CZECH REPUBLIC

Milan Šmid
1 INTRODUCTION

All the Czech media, with the exception of the public broadcasting organisations Český rozhlas (Czech Radio), Česká televize (Czech Television) and the news agency ČTK, which is partly controlled by Parliament, are in private hands.

The Czech Republic is a country with minimum ownership restrictions in the media industry. There is no limit on foreign participation in media. The only limit on cross-ownership in the Czech media was enacted by the Broadcasting Act of 2001. The limit pertains only to the broadcast media (one company shall hold only one nation-wide television or radio broadcasting licence).

The Czech Office for the Protection of Competition considers all mass media a single market. From such a viewpoint no publisher, no broadcaster no media company has a dominant position on the “relevant market” defined in such a way.

Only two media sub-markets have individual media owners occupying dominant position. First, the commercial television network, TV Nova, has a 45 percent share of the TV audience and a majority portion of television advertising. Moreover, TV Nova coordinates its programming and pricing policy with the second largest commercial TV broadcaster, TV Prima. Fortunately, pluralism in television has so far been guaranteed by the existence of the Czech public service broadcaster Czech Television. TV Nova is owned by the financial group PPF, with its strong position in insurance and banking, and without other notable media outlets.

Secondly, the publishing house Vltava-Labe-Press, owned by the German Verlagsgruppe Passau, controls nearly all the regional and local newspapers in the Czech Republic. Since the regional newspaper market is a part of the larger daily newspaper market, some guarantee of pluralism does exist, and it is based on the diversity of other newspaper publishers.

Despite the absence of strict rules and limits on media ownership, concentration in Czech media has not reached an extent that could endanger media freedom or pluralism. Vertical concentration can be detected in the print media, where the main newspaper publishers own printing plants and control the press distribution companies PNS and Mediaprint & Kapa Presegrosso. The horizontal concentration of media (dominance on a single media market, for instance newspaper, TV or radio market) is still at the embryonic stage. However, it is slowly developing, and it cannot be ruled out that a menace to media pluralism will someday come from this direction.
Several basic aspects of the history and political background have to be mentioned in order to reach a better understanding of the development of the media in the Czech Republic, since it is in some respect specific and different from other Central and East European countries.

The former Czechoslovakia was the only one among Central and East European communist states (with the exception of the former GDR) where the ruling Communist Party did not attempt to implement any reform of the political and economic system before the fall of the regime in 1989.

The rejection of the former rigid totalitarian political system by Czech society was profound, far-reaching, and led not only to the dismantlement of all of the existing centrally organised structures, but also to the long-lasting support for the concept of political and economic reform, where the role of the state is to be limited as much as possible and where free market forces are to govern society as a whole, including the mass media.¹

That was the political climate in which the mass privatisation of entire industries, including the media, took place. That was the frame of mind which led to the rejection of all limits to the participation of foreign companies in the media, and created the basis for the deregulation of radio and television.

The Czech Republic was the first country in Central and Eastern Europe to award a nationwide broadcasting licence to a private person, and to allocate a complete network of frequencies formerly used by public television to private television, *tv Nova*, in 1993.

When the Czech Republic became independent in January 1993, there were no state media in the country. Three former state media outlets, i.e. *Czech Television*, *Czech Radio* and the *Czech Press Agency* (*CTK*) already operated as independent public service companies. The state kept some controlling shares in only two media-related companies: in the former monopolist distribution company První novinová společnost (*PNS*) and in the former largest printing works owned by the Communist Party before 1989, transformed into the state stock company Česká typografie.

All the other media companies were in private hands, privatised either by spontaneous (1990–1992) or by state controlled (1992–1994) privatisation.
3 MEDIA LEGISLATION

After the first free election in June 1990, the new Czechoslovak democratic Government wanted to introduce a new general media law, which was to govern all three main media sectors – press, radio and television. This intention was never accomplished.

In March 1990, the Federal Assembly revised the 1966 press law by formally abolishing censorship and allowing Czech and Slovak individuals and companies, including foreign owned ones based in Czechoslovakia, to own and publish periodic publications. The amendment opened the way to private ownership and foreign participation in publishing ventures. The former strict licensing of any publishing activity was turned into a simple procedure of mere registration. According to the amended Press Law provisions, a publisher had to be in conformity with the legal system as such, and no other duties exceeding these limits, including any cross-ownership limits, were prescribed. No wonder that the media industry did not feel any need to change this state of affairs.

Another reason why the federal lawmakers abandoned the idea of drafting a new comprehensive media law, involved the differing opinions on its nature in the Czech and Slovak parts of the Czechoslovak Federation. Thus Parliament, under the pressure of public demands regarding private broadcasters, dedicated its main effort to drafting the Broadcasting Law that was finally adopted on 30 October 1991.

The Broadcasting Law was very liberal; it opened a way to broadcasting licences not only for legal persons, but for natural persons as well. Foreign investors were not prevented from applying for a licence, provided that they established a company in Czechoslovakia. Broadcasting legislation did not contain any limit on maximum foreign shareholding or cross-ownership limits for broadcasters. The licensing procedure of the Broadcasting Council should only “take into account” the shareholding of Czech persons, their representation in the applicant’s decisive bodies, and the proposed contribution of the applicant to the development of domestic programming.

The only media ownership limits were determined and regulated by the Economic Competition Protection Act (1991). The law defined the term “dominant position” as a situation in which an economic entity controls more than 30 percent of the relevant market. If any entity exceeds this limit, it needs to obtain special approval by the Ministry for the Protection of Economic Competition. The notion of the “relevant market” in the media was, however, difficult to define. This was clearly demonstrated by the administrative procedure in the case of the Vltava and Labe companies, whose owner, Verlagsgruppe Passau, began to build up a monopolist position in the Czech regional press in 1991. In 1993, the Ministry for the Protection of Economic Competition ended the case, concluding that the
position of Verlagsgruppe Passau on the relevant market, comprising both national and regional dailies, was not dominant.

