

#ReForMediaMKD

OWNERSHIP AND FINANCIAL MODELS OF THE MOST INFLUENTIAL TV CHANNELS IN MACEDONIA, CROATIA AND SLOVENIA

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COMPARATIVE ANALYSIS OF THE COMMERCIAL TERRESTRIAL TV-CHANNELS ON NATIONAL LEVEL

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1. INTRODUCTION

What it is and what should be the role of commercial media in the society: do they have to be exclusively focused on their business success as any other commercial entities at the market and, consequently, owners shall treat media only as a business that brings profits? Or they should also focus on their social responsibility and in terms of their journalism and other content production should serve the public interest and democracy in the country?

While these questions do not have a simple answer, it is certainly an essential issue that arises when analyzing media landscape, and particularly the biggest commercial TV channels on national level, as most influential and most watched by the audience. Principally, it is the task of the state to protect the interests of its citizens and society; therefore, there must be a minimum regulation as in every industry. Consequently, audio-visual media that produce media content, including commercial, have a duty to adhere to certain basic standards, such as protection of public interests for cultural diversity, the right to information, media pluralism, protection of minors, protection of consumers and persons with disabilities, prevention of hate speech, protection of domestic production or promotion of works of European production.¹

Although producing high-quality media content does not constitute an explicit legal obligation for commercial TV-channels, it is clear that their ratings and popularity depend on it - parameters that are of critical importance to attract commercial advertisers and generate revenues of advertising. That should be an incentive for commercial broadcasters to produce high quality, diverse and original content that will consider audience requirements, but will also follow and impose quality standards. Nevertheless, to understand the way of functioning and business-model of commercial TV-channels, as well as the quality of the content produced, mechanisms that drive the television business shall be taken into consideration. This often includes ownership and financial relations that media maintain with various political and business centers of power.

This analysis focuses on the commercial terrestrial TV channels on national level in Macedonia that have a dominant market position, both with regard to the financial power and in terms of their viewership. They are placed in a comparative perspective with the most viewed national TV-channels in Croatia and Slovenia. The purpose of the comparative analysis is to compare the ownership and financial models, and identify whether there are good practices in Croatia and Slovenia that would be useful for consideration in the development of the audio-visual sector in Macedonia.

¹ European Parliament, EU Audiovisual Media Services Directive, Official journal of the European Union, 2010. Available at: <http://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32010L0013>.

Table 1: Basic parameters relevant for the comparative analysis

General information	MACEDONIA	CROATIA	SLOVENIA
Population (mill.) (2015)	2,07	4,20	2,06
GDP per capita (Euros-rounded)(2015)	4,330	10,350	18,500
Estimated value of the commercial TV-advertising market (2015)	About 25 million Euros	About 90 million Euros	About 70 million Euros
Total number of TV channels(2016)	66 TV-channels:	32TV-channels:	89-TV channels: ²
-commercial TV channels on national level	- 10 on nationallevel (5 terrestrial and 5 satellite) - 3 TV-channels on state level in the public communication network	-7 onnational level	-7on national level*
- on regional and local level	- 53onregional and local level	- 20on regional andlocal-level (1 nonprofit)	- 68 TV channels (local, regional level) - 9 channels of special interest (5 local, 3 regional и 1 non-for-profit)
-PSB	-3 TV channels of the PSB the Macedonian Radio – Television	- 4 TV channels of the PSB– Croatian Radio Television	- 5TV channels of the PSB – the Radio Television of Slovenia(3 national and 2 regional)

Source: World Bank; Macedonia: Agency for Audio and Audio – Visual Media Services (AAAVMS);Croatia: the Croatian Association of Organizations for Market Communications Agencies; Slovenia: Marketing magazine and Agency for Communication Networks and Services(AKOS); Web-pages of the media.

Source: World Bank; Macedonia: Agency for Audio and Audio – Visual Media Services (AAAVMS);Croatia: the Croatian Association of Organizations for Market Communications Agencies; Slovenia: Marketing magazine and Agency for Communication Networks and Services(AKOS); Web-pages of the media.

Croatia and Slovenia were selected based on the assumption that they could offer good examples in several segments due to the development of the media market and the reform of the media system implemented during the EU accession. All three countries share common historical and political past, and similarly, arduous transition process towards development of new pluralistic media systems. Media scene during the 90s was highly chaotic in all three countries - many media appeared on the market, legal regulations contained many inconsistencies, institutions were not effective and political and business impacts were deeply rooted in the media systems - effects of which can be still felt today.

Macedonia has a large number of TV channels compared to the size and population of the country, but only a few of the national terrestrial and regional ones, can be considered to be in good financial condition. Although the number of formally registered TV-channels in Slovenia seems to be high at first glance, those with significant size of operations and influence are not so numerous. In Croatia, however, the number of national commercial terrestrial TV-channels and their total number is, in general, also smaller, although the

² The Agency for Communication Networks and Services (AKOS) classified the media according to the type of programmes (general, special and public) or by the type of distribution (terrestrial, IP-TV, cable, etc.). In this table, the author made a combination of the data in order to make a comparison with two other countries. Source: e-mail correspondence with AKOS, 23 March 2017.

state is two times bigger by the population number and the territory from the other two countries.

Media television landscapes in Croatia and Slovenia are rather diverse, with stable public service media of good quality as well as with strong commercial TV channels that have high ratings among the audience and create innovative programming content of good quality. Both countries are now members of the European Union, which means they can offer Macedonia „lessons learned“ from the process of harmonization and approximation to the EU standards in the field of media. Thus, in the process of reforming the Macedonian media legislation and its alignment with the Audio and Audiovisual Media Services Directive in the period 2011-2013, the expertise and examples of the legislation in Slovenia were used. The Croatian media and their programmes have been always considered an example for the Macedonian TV-stations - both from managerial and production and genres' aspect.

This analysis is part of the project “#ReForMediaMKD - Citizens, CSOs and Institutions Reforming Media in Macedonia”, which builds on the research in the four-year regional project Media Observatory of Southeast Europe, where various factors and problems that prevent media to fulfill their democratic functions and protect the public interest were explored. The research, which was conducted in the period between October 2016 and March 2017, used secondary data obtained from relevant sources in all three states. In addition to that, research, analyses, reports and other publications of relevant national and European media organizations were consulted. Interviews were conducted with media experts and representatives of the TV-industry in Macedonia (3), Croatia (4) and Slovenia (2). Data were collected also from relevant institutions, regulatory bodies, ministries, research agencies and media in all three countries.

2. OWNERSHIP MODEL OF THE MOST INFLUENTIAL COMMERCIAL TV-CHANNELS ON NATIONAL LEVEL IN MACEDONIA, CROATIA AND SLOVENIA

Ownership of the national commercial TV channels in Macedonia is exclusively concentrated in the hands of domestic legal entities and individuals, while in Croatia and Slovenia major international media corporations, such as the US-owned Central European Media Enterprises - CME and the German-owned RTL dominate the media market.

These broadcasting groups own channels that play a key role and have high stakes at various national markets.³ CME, for example, is one of the first investors in commercial television markets in Central and Eastern Europe (founded in 1994), operates in six countries and has 36 TV-channels that address an audience of 50 million people.⁴ On the other hand, RTL is one of the oldest media groups in Europe founded in 1924 and has a stake in the ownership of 60 TV stations in nine countries in Europe and Southeast Asia, as well as 31 in radio stations in six European countries.

³ Fontaine, G., and Kevin, D., MAVISE EXTRA: *Media ownership: towards Pan-European groups?*, *European audiovisual observatory*, 2016. Available at: <http://www.obs.coe.int/documents/205595/264629/Media+ownership+towards+pan-European+groups/418385fa-cf0e-4c12-b233-29476177d863>. Pg. 7.

⁴ Central European Media Enterprises website: <http://www.cetv-net.com/about-cme/company-overview/default.aspx>.

Table 2:Ownership of the commercial TV channels on national level in Macedonia, Croatia and Slovenia

	MACEDONIA	CROATIA	SLOVENIA
The number of commercial terrestrial TV-channels(2016)	5	7	7
Name of the national commercial terrestrial TV-channel⁵	1. Sitel 2. Kanal 5 3. Telma 4. Alsat – M 5. Alfa	1. Nova TV 2. RTL	1. POP TV 2. Kanal A 3. PlanetTV 4. TV3
Ownership	1. TV Sitel/MONTEKO - 100%; 2. Kanal 5/Vanja Z. Gavrilovski- 100% 3. Telma TV /Makpetrol AD Skopje- 100% 4. Alsat - M TV /FerikVelija 1% andVEVEGROUP - 99% 5. Alfa TV /ALFA SKOP LLCskopje- 100%	1. Nova TV/CME– 100% 2. RTL/RTL Group - 99,9% and Atlantic Group -0,01%	1. POPTvandKanalA/Proplus -100% 2. Planet TV/ TSMedia-50,1% (Telecom Slovenia) and Antena Group(Greece)- 49,9%(Since end of 2016, Telekom has 66% in the ownership of Antena TV SL, and Antena Group-34%) 3. TV3/Pro TV (previously owned byPink Media Group)
Beginning of operation on the market and format	1. Sitel TV -1998 2. Kanal 5 - 2004 3. Telma TV -2004 4. Alsat – M -2004 5. Alfa TV – 2013	1. Nova TV–1999, acquired by CME in 2004 2. RTL –2004	1. POP TV – 1995 2. Kanal A – 1991, acquired by ProPlus in 2000 3. Planet TV – 2012 4. TV3- 2013 (the TV channel has changed its name several times – previously Pink Si TV and TV3Medias)
Other TV channels and platforms o the companies on national level	1.Sitel 3 and Kanal5 Plus are satellite TVsthat broadcast on state level. Even though there is no formal ownership connection with Sitel TV and Kanal 5 TV, they operate under the same brand and they often repeatedly broadcastsame shows from the terrestrial channels in their programme scheme. 2. Sitel 2is a regional TV (Kratovo, KrivaPalanka and Kumanovo)in 100% ownership of the broadcasting company Sitel TV.	1. Nova TV I.l.c: Nova TV and Doma TV 2. RTL I.l.c: -RTL, RTL2, RTL Kockica	1. ProPlus: thematic channels BRIO, KINO and OTO, the most visited online news media www.24ur.com, seven specialized web-portals and the first video – on – demand Internet service VOYO 2. TSMedia: www.siol.net, one of the most visited online news media in Slovenia

Source: Macedonia: Agency of Audio and Audiovisual Media Services; Croatia: Agency of Electronic Media; Slovenia: AKOS; Web-pages of the media.

