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Media Confront Looming Privatization

By Irina Filatova

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President Medvedev visiting the set of Russia Today in 2010 with the channel's editor-in-chief, Margarita Simonyan. Medvedev's privatization initiative has some journalists concerned that media asset

Every morning, Lyudmila Beryozkina walks along Sovietskaya Ulitsa, the main street of small town Sandovo in the Tver region, to the two-story sky-blue building that houses Sandovskiye Vesti, where she's the editor-in-chief.

The weekly recently moved to this new spacious office provided by the municipal administration from its old headquarters in the town's outskirts.

"It's very convenient. The building is in the center of the town," said Beryozkina, who oversees a team of nine employees.

She likes the arrangement with local authorities. The municipal administration, which co-owns Sandovskiye Vesti with the Tver region administration and the nongovernment Upper Volga Periodicals Association, provides 40 percent of the editorial budget, but Beryozkina said the newspaper's legal status as an autonomous noncommercial organization makes it economically and politically independent.

“I support the idea of newspapers being independent,” she said by telephone.

Beryozkina and the Tver regional administration say this legal status provides an example for local newspapers nationwide amid a Kremlin drive for regional and municipal administrations to privatize their media assets.

President Dmitry Medvedev has ordered regional and municipal authorities to decide by July 1 which assets — media and otherwise — could be privatized in an effort to shed unneeded property.

Authorities shouldn’t own “plants, newspapers, steamboats,” Medvedev said, quoting a Soviet-era poem by Samuil Marshak.

“Everyone should do his own business,” the president said in his annual state-of-the-nation address in November.

Medvedev’s economic aide Arkady Dvorkovich confirmed that the privatization of state property in the regions, which is expected to bring “tens of billions” rubles this year, would involve selling media owned by local authorities. He said that financing this media was “a waste of money.”

He later tempered his comments by saying that regional and municipal authorities should make the decision themselves whether it made sense to sell the media assets they own.

“A political signal on the federal level was given,” Dvorkovich said at an investment forum in February. “If there’s the understanding that privatization will improve quality and provide independence for mass media … it’s necessary to go that way.”

If the authorities own several competing media outlets, it makes sense to sell one of those assets, Dvorkovich said.

Communications and Press Minister Igor Shchyogolev promised in January to form a working group to discuss privatization issues with regional administrations.

But federal media assets are not on the list of state assets to be privatized by 2013 as part of the privatization plan approved last year that aims to raise as much as 1 trillion rubles by selling stakes in the 10 biggest state companies, including Rosneft, Sberbank and VTB. Media companies owned by the federal government include three influential television channels — Channel One, Rossia and Russia Today — as well as the RIA-Novosti and Itar-Tass news agencies, Rossiiskaya Gazeta newspaper and Voice of Russia radio.

According to the Finance Ministry, a total of 174 billion rubles will be spent to support mass media outlets through 2013, Rossiiskaya Gazeta reported in November. Almost 59 billion rubles has been set aside for this year, which is 4 percent less than in 2010, the report said.

The Governors Chime In

Governors are uncertain about the effectiveness of privatizing media assets, with some saying it would be good for editorial policy but others expressing concern about how local newspapers would survive without state financing.

“It doesn’t bother me at all,” said Kaluga Governor Anatoly Artamonov, who believes that newspapers will benefit from being privatized.

“Any mass medium that gives up state financing only becomes better and more lively” he said in an interview.

The Nizhny Novgorod regional government has already taken Medvedev’s initiative to heart, quickly approving a three-year plan to sell assets in January. Governor Valery Shantsev plans to merge the media assets into a single media holding co-owned by private investors, the government’s press service said.

The regional communications department is currently holding consultations on the issue with local journalists and the Public Chamber to make sure that all changes have “positive results and take into account the positions of all interested parties,” the press service said in e-mailed comments.

But not all regions are on board for the sell-offs. The Tver regional administration has no intention of selling its newspaper Tverskaya Zhizn or the small local newspapers co-owned by municipal administrations, said Deputy Governor Igor Yalyshev.

The amount of possible advertising is too small to provide sufficient funding for the newspapers, so in most districts privatization could result in the closing of the only newspaper, he said.

“We have no right to leave residents of small and medium-sized districts without their mass media,” Yalyshev said in e-mailed comments.

With Internet penetration reaching just 35 percent in December, according to the Communications and Press Ministry, Russians largely rely on newspapers and television for news.

Kirov Governor Nikita Belykh echoed Tver’s concerns, saying small municipal newspapers would be unlikely to survive without government support due to the size of the local advertising market.

A total of 40 municipal newspapers are published in the Kirov region, and most are the only sources of information in their districts.

Belykh promised, however, to consider privatizing the newspapers because they “shouldn’t remain the property of the regional administration forever.”

The Kirov regional government owns two regional newspapers, Kirovskaya Pravda and Vesti.Kirov, as well as a city newspaper, Vesti.Vyatka.

Belykh also said that ensuring more independence for newspapers by privatizing them wasn’t an issue in his region because the newspapers owned by the government were free to choose their own subject matter.

“We don’t work in a manual control regime and don’t issue instructions on what to write and what not to write. They are self-sufficient in determining the content of their stories,” he said by e-mail.

But Alexei Simonov, president of Glasnost Defense Foundation, said the independence of regional media was very ambiguous because of journalists’ self-censorship.

“Regional newspapers can easily criticize the federal authorities, but they will think six times before saying something about the governor,” he said.