In March 2000 the new Press Law was finally adopted. It does not contain any restrictions concerning the publisher, who can be either a natural or a legal person possessing either Czech or foreign citizenship, and who registers the periodical at the Ministry of Culture. The new Act defines the rights and duties of the publishers (e.g. right to reply, obligatory copies etc.), but does not mention any provision regarding ownership.

A year later, the Parliament passed the new Broadcasting Act. The Broadcasting Act is the only legal norm which limits cross-ownership of media in Section 6, titled The Securing of Plurality of Information, Articles 55-58. In simple terms: “any legal entity may be a holder of only one nation-wide radio or television channel”. The provisions of this law pertain only to the broadcast media, but do not mention any cross-ownership between the broadcast media and the press. A nation-wide channel is defined as a set of frequencies which covers more than 70 percent of the population. The networking of local stations is permitted up to this limit. Any merger of radio and television enterprises has to be submitted for approval by the regulator, i.e. in cases in which a natural or legal person would gain “a substantial influence on a broadcaster”. Substantial influence was defined by the limit of 34 percent of the voting stock.

In 2001, the new Economic Competition Protection Act was adopted. Its provisions are more precise and sophisticated when defining the dominant position and the abuse of dominance. The basic limit for a non-dominant position on the relevant market was raised from 30 to 40 percent. However, this limit serves only as an orientation point, because the evaluation of the dominant position proceeds according to many different criteria. The dominant position is defined in Article 10 in the following way: “(1) One or more companies jointly (joint dominance) are deemed to have a dominant position on the relevant market, if their market power enables them to behave to a significant extent independently of other companies or consumers.”

Among the criteria for deciding on dominant position are for instance “ascertained volume of supplies or purchases on the relevant market for the goods in question (market share)” “the economic and financial power of the company”, “vertical integration level of the company”, or “market structure and size of the market shares of their immediate competitors.”

From the viewpoint of media policy, the new legislation adopted in the last five years has not changed dramatically in the liberal approach to media ownership set by lawmakers in the beginning of the nineties.
CZECH PRIVATISATION STORY

Market economy rules were introduced into the Czech Republic in several steps. On 1 May 1990, citizens obtained the chance to start a small personal business. At the same time, the provisional Law on Joint-stock Companies was adopted. In October 1990, the Parliament passed the Small Privatisation Act, which enabled auctioning of state property or of the co-op companies in the sectors of services and agriculture. The most important Large Privatisation Act, which founded the National Property Fund and set up the guidelines for the privatisation of industries, was adopted in February 1991.

With the new Commercial Code and the Small Business Act passed in 1991, private business in the Czech Republic was on its way.

The former Czechoslovakia, later the Czech Republic, differed from its eastern neighbours in that privatisation was undertaken at a fast pace and on a large scale, which enabled every Czech citizen to participate, using the "voucher (or coupon) program". About eighty percent of former state property was transferred to private hands in the short period 1992–1994.

The initial phase of dispersing the former state ownership into the hands of millions of small voucher shareholders was followed by a new phase of ownership concentration that began in 1995, in which the most influential actors were hundreds of investment funds and dozens of banks. Some of these also invested in the media. However, by that time the foreign investors had already captured good starting positions in the main press, radio, and television companies (in the years 1991–1995).

Economic reform was accompanied by a steep rise in advertising expenditure. Advertising became an important new source of funding for the media, and advertising money was the main available substitute for former state subsidies to the industry, which ended in 1991.

Table 1

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Source: ArboMedia (19), Strategie weekly, 21 May 2001.


*Exchange rate of 2003: 1 EUR = 32.5 CZK.
4.1 SPONTANEOUS PRIVATISATION 1990–1992

The structure of basic Czech newspapers that developed in the sixties did not essentially change for the next three decades until 1989. This structure consisted of six Czech and five Slovak national dailies, and ten regional dailies published in seven Czech and three Slovak regions. Besides, two thematic national newspapers (sport, army) and several metropolitan evening papers were published daily in Czechoslovakia.

The publishers of the Czech dailies were either political parties – Communist Party: *Rudé právo* (Red Rights), Czechoslovak People’s Party: *Lidová demokracie* (People’s Democracy), Czechoslovak Socialist Party: *Svobodné slovo* (The Free Word), or “voluntary social organisations” such as Socialist Union of Youth ssm: *Mladá fronta* (The Young Front), the trade union organization roh: *Práce* (The Work), or state organs such as (Ministry of Agriculture: *Zemědělské noviny* (The Farmer’s Daily), Defence Ministry: *Obrana lidu* (The Defence of the People).

Immediately after the fall of communism in November 1989, several attempts at launching new periodicals were made, but the basic structure of daily newspapers remained the same for several months, with two memorable exceptions.

The first exception was the daily *Lidové noviny* (The People’s Paper), with a history of photocopied samizdat published monthly by dissidents since 1987, and with reference to a leading *journal d’opinion* before the Second World War of the same name. The first issue of *Lidové noviny* appeared in December 1989. From January 1990, the paper was published twice a week, while daily appearance was achieved on 2 April 1990. The original publisher “Lidové noviny Society,” founded by dissidents closely connected to *Lidové noviny* samizdat’s past, subsequently founded the joint stock company *Lidové noviny a.s.* with a new editorial staff.

The second exception was the daily *Hospodářské noviny* (The Economic Daily), which was launched on 21 May 1990 by the joint stock company Economia a.s.. The initial shareholders of the company were the state and state owned institution (e.g. the wire agency *cTK*), including state owned banks (e.g. Czechoslovak Trade Bank ČSOB). *Hospodářské noviny* used the name of a weekly that specialised in economic issues, and which was published until May 1990 by the communist publishing house Rudé právo.

The institutional owners and publishers of other dailies remained the same for several months after November 1989. Political change was manifested only by revolts of editorial staff against incumbent publishers and editors in chief, who had been appointed and controlled by the Communist Party officials. At the beginning of 1990, Czech media were managed in a self-government style by editors in chief, elected by the editorial staff. This state of affairs produced a situation that enabled the spontaneous privatisation of the media.
The process was kicked off by the daily *Mladá fronta*. Its publisher, the Central Committee of the Socialist Youth Union ssm, perished. Negotiations about the transfer of publishing rights to the state owned publishing house *Mladá fronta* did not come to any conclusion. The property of the Communist Party had already been nationalised,¹⁷ and the deputies in the Federal Assembly had already initiated the same nationalisation procedure for the ssm property,¹⁸ To avoid an uncertain future, the editorial team made use of the new law on joint stock companies, and founded the company *MAF A.S.*, which acquired publishing rights for a newspaper *Mladá fronta Dnes* (The Young Front Today). The first issue of the new daily appeared on 1 September 1990, with a layout and content very similar to that of the old *Mladá fronta*, which ceased to exist.

