

When assessing the financial and business environment, one should highlight several issues from the year 2015: 1) the impact of new advertising regulations on the market, which were introduced by amending the Law on Broadcasting; 2) the entry of the market by a new television audience measurement company; 3) the practice of allocating budgetary means to media outlets; and 4) the tax inspection of the media outlet.

This section discusses the above mentioned four issues.

## 1.1. THE IMPACT OF NEW ADVERTISING REGULATIONS ON THE MARKET

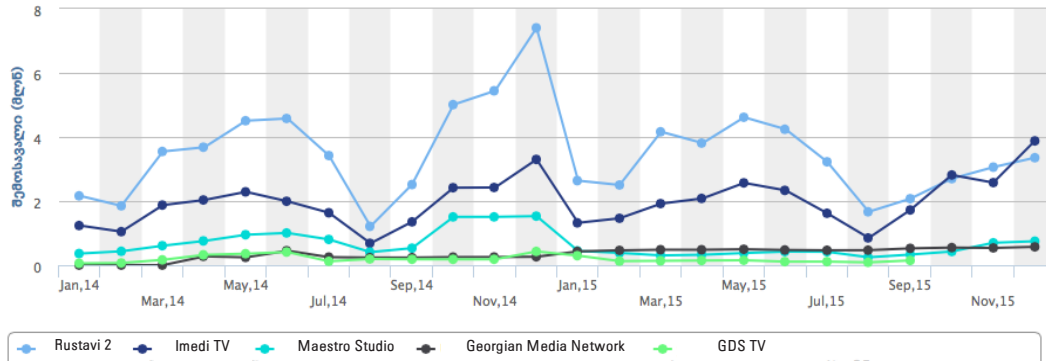
According to the information published on the webpage of the Georgian National Communications Commission (GNCC), which reflects the data as of 1 March, the TV advertisement market decreased by 10,3 million GEL in 2015 compared to the previous year. In 2014, the TV broadcast revenues comprised 94,6 million GEL while the corresponding indicator of 2015 stood at 84,3 million GEL.

The comparison of the two years data by TV companies showed (Diagram 2.1.) the increase in the revenues of only the Georgian Media Network<sup>1</sup> (by 3,5 million GEL) and the Imedi TV Company (by 2,9 million GEL). The revenues of Georgian Media Network mainly increased owing to the sale of content (4,9 million GEL), with the share of advertisement being relatively small, whereas in case of Imedi TV, the main source of income was TV advertising (23,7 million GEL) the largest portion of which was generated in the fourth quarter. Among other TV companies that led the advertisement market in 2014, the decrease was seen in the revenues of Rustavi 2 by 7,3 million GEL, Maestro by 5,3 million GEL, and GDS by 788 111 GEL. It should be noted that the GDS TV company had delay in reporting the data of the fourth quarter to GNCC.

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<sup>1</sup> Georgian Media Network is a subsidiary of Silknet. Its founders are Global Media Group LLC – GMG (15%) and JSC Silknet (85%). Silknet purchased six GMG channels with the rights to broadcast programs.

