bear on the private media rather than about the replenishment of our ranks with new publications as a result of privatization. It would be more to the point to speak about the on-going enticement and repurchase of the already small number of existing independent publications to bring them into the pro-government camp. There is no doubt, however, that the question of privatization of state-owned media, or rather its irrelevancy, clearly demonstrates the government's attitude towards the "fourth estate" and provides grounds for dwelling on the media situation in general.

The Azerbaijani government is the biggest media owner and a major player in the media market in the country. No other owner in the private sector or in the political power centres has such a large number of media outlets. Suffice it to say that the government owns two of the six country-wide television channels, several radio channels, daily newspapers, magazines, a major news agency, as well as information websites. That is, the government is the owner of the entire range of mass media that the citizens of the country currently use. To this should be added the state-

owned printing works, which has a monopoly of the market, and several publications produced by line ministries.

These media enjoy three key advantages over the private media, thereby violating the principle of free competition on the media market. The first advantage is government subsidies from the national budget. The second advantage is the green light enjoyed by the staff of these publications to enter government agencies. Even given the limited access to information in the country, all doors are open for the staff of state-owned media and they can get hold of any information they might want. The third advantage, no less important, is the tacit tradition of mandatory subscription to state-owned media by public servants. This means more funds and better access to information.

Why the government needs these media is another question. They assert that these given newspapers, television and radio broadcasting companies bring government policy to the public and inform the people about new laws and regulations. There is no point in arguing about the second point, but the first one raises certain questions. After all, apart from fulfilling the above official functions, state-owned mass media are, in fact, also mouthpieces for government propaganda. In other words, the authorities have taxpayer-financed media instruments at their disposal in addition to government-controlled and “kindred” media outlets. A quite indicative situation takes shape when a newspaper or a television company keeps slamming oppositionist views day and night, and yet it is financed from taxes paid by a person that supports these views. True, during the brief election campaign period, the opposition gets free access to the pages of state-owned newspapers and to airtime of television companies but, first, the time is too limited and, second, elections do not happen that often.

Denationalization of state-owned media was a very popular topic up until August 2005. At that time, it was a matter of a specific state-owned television and radio broadcasting company that, under the Azerbaijani government's commitment to the Council of Europe, was to be transformed into a public broadcaster. Let me note that this was not so much privatization as an attempt to introduce public supervision over a television company that was still financed by the government.

The authorities strove long and hard to prevent this happening and the international organizations, as it turned out later, were prepared to accept a sort of compromise, though it took a lot of hard work to find one acceptable to both sides. The state-owned television company remained as it was and a public television service was created on the basis of the second state-owned channel. This would appear to have kept everybody happy, though the opposition asserts that the public merely got two government channels instead of one, just with different logos.

In all, however, over 2,600 media outlets are registered in Azerbaijan. In percentage terms, state-owned media represent only a negligible figure – though it is not a matter of quantity, but of quality. Given government support, these media have few, if any, problems and are simply “doomed” to a cottonwool existence. Especially since the figure of 2,600 is only indicative of registration, not of actual functioning. After all, in reality the majority of registered media just do not come out, the lion's share consisting of small publications engaged in extortion and begging, and only a few dozen have any weight and any real audience or readership.

In Azerbaijan, no one talks any more about privatization of other state-owned media, their denationalization or transfer to public control and no one asks the question point-blank, even though the existence of such media is abhorrent to the principles of the free market and free competition. This is all the more serious considering that the advertising business in the country is very small and under control.

Trends in concentration of broadcast media ownership in Europe: Threats to public service and diverse content

Morris Lipson

This presentation is based on a research into the state of television in 20 European countries done in 2004-2005 by the Open Society Institute (OSI) European Monitoring and Advocacy Program (EUMAP) and the Network Media Program. The report has looked into a situation in EU member countries, both old (France, Germany, Italy, United Kingdom) and new (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia), candidate countries (Bulgaria and Romania) and non-EU countries (Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Serbia, Montenegro, Turkey).

The research has looked into a number of issues defining the current situation of television: European, international and national regulations and regulatory bodies, programming, situation of public service broadcasting, new technologies (such as digitalization), etc. However, in this presentation I would like to go through dilemmas that TV ownership, and particularly its concentration, pose to media policy makers, regulators, and societies at large.

Concentration of ownership

A significant and worrying development in the commercial television sector is the increasing concentration of ownership along with a lack of

transparency of the ownership of TV stations. Such concentration of ownership in a few hands is potentially dangerous as it could turn into a concentration of influence that can be used for political, personal, ideological or commercial purposes. At the same time, the reduction of a range of independently-owned TV stations raises the specter of uniform commercialized content, at the expense of diverse coverage and - in combination with overall commercialization of media - further shrinking of public service content.

Existence of legislation against formation of dominant positions

Every country surveyed in the EUMAP report has legislation prohibiting monopolies generally. In addition, there are specific constraints on the ownership of multiple broadcast entities: usually, the operator of a nationwide TV station is not permitted to own a second nationwide license, and often the owner of a local TV station is not permitted to own a second TV station in the same market. (There are also restrictions in some countries, for instance, on broadcast media owners having interests in print media and vice versa, and so on.)

However, measures for what counts as monopolies for the purposes of broadcasting differ significantly from one country to another (e.g., in some it is the audience share such as in Germany and the UK; while in others it is the revenue share such as in Italy). Moreover, there are cases where the measure would appear to be explicitly designed to protect existing structures. For example, in Italy, the relevant measure for monopoly in broadcasting is revenues from the “integrated communication system” (SIC), but this includes advertising in all of: television, publishing, radio, Internet, direct advertising activities, sponsorships, sales of movie tickets, and so on. Given this expansive definition, it is virtually impossible for a single entity to exceed the limit imposed by law: 20%.