This model was repeated several times; only the details were different. Soon after, on 16 September 1990, the editorial team of the Communist Party’s daily *Rudé právo*, established the stock company *Borgis A.S.*, which launched *Rudé právo* as a “leftist paper” two months later, on 16 November 1990. Unlike the editors of *Mladá fronta*, whose activities were coordinated and approved by the new political elite in the Czech Government, and who used the opportunity to rent the newsroom equipment from the old publisher, the *Rudé právo* editorial staff left everything behind, with the exception of its know-how.

On 27 February 1991, the editors of *Zemědělské noviny* set up the stock company *ZN 1. zemská* and on 31 March terminated their job contracts with the publishing house controlled by the Ministry of Agriculture. The Ministry of Agriculture tried to keep the original paper alive. The publishing house hired a new group of editors in March. However, they were not able to produce the paper on a daily basis; therefore the original *Zemědělské noviny* continued for several weeks as a weekly paper before it returned to periodicity. The old paper lost the competition with a new paper *České a moravské Zemědělské noviny* in 1992, when the Ministry of Agriculture stopped the cash flow subsidising the paper.

Analogous cases, when two newspapers or magazines with the same or similar names were published simultaneously, were not rare in the initial period of spontaneous privatisation. The winner in such a competition was usually the group of editors with more extensive experience and with better relations to the printing works or to the company *PNS A.S.*, the dominant press distributor in the Czech Republic.

Old political parties and trade unions were able to retain their once popular newspapers (e.g. *Lidová demokracie, Práce, Svobodné slovo*), but only few of these were able to survive in the new competitive free market environment. The Czechoslovak People’s Party sold *Lidová demokracie* to a private company, which stopped the publication as an unprofitable business in July 1994.

The publishing right to the daily *Práce* was passed to the Association of Trade Unions, the heir to the old monopoly communist union organisation ROH. The Association had
subsidised the publishing till 1995, when its majority interest in the publisher’s company was sold to an entrepreneur, Vladimír Stehlík, who turned the daily into a publicity tool for his business interests. In April 1997 Stehlík’s majority stake was acquired by the printing works Česká typografi e, which terminated publishing at the end of 1997.

The Czechoslovak Socialist Party lost the majority interest in Svobodné slovo in favour of the Czech Investment and Postal Bank (ČIP), which provided loans to the loss-making publishers operations. ČIP later sold the majority stake to a holding company of the Chemapol group, which passed the publishing rights to the N-Tisk company of Mittelrhein Verlag in 1998. Svobodné slovo changed its name to Slovo in 1997, and perished in 2001, when it was incorporated into the regional press group organised by German Verlagsgruppe Passau.

The period of spontaneous privatisation ended in approximately 1992, when the real privatisation of state property, in compliance with the new privatisation law, began.

4.2 FOREIGN INVESTORS

Apart from the spontaneous privatisation of existing dailies, Czech and foreign investors made several attempts at launching a new national daily. Only a few of these survived. All the papers with political ambitions perished sooner or later. Among them Občanský deník (Civic daily) of the Civic Forum (3 May 1990 – 12 October 1991) and Český deník (Czech daily) supporting the right-of-centre Democratic Union DEU (14 October 1991 – 31 December 1994), or Denní Telegraf (The Daily Telegraph) which was subsidised by Czech banks and supported Václav Klaus’ ODs (1 January 1994 – 6 November 1997).

The first foreign publisher to enter the Czech media market was the Ringier publishing house from Switzerland. In 1991, Ringier had started the economic weekly Českomoravský profit, inspired by the Swiss magazine, Cash. In April 1992 Ringier launched the very first Czech colour tabloid, Blesk (Flash), whose model was the Swiss tabloid Blick.

The other foreign publishers mostly seized the opportunity to bring to the Czech magazine market clones of their home products (e.g. Burda, Bravo, Tina, Readers’ Digest, Chip, Autotip etc.). As for the daily press, foreign investors tried to join the already existing papers.

The new Czech owners of dailies were looking for strategic partners, because they were short of capital badly needed for the development and modernisation of outdated equipment and technology in the industry. Most of the new local shareholders were ready to abandon their controlling shares, because opportunities to sell shares and stock to foreign publishers were very profitable.¹⁹

Since Czech capital was not at hand, foreign publishers took control of the spontaneously privatised (Mladá fronta, Zemědělské noviny) as well as the newly created (Lidové noviny, Hospodářské noviny) newspapers.
In the beginning, not only German, but also French publishers were active in the Czech media market. The Socpress (French Hersant group) came, via a new company, Mafra, into the ownership of Mladá fronta Dnes and the French-German-American consortium, Eurexpan, bought the controlling share in Economia A.S.. Owing to the financial problems of its mother company, Socpress sold its shares in Mafra to the German Rhineland group Rheinisch-Bergische Verlagsgesellschaft (RBVG) in 1995. A year later, in 1996, the control of Economia A.S. was passed to the publishing group Verlagsgruppe Handesblat, represented by the HB-DJ Investments B.V. which is connected to the Dow Jones group.²⁰

The initial strategy of foreign investors was expansion. They tried to use any available opportunity. The most active of these were, besides the Ringier company, three smaller German publishers: Verlagsgruppe Passau VLP (Passauer Neue Presse), Rheinsch-Bergische Verlagsgesellschaft RBVG (Düsseldorf), and Mittelrhein Verlag MRV (Koblenz). None of them figures among the top ten media companies in Germany in terms of turnover.

All of them publish not national, but regional press (Rheinisch Post, Passauer Neue Presse, Rhein Post).

