



POLITICAL INTERVENTIONS IN MEDIA MARKETS

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Market distortion effects

- Legislative changes
 - advertising tax
 - television distribution fee
- Public service media
 - over-financed and not transparent
- Restructuring of radio market
 - decreasing diversity
- Political pressure on media companies
 - origo scandal
- State advertising spending
 - Increasing concentration of state advertisement spending
 - the main beneficiaries are part of Fidesz-affiliated media empire



Legislative changes I.

Advertising tax

- Introduced in July 2014
- Progressive tax
 - <0,5 bn HUF (~1,6m EUR): 0%
 - 0,5bn HUF – 5bn HUF (~16m EUR): 1%
 - 5bn HUF – 10bn HUF (~32m EUR): 10%
 - 10bn HUF – 20bn HUF (~64m EUR): 20%
 - 20bn HUF<: 40% (50% from 2015)
- Only RTL Klub (market leader commercial TV channel) reaches 20bn HUF advertisement revenue
- In August 2014 RTL paid 80% of all advertisement tax
- Its competitor, TV2 was in a tax exempt status in 2014
- „Lex RTL”

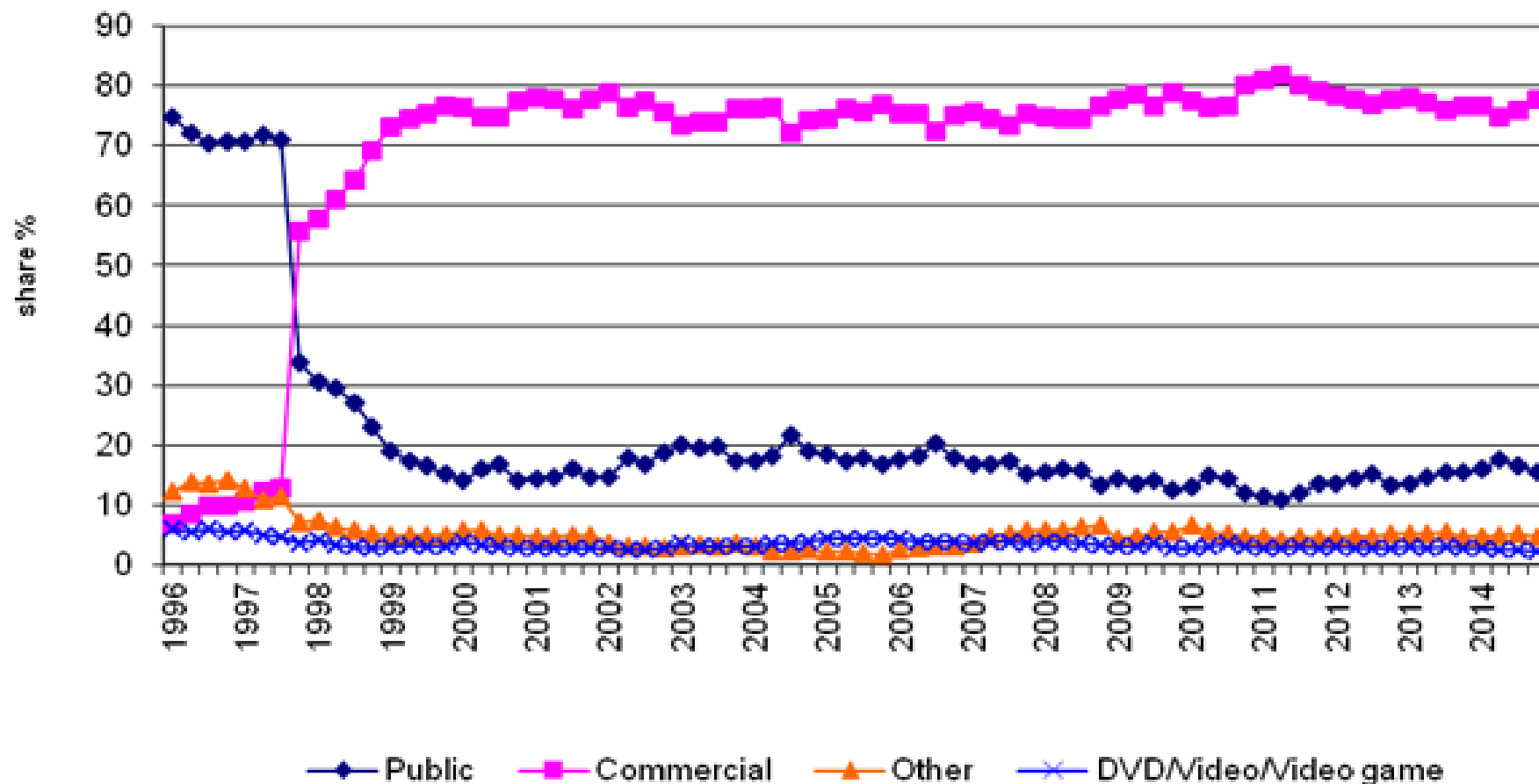


Legislative changes II.