Diagram 2.1. TV media revenues by five broadcasters, 2014–2015

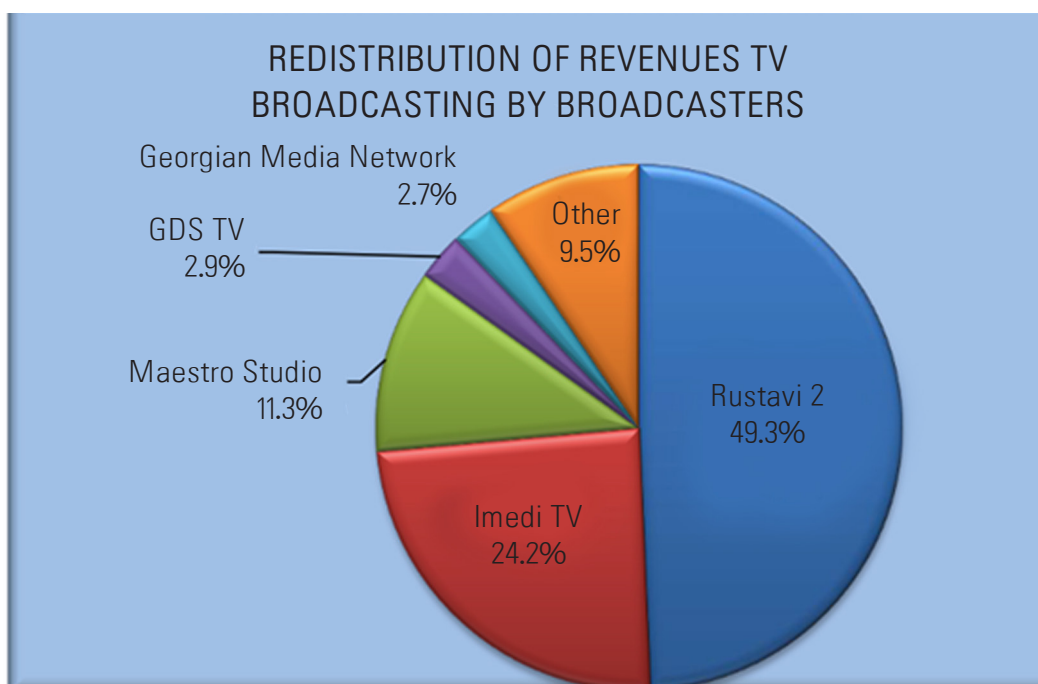


Broadcast company	2014	2015
Rustavi 2	45,332,691.82	38,043,088
Imedi TV	22,282,790.54	25,148,484
Maestro Studio	10,400,391.45	5,123,105
Georgian Media Network	2,459,360.23	5,942,532.10
GDS TV	2,676,358.52	1,888,244.98

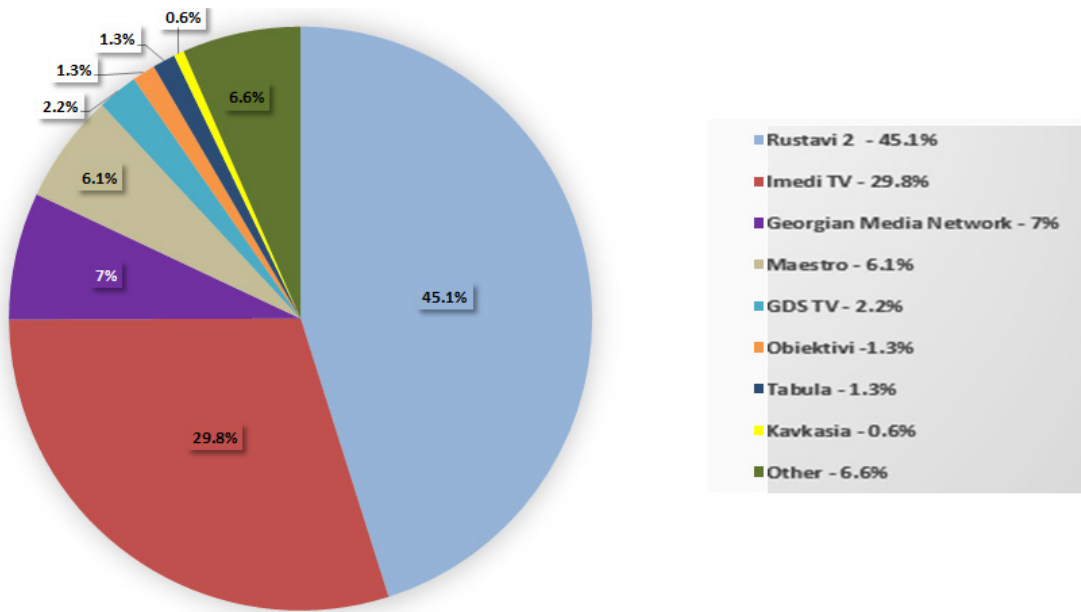
As regards the redistribution of commercial advertisements among TV companies, in 2015, much like in 2014, the leader on the market was Rustavi 2 with 45.1% share of the entire market, followed by Imedi TV with the share at 29.8%, Georgian Media Network at 7%, Maestro at 6.1%, GDS at 1.6%, Obiektivi at 1.3%, Tabula at 1.3%, Kavkasia at 0.6%, and other TV channels at 6.6%.

