Footprint of Financial Crisis in the Media

ROMANIA country report

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FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

Economy

Romania, which joined the EU in 2007, has a population of 21.5 million. Its GDP in 2008 was $US 200 billion, compared with $166 billion in 2007. In 2008, there were 24 internet users per 100 people (21 in 2007), and 114 mobile phone subscriptions per 100 (95)¹.

According to the National Institute of Statistics, GDP fell by 7.4 per cent in the first three quarters of 2009 compared to the same period in 2008. Despite early official denials of any effect, the global financial crisis started to have an impact during the autumn of 2008 and this was clearly apparent by the spring of 2009. The first signs as far as the media are concerned was a fall in advertising revenue, which was dramatic in the case of the printed media. Media Fact Book 2009 (a publication of Initiative Media Romania) estimated the market contracted from 540 million euros in 2008 to 347 million in 2009, with the print media’s share falling by more than half, from 82 to 40 million euros².

Media market

Following elections changes in 2004, the year 2005 was a key one for the Romanian media, both traditional and new. After the victory of the reformist Justice and Truth alliance, several businessmen began to invest heavily in the market. Among them, two Romanians, Sorin Ovidiu Vîntu and Dinu Patriciu, built up groups by taking over various existing titles, such as Adevărul, a leading quality newspaper acquired by Patriciu, or Cotidianul (another quality), Academia Caţavencu (a well-known satirical weekly), and Realitatea TV acquired by Vîntu. Existing owners also intensified their operations, launching new titles and television stations and buying or releasing other channels. The advertising market doubled between 2005 and 2008 -- from 276 million euros to 540 million – and this fuelled some of the investments³. The media landscape is now dominated by five major players, each with massive businesses in several segments:

- **Sârbu/CME.** Adrian Sârbu is a Romanian media maverick who has very successfully implemented the American television model in Romania via his leading station, PRO TV. Within months of its launch in 1995 PRO TV became a social phenomenon, thanks to good quality programming and colourful branding and marketing. Since 2000 it has lost some of its trend-setting momentum, though it remains a strong business. Together with his American partners at CME (Central European Media Enterprises, the media operation of Ronald Lauder, Estée Lauder's son), in 2008 Sârbu owned five TV stations (PRO TV, Acasă TV,

¹ World Bank data, on worldbank.org.
² Media Fact Book 2009 figures (Initiative Media), October 2009. Estimates are not very accurate in Romania, due to the 'secretive' aspect of the market. Big media groups seldom publish their financial results if not bound by law or foreign companies' commitments to their shareholders. Advertising price discounts are often very high and big deals often lack transparency.
³ Media Fact Book 2009 estimates (Initiative Media).
PRO Cinema, PRO TV International, MTV Romania, Sport.ro), one national newspaper, Gândul, a business daily, Ziarul Financiar, several magazines and radio stations and the leading press agency in Romania, Mediafax. MTV Romania, Sport.ro, Gândul and other assets were acquired after 2005. Sârbu also launched various content sites, among them Stirileprotv.ro, a spin-off of PRO TV, which ranks highly in the hierarchy of news sites. Early in his career Sârbu started selling parts of his media empire to CME (his entire radio business and all but 5 per cent of his TV operations), but he is still sole owner of Publimedia, the print company. Last July Sârbu was appointed the CEO of CME.

- **Voiculescu.** Dan Voiculescu, a one-time informer for the former communist secret police, Securitate, and a controversial figure in Romanian business, formally gave away his media empire to his two daughters in 2005, including Antena 1 (the second most successful commercial station), Jurnalul Național, Gazeta Sporturilor and Săptămâna Financiară (quality, sports and business weeklies). Since 2005 he has expanded his empire by launching three TV stations -- Antena 2, Antena 3 and Euforia Lifestyle TV. He has also started Radio ZU and several print titles. GSP.ro, the Gazeta Sporturilor site, has become a very successful internet operation, especially because of spin-offs for soccer supporters. Known as Intact Media Group, his empire is the most important purely Romanian conglomeration to date.

- **Ringier.** This Swiss-owned company has only a modest presence in the Romanian TV market through a 25 per cent share in Kanal D (Dogan), but it has a massive print business. Its portfolio includes the former market-leader of the newspaper market and now second most important, Libertatea (which sold 178,000 copies in September 2008⁴), Unica and Bolero (two glossies aimed at women), the leading TV guide, TV Mania, and Evenimentul Zilei (still doing well, though its trend is downward from the 31,600 circulation it enjoyed in September 2008). Ringier, which has some 15 titles on the market, and Sârbu/CME are the largest commercial media groups.

