



# Television in Georgia – Ownership, Control and Regulation

November 20, 2009

## Executive Summary

Today, Georgia's media is less free and pluralistic than it was before the Rose Revolution in 2003 and the ousting of President Eduard Shevardnadze. While the country enjoys a pluralistic, albeit small print media, Georgia lacks a truly pluralistic television sector. Television remains the dominant source of information for most Georgians.

“We have 27 independent channels in Georgia, we have dozens of political talk shows every day”, President Mikheil Saakashvili stated in an interview with CNN on October 15<sup>th</sup>.<sup>1</sup> In fact, there are more than 27 channels in Georgia. However, it remains unclear, who actually owns and controls most of the country's TV stations.

In the European Union's Neighborhood Policy action plan, Georgia has committed to ensuring and improving freedom of the media, one of the fundamental institutions necessary to develop and consolidate a democratic political system.<sup>2</sup> In late October, the EU further stressed that “freedom of expression and freedom of the media are essential elements in the bilateral dialogue with Georgia.”<sup>3</sup>

This report not only tries to shed some light on the ownership of the country's broadcasters but also provides an assessment of the market environment television stations are operating in. Furthermore, it looks at the role of the institution charged with regulating electronic communication, the Georgian National Communications Commission (GNCC), and at the planned reform of the Georgian Public Broadcaster (GPB).

Georgia's current regulation of the broadcasting sector has proven insufficient to ensure a transparent media ownership regime and to promote a competitive, pluralistic television market. This problem could be addressed by an amendment of the broadcasting law, in order to ensure that sufficient information about the shareholder structure of license holders and their indirect owners is reported to the GNCC and also made accessible to the general public. The GNCC is not perceived as a truly independent regulatory body. Thus, an effort should be made to depoliticize the regulator and increase its credibility by revising the process of how its commissioners are appointed.

<sup>1</sup> Saakashvili was briefly interviewed on CNN's show “Connect to the World”, October 15, 2009, <http://edition.cnn.com/video/#/video/world/2009/10/15/ctw.connector.saakashvili.cnn>.

<sup>2</sup> The Georgian government also committed to “encourage proper implementation of the Law of Georgia on Broadcasting and the Law of Georgia on Freedom of Speech and Expression”, European Neighborhood Policy Action Plan EU-Georgia, [http://ec.europa.eu/world/enp/pdf/action\\_plans/georgia\\_enp\\_ap\\_final\\_en.pdf](http://ec.europa.eu/world/enp/pdf/action_plans/georgia_enp_ap_final_en.pdf).

<sup>3</sup> Council of the EU: EU-Georgia Cooperation Council, 10<sup>th</sup> meeting, press release, October 26, 2009, [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/er/110768.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/110768.pdf).



There is also an urgent need for a comprehensive reform of the GPB, which currently operates more like a state broadcaster rather than a real public service institution. President Saakashvili's plan to enlarge the broadcaster's board from nine to 15 members, allowing opposition parties to appoint seven of the board members, is likely to lead to increased political influence on the GPB's programming. A strengthened Channel 1, showing informative and critical news and reports, could provide important momentum and contribute to a more pluralistic television landscape in Georgia. Financially, the independence of the broadcaster is not ensured either. Currently, the government decides on the GPB's annual funding which comes from the national budget. Intensive thought should be given to the idea of funding the GPB with an obligatory fee to be paid by each household or to reintroducing the previous financing system, under which the broadcaster received at least the equivalent of 0.15 percent of the Georgian GDP.



## Background

When President Saakashvili announced a “new wave of democratic reforms”<sup>4</sup> in his September 2008 state of the nation address, he acknowledged for the first time that the lack of media freedom “remains a challenge for our democracy.” Saakashvili stated he would not stick his “nose into private TV stations' businesses” but focus on a reform of the Public Broadcaster<sup>5</sup> and announced that his government would ensure “greater access to the airwaves”<sup>6</sup> for opposition parties. The freedom of the broadcasting media in Georgia has hardly improved in the past year. The European Union in April stated that “media freedom and pluralism remain an area of concern”<sup>7</sup> and EU diplomats urge the Georgian government to translate the commitments made into action as quickly as possible.<sup>8</sup>

In fact, as several evaluations by international media freedom watchdogs indicate, freedom of the press has decreased significantly in the past years. In Freedom House's 2009 ranking of press freedom, Georgia is on the brink of joining Russia, Armenia and Azerbaijan in the group of countries whose media is regarded as “not free,”<sup>9</sup> in spite of Georgia's vibrant and pluralistic print sector, albeit with small reach that is mostly limited to larger cities. According to Reporters Without Borders' most recent assessment, freedom of the media has slightly improved after the August 2008 war with Russia in which several journalists were killed or injured. However, all major assessments by international non-governmental organizations (NGOs) regard Georgia's media today as less free than in 2003, the year of the Rose Revolution.<sup>10</sup>

### Assessments of media freedom in Georgia

Year	Reporters Without Borders Country Rank (out of)	RWB: Points (best=1, worst country=100)	Freedom House Country Rank (out of)	FH: Legal Environment (0=free; 30=not free)	FH: Political Influence (0=free; 40=not free)	FH: Economic Pressures (0=free; 30=not free)	FH: (0-30=free; 31-60 partly free; 61-100=not free)	FH: Classification	Media Sustainability Index (best=4.0; worst=0)
2002	N/A	N/A	N/A	20	18	15	53	Partly Free	1.96
2003	73 (166)	17.33	N/A	18	21	15	54	Partly Free	2.14
2004	94 (167)	27.5	114 (193)	16	23	15	54	Partly Free	2.23
2005	99 (167)	25.17	116 (194)	14	26	16	56	Partly Free	2.4
2006	89 (168)	21	118 (194)	13	27	17	57	Partly Free	N/A
2007	66 (169)	20.83	120 (195)	13	27	17	57	Partly Free	2.07
2008	120 (173)	31.25	128 (195)	14	28	18	60	Partly Free	1.89
2009	81 (175)	18.83	128 (195)	14	29	17	60	Partly Free	N/A

Sources: Reporters Without Borders, <http://www.rsf.org/>.

Freedom House – Freedom of the Press, <http://freedomhouse.org/template.cfm?page=16>.

IREX – Media Sustainability Index, [http://www.irex.org/programs/MSI\\_EUR/](http://www.irex.org/programs/MSI_EUR/).

<sup>4</sup> For a more detailed analysis of the announced democratic reforms please see also Transparency International Georgia's recent report: Reform or Retouch? Georgia's “New Wave” of Democracy, September 2009.

<sup>5</sup> Civil.ge: Saakashvili Speaks of ‘New Wave’ of Democratic Reforms, September 16, 2008, <http://www.civil.ge/eng/article.php?id=19526>.

<sup>6</sup> Script of President Mikheil Saakashvili's speech at the 63<sup>rd</sup> Session of the UN General Assembly, September 23, 2008.

<sup>7</sup> European Commission: European Neighborhood Policy – Progress Report Georgia.

<sup>8</sup> TI Georgia interview with European diplomats in Georgia, September 30, 2009.

<sup>9</sup> Freedom House: Freedom of the Press 2009, May 3, 2009, <http://www.freedomhouse.org/template.cfm?page=251&year=2009>.

<sup>10</sup> Ibid; Reporters Without Borders, <http://www.rsf.org/en-classement1003-2009.html>.



## No questions asked

The three major channels are reluctant to air shows that would provide a platform for factual and informative debates between members of the administration, the ruling United National Movement party and opposition politicians. The national newscasts aired by Rustavi 2, Imedi and the Public Broadcaster's Channel 1 are pretty much identical and there are indications that newscasts are coordinated.<sup>11</sup>

Not only do the national channels tend to cover the same stories in largely the same way, they also share the habit of not questioning actions taken by the Georgian authorities. Furthermore, the major channels provide no space for exclusive stories or investigative reports and are highly reluctant to air reports that are critical of the president and his government. Tamuna Kakulia of Internews, an NGO aiming to strengthen media freedom in Georgia, describes the national broadcasters' news as “completely identical” and as highly controlled “copy-paste information”, calling it “already an example of good humor.”<sup>12</sup> There is no independent institution in Georgia that conducts permanent media monitoring. Consequently, no scientifically and systematically gathered information about the content of Georgian news programs is available.