In any event, even where the laws and regulations are complied with in principle, television corporations have taken advantage of loopholes or weak regulatory mechanisms to maintain and even increase their ownership share.

One standard tactic here is to hide the real ownership of the station by creating a shell that is the nominal owner, registered locally, and having the real owner (usually the owner of the shell) registered in a foreign jurisdiction that protects ownership secrecy. A second technique is the creation of multi-layered, sophisticated ownership structures locally that evade the most strenuous of investigations by regulatory bodies.

Level of concentration of media ownership

Concentration of ownership is apparent across the region covered in the EUMAP report. The most spectacular example, of course, is Italy, where Mediaset, owned by former Prime Minister Silvio Berlusconi, owns all three national commercial television channels in the country, Canale 5, Italia Uno and Rete4. Whether this particular monopoly will continue to plague television coverage in Italy under the new government, however, remains to be seen.

But concentration is not only a problem in Italy. Multi-national corporations have moved into a number of markets and have established their marks there. For example, Central European Media Enterprises (CME) operates the first-most watched station in the Czech Republic, the second- and fourth-most watched stations in Romania, and the top stations in Slovakia and Slovenia. The RTL Group operates the most popular station in Hungary and the third-most popular station in Croatia. And the Modern Times Group (MTG) operates very popular stations in Latvia, Estonia, the Czech Republic and Hungary.

Group ¹	Station	Country	Position on the national market
Central European Media Enterprises (CME)	Nova TV	Croatia	4
	TV Nova	Czech Republic	1
	Pro TV	Romania	2
	Acasa TV	Romania	4
	Markiza TV	Slovakia	1
	Pop TV	Slovenia	1
	Kanal A	Slovenia	4
RTL Group	RTL Klub	Hungary	1
	RTL Televizija	Croatia	3
Modern Times Group (MTG) ²	TV3 (through Kinnevik)	Lithuania	2
	TV3	Latvia	2
	TV3	Estonia	1
	Prima TV	Czech Republic	3
	Viasat 3	Hungary	3
	Prva TV	Slovenia	5

¹ These investors own more stations in other countries not monitored by the EUMAP. CME for example owns a station in Ukraine, MTG owns a station in Russia etc.

² Prima TV in the Czech Republic and Prva TV in Slovenia are recent acquisitions.

The basic idea here is that the same group is likely to market the same programs throughout the stations that it runs in various countries, and there will therefore be a fairly homogeneous set of television products

across a particular broadcasting group's spectrum. As these continue to establish their dominant presence throughout the region, the products of local independent stations in the various countries will tend to be decreasingly viewed. The result is likely to be a decrease in diverse and pluralistic content actually viewed.

On the other hand, in many countries with fairly small media and advertising markets, particularly (as noted in the respective reports) in Estonia and some countries in the Balkans, the concentration of media ownership is considered to be, rather than a threat, quite essential. In such small markets, media companies would not be able to survive if they did not consolidate their various media businesses. And, given the size of the markets, small and independent stations have very little chance of remaining economically sustainable.

Non-transparency

The above information indicates that there are potential difficulties arising out of the fact that certain companies – some national, some international – are admittedly and quite visibly in relatively dominant positions in their respective markets. But sometimes dominance is not visible in this way: sometimes single owners have broad interests in media holdings that are probably illegal under applicable monopoly laws, but authorities have no way of knowing about this because the ownership structures are not transparent. Of particular concern here is that the lack of transparency of media ownership can hide from the public eye potential conflicts of interest and the interference by owners with the stations' programming. Once again, diversity (not to mention objectivity) may be at risk.

There are at least two ways in which ownership can effectively be hidden from the eyes of monopoly and broadcast regulators. One way, as already noted, is that media companies can be registered in “offshore“

jurisdictions, where confidentiality of ownership is guaranteed. This is notably the case in Bulgaria and Romania. In other cases, in contrast, ownership or control remains vested in local entities or individuals, but the real owners, owning multiple outlets, still remain hidden. Well documented are cases in Turkey, for example, where ownership forms submitted to the broadcasting regulator have been known to contain lists of shareholders that include names of drivers, doormen, the company lawyer, and so on.

Threats to content by interfering owners

The EUMAP report describes numerous cases of owners of television stations linking their stations to other business interests they have – not necessarily in violation of monopoly laws, of course – and employing the station to further those business interests. The effect, once again, is that there is no incentive to engage in diverse programming, because the main goal is simply to advance business or political interests. Examples of this sort of situation abound in the EUMAP report, in such places as Romania, Albania, Serbia, the former Yugoslav Republic of Macedonia and Turkey.

Digitalization

The digitalization of the broadcast spectrum is trumpeted in some circles as being the potential savior of diverse content of public interest. As the UK regulator, OfCom has regularly asserted, digitalization will enable more television stations to broadcast, and the result is likely to be an increase in the number of voices – voices that will be responsive to the needs and interests of a very diverse UK viewing audience.

This argument would be highly salient if it were correct, given the rapid advance of digitalization in Europe. Digital TV has already been launched in many Western European countries. For example, in France, the broadcasting regulator has granted digital licenses and digital terrestrial

transmission began in March 2005. In the UK, digital penetration had reached 56% by the end of 2004, while in Germany the region of Berlin/ Brandenburg was the first jurisdiction in the world to complete the switch-off of analogue transmission (in 2003).

Even in Central and Eastern Europe, though the digitalization process has been slower, relevant policies and strategies are increasingly being put in place.

But the simple fact is that the switch to digitalization does not necessarily guarantee the increase in diversity. In the first place, we see considerable resistance by current analogue stations, particularly those with well-entrenched market positions, resisting the switchover. For example, in the Czech Republic, where the regulator issued the first six digital licenses in April 2006, there followed a challenge by TV Nova and Prima TV, the leading stations in the country, which resulted in the regulator's decision being reversed. The entire process has had to begin anew.