- **Patriciu.** Credited as the richest Romanian, with a fortune of 2.2 billion euros derived from his oil businesses, and another controversial figure, Dinu Patriciu owns Adevărul Holding, a print company whose titles include the best-selling newspaper, Click! (206,000 copies in September 2009) and the leading quality, Adevărul (105,000 copies in the same month). These high figures have been achieved by an aggressive marketing policy, with books and DVDs given away with Adevărul and competitions in Click!. Adevărul Holding lost 42 million ROL (roughly 13 million euros) in 2008, though it improved its share of circulation. Patriciu has also invested in an office building for his media assets and an up-to-date printing plant.

- **Vîntu.** Sorin Ovidiu Vîntu started building his media empire, Realitatea-Cațavencu, with the acquisition of Realitatea TV in the spring of 2004, after a previous presence at the end of the

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⁴ BRAT (Romanian ABC) data, available on BRAT.ro.
nineties through *Currentul*, the Monitorul local network and *Academia Cățavencu*. He had been forced to give up his previous media assets because of his implication in one of the biggest scandals in the post-1989 era, when his investment fund, FNI, collapsed in 1999-2000, taking with it the money of more than 200,000 investors. There were allegations that the fund was a Ponzi scheme, but Vîntu was not prosecuted because he had sold the business to a former manager, who was sent to prison. Little was seen of him after that until 2006, when he confirmed rumours that he was involved in Realitatea TV and announced the acquisition of the Academia Cățavencu group, including the eponymous satirical weekly (which he had previously owned), *Cotidianul* and some other titles. Between 2006 and 2008 Vîntu launched a number of ventures, including two economic publications (weekly and daily), a business TV station, a radio station, a press agency, an indoor TV operation and several important sites. Realitatea.net, the on-line spin-off of Realitatea TV, is the leading news site in Romania.

Other important groups are.

- **ProSiebenSat.1**, which has important electronic media operations, via a significant TV station, Prima TV, and Kiss FM, a leader of the urban market. Both were acquired by SBS Broadcasting in 2005, which was in turn taken over by ProSiebenSat.1 at the end of 2007.

- **Edipresse-AS** is a joint venture (60-40 per cent) between the Swiss group Edipresse and Axel Springer. It included more than 15 titles at the end of 2008, among others *Avantaje* (the first Western-style glossy in Romania), *Elle* (premium magazine, positioned above *Avantaje*), and *VIVA* (People). Between 2005 and 2008 Edipresse-AS launched several new titles and supplements of the old ones.

- **Lagardère** has a strong radio operation in Romania via Europa FM and Radio 21, highly-rated stations. Plans for TV stations, however, have been cancelled.

- **Sanoma VSOY**, **Burda Romania**, **Attica Media**, **Liberis Publications**. The magazines market has become crowded with the introduction by international groups of titles like *Glamour*, *Marie Claire*, *Esquire* and *In Style* since 2005-2006. The success of these is varied.

- **EMI Deutschland, Inform Media** These are local newspapers networks. Both the German group EMI/ARBO and the Austrian Inform have each taken over several titles. A noteworthy initiative by ARBO was to bring together the advertising sales of several local newspapers. Previously local independent owners had no contact with big advertisers in Bucharest and depended on the support of local businessmen.

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5 According to MediaPedia.ro, a Romanian communication wiki.
6 1.28 million daily reach, in the May 4-August 16 2009 wave, according to the Radio Audiences Association (ARA), data available on the association’s site, Audienta-radio.ro.
While they have invested huge sums in the media since 2005, the so-called “oligarchs” have had variable success. For example, Vîntu’s daily newspapers Cotidianul and Business Standard have together never sold more than 40,000 copies, out of a total newspaper circulation of roughly 900,000. By contrast, his station Realitatea TV reached third position in the television market in 2009, with 6.2 per cent of the audience, or 141,000 viewers per minute on average in urban areas, even though the rolling news concept is a niche one. Patriciu has stuck to print media and, thanks largely to the marketing policy mentioned above, has acquired more than 30 per cent of the market, with Adevărul and Click! selling 311,000 copies between them in September 2009.

At the beginning of 2008, the Romanian media market was thriving, thanks to the vigorous growth in advertising spend. According to Media Fact Book estimates, the advertising market rose from 369 million euros in 2006 to 482 million in 2007, an increase of roughly 31 per cent.

Chronology of the media crisis

Patriciu and Vîntu were the most powerful players in the market between 2005 and 2007. According to Capital, an influential business weekly, Vîntu announced an investment of 130 million euros in the media market at the beginning of 2007. Together with Vîntu and Patriciu, Voiculescu, Sârbu and Ringier made other notable moves, resulting in considerable portfolios of new or newly-acquired titles/stations/sites/radios. Indeed, the investments gave rise to a human resources crisis: there were not enough experienced journalists to staff all the outlets now operating.