Diagram 2.2 TV revenues by media outlets in 2014 and 2015

2014



2015



As the comparison of two year data shows, in 2015, the advertisement revenues improved for Imedi TV whilst the revenues from the sale of contents increased for the Georgian Media Network.

## 2.2. THE ENTRY OF THE MARKET BY A NEW TELEVISION AUDIENCE MEASUREMENT COMPANY

Beginning in 2016, the TV ratings market saw the entry of a new television audience measurement company, Tri Media Intelligence, which is an official licensee of the international company Kantar Media. Before that, since 2005, the television audience was measured by the single company TVMR Georgia which is an official licensee of the international company Nielsen. The TVMR Georgia caught public attention in February 2014, when the Revenue Service entered it to conduct the tax inspection. That move was harshly criticized by nongovernmental organizations as they saw in it an attempt to redistribute the advertisement market.

Clients of television audience measurement companies are TV channels as well as advertisement agencies and media sellers. TV companies need viewer ratings to schedule their programs accordingly and attract commercials whilst advertisement agencies and media sellers need them to place commercials according to the ratings.

Of those 13 TV channels that were the clients of TVMR only seven continue to use its service today. These TV channels are: Rustavi 2, Kavkasia, Tabula, Comedy Channel, Marao, TV Pirveli and Music Box. The clients of TVMR also include one media seller and 16 advertisement agencies. The number of advertisement agencies using the service of the company decreased only by two.

As regards the new company, Tri Media Intelligence, no official information is available about their clients; the webpage we were pointed to visit, is not operational yet. What is known for sure is that the Tri

Media Intelligence emerged as the winner in the tender announced by the Georgian Public Broadcaster for the measurement of its audience and that the tender requirements of the broadcaster differed from those in previous years. Also, according to media reports, Imedi TV, GDS TV and Maestro also started receiving the service of Tri Media Intelligence from 2016.

**Tri Media Intelligence** was registered in the National Agency of Public Registry on 13 October 2014; in the same month, it made the announcement about its entry of the market as a licensee of international company Kantar Media. Co-owners of the company with 50%-50% shares are Merab Pachulia and Giorgi Tevdorashvili. Merab Pachulia, for his part, owns 70% of shares in the Georgian Opinion Research Business International, GORBI, a public opinion and market research firm.

Several media outlets have raised questions regarding the transparency of funding of Tri Media Intelligence and saw links between the company and the former Prime Minister, Bidzina Ivanishvili.<sup>2</sup> Questions are also raised about the conflict of interests of a co-founder Giorgi Tevdorashvili who owns shares in companies falling within the Palitra Holding (IPN – 12%, Elva.ge – 25%, Biblus – 10%). The Palitra Holding includes Palitranews TV company (Palitra TV LLC) which gives rise to the conflict of interest. Giorgi Tevdorashvili denies the conflict of interest claiming that he does not own shares in the TV channel.

**TVMR Georgia** is an official licensee of Nielsen Television Audience Measurement. TVMR Georgia was established in 2004 and since 2005, it has been measuring television audience in Georgia. The director of TVMR Georgia is Nino Gogoladze whilst the owner of 100% of shares of the company is the Commandite Society TVMR registered in the United Kingdom of Great Britain and Northern Ireland.

TVMR Georgia LLC and Gocha Tskitishvili, for their part, own 50%-50% of shares in IPM Monitoring LLC. Nino Gogoladze is the director of this company too. Gocha Tskitishvili also owns 100% of the shares of Media Monitoring LLC.

In February 2014, the Revenue Service of the Finance Ministry of Georgia launched the inspection of TVMR Georgia and demanded that the company disclose the names of those 330 households and their addresses where people meters were installed. TVMR Georgia refused to provide the data on the ground that the information was confidential and its disclosure would undermine trustworthiness and damage the ranking of the rating company. Following this refusal, the Revenue Service started the audit of TVMR Georgia's assets. On 20 March 2014, TVMR Georgia suspended its operation claiming that the audit was interfering with the operation of the company. Five nongovernmental organizations criticized the activity of the Revenue Service in a joint statement released on 18 March. The NGOs noted that the disclosure of identities of the families where people meters were installed could affect TV ratings and distort the