It is interesting that the major German players, like WAZ, Kirchgruppe or Axel Springer did not succeed to the same degree as did these smaller players.²¹ There are manifold reasons for this. The major German publishers were hesitant to enter the Czech media market during the initial period of privatisation. They were looking primarily for national media, which in those days either were unprofitable, or already had an owner. Therefore, they were ready to enter only into alliances with the Ringier company, which was fast enough to establish itself as a national publisher.²²

The small regional German publishers were ready to invest in regional press and in small markets. The Verlagsgruppe Passau was initially interested only in the local press in the South Bohemia region neighbouring on Bavaria, and only later seized the opportunity to expand nationwide. Not all the above-mentioned publishers succeeded. Mittelrhein Verlag left the publishing business in the Czech Republic in 2001.

4.3 CZECH REGIONAL PRESS PRIVATISATION AND ROLE OF THE GERMAN PUBLISHERS

A special case in Czech media history was the privatisation of seven regional dailies and of many other county papers and magazines that were sold to the Verlagsgruppe Passau (VGP). The former publisher of regional dailies was the Communist Party of Czechoslovakia (KPC), i.e. its regional committees. The local county papers were published by local authorities, Národní výbory, today’s municipalities.

The Czechoslovak Parliament and the Government decided in May 1990 that all KPC property should become state property, and that only the state had the right to manage it
and to dispose of it. The former publishing house Rudé právo of the KPC Central Committee was turned into two state companies, Delta and Deltapress. A young manager with no active communist past Vlastimil Košťál was appointed as its head.

When the privatisation acts were passed in 1991, Košťál teamed up with the publisher of the Passauer Neue Presse, the VGP group, and helped them to design privatisation projects in such a way that they won the approval of the Fund of National Property and of the authorities. The VGP Czech companies, Vltava A.S. and Labe A.S. took control over four of seven regional dailies. Vlastimil Košťál became the CEO of these companies. Vltava and Labe gradually bought nearly all the local county papers from the municipalities, and turned them into supplements of their daily regional newspapers.

VGP gained control over all regional press in the Czech Republic, with the exception of the Prague and Moravian regions. Three important papers there were in the possession of the Rheinisch-Bergische Verlagsgesellschaft RBVG (Svoboda in Ostrava, Rovnost in Brno) and Ringier, and later Mittelrhein Verlag MRV (Moravskoslezský deník Den).

In 2000, the VGP consolidated several of its Czech companies, including the publishers Vltava and Labe, into one big company, Vltava-Labe-Press (VLP). Next year VLP took control of all regional press in the Czech Republic thanks, to an arrangement with other German publishers.

The VGP case can serve as a perfect example of the investors’ change of strategy. At first, all these companies adopted a strategy of expansion and competed fiercely with their rivals trying to grab the largest possible share of the market. Then, at the end of the nineties, the same companies decided to concentrate their activities on specialised fields where they had already gained some prominence.

For example, in the years 1994–1995, a new tabloid Expres, published by MRV, became a serious rival to a Ringier tabloid Blesk. Ringier bought the paper from MRV in 1996, and in return yielded its regional Moravian daily Moravskoslezský deník. Later on Ringier got rid of the daily Lidové noviny, which was sold to RBVG, the owner of another “mainstream” daily Mladá fronta Dnes.

Around 2000, all the German investors reached a mutual agreement on the future of the Czech regional press. RBVG and MRV passed their Moravian dailies Svoboda, Rovnost and Den, to the VGP group, which merged all three editorial boards into one. The flag lines of the three publications, now called “Moravia dailies”, remained different, but their content became uniform.

The Mittelrhein group (MRV) sold to the VGP not only Den, but also its ailing national newspapers, Zemské noviny and Slovo. (MRV pulled out of the publishing industry in the Czech Republic and remained active only in the Czech printing industry.) VGP merged these dailies into Pražské slovo (Prague Word), which ceased to exist in December 2001.
Since VGP also acquired the local Prague evening paper *Večerník Praha*, from RBVG, its expansion to all the Czech regions was now complete.

The financial details of the above mentioned transactions are not public; the consolidation of ownership and control over Czech business takes place abroad, in Germany, in the company POL-Print Medien GMBH. In return for the regional periodical *Svoboda, Rovnost* and *Večerník Praha*, the Rheinische RBVG group is to receive a twenty percent share in the POL-Print Medien company, according to available information.²⁴

### 5 PRINT MEDIA MARKET

#### 5.1 DAILY NEWSPAPERS

Six national daily newspapers under the control of five owners are now being published in the Czech Republic. Only five of these can be considered as part of the full-fledged national press, because the daily, *Haló sobota*, is rather a Communist Party bulletin with a small readership. From the point of view of ownership, no publisher occupies any monopoly or dominant position in the national daily press.

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<td>ČESKOSLOVENSKÝ SPORT</td>
<td>ČS. SPORT A.S.</td>
<td>RINGIER ČR A.S. – THE COMPLETE CONTROL WAS ACQUIRED AT THE END OF 2003</td>
<td>100</td>
<td>69,274</td>
</tr>
</tbody>
</table>

*Note: * Audit Bureau of Circulation čr.²⁵
On the other hand, the regional press is fully controlled by the VLP publisher, Vltava-Labe-Press. VLP’s Bohemia division publishes 45 daily newspapers, and the Moravia division 9 daily newspapers. In Prague, VLP publishes the evening paper Večerník Praha. Besides, VLP prints 17 weekly papers as supplements to individual regional dailies, and 2 independent regional weeklies.