Television programme service fees

- RTL Klub and TV2 as national commercial television channels were not allowed to ask programme service fee from operators (cable, satellite, IPTV) until the end of 2014 (latest date of digital switchover)
- The business plans calculated with this service fee from 2015
- Amendment of media law in September 2014: RTL Klub and TV2 must continue the broadcast for free, until the government works out a pricing formula
- Until now the pricing formula has not been published

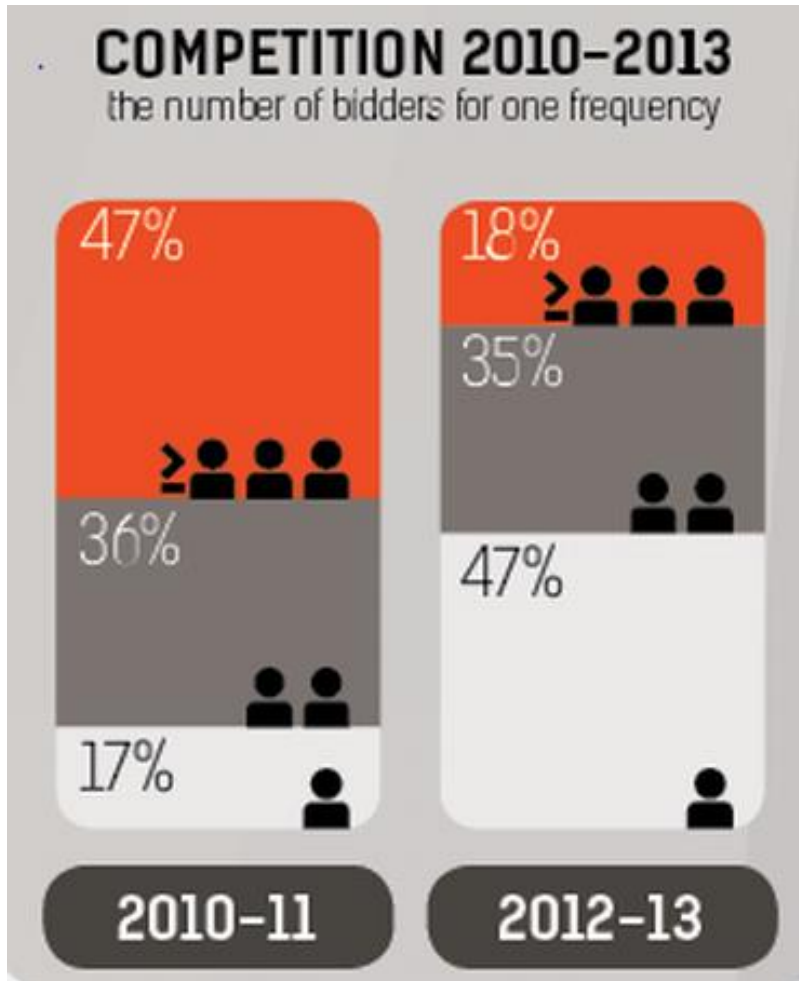
Audience shares in Hungarian television market (%)



Public service media in Hungary

- Significant structural changes in 2010 and 2014 (MTVA)
- Increasing state support:
 - 2010: 30bn HUF (~97m EUR)
 - 2013: 77bn HUF (~245m EUR)
 - 2013 revenues of commercial TVs: RTL: 23,7bn HUF and TV2: 16,2bn HUF
- Lack of transparency
- Mérték's lawsuit against Public Service Fiscal Council for its agenda, decision-making documents, and the memoranda of the sessions
 - Lack of detailed financial data
 - Lack of definition of public service missions
- Huge loan of MTVA 61.6bn HUF (~ 200m EUR) without any parliamentary approval or Public Service Fiscal Council approval

Restructuring of radio market



- Increasing concentration
- local stations are disappearing
- Preferred players are radios belonging to rightwing media empires and radios with religious content
- Lack of frequency tendering policy



Political pressure on media companies I.

Origo scandal

- Origo is the market leader news portal in Hungary
- After an investigative article the editor-in-chief was fired in June 2014.
- Almost the whole editorial staff followed him.
- In the following days a growing number of reports appeared about the political pressure on Origo's journalists.
- The portal's owner, the incumbent telecommunications company (Magyar Telekom) is owned by Deutsche Telekom.
- Observers conclude that if such a huge company cannot withstand political pressure, then smaller Hungarian media owners do not have a chance.