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<sup>2</sup> New Company to Enter TV Rating Market in 2016, The Media Development Foundation, 7 December 2015, [http://mdfgeorgia.ge/geo/view\\_news/411](http://mdfgeorgia.ge/geo/view_news/411)

data which might result from self-censorship of households involved in the audience measurement. In this regard, five TV companies and more than 10 advertisement agencies also released a joint statement emphasizing the threat of harming the TV commercial market of the country. Over the period from 24 February to 3 March, the Revenue Service filed three motions with the court for obtaining confidential information from TVMR Georgia. The court, however, rejected the motions. This fact even made it into the US Department of State's Country Report on Human Rights Practices for 2014.

### 3.3. THE PRACTICE OF ALLOCATING BUDGETARY MEANS TO MEDIA OUTLETS

Neither the government nor any of its institutional units has developed a rule on how and by what criteria to redistribute the budgetary advertisement among media. Only several ministries indicate in the contracts the obligation with regard to television ratings and reach of audience.

In 2015, the budgetary organizations transferred 7,173,955 GEL countrywide for the provision of advertisement and information service by media. This figure includes the data supplied by the Government Chancellery, several ministries, legal persons in public law and other subordinate organizations. Since a number of legal persons in public law and joint stock companies refused to provide the data, the above cited figure does not reflect the full amount.

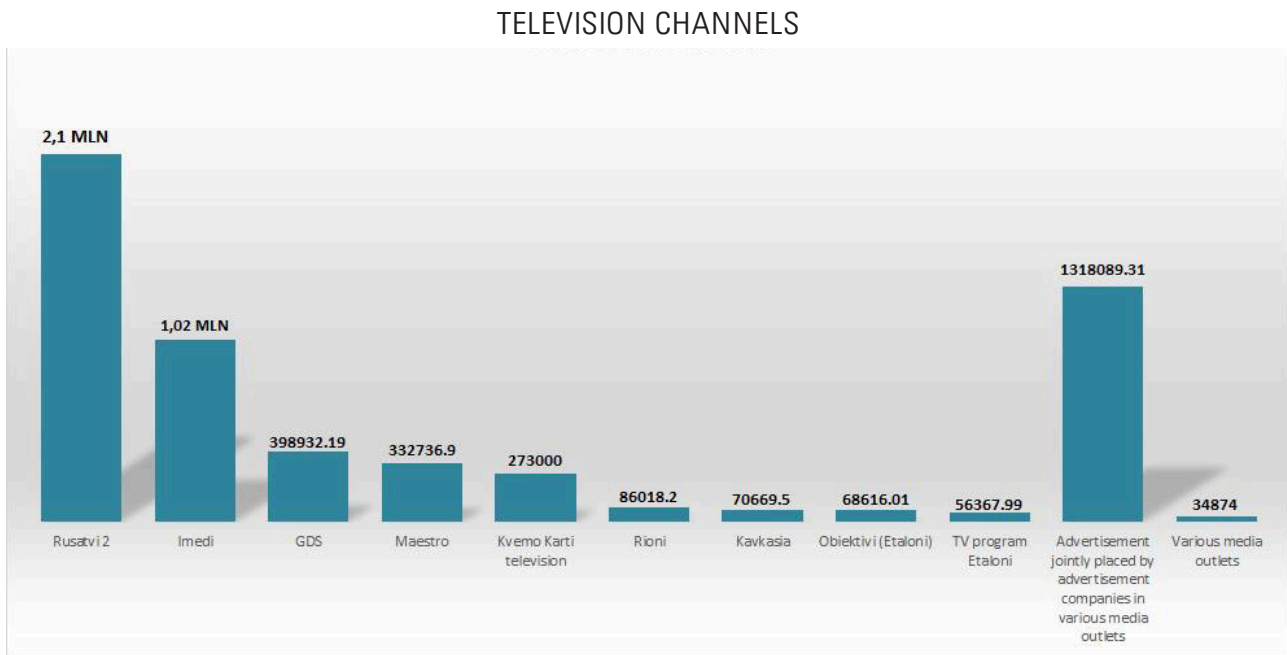
As many as 79.8% of the above mentioned amount is spent on advertisement in TV channels, 12.2% in online media, 6.3% in newspapers, 0.8% in radio and 0.9% various media outlets under mixed contracts.

