

LITHUANIA

Audrone Nugaraite

1 INTRODUCTION

The changes Lithuania experienced during the last five years allow us to talk about an increasing market concentration of the Lithuanian mass media. One of the peculiarities of this market is the prevalence of national capital. This is particularly obvious in the periodical press. At the same time, one can observe a tendency for Lithuanian industrial concerns to enter the mass media business.

When a media system operates in market conditions, information becomes a commodity. The question that arises in this connection is whether the media serve the interests of society or if their goal is primarily commercial? When analysing the media market and its development trends from this perspective, it is necessary to take into account changes in capital concentration and competition in the Lithuanian media sector (1988–2003). Furthermore, there are two aspects of the Lithuanian media market that should always be kept in mind when assessing the mass media market and comparing it with European markets. The first aspect is historical market relations, the regulatory systems and legislation; the other is the expansion of new technologies and new possibilities for the provision of information to the public, and the extent to which they fit into, expand or modify the old legislative frameworks.

2 REGULATION AND IMPLEMENTATION

The Constitution of the Republic of Lithuania, adopted by referendum in 1992, lays down the main provisions safeguarding freedom of speech and freedom of information, as well as basic human rights and guarantees. Article 44 of the Constitution says “Censorship of mass media shall be prohibited. The State, political parties, political and public organisations, and other institutions or persons may not monopolise means of mass media.”¹ Article 46 of the Constitution provides for the terms and conditions of joint ownership and competition. “The law shall prohibit monopolisation of production and the market, and shall protect freedom of fair competition.”² This provision is also applicable to the mass media. In the Law on the Press and other Mass Media, adopted by the Supreme Soviet of the Lithuanian Socialist Republic in 1990, only freedom of the press and the abolition of censorship were highlighted.

The Seimas (Parliament) of the Republic of Lithuania adopted the new Law on the Provision of Information to the Public in 1996. It was in this law that the provisions regulating mass media competition were introduced for the first time. Article 29 (“Honest Competition in the Sphere of Provision of Information to the Public”) says: “State and local gov-

ernment institutions, as well as other enterprises, institutions and organisations or natural persons, may not monopolise mass media. A dominant position in the sphere of provision of information to the public, shall be determined based upon the Law on Competition.”³

2.1 COMPETITION LEGISLATION

So far there have been no special laws regulating concentration and competition of media in Lithuania. The Law on Competition, adopted in 1999, regulates relations concerning competition.⁴ It prohibits actions that restrict or may restrict competition, regardless of the form of economic activity, with the exception of activities exempt by this law or other laws governing separate areas of economic activity. According to the Law on Competition, an economic entity or a group of entities is considered to have a dominant position if it faces no direct competition in the relevant market or is in a position to exercise decisive, biased influence in that specific market by effectively restricting competition. Unless proved otherwise, an economic entity is considered to have a dominant position in a market when its market share amounts to 40 percent. Unless proved otherwise, it is considered that any company that is a member of a group that holds a 70 percent or higher market share has a dominant position. In cases when it is proved otherwise, the economic entity is not considered to have a dominant position, even though its market share corresponds to that indicated in the Law. The law prohibits abuse of the dominant position without exception.

2.2 BROADCASTING REGULATION

According to the current Law on the Provision of Information to the Public, all radio stations, TV stations, and cable TV stations registered in Lithuania are required to obtain a broadcasting license. Lithuanian national radio and television services are exempt. Broadcasting licenses for the broadcasting and re-broadcasting of programs are awarded through tenders organised by the Radio and Television Commission. The establishment of the Commission is regulated by Article 27 of the Law on the Provision of Information to the Public.⁵ The executive institution is the Radio Frequency Service with the Ministry of Communication and Informatics.

Certain requirements applying to the broadcast media are related to the fact that frequencies are the property of the state of Lithuania. Accordingly, the state, acting through the Radio and Television Commission, grants to a station only a temporary permit to use a specific frequency.

Until 2000, all radio and television stations registered before the establishment of the Radio and TV Commission were operating only on the basis of foundation certificates, which, however, did not regulate their broadcasting activity. According to Article 2 stipu-

lating the method of implementation of the Law on the Provision of Information to the Public, these stations were allowed to operate until 1 January 2000. After that date they were required to obtain broadcasting licenses. This involved meeting certain conditions, for example, observation of the norms of the Lithuanian language as provided by law, an obligation to broadcast a certain percentage of children's programming, etc. The licensing of broadcasting activity helps not only to regulate the media market, but also to evaluate quantitative and qualitative program parameters. According to Article 26 of the Law on the Provision of Information to the Public, the Radio and Television Commission adopts program content and production requirements by a two-third majority. State transmitters and antenna masts belong to the Lithuanian Radio and Television Centre.