The research of ownership will focus on commercial terrestrial TV channels that broadcast nationally

⁵ Croatia has two more commercial terrestrial TV-channels onnational level- Croatian Music Channeland Sport Television, while Slovenia three more –Golica TV, Sponka Gold TV and TV Nakupi, but their viewership and influence are insignificant for this research, therefore they would not be included in the analysis

in Macedonia - TV Sitel, Kanal 5, Telma, Alsat-M and Alfa, as well as on the influential commercial national TV-channels in Croatia - TV Nova and RTL in Croatia, and POP TV, Kanal A, Planet TV and TV 3 in Slovenia.

Commercial nationwide terrestrial TV channels in Macedonia are the most powerful media in the country, both in terms of impact on the audience and the financial strength. In Croatia and Slovenia, the terrestrial distribution of the signal is not of crucial importance for the impact of the media, as evidenced by the fact that the two most watched commercial Slovenian channels, POP TV and Kanal A, are no longer broadcasted terrestrially from January 16, 2017.

Table3: Data on the TV-signal distribution(2015)

Пренос	MACEDONIA ⁶	CROATIA ⁷	SLOVENIA ⁸
Transmission	49,4%	10%	50%
IP-TV	26,2% + 8,7% (BOOM TV)	25,8%	28%
Satellite	4,9%	7%	9%
Room/roof antenna	7,5%	53,4% (DTT)	9%

Source: Agency of Audio and Audiovisual Media Services (AAVMS), MAVISE, AKOS.

2.1. Macedonia: Domination of domestic media owners

From a total of five national commercial terrestrial broadcasters operating in the Macedonian media market, Sitel TV, together with the A1 TV, which had been shut down, were the first ones in 1998 that received permission to broadcast programme at the state level in compliance with the former Broadcasting Law (1997). Until 2011, A1 TV was the most watched and most influential commercial terrestrial TV-channel on national level, and after its closure the same year⁹ Sitel TV took its place and has been dominating the media market in the country since then.

Most commercial terrestrial TV channels on national level in Macedonia are owned by legal entities – Sitel TV, Telma TV and Alfa TV, one TV-channel is owned by an individual - Kanal 5 TV, while Alsat-M TV is in joint ownership of a legal entity and an individual. In the current ownership structure of the five terrestrial commercial broadcasters there are no foreign legal entities and individuals, although entities primarily owned by foreign companies appeared in a certain period of time (Alfa TV).¹⁰

None of the commercial terrestrial TV channels on national level in Macedonia is owned by a media company which is registered as having media as a core business. Thus, TV Sitel is 100% owned by the company Monteko, whose priority activity is production of soft drinks and mineral water.¹¹ „Makpetrol“, which is owner of Telma TV, is a leading company in the oil business. Manufacturing, engineering, consulting and trade are primary activities of the regional group „VEVE Group“, which is a dominant owner (99%) of Alsat-M TV. Alfa TV is 100% owned by the company „Alfa Skop“, whose primary focus is the services industry.

„...The fact that media owners have other activities that depend on the executive power makes them more susceptible to pressures, self-censorship and maintaining of clientelistic relationships with elites“, Bisera Anastasijevic, former Director of Alsat – M and an expert for media industry affairs, said. In her opinion, this makes working according to the market conditions almost impossible, and „such an awareness

⁶ AAAMS, Data on the range of radio channels and audience share of televisions, AAAMS, Skopje, 2016. Available at: http://avmu.mk/images/AVMU_godishen_izveshtaj_2015.pdf. Pg. 81.

⁷ MAVISE Database on TV and On-demand Audiovisual Services in Croatia. Available at: <http://mavise.obs.coe.int/country?id=30>.

⁸ AKOS, Mesecni izdatki gospodinjstev za storitve elektronskih komunikacij, AKOS, Ljubljana, 2016. Available at: http://www.akos-rs.si/files/Telekomunikacije/Porocila_in_raziskave/Raziskave_v_zvezi_s_koncnimi_uporabniki/2017/Raziskava-Mesecni-izdatki-gosp-za-storitve-elektronskih-komunikacij-koncno-porocilo.pdf. Стр. 22.

⁹ The owner of A1 TV was charged and convicted of money laundering, criminal association, abuse of position and tax evasion, which is why the TV-channel was shut down.

¹⁰ Until 2016, the dominant owner of Alfa TV was the company „CHS Invest Group“, founded by „CHS LLC“ from Belgrade, Serbia.

¹¹ Sitel TV was owned by RIK Sileks in the period from 1998 until 2001, whose owner is Ljubisav Ivanov Zingo, President of the Socialist Party of Macedonia and an MP in the Assembly from 1991 until 2015. Since 2001, TV Sitel is 100% owned by the company „Monteko“ which is owned by Goran Ivanovski, son of Ljubisav Ivanov.

shall be primarily raised in the society in general to play fair“.¹²

Transparency of ownership of the commercial national TV-channels in Macedonia formally meets the legal requirements,¹³ but in practice there are doubts for hidden ownership and links with the ruling elites. In 2012, the former Broadcasting Council (BC) instructed Kanal 5 TV and Sitel TV to align their operations with the former Law on Broadcasting (2005, Art. 11),¹⁴ according to which current politicians or their relatives cannot be owners of broadcasters.

During that period, the owner of TV Kanal 5 TV was Emil Stojmenov, son of the former MP and former Finance Minister Borislav Stojmenov. Sitel TV, in the meanwhile, was 100% owned by the company of Goran Ivanovski, son of the leader of the Socialist Party and then Member of Parliament Ljubisav Ivanov - Dzingo. Due to the „ultimatum“ of the former Broadcasting Council, TV Kanal5 was sold for an undisclosed amount of money to Vanja Gavrilovski, who became 100% owner of the TV-channel. He is thought to be close to the family of the former MP and Minister of VMRO DPMNE, Borislav Stojmenov. However, in the case of Sitel TV, in order to meet legal requirements, the MP Ljubisav Ivanov - Dzingo resigned as an MP, and the company of his son retained 100% ownership of the TV-channel. The political party of Dzingo still remained in the ruling coalition.

In the case of Sitel TV and Kanal 5 TV, the fact that the legal provisions were formally met did not realistically provide factual independence of the media from political influences, an indicator for which is the uncritical and favoring way of reporting on the Government and the ruling parties.¹⁵ Part of wiretapped conversations which were published by the opposition party SDSM in 2015 indicated a link between the Government and some media owners and the way in which Government officials influenced editorial policies.¹⁶

Alfa TV is another example of how ownership affects editorial policy and media coverage in recent years. In 2013, the Serbian businessman Veselin Jevrosimovic, through the Macedonian company „CHS Investment“¹⁷, became a majority owner of Alfa TV, which then received a license for broadcasting nationwide. The TV-channel, for a short period of time, became an outspoken supporter of the ruling coalition from a neutral-critical media outlet as it was previously. In 2016, Jevrosimovic left the ownership structure of the TV-channel, after the company was sold to an individual from Macedonia.¹⁸

Links between politics and media have always been present and they are not only typical to our region. „What makes us more vulnerable to the impacts of politics in the overall operation of the media are: the bad economic situation, on one hand, and the insufficient awareness of the responsibility ownership brings to the media, on the other hand...The fact that media outlets are commercial or ‚private‘, is considered by most owners as a complete personal freedom in their managing, as opposed to social, ethical and educational dimension, which is imminent for the media, regardless of ownership, due to the impact, especially the one television has in the shaping of public opinion, fostering values in the society and its developments,“ Anastasijevic believes.¹⁹

2.2 Croatia: Pluralism in ownership or a “duopoly”?

Commercial media in Croatia emerged with the transformation of the system of socialism into a model of liberal market economy. The advent of commercial media was initially viewed as support to independence and pluralism compared with the media under state control. Seven terrestrial TV channels on national level, owned by four TV-houses, operate on the market in Croatia, but this research only focuses on Nova TV and RTL as most influential and most watched TV-channels.