Pressures by the principal players in another direction equally suggest that there may not be an uptick in diversity following the digital switchover. Typical is the situation in Italy, where the two dominant players, the public service station RAI and commercial Mediaset, have been trying to consolidate their dominance in the digital market by applying for as many digital licenses as possible.

Conclusion

The combination of increasing concentration of ownership and a lack of ownership transparency carries with it potential dangers to diversity of broadcast content and to public service values; nor do the improvements promised by the digital switchover necessarily include a guarantee either of diversity or of public service content. We can combat this uncertainty

with advocacy efforts directed at legislators and regulators. Specifically, we should be prepared to work towards the following goals:

- Where necessary, adoption and implementation of rules designed to prevent improper dominance by a few media players;
- Adoption and implementation of rules requiring genuine transparency of all media ownership structures, regardless of whether the owners are local or foreign, and possibly increasing penalties and enforcement mechanisms where media owners don't comply with their transparency obligations;
- Monitoring of the process of licensing (including digital) and advocating to ensure that licenses are distributed with an eye to increasing both diversity and public interest content in broadcasting.

MEDIA MANAGEMENT

Yevhen Hlibovitsky

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Ognian Zlatev

Challenges for media development in transition countries – case study
Bulgaria

Why the post-soviet media lack competitiveness beyond the NIS – the case of the challenges brought before the Ukrainian Channel 5 and the responsive market

Yevhen Hlibovitsky

The point

The markets, which are heavily affected by the political or semi-political influences (dominating parties, political figures, so called oligarchs etc) run tremendous risk for the media, which dare to try and play with transparent rules. This is quite logical and expected. The unexpected part is that the risk comes not from the outside, but from inside.

The case

The Ukrainian Channel 5 emerged in early 2003, as a transformation of a small network station previously called NBM. The channel has had major point of difference:

- Quality: the only channel on TV that has no political interests behind it and that heralds all political spectrum

That point of difference lead to increasing numbers of audience as the channel had a vivid advantage of being able to discuss issues, other channels were silent. The channel had to withstand a great pressure from the authorities, both legally and illegally. The channel had also to withstand the pressure from its own owner, whose business and

political interests were hurt. In order to do that the Channel has signed a public Editorial Agreement defining Channel 5's editorial independence, unbiased attitudes, and professional standards.

The point of difference emerged beyond the channel, when three acknowledged professionals in TV journalism came up with the concept. The channel has implemented the solutions, employed the journalists, but stayed with the old management system, and made very little restructuring.

As long as other politically dependent channels were broadcasting along with their political bosses' guidelines, Channel 5 felt great confidence in its future, despite the risk of being simply shut down by the Kuchma administration.

During the Orange revolution the Channel has been the main broadcaster of Maidan, providing live coverage in Ukraine, as well as internationally. The fall of censorship as a result of the Orange revolution led to some press disappearing because of new competition, and the Channel 5 has lost its point of difference, since all news outlets became free.

The new point of difference was defined:

- **Quantity on top of Quality: news on the beginning of every hour 24x7**

Eventually, Channel 5 has been losing its market share, becoming #11-12 on the market after peaking #3 during the Orange revolution.

The conclusions

The Ukrainian Channel 5 was defeated not by its political opponents, but by the market force it strongly praised.

Whereas other market players started shifting slowly from possessing their media outlets as PR-extensions towards independent media, the Channel 5 development was stalled by the strong feeling of “victor”.

When the channel was reformed in 2003, four questions were brought up by the founders before the investor. These became clear indicators of the type of the outlet this and other channels were:

1. Is this business (versus political project)?
2. Is the investor aware of the cost scale?
3. Is the investor aware of the human capital cost and importance?
4. Is the investor ready for transparent procedures?

The market moved from answering “No” to all 4 questions, to slowly accepting the change. But the old professionals weren’t ready to shift to all “Yes”. Accepting new challenges became a challenge itself:

- Media serve the audiences
- Media have to market themselves before audiences
- Creativeness, style etc are secondary before the core content, which competes on the market

The lack of leadership on the market by Channel 5 as the role model (the legacy of being the only channel to withstand pressure and not to lie to the viewers), and absence of the responsive governmental policies, has lead to substitution of freedom with chaos or pluralism of dependencies. Most of the Ukrainian TV channels migrated from PR-outlets to

independent media, but never reached the final goal, stopping in the middle.

- The new definition of media means behaving on behalf of the audience if the interests of the owner are not involved, and on behalf of the owner, where they are involved

The progress made in the first part of this statement after the Orange revolution, left the second part untouched, thus failing to provide guaranteed product quality for the audience, as it never knows, whether the reports are professional.

Channel 5 has failed to provide leadership not because of the hostile environment, but because of its own managerial decisions. It turned out that it was not enough to know “what”, but after the challenge of the political pressure was off, it was important to know “how.”

Even under healthy or neutral political environment those are the human managerial decisions that in the end lead to secondary standards, and as a result – lack of freedom and efficiency.

Those countries’ media outlets will remain influenced more than influential on the international scale, often undermining the attempts to be internationally heard.

Political and legal conditions for managing the media business in Azerbaijan

Ibrahim Aliyev

Azerbaijan has been restoring its secular statehood, which declares democratic values, for more than fifteen years now. Its basic legal documents, that is, its declaration of independence, as well as the constitution adopted in 1995, envisage democracy, people's power, the guarantee of citizen rights, the inviolability of private property, and the achievement of other goals of contemporary human civilization as the state's priority tasks. The same things are also set forth in the country's other legislative acts.

But in spite of this, we regret to say that, as in other countries of the post-Soviet space, there is no functional democracy in Azerbaijan. It is merely a declarative statement in our country. Hence, the state of the media business in Azerbaijan is also declarative. I will try to describe the political, a little of the economic, and the legal aspects of this state. But I will begin with the legal.