“Right now we don't have serious competition between the broadcasters,” says Hatia Jinjikhadze, head of Open Society Georgia Foundation's (OSGF) Media Support Program. “Sometimes you see that in the regions, one correspondent works for all three national broadcasters. Before, they would send their people and compete for the best story. What you often see now is the same footage with different voice-overs. TV news look very much alike, even the sequence of the reports.”<sup>13</sup> Tamar Rukhadze, a former Rustavi 2 news director who now co-runs the independent production studio GNS shares this assessment on the national channels' programs: “There are no exclusive stories [aired on the national channels]; a lot of stories are reported, but when they are covered, important aspects are often left out.”<sup>14</sup>

## Media consumption and perception

Television is by far the most important media sector in Georgia, driving the political agenda and thus steering public opinion. The average Georgian spends three hours and 58 minutes a day in front of the TV set<sup>15</sup> – more time than the European average of three hours and 45 minutes.<sup>16</sup> 96 percent of Georgians receive their political information from television,<sup>17</sup> according to an IRI/USAID poll carried out in June

<sup>11</sup> On October 7, Rustavi 2, Imedi and the Georgian Public Broadcaster, without providing any evidence for their claims, simultaneously accused a German law professor, Otto Luchterhandt, a member of the EU-funded fact finding commission on the Russia-Georgia war, of being sponsored by Russian company Gazprom and having influenced the report's findings in Moscow's favor. Similarly, Frank-Walter Steinmeier, at the time Germany's outgoing minister of foreign affairs, was falsely accused of having secured a job with Gazprom – again, an allegation based on no evidence. Civil.ge: German Embassy Demands Georgian Media to Retract False Report, October 8, 2009, <http://civil.ge/eng/article.php?id=21553>; On October 28, the evening news programs of Imedi and Rustavi 2 television stations incorrectly broadcast information about Georgia's ranking in Transparency International's 2008 Corruption Perception Index. Randomly, both stations falsely reported on numbers that were more than a year old, [http://www.transparency.ge/index.php?lang\\_id=ENG&sec\\_id=50600&info\\_id=540](http://www.transparency.ge/index.php?lang_id=ENG&sec_id=50600&info_id=540).

<sup>12</sup> Interview with Tamuna Kakulia, Development Director at Internews, September 30, 2009. Internews is funded by Western donors. Among other activities, the organization trains journalists and operates the media industry portal Media.ge.

<sup>13</sup> TI Georgia interview with Hatia Jinjikhadze, Media Support Program Manager at the Open Society Georgia Foundation, October 15, 2009.

<sup>14</sup> TI Georgia interview with Tamar Rukhadze, co-founder of GNS (funded by Open Society Foundation Georgia; producing “Report of the Week” for Kavkasia TV), October 5, 2009.

<sup>15</sup> TI Georgia interview with Nino Gogoladze, Managing Director at TV MR GE; September 29, 2009.

<sup>16</sup> Data for the year 2007; RTL-Group/IP-Network: TV Key Facts 2008; <http://www.ip-network.com/tvkeyfacts>.

<sup>17</sup> Other sources of political information named: Newspapers (24% of the population), friends and relatives (18%), radio (17%), magazines (9%), internet (8%), colleagues at work (1%). The survey claims to be representative for the



2009. The news seen on TV is perceived as credible information by a large share of the population, as trust in the media is high: 63 percent of Georgians say that they have a favorable opinion about the media in general (28 percent state an unfavorable opinion) – the church, the army and the police are the only institutions that enjoy higher trust among the population. Similarly, 65 percent of Georgians are convinced that their mass media is “totally free” (20 percent) or “somewhat free” (45 percent) from government control; 19 percent perceive the mass media as “not very free” (16 percent) or “not free at all” (three percent).<sup>18</sup>

Media consumers are not aware of who owns and controls television stations, says Tamuna Kakulia. “Many people don't care about it because they are not aware of how important this information is, why transparency is so important. They have never seen examples of professional journalism.”<sup>19</sup>

### Georgia's television landscape

The Georgian TV market is largely dominated by Rustavi 2 and Imedi, two privately held national stations that are regarded by many as mouthpieces of the Government. With a market share of 35.6 percent in the first six months of 2009, Rustavi 2 is the most popular station in the country; Imedi comes in second, with a market share of 25.4 percent.<sup>20</sup> Together, the two channels have combined market share of 61 percent, meaning that during 61 out of every 100 minutes of television watched in Georgia, the programs of Rustavi 2 and Imedi are on.

The Georgian Public Broadcaster's Channel 1 has a market share of about eight percent. Due to its lack of political and financial independence, it is incapable of truly serving the public by providing critical and unbiased information and reporting.<sup>21</sup> The administration of the Autonomous Republic of Adjara operates its own broadcaster, Adjara (national market share: 1.8 percent), which receives GEL five million from the region's administration each year; the station's staff are considered state employees.<sup>22</sup>

Kavkasia TV and Maestro, two small, Tbilisi-based channels, can only be received in the capital and a few other cities and reach a combined market share of about 6.7 percent among Georgia's urban population.

Numerous tiny regional and local cable channels, some of them with local newscasts, operate in the provinces. Most of these channels generate a large share of their income not through advertising but obituaries and other announcements or are linked to regional administrations.

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whole Georgian population. International Republican Institute/USAID/Baltic Surveys/Gallup: Georgian National Study, June 2009, p. 46.

<sup>18</sup> 16% stated that they didn't know or did not provide an answer; Ibid, pp. 48, 49.

<sup>19</sup> TI Georgia interview with Tamuna Kakulia, Development Director at Internews, September 30, 2009.

<sup>20</sup> Data provided by TV MR GE, license holder of AGB Nielsen Media research in Georgia. The company measures TV consumption in Georgia electronically in 300 households in the seven largest Georgian cities: Tbilisi, Kutaisi, Rustavi, Zugdidi, Gori, Poti, and Batumi. TV MR GE claims that the data is representative for Georgia's urban population, living in cities of more than 45,000 inhabitants (1.6 million people), <http://www.agbnielsen.net/whereweare/licensed/georgia.htm>.

<sup>21</sup> See chapter on the GPB below.

<sup>22</sup> Media.ge: Region Where State Media Still Exist, June 1, 2009, <http://www.media.ge/en/node/25740>.



### Market share of TV channels in Georgia

(representative for an urban population, older than 4 years)

Station	First half of 2009
Rustavi 2 (national)	35.61%
Imedi (national)	25.43%
Channel 1 (national, public)	8.25%
Kavkasia	3.99%
Sakartvelo	3.44%
Mze (national)	3.40%
Maestro	2.67%
Evrika	1.88%
Adjara	1.87%
I Stereo	1.05%
Music Box	0.77%
other Georgian channels	1.42%
other Russian channels	5.95%
other foreign channels	4.27%

Data: TVMR GE (Licensee of AGB Nielsen Media Research);  
recalculated by TI Georgia

### **Financing of television stations**

Structural problems of Georgia's media market allow sponsors in the background to take over the editorial control of television stations – any broadcasters can only operate thanks to their owners' subsidies. One major problem is that the Georgian advertising market does not allow the currently existing national channels to operate sustainably. For many small stations, it is impossible to attract enough ad-revenues in order to air professionally produced programs that might attract larger audiences. The small ad spending budget in the television sector also makes it extremely difficult for new stations without a financially powerful sponsor in the background to enter the market. It seems hardly possible for the national channels already in the market to break even under current market conditions.<sup>23</sup>

TV ad spending in Georgia for 2008 is estimated to be USD 30 to 35 million.<sup>24</sup> However, a former insider of a major media outlet is convinced that even such estimates are too optimistic.<sup>25</sup> Unfortunately, no exact data for the Georgian advertising market is available and the sector is widely non-transparent because no organization professionally monitors or estimates gross or net advertising spending (accounting for the discounts TV stations offer their advertisers from listed prices). As a result of the August 2008 war and the global economic crisis, advertising expenditure has decreased significantly in the past year.

<sup>23</sup> Stations like Rustavi 2 or Imedi are not obliged to publicly disclose their finances and have never publicly announced operational profits or losses. However, holders of a broadcasting license have to report their annual revenues to the GNCC, which calculates a station's annual regulation fee based on these numbers. TI Georgia requested information about the regulation fees paid by individual license holders from the GNCC but was told that the regulatory body first needed to obtain the written consent of broadcasting license holders before it could make this information public.

<sup>24</sup> TI Georgia interview with Nino Gogoladze, Managing Director at TV MR GE; September 29, 2009.