2.3 REGULATION AND SELF-REGULATION OF MEDIA ETHICS

Under the Law on the Provision of Information to the Public, a new institution, the Inspector of Journalist Ethics was established. The Inspector is a state officer appointed (and approved since the middle of 1997) by the Seimas of the Lithuanian Republic. The Inspector investigates the complaints of natural persons concerning violations of their honour and dignity in the mass media, and professional claims of the subjects of mass media. The Inspector of Journalist Ethics, being a state officer, reports on his work to the Seimas and the Government. Another similar institution is the Ethics Commission of Journalists and Publishers financed from the Fund for the Support of the Press, Radio and Television, which, in turn, is financed from the budget. This means that both institutions of the media self-regulating system are slightly dependent on the authorities, although neither the Seimas nor the Government can directly influence their activity. However, owing to economic and financial difficulties, the mass media of the country are not able to maintain these two institutions on their own.

In fulfilling their legally prescribed functions, media self-regulation institutions have so far been concerned merely with content and the protection of freedom of the press. The absence of specific legislation that would regulate media competition predetermined the peculiarities of development in the Lithuanian media market, the specific features of concentration and monopolisation of this market.

2.4 STATE SUPPORT TO MEDIA PLURALISM

Owing to competition, only those publications that cater to the taste of the mass consumer are able to make sufficient profit and survive on the mass media market. With the competition intensifying, the Government became concerned about the pluralism of the media. The media operating in the spheres of culture, children and youth, as well as media catering for ethnic minorities, were unable to secure their due share of the market.

This led to the decision to set up an institution whose function is to maintain the equilibrium, not merely by satisfying the needs of different groups of readers but by facilitating the maintenance of cultural values in the country. The Fund for the Support of the Press, Radio and Television was established on 2 September 1996 on the basis of the Law on the Provision of Information to the Public, and it is financed from the state budget. The Fund provides financial assistance to those media that submit adequate cultural and educational activity programming. It is an independent public institution promoting cultural and educational activity of the producers of public information. The Fund allocates financial support by means of annual tenders.

Table 1 STATE SUPPORT FOR THE MEDIA (IN EUR)⁶

YEAR	1997	1998	1999	2000	2001	2002
BUDGET FINANCING	1,321,739	1,341,202	1,091,884	812,170	577,790	824,348

Over the last five years, press-related projects were awarded the largest amounts of funding. However, funds awarded to audiovisual projects have been increasing. For instance, in 1999 such projects accounted for only 19.39 percent of the total sum of support, whereas in 2003 their share amounted to 27.05 percent. In 2003 the Fund granted support to 109 projects – 52 press projects, 31 audiovisual projects and 26 Internet projects.

3 MEDIA MARKET DEVELOPMENT

In 1988 the changes occurring in the spheres of policy, economy and public life evoked new tendencies in the media system of the country. After the fall of the Soviet Union, the process of de-concentration was very intense. All state press companies were privatised; independent periodicals, private radio stations and a bit later private television channels appeared. Publishing companies often added “independent” to their flag line to indicate that their publication was no longer under state control. Between 1988 and 1992, nearly 615 new periodicals were launched in Lithuania.⁷

The creation of the new media system was facilitated by one of the last acts passed by the Supreme Council of the Soviet Socialist Republic of Lithuania: the Law on the Press and other Mass Media was accepted in February 1990 and entered into force a month later.⁸ It abolished censorship and prohibited the Government from interfering with the work of the media; in addition, it promulgated freedom of the press. This law not only lib-

erated the old and new media from the ownership of the party, but also provided them with the possibility of changing their status.

According to the Law On the Initial Privatisation of State Property, passed by Restorative Seimas of the Supreme Council of the Republic of Lithuania on 10 April 1991, the order of privatisation of the state-owned property was established.⁹

In July 1994, the Government of the Republic of Lithuania established the rules for privatising state capital, describing them in Resolution no. 571. According to this resolution, it was possible to purchase state shares when they made up more than 20 percent of the value of authorized capital. In the same year, the Central Privatisation Commission stressed in its report (Protocol no. 140, 16 August 1994) that “Publishing companies, having accepted into their balance the premises belonging to the state, must re-register the capital of publishers of periodicals and editorial departments and any changes to the capital structure”. The majority of editorial departments became UAB, “uždaroji akcinė bendrovė” (private limited liability company).¹⁰ These companies appropriated the former periodical’s property, including all the offices and equipment. These laws did not include any provision regulating concentration of the media.

Newspaper privatisation took place in the early 1990s with the Government agreeing that it should no longer be involved in newspaper and magazine publishing. In most cases, privatisation of newspapers took the form of a journalist and/or staff buy-out. A few years later, however, most of these original shareholders sold their shares to local or foreign publishers. Thus, the end of the 1990s brought a considerable reduction in the number of journalists as shareholders in their own newspapers.

3.1 PRINT MEDIA MARKET

Generally, we can divide the print media in Lithuania into two distinct groups: the former official dailies, magazines and many of the regional newspapers which were established in the Soviet era and which have since been privatised. The second group comprises the new titles that came into existence during or after the change of the system.

The largest Lithuanian dailies are the leaders on the print media market, greatly contributing towards concentration. At the moment, Lithuania has five daily newspapers. These are *Lietuvos rytas* (Lithuanian Morning), *Vakaro žinios* (Evening News), *Respublika* (Republic), *Lietuvos žinios* (News of Lithuania), and *Kauno diena* (Kaunas Day). Their daily circulation, excluding Sunday editions, amounts to 300,000 in total. *Lietuvos rytas* is the largest newspaper in the country. The tabloid paper, *Vakaro žinios*, is next in line. *Respublika*, which had been the second largest daily for a long time, closely follows. All these papers are published in the capital of Vilnius, except *Kauno diena*.