Political pressure on media companies II.

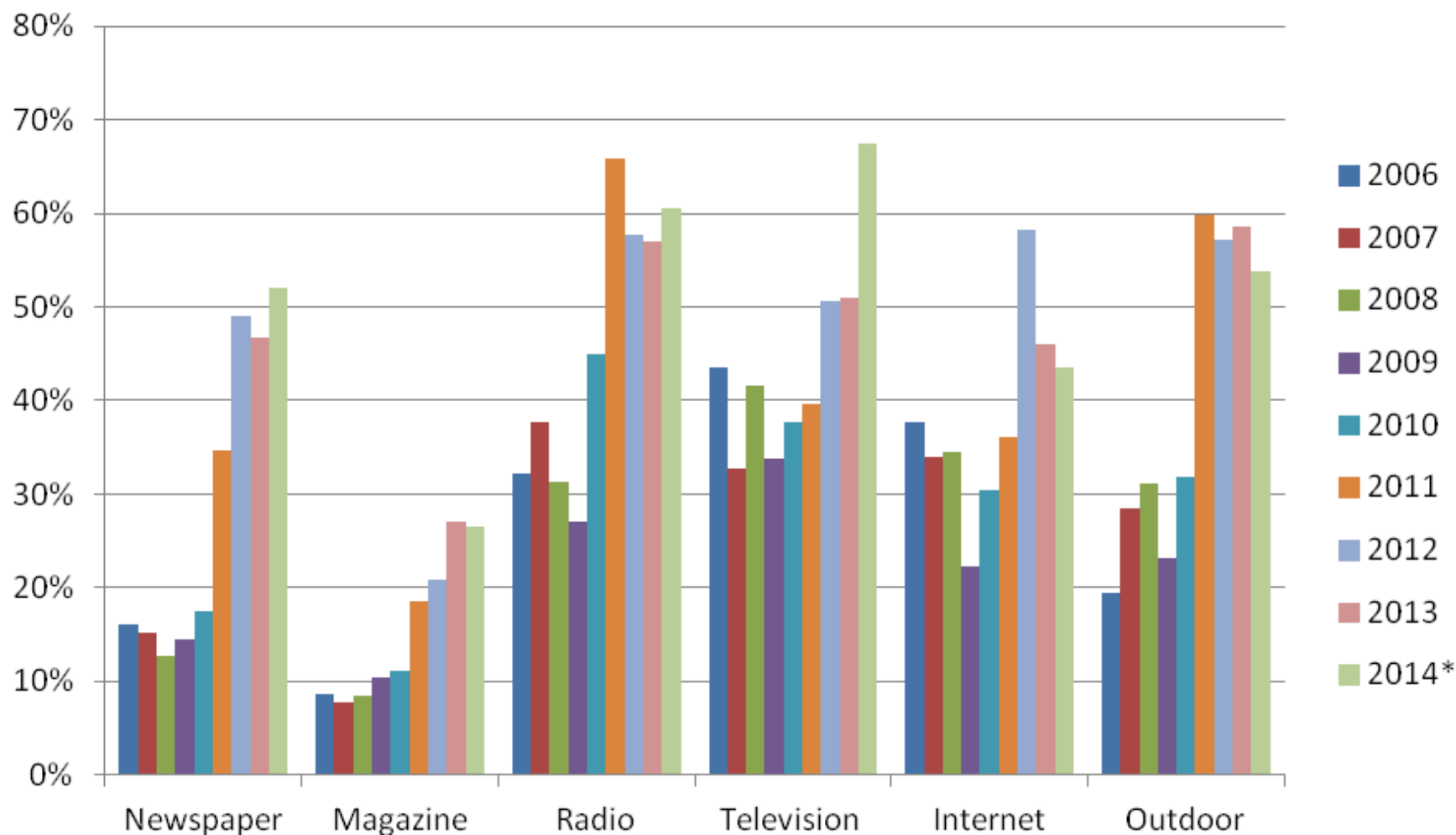
Nontransparent changes in the market

- ProSiebenSat1 sold its Hungarian subsidiary, MTM-SBS Ltd. (TV2 commercial channel). The buyers are the company's own general manager, Zsolt Simon, and its financial director, Yvonne Dederick (vendor loan). There are speculations who are behind the deal.
- The pro-government media empire is undergoing significant changes, the so-called oligarchs have conflicts with the governing party.
- In January 2015 Prime Minister Viktor Orbán announced at a closed meeting that the government's communication strategy would be transformed: it would rely on public service media in the future. This also implies that state advertising purchases will be directed to the MTVA, and the rest "should not count on any significant amounts of state advertising in the coming period, they will have to learn to stand on their own two feet."