<sup>25</sup> The person requested not to be named in the report; To put the size of the Georgian TV advertising expenditure of EUR 20 to 23.5 million in 2008 into perspective: In 2007, Macedonia (2 million inhabitants) had TV ad spend of EUR 180 million; Belarus (9.6 million): EUR 238 million; Latvia (2.2 million): EUR 335 million; Lithuania (3.6 million): EUR 331 million, <http://www.ip-network.com/tvkeyfacts/>.



For 2008, private TV stations holding a terrestrial broadcast license reported revenues of GEL 80.8 million to the Georgian National Communications Commission. Holders of cable licenses reported revenues of GEL 11.3 million.<sup>26</sup> Thus, officially reported revenues of Georgian TV stations (excluding holders of satellite broadcasting licenses, which are not included in the GNCC's data) in 2008 accounted for more than GEL 92 million. Based on the optimistic assumption that USD 35 million (GEL 58 million)<sup>27</sup> of ad spending reached TV stations in 2008, Georgian TV stations received subsidies of at least GEL 34 million (USD 20.2 million) from other, unknown sources.

Georgian TV stations have a history of operating in the red. Imedi, for example, suffered losses of GEL 19 million between 2004 and 2006 and was then heavily subsidized by its owner, Badri Patarkatsishvili.<sup>28</sup> According to IREX's assessment of Georgia's media, “the news industry still relies on occasional financial buttressing from political patrons and other noncommercial sources.”<sup>29</sup> Given the current Georgian advertising market “it would be impossible to sustain the level of production of Rustavi 2 alone”, says Tamuna Kakulia of Internews.<sup>30</sup>

### **Revenues of TV and radio companies**

(in GEL)

	2004	2005	2006	2007	2008
<b>Private terrestrial TV channels</b>	15,501,126	20,282,182	36,953,026	62,549,141	80,878,997
<b>Cable TV broadcasters</b>	8,570,838	9,087,730	9,924,091	10,253,378	11,365,578
<b>Radio</b>	1,802,130	2,359,039	5,347,107	7,257,765	8,278,742

Source: Georgian National Communications Commission – Annual Report 2008, p.34

Although Georgian TV stations have been suffering from financial difficulties ever since the Rose Revolution, ownership of both Rustavi 2 and Imedi has changed several times – at least on paper – in the past few years. This fact could be seen as an indication that the individuals controlling and subsidizing the national channels have goals beyond an immediate return on their investment.

It seems hardly unlikely that after the August 2008 war, with ongoing political tensions and the global economic crisis hitting advertising revenues hard, stations like Rustavi 2 and Imedi, airing costly licensed programs and operating with a technical quality competitive with Western European stations, are able to break even in 2009 – or at any point in the near future.

### **Transparency of television ownership**

In Georgia, anybody can apply for a broadcasting license, as long as the natural person or legal entity resides within the country. Licenses should not be held by administrative authorities, officials or employees of administrative authorities and legal entities related to – or controlled by – an administrative authority or political parties, according to article 37 of the broadcasting law. However, this paragraph seems to be interpreted quite generously by the GNCC or is simply not enforced. For example, Akhmeta TV-1 is fully owned by the municipality of Akhmeta, according to documents TI Georgia obtained from GNCC; several other regional stations are officially owned by people who are closely connected to members of national or regional administrative bodies and high-ranking party officials.

<sup>26</sup> Georgian National Communications Commission: Annual Report 2008.

<sup>27</sup> Calculated with the exchange rate of December 31<sup>st</sup>, 2008.

<sup>28</sup> Civil.ge: Court Sanctions Financial Probe into Imedi TV, November 29, 2007, <http://civil.ge/eng/article.php?id=16459>.

<sup>29</sup> IREX: Media Sustainability Index 2009, annual report on Georgia, [http://www.irex.org/programs/msi\\_eur/2009/EE\\_MSI\\_09\\_cauc\\_Georgia.pdf](http://www.irex.org/programs/msi_eur/2009/EE_MSI_09_cauc_Georgia.pdf).

<sup>30</sup> TI Georgia interview with Tamuna Kakulia, Development Director at Internews, September 30, 2009.



**Holders of TV broadcasting licenses in Georgia**

Station/Licensee	Located in	Official owner(s)
Abkhazeti TV	Tbilisi	100% Tarazishvili Nikoloz
Aisi	Tbilisi	100% Mgeladze Ioseb
Akhmeta TV-1	Akhmeta	100% Municipality of Akhmeta
Alania	Tbilisi	100% Tatoshvili Mamuka
Borjomi	Borjomi	20% Tsutskiridze Tristan, 25% Ilioni LLC, 25% Iberia LLC, 20% Kupatadze Marina, 10% Japaridze Mariam
Channel 25	Batumi	51% Surmanidze Giorgi, 25% Merkviladze Merab, 24% Versadze Malkhaz
Dia	Khashuri	58.5% Lomidze David, 41.5% Nozadze Archil
Dusheti TV	Dusheti	100% Chikhladze Eteri
Egrisi	Senaki	100% Chikobava Merab
Ekomi	Lagodekhi	60% Petrusovi Evgeni, 40% Kuksini Simon
Evrika	Tbilisi	51% “Denal Union”, 20% Otar Chkhartishvili, 15% Injia Ilia, 14% Kveselava Naira
Global Contact Consulting	Tbilisi	54% Ivanishvili Alexander, 26% Ranchez Alexander, 10% Svanidze Olgha, 5% Kapanadze David, 5% Shvelidze David
Gorda	Telavi	67% Mamukelashvili Givi, 33% Mamukelashvili Giorgi
Guria	Ozurgeti	100% Vasileva Marina
Gurjaani	Gurjaani	100% Abulashvili Tamar
I Stereo	Tbilisi	65% Georgian Industrial Group LLC Holding Company, 22% Zilpimiani Davit, 10% Kopuleto Marko, 3% Severini Luka,
Imedi TV	Tbilisi	100% Georgian Media Production Group LLC (which is owned by: 90% RAAK Georgia Holding S.A, 10% Kay, Joseph; according to Imedi’s lawyer, Grigol Giorgadze)
Imervizia	Chiatura	77.4% Gamezardashvili Ramaz, 13.6%, Gaprindashvili Tebro, 9% Machavariani Omar
Imperia	Akhaltikhe	100% Nikabadze Levan
Infokavshiri	Zestaponi	22.22% Lomtadze Zurab, 11.11% Jugheli Marina, 11.11% Bitsadze Leri, 11.11% Mumladze Lali, 11% Ghavtadze Luiza, 11.11% Vepkhvazde Nussha, 11.11% Evtushenko Igor, 11.11% Dadesheli Jemal
Kavkasia	Tbilisi	100% Jangirashvili Nino
Kolkheti 89	Chkhorotsku	60% Katsia Dolia, 20% Shamatava Rusudan, 10% Chezha Boris, 10% Rukhaia Zaira
Kvenetadze & Company	Zestaponi	Klibadze Nino, Putkaradze Darejan, Evtushenko Igor, Ghavtadze Luiza, Sante-ladze Nato, Kvenetadze Elguja, Dades heli Eteri, Getsadze Otar, Guruli Temur
Mega TV	Khoni	100% Kikabadze Merab
Metskhre Talgha	Poti	67% Zhvania Gela, 33% Todua Mamuka
Music Box Georgia	Tbilisi	100% Black Sea Group
Mze	Tbilisi	55% Degson Limited LLC, 45% Georgian Industrial Group LLC Holding Com-pany
Odishi	Zugdidi	70% Grigolia Emma, 20% Kobalia Alexandre, 10% Kim Kim
Omega	Mtskheta	50% Tetradze Zezva, 50% Okruashvili Maia
Real TV – Georgia	Tbilisi	100% Paichadze Ia
Rioni	Kutaisi	100% Ghvinianidze Tamar
Rustavi 2	Tbilisi	30% Georgian Industrial Group LLC Holding Company, 70% Degson Limited LLC
Sakartvelo	Tbilisi	100% “Denal Union”
Samegrelo	Zugdidi	63.96% Industrial Agency, 36.04% Infovest LLC