Table 2 MAIN DAILIES IN LITHUANIA (2003)¹¹

NO.	TITLE	COVER*	COVER MAXIMUM**	OWNER
1	LIETUVOS RYTAS	23.2%	51.5%	UAB LIETUVOS RYTAS 40% owned by the Editor in Chief, G. Vainauskas, most of the remainder divided among employees
2	VAKARO ŽINIOS	15.7%	34.1%	UAB NAUJASIS AITVARAS 75% legal persons and 25% natural persons
3	RESPUBLIKA	9.5%	24.2%	UAB RESPUBLIKOS LEIDINIAI owned by 3 of the editors
4	LIETUVOS ŽINIOS	6%	13.8%	ACHEMA GROUP
5	KAUNO DIENA	5.8%	10.7%	ORKLA

Source on coverage: TNS Gallup, December 2003.

Notes: * Percent of people who have read or looked over one issue of edition.

** Percent of people who had a chance to read or look over one issue of edition.

The main daily, *Lietuvos rytas*, experienced a fascinating course of transition. It was established during the Soviet era and owned by the communist youth organization (Komsomol). In 1989 it became the first daily to be privatised. According to the Law On the Initial Privatisation of State Property, shares were divided among all journalists and Komsomol leaders. Journalists later bought out their shares. Now *Lietuvos rytas* is a private limited liability company and one of the market leaders. The structure of *Lietuvos rytas* is becoming similar to that of a classic big concern. The shares are divided as follows: Editor in Chief G. Vainauskas — 40 percent, two deputies V. Strimaitis — 1.8 percent, and A. Budrys — 14.2 percent; the other 83 shareholders (most of them are journalists) — 44 percent.¹² *Lietuvos rytas* publishes two regional newspapers, *Panevezio rytas* and *Laikinoji sostine*, and the weekly magazines, *Kompiuterija*, *Ekstra*, and *Stilius plius*. It has its own subscription and delivery service.

The publishers, who started their business in market conditions and following the experience of other countries, understood the necessity of a private printing house. On 1 December 1994, the printing house of *Lietuvos rytas* was opened. It offers printing services to other publishers as well. So, not only does a private printing house help reduce the costs of publishing in the competitive struggle, but in the long run it also becomes a source of income. On 1 October 1996, *Lietuvos rytas* launched a one-hour TV program “*Lietuvos ryto televizija*” that was broadcast by one of the commercial channels. This undertaking later evolved into a private limited liability company, *Spaudos televizija*.

The *Respublika* daily, which was founded in 1988 by the movement *Sajudis*, is one among the new publications on the market. In 1992 this daily was privatised into an independent, private, limited liability company, *Respublikos leidiniai*, which publishes, in ad-

dition to *Respublika* (in Lithuanian and Russian), a regional newspaper, *Vakarų ekspresas*. *Respublikos leidiniai* also has its own printing-house, subscription and delivery service. It differs from *Lietuvos rytas* in that it is owned by three members of the editorial board: the Editor in Chief V. Tomkus and his two deputies.

Lietuvos rytas and *Respublika* include daily supplements on different topics: culture, life style, etc., all of which are very popular. This strategy has enabled daily papers to fight more effectively for audience share and generate more advertising revenue.

The *Vakaro žinios* daily was founded in 2001 by the private limited company *Naujasis aitvaras*. It can be classified as a large circulation newspaper for a mass audience. It is the cheapest daily newspaper in Lithuania. *Naujasis aitvaras* is owned by legal persons (75 percent) and natural persons (25 percent) who are not obliged to disclose public information about investors and shares.

The newspaper *Lietuvos žinios*, re-established during the nineties (1996), was among the first dailies to be purchased by representatives of the national industrial capital from the Achema Group. One could claim that this publication paved the way for a series of investments through which the major Lithuanian industrial concerns penetrated the mass media market.

All four daily papers are owned by local shareholders, and only the *Kauno diena* daily is owned by foreigners.

City newspapers are published in the largest Lithuanian cities, such as Vilnius, Kaunas, and Klaipėda. The majority of these newspapers date from Soviet times, with only their names having been changed. For example, the *Kauno tiesa* (Kaunas Truth) was renamed *Kauno diena* (Kaunas Day) and the *Tarybinė Klaipėda* (Soviet Klaipėda) was changed into the *Klaipėda*. All these city newspapers are published by private limited liability companies, owned by members of their editorial staffs. New publications on the market are mainly supplements to the largest dailies.

The case of the city daily newspaper, *Kauno diena*, published in the second largest city in Lithuania, Kaunas, is exceptional. For several years now it has been successfully competing with the national dailies. Foreign capital could help the *Kauno diena* become one of the leading national dailies within a short time.