The takeover by these large groups of existing outlets led to a concentration of ownership similar to that seen in other countries. Generally speaking, Romanian law in this field conforms to EU norms, and none of the “big five” exceeded the permissible share of audience or circulation or otherwise infringed the rules of a free and balanced market. However, some commentators expressed concerns, which were to prove well-founded two years later, at the end of 2009.

The crisis in the media evolved as follows:

- **March-April 2008**: Cotidianul undergoes cost cuts. The newspaper loses eight of its 32 pages and its marketing support in the form of DVDs and books. Circulation, which had been growing steadily to reach more than 27,000, starts going down; it falls to 6,400 in September 2009.

- **December 2008**: PRO TV local stations lose an estimated 300 staff out of 808 mentioned in

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9. According to Tolo.ro, the blog of Cătălin Tolontan, the most visible Editor-in-Chief of the young generation, leading 'Gazeta Sporturilor'.
2008 for the company in Ministry of Finances figures. Sârbu/CME close down some of their print titles, such as Target and Descoperă.

- **December 2008**: Edipresse-AS closes down Computer Bild, a niche illustrated monthly
- **January 2009**: Voiculescu’s Intact Media Group cuts salaries by 20 per cent
- **January 2009**: Ringier cuts the marketing budget at Evenimentul Zilei by 30 per cent
- **January 2009**: Burda gives up Quattroruote, Draga Mea and Perfect Pentru Casa Mea
- **February 2009**: Ringier closes down Compact, a free sheet launched in 2006
- **March 2009**: Ringier gives notice to 30 or 40 journalists at Evenimentul Zilei and Capital
- **March 2009**: Gardianul, one of the newspapers said to be owned by Vîntu, sacks 22 staff
- **March 2009**: Rodipet, the most important distribution company in Romania, returns to state ownership because the new private owner (El-Awdi) fails to fullfil some obligations
- **April 2009**: RomâniaLiberă sacks 20 journalists
- **June 2009**: Sârbu/CME close down their local titles
- **July 2009**: Boom, the ad broker that had controlled more than 50 per cent of the internet advertising market until mid-2006, goes bankrupt
- **July 2009**: Vîntu’s Realitatea-Cațavencu company, which only six months earlier had given an 11 per cent rise to all its employees, imposes salary cuts ranging from 10 to 50 per cent, and 39 per cent of the journalists at Cotidianul are offered reduced salaries of 1,000 RON (less than 250 euros) as an alternative to dismissal. Other journalists, at Telesport, are also sacked.

Overall, the worst-affected segments of the media were the quality newspapers. Some fell below 10,000 copies a day and most were forced to reduce either the number of pages or the editorial staff. With the exception of Adevărul (discussed below) and Voiculescu’s Jurnalul Național, which was still selling almost 58 thousand copies in September 2009, all the quality titles launched during the 90s (România Liberă, Evenimentul Zilei, Ziua, Cotidianul etc) went below 50 thousand copies.

The only group that made consistent advances was Patriciu’s Adevărul Holding, with its dynamic marketing strategy. In 2009 the company announced its quality papers were adopting a “no-politics” policy so as to avoid political involvement. This proved a safer approach during the presidential election campaign than that of some of the outlets controlled Vîntu and Voiculescu.

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10 Information available on Mfinante.ro.
Editorial independence

Until 2009 the so-called “moguls” (notably Vintu, Patriciu and Voiculescu, and to a certain extent Sârbu) allowed their media outlets to follow a generally impartial line, though coverage unsympathetic to President Băsescu figured on some of Voiculescu’s outlets, notably the rolling television news channel, Antena 3, at prime time. A law for the parliamentary elections in November 2008 (later extended to the EU parliamentary elections of 2009) brought in a new provision allowing some types of political advertising, in the form not only of spots for individual candidates but so-called “electoral debates”. The channels chiefly affected were Vintu’s and Voiculescu’s rolling news stations, Realitatea TV and Antena 3.

TV stations were legally obliged to notify the authorities of programme slots made available in this way, but only local stations complied. The intriguing consequence was that nobody – not even the National Council of the Audiovisual, the regulatory authority for TV in Romania -- could tell precisely which shows were or were not electoral debates sponsored by particular political parties. So talk shows with representatives of political parties were attracting up to 3 million viewers every night with no indication whether they were independently produced according to journalistic principles or paid for by particular politicians or parties.