Station/Licensee	Located in	Official owner(s)
Shida Kartli	Rustavi	50.87% Tamasidze Levan, 34.13% Mgaloblishvili Roland, 15% Tkeshelashvili Merab
Spectri	Akhaltsikhe	30% Nikabazde Levan, 25% Meskheli Giorgi, 15% Khutsishvili Nino, 10% Chilingarashvili Zurab, 10% Sagoiani Gevork, 10% Merabishvili Ivane
Studio Maestro	Tbilisi	38% Ebralidze Giorgi, 38% Ghlonti Mamuka, 19% Chikvaide Levan; (according to Ghlonti, the following individuals each hold 10%, based on an oral agreement: Ghlonti Mamuka, Chikvaide Levan, Ebralidze Giorgi, Akobia Eka, Bitadze Zurab, Rukhadze Malkhaz, Otarahvili Kakha, Kvirtskhalia Elene, Kikabidze Bacho, Gakharia Magda)
Tanamgzavri	Telavi	40% Grishikashvili Marieta, 40% Qumsiashvili Zurab, 20% Akhalmosulishvili Vladimer
Tbilisi	Tbilisi	40% Chigogidze Zurab, 30% Chigogidze Vasil, 30% Tavadze Alexander
Trialeti	Kareli	50% Nanetashvili Jondi, 50% Nanetashvili Badri
TV Era	Batumi	50% Metreveli Merab, 50% Gogiberidze Sulkhan
TV-5	Bolnisi	50% Chichinadze Eliso, 50% Municipality of Bolnisi
Tvali	Sagaredjo	50% Kurdovanidze Tamar, 25% Archuadze Otar, 25% Tsiradze Nana
Youth Center "Jikha"	Tsalenjikha	100% Kvaratskhelia Kakhaber
Zari	Samtredia	15% Tevzadze Gia, 15% Tevzadze Gocha, 20% Telia Marina, 50% Tevzadze Otar

Source: Georgian National Communications Commission; obtained on October 23, 2009.

Not included in this table are Adjara TV (fully owned by the administration of Adjara) and the Georgian Public Broadcaster's Channels 1 and 2 which are not subject to the GNCC's licensing regime.

A legal entity applying for a license has to submit information on partners and shareholders owning more than five percent of its shares to the GNCC, the regulatory body for the broadcasting sector. The GNCC, however, lacks the mandate to establish who the actual owners of television stations are – and to investigate who is behind the legal entities that directly own the license holder. “It is very important to know the ownership of any media outlet,” says Maia Mikashavidze, head of GIPA's School of Journalism and Media Management. “If there is a bias or any leaning in the editorial stand, it is acceptable as long as one knows the nature of the bias.”<sup>31</sup>

There is no provision in Georgia's media legislation that restricts foreign ownership of television outlets. Individuals who are aiming to anonymously control private TV stations have taken advantage of this liberal regulation and established off-shore post boxes in tax havens such as the British Virgin Islands, where Degson Limited,<sup>32</sup> dominant co-owner of Georgia's most influential channel, Rustavi 2, and of Mze, another national channel, is registered.<sup>33</sup> Another mysterious entity called Denal Union, which controls 100 percent of Sakartvelo (and holds 51 percent of Evrika), seems to be closely linked to the Georgian Ministry of Defense.<sup>34</sup> Similarly, the legal structure of Rakeen and its subsidiary, RAAK Georgia Holding,<sup>35</sup> which owns

<sup>31</sup> TI Georgia Interview with Maia Mikashavidze, Dean of GIPA's Caucasus School of Journalism and Media Management. September 28, 2009.

<sup>32</sup> The administration of the British Virgin Islands did not reply to TI Georgia's request for information and does not provide a publicly accessible database with information on entities registered there. TI Georgia requested the exact address of all shareholders of Georgian TV stations from the GNCC but was not provided with that information; it is possible that the GNCC itself does not have evidence of where exactly shareholders such as Degson Limited reside.

<sup>33</sup> Civil.ge: Offshore Firm Holds Rustavi 2 TV Majority Shares, Juni 16, 2009, <http://civil.ge/eng/article.php?id=21122>.

<sup>34</sup> The Ministry of Defense promotes Sakartvelo on its website; Sakartvelo calls itself a privately owned, independent channel but states that since it was established in early 2007, the station has cooperated with the Ministry of Defense – programs produced for the military make up most of Sakartvelo's broadcasts, <http://www.tvsakartvelo.ge/?action=page&page=4&lang=eng>.



90 percent of Imedi, is not transparent and fuels allegations about the involvement of Georgian individuals in this enterprise.

Another popular way of hiding the actual ownership of broadcasters in Georgia is the installation of straw-men. Among other cases, this has been extensively used with Imedi, when the late Badri Patarkatsishvili controlled and subsidized the broadcaster while his friend Gogi Jaoshvili and Rupert Murdoch's News Corp. were the official shareholders.<sup>36</sup>

Given the current lack of efficient media regulation to ensure sufficient transparency of television ownership, allegations about the real owners of TV stations are widespread: high-ranking government and United National Movement officials, certain ministries but also opposition leaders are suspected to control Georgia's most influential media outlets. “The current situation with not precisely known ownership fuels rumors, and that is the worst. It is possible that none of the rumors is true. But it negatively affects public trust towards television,” says Maia Mikashvidze.<sup>37</sup> In its assessment of the Georgian media landscape, IREX states that “the lack of transparency and diversity in media ownership also casts a pall on development of free media.”<sup>38</sup>

On paper, Georgia's media legislation is largely in line with European standards. Libel is decriminalized and freedom of information is enshrined in the constitution. Article 24 of the Georgian constitution states that “everyone has the right to freely receive and impart information, to express and impart his/her opinion orally, in writing or by any other means. Mass media shall be free. The [sic] censorship shall be impermissible. Neither the state nor particular individuals shall have the right to monopolise mass media or means of dissemination of information.”<sup>39</sup>

Numerous observers told TI Georgia that the legal framework concerning the broadcasting sector is not problematic – but its execution is. “The law itself is not bad”, says Tamar Kordzaia of the Georgian Young Lawyer's Association. But, according to Kordzaia, media legislation in Georgia is often regarded as a formality and not interpreted according to the public's interest.<sup>40</sup> “The Georgian National Communications Commission, which is supposed to be independent, acts politically motivated. The Government extends its influence through the means of the Commission”, says Ia Antadze, a commentator for Radio Free Europe/Radio Liberty.<sup>41</sup>

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<sup>35</sup> RAAK Georgia Holding S.A is a subsidiary of Rakeen Development PJSC (Rakeen), which is owned by: Reyada Investment Limited, the private investment vehicle of Sheikh Saqr Al Qassimi, Ruler of the Emirate Ras al-Khaimah (RAK; 46%); RAK Properties, a publicly listed UAE real estate developer with support from RAK government (26%); RAK Airways, UAE's fourth largest airline, owned by private UAE investors and RAK government (26%); and by the Government of RAK (2%); Rakeen is also probably the single largest foreign investor in Georgia, currently operating, developing or planning real estate projects worth more than \$1bn, <http://www.ifc.org/ifcext/spiwebsite1.nsf/1ca07340e47a35cd85256efb00700ccc/9A37E98C14AB32188525744B005197B8>, <http://rakeen.ge/> (accessed on October 12<sup>th</sup>).

<sup>36</sup>The New York Times: News Corp. Stung by Post-Soviet Politics, April 3, 2008, <http://www.nytimes.com/2008/04/03/business/worldbusiness/03tele.html>.

<sup>37</sup> TI Georgia interview with Maia Mikashvidze, Dean of GIPA's Caucasus School of Journalism and Media Management, September 28, 2009.

<sup>38</sup>IREX: Media Sustainability Index 2009, annual report on Georgia, [http://www.irex.org/programs/msi\\_eur/2009/EE\\_MSI\\_09\\_cauc\\_Georgia.pdf](http://www.irex.org/programs/msi_eur/2009/EE_MSI_09_cauc_Georgia.pdf).

<sup>39</sup>Translation of the Georgian Constitution on the Parliament's website, [http://www.parliament.ge/files/68\\_1944\\_951190\\_CONSTIT\\_27\\_12.06.pdf](http://www.parliament.ge/files/68_1944_951190_CONSTIT_27_12.06.pdf).

<sup>40</sup> TI Georgia interview with Tamar Kordzaia of the Georgian Young Lawyers' Association, October 5, 2009.

<sup>41</sup> TI Georgia interview with Ia Antadze, a journalist with Radio Free Europe/Radio Liberty and head of the Civic Development Institute, an NGO, October 7, 2009.