The largest share of television advertisement, 2,1 million GEL, accounts for Rusatvi 2, which is followed by Imedi at 1,02 million GEL, GDS at 398,932.21 GEL, Maestro 332 736.9 GEL, Kvemo Karti television at 273,000 GEL, Rioni at 86,018.2 GEL, Kavkasia at 70,669.5 GEL, Obiektivi (Etaloni) at 68,616.01 GEL, TV program Etaloni at 56,367.99 GEL, various media outlets at 34,874 GEL, advertisement jointly placed by advertisement companies in various TV Channels stand at 1,318,089.31 GEL. It is worth noting that some contracts did not provide a breakdown of amounts by media outlets (Rusatvi 2, Imedi, Maestro, GDS, Kavkasia, as well as 17 regional TV channels) and one contract<sup>3</sup> does not allow to identify TV companies at all.

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<sup>3</sup> Public Funds for Media Promoting Hate Speech and Anti-Western Sentiments, the Media development Foundation, 2015. <http://mdfgeorgia.ge/uploads/Report%20on%20obiektivi%20&%20others,%20Eng.pdf>

Diagram 2.3. The redistribution of budgetary advertisement among TV channels, 2015

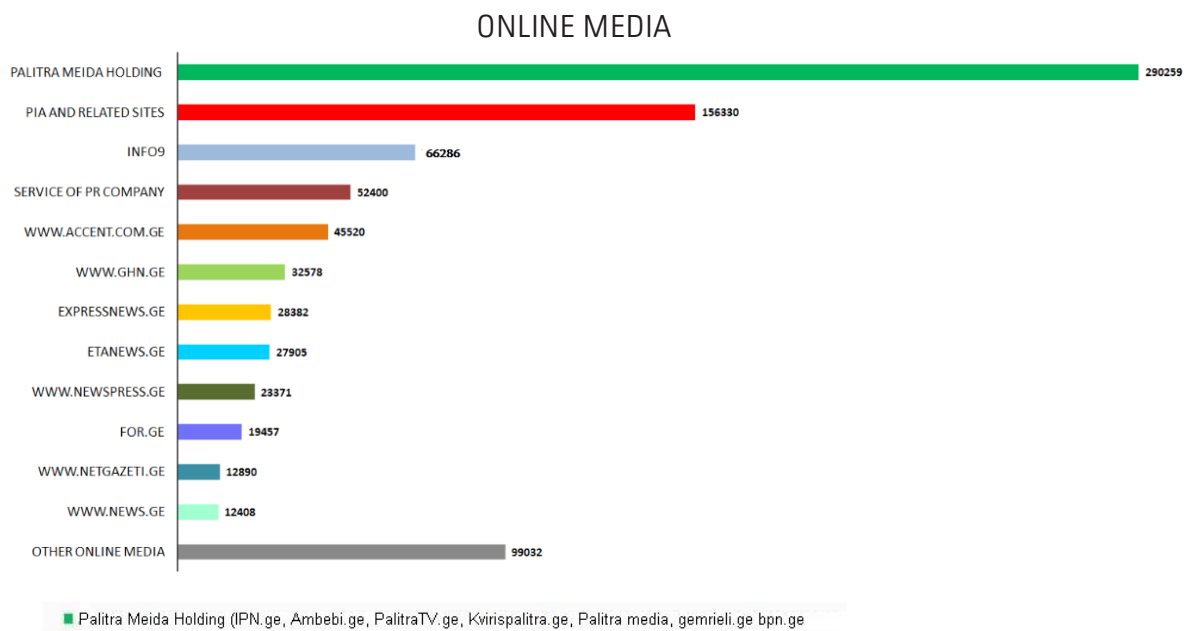


The advertisement amount redistributed among various radio channels:

Radio Channels	Amount
Dzveli Kalaki	19350
Adjara TV and radio of Georgian Public Broadcaster	17100
Radio Fortuna	12834
Radio Imedi	7143
Radio Maestro	2988
Pirveli Radio	1596