Much like the city newspapers, two thirds of the regional newspapers are publications founded in the Soviet period and privatised to the people employed by those newspapers. In most cases the editor of the newspaper manages the stock portfolio. 69 regional publications are published in Lithuania, most of them twice or three times a week. The circulation depends on the population of the region and varies between 2,000 and 8,000 copies.

The situation of the Lithuanian national weeklies is somewhat peculiar. The weeklies that have survived from the Soviet era or the newly established ones (during the nineties) lost popularity or simply went bankrupt. Among the most popular now is the weekly

newspaper *Akistata* (Identification), covering crime (established in 1991). At the beginning it came out once a week, but now it is published twice a week by *Kriminalistika*.

The number of publications in Russian has decreased. Among those remaining, the weekly newspaper, *Ekspres nedelia* (Weekly Express), a publication started in 1998, ranks as the most popular.

3.1.1 PRESS DISTRIBUTION

The only press distribution company in Soviet Lithuania was the state-run post office which used to accept subscriptions and deliver products to subscribers and press kiosks. In 1991 there were 1095 post offices in Lithuania. The post office was under the authority of the Ministry of Communications and Informatics. After the declaration of independence in Lithuania and with the implementation of the laws of market economy, the situation changed. The post office split into two state enterprises in 1991: *Lietuvos paštas* (Lithuanian Post) and *Lietuvos spauda* (Lithuanian Press). The latter distributes the press only to kiosks.

Lithuanian Post accepts subscriptions, delivers newspapers to subscribers and, according to the orders of the Lithuanian Press, delivers the press to the press outlets in small towns and villages. The Lithuanian Press was reorganised into a state-owned, public limited liability company (AB) in 1995.

As already mentioned, since 1989 when independent publications started to appear, the distribution terms offered by the Lithuanian Press were not satisfactory for publishers, who wanted to sell as many of their products as possible while earning the biggest possible profit. The first publication to find alternative ways of distribution was the weekly *Pirmadienis* (Monday). In 1992 it published advertisements inviting private persons to sell periodicals in the streets. These ads were mainly targeted at children on vacation. The interest shown was beyond expectations. Children who were selling newspapers in the streets received 15-20 percent of each copy sold, and the circulation of *Pirmadienis* increased. The editorial staffs of the biggest Lithuanian dailies *Lietuvos rytas* and *Respublika*, which soon after started their own street sales networks, introduced still another innovation. Owing to unfavourable weather conditions, publishers were compelled to seek opportunities to sell periodicals in shopping centres. However, shop owners resisted at first, because periodicals used to be sold only in kiosks. This new service would have to prove itself useful for both sides. The argument was that such a practice is normal in Western Europe. So it was only in 1994, when the first huge shopping centres were opened and self-service was re-introduced, that periodicals found their place in such locations.

Alternative distribution and subscription services have been appearing as well. The subscription department of *Lietuvos rytas* was opened in 1991. This was an alternative

to the state enterprise, Lithuanian Post service, which, being the monopolist in Lithuania, started increasing the delivery price for subscribers. The subscription department of Lietuvos rytas not only offered smaller prices but also enhanced service: they deliver the newspaper before 8 a.m., while the Lithuanian Post managed to deliver the newspaper only by 11 a.m. Subscribers welcomed this improvement, and the majority switched to Lietuvos rytas's subscriber service.

The editorial departments of the other biggest dailies – *Respublika*, *Kauno diena*, etc. – followed this example: they opened their own subscription and delivery services. In some of these companies (e.g. *Lietuvos rytas*, *Kauno diena*, *Respublika*) subscriptions are collected by the editorial departments. This form of subscription service is the cheapest.

According to the type of delivery, press distribution companies can be divided into two groups. One group comprises enterprises engaged in subscription and delivery of publications (e.g. Lithuanian Post, the delivery services of editorial departments) in various towns of the country. The other group is composed of enterprises engaged in press distribution only to shops and big supermarkets.

At present there are a few dozen private enterprises - Vaskota – 182 selling points, PenBas – 32 selling points, Teva – 25 selling points, Spreka and others, in addition to the above mentioned state enterprises, Lithuanian Post and the joint-stock company, Lithuanian Press. This range provides the subscriber with the possibility of choosing the most convenient way of acquiring a publication.

3.2 BROADCAST MEDIA MARKET

Commercial radio and television stations broadcasting nationwide are privately owned and profit-driven ventures. The owners of commercial television and radio stations in Lithuania are private persons or private limited liability companies with national and foreign capital. The Lithuanian Radio and Television Company (LRT) is a national broadcaster financed from the state budget and from advertising. The management of the LRT is accountable to the Parliament via a Board selected by public organisations and state institutions. The LRT runs two television and two radio channels.

3.2.1 RADIO

The Lithuanian radio market is dominated by two owners – Hubertas Grušnys with private capital, and the Achema Group concern, whose investment was the first case of local industrial capital investing in the media business.