There is no easy fix for Georgia's troubles with non-transparent media ownership and its insufficiently independent regulatory body. The European Union, for example, has 27 different media regulation regimes with different approaches to regulating media concentration and television ownership. Most EU member states have no restrictions on foreign (non-EU) ownership of TV stations – some, like France and Poland, do.<sup>42</sup>

### **Media concentration: Rustavi 2 and the Georgian Industrial Group**

Article 60 of the broadcasting law aims to prohibit media ownership concentration: “A person/legal entity may possess independently or with an interdependent person/legal entity no more than one terrestrial broadcasting license for television and one for radio in any one service area.”<sup>43</sup> However, this regulation does not prevent a person or entity from owning shares in several companies that hold a broadcasting license.<sup>44</sup> There is no regulation in place that would limit the amount of market share that may be under the control of one media group or one owner.

The Georgian Industrial Group (GIG) not only controls 30 percent of the shares of Rustavi 2, but also 45 percent of Mze, an entertainment channel, (with the off-shore entity Degson Limited as the major shareholder in both stations) and 65 percent of I Stereo. Furthermore, GIG owns Georgian Business Consulting, which publishes the English newspaper Georgian Business Week and operates the news-wire GBC.ge. The group was founded by Davit Bezhuashvili, member of Parliament for the ruling party and brother of the current chief of the Georgian intelligence service and former minister of foreign affairs, Gela Bezhuashvili.<sup>45</sup>

The fact that GIG's subsidiary, Georgian Media Incorporated, publicly considered buying Imedi's shares last year, which would have provided the group with control over more than two thirds of the television market<sup>46</sup> is an indication that the current regulation is not effective in preventing high degrees of concentrated ownership.

### **The case of Imedi**

Imedi TV and Imedi Radio together form the Georgian Media Holding. Current head of this holding is Giorgi Arveladze, a “longtime ally”<sup>47</sup> of President Saakashvili, who, in his previous political career, served as a member of Parliament, general-secretary of the governing United National Movement party, minister of economics and as the president's chief of staff.

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<sup>42</sup> For a comparison of European media ownership legislation see: The European Institute for the Media (2004): Final report of the study on “the information of the citizen in the EU: obligations for the media and the Institutions concerning the citizen's right to be fully and objectively informed”, pp. 224–228; <http://www.epra.org/content/english/press/papers/European%20Citizen%20Information%20Project%20Final%20REPORT.pdf>

<sup>43</sup> Georgian Law on Broadcasting, article 60.

<sup>44</sup> TI Georgia interview with Tamar Kordzaia, a member of the Georgian Young Lawyers' Association, October 5, 2009.

<sup>45</sup> Civil.ge: Offshore Firm Holds Rustavi 2 Majority Shares, June 16, 2009, <http://www.civil.ge/eng/article.php?id=21122>. GIG's other businesses are in energy generation and distribution, logistics and transportation of freight, real estate development and management in Tbilisi, the production of glass and building materials as well as machinery, <http://www.gig.ge>.

<sup>46</sup> Corso, Molly: Georgia: Rumored Merger Heightens Concern About Press Freedom, July 16, 2008, <http://www.eurasianet.org/departments/insight/articles/eav071608.shtml>.

<sup>47</sup> According to his Twitter profile, <http://twitter.com/arvegio> (accessed on October 21<sup>st</sup>, 2009).



Imedi had been the major outlet for criticism of the Saakashvili government until it was stormed and shut down by special police on November 7, 2007<sup>48</sup> and only resumed broadcasting in May 2008, while not showing any news until September of that year.

In February 2008, Badri Patarkatsishvili, the businessman who had funded and controlled Imedi, died unexpectedly from a heart attack in London. Gogi Jaoshvili, a close friend of Patarkatsishvili, who officially held 51 percent of Imedi's shares (with 49 percent owned by Rupert Murdoch's News Corp.),<sup>49</sup> later claimed that he was forced by the authorities to give up his share in Imedi and that he had to hand over control of the TV station to Ioseb Kakiashvili, also known as Joseph Kay, a Georgian businessman with U.S. citizenship.<sup>50</sup> Kay, a half-cousin of Patarkatsishvili, claimed ownership over Imedi and other assets, based on copies of a disputed will of the late tycoon that granted him power of attorney to manage Patarkatsishvili's assets. Within a week after Patarkatsishvili's death, Kay took over Imedi; immediately, the Georgian government lifted the freeze it had put on the station's shares and allowed Kay to bring Imedi back on air. A court in New York did not recognize the evidence presented by Kay;<sup>51</sup> a disputed decision by a Tbilisi court in May 2008 and an upheld appeal banned Inna Gudavadze, Patarkatsishvili's widow, and his daughter, Liana Zhmotova, from claiming the property and granted Joseph Kay the rights to take whatever action he deemed necessary to manage Patarkatsishvili's Georgian assets and properties.<sup>52</sup> The legal dispute over Patarkatsishvili's assets continues in several courtrooms all over the world.<sup>53</sup>

In February 2009, Kay sold 90 percent of Imedi for an undisclosed amount to RAAK Georgia Holding, a subsidiary of the Ras Al Khaimah (an Emirate that is part of the United Arab Emirates) investment holding – a deal that is still challenged by Patarkatsishvili's family who regards Kay's ownership of Imedi as illegal.<sup>54</sup> Kay remains the holder of ten percent of Imedi's shares.

### Difficult working conditions for journalists

Journalists in Georgia do not enjoy any special protection in their labor agreements and can be easily laid off.<sup>55</sup> As a result of this lack of legal protection and the concentrated media landscape, journalists working for the major Georgian TV channels are facing tremendous economic pressure. If they quit or lose their job at one of the national channels, they often face long-term unemployment as there are no media outlets that would be able to provide alternative employment opportunities for critical journalists. Neither regional television stations nor newspapers can compete with the salaries offered by the three major channels. Mamuka Ghlonti, co-owner of Maestro TV, says he is only able to pay the salaries of his employees with a three month delay – half of his team of 15 reporters are interns.<sup>56</sup>

<sup>48</sup> For a detailed account of the events, please see: Human Rights Watch (2007): Crossing the Line. Georgia's Violent Dispersal of Protestors and Raid on Imedi Television, <http://www.hrw.org/en/reports/2007/12/19/crossing-line>.

<sup>49</sup> The New York Times: News Corp. Stung by Post-Soviet Politics, April 3, 2008, <http://www.nytimes.com/2008/04/03/business/worldbusiness/03tele.html>.

<sup>50</sup> Civil.ge: Ex-Former Owner Claims Pressure over Imedi TV, December 10, 2008, <http://www.civil.ge/eng/print.php?id=20110>.

<sup>51</sup> United States District Court, S.D. New York: Inna Gudavadze et al (Plaintiffs) v. Joseph Kay and Emanuel Zeltser (Defendants), No.08 Civ.3363 (RJS), May 30, 2008.

<sup>52</sup> Civil.ge: Patarkatsishvili Family Condemns Tbilisi Court Ruling, May 29, 2008, <http://civil.ge/eng/article.php?id=18426>.

<sup>53</sup> For an enlightening and comprehensive story on Patarkatsishvili and the fight for his legacy see Suzanna Andrew's article in the October 2009 issue of Vanity Fair: The Widow and the Oligarchs, <http://www.vanityfair.com/politics/features/2009/10/oligarchs200910>.

<sup>54</sup> Civil.ge: Patarkatsishvili Family Disputes Imedi Sale, February 26, 2009, <http://www.civil.ge/eng/article.php?id=20476>.

<sup>55</sup> TI Georgia interview with Ia Antadze, a journalist with Radio Free Europe/Radio Liberty and head of the Civic Development Institute, an NGO, October 7, 2009.

<sup>56</sup> TI Georgia interview with Mamuka Ghlonti, co-owner and co-owner of Maestro TV, October 5, 2009.



A few reporters and producers who left the major channels because of political influence and editorial pressure coming from the stations' owners found new jobs with three independent production outlets. The studios Reporter, Monitor and GNS are fully funded by Western donors and produce investigative documentaries and reports on current events which are provided as free footage to TV stations. The national channels have all declined to air the studios' productions, which consequently only reach a small audience as they are broadcast on Kavkasia and Maestro, both having limited coverage.<sup>57</sup>

Internet broadcasts could potentially become a tool to undermine the news cartel of national TV channels and contribute to a more pluralistic media landscape. Like the independent TV studios, online media projects have not found a business model that would allow them to sustain themselves economically yet and thus are not able to provide alternative employment opportunities for TV journalists. Consequently, few reporters and producers dare to endanger their livelihoods and speak out against one-sided editorial policies and political intervention in their daily work.