State advertisement spending 2006-2014 August

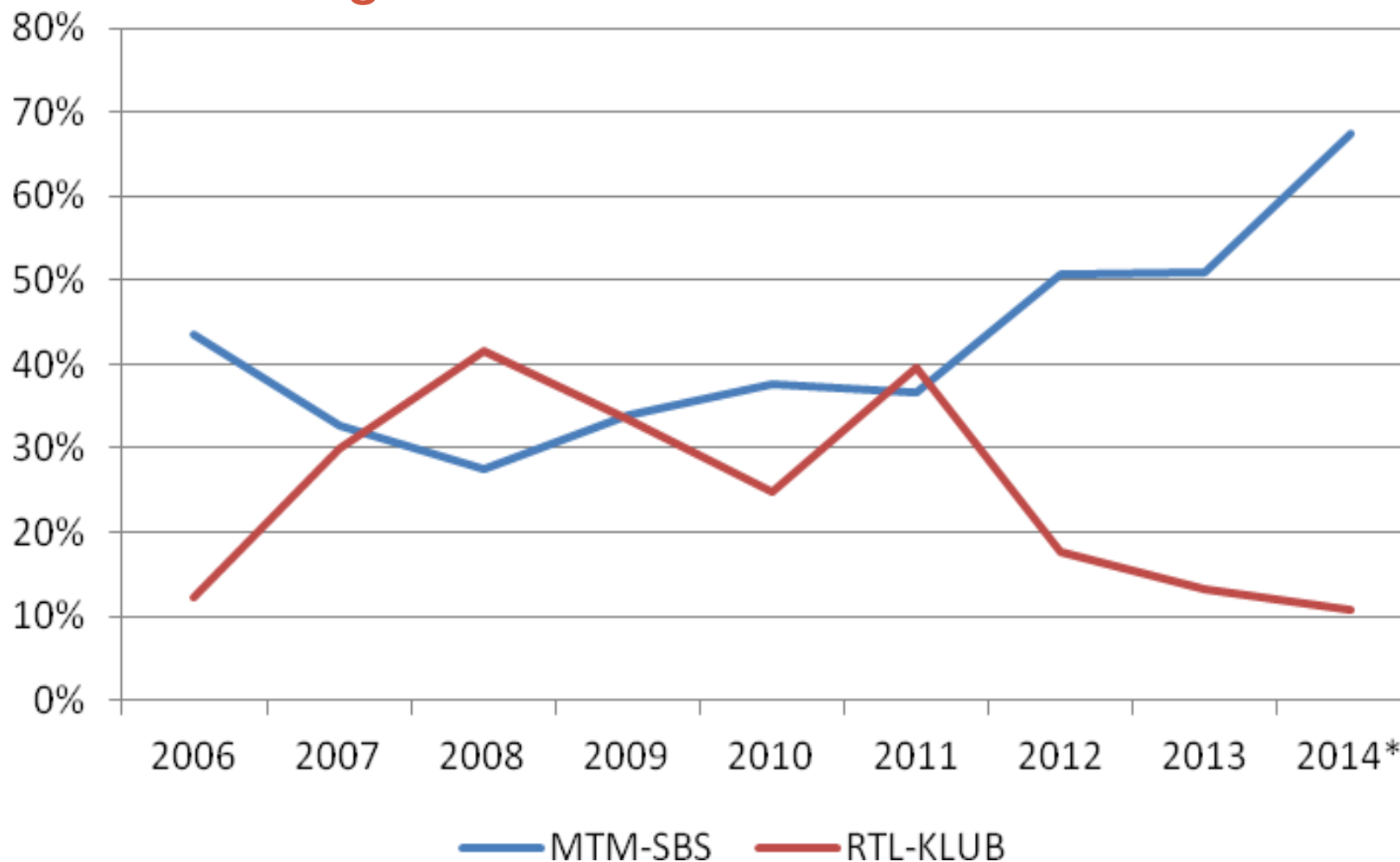
- Growing concentration of state advertising spending after 2010: major beneficiaries in each sector took an increasingly greater share of state advertising – the winners turned into "great winners".
- The main beneficiaries in the daily newspaper, magazine, radio and outdoor advertising markets have been the same for years now (Metropol, Heti Válasz, Class FM, Publimont, respectively). Based on the ownership structures, these companies are obviously part of the Fidesz-affiliated media empire.
- TV2's share of state advertising spending in television has grown in recent years, and how RTL Klub's share has dropped in parallel.

The share of the greatest beneficiaries of state advertising spending in each sector, 2006-2014 August



Source: Kantar Media

The shares of RTL Klub and TV2 (MTM-SBS) in the state advertising spending in the television sector, 2006-2014 August



Source: Kantar Media

Thank you for your attention!

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