<table>
<thead>
<tr>
<th>DAILIES</th>
<th>AVERAGE SOLD CIRCULATION (OCTOBER 2003*)</th>
<th>READERSHIP (2nd AND 3rd QUARTER 2003**)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAILIES MORAVIA</td>
<td>170,600</td>
<td>CENTRAL + EAST</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MORAVSKOSLEZSKÝ</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DENÍK – 145,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ROVNOST – 98,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>VYSOČINA – 78,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>∑ = 523,000</td>
</tr>
<tr>
<td>DAILIES EAST BOHEMIA</td>
<td>58,919</td>
<td>248,000</td>
</tr>
<tr>
<td>DAILIES NORTH BOHEMIA</td>
<td>53,407</td>
<td>203,000</td>
</tr>
<tr>
<td>DAILIES WEST BOHEMIA</td>
<td>61,880</td>
<td>180,000</td>
</tr>
<tr>
<td>DAILIES SOUTH BOHEMIA</td>
<td>46,725</td>
<td>150,000</td>
</tr>
<tr>
<td>DAILIES CENTRAL BOHEMIA</td>
<td>70,856</td>
<td>150,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>462,647</td>
<td>1,454,000</td>
</tr>
</tbody>
</table>

Notes: *Audit Bureau of Circulation ČR.
**Media Projekt 2003.

This state of affairs has been publicly criticised from time to time by patriotic-minded intellectuals or by politicians who want to present themselves to the electorate as defenders of national interests. For example, VLP has been blamed for being an advocate of the Sudeten Germans’ interest in the Czech Republic. However, evidence of any biased reporting regarding Czech-German issues is not available. An analysis of the content of the VLP Press, made by the Centre for Media Studies at Charles’ University, found out only that, in comparison with other papers, the VLP is avoiding controversies related to the Czech-German past, but never promotes any pro-German agenda.

In 2000 the market position of the Vltava-Labe-Press companies was the subject of an administrative procedure by the Office for the Protection of Competition. However, the Office decided that the relevant market of the daily press should be taken as a whole and not divided into sub-markets of the national and regional press. If the relevant market is defined this way, then the VLP has the position of one of many competitors.
The Chairman of the Office, Josef Bednář, has confirmed this opinion several times.²⁸ The same opinion can be found in recent rulings of the Office, for instance in the case of litigation between two press distribution companies, PNS and Mediaprint & Kapa Presegrosso.²⁹ The Office for the Protection of Competition, when deciding about the merger of the newspaper, Československý sport, with Ringier two years ago, defined the publisher’s shares of the relevant market of the daily press as follows: VLP 29 percent, Mafra 22 percent, Ringier 19 percent, Borgis 12 percent, Lidové noviny 5 percent, and others (Economia, Haló noviny, Sport) less than 5 percent.³⁰

A description of the features of the Czech daily press can be found in a study on the Czech media written by a Czech university researcher living in Glasgow, Jan Čulík.³¹ The data from this study are a little outdated now, and sometimes too subjectively orientated, but the characterisation of particular papers is still valid. The characteristics according to Jan Čulík are the following: Blesk (Flash) – nationwide tabloid newspaper, Mladá fronta Dnes - a middle-brow daily of centre-right orientation, Právo – a centre-left daily with political views close to those of the ruling Social Democratic Party, Lidové noviny – moderately right-of-centre struggling to increase its readership by introducing tabloid themes while trying to retain its reputation as a newspaper read by the “cultural elite”, Hospodářské noviny specialises in economic and business issues.

With the exception of the communist Haló noviny, the daily press is independent of political parties and of any obvious particular interest group. The newspapers are following the policy of their publishers, who are interested in the efficiency and prosperity of their papers, in the stability of society, and in maintaining fair conditions for entrepreneurship.

It is paradoxical that the most vulnerable paper in terms of editorial policy is the daily Právo, whose publisher Borgis is in Czech hands. (Borgis is controlled by its editor in chief, Zdeněk Porybný, who owns a 91.4 percent share in the company.) On the one hand, the leftist orientation of the paper produces more critical and oppositional political columns and editorials, compared with the other daily press. On the other hand, Právo, not having the backing of financially strong owner, is liable to yield to the pressure of advertising money. Právo was ready to support newly born Czech capital against international competition, even in such dubious cases as the dispute of TV Nova with the US company, CME.

5.2 MAGAZINES

The post war Czech Republic did not enjoy a tradition of having an influential political magazine. Attempts to revive the respected newsmagazines (Reportér) or influential cultural magazines (Literární noviny) of the sixties, which perished after the Russian invasion in 1968, failed.
While there is a wealth of lifestyle magazines for women, girls, family or home, only three or four magazines, launched after the Velvet Revolution, have some political ambition. *Respekt* is the oldest one. It is the successor of an opposition samizdat paper, *Informační servis*, from 1989. It has a black and white format, which does not attract many advertisers. No wonder that the big publishers have lost their initial interest in the magazine, whose readership is not large and consists mainly of intellectuals. The 93 percent majority in the publishing company, R-Presse s.r.o., is owned by Duke Karl Schwarzenberg, a Chancellor to the former Czech President, Václav Havel. Schwarzenberg’s investment in the unprofitable magazine with a circulation of about 18,000 sold copies is of a political nature: he wants to support an independent liberal paper, dedicated to the idea of civil society.

Contrary to *Respekt*, a weekly with a similar name, *Reflex*, launched by a group of Czech journalists in 1990, won the favour of readers and advertisers, thanks to its format, which “stands on the borderline between a current affairs periodical and a ‘society’ glossy.”³² The magazine’s founder sold the weekly to Ringier, which keeps the magazine in its portfolio to this day. *Reflex* is not a typical newsmagazine; political topics occupy a minor part of the magazine’s content. The average sold circulation varies between 55,000 and 60,000 copies.

The most popular Czech newsmagazine *Týden* (Week) has changed its publisher several times since its beginning in 1994; among its publishers were Axel-Springer-Verlag and Ringier. Since *Týden* was a loss-making venture, Ringier sold the publishing company Mediacop, to a Polish entrepreneur with Swiss citizenship, Sebastian Pawlowski. Pawlowski invested a reportedly large but undisclosed sum of money in the weekly, and he replaced the editorial team with younger, well-motivated editors. Over a period of two years the circulation increased threefold, from 20,000 copies to 60,000 sold copies.

*Týden* has no pronounced political profile. Nevertheless, the business interests of the publisher can be tracked down through investigative stories from the world of commerce. Pawlowski, whose real-estate business in Prague needs political support, is an example of the new trend in media investing, in which the entrepreneurs who come from other industries than the media are interested in having influential media.