Legal aspect

As I mentioned above, rather democratic and advanced legislation has been adopted in Azerbaijan. The constitution itself declares the inviolability of private property and the impermissibility of its out-of-court confiscation. This is important since the mass media in Azerbaijan act as economic entities, participants in the economic process, the activity of which, with some exceptions, is regulated by the same laws

and regulatory acts that deal with the functioning of other commercial structures. For example, tax and customs legislation fully applies to the mass media of Azerbaijan. But there are also certain distinguishing features.

For example, the procedure for founding media organizations is regulated by articles of a separate law of the Azerbaijan Republic on the Mass Media. And to be even more precise, Article 14 of this law permits a printed media organization to be founded without creating a legal entity. It should also be noted that the founding mechanism does not have licensing conditions. In order for a physical or legal entity to found a printed media organization, it is enough to inform the Ministry of Justice about this seven days prior to issuing the first publication. In so doing, if the founder of the printed matter is not a legal entity, he is registered with the tax service as an individual businessman.

It is more difficult to found a media organization along with the creation of a legal entity. But I must admit that even in this case the mechanisms stipulated for state registration are generally democratic and correspond to the practice of democratic states.

To sum up the legal aspect of the report topic, I should say that Azerbaijan has a relatively democratic legal base that provides legitimate possibilities for freely engaging in the media business. But this is where all the positive things essentially end and big problems begin. This is where politics come in.

Political aspect

Here there can be no doubt that the state of the media business in Azerbaijan is a mirror of the Azerbaijani political system and economy. The ruling regime in Azerbaijan is using the entire arsenal of political and

other tools to take the media business under its total political control. And it is at this point that the democratic legal base, without finding its fair application based on the equality of each and everyone before the law, turns into stacks of worthless paper.

This happens because instead of being the guarantors of law application aimed at ensuring the rights and economic freedoms of businessmen, the courts are essentially an appendage of executive power, which is becoming monarchized at lightning speed. Evidence of this, which is a graphic way to show how courts should not function, is the endless essentially anti-constitutional decisions of the Azerbaijani courts with respect to such media as Monitor, Eni Musavat, and Realnyi Azerbaijan, the owner of which is present here and will speak himself on his misadventures.

Politicized divvying up of the advertising pie

When talking about the political component of the media business in Azerbaijan, we should not ignore the problem of politicized divvying up of the advertising pie. After the courts and extortive illegal methods for putting pressure on the media, manipulation of the advertisement flow is the most effective way for the authorities to exert an influence on relatively independent media businessmen.

Incidentally, I will emphasise once more that the state of the advertising market also fully reflects the essence of the Azerbaijani economy. Our economy is far from functioning according to genuine all-encompassing market mechanisms and is under the impact of the financial and property interests of the ruling family and a group of bureaucrat-oligarchs.

Since the market of goods and services is divided up between several monopolists, whose spheres of economic activity do not intersect, there

is no market in the classical sense. This is why there is no free advertising market in place. And the very placement of advertisements in the mass media has been made tantamount to a political act. Incidentally, no one in our country is able to determine what the advertising budget for Azerbaijan is. There are no free institutions capable of carrying out this kind of monitoring or public tabulation of its results. But approximate estimates show that advertising turnover in Azerbaijan is miniscule in comparison with the country's other economic indicators, which shows there is no penetrating functional demand for advertising products. And if there is no demand for advertisements, there is no market environment either...

The Azerbaijani authorities, represented by certain subdivisions of the presidential administration, decide how much advertising a particular national media organization is allowed. In so doing, major economic entities receive corresponding directives permitting or prohibiting the placement of advertisements in a particular media service.

In other words, a shadow mechanism functions in Azerbaijan for maneuvering advertising flows that are not engendered by a functional demand for advertisement. And this mechanism has turned into a very efficient institution to exert pressure on and palm-grease exerted on those media businessmen inclined to strive for at least relative political independence of their media organizations.

I must admit that this state of affairs has led to the emergence of a very unhealthy atmosphere in interrelations between journalists and media businessmen. For example, not one of the large media organizations considers it necessary to let their employees know how much advertising is being placed. Working relations in the media sphere also leave much to be desired.

Incidentally, the authorities have recently also started making active use of economic methods for establishing control in the media business. Printed media are being opened using oligarch money, which are luring journalists to work for them from independent and opposition media by paying them salaries twice as high as those customary in the country.

Summary

To sum up my report, I must admit that the essential political, economic, and law-applying conditions for creating a genuinely free media business have not come into being in Azerbaijan. And this is largely explained by the conscious policy of the ruling regime in Azerbaijan, which is extremely inclined toward authoritarianism, rather than by objective factors. But Azerbaijani society has great potential for adapting to democratic forms of social structure. And in this sense, in spite of everything I described above, I am optimistic

The Georgian media: From grants to business

Paata Veshapidze

I am going to focus on a very sensitive problem for the Georgian media. Why have the Georgian media still failed to become a financially independent, self-sufficient business? Discourse on this topic goes beyond the scope of the media as such and is closely linked with questions regarding the development of the country as a whole. In my presentation, I will try to share my observations and offer a specific angle for discussion, since the problems of the Georgian media are very similar to those faced by the media community in many post-Soviet states.

In Georgia, there certainly are profitable media, but these are rare exceptions. Most of the print and electronic media barely manage to survive financially on their own or receive subsidies. This applies in particular to regional publications and radio and television channels, which for over 10 years have existed on grants from international donors. This has, in a way, allowed the Georgian media to remain under incubator-type conditions for years and to feel relatively relaxed. That is probably why there are good editors and journalists around in the country today, but no skilled media managers or marketologists. This is, so to say, an internal problem of the media community and one that is easier to resolve, but the reasons for television, radio, newspapers and magazines not making a profit are more serious and objective, more difficult to eliminate and hardly dependent on the media themselves.

