

Footprint of Financial Crisis in the Media

POLAND country report

Compiled by Andrzej Kaczyński

Commissioned by Open Society Institute

December 2009

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

Introduction

The worldwide crisis affected Poland much less than other countries. However, the media did not forecast it and therefore caused themselves greater losses than they need have sustained.

At the turn of 2009 the majority of the Polish media made far more pessimistic economic prognoses than the government, which resisted demands (from the opposition, the media and bankers) for strong intervention in the economy. The mass media threatened Poles with the crisis, but people did not believe them, did not panic and only slightly reduced consumption (which was one of the more important factors in stabilising the situation). But the media believed in the recession: first of all the largest television stations reduced the rates for advertising enormously, and they were followed by other broadcasters and publishers. The media made double losses: in reliability in the eyes of their audiences, and in earnings.

General state of the media sector

In 2009 income from advertisers fell around 15 per cent generally; for the press the figure was over 20 per cent. The drop halted in the third quarter, and in the fourth quarter income rose slightly. But forecasts for 2010 predict, at most, a single-digit growth in the advertising market (around 5 per cent), which means that the media will not be able to restore the income levels of the end of 2008.

Only the internet earned more from advertising (7 per cent) than in the previous year, and it has high growth potential; telecommunication companies are forecasting 1.2 million new broadband connections for the years 2010–12. Among the traditional media, better results were achieved by those with a clearly profiled programme and with precisely defined audiences. The fall in advertising incomes was lower in thematic radio and television channels, and in printed media in women's and leisure magazines. First and foremost, the general-interest channels will be the ones forced into making savings, even though they are the most important for the development of democracy and civil society. Cost-cutting hits public service broadcasting most severely, as news production is expensive to produce and by definition is less profitable.

In the press, newspapers and current affairs magazines found themselves in a much worse position than glossy magazines or TV guides. The serious press is troubled by two negative phenomena: the steady decline of sales (since 2005 by 2–7 per cent annually) and the outflow of advertisers (in 2009 by 17 per cent). An exception here is the local press for cities, boroughs or counties. In 2006, there were 80 titles with a total circulation of 570,000 copies; in 2009, 100 titles with a total circulation of

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

800,000. These are most often weeklies, private, independent, apolitical and informative, which stay alive by their coverage of local issues and local government, distributed independently of the big national distributor networks of Ruch and Kolporter, at their own sales points (there are practically no returns).

Legislation

The current press law is over 25 years old and archaic (not covering the internet, for instance). Communities and stakeholders concerned with the current state of affairs are demanding amendments, but not consistently, out of fear of over-regulation. The journalist community has also for years been demanding the repeal of art. 212 of the criminal code, which allows for imprisonment for libel in the media; politicians are opposed as they see this law as protection against the abuse of freedom of speech.

There is an urgent need for a new law on the public media and on the National Broadcasting Council (the body which issues broadcasting licences). Several governments have tailored the current law to their own needs – with pitiful effect.

Since 2001, publishing has consistently been taxed with VAT at 7%. The tax has resulted in an increase in prices and a several percent fall in sales. In 2010, the period of specialist journals' exemption from VAT ends.

Public service media

The treatment of the public service media by political parties as a prize for winning elections .has led to the situation in which in 2009 the president of Polish TV (TVP) was replaced four times, and each nominee was taken to court by his predecessor. For over six months TVP was run by a person designated by a (then co-governing) extreme right-wing party, which has already disappeared from the political stage.

TVP is overstaffed. Each new president dismissed employees in order to bring in their own: in 2007–8, 1,039 people were dismissed and 961 employed. In 2009, 400 were dismissed, but some of these are returning to work, including people in leading positions (for instance, TVP 1's head of current affairs and the director of TVP Info). TVP is in a state of financial catastrophe. In 2007, it made PLN 94 million profit (and revenues were PLN 2.14 billion), in 2008 it reported a loss of PLN 46 million (with revenues of PLN 2.25 billion). The budget deficit for 2009 is already over PLN 200 million.

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

Similar perturbations are seen in public radio. Polskie Radio was forced to cease financing a choir and two symphony orchestras. Polish Radio Third Programme (familiarily known as Trójka) started to raise funds from the listeners to support its mission programmes. With PLN 600,000 raised in 2009, it will produce programmes with the “Trójka Quality Mark”.