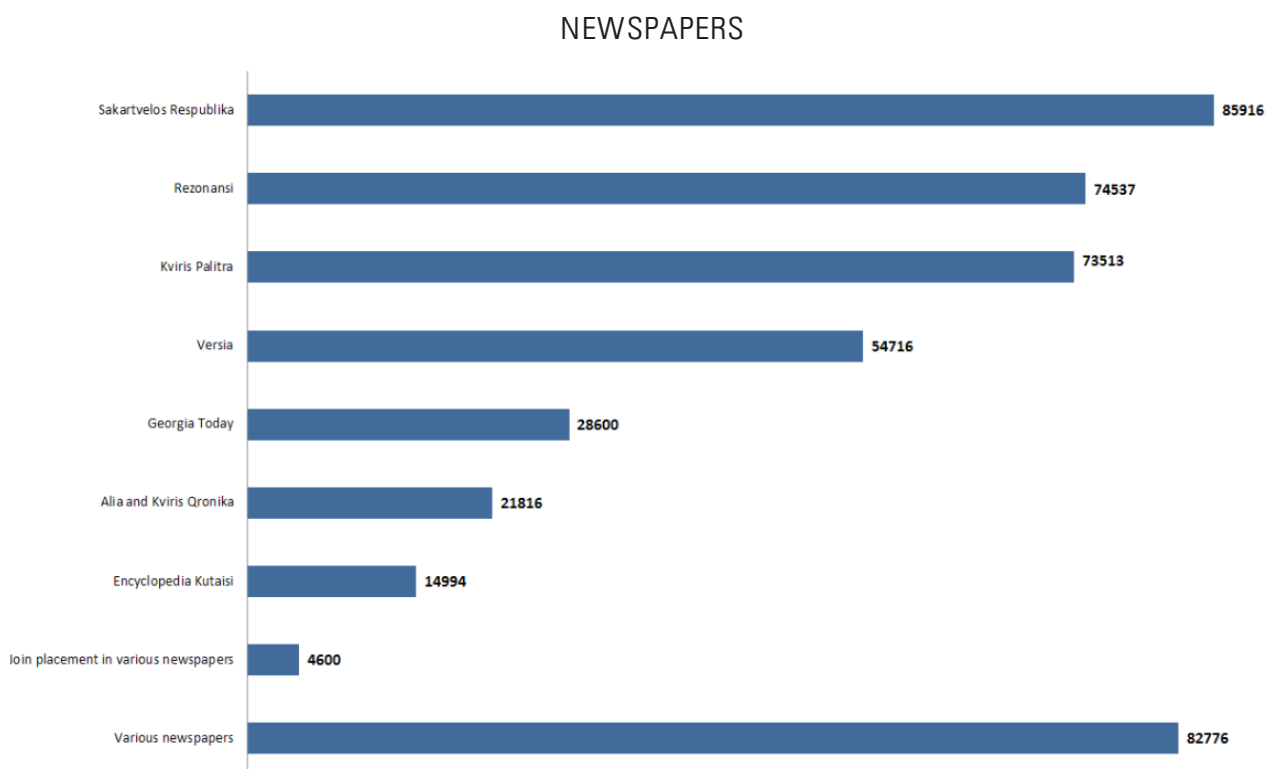
As regards online media, the leader is Palitra Meida Holding (IPN, PalitraTV.ge, Kvirispalitra.ge, bpn.ge, Ambebi.ge, gemrieli.ge) with 290,259 GEL, followed by PiA and related editions Daijesti.ge, rubrica.ge, funtime.ge at 156,339 GEL, Info9 at 66,286 GEL, IPM (placement of information in news agencies) at 52,400 GEL, accent.com.ge at 45,520 GEL, GHN at 32,578 GEL, Exclusivenews (EPN) at 28,382 GEL, etanews.ge at 27,905 GEL, newspress.ge – 23,371 GEL, for.ge at 19,457 GEL, netgazeti.ge at 12,890 GEL, news.ge at 12,408.3 GEL, various at 99,032 GEL.