¹² Interview with Bisera Anastasijevic, former Director of Alsat – M TV and an expert for media market affairs, 8 February 2017, Skopje.

¹³ According to the Law (2013) the hidden ownership is forbidden (Art.34), as well as participation in media ownership by the political parties, public officials and members of their families (Art. 38), and secret partnerships (Art. 34). Connected

¹⁴ Expired in 2013 with the adoption of the Law on Audio and Audiovisual Media Services.

¹⁵ Institute for Communication Studies, „MODEM: Coverage of the election campaign in the TV news“, ICS, Skopje, 2016. Available at: <http://respublica.edu.mk/modem-izvestai>.

¹⁶ Recordings from the wiretapped conversations about links between the Government and media. Available at: <http://prizma.birn.eu.com/mk/ресурси/бомба-25-врски-со-медиуми>.

¹⁷ MediaPedia, database for the Macedonian media. Available at: http://mediapedia.mk/medium/alfa_mk.

¹⁸ Current status certificate from the Central Registry of the Republic of Macedonia.

¹⁹ Interview with Bisera Anastasijevic, Former Director of Alsat – M TV and Expert for market affairs, 8 February 2017.

The first concession of Nova TV was awarded in 1999, and commenced operations in November 2000. This was the first commercial TV-network with national coverage in the country, and since 2004 it has been entirely owned by the US company CME, which bought it for 24 million Euros from several national owners. CME has started to invest in television business in the region at first in Slovenia, in mid 1990s, where it owns POP TV. The Slovenian team helped in launching of Nova TV in Croatia. The Croatian company Nova TV, after 10 years of broadcasting, initiated its sister TV-channel Doma TV in January 2011. It is a specialized TV channel for entertainment, while Nova TV is recognized by its highly influential news programmes.

Another very influential TV-channel in Croatia is RTL, which began broadcasting in 2004. It is today 99.9% owned by RTL Group, after part of the consortium which in 2003 won a concession for TV-channel on national level, Agrokor²⁰ and Atlantic Group²¹, announced in 2011 they are withdrawing.²² Atlantic group retained a symbolic share of 0.01%.

Transparency of media ownership is legally prescribed obligation for electronic media in Croatia (Law on Electronic Media, Art.62). Media owners must notify the Council of Electronic Media, while also publish the information in the Official Gazette (Art. 52). If the owner tries to hide it, i.e. become an owner under conditions that do not comply with the Law, the penalties range from 13,000 to 130,000 euros. However, transparency of owners can not be always guaranteed in practice. "The publication of data in the Official Gazette is not observed and even if there is a data, only individual media have an access to them and a special edition is not published that will list all the changes during the year."²³ To the extent that global media conglomerates are transparent, the ownership structure of commercial broadcasters is known, and their possible changes are expected to be published on the website of the Agency for Electronic Communications²⁴, which is publicly available.

Civil society organizations criticize media that they do not always publish who is a right owner of the media, and when this is reported it is not always certain that this is correct information.²⁵ „Also, there is no institution which would be empowered to supervise compliance and application of sanctions,²⁶ and the Croatian Chamber of Economy lacks resources to oversee compliance or verify information.

However, there are also representatives of the media industry who claim ownership of the national commercial TV-channels in Croatia is very transparent: „*The owners of RTL Croatia and Nova TV are international media groups ... whose shares are listed on European and US stock markets, which given the strict rules of supervision means maximum transparency in the ownership of the two companies, which applies to their operation in Croatia as well,*“ Ivan Lovrecek explains, deputy CEO of RTL TV.²⁷

Although media concentration is prohibited (Law on Electronic Media, Art. 54), the market of commercial media marks a trend that has sparked criticism among analysts. „*Taking into consideration that it is about a ,duopoly' created by the two of the ten biggest media conglomerates in the world, it is difficult to talk about any pluralism in the ownership,*“²⁸ states Milan Zivkovic, a former adviser on media policy in the Ministry of Culture of Croatia. In this way, the survival of local media is now in question, which in turn raises the question about dysfunction of the free market. „This is known to all those who tried to start a commercial terrestrial TV-channel. Something like this is virtually impossible in Croatia today“²⁹ ,Zivkovic added.

The entrance of two powerful competitors at the media market in 2004 was a serious challenge for

²⁰ Agrokor is the biggest private company in Croatia, whose core business is production and distribution of food and beverages and merchandising, and some of its brands are Frikom, Dijamant, Jamnica and others.

²¹ Atlantic Group is one of the leading food companies in the region, whose headquarter is in Zagreb. It owns factories in Croatia, Germany, Slovenia, Bosnia and Herzegovina, Serbia and Macedonia.

²² Atlantic Grupa, „*Atlantic Grupa and Agrokor sell their shareholdings in RTL Hrvatska*“, Atlantic Grupa, July 25 2011. Available at: <http://www.atlantic.hr/en/news/corporate/atlantic-grupa-and-agrokor-sell-their-shareholding/>.

²³ Petkovic, B., Ed., *Media Integrity Matters – Reclaiming Public Service Values in Media and Journalism*, Peace Institute, Ljubljana, 2015. Pg. 204-206.

²⁴ Agencija za elektroničke medije, „*Register: TV nakladnice*“, AEM, Zagreb, 2017. Available at: <https://pmu.e-mediji.hr/Public/PregledTVNakladnici.aspx>.

²⁵ Access Info Europe, Country Case Study – Croatia. Available at: <https://www.access-info.org/tmo/13230>.

²⁶ Access Info Europe, Country Case Study – Croatia. Available at: <https://www.access-info.org/tmo/13230>

²⁷ Interview with Ivan Lovrecek, Deputy CEO of the RTL TV, February 13, 2017.

²⁸ Interview with Milan Zivkovic, former advisor for media policy in the Ministry of Culture, February 9, 2017.

²⁹ Ibid

the public broadcaster, Croatian Television (HTV).³⁰ „The public broadcaster is heavily influenced by the Government and is generally in a poor condition. Each change of the government results with the change of the top management and editors-in-chief, and then they introduce changes of section editors and programme makers at lower levels,“ explained Tina Perisin, journalist and a professor of TV journalism at the University of Zagreb.³¹

Privatization and commercialization of media carries with itself risks and negative trends affecting the media. „First and most important is that media owners are market players ... Private media ownership allows owners to promote their interests and even engage in surreptitious advertising, which constitutes a particular threat if they are involved in different types of businesses not related to media production,“ as Helena Popovic emphasized.³² In her opinion, the work of the cable news channel N1 TV³³ is a “factor of normalization compared to other TV channels in Croatia.”

2.3. Slovenia: Passive institutions and bypassing of laws

Similarly to Croatia, foreign investors play an exceptional role at the Slovenian TV-market because the biggest commercial TV-channels are either completely in foreign ownership or they have a foreign co-owner.

CME, which is also present at the market in Croatia, is owner of the company „ProPlus“ - the largest and financially most powerful TV company at the Slovenian media market. It owns the most watched national commercial channels POP TV and Kanal A. CME invested 16 million dollars in 1995, acquiring a stake of 58% in the ownership of the production company Pro Plus that launched POP TV channel. The company Pro Plus was founded as a joint venture of CME and two Slovenian TV channels MMTV and Tele 59.³⁴

Although restrictions on ownership are part of the of media regulation in Slovenia“some complex steps to connect Pro Plus and Kanal A“³⁵ were made in 2000. The ownership of two national channels by one company, Pro Plus, was a controversial issue, due to which the Ministry of Culture was required to approve the purchase of a stake of more than 20 percent in Pop TV and Kanal A. According to the Law, the Ministry of Culture is entitled to make such decision on the basis of opinions and data acquired from the Agency for Protection of Competition, AKOS and the Broadcasting Council.³⁶

The Ministry may refuse to give such consent if it finds that it can lead to a monopoly at the advertising market or dominant position of some subject in the media market, if it covers over 30 percent of the national territory with analogue terrestrial TV signal.³⁷ In the case of Pro Plus, the Broadcasting Council was of the opinion that “although the bringing of POP TV and Kanal A under the roof of one owner would result in the two broadcasters exceeding 30% advertising share with regard to the size of the entire advertising space in Slovenia, this would not secure for it the predominant position on the market”.³⁸ The Council issued its decision with a certain level of restraint, i.e. requiring the two programmes to remain separate, and that their programming concepts should not change.³⁹

In that period in Slovenia „the regulators were not sufficiently active, because it was immediately clear that a very strong media house will be set up after the takeover of the two largest TV-channels, which also meant a total concentration in the media market,“⁴⁰ Marko Milosavljevic, a Professor of journalism at Faculty of Social Sciences at the University of Ljubljana said.

³⁰ Perusko, Z., Assessment of Media Development in Croatia, UNESCO, Paris, 2011.

³¹ Interview with Tena Perisin, journalist and a professor of TV journalism at the University of Zagreb, February 4, 2017.

³² Popovic, H., ‘Croatia’, in Petkovic, B., Ed., Media Integrity Matters – Reclaiming Public Service Values in Media

³³ The channel was launched in October 2014. It has headquarters in Belgrade, Sarajevo and Zagreb and covers events in six Yugoslav countries of Bosnia and Herzegovina, Croatia and Serbia. N1 is a CNN International’s local broadcast partner and affiliate via an agreement with the London-based Turner Broadcasting System Europe.