One exception was a protest in May 2009, when 64 journalists, producers, cameramen and other employees of Imedi TV signed a petition, protesting against the channel's editorial policy. The petition stated that the stations' news had covered current events in an inadequate and biased way. According to the statement, the stations' management had ordered journalists to refrain from covering problems of internally displaced people (IDPs) and ordered reporters to use biased wording: IDPs should be referred to as “affected” people, the cells used by the opposition during the protests had to be described as “cages” on air.<sup>58</sup> The management also did not air parts of a speech by the Patriarch in which the head of the Georgian Orthodox Church called on the Georgian army not to use violence against protestors.<sup>59</sup> Furthermore, cameramen were instructed not to show pictures of large groups of people when covering opposition protests. A person who signed the petition told TI Georgia that there were also lists of experts journalists should talk to and “black lists” of people that should not be interviewed. According to this source, Imedi's management pressured the signatories to withdraw their support for the petition after firing two of the initiators, accusing them of sabotage.<sup>60</sup> Four others journalists and producers left the station voluntarily, citing censorship as the reason for quitting – all other employees withdrew their signatures.

## From politics to media management

There is a revolving door between politics and the major TV stations: Immediately before becoming Imedi's news director in March 2009, Nana Intskirveli served for four years as the spokesperson of the Ministry of Defense,<sup>61</sup> Reporters Without Borders regarded her nomination as “further affirmation of the government's desire to control Imedi's editorial content.”<sup>62</sup> Giorgi Arveladze, the head of Imedi's holding company, Georgian Media Holding, is a former chief of staff to President Saakashvili.

<sup>57</sup> The reports are also available online, at <http://www.iip.ge/>.

<sup>58</sup> Media.ge: Imedi TV Journalists and Cameramen Demand Professional Freedom, May 5, 2009, [http://media.ge/eng/page.php?m=news\\_detailed&id\\_num=4075](http://media.ge/eng/page.php?m=news_detailed&id_num=4075).

<sup>59</sup> Civil.ge: Group of Imedi TV Employees Protest over Editorial Policy, May 6, 2009, <http://www.civil.ge/eng/article.php?id=20856>.

<sup>60</sup> Media.ge: Another Journalist Left Imedi TV, Making her Protest Against Censorship, May 13, 2009, [http://media.ge/eng/page.php?m=news\\_detailed&id\\_num=4097](http://media.ge/eng/page.php?m=news_detailed&id_num=4097).

<sup>61</sup> Civil Georgia: MoD Spokesperson Becomes Imedi TV News Chief, March 18, 2009, <http://www.civil.ge/eng/article.php?id=20575>.

<sup>62</sup> Reporters without Borders: Appointment of new head of news exacerbates situation at Imedi TV, March 19, 2009, <http://www.rsf.org/Appointment-of-new-head-of-news.html>.



In July 2009, Irma Nadirashvili, a journalist who had been working with Rustavi 2 for 14 years and served as the chief producer of P.S., a weekly current affairs program,<sup>63</sup> became the stations' news director. From 2007 to 2008, Nadirashvili had also served as the head of public and media relations department of the Ministry of Labor, Health and Social Protection.<sup>64</sup> Already in late 2008, Sozar Subari, then Georgia's Ombudsman, had accused the government of stifling press freedom by ensuring that sympathetic managers were installed as directors at national broadcasters.<sup>65</sup>

Editorial interference is further exacerbated by a widespread lack of professionalism among many Georgian TV journalists, with many of them pressured into conducting self-censorship in order to keep their jobs. Due to a lack of proper training, young journalists do not have the necessary skills and self confidence to produce sound reports. “You only learn how to work as a journalist after your graduation”, says Tamar Rukhadze, a former Rustavi 2 news director. “But when you start working for a TV station in Georgia, the only thing your news producer tells you is what to say, which interview to use and which not. You learn to do a job, but not real journalism.”<sup>66</sup>

This lack of professionalism, combined with the massive economic pressure most journalists are facing results in a lack of professional organizations. Among journalists, there is little loyalty if one of their colleagues is in trouble: “You will stay alone, maybe supported by a few journalists who don't care about their jobs,” says Rukhadze. “Journalists are not good in defending themselves,” says Hatia Jinjikhadze of OSGF. “The media has to take a lead and be able to defend itself. That is what Georgian media lacks right now: professional solidarity.”<sup>67</sup> Tamuna Kakulia of Internews shares this view. “Journalists don't understand that they need to consolidate their efforts to make a positive change. Otherwise you remain a rebel, jobless for years, outcast by the national and regional broadcasters.”<sup>68</sup> Among regional journalists, there seems to be more loyalty than among their colleagues working in the capital; when Channel 25 in Batumi was under pressure from tax authorities and faced closure in October, journalists from the region held a rally, showing their support for city's only independent station.

Due to the lack of professional independent media organizations and efficient watch dogs, no effective voluntary system of self-regulation for the Georgian media has yet emerged. In March 2009, the Georgian National Communications Commission passed a comprehensive code of conduct for holders of broadcasting licenses,<sup>69</sup> setting out principles, rules and guidelines and defining binding professional standards. This conduct established an obligatory system of self-regulation which forces national broadcasters to set up in-house self-regulation systems by September 12, 2009. Regional and local stations have another year before they have to create similar institutions that respond to complaints filed by TV consumers. However, the head of the GNCC's legal department regards this code of conduct, which the regulator itself had endorsed, as unconstitutional, as it forces consumers to direct complaints about the program directly to the broadcaster and prevents consumers from going to court directly.<sup>70</sup>

<sup>63</sup> Media.ge: Staff Changes at Rustavi 2, July 15, 2009, <http://www.media.ge/en/node/16419>.

<sup>64</sup> TI Georgia confirmed this information with the ministry.

<sup>65</sup> The New York Times: News Media Feel Limits to Georgia's Democracy, October 7, 2008.

<sup>66</sup> TI Georgia interview with Tamar Rukhadze, co-founder of the production studio GNS, October 5, 2009.

<sup>67</sup> TI Georgia interview with Hatia Jinjikhadze, Media Support Program Manager for the Open Society Georgia Foundation, October 15, 2009.

<sup>68</sup> TI Georgia interview with Tamuna Kakulia, Development Director at Internews, September 30, 2009.

<sup>69</sup> This excludes the Georgian Public Broadcaster, which has adopted its own Code of Conduct, [http://gpb.ge/Admin/ApplicationFiles/aabf8d3d-6274-40cb-a038-cafff87a0f90--GPB\\_Code\\_of\\_Conduct\\_eng.pdf](http://gpb.ge/Admin/ApplicationFiles/aabf8d3d-6274-40cb-a038-cafff87a0f90--GPB_Code_of_Conduct_eng.pdf)

<sup>70</sup> TI Georgia interview with Kakhi Quarashvili, Head of the Legal Department of the Georgian National Communications Commission, October 13, 2009.