On 31 December 1989, the first non-state radio station *M-1*, which was broadcast in Soviet Lithuania, irrevocably destroyed the monopoly of the state owned radio. This was the beginning of private initiative in the broadcast media. *M-1* was founded by a decision

of the Central Committee of the Young Communist League of Lithuania (YCLL) as a station for young people. At that time YCLL had its newspaper. During perestroika, when the mood of society was clearly changing, in order to maintain contact with young people, the Komsomol Committee favourably accepted initiatives from a few people, Hubertas Grušnys, and journalists Rimantas Pleikys and Gintautas Babravičius, to launch a radio station. The launching of the station was enabled by support of few German organisations, among them the Sddeutsche Rundfunk radio and the chocolate manufacturer Ritter sport who provided 15,000 German marks. *M-1* was neither a state-run nor a commercial radio station. This means that legally the station belonged to the Young Communist League, but according to the Statute of the Radio Station *M-1* it was allowed to “acquire income from commercials, paid concerts, advertisements, its branches, contracts with foreign companies, etc.”¹³ The musical format and call-in shows were an absolutely new experience. The abbreviation *M-1* meant: M – music, 1 – the first station of such type. It is important to add that *M-1*, being a youth station, and its branches, were exempt from income and profit tax on the basis of the Decision of the Council of Ministers of the USSR (from 1988), “Concerning development of economic activity of the Young Communist League of Lithuania”.

On 1 May 1990, after the restoration of independence in Lithuania and changes in the legislation, H. Grušnys registered the independent radio station *M-1*. There were four shareholders of the station. Later, having bought all the shares from other partners, H. Grušnys became the sole owner of the station. In 1996, he found a new radio station *M-1 Plius* which later became one of the market leaders. *M-1* and *M-1 Plius* signed long term contracts with NSAB, the Swedish owner of digital broadcast satellites Sirius in 1999. Now H. Grušnys is one of the biggest media owners, owning national radio stations *M-1*, *M-1 Plius*, and *Lietus*, and several regional radio stations, including *Raduga* in Russian language.¹⁴

Dramatic events in Lithuania on 13 January 1991 radically changed the situation of media companies. The Soviet Army occupied the TV tower, the Press Palace and the Radio and Television Committee’s headquarters. Political tension in the country created a paradoxical situation. The commercial radio station, *Radiocentras*, started to broadcast on January 31 using the frequency of the second channel of the state broadcaster National Lithuanian Radio. R. Pleikys, the founder of *Radiocentras*, said that it was “an unusual and rare event that a private company could broadcast on the frequency of a state radio station”.¹⁵ Now *Radiocentras* (authorized capital Lt 2,000,000 or approx. EUR 579,710) is owned by the Achema Group concern (97 percent).¹⁶

Achema Group was established in 2001, and at present it manages more than 30 enterprises that do business in the fields of chemistry, pharmaceuticals and mining, food industry, trade, energy, construction and maintenance, logistics, transportation and cargo handling, financial operations, hotel management, health care and entertainment, education

and vocational training, mass media (national daily newspaper *Lietuvos žinios* (authorized capital Lt 1,250,000 or approx. EUR 362,318), regional newspaper *Naujienos* (authorized capital Lt 250,000 or approx. EUR 72,463), two private limited liability companies dealing with the radio business – popular radio stations *RC2* (owned by Muzikos Topai) and *Rusškoje Radio Baltija* (owned by Rimtas Radijas). These radio stations have over 25 percent of the country's audience. Achema Group is also involved in publishing (two printing houses in Kaunas and Šiauliai) and advertising (the radio advertising company *Tango reklama*).

Radiocentras (authorized capital Lt 2,000,000 or approx. EUR 579,710) was the first to start round-the-clock broadcasting and the first radio station that started broadcasting on the FM broadcast band in May of 1992. The music format of the *Radiocentras* channel is based on the most popular European standard – HER (European Hit Radio). The audience for the three radio stations keeps growing; accordingly, the number of advertising orders increases every year, largely thanks to *Tango Reklama*, another subsidiary company of *Radiocentras*, which owns exclusive rights to sell the advertising time of *Radiocentras*, *RC2* and *Rusškoje Radio Baltija*. Coordinated activities of *Tango Reklama* and the popular radio stations allow the provision of high quality advertising services to clients. At the moment *Radiocentras* has the largest network of transmitters among private broadcasters in Lithuania.¹⁷

According to the latest research findings by TNS Gallup, the absolute leader among all radio stations in Lithuania is the radio station *M-1*. In the fifteen years of its existence, the radio station *M-1* has become the top commercial station – not only did its popularity exceed that of all other commercial stations, but it is also more popular than the national Lithuanian radio programme, a long-time leader in the market.¹⁸

Table 3 RADIO AUDIENCE – DAILY AND WEEKLY REACH (AUTUMN 2003)

TITLE	DAILY REACH	WEEKLY REACH	OWNER
M1	14.8%	30.5%	HUBERTAS GRUŠNYS
RADIOCENTRAS	12.7%	25.9%	ACHEMA GROUP
PŪKAS	11.3%	20.7%	-
RUSŠKOJE RADIO BALTIIJA	11.2%	19.2%	ACHEMA GROUP
LIETUS	10.1%	19.8%	HUBERTAS GRUŠNYS

Source: TNS Gallup, December 2003.