³⁴ Hrvatin, S., and Kucic, L. J., *Media ownership and its impact on media independence and pluralism: Slovenia*, Peace Institute, Ljubljana, 2004. Available at: http://www2.mirovni-institut.si/media_ownership/pdf/slovenia.pdf. Pg. 484.

³⁵ Ibid.

³⁶ Law on Media, 2006, Art. 56, p. 3 and Art. 58. Available at: http://www.akos-rs.si/files/APEK_eng/Legislation/mass-media-act.pdf.

³⁷ Ibid

³⁸ Hrvatin, S., and Kucic, L. J., *Media ownership and its impact on media independence and pluralism: Slovenia*, Peace Institute, Ljubljana, 2004. Available at: http://www2.mirovni-institut.si/media_ownership/pdf/slovenia.pdf. Pg. 485.

³⁹ Ibid.

⁴⁰ Interview with Marko Milosavljevic, Professor in Journalism at the Faculty of Social Sciences at the University of Ljubljana, 16 February 2017.

In 2013, the Agency for Competition Protection in Slovenia considered that the company Pro Plus was abusing its dominant position at the Slovenian advertising market, demanding exclusivity from customers and offering discounts to loyal customers. The Supreme Court upheld the decision in May 2013 and the Agency requested a fine of 5.1 million euros. Pro Plus appealed the decision, which was upheld by the court in 2015 and the company was not fined.⁴¹

However, the most controversial case when it comes to transparency in media ownership, about which experts suspected that numerous violations of the laws were made and warned that the regulatory bodies did not respond in a timely manner and failed to conduct monitoring to sort out the situation to an end,⁴² is the case of TV 3. It began operating in 2011 as Pink Si TV, under the umbrella of the Serbian „PinkMedia Group“, which is owned by the Serbian media magnate Zeljko Mitrovic.

Pink Si TV was licensed to broadcast nationally, but only in three months the business in Slovenia began to sink - all employees were fired overnight, and the debts were increasing.⁴³ After several intricate purchases, manipulation with the rights and license for broadcasting, the excessive length of proceedings for legal resolving of the situation in AKOS and repeated changes of the TV-channel name, the company Pink reclaimed the rights to broadcasting in 2013 under the new name of TV channel “TV 3”. Since then several additional changes in the ownership structure of the channel have been noticed contributing further to the reputation of its instable and non-transparent business operations.

The political instrumentalization of the state-related companies in purpose of establishing media outlet in Slovenia is seen through the case of TV-channel Planet TV in ownership of „Antenna TV SL“. The TV-channel was founded in 2012 by TS Media, daughter-company of Telecom Slovenia, which is in majority ownership of the state. In 2013, 51% of ownership in the Planet TV was bought by the Greek media corporation Antenna Group. Although it was questionable whether a company such as Telekom Slovenija, which offers telecommunication services, and TS media, which among other things, deals with advertising services, can open their own TV-channel, still the relevant institutions issued permission to Planet TV to perform a broadcasting activity. *„Telecom is very strong and influential, and on the other hand there were various political and other interests of the former government, due to which some laws were ignored,“* Milosavljevic said. In that period, when Planet TV has received a license to broadcast, the party of Janez Jansa was in power.

The Law on Media (2006) limits operators offering telecommunications services (Art. 61)⁴⁴ to offer telecom, radio and television programme services and broadcast programmes and advertisements if they do not acquire a permission from the regulatory body AKOS (Art. 105, paragraph 2 and 3), and also sets limits to the advertising companies.⁴⁵ Nevertheless, the Agency concluded that the relationship of the two companies would not affect the issuance of a license for television broadcasting.⁴⁶

In 2016, Telekom Slovenia, with recapitalization, gained dominant 50.1 percent share in the Planet TV, while in December the same year become 66% owner of Antena TV SL.⁴⁷

Whether the telecom operator may have its TV-channel at the market remains a legitimate question for debate, but in Slovenia it is no longer in the focus of the public.⁴⁸

⁴¹ CME, AnnualReportPursuantToSection 13 ir 15(D) OfTheSecurities Exchange Act Of 1934, United States, 2016. Available at: http://www.annualreports.com/HostedData/AnnualReports/PDF/NASDAQ_CETV_2015.pdf. Pg. 17

⁴² Žikić, B., *“TheInefficiency of SlovenianRegulatoryAuthoritiesintheCase of PinkSi”*, Media observatory website, 2014. Available at: <http://mediaobservatory.net/radar/inefficiency-slovenian-regulatory-authorities-case-pink-si>.

Ibid.

⁴³ Ibid.

⁴⁴ Operators are considered legal entities and individuals transmitting programmes through terrestrial networks, satellites or by cable distribution or cable distribution system /.../ thus providing broadcasters with technical capacities for dissemination of programmes to the audience (Law on Media, 2006, Art. 111)

⁴⁵ Advertising companies, as well as legal entities, individuals or group of associated individuals that have a stake in shares or a share in the voting or managerial rights over 10 percent of the capital or assets of such an organization cannot be broadcasters and cannot hold shares in the capital or share of more than 20 percent of the management or voting rights in the assets of the media (Law on Media, 2006, art. 60).

⁴⁶ Question by a journalist of Dnevnikin 2012whether the Agency analyzed the legal position in relation to the licensing of TSmedia Telekom for television broadcasting by Planet TV. Available at: <http://www.akos-rs.si/dnevnik-ts-media-in-planet-tv>.

⁴⁷ Website of Planet TV: <http://www.planet.si/o-nas/o-podjetju.html>.

⁴⁸ Interview with Tomaz Perovic, former editor in POP TV and Planet TV and media expert, 31 January 2017.

Using the terminology of Media Pluralism Monitor,⁴⁹ politization of control over media outlets in Slovenia is evident through establishment of TV channel Nova TV24 founded in 2015. It is considered that leaders and sympathizers of the political party SDS, led by Janez Jansa, stand behind this TV-channel. Later in 2016, three Hungarian companies which are thought to be close to the Hungarian Prime Minister Viktor Orban, bought shares in the ownership of the TV channel (each 15%). There are speculations that part of the share capital of the so called „Jansa TV“, is provided by members and supporters of SDS.⁵⁰ This situation is in favor of the claim that there is a high risk in terms of political independence in Slovenia, related to the control over the media, given that certain political parties have direct political interests and influence in the media.⁵¹

The insufficient transparency of ownership, disobeying regulations, inefficiency of supervisory bodies and lack of political will to impose sanctions for the most serious violations are among the most evident problems related to the media ownership in Slovenia.⁵² „After more than a decade since the adoption of the Law, even though this area should have been properly protected, it appears that none of the limits set by the law (which should protect pluralism and diversity) did not prevent non-transparent or politically motivated sales and buying of media. Not only that none of the protective measures was sufficiently effective, but it was also proved that many institutions that were supposed to take steps were not able or did not have the will to do so“,⁵³ is stated in the document of the Ministry of Culture of Slovenia produced in 2016, which provides basis for drafting media strategy of the country.

3. MODELS OF FINANCING OF THE COMMERCIAL TV-CHANNELS ON NATIONAL LEVEL IN MACEDONIA, CROATIA AND SLOVENIA

The economic and financial potentials of media markets vary from one country to another, but the main source of funding of commercial TV-channels on national level in all three countries is advertising revenues. The number of TV channels in Slovenia and Macedonia is large compared to the size and population of the countries, although number of functional and self-sustained TV channels is significantly smaller. This certainly contributes to the fragmentation of media markets, which already have limited economic potential.

The possibilities for the state to influence on the editorial policy of the media through various mechanisms are smallest in Slovenia. The clientelistic and corruptive relationships between the media, on one side and political and business centers, on the other, are most obvious and have a significant impact on editorial policies in Macedonia. The media environment in Croatia and Slovenia is also not immune to „the political clientelism“ or support of the pro-government media through budget funds. But the big commercial broadcasters in these two countries, which are mainly driven by profit, avoid favoring certain political options, if it would mean a loss of audience and advertisers.

⁴⁹ Milosavljevic, M., Media Pluralism Monitor 2015: Slovenia, MPM, 2015. Достапно на: <http://monitor.cmpf.eui.eu/mpm2015/results/slovenia/>.

⁵⁰ Cirman, P., Modic, T. и Vukovic, V., „Orbanovimediji v lastnistvo Nova24TV“, Siol.net, 4 April 2017. Available at: <http://siol.net/po-sel-danes/novice/orbanovi-mediji-v-lastnistvo-nova24tv-438752>.

⁵¹ Milosavljevic, M., Media Pluralism Monitor 2015: Slovenia, MPM, 2015. Available at: <http://monitor.cmpf.eui.eu/mpm2015/results/slovenia/>.

⁵² Interview with Tomaz Perovic, former editor in POP TV and Planet TV and media expert, 31 January 2017.

⁵³ Ministry of Culture, Izhodisca za osnutek medijske strategije, MK, Ljubljana, 2016. Available at: http://www.mk.gov.si/fileadmin/mk.gov.si/pageuploads/Ministrstvo/Fotogalerija/2016/junij/MED-STRAT_Strategija5-2_26.5.2016-L.pdf. Pg 39.