A vested economic interest lies in the background of still another weekly magazine, *Euro*, whose publisher, Euronews A.S., is financed by a mighty Czech financial group PPF which recently acquired a majority interest in the television station *Nova*. *Euro* tries to compete with the conservative business weekly, *Ekonom*, which belongs to the family of periodicals published by Economia A.S.

With an average circulation of 25,000 sold copies the *Ekonom* is the most popular business periodical. The circulation data of *Euro* are contested by *Euro*’s competitors, who draw attention to the fact that the PPF subsidised *Euro* sells a large part of the 21,000 print run at discount prices.
6 BROADCAST MEDIA MARKET

6.1 TELEVISION MARKET

The Czech Republic introduced a full-fledged mixed public-private system in both radio and the television broadcasting rather early, in the years 1991–1994. There are four nationwide terrestrial television channels available: two public service channels, ČT1 and ČT2, and two private commercial channels, TV Nova and TV Prima. Besides, twelve local TV stations in the regions operate mainly as local “window” programmes, sharing frequencies with the overall frame of the TV Prima broadcast system. Only two local stations, TV Praha and TV Hradec Králové, operate their own frequencies. The data in Table 4 show that the dominant TV broadcaster in the Czech Republic is TV Nova, with the viewership share between 40-50 percent.

Apart from five radio programmes broadcast by the public service broadcaster, Český rozhlas (Czech Radio), there are 77 other radio stations, among them two – Frekvence 1 and Impuls – with nation-wide coverage.

Table 4 AUDIENCE SHARE OF CZECH TV CHANNELS IN THE YEARS 1994–2002 (in percentages)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TV NOVA</td>
<td>68.4</td>
<td>71.2</td>
<td>65.2</td>
<td>52.0</td>
<td>51.3</td>
<td>50.4</td>
<td>46.3</td>
<td>47.7</td>
<td>44.2</td>
</tr>
<tr>
<td>ČT1</td>
<td>24.2</td>
<td>20.6</td>
<td>24.9</td>
<td>27.9</td>
<td>26.7</td>
<td>25.2</td>
<td>23.8</td>
<td>21.5</td>
<td>21.2</td>
</tr>
<tr>
<td>ČT2</td>
<td>2.3</td>
<td>3.0</td>
<td>3.6</td>
<td>7.1</td>
<td>7.3</td>
<td>7.0</td>
<td>7.5</td>
<td>7.6</td>
<td>8.7</td>
</tr>
<tr>
<td>PRIMA TV</td>
<td>1.7</td>
<td>2.7</td>
<td>3.7</td>
<td>9.1</td>
<td>11.1</td>
<td>12.4</td>
<td>16.5</td>
<td>17.6</td>
<td>20.3</td>
</tr>
<tr>
<td>OTHERS</td>
<td>3.4</td>
<td>2.5</td>
<td>2.6</td>
<td>3.8</td>
<td>3.6</td>
<td>5.0</td>
<td>5.8</td>
<td>5.6</td>
<td>5.6</td>
</tr>
</tbody>
</table>


The liberal approach to media policy that prevailed in Czech society in the middle of the nineties affected the changes in the broadcast legislation and also in the structure of ownership in 1995. An amendment to the Broadcasting Law in December 1995 curbed the power of the regulator, the Czech Broadcasting Council, to control the ownership relations of licensed companies.³⁴ This erroneous move was corrected in another amendment to the Broadcasting Law eighteen months later.³⁵ However, the regulatory principle, according to which the Czech Broadcasting Council should control the ownership of media only in licensed companies, and not in other companies, remained unchanged.
6.1.1 TV NOVA AND TV PRIMA

Television Nova has been and still is a frequent topic of political debates, mainly because of its negative cultural impact, low common denominator of programming, and because of its confrontational strategy against public service Czech television. Public criticism of Nova and of its director, Vladimír Železný, increased in 2003, after the UNCITRAL Arbitration Tribunal decided that the Czech Republic had to pay about USD 355 million to Nova’s former partner, Central European Media Enterprises (CME), as a remedy for not having protected CME investments in the country. As a consequence of several legal actions taken by CME against the founder and former TV Nova owner, Vladimír Železný, he lost control over the station in 2002. The new owners decided to remove him from the CEO position at Nova in May 2003.

A brief recapitulation of the story of Nova television is as follows: The licence was awarded to a limited company, CET 21, which had no necessary capital available. The launching of a very successful commercial station was made possible by investments provided by the Czech Savings Bank (Česká spořitelna) and CME. When CME announced that it intended to merge its all-European activities with SBS Broadcasting in 1999, Vladimír Železný started a new broadcast project with a new partner, the Czech company Česká produkční 2000. Prior to the split, Železný gained control over the licensed CET 21 and left the joint venture, ČNTS (Česká nezávislá televizní společnost), owned by CME. The new Nova was financed by MEF Holding, a group with a credit link to the Czech Investment and Postal Bank (ČSP). This move triggered several legal actions, among them three international arbitration procedures against Vladimír Železný and against the Czech state.

Ronald Lauder, an owner of CME, partly succeeded in his claims, so Vladimír Železný had to return USD 29 million to the CME, and the Czech Republic had to pay the above mentioned damage claims amounting to USD 355 million in May 2003. These legal actions weakened not only Vladimír Železný’s position, but also the position of his new partner, MEF Holding, controlled by a young financier, Jiří Šmejc. Television Nova and its companies became the target of a takeover attack from the mighty Czech financial group, PPF, in the summer 2002.

It was the PPF which resolved Nova’s legal problems with the CME. In September 2002, the PPF settled Železný’s liabilities to the CME (USD 29 million) in return for his shares in the companies of Nova. In September 2003, the PPF bought the Czech CME subsidiary, ČNTS, which was a subject of litigation between CET 21 and CME. By these actions the PPF secured its leading position within the Nova group of companies. On 19 December 2003, the PPF announced that the ownership ratio of the two financial groups, PPF and MEF Holding (renamed Nova Holding), in the so-called “Nova group” was 66/34.