Media assets that should be privatized in line with Medvedev’s instructions include the TV-Center channel, owned by Moscow City Hall. But it remains unclear whether the Kremlin’s plans will result in city authorities selling the channel, which will receive almost 3 billion rubles from the city budget this year, according to City Hall’s web site.

City Hall isn’t discussing the privatization of TV-Center, spokesman Boris Bulai told The Moscow Times, without elaborating.

No Changes Expected

Despite the enthusiasm shown by some governors, analysts said that privatizing mass media would probably do little to increase their independence because local authorities could sell the outlets formally but retaining leverage through various means.

For example, there are circuitous ways to provide funds to a media outlet that would make it dependent on a specific government official, thereby giving the official beneficial ownership, said William Dunkerley, a U.S.-based media business analyst specializing in Russia and the former Soviet Union.

Although agreeing that it was a positive move to sell the media assets, Dunkerley said it would not be the “cure-all to the present excessive government influence that President Medvedev seems to assume.”

Former Kamchatka Governor Mikhail Mashkovtsev said a governor could find many ways to pressure the media even if there was no formal ownership.

“Absolutely nothing will change,” Mashkovtsev said by telephone. “If a governor wants, he can shut any mouth.”

Mashkovtsev, who served from 2000 to 2007, criticized the idea of privatizing media, saying local authorities need their own newspapers to stay in touch with the people. He added that blogs, although being a good way to communicate, were insufficient.

A total of 41 governors have their own blogs, according to Governor.ru.

Even if regional governments sell off their media stakes, the outlets will remain under their control because authorities don’t really want to lose them, said Alexei Roshchin, an analyst with the Center for Political Technologies.

Authorities would likely give up their stakes formally and continue funding newspapers through so-called municipal orders, he said.

Using that mechanism, the authorities announce a tender to choose a media platform to place information about official activities or publish decrees and then facilitate their former newspapers' victory in the tender, Roshchin said.

Signing contracts to publish government information would be the best way for a regional daily to survive after privatization, said Yury Rastorguyev, editor-in-chief of Vest, a daily co-owned by the Kaluga regional government and the regional legislature.

Other options to remain viable could be diversifying business by publishing other products, like free advertising supplements or changing the newspaper's publication from daily to weekly or format from broadsheet to tabloid, he said by telephone from Kaluga.

Local governments already place information about their activities in the newspapers they finance. In Kaluga, for example, Governor Artamonov said his administration has earmarked about 18 million rubles for this coverage this year.

But at the same time, Artamonov noted, a number of newspapers that receive no funds from his administration have recently appeared in the region.

“That means the mass media can do well enough signing contracts with the government to publish information,” he said.

Journalists Concerned

As regional governments plan how to proceed with the privatization of their media assets, journalists are concerned about newspapers falling into the hands of unscrupulous businessmen or criminal groups that could misuse them, said Sofya Dubinskaya, managing director of the Regional Mass Media Chiefs Alliance.

To prevent this, the editorial staff should hold part of the equity, she said, adding that media outlets should have several shareholders to ensure effective management.

Members of her group started pushing for the privatization of regional media assets about two years ago and are gratified that Medvedev has finally turned his attention to the issue.

“There's every reason to believe that the president had been informed about journalists' opinion as he was preparing that part of the [state-of-the-nation] address. Otherwise how did he manage to hit the mark 100 percent?” the group said in a statement posted on its web site.

Dubinskaya said regional newspapers could survive without government financing, since some of them have a stable subscriber base and work effectively with advertisers.

“There are many such newspapers,” she said, declining to provide the newspapers' names or the regions where they are published because of concerns that regional authorities could punish them for their efforts to be independent.

Beryozkina of Sandovskiye Vesti, where a Moscow Times reporter started her journalism career at the age of 14, was confident that her newspaper could survive even without government support. She said there were a number of encouraging examples of similar newspapers in her Tver region.

The legal status of an autonomous noncommercial organization like Sandovskiye Vesti was chosen for most of the municipal newspapers in the Tver region because it “allows the editorial staff to be a fully legitimate owner” of a newspaper, said Yalyshev, the regional administration official.

Changes Needed

Even if regional authorities try to find unbiased investors to purchase their media assets, demand for the newspapers is unlikely to be high unless they completely change their image.

“We can’t count on local business investing because prospects of getting a stable profit from municipal newspapers ... are close to zero,” Yalyshev said.

Most local newspapers still conform to Soviet methods of choosing news and presenting stories, devoting a huge share of their space to authorities’ activities, Roshchin said.

“It’s clear that no one reads them except pensioners for whom having a subscription is a habit, a tradition,” he said.

Roshchin said people would like to see more stories about “what’s happening on the next street,” instead of reading that “the mayor did this and that.”

Publishing a local newspaper could be profitable, but success largely depends on the geography and scale of the publishing business, said Grigory Kunis, a board member of the International Regional Publishers Alliance, which includes 55 domestic publishing houses.

There are profitable regional newspapers in Russia with good management who ensure prosperity, said Kunis, a founder of The St. Petersburg Times, a sister publication of The Moscow Times.

Kunis also said the government’s withdrawal from the regional media market would make it more transparent, encouraging investors.

The media will be more attractive if they become “more consumer centered” and “start serving the needs of readers rather than the needs of the people who are putting in money,” Dunkerley said.

“My experience is that almost any Russian can look at a newspaper and point to the stories that have been paid for,” he said. “That means that the people who are paying for the stories are paying to lie to people who know they’re being lied to. It’s sort of foolishness.”

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