Table 4: Net revenues of the media companies in Macedonia, Croatia and Slovenia in 2015 (mill. Euros)

MACEDONIA	Revenues	CROATIA	Revenues	SLOVENIA	Revenues
Sitel TV	8,8	TV Nova Group	52,6	Produkcija Plus	49
Kanal 5 TV	4,7	RTL Group	35,5	Antena TV SI	9,6
Alfa TV	3			Pink SI TV	2,4
Alsat M TV	2,7				
Telma TV	1,6				

Source: Macedonia: AAVMS, according to the data from the annual accounts of broadcasters; Croatia: Annual financial reports for 2015 of RTL and Nova TV; Slovenia: Marketing magazine, October 2016/Ajpes/Official evidence of the Ministry of Culture, Net revenues of companies sale.

Table 5: Total budget of the public broadcasters in Macedonia, Croatia and Slovenia (mill. Euros)

MACEDONIA	Total budget	CROATIA	Total budget	SLOVENIA	Total budget
Macedonian Radio Television	21,540	Croatian Radio Television	182,8	Radio Television Slovenia	118,333

Source: Macedonia: Annual report for the MRTV; Croatia: Report for the work of the HRT for 2015; Slovenia: Marketing magazine, October 2016/Ajpes/Official evidence of the Ministry of Culture, Net revenues of companies sale.

3.1. Macedonia: small bite of the advertising pie for too many TV-channels

Transparency of the financial operations of the broadcasters in Macedonia is provided with their obligation to submit reports to the Agency for Audio and Audiovisual Media Services (Media Law, 2013, Art. 15), and the data are publicly available in a fairly detailed annual market analyses published on the website of the regulator. However, these data are presented as total amounts under certain items (advertising, sponsorship, sales of content, services provided to third parties) without a detailed structure of the largest sources of funding, which is necessary to determine whether the sponsors of the media influence their professional integrity.

Total revenues of the five commercial terrestrial TV-channels on national level in 2015 amounted to about 21 million Euros, of which almost 95% were generated from a sale of advertising time. The largest revenues were generated by Sitel TV and Kanal 5, while the smallest by Telma TV and Alsat-M.⁵⁴ Given that advertising has a dominant share in the revenue structure of commercial TV channels on national level, Sitel TV and Kanal 5 occupied more than half of the advertising pie (64%). Sitel TV dominates in terms of the profit, which amounted to half a million euros, followed by Alfa TV with a profit of 230 thousand euros. Alsat-M had a minimum positive balance (1,600 euros), while Telma and Kanal 5 completed the year with losses of 370, i.e. 155 thousand euros.⁵⁵

Despite the limited financial capacity of the market, five commercial terrestrial TV-channels on national level operate on the Macedonian market from 2005 onwards and „so far none of them dropped out of performing the activity for economic reasons.“⁵⁶ This is not the case for TV-channels that broadcast on

⁵⁴ AAVMS, Market Analysis of Audio and Audiovisual Media Services for 2015, AAVMS, Skopje, 2016. Available at: http://www.avmu.mk/images/Analiza_na_pazarot_na_audio_i_audiovizuelni_mediumski_uslugi_za_2015_godina.pdf. Pg. 30.

⁵⁵ Ibid. Pg. 31, 33.

⁵⁶ Interview by email with the Agency for Audio and Audiovisual Media Services, 22 March 2017.

state level via satellite, where „out of 16 in 2008, only five remained at the market today, the Agency for Audio and Audiovisual Media Services announced.⁵⁷ Agency’s studies showed justification for publishing of a public competition for granting of another license for a TV-channel at the national level.⁵⁸

Data for the largest advertisers in the media are not publicly available in the recent years, but can be purchased from market research agencies. Telecommunication companies „Macedonian Telecom“, „VIP“ and the multinational corporation „Procter & Gamble“ were the biggest advertisers in the national commercial TV channels in the last quarter of 2016. In the same period, which includes the election campaign,⁵⁹ the political party VMRO-DPMNE emerged as the second largest advertiser in Sitel and Kanal 5, and as a third one in Alfa, while DUI was the third largest advertiser in Alsat-M TV. The oil company „Makpetrol“, which owns Telma TV, is the third largest advertiser in this TV.⁶⁰

Since the 2014, the Agency for Audio and Audiovisual Media Services ceased to publish these data in its annual analyses of the audio and audiovisual media services market, explaining that the data on funds spent on advertising was obtained on the basis of the official price lists of TV-channels, without calculating the discount media provided to advertisers, so the received sums were unrealistic.⁶¹ However, in the media community there are doubts that the large share of the Government and the ruling party in the overall marketing pie from 2008 to 2013 are actually the reason for non-disclosure of the list of biggest advertisers.

Substantial funds from the state budget were allocated in a non-transparent way to media close to the ruling parties on the basis of government advertising in the course of past several years. For example, Alfa TV, with an audience share of about 3% received a record number of government advertising in 2013 and in the first half of 2014.⁶² According to journalistic research from 2008 to 2013, the marketing agency Republika received 7 million euros allocated for advertising of public institutions. In previous researches, journalists also indicated that state advertising influences the positioning of the media: „... when the now defunct A1 TV has strengthened its critical tone towards Gruevski the ads were stopped. When Alfa TV reduced criticism, Government’s advertisements started running.“⁶³

In 2014, the Government announced that it spent 18 million euros on state campaigns in a period of two and a half years, but did not specify how much each of the media received individually, nor which specific criteria were used to allocate the money.⁶⁴ In July 2015, pursuant to the Przino agreement of the four largest parties,⁶⁵ the Government declared a moratorium on Government advertising. An indicative fact is that the same year, the income of these five TV-channels rose by 5.15% and advertising revenues grew for 1.2 million euros compared to 2014.⁶⁶

...The number of media which struggle for their share is too large for such a small market and population, which makes them susceptible to influences. Their programme and editorial independence is undermined through the economic dependency. This equally applies to the Government as one of the biggest advertisers, but also to larger commercial customers whose activity is of social interest. Due to the large advertising budgets, negative news is a spin or it does not reach the public, while the image is regularly ‚polished‘,“ Bisera Anastasijevic, former Director of Alsat – M TV and an expert for media market affairs, said.

National commercial TV channels and the public broadcasting service MRT receive budget money

⁵⁷ Interview by email with the Agency for Audio and Audiovisual Media Services, 22 March 2017

⁵⁸ Ibid

⁵⁹ Early Parliamentary elections took place on December 11, 2016.

⁶⁰ Data is obtained by the Agency Nielsen Audience Measurement, Macedonia.

⁶¹ Nikodinoska, V., „Financial relations between the state and the media in Macedonia: Media freedoms ‘curbed’ with public money“, MIM, Skopje, 2016. Available at: <http://mim.org.mk/istrazhuvanja/859-mediumskite-slobodi-zauzdani-so-javni-pari>. Pg. 4.

⁶² Ibid

⁶³ Trpevska, S., and Micevski, I., Media Integrity Matters: Macedonia, MIM, Skopje, 2014. Pg. 93.

⁶⁴ Ibid.

⁶⁵ The agreement was signed by the leaders of the four largest political parties in Macedonia on June 2, 2015, in order to resolve the political crisis in Macedonia, which escalated when the opposition party SDSM published wiretapped conversations, which revealed serious indications of criminal activities of senior state officials.

⁶⁶ AAVMS, Market analysis of audio and audiovisual media services for 2015, AAVMS, Skopje, 2016. Available at: http://www.avmu.mk/images/Analiza_na_pazarot_na_audio_i_audiovizuelni_mediumski_uslugi_za_2015_godina.pdf. Pg. 29-30.

through the mechanism for co-financing domestic film and documentary production.⁶⁷ For justification of this mechanism there are diametrically opposing views: while media community advocates for its abolishing in its current form,⁶⁸ some representatives of the media industry think that it can bring results on a longer term.⁶⁹ In the opinion of Anastasijevic, these means are not sufficient to cover quality production, therefore the domestic production was not strengthened as expected, while attractive terms in the TV programming scheme remained reserved for foreign programmes.⁷⁰ In 2016, the Government allocated about 490,000 euros to five commercial terrestrial TV-channels on national level to support domestic production,⁷¹ in approximately similar amounts - from 83,000 to 103,000 euros per media.

Lack of transparency about the largest advertisers, as well as the share of the Government's advertising in the TV-channels, indicates the existence of clientelistic relations between media on one side and political and business centers of power on other side. This problem is substantiated also in the recordings of the wiretapped conversations revealed by the opposition in 2015, which indicate the existence of corruptive relations between high officials from the ruling party and owners and editors in chief of some of the commercial media. The wiretapped conversations also reveal amounts that were allegedly intended for some commercial TV-channels annually.⁷² The journalistic investigations and the opposition party SDSM pointed out that the Government has in some cases directly paid money to some media.⁷³ „The vicious circle“ of financial relations between the Government and the media also included the funds media donated to the parties during elections, as was the case with local elections in 2013, when Alfa TV, Kanal 5 and Sitel TV donated services in the amount of 77,000 to 161,000 euros during the campaign of the ruling party.⁷⁴ This practice ended when, in 2016, the amendments were made in the electoral legislation which banned media donations for the election campaigns of the political parties.⁷⁵

3.2. Croatia: Political elites, media owners and advertisers – relationship for a profit

Accurate and detailed data on the financial performance of the TV-channels in Croatia are not readily and publicly available at the website of the regulator, but the media corporations CME and RTL, which are listed on the international stock exchanges, voluntarily publish reports on their financial performance at their corporate web pages.