Then in June last year, by which time this situation had become a cause of widespread concern, the leading sports newspaper in Romania, Gazeta Sporturilor, opened a Pandora’s box. It published evidence of questionable contracts between the Department of Sports and Youth and certain communication agencies, under which, among other things, a number of positive news items would be aired about an event the department had organised for an event called the Feast of Youth on 2 May. Up to this point there had been no hint of such financial arrangements between TV companies and the governing coalition of the Popular and Socialist parties, the PDL-PSD. Further allegations arose concerning talk show moderators. President Băsescu, as well as an MP, Adriana Săftoiu, charged some of these of having signed so-called consultancy contracts with politicians they invited on to their shows.

Then came the campaign for the presidential election last November. The law in respect of this election stipulated free appearances for all candidates or their supporters. However, signs of unbalance soon started to appear. Both Vintu’s Realitatea TV and Voiculescu’s Antena 3 were sanctioned by the audiovisual regulatory authority for unbalanced coverage, mostly on talk shows. The channels had given favourable treatment to Mircea Geoană, the socialist candidate and main
rival to the incumbent President Băsescu. Meanwhile, B1 TV, OTV and two niche folklore TV stations, Etno TV and Taraf TV, belonging to a businessman identified with the ruling PDL, was sanctioned for bias in Băsescu’s direction.

The so-called “moguls” were much on Băsescu's mind during the campaign, and after his re-election he began accusing Vîntu and Voiculescu (and sometimes Patriciu) of using their media empires in order to influence the political process. Apart from what took place during the election campaign itself -- and the history of hostile coverage on Voiculescu’s Antena 3 -- there is not much evidence to justify this claim. But it proved to be self-fulfilling, for after a series of “anti-mogul” statements from Băsescu, the three in question definitely turned against him and the PDL.

Meanwhile, on 7 December, the day after the final round of the presidential election, Vîntu announced he would give up his print assets and restrict some other media operations. Several days before, Nicu Popa, one of his associates in the collapsed investment fund, had been arrested in Jakarta, and the event had figured in the televised debate between the two candidates who had emerged from the first round, Băsescu and Geoană.

**Media content: consumers’ perspective**

Whatever the truth about the role of media owners in Romania, only one of the nine people interviewed for this study described the media market there as “well balanced”. This was Mircea Raicu, a PDL politician and vice-mayor of the capital, Bucharest. Generally the Romanian media are regarded as biased. Here are some comments:

- “Some media providers are constantly taking sides in favour of one party or political figure…” (Mariean Cristian, a rural priest).
- “The media are politically divided, serving the interests of their owners” (Ciprian Ciucu, a programmes director at the Romanian Center for European Policies)
- “Compared to two years ago, there is less objectivity and attempts to manipulate are more apparent” (Mihaela Mihăescu, president of an association for people with physical disabilities).
- the public broadcasters are “not keeping their independence” (Dr Ovidiu Băjescu, a dentist)

The blogger Mirel Axinte, who uses the name Bleen, considers that the Romanian media became a “Ministry of Propaganda” during the second half of 2009. Speaking of the economic situation, he says the media market has been “extremely affected” by the fall in advertising spending and the “very
optimistic” investment plans of two or three years ago are proving to be “unsustainable” in 2009. The decline in advertising is considered “dramatic” by Braduţ Ulmanu, a journalism teacher at the University of Bucharest and freelance journalist. According to Cristi Motcă, Managing Partner of Credit Zone and a founder of the Romanian Credits Brokers Association, the daily newspapers segment is “irreversibly damaged”. Nicolae Chidesiuć, a Senior Economist for ING, believes that in 2009 the media are “more influential, but do not appear independent”.

The only area where interviewees see a certain degree of improvement is the internet, and especially Web 2.0. Since 2006 the Romanian blogosphere has become busy and in some respects influential. It is expected that the internet advertising market, worth some $15-20 million, will be stable or even expand in 2010. In spite of “pay-per-post” practices which violate the rules of the traditional media, there are several dozen bloggers with a traffic of 1,000 or 2,000 unique visitors per day, a significant audience in terms of disseminating political messages.

Conclusion

The Romanian media market has been dramatically affected by the financial crisis, which struck it in the middle of a frenzy of investment. The motives of the two main investors, Vîntu and Patriciu, for their media expansion have been called in question by politicians, civic leaders and commentators. The parliamentary and presidential elections of 2008 and 2009 respectively only served to make things worse, pushing media outlets weakened by the crisis towards one or other political interest, while complicity appeared between certain political forces and some newspapers and TV stations, especially quality ones. The only reasonably healthy electronic and print outlets are tabloid and non-political. Online journalism has yet to become a serious force, with only 3-4 per cent of an advertising market estimated at 350 million euros in 2009.