In autumn 2009, at the Congress of Polish Culture, the professional community of the creative industries set up a team to draft a proposal on the new public media law that would prevent a political tug-of-war over public radio and TV. But the proposal has yet to be scrutinised by politicians.

Labour

The crisis has persuaded media owners to reduce the number of staff. Agora, the publisher of the biggest serious daily, *Gazeta Wyborcza*, the fourth-largest Polish internet portal, five radio stations, a free city daily and several leisure magazines laid off 400 employees, reducing its staff to 3,200.

In April 2009, the daily *Polska The Times* closed nine of its 18 regional editions. The fusion of *Gazeta Prawna* and *Dziennik* into one title in September 2009 resulted in several dozen journalists losing their jobs. In December 2009, the left-leaning daily *Trybuna* went bust (formally its publication was suspended till February 2010).

But the causes of the mass redundancies are not merely economic. In 2006, *Rzeczpospolita*, the second-largest serious daily in Poland, acquired new editorial board, which was friendly towards Law and Justice (PiS), the governing right-wing party (the feelings were mutual) and, in an attempt to give the newspaper a decidedly right-wing character, it fired almost half the journalists. Those who were older (and therefore more respected), more experienced, independent of thought, were replaced by “our own people” or trainees, grateful for work and therefore more obedient. Such practices, ever more common, are made easier by a large surplus of supply over demand in the journalist labour market.

Media content

Among the dailies, the first and third places in the list of copies sold are taken by tabloids. The entry into the market in 2005 of Axel Springer’s *Fakt* and its rise a year later (due to dumping prices, among other things) to the top of the sales rankings, caused a competitive struggle which has had a bad influence on the quality of the media.

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

Dangerous trends of moving towards tabloid models are apparent in news and current affairs programmes on television. The biggest current affairs weekly, *Polityka*, listed the following errors in the news programmes of the two largest stations, TVP 1 and TVN (4.5 million viewers each): sensationalism, bias, changing the order of presentation of the news, tabloid selection of news, triviality, irrelevance, chaos and superficiality of reporting. The result is that viewers of the news are poorly informed.

The language of public debate in Poland is appalling, but it is not only political rhetoric that has a poor effect on the level of discourse in the electronic media (although politicians have spoiled it a great deal, particularly in recent years). Where does the debate lead when the first question the politician hears from the journalist is: "What's your response to the fact that your opponent said of you that you are a brute, a fool and a pest?"

New media

These have not yet arrived. The closest to the printed prototype are the online editions of academic periodicals whose printing would be too costly. There are a very few permanent online current affairs titles, which do not have their printed counterparts, but these are cut from the same cloth as the paper current affairs weeklies, only less frequent – fortnightly or monthly.

The oldest of them, *Kontrataksty* (founded in 2004, 125 issues published), is visited by 5,000 readers a week. The newest, *Dwutygodnik* (20 issues in 2009), gives no data on readership. The home page of *Studia Opinii* (which has appeared since 2007) is visited weekly by 7,000, and specific articles are read by 20,000. By comparison, the e-version of *Newsweek Polska* (the paper version of which sells 110,000) is bought by 4,000 readers.

The three internet periodicals mentioned are edited and filled by professional journalists and columnists, often highly qualified, who have split with other media for a variety of reasons. The net has also given rise to a new category: social journalism. *Wiadomości24* prints articles sent by amateurs and edited by professionals. They register around 600,000 hits monthly. "Salon 24" is a hosting platform which publishes both professional journalists and amateur bloggers, and there are 100–500 entries daily. However, these are most often opinions and commentaries on information published in the traditional media.

Generally, the internet does not produce its own news but parasitises or, to put it more delicately, recycles, information produced elsewhere, mainly in the press, information agencies and electronic media. Without these the internet would be empty and sooner or later it will have to share its profits

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

with the traditional media or allow them to fail. In September 2009, the Chamber of Press Publishers called on the ReproPol agency to protect publishers' rights online. The Ruch press distributor announced that in the second quarter of 2010 it will open a portal which will enable paid reading of press articles.