Information for the biggest advertisers and sponsors in the private media in Croatia is not easily accessible to the public either. Most media themselves do not publish information about their financial operations, while this information cannot be also found at the web page of the regulator.⁷⁶ The reports for the work of the media that are publicly available are outdated, an illustration of which is the latest report on the television market from 2013 published at the website of the Council for electronic media.

Private TV channels in Croatia are primarily financed by revenues from advertising⁷⁷ as well as from the sale of media content. Exceptions of this are the local and regional or non-profit private radio and

⁶⁷ In 2014, through a shortened procedure the Law on Audio and Audiovisual Media Services (2013) was amended, obliging commercial terrestrial TV channels on national level to produce and broadcast at least 10 hours of domestic documentary programmes and at least 20 hours of domestic film programmes annually (art. 92, para. 8, 9) while the PBS 30 hours of film and documentary programmes. The state reimburses up to 50 percent of total production costs for a domestic programmes.

⁶⁸ The funds are allocated by a Commission, whose majority of members comes from institutions, while the criteria used for decision-making, its work or the decisions for allocation of funds are not sufficiently transparent.

⁶⁹ Nikodinoska, V., „Financial relations between the state and the media in Macedonia: Media freedoms „curbed“ with public money“, MIM, Skopje, 2016. Available at: <http://mim.org.mk/istrazhuvanja/859-mediumskite-slobodi-zauzdani-so-javni-pari>. page 12.

⁷⁰ Interview with Bisera Anastasijevic, Former Director of Alsat – M TV and Expert for market affairs, 8 February 2017, Skopje.

⁷¹ Data is provided from the Ministry of Information Society and Administration, by the right of access to public information.

⁷² Transcript from the recordings which were revealed by the opposition SDSM in 2015, 25 February, 2015. Available at: <http://prizma.birn.eu.com/мк/стории/комплетен-материјал-од-сите-33-бомби-на-опозицијата>.

⁷³ MediaPedia, „Television flight over laws with kerosene from the government advertising“, 2015. Available at: http://mediapedia.mk/istrazhuvanja/televiziski-let-nad-zakonite-so-kerozin-od-vladini-reklami_mk.

⁷⁴ Nikodinoska, V., „Financial relations between the state and the media in Macedonia: Media freedoms ‘curbed’ with public money“, MIM, Skopje, 2016. Available at: <http://mim.org.mk/istrazhuvanja/859-mediumskite-slobodi-zauzdani-so-javni-pari>. Pg. 8.

⁷⁵ Ibid.

⁷⁶ Private media are not obliged to provide information to the Agency for Electronic Media about their financial operations. In situations when they submit or post information, it is usually about gross amount of the annual budget, which is insufficient to find out which the biggest advertisers in particular media are.

⁷⁷ Private TV-channels can allocate up to 12 minutes of advertising time per hour of programme (Law on Electronic Media, 2013, Art. 32). The website of the Agency for Electronic Media, which also monitors the implementation of the provision does not contain decisions for violations in 2016.

TV channels, for which the law provides an opportunity to apply for financial support of the Fund for the promotion of pluralism and diversity in the media.⁷⁸ The fund is administered by the regulator – Agency for Electronic Media. „However, reliance on advertising revenues as the only source of funding for the production of television programmes increasingly proves to be insufficient, especially given the relatively small market,“⁷⁹ Milan Zivkovic states, a former adviser on media policy in the Ministry of culture of Croatia.

Private TV channels also receive funding from public institutions, such as from advertising or through the mechanism of the Program for state support to subsidize production and broadcasting of audio-visual and radio programmes, through the above mentioned Media Pluralism Fund. „Commercial broadcasters have not been complaining that public enterprises favor one at the expense of other media, so we can assume that the money in question is relatively small and that the policy for lease of the media is based on the principle ,everyone equally,“⁸⁰ Zivkovic added.

In general, public enterprises which are partially or fully owned by the state, such as the national energy company “Hrvatska elektroprivreda” spend significant budgets to advertise their products and services. Critics of these forms of financial support to the media by the state-related entities indicate that if they are conducted in a non-transparent manner and according to criteria that favor one group of media, it can lead to the establishment of clientelist relations between government and companies, on one hand, and media, on the other. „The allocation of these budgets depends on the decisions of the leadership, which is more or less appointed by the Government or a political party. We can easily assume that the media, where certain public enterprise advertises, will carefully look at the news that would not be in favor of the political party responsible for assignment of the current leadership of that public company...“⁸¹, Zivkovic explains.

Advertisers in Croatia spent a total of 194 million euros in television, newspapers, magazines, radio, posters and the Internet in 2015, according to the Croatian Association of Communication Agencies.⁸² Out of this amount, approximately 95 million euros is invested in television ads in 2015.

In comparison to the data from the Croatian Association of Communication Agencies (HAKA), the amount for advertising in private TV-channels, according to the CME’s data,⁸³ was significantly smaller and amounts 49,6 million euros for 2015 or around 56 million euro of the funds generated from other service’s fees are added to this amount. The same source indicates that CME had a share of 56% at the TV advertising market in Croatia in 2015, while RTL had 36%.

Publicly available information for the advertising at the market of the national TV channels in Croatia date back from 2012. The ten biggest advertisers include Agrokor, Henkel, T-HT, VIP, L’Oreal, Procter & Gamble, Podravka group, Ferrero, ReckittBenckiser, Coca-Cola.⁸⁴ Data on the share of these advertisers at the market or in the national TV-channels is not publicly available.

According to the 2016 report of the European Broadcasting Union (EBU), the total budget for the TV-channels in Croatia, in 2015, was 370 million euros, out of which 166 million euros (45%) from public expenses, than 107 million Euros (29%) from subscription (pay TV) and 97 million Euros (26%) from advertising. These amounts apply to all TV channels in Croatia, including the public service TV channels, which, in turn, according to the financial plan for 2015 had a total budget of about 180 million euros.⁸⁵ That is almost half of the total budget for all TV-channels in the country.

Experts point out that the practice of advertising is an instrument for the realization of various interests, primarily for the business, but also the political interests. As a result, the national commercial TV channels

⁷⁸ The Law on Electronic Media, 2013, Art. 63-65; The decisions are made by the Council of the Agency for Electronic Media and the budget and manner of distribution of this Fund are defined in a separate Regulation.

⁷⁹ Interview with Milan Zivkovic, former advisor for media policy in the Ministry of Culture, 9 February 2017.

⁸⁰ Ibid.

⁸¹ Ibid.

⁸² Croatian Association of Communication Agencies, “HURA Media AdEx mediska potrosnja“, HURA. Available at: <http://hura.hr/istrazivanja/medijska-potrosnja-u-hr/>.

⁸³ CME, 2015 Investor Presentation, CME, 2015. Available at: http://s2.q4cdn.com/384102709/files/doc_presentations/2015/Investor-presentation/Q4-2015/2015-Q4-Investor-Presentation_final.pdf.

⁸⁴ Petkovic, B., Ed., Media Integrity Matters, Peace Institute, Ljubljana, 2015.

⁸⁵ Croatian radio television, „Program and financial plan of the Croatian radio television for 2015“, HRT, 2014. Available at: <http://www.hrt.hr/317514/organizacija/program-rada-i-financijski-plan-hrt-a-za-2015-godinu>.

become dependent of influential advertisers which they rarely expose to critical reporting. „It is a matter of ‘partnership’ between political elites, both on national or local level, but also the market actors, a category which includes owners of media and large advertisers. The corporate ownership (domestic or foreign) just means that the ultimate interest is, the profit,“ says Helena Popovic from the University of Zagreb.⁸⁶

Some analysts point out that commercial TV channels in Croatia that are in foreign ownership avoid favoring of certain political options „...in order not to chase away the audience which is important for the viewership share and revenues from advertising. But when it comes to questions for which there is a consensus by the largest political parties (the policy of the saving, reduction of social rights and tax for foreign investors), commercial TV channels sometimes promote them with an activist tone. Given that it is a matter of attitudes and political preferences that the foreign owners share with the Croatian elite, who are at the same time the largest advertisers, commercial televisions are far from politically independent which they often emphasize as one of its main features,“ says Zivkovic.⁸⁷

In contrast, Lovrecek, who comes from one of the largest television companies, argues that foreign ownership of large broadcasters significantly reduces the possibility of political influence on the news or any other programme. According to him, advertising of the state or state-owned enterprises is minimally represented in the overall revenue structure in commercial TV-channels, and the state thus cannot make any impact on the programme.⁸⁸ A bigger problem, in Lovrecek’s opinion, is the economic potential of the advertising market, which after the financial crisis from 2009 to 2013, fell by over 40%. The market is growing again, he explains, but at significantly lower rates: „Given that the national broadcasters work with low income, there is a constant pressure on expenditures, which over the years resulted with a decline in the quality of programming content.“⁸⁹

3. 3. Slovenia: foreign investors focused on the money – in good and in bad

Data on the media finances in Slovenia is available through the Agency of the Republic of Slovenia for Public Legal Records and Related Services, as well as market research agencies.⁹⁰ In some cases the media companies, such as CME, publish financial and reports for their work at their corporate web-page (www.cetv-net.com).⁹¹ Televisions are legally obliged to inform the Agency for Communication Networks and Services (AKOS) on the revenues that they generated in the last year, which is in the context of the annual obligation of broadcasters to pay a certain amount for a license for broadcasting that is calculated based on the financial performance over the past year (Media Law, 2006, Art. 38, para. 2).