## Small channels facing big problems

Although some cable channels like Kavkasia and Maestro have relevant market shares and would allow advertisers to reach out to significant audiences, these stations are having severe problems convincing major companies to advertise with them. Several observers of the Georgian media market told TI Georgia that companies were worried about being associated with stations that are branded as “pro opposition,” fearing that advertising there could harm their business interests. Maestro's co-owner, Mamuka Ghlonti, claims that several companies withdrew ads they had already booked with his station after being warned that advertising there might severely damage their relations with the government.<sup>71</sup> Similarly, Kavkasia's director alleged that financial authorities deliberately target companies who advertised on his station.<sup>72</sup>

In July 2009, Maestro received a license from the GNCC to broadcast its signal via satellite on Georgian territory. So far, the station has not been able to come up with the funding of USD 18,000 per month to pay for the transmission of the signal. “Already, we have given opposition-controlled broadcast stations licenses to transmit across the nation”, President Saakashvili said in his September 2009 UN General Assembly speech, referring to Maestro.<sup>73</sup> Mamuka Ghlonti complains that while the president was speaking in New York, in Georgia, political pressure was put on cable television providers to refrain from carrying the signal of stations like Maestro; the stations signal has been dropped by cable companies in Akhmeta and Rustavi.<sup>74</sup>

Meanwhile, the Adjarian Channel 25 faces problems with tax authorities. On October 9, the City Court of Batumi ruled that the station had to pay taxes of GEL 277,547 (USD 165,000), stating that in case of the station's failure to pay its tax debt, Channel 25's assets could be auctioned off. A co-owner of the station, Merab Merkviladze, called the demands politically motivated, saying that most of the debt had accumulated before 2004, when Aslan Abashidze, the region's former strongman, had illegally seized the station from its legal owners.<sup>75</sup> Merkviladze acknowledged that his company had accumulated a tax debt of GEL 70,000 between 2006 and 2009.<sup>76</sup> Only after the Public Defender intervened in the case, did the Ministry of Finance agree to restructure the stations debts.<sup>77</sup>

## The Georgian National Communications Commission

The broadcasting law requires the GNCC, the regulatory body charged with overseeing electronic communication, to supervise license holders and, in case of breach, “impose appropriate sanctions.”<sup>78</sup> Several observers told TI Georgia that they perceive some of the GNCC's decisions as politically motivated or arbitrary, with sanctions imposed on stations outspokenly critical of the government while the major, government-friendly stations, face few regulatory problems. Alania, a well-funded station broadcasting in Russian catering to Ossetians, was able to remain on air for well over a year without any license before it finally obtained one.<sup>79</sup>

<sup>71</sup> TI Georgia interview with Mamuka Ghlonti, co-owner and co-owner of Maestro TV, October 5, 2009.

<sup>72</sup> Human Rights Watch (2009): World Report, p. 378.

<sup>73</sup> Statement by President Saakashvili, 64<sup>th</sup> Session of the UN General Assembly, September 24, 2009. [http://www.un.org/ga/64/generaldebate/pdf/GE\\_en.pdf](http://www.un.org/ga/64/generaldebate/pdf/GE_en.pdf).

<sup>74</sup> TI Georgia interview with Mamuka Ghlonti, founder and co-owner of Maestro TV, October 5, 2009; see also: Radio Free Europe/RL: Independent Georgian TV Channel Under Pressure, October 10, 2009, [http://www.rferl.org/content/Independent\\_Georgian\\_TV\\_Channel\\_Under\\_Pressure/1848404.html](http://www.rferl.org/content/Independent_Georgian_TV_Channel_Under_Pressure/1848404.html).

<sup>75</sup> Civil.ge: Batumi-Based TV in Tax Dispute with State, October 15, 2009, <http://civil.ge/eng/article.php?id=21577>.

<sup>76</sup> Media.ge: Channel 25 Bank Accounts De-Sequestered, November 2, 2009, <http://www.media.ge/en/node/26535>.

<sup>77</sup> Civil.ge: Ombudsman Meets Finance Minister over Batumi-Based TV's Tax Dispute, October 30, 2009, <http://civil.ge/eng/article.php?id=21624>.

<sup>78</sup> Georgian Law on Broadcasting, Article 5, §3.e.

<sup>79</sup> Although there is no record of where the station's funding is coming from, several media experts told TI Georgia that it was an open secret that the station is a *de facto* outlet of the Georgian government. IREX's MSI 2009 report on Georgia shares this assessment, [http://www.irex.org/programs/MSI\\_EUR/2009/georgia.asp](http://www.irex.org/programs/MSI_EUR/2009/georgia.asp).



The GNCC denies such allegations of politically motivated regulatory decisions. “All stations are treated equally,” states Kakhi Qurashvili, head of the GNCC's legal department, arguing that the regulator has also fined the national channels several times in the past. Qurashvili regards Maestro's complaints about being discriminated against as a public relations coup by Ghlonti, aiming to increase the stations low ratings. “Almost any broadcaster, with the exception of Rustavi 2, Imedi and the Georgian Public Broadcaster, sometimes use unlicensed content. If we would go after all these violations at once, we would only have three broadcasters left in Georgia.” Hence, the regulator is acting step by step, issuing warnings before imposing fines on individual stations, Qurashvili told TI Georgia.<sup>80</sup>

One thing is certain though. The way the members of the GNCC are appointed leaves room for political appointees. The regulator is headed by five commissioners, who, according to article 9 of the broadcasting law, are selected through open competition. In order to become a nominee for the office, a person has to have higher education and enjoy “wide public trust.”<sup>81</sup> The president selects at least three nominees for each vacant seat and Parliament then “gives consent to the president for the appointment of commissioners” with a simple majority in a secret ballot. The president then appoints the commissioners that have been approved by Parliament and also appoints one of them to serve as the GNCC's chairperson.<sup>82</sup> Freedom House criticizes that the GNCC remains “subject to government influence.”<sup>83</sup>

In June 2009, Irakli Chikovani was appointed to lead the GNCC; immediately before becoming head of the body that is charged with regulating Georgia's private broadcasters, Chikovani not only served as director general of Rustavi 2, but from November 2008 he also held 30% of the station's shares (with a mysterious off-shore company called GeoMedia Group, registered on the Marshall Islands being the other major shareholder at the time).<sup>84</sup> Chikovani sold his shares a few weeks before starting as the head of the GNCC.<sup>85</sup>

A truly independent regulatory body is a precondition for a free, transparent and competitive television market to emerge. The fact that the chairperson of the broadcasting regulator sold his shares of the largest private broadcaster for an undisclosed amount does not promote trust and confidence in the GNCC's regulatory decisions – although the deal might not be a conflict of interest in the narrow definition of the Georgian broadcasting law.

Currently, the GNCC prevents new TV stations from entering the market. In May 2008, the regulator “postponed” the issuing of broadcast licenses, arguing that there was high interest in new licenses and that it had to conduct research and develop new priorities for the Georgian broadcasting market before it would issue new broadcasting permissions. One and a half years later, this process is still ongoing with no end in sight.<sup>86</sup> Thus, the GNCC, at least temporarily, has set up a barrier that is preventing any new stations from

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<sup>80</sup> TI Georgia interview with Kakhi Quarashvili, head of the legal department of the Georgian National Communications Commission, October 13, 2009.

<sup>81</sup> Georgian Law on Broadcasting, article 9. In order to dismiss a commissioner, at least one third of the members of Parliament have to initiate such a procedure if there is proof of a conflict of interest, Georgian Law on Broadcasting, Article 10.

<sup>82</sup> Georgian Law on Broadcasting, article 9.

<sup>83</sup> Freedom House: Freedom of the Press, Georgia, 2009, <http://freedomhouse.org/template.cfm?page=251&year=2009>.

<sup>84</sup> United States Department of State: 2008 Country Reports on Human Rights Practices, <http://www.state.gov/g/drl/rls/hrrpt/2008/eur/119080.htm>.

<sup>85</sup> After this most recent change in ownership of Rustavi 2, the fourth since the Rose Revolution, the current owners are Degson Limited, another off-shore entity registered in the British Virgin Islands, holding 70 percent of Rustavi 2's shares, and the Georgian Industrial Group, which holds the remaining 30 percent. Civil.ge: Ex-Chief of Rustavi 2 TV Becomes GNCC Member, June 12, 2009, <http://civil.ge/eng/article.php?id=21096>

<sup>86</sup> The GNCC argues that they outsourced the task and hired an external company to conduct the necessary surveys and collect the data it needs to redefine the priorities of the television market. The GNCC claims that it has been



entering the market.<sup>87</sup> This measure may be interpreted as a violation of the Georgian broadcasting law, which requires the GNCC to “support the creation and development of a competitive environment within the scope of its competence.”<sup>88</sup>

Although all “resolution, decisions, orders, records and other documents” of the GNCC “shall be available for public discussion,”<sup>89</sup> the regulator has not made such information accessible to a wider public, for example by putting the information on its website.<sup>90</sup>

Any decision of the Georgian National Communications Commission can be appealed within 30 days, either to the GNCC or to the Tbilisi city court.<sup>91</sup> Tamar Kordzaia of GYLA states that decisions made by the GNCC are never overruled by the court. “For example, in the case of Maestro, there was a clear violation, but the court didn't rule against the Commission.”<sup>92</sup> In November 2007, the cable channel had applied for a license to allow the broadcast of a political talk show. When the GNCC did not grant Maestro such a license, the station aired political content, received a warning from the regulator, and then complied with the rules. A new application for an appropriate broadcasting license filed by Maestro was then denied by the GNCC based on Maestro's earlier violation of the rules. The Tbilisi city court upheld the GNCC's decision.<sup>93</sup> The cable channel only received a “general license” (required to air political content) after the speaker of Parliament, David Bakradze, intervened in the case and a deal with the GNCC was struck outside the courtroom.<sup>94</sup> Ombudsman Sozar Subari in November of last year criticized the allocation of broadcasting licenses, saying they had become a tool for political pressure. Referring to the case of Maestro, he accused the GNCC of being “a body fulfilling political instructions” coming from the authorities.<sup>95</sup>

## The Georgian Public Broadcaster (GPB)

The public broadcaster operates two radio stations and the national free-to-air terrestrial Channel 1 as well as Channel 2 which is currently undergoing a complete overhaul. With a TV market share of about eight percent in the first six months of 2009,<sup>96</sup> the GPB is one of the weakest public broadcasters in Eastern Europe.<sup>97</sup> Levan Gakheladze, head of the GPB's board of governors, told TI Georgia that Channel 1 only had a market share of two percent a year ago.