3.2.2 TELEVISION

Unlike the press, the Lithuanian audiovisual media market is dominated by foreign capital, mostly from the Nordic countries (Norway and Sweden).

The year 1993 was very important in the history of Lithuanian commercial television, since it marks the beginning of the privatisation of television stations. The first Lithuanian commercial channel, *Tele-3*, launched its pilot programs in May 1993. It re-broadcast popular Russian TV programs. In the same year regional Eastern Lithuania television was privatised, and in June it became *Baltijos TV*. On 7 January 1994, the new television channel *Litpoliinter* was launched, based in the second biggest Lithuanian town, and occupying the premises of the former palace of Soviet culture. It broadcast from 19.30 to 00.30. Later, it won the license for the frequency previously used by the Russian channel *Ostankino*. Owing to bad marketing and management, the monthly expenditures of the channel exceeded its revenue. Advertising was not enough to keep up the channel. Accordingly, in December 1994 its property was confiscated (because of its debts, the television building and the equipment were mortgaged to the then Lithuanian Agricultural Bank,¹⁹ and in February 1995 the Radio and Television Centre closed down the *Litpoliinter* television because of its debts. In March 1995, the Lithuanian Agricultural Bank, which was in possession of the mortgaged property of the *Litpoliinter* television station, opened a new, private limited liability company, Free and Independent Channel (UAB LNK).

The shares were distributed among Lithuanian Agricultural Bank (44 percent), joint stock company Vilniaus vingis (27 percent), *Litpoliinter* depositors' association (10 percent), Lithuanian workers' union (9 percent) and *Griaustinių aidas* (10 percent).²⁰

The *LNK* started to broadcast in spring 1995. At that time 48 journalists of the former television station *Litpoliinter* worked there. A loan of EUR 3.4 million was taken for the acquisition of equipment and programs. The rent for the transmitters was EUR 1.4 million per year. In the beginning *LNK* broadcasted 84 hours per week, later increasing its air time to 130 hours per week. In 1997, the *LNK* already had 35 percent of the Lithuanian television market, and for the first time it outran the state television, which until then had been the absolute leader among television channels. In March 1996, the *LNK* stopped broadcasting Russian television's news programme *Vremia*, and launched its own news programme *Vakaro žinios* (Evening News). In 1996, the main owners of the portfolio started looking for a strategic investor because, according to the Law on the Provision of Information to the Public, banks may not own television shares. In October 1997, British Pacific Media Management (BPMM) bought 46 percent of *LNK* shares. However, it did not buy this stake from the Lithuanian Agricultural Bank, but from other owners.²¹ In January 1998, it was announced that H. Grušnys had acquired a controlling block (54 percent) of *LNK* shares from BPMM and other smaller shareholders.²²

In September 1998, 54 percent of *LNK* shares were acquired by Marieberg Media, a subdivision of the Swedish company, Bonnier Media Group.²³ The Swedish company had long expressed a wish to buy the *LNK* channel. It acquired 44 percent of the shares from

the Lithuanian Agricultural Bank and 10 percent from H. Grušnys. Having acquired the controlling interest, the Swedish company secured for itself the management and control. The Lithuanian Agricultural Bank did not disclose the price of the shares, but, according to earlier reports, it expected EUR 4.5 million.²⁴

In February 1999 H. Grušnys sold the remaining shares in *LNK*. The Swedish company became a 100 percent owner of the portfolio. In addition, the *LNK* company is the owner of several other media outlets in Latvia and Estonia.

At the end of 2003 Bonnier sold its shares in *LNK* television (100 percent) to the MG Baltic concern. The purchase contract was signed between MG Baltic's daughter company MG Baltic Investment and Bonnier. In January 2004, MG Baltic Investment was given permission to take over and operate the *LNK*. The main reason that led Bonnier to sell its shares was the changed strategy of the company: "We decided to allot all investment to Nordic countries. *LNK* was the only company belonging to and acting beyond the boundary of Nordic countries."²⁵

LNK is the second investment in the media by the industrial concern, MG Baltic Investment. In April 2003 it already possessed 50.86 percent of *ELTA* (Lithuanian news agency, previously state-owned) shares. The parent company, MG Baltic concern, owns 29 enterprises in the Baltic countries, including such companies as Stumbras, Mineraliniai vandenys, Apranga, Birštono mineraliniai vandenys and others, which employed 2.9 thousand people as of 1 December 2003.

According to non-official sources, MG Baltic paid EUR 17 million for the shares in the commercial Lithuanian TV station *LNK*.²⁶

At the end of 1995 legal bankruptcy proceedings were started against *Tele-3*. *Tele-3* channel was bought by Swedish Modern Time Group (MTG) and renamed *TV3*. MTG International is a media subdivision of the Swedish concern Kinnevik. It is the owner of ten television and radio stations, advertising agencies, manufacturing and other companies in Scandinavia and the Baltic countries. MTG reorganised a couple of channels - *Free TV* and *Pay TV* - into the international satellite network for Scandinavian countries, Viasat Broadcasting Group. *TV3*, having successfully joined Viasat Broadcasting Group more than two years ago, became part of a huge international television network in Scandinavian and Baltic countries. MTG is expanding its activity in the Baltic region. It has acquired television stations in both Latvia and Estonia. Viewers of *TV3* have already noticed changes in the channel, since MTG has quite a range of possibilities for acquiring quality films and improving its programme in other ways. But the company treats the television business as local business, and *TV3* is remaining a Lithuanian channel.