Overall, Slovenian TV-broadcasters in 2015 recorded an increase in the financial operations of 2% compared to the previous year.⁹² Several companies had more noticeable revenue growth, including Pro Plus and Antena TV SL (that owns Planet TV) which, however, ended the year with a loss.⁹³ Most of the other TV-companies in 2015, worked at a loss in the previous year.⁹⁴

According to the Marketing magazine data, the net revenues from the sale of 17 media companies, including the public service Radio Television Slovenia, amounted to 188 million euros in 2015.⁹⁵ The same source provides data on the public service as well, which achieved revenues of 118 million euros.

The biggest companies in Slovenia allocate the largest amounts for advertising on television, in

⁸⁶ Interview with Helena Popovic, Professor at University of Zagreb, 8 February 2017.

⁸⁷ Interview with Milan Zivkovic, former advisor for media policy in the Ministry of Culture of Croatia, 9 February 2017.

⁸⁸ Interview with Ivan Lovrecek, Deputy CEO of RTL TV, 13 February 2017.

⁸⁹ Ibid.

⁹⁰ For the purposes of this research, the authors contacted the Agency for Communication Networks and Services (AKOS), which provided the required data from other sources available to them.

⁹¹ Web-page of CME: <http://www.cetv-net.com/operations/slovenia/default.aspx>.

⁹² Regulator published regular quarterly reports about the state of the media market, but they are not detailed in terms of the financial work of each media individually.

⁹³ AKOS, Poročilo o trgu elektronskih medijev in delu agencije za četrto četrtletje 2016, AKOS, 2016. Available at: http://www.akos-rs.si/files/Elektronski_mediji/Cetrtnetna_porocila/2017/Porocilo-o-trgu-elektronskih-medijev-in-delu-agencije-za-cetrto-cetrtletje-2016.pdf. Pg. 5.

⁹⁴ Ibid

⁹⁵ Marketing magazine, “Trziste u Sloveniji: Cisti prihodki podjetja od prodaje v EUR”, Marketing magazine, October 2016. Available through AKOS.

comparison to other media outlets and platforms. For example, the top 15 advertisers for TV advertising spent a budget of around 300 million euros. Top five advertisers in 2015 on television were Mercator, Telekom Slovenia, Spar, Lidl and P & G.⁹⁶ The advertisements of Mercator in all media only (TV, press, radio, posters, the Internet, mobile marketing and other) reached 47 million gross in 2015.⁹⁷

The authors contacted the leading TV media company in Slovenia, Pro Plus, whose representatives confirmed that the advertisements are primary source of income,⁹⁸ but the company earns from payments and subscriptions for its services as well.⁹⁹ From Pro Plus informed us that „the annual income of Produkcija Plus I.l.c., which is a 100 percent owner of POP TV and Kanal A, amounted to 49.1 million euros in 2015.“¹⁰⁰

According to Marketing magazine, the company Antena TV SL reported revenue of 9.6 million euros, and Pink TV 2.4 million.

All media in Slovenia, except public broadcaster, can apply for subsidies for “programming content in public interest” based on annual calls for applications administered by the Ministry of Culture in accordance with the Law on Mass Media and state aid rules of the European Union. This opportunity is given also to commercial TV-channels, as well as to the print media, electronic editions, local, regional and student radio and TV channels with status of “channels in public interest”.

In 2013, 700,000 euros had been awarded at a public call for co-financing of programmes on TV, radio and print media and 1.08 million for co-financing of radio and TV programmes with the status of local, regional, student or non-profit broadcasters - categorized in the Slovenian legislation as “radio and TV programmes of special importance”.¹⁰¹ None of the biggest commercial TV-channels was among them.¹⁰² In the period from 2003 through 2014, media companies that have dealt with the production of TV programming and broadcasting were awarded grants (subsidies, co-financing) from the state budget in the amount of 10.8 million euros, while all financial transactions (including co-financing, but also all other transactions) from the state budget to all media companies, in the same period, amounted to 70.6 million euros.

Most of the grants were assigned to media companies dealing with radio and TV broadcasting programming (most of them being the radio and TV programmes with the status of “special importance” and with privileged access to the special stream in the co-financing grant scheme from the state budget)), while the largest financial transactions from the state budget in total were channeled into the companies dealing with publishing of newspapers.¹⁰³

The state cannot exert influence on financially powerful commercial media, such as the TV-channels of the Group Pro Plus through budget funds. Although there has been a practice of channeling of advertisements, especially from state-owned and state controlled companies, depending on the political orientation of the media. This became most evident especially in the print media in the period between 2004 and 2008, after the change of the government in 2004. In Slovenia, as well, 15 years ago, especially in the periods after the change of governments, the practice of using public advertisements by political parties to punish the „disobedients“ or, reward the „friendly“ media was apparent.¹⁰⁴

On the other hand, even in 2016 it may be noted that Telekom Slovenia, for example, was the largest

⁹⁶ Marketing magazine, “Trziste u Sloveniji: Cisti prihodki podjetja od prodaje v EUR”, Marketing magazine, October 2016. Available through AKOS.

⁹⁷ Ibid.

⁹⁸ Response by representative from management of Pro Plus, Slovenia, 24 February 2017.

⁹⁹ Webpage of CME: http://s2.q4cdn.com/384102709/files/doc_presentations/2017/Q4-2016-Investor-Presentation_final.pdf.

¹⁰⁰ Response by email from representative of the management of “Pro Plus”, Slovenia, 24 February 2017. According to Marketing magazine, the figures in minimally differ from the data received from Pro Plus and the company generated 48.9 million net income in 2015.

¹⁰¹ Ministry of Culture of Slovenia, Pregled medijske krajine v Sloveniji, MK, 2014. Available at: http://www.mk.gov.si/fileadmin/mk.gov.si/pageuploads/Ministrstvo/raziskave-analize/mediji/2014/medijska_krajina_v_sloveniji_16042014.pdf. Pg. 63-64.

¹⁰² Ibid. Pg. 68.

¹⁰³ Kovacic, M., and Hrvatin, B. S., “Presentation: Analytical use of open data”, presented at the regional conference for anti-corruption in the media, Ljubljana, 1 December 2014. Available at: <http://mediaobservatory.net/sites/default/files/MATEJ%20KOVACIC%20Ljubljana%20conference.pdf>.

¹⁰⁴ Hrvatin, B. S. I Petkovic, B., *You call this a media market?*, Peace Institute, Ljubljana, 2008. Достапно на: http://mediawatch.mirovni-institut.si/eng/you_call_this_a_media_market.pdf. Pgs. 76-100.

advertiser in Planet TV and TV3.¹⁰⁵

*“The current Government has no influence on the media as was the case with the previous governments,”*¹⁰⁶ explains Marko Milosavljevic, professor at the Faculty of Journalism, University in Ljubljana, acknowledging that political influences are more pronounced in the print media and in the public service broadcaster.

Tomaz Perovic, former director of news and sports in POP TV and Planet TV, agrees that the possibilities for political influence on the functioning of leading private TV-channels are small and the political power ends by identifying that media adhere to the legal obligations and quotas.

„In Slovenia, the culture at this point is at such a level that it is no longer believed that it is acceptable if the President of the Government calls the director or the editor of the news programme and tells him that he liked something in the news. Of course, there are contacts between journalists and politicians, but it is not at the level of retaliation...,” he explains.¹⁰⁷

The political independence of the biggest commercial TV channels from local political and business centers of power is largely due to the entry of foreign capital i.e. large corporate companies on the national market. *„CME is a company that deals with the television business. The company is not concerned if editorial line of the TV news programme is sometimes a bit on the left, or sometimes a little right (oriented). Its interest is to have good ratings, viewership and to make a profit,”* Perovic added. He does not see other opportunities for the private media in Slovenia for becoming as strong as they are today if foreign capital had not entered the Slovenian media market.¹⁰⁸

Foreigner owners in the media sector in Slovenia were not welcome at the beginning, because of their *„American principles“* of work, such as disapproval of trade union activities within the company, and dismissals of staff overnight.¹⁰⁹ *„But, in the meantime, it proved it is good that there is a wall, a barrier to the direct impacts of the politics on the media. They are under much less influence than those that are domestically owned, i.e. owned by local tycoons who often have other interests and businesses, trade with their influence and their media ... Foreigners are oriented to money. In good times and in bad times,”* Milosavljevic concludes.

6. CONCLUSION

International corporate companies, such as CME and RTL, that are well-established on the media market in Croatia and Slovenia, enable stable position and funding of commercial TV-channels on national level which they own,¹¹⁰ that consequently reflects the growing independence of their editorial policies. Unlike them, owners of commercial terrestrial TV-channels on national level in Macedonia appear to be exclusively domestic legal entities and individuals. None of the media companies that own the commercial terrestrial TV-channels on national level is registered as having media as a core business, and an additional problem is that some of the owners do not have understanding for the social responsibility and influence that the media have on shaping public opinion.