Diagram 2.4. The redistribution of budgetary advertisement among online media, 2015



Among print media, the largest amount, 85,915.5 GEL, was transferred to Sakartvelos Respublika, followed by Rezonansi with 74,536.92 GEL, Kviris Palitra with 73,513.17 GEL, Versia with 54,716 GEL, Georgia Today with 28,600 GEL, Alia and Kviris Qronika with 21,815.6 GEL, Encyclopedia Kutaisi with 14,994 GEL, and others with 82,776 GEL.

Diagram 2.5. The redistribution of budgetary advertisement among print media, 2015



It is worth noting that separate entities of the Georgian government continue to sign service contracts with such media outlets that incite hatred and anti-Western sentiments. Such outlets are:

Media outlet	Contract amount (in GEL)
Sakartvelos Respublika	74536.92
Obiektivi (Etaloni)	68616.01
Alia and Kviris Qronika	21815.6
newspress.ge <sup>4</sup>	23371
Exclusivenews <sup>5</sup>	4730
Asaval-Dasavali	2 500

It is worth noting that material promoting the report on a three-year performance of the government of Georgia was placed in Asaval-Dasavai newspaper on the basis of the decree #2552 of the government of Georgia, dated 27 November 2015. The contract with Exclusivenews was signed by the Security Police of the Ministry of Internal Affairs.

A report of the Media Development Foundation,<sup>6</sup> published in 2015, places an emphasis on the Recommendations #7 of the European Commission against Racism and Intolerance (ECRI) which calls on the state parties to develop such regulations that would make the award of contracts conditional on the implementation of antidiscrimination policy and would prevent the state from entering into financial relations with such organizations that incite hatred.

It is also worth noting that The Georgian National Communications Commission exercises selective approach towards certain media outlets. For example, the sponsorship of TV program Etaloni, aired on Obiektivi TV channel, was carried out in violation of the Law on Broadcasting. In particular, Article 66 of the Law prohibits the financing of TV programs by administrative entities. On 31 July 2015, the Media Development Foundations applied to the GNCC with the request to inquire into this case. Seven months have passed since then but the GNCC has not reacted to this issue. For an identical violation, however, the GNCC imposed an administrative sanction on the Georgian Public Broadcaster on 26 March 2015.

#### 1.4. TAX INSPECTION OF THE REGIONAL MEDIA OUTLET

The local edition Chemi Kharagauli published a video material recorded on the meeting of the bureau of city council of Kharagauli municipality.<sup>7</sup> The 20-minute video features the conversation between local self-government representatives and the editor of the newspaper, Laura Gogoladze.

<sup>4</sup> Kviris Kronika: "Political faggot Kaladze tries to instill opinion into us that gay pride will still be held," 4 May 2015, <http://bit.ly/1Tr5P5l>

<sup>5</sup> "Vashadze' brother got married," 18 August 2014. <http://www.exclusivenews.ge/?page=view&artid=6363>

<sup>6</sup> Public Funds for Media Promoting Hate Speech and Anti-Western Sentiments, the Media development Foundation, 2015. <http://mdfgeorgia.ge/uploads/Report%20on%20biektivi%20&%20others,%20Eng.pdf>

<sup>7</sup> Chemi Kharagauli newspaper, 6 October 2015. <http://chemikharagauli.com/?p=8004#.VrhkD7QxGgR>



In this video, the Head of Kharagauli municipality, Koba Lursmanashvili, and the chairman of the city council faction Georgian Dream–Democratic Georgia, Varlam (Tato) Tavzarashvili, were accusing Chemi Kharagauli newspaper of bias. To the request of Chemi Kharagauli editor, Laura Gogoladze, to name concrete articles which, in their opinion, were biased, the head of municipality named a letter published on 12 June 2014 while the chairman of the faction named information published on 26 June 2013. The head of municipality and the chairman of the faction were openly expressing their dissatisfaction with the editorial policy. At the same time, the founders of the newspaper were bringing as an example Akhali Kharagauli newspaper which received various budget funding from the local government because of its loyalty to the government.

After the publication of the video, the tax inspection was launched in Chemi Kharagauli newspaper which continued for several months. Chemi Kharagauli was fined for the improper fulfillment of certain tax liabilities, but the newspaper appealed the sanction with the dispute resolution council which cancelled some of fines but not all. To achieve the cancellation of remaining fines, the newspaper continues the dispute.