According to figures from TNS Gallup for February 2004, *TV3* is the most popular channel, with an audience share of 27.6 percent. *LNK* follows close behind with 26.9 percent,

while the third spot is occupied by the state-owned *LTV*, with a 10.9 percent share, and several other channels following with lower ratings.

3.3 MEDIA OWNERSHIP CONCENTRATION

There is a growing tendency towards concentration of ownership. Publishing companies owning just one newspaper or magazine are being forced to sell out to bigger publishing concerns or go out of business. Local media concerns have begun to emerge, and foreign capital owners express interest in the media business in Lithuania.

When considering city and town newspapers, it is necessary to mention foreign investment in these publications. The first case is *Kauno diena*, fully owned by the Norwegian Industrial Financial Group Orkla since 1999. The foreign owner is likely to turn *Kauno diena* into one of the widely acclaimed national dailies.

The expanding national and local media market has become the “promised land” for the big industrial and media companies, such as Alga group, M-1 and others, who began to invest in local and regional media businesses in order to build their own chains.

Meanwhile, the regional press market leaders have started buying smaller regional and local newspapers, securing future profits from the growth of this sector. However, small local publishers are making joint efforts to defend their position, which may result in a structured partition of the regional and local market.

The degree of concentration of various kinds of media is different. Much depends on the number of competitors participating in a specific market: television, radio and dailies.

The analysis of the available data allows us to state that there is no monopoly over one specific kind of media, but the clear predominance of a certain type of media is noticeable. It is also possible to speak about local media concerns and the influence of foreign capital on the Lithuanian media market.

All these processes are extremely obvious in audiovisual media. Lithuania is one among few European countries where a public channel competes with three commercial channels with national coverage. For nearly 10 years, only the national public broadcaster was regulated, while commercial channels were vaguely regulated and controlled, which is the reason why the commercial sector in Lithuania is very strong.

Commercial income of broadcasting companies more than twice doubled during the period 1997–2003.²⁷ Having this in mind, it is possible to predict that the Lithuanian advertising market will grow even more in future. This expansion will be related to competition and concentration. How many television channels, radio networks or both types of media is it necessary to have in order to avoid the danger that one owner will start to shape the ideas of our society? What is the maximum market share of a single owner that is still acceptable as not posing a threat to the pluralism of ideas? At present, discussion about

amendments to the Law on the Provision of Information to the Public related to mass media concentration is underway in the Seimas.

In 2004, annual financial reports of registered enterprises in Lithuania will be public – this possibility will be available when the register of legal persons comes into force. Financial reports must be submitted to it within a month of their confirmation. The new provisions in compliance with EU legislation have met with mixed reactions on the part of businessmen: some appreciate a more transparent business practice that will make decisions easier, while others are afraid of the more attentive scrutiny from competitors and still tend to see financial accountability as a “business secret”. However, according to the EU Directive, it is not a business secret. In 2004, when the Register of Legal Persons will be introduced, the Register of Enterprises and separate registration systems, such as registration of public organizations, associations, budget institutions, trade unions and their alliances, credit unions and their associations, etc., will be abolished.

4 MEDIA INDEPENDENCE

The legal status of journalists in Lithuania is an acute problem. Employees of only a few editorial departments have signed collective agreements. The first to do this was the *Kauno diena* daily where the employees signed a collective agreement with their employer, the Norwegian Orkla concern. Nevertheless, it often happens that before the termination of the agreement employees experience great pressure exerted by the owners of the publication to change the conditions provided in the collective agreement in a way prejudicial for the employees.

The Lithuanian Union of Journalists provides a constant reminder of the importance of a collective agreement in guaranteeing journalists’ rights. The media business is considered a business like any other. That is why the wish of an owner of a newspaper or radio or television station to earn as much as possible is only natural. It is true that in such a case it is increasingly difficult to speak about the special mission of the press and journalists - i.e. to inform society about the important issues of life. The employers do not want to incur additional expenses because of journalists, so it seems that it is the task of journalists themselves to take care of their social rights and status through actively participating in trade union activities. One of the most important elements guaranteeing the independence of journalists, as well as other professionals, is social and economic security. After the liberalisation of work relations in Lithuania, it provided an instrument to the media owners for influence on journalists. As a result, at the moment most media employees receive fees rather than salaries, with these fees being subject to frequent changes. Absolute

financial dependence is one of the biggest problems in establishing the status of an independent journalist in Lithuania today.

5 CONCLUSIONS

The Lithuanian media market is facing rapid change. Since the end of 1988 the national publishing and industrial groups have become important owners and players on the Lithuanian mass media market. Up to the mid nineties (1996), the press saw a prevalence of small shareholders. However, during recent years, Lithuanian legal persons have started to acquire a portfolio of shares. Ownership concentration has taken place in the press sector and played an increasing role in the privatisation of radio, TV and telecommunications at the end of the nineties.