Ownership of the media in Macedonia is formally clear, but ownership links with political and business centers of power are not actually broken. So far, as the responsibilities of institutions are set out, no one can and, as it turns out in practice, no one has a will to trace hidden connections that media maintain with political and business centers of power in the background. As a result, political interference in some highly

¹⁰⁵ Marketing magazine, *“Top 15 oglaševalcev gledena bruto vrednost oglaševanja v letu 2015”*, Mediana, Ljubljana 2016. Available through AKOS.

¹⁰⁶ Interview with Marko Milosavljevic, Professor in Journalism at the Faculty of Social Sciences at the University in Ljubljana, 16 February 2017.

¹⁰⁷ Interview with Tomaz Perovic, former director of news and sports of POP TV and Planet TV and media expert, 31 January 2017.

¹⁰⁸ Ibid.

¹⁰⁹ Interview with Marko Milosavljevic, Professor in Journalism at the Faculty of Social Sciences at the University in Ljubljana, 16 February 2017.

¹¹⁰ Milosavljevic, M., *“Financing of the Media in South East Europe”*, Media observatory website, 2014. Available at: <http://mediaobservatory.net/radar/financing-media-south-east-europe>.

influential national TV channels in Macedonia, in the researched period were explicitly present, to the extent of their misuse for propaganda spreading.

In Croatia, the ownership of media in some cases proves to be insufficiently transparent. In Slovenia legal basis for ownership of TV Planet by the state Telecom remains questionable, but also controversy related to the changes of TV 3 ownership structure and establishment of Nova24 as a TV channel openly established and owned by leaders and supporters of one political party, illustrate challenges for regulation of ownership and for law enforcement in this field. However, when it comes to TV-channels that are part of the RTL and CME groups in both countries, which are listed on international stock exchanges, the ownership situation is clear.

These large corporations publish information on the corporate websites on their financial performance and ratings, which in the political, societal and media context such as the one in Macedonia this is almost unthinkable. The Macedonian regulator is trying to fill this „gap“ in terms of transparency of financial operations of the media through the annual reports. Expectations are also high from the Joint Committee Industry, which should become operational and provide transparent, timely and detailed information on the functioning of the media market in Macedonia.

In Macedonia, the relationship between media and the Government is most evidently reflected in media content. The mechanisms through which public money flows in the media - from Government's advertisements to means of financing of domestic TV/film production – help maintaining the established clientelist-corruption relations.

In Croatia, there is a connection between political elites, media owners and major advertisers. Slovenia has also not been immune to the practice of supporting pro-government media, especially print and public service broadcaster, through advertisement by the Government and public enterprises in certain periods.¹¹¹

But foreign media owners are initially driven by financial interests and do not allow political centers of power to easily influence them and profile politically to the price of losing audience or profits. Thus, as long as they have high stakes in viewership and ratings, it is acceptable to slightly „oscillate“ between political options. Foreign ownership of these media is a kind of barrier for the domestic political and business centers of power. The political culture and communication in Slovenia, in recent years, for example, is at the level where impacts and pressures on editorial policy in commercial media by various political and business centers of power are unacceptable, and media are claimed to be primarily driven by the logic of profit.

The first question that arises in relation to the ownership of the media in Macedonia is: why there is no international media company present in the country? The reasons are numerous and complex. Asked whether the company Central European Media Enterprises considered the idea to invest on the media market in Macedonia, Mark Kobal, Director of Investor Relations, said: *„In general, considering opportunities (investment) at new markets depends on many factors. This may include legal environment, competitive landscape, general macro-economic conditions, development of the advertising market and growth opportunities...“*¹¹²

Foreign investors, which would eventually be interested to invest in the media market in Macedonia, could be offered a legal framework that complies with European standards, but implementation of the legislation has been criticized as a weak point of the country in general, including media sector.

In terms of the competitive environment, Macedonia is one of the countries with unreasonably large number of media in terms of territory, population and economic power of the market. Most of these media survive through clientelist relations with political and business centers of power.

Small, fragmented markets that do not offer conditions for survival of strong and viable media that can operate according to market criteria and produce and offer high quality media products are the common

¹¹¹ Hrvatin, B. S. I Petkovic, B., *You call this a media market?*, Peace Institute, Ljubljana, 2008. Available at: http://mediawatch.mirovni-institut.si/eng/you_call_this_a_media_market.pdf. page 78.

¹¹² Reply to a question for the purposes of this research by Mark Kobal, Director for Investor Relations in CME, 16 February 2017.

features of media systems in the region of South East Europe.¹¹³ However, GDP per capita in Croatia is around two and a half times and in Slovenia four times higher than in Macedonia, while the value of the TV advertising market in Macedonia is almost three times smaller than in Slovenia and almost four times smaller than in Croatia.

Television is an expensive business, but also a complex endeavor that requires a lot of knowledge, ability and professionalism to be successful, while preserving political neutrality. How to make such a TV-channel in Macedonia?

Macedonia can still remain unattractive for foreign investment entry due to the political and social context. However, a consortium of local investors, as a joint stock company, could present an „experimental model“ that would disable decision - making by individuals. „The more ownership is dispersed, the better. But to find such investors and businessmen there is a need to offer commercial conditions - if there are investments, there should be an income,“ Darko Perusevski said.

Even if there are no conditions and an initiative for implementation of these proprietary „variations“, it is necessary to „detach“ media from the state and the government. In that case, they would have to operate on the basis of market criteria, which is especially difficult „mission“ in circumstances when there are 10 national commercial TV-channels - terrestrial and satellite - and another fifty local and regional ones, which are fighting for a „modest“ advertising cake of 20 million euros.

Analysts believe that the media market in Macedonia can „support“ up to three commercial terrestrial TV-channels on national level, including one bilingual. The approach of the regulator, in the last year, according to which the market alone will reduce the number of media, resulted with no expected result. It should be taken into consideration that new licenses for TV channels that broadcast through cable or satellite were granted. Therefore, we cannot discuss about significant and rational reduction of the number of media in Macedonia, nor significant positive shifts of market indicators in terms of political and social crisis.

But it must be taken into consideration that the market was not given a chance to freely operate all these years to „test“ its power: subsidies for programmes of public interest have been granted up to 2005, public money through government advertising have been extensively flowing in the media since 2008, a mechanism for co-financing of domestic production was introduced in 2014 and funds from other state sources additionally poured in TV-channels. The market should be free to operate without political or business clientelist relations or any other interference that have all maintained unfair competition to date.

Macedonia needs powerful investors in the media, such as RTL or CME in Slovenia and Croatia, which would have a clear vision, long-term strategic investments and highly professional teams of media managers and programme makers, including journalists, that will be protected by their owners, and allowed to follow and protect their professional integrity. Regardless of ownership and funding models of commercial TV-channels, something that must not be neglected is their basic social responsibility and respect for public interest, for which they are bound by the law, ethical standards and the audiences' demands. An ideal „recipe“ for private, commercial media in Macedonia would probably be to maintain a good „balance“ between legitimate business interests and respect for legal norms, social values and public interest.

¹¹³ Milosavljević, M., *“Financing of the Media in South East Europe”*, Media Observatory website, 12 February 2014. Available at: <http://mediaobservatory.net/radar/financing-media-south-east-europe>.

7. RECOMMENDATIONS

1. Relevant institutions in Macedonia – the media regulator, relevant ministries, the Government, the Commission for Protection of Competition, as well as the media industry - should work towards creating a favorable competitive environment for the potential entry of foreign investors in commercial media, which will be demonstrated through consistent application and adherence to the legislation, non-favoring of some media at the expense of others and non-interference in their work by political and business centers of power.

2. The Ministry, the media regulator, the media industry and relevant organizations should work on creating favorable environment for encouraging new forms of ownership, such as a consortium of several companies or joint stock companies, in order to prevent decision-making by individuals who are or may come under the influence of certain centers of power.

3. In order to disclose hidden ownership connections, which are formally aligned in Macedonia, but not actually broken, the regulator, in cooperation with other relevant institutions should be given sufficient powers to take activities aimed at exposing true owners.

4. Media companies should voluntarily publish detailed data on their financial performance, particularly those pertaining to the funds they receive from the State Budget and public companies, which should be publicly available on their websites.

4. In order to increase transparency of media financing, the media should indicate the major sources of funding in details in their annual reports submitted to the AAVMU, instead of the current display of revenues grouped by items (advertising, sale of programme, sponsorship).

5. State advertising and the current model to support domestic production should be abolished. Media community, relevant institutions and actors from the media industry need to open a debate about the models and mechanisms for possible support/subsidies of programmes of public interest (such as mechanisms for support of pluralism in Slovenia and Croatia), in order to provide fair, transparent and meaningful allocation of resources and encouraging of quality domestic production and public-interest content.

6. Media organizations, civil society sector, the regulator, international organizations and other parties concerned, should raise awareness by training, campaigns and advocacy among owners and newsrooms of private, commercial media that beside profit-orientation they have certain social responsibility to the public.

7. The regulator should conduct an analysis of the advertising capacities of the market, in terms of how many TV channels and broadcasters in general it can maintain. In granting of licenses to broadcasters, lack of particular specific formats should be taken into consideration, as well as meeting the ownership, genre, cultural and geographical dimensions of pluralism that the regulator should take into account.

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Interview with Marinko Milosavljević, professor in journalism at the Faculty of Social Sciences of the University in Ljubljana, 16 February 2017

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