The second commercial channel TV Prima is also controlled by a Czech owner. In the years 1994–2000 the controversial Czech Investment and Postal Bank (ČSP) was the main
investor in *tv Prima*. When the Government put IPB under forced administration in June 2000, and IPB was sold to the Czechoslovak Trade Bank (ČSOB), GES Holding, a group with close ties to the management of IPB, managed to gain control over IPB’s share in *tv Prima*. Some unconfirmed reports said that the MEF Holding, then the owner of *Nova*, financially assisted this transaction.

MEF Holding and GES Holding are investors who emerged from the murky waters of privatisation. In particularly GES, controlled by financier Ivan Zach, consists of an intricate web of companies, interconnected among themselves by obscure relations. Such an environment helps to create loop-holes for non-transparent tax, credit and investment operations.

The PPF, which recently gained control over *Nova*, is more developed in terms of transparency, despite the fact that its original genesis is also a little ambiguous. The PPF has a solid financial background for the time being, thanks to its ownership of the largest Czech insurance bank, Česká pojišťovna.

As to the programming of their channels, *tv Nova* and *tv Prima* are competitors, but they coordinate their activities in fields of common interest, for instance, in purchasing foreign programmes and sports, in the pricing policy for advertisement sales, or in building a united front against the public service broadcaster, *Czech Television*.

From the political point of view, both *tv Nova* and *tv Prima* try to be neutral and balanced in relation to the Government and the opposition. The objectivity of their news-reporting has some limits imposed by the business interests of their owners. The owners do not openly interfere with the journalistic independence of the editorial staff, nor do they try to push through any promotional news to be aired. On the other hand, *tv Nova* and *tv Prima* have been silent whenever any issues or affairs connected to their business interests were discussed (for instance, an investigation on wasted money in the Government project, “Internet for Schools”, or critical comments on manoeuvring of personal data in the e-Banka, owned by the PPF).

No doubt, investing in television is primarily a profit making activity for the owners of the Czech commercial stations. However, it cannot be ruled out that a large amount of money invested by the PPF in *Television Nova* also has another aim: to gain political influence to pursue its own vested interests.

6.1.2 GES MEDIA GROUP

The smaller GES group, with ambitions that are not as far reaching, tries to improve its portfolio and to build its empire through expansion into other media. GES Media bought the local TV station, *Galaxie*, with two licenses in Hradec Králové and Prague in 2002. A GES company, *FTV Premiéra*, is a publisher of several magazines, and companies close to the GES group are developing a network of radio stations, *Hey*. 
6.2 RADIO MARKET

Among the Czech private radio broadcasters, there is no dominant station with a position comparable to that of Nova TV on the television market. The three stations with the largest audience share are Čro1-Radiožurnál, operated by the public service Czech Radio, and two nationwide commercial radio stations Frekvence 1 and Radio Impuls. All of these have nearly the same share of the listening public, between 10 and 12 percent. The rest of the audience share is dispersed among seventy other private local stations, some of which are interconnected into co-operating mini-networks (e.g. Evropa 2, Radio Kiss).

From the point of view of ownership, the most powerful position in the radio market is occupied by a group belonging to a French investor, Lagardere Active Radio International SA, which consists of a nation-wide station Frekvence 1, a set of stations Evropa 2 and a media sales agency Radio Regie Music (RRM).

The second largest private broadcaster, the nation-wide station Radio Impuls, is controlled by a joint venture of radio broadcasters from Eastern Germany, the investment consortium Eurocast Rundfunk Beteiligungs GmbH. Eight stations of Radio Kiss, owned by a foreign investor – the Dutch company Radio Investments N.V., represent the third significant group of radio broadcasters, which also operates its own media sales house RadioNet.

Both media sales houses, RRM and RadioNet, offer their services to other radio stations not belonging to the group of their owners. For instance, Radio Impuls sells radio broadcasting time via the RRM sales house of its competitor, Frekvence 1.

The third similar media sales house for radio stations, Media Marketing Service (MMS), serves 41 independent stations, among them the Hey stations related to the GES group. It cannot be ruled out that, in the background of the recent change of MMS ownership (Stamford Co.), lies money and the interests of the GES group.

The licensing policy of the Czech Broadcasting Council tries to maintain a plurality of local stations; therefore it has a hostile attitude toward local stations networking in the hands of a single owner. On the other hand, the Council does not object to any alliance of a local station with another media (e.g. Mafra + Radio Classic), on the condition that it conform with the new Broadcasting Act from 2001.

7 MEDIA INDEPENDENCE

The negative influence of economic pressures endangering media independence might also be detected in the conciliatory attitudes of the press towards the big ad-spenders. For instance, the monopolistic behavior of Czech Telecom before the deregulation of the telecom market was criticised only in independent weeklies (e.g. Respekt) and in the small
thematic periodicals, not in the mainstream press, because Czech Telecom has been and still is one of the biggest ad-spenders in the Czech media. The debt problems of the largest Czech travel agency, Fischer, which failed in timely payments of insurance fees at the beginning of 2003, were disclosed by the public service television, not by any private media, because the Fischer travel agency is a big, and notably regular ad-spender in the media.36

Last but not least, economic pressure has a certain negative impact on the independence of journalists, who are working in a very competitive labour environment, where supply surpasses demand. In general, Czech journalists accept, without any objections, the contracts and working conditions set by publishers and broadcasters. Most journalists are ready to adopt the position of their employers. The only legal framework for contracts is set in the labour legislation; there is no collective agreement on the national level between the journalists’ association and media publishers.

The Czech journalists’ only association, the Trade Union of Czech Journalists is not a very influential organisation. The majority of active journalists in the leading mainstream media (national dailies, radio and television) are not members, and the Trade Union voluntarily gave up its syndicate role. The Trade Union is focusing its activity on media ethics, on setting and defending professional standards, and on presenting to the public the views of the journalistic profession.

Media publishers and broadcasters support investigative journalism only exceptionally, not because of its contentious nature, but because it is an expensive, time consuming and costly affair. Items of investigative journalism are produced mainly by commercial and public service television, and by some information weeklies (Respekt, Reflex). Nevertheless, priority is given to scandalous topics with the potential to attract media audience, instead of to socially and politically essential issues.

If there is a barrier to media journalistic pluralism and independence, it is not of institutional nature.