Throughout the world, the media earn their main revenues from advertising sales. In countries where the free press has the most stable traditions and is most developed, 70-80 per cent of the total revenues of each media company come from advertising sales.

The advertising market in Georgia is very narrow. In 2005, the capital turnover on the advertising market was no more than US \$15 million, which, you must agree, is not even a drop in the ocean. Considering that a significant proportion of the total capital is accounted for by street advertising, the amount remaining for the media would hardly support even a single respectable television company. Considering also that the lion's share of advertising funds goes to the electronic media and print-runs in Georgia are small, the very existence of the press is a mystery.

Even so, there are several dozen radio and television channels broadcasting in Georgia and several hundred newspapers are published. And, strange as it may seem, someone wants them. Here lies the trick or, to be more precise, the vicious circle within which both the powers-that-be and the media owners feel at home. Yet this sense of ease is illusory, because it deceives everyone – the authorities, the media owners and the public at large. Where is the catch?

The main incentive to a company to engage in advertising is the competitive environment. The freer the business environment is, the fiercer is the competition, and the fiercer the competition – the more advertising orders the media receive. Being optimistic, Georgia is on the way to all this, but the current situation is not ideal, that is, there still is no true freedom of enterprise in the country or a truly competitive environment.

One short example: Tbilisi has a lot of chemist's shops. At least three major companies have appeared that distribute medicines, have a ramified retail network and their own pharmaceutical plants. My newspaper decided to play on the competition between them and began working in this direction.

We gathered information about the strong and weak points of the two biggest pharmaceutical companies, determined the competitive advantages of one over the other, in a word, thoroughly laid the groundwork for negotiations, but it was all a waste of time – because it turned out that they had one and the same patron, the same protector at the top, and in fact there was no competition between them at all. Moreover, they actually make money from the illusion of competition and they let us know that it would not be to their benefit for this to come out. That is, a highly-placed sponsor ensures them a certain degree of monopoly, and they officially operate as two companies in order to conceal this.

In a word, in Georgia today business is inclined towards oligarchic tendencies, which obviously presupposes unfair competition under which totally different, unwritten laws determine the success of a business and, given this, advertising is a waste of money or even counterproductive. In order to survive in this environment, the media quite logically seek some sort of support in oligarchic and political circles and it turns out that, in a country that has long since forgotten about the existence of censorship, the media are still dependent on the same political and business interests.

So, here lies our vicious circle: oligarchic business is controlled by the government, while the former directly finances and supports specific media, thereby gaining indirect control over the media, which are

provided for and feel at ease. The powers-that-be are also happy, and the oligarchy, which loses money on subsidizing a certain media, is in fact using this money to purchase the trust of the ruling circles.

In fact, all are victims in this situation:

- the media suffer, because constant compromises make journalists resign to their fate, which is fatal professionally. Anyone who resists is fired. Unfortunately, examples are many;
- business suffers, because unhealthy business relations become even more deeply entrenched;
- the government suffers, because it loses a sense of reality;
- and the main thing, the public suffers, because someone pays and someone takes the money to present black as white and vice versa, not to place critical materials, to ensure that people think identically, and so on.

In spite of the critical tone of my presentation, I am still inclined towards optimism, since this vicious circle has very weak links and the chain would be easy to break. Development of truly free enterprise will immediately change the situation; this is probably clear to all and does not need any clarifications on my part.

In my opinion, this is currently the trend that Georgia is pursuing. Real competition has already emerged in the banking sphere and in the construction business, as a consequence of which advertisements have literally showered on us from these sectors, and this is cause for optimism.

Equally important is an improvement in the investment climate in order to make major media holdings and publishing houses interested in investing

in Georgian media companies. There are such precedents already, both in television broadcasting and in newspapers, and this again is cause for optimism.

There is a slow but quite obvious change in the public's demand which is becoming increasingly focussed on professional journalism – another reason to be optimistic.

The situation still leaves much to be desired, however. Foreign grants still play the decisive role, with virtually all the regional media surviving on these. Unlawful transactions and dirty money still continue to determine the content of many media. Unfortunately, there still are many calling the tune and many dancing to it.

I believe, however, that all this is sure to end in the near future.

In conclusion, I would like to take this opportunity, since our conference is being held under the OSCE auspices, to voice a request or, perhaps, a recommendation to all international donors of the Georgian media: I am convinced that the time has come to curtail financing of the Georgian press and to channel the funds thus released to unrecognized separatist enclaves to promote freedom of expression and establishment of a civil society there. The Georgian media will somehow scrape a living, and natural selection will eventually begin to benefit one and all.

Meanwhile, the people living under horrendous ideological pressure in a closed environment of unrecognized territories are now more in need of help. This money would be spent effectively, since the more freedom these people acquire, the faster and more fairly all conflicts will be resolved. This is much more important, at least for my country.

Financial transparency and competitive management of the Armenian Public Television company

Gnel Nalbandyan

Is Armenian Public Television Company (APTC) interested in its financial transparency?

No.

Does APTC ensure (de jure and de facto) its financial transparency?

Yes. Otherwise this would be a violation of the law.

Can any citizen (organization) obtain the financial information they are interested in?

Yes. All this requires is writing a letter to the Company's executive director.

Does our Company need full financial transparency?

Full? No. But it does need fundamental transparency. But how can this be done?

And why is financial transparency necessary?

1. APTC's financial transparency is defined by the Law on Armenian Public Television, which stipulates that the television company is accountable to the republic's National Assembly.