Existing media companies in Lithuania are currently focusing on securing their place on the market and developing strategies for the future. But this process leads to the concentration of media ownership – the big media companies buying the weaker titles or stations, thereby strengthening their own position.

The repurchasing of the media during recent years shows an increasing tendency of industrial capital to enter the media business. This trend is most obvious in the television business.

The Lithuanian media market has seen more investment from local capital than from foreign investors.

International companies from Norway and Sweden target the Lithuanian media landscape. Foreign companies are supporting a policy of investment in television rather than in the daily press or magazines. Even though the relevant legislation is in place, media do not comply with the provisions of the legislation. However, no sanctions have been imposed on them for these infringements. It is the independence of journalists and editorial offices that can provide guarantee that a society will have both a free press and media deserving the status of fourth estate. In order to create the chance for the media to fulfil their mission and avoid potential influence, it would be absolutely necessary to separate the position of the media owner from the position of an editor in chief. And, in order to avoid media monopolies in Lithuania it would be necessary to revise legislative framework and implementation mechanisms, and to establish institution to monitor media concentration.

NOTES

- 1 Constitution of the Republic of Lithuania, *Valstybės žinios*, 1992, no. 33-1014.
- 2 Ibid.
- 3 The Law on the Provision of Information to the Public, *Valstybės žinios*, 1996, no. 71-1706.
- 4 Law on Competition, *Valstybės žinios*, 1999, no. 30-856.
- 5 The Law on the Provision of Information to the Public, *Valstybės žinios*, 1996, no. 71-1706.
- 6 See <http://srtrf.lms.lt/Apie_fonda.html> (accessed 15 December 2003).
- 7 Svennik Hoyer, Epp Lauk and Peter Vihalem (ed.), *Toward a Civic Society. The Baltic Media's Long Road to Freedom*, Tartu, 1993, p. 341.
- 8 Law on the Press and other Mass Media, *Valstybės žinios*, 1991, no. 7-163.
- 9 Law on the Initial Privatisation of State Property, *Valstybės žinios*, 1991, no. 10-261.
- 10 Law on Companies, *Valstybės žinios*, 2000, no. 64-1914.
- 11 See <<http://www.tns-gallup.lt/orig/en/data.php?id=44&page=1>> (accessed 16 December 2003).
- 12 Lietuvos verslo lyderiai 2003–2004 (The Leaders of Business in Lithuania 2003–2004) Supplement of *Verslo žinios*, 2003, p. 153.
- 13 Archives of Public Organizations, f.4421, folder 43, file 8, p. 41
- 14 Radio and Television in Lithuania 2002: broadcasters, market, data, Vilnius, 2003, p. 25.
- 15 S. Čeponytė, “Svečiai valstybiniame radijuje: orientacijos į daugumą pabaiga” (Guests in the state radio: the end of orientation to the majority), *Kalba Vilnius*, 1991, no.14, pp. 2–3.
- 16 See <<http://www.achemosgrupe.lt/rodikliai-en.htm>> (accessed 26 November 2003).
- 17 The information on Achema’s radio activities originate from <<http://www.achemosgrupe.lt/im-media-radioc-en.htm>>.
- 18 See <<http://www.tns-gallup.lt/orig/lt/data.php?id=59&page=1>> (accessed 23 December 2003).
- 19 J.Pekarskaitė, “Litpliinter biuras areštuotas, biuras užanspauduotas” (The property of “Litpliinter” is attached, the bureau sealed and the television building and the equipment mortgaged to Lithuanian Agricultural Bank), *Lietuvos rytas*. 10 December 1994, pp. 1–2.
- 20 A.Guobys, “tv ataka” (tv attack), *Respublika*, 13 March 1994, p. 4; D. Gudavičiūtė, “LNK vadovas nori sukurti geriausią televiziją šalyje” (The LNK leader wants to create the best television in the country), *Lietuvos rytas*, 16 March 1996, pp. 25–27.
- 21 Gudavičiūtė D. “Anapus LNK ekrano-savininkų ir vadovų kaita” (Beyond the LNK screen: change of owners and leaders), *Lietuvos rytas*, 1997, spal.16, pp. 1–3.
- 22 Gudavičiūtė D. “Televizijos neperkamos kaip bulviu maišai turguje” (Televisions are not bought like sacks of potatoes in a market), *Lietuvos rytas*, 1 February 1998, pp. 1–3.
- 23 Merkienė A “LNK televizijoje šeimininkaus švedai” (Swedes will boss around in LNK television), *Respublika*, 30 September 1998, p. 2.
- 24 “Privačią LNK televiziją gali įsigyti švedai” (Swedes can acquire private LNK television), *BNS*, 17 September 1998.
- 25 “Už LNK bus sumokėta 60 milijonų litų” (The price of LNK 60 mil. litas), *BNS*, 12 December 2003.
- 26 Ibid.
- 27 See <<http://www.rtk.lt/en/news/index.php?id=16725&no=0&gid=>> (accessed 5 February 2004).