8 CONCLUSIONS

Freedom of expression and the market economy – these were the two main elements that influenced media development in the Czech Republic after November 1989.

The initial stage of development was characterised by the entry of many new media players, and by a boom in new media outlets. The consolidation of the media market and the concentration of media ownership began in the mid-nineties.

Ownership concentration in the Czech media is still under way; for the time being it has not reached an extent that could endanger media freedom or media pluralism. The
number of competitors in the field of press and radio broadcasting is still sufficient to guarantee an institutional environment favourable to the existence of pluralistic media.

Unlike the press and radio, the Czech television broadcasting sector experienced the dominant position of tv Nova, which in the mid-nineties had a 70 percent share of the television audience. Since then tv Nova's market share has dropped below 50 percent, among other things because of the better performance of its competitors.

As long as digital technology has not opened new communication channels for new television stations, the only defence against the dominance of one or two commercial stations on the Czech television market is public service broadcasting supported by the state.

The battlefield for maintaining media pluralism is now the debate about the future of the public service broadcaster. Czech Television is facing a shortage of funds, because the license fee of 75 Czech crowns monthly (EUR 3.3) has not been increased since 1997. Some members of Parliament are tempted to exchange their willingness to approve a higher licence fee for the greater loyalty of Czech Television news and current affairs programmes towards politicians.

On the other hand, the Czech media landscape did not experience any brutal attempts by politicians to assault free media or to manipulate them in favour of any particular party interests. The immunity of the people to political indoctrination through the media, which developed during the time of the totalitarian regime, is still high.

A present menace for media freedom and pluralism in the Czech Republic may result more from economic than from political pressures. Not only because of concentration of media ownership, but also because of the small size of the Czech media market and because of the lack of chances to survive in niche markets. Nearly all the Czech media are targeting the “majority audience.” The quest for the largest possible audience makes media content more uniform and less varied. The “tabloidisation” or “boulevardisation” of the Czech media are now frequently the subject of discussion.

The Czech media market is still open for new players. However, entry is not as simple and easy as ten years ago. All the basic segments of the market are already occupied. The launching of a new periodical will cost more time and more money until a new audience for the particular product will emerge.
162 MEDIA OWNERSHIP AND ITS IMPACT ON MEDIA INDEPENDENCE AND PLURALISM

SOURCES
5. Financial statements in the Commercial Bulletin.

NOTES
1. As to mass media policy, the declaration of the new Czech government after the 1992 election said: "... the government will promote plurality in the mass media, because a free information market is a guarantee of the quality and objectivity of information. The Government will encourage the process of privatisation and will support private enterprise also in the field of mass media." Published in the daily Hospodářské noviny, 23 July 1992.
6. Article 8a of the Act no. 63/1991: "The linking of companies which might or could infringe economic competition needs the approval of the Ministry. The infringing of competition is caused by linking of companies, whose turnover in the national or local market of relevant goods will exceed 30 percent."
8. Act no. 231/2001 Coll., on radio and television broadcasting.
12. Act no. 427/1990 Coll., on the transfer of state property of some objects to other legal or natural persons.
13. Act no. 92/1991 Coll., on the conditions of the transfer of state property to other persons.

15 “About 600 investment funds and 400 investment companies operate in the Czech Republic now, together with an abundance of stock traders on the capital market /…/, 55 banks are active in the Czech Republic for the time being…” Excerpts from the Minister of Finance Kočárník’s speech at the trade fair FIBREX in Brno, 1 April 1996. In: Lidové noviny, 2 April 1996, p. 12.

16 In May 1990 were adopted: The legal measure of the Federal Assembly no. 177/1990 Coll., on measures concerning property of political parties, political movements and social organisations. The Regulation of the Federal Government no. 212/1990 Coll., on dispossession of immovable property permanently utilized by the Czechoslovak Communist Party.

17 The law was passed later in December 1990 as the Act no. 497/1990 Coll., on return of the Socialist Youth Union’s property to the people of the Czech and Slovak Federative Republic.

18 According to the information published on the Internet during the debate provoked by an essay “The Stolen Fronta, the Stolen Právo” in the monthly Listy (J.Vančura, Ukradená Fronta, ukradené Právo, in: Listy 1/1998, pp. 15–18), the shareholders of the ZN 1.zemědělská (Zemědělské noviny) were allegedly selling at a price that was twelve-times higher than the original investment. (The document “Jak to bylo se Zemědělskými novinami” was published on 21 May 1998, at the e-zine Britské listy, see: <http://www.britskelisty.cz/q805/19880512c.html> - accessed 21 November 2003). The shares of the MAF A.S. (Mladá fronta Dnes) were sold in several steps; the price was considered a business secret.

19 Data on ownership changes were compiled from media news, press releases and web pages of the particular companies, as well as from the court register. All the media and companies’ announcements were cross-checked by company records in the court register. Accessible at the <http://portal.justice.cz/uvod/Justicexen.aspx>.

20 In 2003, for instance, WAZ Mediengruppe from Essen gave up the last significant investment in the Czech Republic, participation in the distribution company Mediaprint & Kapa Pressegrosso.

21 In 2003, for instance, WAZ Mediengruppe from Essen gave up the last significant investment in the Czech Republic, participation in the distribution company Mediaprint & Kapa Pressegrosso.

22 Kirchgruppe co-operated with the Czech Ringier subsidiary in 1993–6 when developing the TV Guide magazine Tydeník televize. Axel Springer Verlag was a partner in and a shareholder of the Czech Ringier company in 1996–2000.

23 See: The Legal measure by the presidium of the Federal Assembly no. 177/1990 Coll., on some measures concerning the property of political parties, of political movements and of social organizations, 18 May 1990. Federal government ruling no. 212/1990 Coll., on the dispossession of immovable state property exclusively used by the Communist Party of Czechoslovakia.


25 All the circulation figures in the report are based on Audit Bureau of Circulation CR, the information is available on <http://www.abccr.cz/index.html>.

CZECH REPUBLIC


36 The debt-laden Fischer travel agency was later saved from bankruptcy by a takeover from the Czech financial group, Atlantik, in October 2003.