Before the budget is adopted for the next year, the chairman of the Public Television and Radio Company Council presents clarifications and a full report in parliament. The report sets forth the amount spent on broadcasting by ground-based retransmission stations and by satellite, on producing its own commodity, on purchasing domestic television products, on purchasing the right to show foreign films and international sports programs, on repairing the television company's main facilities, as well as on corporative (Eurovision) or nation-wide television projects and cultural events (national celebrations).

Hearings in the National Assembly are the most responsible way of determining the Company's financial transparency, and they provide the legal basis for a full report to society. But the productivity of this process depends on the deputies' political interest. And this is something that is only effective in election years. And even then, it does not work in full.

2. But regardless of whether the deputies are interested in the logic of our revenues and spending, APTC publishes its spending and revenue report every year in the press (in the weekly newspaper TV Canal).
3. APTC's financial transparency is also determined by the fact that APTC is a full-fledged member of the European Broadcasting Union and submits a financial report to it every year. This international organization sets its annual membership fees precisely on the basis of the financial report. And there is no getting around this.
4. We also looked at the expediency of placing our reports on our website, but rejected this idea since the members of the European Broadcasting Union do not engage in this practice.

5. Another form of ensuring financial transparency is the right of any citizen or organization to address inquiries to APTC.

Has this ever happened? Yes, once, last year. And it was just to check how precise, quick, and friendly our reaction would be. The inquiry was made by a public organization engaged in problems of information availability. Thankfully, we made the grade.

All of this leads to the thought that regardless of whether or not APTC is interested in its financial transparency, it is obliged to be financially transparent and can essentially prove it in practice.

But at this point, a very important question arises: does the taxpayer need our full financial information? After all, a financial report is a whole stack of documents that even the most wily has trouble wading through. And many months of tedious work by a professional financial-and-economic and juridical commission well-informed about the television business is required in order to understand precisely what lurks behind a transparent and generally available figure. However, all the taxpayer needs is to figure out how efficiently budget funds are being spent.

And this is where the availability of the principal parameters is important. For example: what is the ratio between the lines in the budget headed “Spending on the preparation of television programs” and “Spending of the managerial structure”? Or what part of our budget do we spend on maintaining the officialdom? At APTC, this accounts for less than 1(!) per cent of the total budget. This is an entirely understandable parameter. You have to agree that auditing agencies would be asking a lot of questions if this parameter were higher than 10 per cent.

Another parameter: trips abroad by the director and managers. What are the expenses and who is paying for them? Here we have a double-edged sword. If the Company pays for them, we need to ask whether these trips are productive and justified, and if they are paid for by a third person – who he or she is and to what extent the Company's financial independence from local oligarchs and business structures is ensured?

Another important problem and bone of contention for television companies are financial flows from advertisers. Private Armenian television companies are accusing APTC of taking the lion's share of television advertising, while they themselves are conducting a dumping policy. In order to clarify what is actually happening on the market, we need, sorry for being trite, to correlate all the advertising revenues of all television companies and identify what percentage constitutes legal flows and what percentage is shadow.

But this will not come true while Armenia's television companies have different degrees of financial transparency and different tools for ensuring this transparency.

For example, we no longer have any major disagreements with respect to the transparency of television product ratings, since a common language and the same tools are used for revealing the real state of affairs in this respect.

Can such universal tools be introduced in financial accounting? Is there any point in this? Will this become a lever of pressure on television companies?

I do not have any unequivocal answers to these questions. But it is obvious that financial transparency, like litmus paper, should

reveal whether or not television companies are economically protected by political forces or branches of power, the criminal world, or oligarchy structures.

Of course this protection exists! Says a man in the street – and will be right.

Of course it doesn't! Says a demagogue – and will be right.

In the final count, they will both be right as long as a television company perceives financial transparency as an end in itself, as a way of avoiding “bothersome” public and international organizations, that is, for marking up points.

The most difficult thing is to understand that financial transparency forms the legal basis for the television company's competitiveness. This is difficult to comprehend, since financial secrecy is extremely effective in the short run. But when there are long-term business plans, it becomes clear that clandestine financial conduct will slow down the television company's economic development and competitiveness.

We have moved on to the problem of APTC's competitive management.

Does APTC recognize that it is competing with commercial channels?

Yes.

Does APTC have streamlined mechanisms for defining its competitiveness?

Yes. The main tool is rating indices.

How productively is APTC competing?

APTC's high competitiveness is due to the fact that its rivals are setting themselves approximately the same priorities as APTC, but are losing. How long will APTC's competitiveness last, and in which areas will APTC's position become weakened?

Let's begin with the last question.

APTC will be unable to maintain efficient competitiveness in all spheres of the television industry. Sooner or later, the logic of the television business will begin working in Armenia and narrow-profile television channels will appear, possibly cable networks that will broadcast to a specific audience or with a specific content. For example, if today someone decides to create a pure sports channel, he or she will undoubtedly be able to surpass both APTC and other VHF and UHF channels in this respect in a short time. A cable sports channel is essentially a no-lose business project today in Armenia.

Another area is a round-the-clock information channel, again cable, since UHF (let alone VHF) broadcasting will be unable to recoup the expenses of this kind of business.

The specifics of the Armenian television market are such that real television professionals can be counted on both hands. There are legions of television journalists, but no more than ten professionals, and they are all scattered around different channels. Each company has one. The same goes for television directors. There are a few high-quality television operators, while truly qualified television commentators can be counted on one hand, and there are even fewer excellent sound directors and light engineers. And those there are used to work for state television in the past.

This is an extremely abysmal situation and, in my opinion, the main reason for the low competitiveness of all channels. This is the very reason Armenian television has become the favourite place for all kinds of unskilled people to spend time, businessmen do not perceive the television industry as a business, and channels easily become propaganda appendages of the ruling or oppositional political elites. In this situation, what other option does APTC have but to outshine its rivals. And to be more serious, APTC's competitiveness today is defined by three factors: tough production discipline, the synchronous work of a small group of superprofessionals, and flexible management. Tough production discipline largely applies to the information service and broadcasting control room, while a small group of synchronously and smoothly working super-professionals form the backbone of the technical and engineering personnel, as well as of the information service. And now we will explain what we mean by flexible management.