The dailies' editorial boards either put online electronic versions identical to those in print (like *Rzeczpospolita*), or enrich them with audiovisual content and put them online as an ingredient of large portals which abound in other ideas for surfing (like *Gazeta Wyborcza*).

According to the research, 51 per cent of internet users cull information from the web, 27 per cent from TV and 5 per cent from the press. Identical results refer to the sources of economic information. Only 15 per cent of internet users state that they use the computer with the intention of reading the press. But research shows that reading newspapers online happens much more selectively and cursorily than reading the print versions. Internet readers are not interested in searching for specific topics but in looking at the most attractive texts. However, some of the readers of the printed press, who have recently given up purchasing for financial reasons and switched to the online editions, will not return, in the opinion of media experts, to newspapers but will stick to the internet.

Internet use often leads to being enclosed in a virtual world. But the net also has great potential to make people active in public areas. Twice in elections – for the national parliament in 2007 and the European Parliament in 2009 – online mobilisation, especially among young voters, had a considerable influence on both the turnout and voting decisions (the campaigns “Change the country, go and vote” and “Europe’s Navel” run by the Stefan Batory Foundation and a coalition of NGOs). The internet was also the main tool in mobilising the young for independent celebrations of the anniversary of the fall of communism in 1989. Initiative '89, set up by a coalition of NGOs, gave form and momentum to the anniversary celebrations. This is a new and promising phenomenon which has a potential to become permanent and multiply.

Conclusions

The losses that media market suffered due to the crisis have intensified problems and difficulties that had been accumulating for years. Public radio and TV has suffered most, though not solely because of the crisis. Bad management, extravagant spending, overstaffing, politicization of the programs and employment decisions combined with the dramatic decrease of funding led to a situation in which the pursuance of public mission is seriously undermined.

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

The press sector lost one national daily (fusion of *Dziennik* and *Gazeta Prawna*), another one will probably follow this year (*Polska The Times*).

Both public TV and electronic media require new comprehensive regulation. However, the chances of it being passed by the present highly polarized parliament are very low. Certainly nothing will change before the presidential, national and local elections of 2010 and 2011.

ANNEX: TABLES

Table 1. Main economic indicators

Population, total	38,000,000			
Working population	16,000,000			
	2006	2007	2008	2009*
GDP per head (\$)	14,500	16,300	17,482	20,000 (est)
GDP growth (%)	6.6	6.5	2.9	1.7
Unemployment (%)	14.8	11.2	9.5	11.,1
Average wage (PLN)	2,662	2,899	3,096	3,193
Internet users (per 100 people)	38	42	48	59
Broadband availability (% of total)	22	30	38	51
Mobile telephones (thousands)	36,758	41,510	44,086	n.a.
Households with at least one TV set (%)	98.5	98.5	98.5	98.0

Table 2. Main economic indicators of the media sector

	2006	2007	2008	2009
No. dailies	41	37	37	35
No. regional newspapers	32			28
No. public TV channels (national + regional)				4 + 16
No. public radio channels (national + regional)				5 + 17
No. commercial TV stations				7
No. commercial radio stations				257
No. news websites (not attached to traditional media)	2	2	2	2
Advertising revenue in print media (% , yoy, compared with 2006)	100	4,8	100	- 17

FOOTPRINT OF FINANCIAL CRISIS IN THE MEDIA

Advertising revenue in TV (% , compared with 2006)	100	13,4	100	- 6
Advertising revenue in radio (% , compared with 2006)	100	3,3	100	- 7
Advertising revenue in new media (% , compared with 2006)	100	54,4	100	7

Methodological note

The report has been prepared by Andrzej Kaczyński, a freelance journalist, on the basis of quantitative data from Central Statistics Office, Eurostat, Polish Audit Bureau of Circulation, Polish Readership Survey, Chamber of Press Publishers, Association of Local Newspapers, Institute of Media Monitoring, National Broadcasting Council, AGB Nielsen Media Research, Radio Track, Gemius SA, Net Track, CR Media Consulting and wirtualnemedi.pl, as well as interviews with a press expert, a newspaper editor, journalists of daily newspapers, a publisher of a weekly newspaper, an owner of an online biweekly, an administrator of a social networking portal, as well as representatives of the Polish Journalists Association and the Association of Local Newspapers.