For this, we need to begin with the first question: does APTC recognize that it is competing with commercial channels?

We should honestly admit that for a very long time, APTC considered itself beyond competition. "We are first!" And there was no other question about it. Understanding competition on a daily basis began when rating reports started coming in.

The attitude toward rating tables was rather prejudiced at first, but we gradually understood how these tables could be used to change the picture. We began to distribute different programs around different time zones to find the most suitable place for a particular program, which ensured the highest rating. The management radically cut back the length of the main information program at 21:00 (by approximately half – now it runs for 20-25 instead of 45-55 minutes).

The daily rating indices forced the management to remove programs from the air that were cumbersome. It was precisely these indices that gave rise to the following question this spring: why should APTC air the television programs of various authorities? This applies to the official programs of the Parliament, Government, Ministries of Agriculture, Defense, and the Interior, particularly since they prepare and edit the programs themselves and APTC has absolutely no influence over their content.

But if APTC has streamlined mechanisms for defining its competitiveness and the main tool is rating indices, how productively is APTC competing? Seven main areas of tough competition:

1. Information;
2. Talk shows;
3. Feature films;
4. Serials;
5. Sports programs;
6. Entertainment programs;
7. Cartoons.

The first item: Information. This is a particular component since there is essentially no competition on Armenian television with respect to information content. According to my own observations, approximately 80 per cent of the topics are repeated on all channels. Our information simply differs in that it is compiled much more intelligently. The only problem is how to define the amount of public trust in the information content. But this is not a question of management.

The second item: Talk shows. In this respect, we do not have an advantage, since this genre has not yet found its legs and will take a long

time to become properly streamlined, that is, in keeping with Western and Russian standards.

It should be stressed here that APTC only airs political talk shows and television debates during election campaigns. In this respect, we are losing to our rivals. Right now we are facing parliamentary elections, so we are preparing television debates. The negative thing is that in this way we are not creating traditions for this genre, and there are no qualified commentators for political talk shows and television debates.

Meanwhile, during the presidential elections (which will be held in a year), we will simply be obliged to invite everyone, or at least the main presidential candidates, to participate in television debates.

In 2003, we had the unfortunate experience of presidential candidates making a whole slew of demands on our channel. But we were nevertheless able to organize this meeting.

As for the other items: Feature films, Serials, Sports and Entertainment programs, our competition is very productive, but at times we find that our rivals are broadcasting unlicensed products, whereas we only air licensed programs. Sometimes some channels even show films that we bought the rights for and paid a bunch of money to air.

I have already mentioned that the high competitiveness of APTC is due to the fact that our rivals are setting themselves approximately the same priorities as APTC, but are losing. This is also partly a result of the fact that some commercial channels, after obtaining a license to broadcast, soon withdraw from the program priorities set forth in the licenses. This is, of course, their problem with respect to the law, but it is a problem of our entire television market as well, since the political component of business

intentions takes priority, and the economic components are pushed into the background along with the logic of the television industry.

The most important thing for APTC in all of these manifestations of the television market during the transition period is to find its public face, express the interests of all strata of society, and in so doing remain a competitive and commercial organization.

Challenges for media development in transition countries – case study Bulgaria

Ognian Zlatev

General Context

The stable development of the market economy in Bulgaria, the increased foreign investments and the growing stable trend in advertising budgets have led to a relatively well developed media market in the country. According to financial analysts, the Bulgarian media market is quite dynamic and risky involving a number of stakeholders and serious competition.

Media consumption researches show that TV, radio and magazines are most preferred. Newspapers come fourth in the rank, but the use of Internet newspapers editions is growing. Print media followed the trend of transformation of the readership and moved from “serious” towards “yellow” press. In the last years political party-related press gradually disappeared (at this moment there are only two clear party-affiliated publications ATAKA daily and Demokratsia weekly) and the market was taken by tabloids and sensationalistic publications with a small segment of serious newspapers (there are only two newspapers funded directly by the State – Bulgarska Armia (Bulgarian Army) and Durzhaven Vestnik (Official Gazette)). In an attempt to boost circulation a significant number of newspaper publishers started offering book collections or DVDs as supplements to the publications.

Booming advancement of light, entertaining, sensational and celebrity-oriented press coincided with similar programs on TV thus creating grounds for debates among media experts and society at large. A popular public figure from the show business even launched a legal campaign against the “yellow press” and took a number of publishers of such papers to court.

The annual circulation of newspapers in 2005 has decreased compared to 2004. The number of newspapers in 2005 has been 423, of which 60 are dailies and 183 weekly. Their combined annual circulation is 310 million BGN according to official data from the National Statistical Institute (approx. 160 mln Euro).

However, in 2005 a significant number of new newspapers and especially magazines have entered the market. Most of them are licensed versions of international brands (e.g. ELLE, Maxim, Brava Casa, etc.)

A total of 346 programs operated on the Bulgarian media market in 2005. 144 of these are radio and 202 are TV. Three radios have national coverage – both stations of the Bulgarian National Radio (Horizont and Hristo Botev) and private Darik Radio. Three TV stations also have a license to broadcast nationally – Channel 1 (Bulgarian National Television) and private bTV and Nova.

There is a clear growing trend of using Internet media – media consumption of newspapers and radio in Internet has doubled in the last year. There is a growth in the consumer-generated-media especially in the capital and in the largest regional towns in the country. Blogs have multiplied and more and more of them address social and political issues. The media ownership in most cases is transparent; however, current legislation does not guarantee full access to shareholder information.

Almost all media in the country are funded on commercial basis with the exception of the state television, two state radio stations and the Bulgarian News Agency.

The relationship between editorial and business departments in media generally depends on the financial results: the more profitable a media is, the greater the separation is.

Media Ownership

Media ownership still continues to be a debatable issue in Bulgaria. Bulgaria's print media market is dominated by foreign ownership – the German WAZ group which accounts for approximately 70% of the market share, including the highest circulated dailies TRUD and 24 Hours, other weekly and daily publications and the largest distribution companies in Sofia and Varna.

However, 2005 was the year of the major (after WAZ in mid-90ies) influx of foreign investments in print media: Georg von Holtzbrink of Germany (publisher of Handelsblatt) set up a 50:50 joint venture with the publishers of Dnevnik daily and Capital weekly; Scandinavian Bonnier Group took over financial daily Pari; Bulgarian editions of Foreign Policy, Business Week, National Geographic, Maxim, Elle, Brava Casa, Grazia, Don Balon also appeared on the market.

Zemja daily, Vestnik za doma weekly and 7 Dni TV united in the first of its kind media consortia of print and electronic media in Bulgaria.

In early 2006 APACE Media finalised the acquisition of 66% of Diema Vision, which owns the cable TVs Diema +, Diema 2 and Diema Extra. The Scandinavian media company SBS Broadcasting Group bought

radio and TV Vesselina as well as other radio stations (Vitoshka, Atlantic, Express, etc.). Communicorp. of Ireland took over BG Radio, Retro Radio, Radio 1. In view of the forthcoming membership of Bulgaria in the EU the Parliament has just amended the Radio and Television Law allowing for companies registered in the EU to own media outlets in Bulgaria (so far the regulation required that the company should be registered in Bulgaria even if the owners were foreign citizens/companies).

The foreign investments in the Bulgarian media market sharpened the attention of the Council of Electronic Media (the Bulgarian regulatory body) and they announced that the Council will implement a special monitoring procedure on the acquisition of shares from media.

Another major expansion was noticed with bTV – the leading satellite station – which is held by News Bulgaria Inc, USA. The company has launched two new television channels – GTV and Fox Life and acquired N-JOY radio, Classic FM and Jazz FM. The owners of bTV just received a “green light” from the Anti-trust Committee to acquire Z-Rock radio station which set the pattern for the first case of major broadcast concentration in Bulgaria.

Media – a profit-oriented business with responsibility to the public

Most Bulgarians – journalists, media owners and the general public – are aware of the need for ethics in journalism. This does not mean that everyone in the media community is ethical. In the case of egregious violations, however, everyone seems to know that rules have been broken.

Few question the relationship between high professional standards and the business success of the media. Generally, successful Bulgarian media

respect the professional ethics and the independence of their journalists. The owners of these media, in fact, cite this respect as one of the reasons for their success.

Their not-so-successful colleagues see a different picture: the financially stable media can afford ethical standards. The Bulgarian media reality offers even more extreme variants.

Finally, it can be summarized that the successful media model in Bulgaria has most of the following characteristics:

- A transparent ownership
- Editorial independence
- Separation between the editorial and the business departments of the media
- Clear editorial policies
- Explicit rules that guarantee the independence of the journalists at different levels in the newsroom
- Ethical standards, recognized by everybody
- Separation of advertising from editorial content
- Decent remuneration for journalists

Thus, it can be concluded that there is a mix of good and bad practices in the Bulgarian media market. It offers several examples of how adherence to generally accepted ethical standards leads to success. The media with the highest ratings and advertising revenues have clear ethical standards, which are obligatory. On the other hand, examples of unethical behaviour are plentiful. In almost all cases, the ethically questionable media have been unsuccessful in business. Attempting to survive, they make greater and greater compromises, and consequently lose audience.

Conclusions

The intensive competition on the Bulgarian media market has created an environment in which the success of the media business is linked to ethical practices. Newspapers, TV and radio stations attracting the biggest advertising revenues are the ones with clear professional rules, which they actually implement. The main reason for this situation is competition.

Yet there are no active unions for journalists in Bulgaria. Driving the competition that promotes ethical behaviour is a general public desire for unbiased and trustworthy information, useful analyses and commentary.

During the last few years the main threats to media independence came mostly from three directions. In the beginning of the social transition after 1989, the most serious pressure came from politicians. The new social and political conditions, the creation of new parties, and the lack of journalistic experience, gave rise to several serious and credibility-threatening scandals.

Lessons were learned, however, and after the initial chaos, the media found ways to report politics in a more balanced way.

The political transition was followed by an economical one. In this period the independence and objectivity of the Bulgarian media were threatened once again by powerful economic interests. Sometimes media owners or their editors-in-chief skewed reporting in order to help one business or another. The lessons from this period were also learned, and this stage is currently passing away.

However, another challenge to the independence and objectivity of the media currently comes from commercial enterprises seeking free

or positive publicity for their products and services – and to avoid negative reporting about them. More and more companies try to plug their products and services without explicitly stating that they are being advertised. This is leading to an increase in corruption practices among journalists, and such corruption is not always financial.

Very often, reporters are offered free journeys abroad, free stays at nice hotels, free lunches and dinners. This leads to publication of stories, which otherwise wouldn't have been published or aired. Obvious ethical compromises decrease trust in the media.

At the same time, the commercialization of the Bulgarian society is prompting more “consumer” reporting, often viewed as thinly disguised advertising. Potential advertisers have yet to accept that media may fairly comment on their products, positively or negatively. Big advertisers also use their budgets to influence media coverage.

The new challenge facing all media that insist on maintaining their integrity will be finding ways to give readers and viewers trustworthy information and objective comments about the quality of products and services. And this, in all cases, will be a process in which journalists, owners and advertisers will all play important roles.

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