The GPB now airs several political talk shows every week after an amendment of the broadcasting law in late 2008 legally forced the broadcaster to introduce them. According to Gakheladze, Channel 1 will soon

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provided with insufficient survey results twice and then ordered the company to conduct a new survey and to obtain fresh data; when the data will be provided and thus enable the Commission to finally define new broadcasting priorities is not yet known. TI interview with Kakhi Qurashvili, head of the GNCC's legal department, October 13, 2009.

<sup>87</sup> However, it is possible to buy a license holder and to take over an existing license – the way Real TV chose when it started its broadcasts in Tbilisi in early October 2009.

<sup>88</sup> Georgian Law on Broadcasting, article 5, §3.f.

<sup>89</sup> Georgian Law on Broadcasting, article 7, §1.

<sup>90</sup> TI Georgia obtained the official information about license holders through a freedom of information request.

<sup>91</sup> Georgian Law on Broadcasting, article 6, §4.

<sup>92</sup> TI Georgia interview with Tamar Kordzaia of the Georgian Young Lawyers' Association, October 5, 2009.

<sup>93</sup> United States Department of State: 2008 Country Reports on Human Rights Practices, <http://www.state.gov/g/drl/rls/hrrpt/2008/eur/119080.htm>.

<sup>94</sup> TI Georgia interview with Tamar Kordzaia of the Georgian Young Lawyers' Association, who consulted Maestro in this case, October 5, 2009.

<sup>95</sup> Civil.ge: Public Defender Presents Report on Media, November 14, 2008, <http://civil.ge/eng/article.php?id=19964>.

<sup>96</sup> Among Georgia's urban population.

<sup>97</sup> In 2007, only Ukraine (First Channel) and Turkey (TRT1 and TRT2) had an even lower market share. ORF Mediasearch/IP: Key Facts – Television 2008, [http://mediaresearch.orf.at/c\\_international/console/console.htm?y=1&z=2](http://mediaresearch.orf.at/c_international/console/console.htm?y=1&z=2).



start airing a couple of new shows, aiming to provide a platform for factual, political discussions on socio-economic problems and on other current issues.<sup>98</sup> For the moment, the public broadcaster remains without any programs airing investigative reports.

The public broadcaster is supervised by a board of governors that currently consists of nine governors but will soon be extended to 15. According to the law on broadcasting, the members of the board are selected by means of open competition; anybody can be nominated for the position.<sup>99</sup> The president of Georgia then makes “a justified decision” and submits at least three candidates for each open seat on the board to Parliament, which then confirms a candidate with a simple majority vote after a public hearing.<sup>100</sup> The GPB's board is thus selected and confirmed by the ruling government.

The main tasks of the board are to approve the GPB's budget and its implementation, as well as to appoint the director general who is responsible for the broadcaster's operational management. A board that is selected by the ruling party is thus likely to select a director general who ensures that news reporting on Channel 1 does not harm the political interests of the government.

In February 2008, at least three of the board members were appointed by opposition parties, as a result of an informal agreement between the ruling party and the opposition.<sup>101</sup> Four members of the board resigned in protest in April 2009, stating that the GPB was reporting on anti-Saakashvili protests with a pro-government spin.<sup>102</sup> Three of the vacant seats on the board were filled in late July. In August, the board elected Gia Chanturia to be the GPB's new director general – many observers regard him as the authorities' favorite candidate for this position (five of the board members voted for Chanturia, three voted for none of the candidates).<sup>103</sup>

The appointment of the government's favorite candidate to head the management of the public broadcaster only came a few weeks after President Saakashvili had announced an enlargement of the GPB's board, in order to allow opposition parties' appointees to fill seven of the soon to be 15 seats. According to the proposal (which is likely to remain an oral agreement and will not become law), the administration will appoint the other seven members of the board, with the 15<sup>th</sup> seat to be taken by a representative of a non-governmental organization. Saakashvili stated that this change would contribute to the “depoliticization” of the public broadcaster.<sup>104</sup>

However, the new composition of the board is likely to contribute to a further politicization of the public broadcaster, now with several political parties seeking to ensure that little criticism of them is aired on public TV. This, in turn, will contribute to an even tamer GPB, reluctant to take on controversial political issues and consequently unable to attract and inform a larger audience.

Levan Gakheladze, the head of the broadcaster's board, told TI Georgia that he doubts the effectiveness of the proposed reform. Rather than including all political parties in the board, he prefers a model in which the members of the board would represent regions and major interest groups of Georgia's society, such as

<sup>98</sup> TI Georgia interview with Levan Gakheladze, head of the GPB's board of governors, October 7, 2009.

<sup>99</sup> Candidates for the board are required to enjoy “wide public trust”, have “higher education” and at least five years of work experience; the tenure of a board member is six years; articles 24 and 25 of the Georgian law on broadcasting.

<sup>100</sup> Georgian law on broadcasting: articles 25, 26.

<sup>101</sup> Civil.ge: New Board of Public TV Approved, February 26, 2008, <http://www.civil.ge/eng/article.php?id=17198>.

<sup>102</sup> Civil.ge: Three New Members of Public TV Board elected; July 31, 2009, <http://www.civil.ge/eng/article.php?id=21314>.

<sup>103</sup> Civil.ge: Board Elects Public TV's new Head, August 10, 2009, <http://civil.ge/eng/article.php?id=21352>.

<sup>104</sup> Civil.ge: Increase of Number of Public TV Board Members Offered, July 28, 2009, <http://civil.ge/eng/article.php?id=21300>.



academics, young people, business owners, handicapped people or pensioners.<sup>105</sup> Article 19, a London-based NGO advocating freedom of expression, recommends a similar model to ensure the independence of a public broadcaster. The best practice recommended by Article 19 suggests that nominees for the board should be appointed by civil society organizations and then confirmed after a public and transparent hearing and selection process by the parliament with a two-thirds majority.<sup>106</sup> Similarly, the European Broadcasting Union, a confederation of public service broadcasters of which the GPB is a member, proposes a model for a board which consists only of representatives of civil society groups and institutions.<sup>107</sup>

In October, as the debate about the board's reform was still ongoing, Media Club, a group of Georgian civil society representatives, demanded more influence on the GPB's board, stating that the supervisory body should also receive more powers than it currently has in order to be able to fulfill its role more efficiently. To allow a board to interfere with the day-to-day management of the public broadcaster or with the editorial independence of the director general and his staff, however, would not be in line with European best practices,<sup>108</sup> however, Gakheladze agrees that the board should be given the ability to veto nominations for broadcaster's three top management positions – the directors responsible for news, programming and finances.<sup>109</sup>

While the GPB's board does not ensure its independence, neither does its funding. The GPB was set up in 2005 with a rather unique system of funding.<sup>110</sup> The public broadcaster received its money not from obligatory fees but from the national budget; the Government had to dedicate the equivalent of at least 0.15 percent of Georgia's GDP to the GPB's annual budget.<sup>111</sup> This law ensured that the public broadcaster's funding was not subject to political goodwill in the Ministry of Finance or Parliament.

However, a regulation put in place last year now provides the government with some powers to influence the GPB's budget. In 2008, the GPB received GEL 20.5 million from the national budget; in 2009, it is funded with GEL 25.5 million. In an interview on October 7, Gakheladze told TI Georgia that he expected the 2010 budget to be GEL 28.5 million. However, the Government's draft budget for 2010 released on October 8 only dedicates GEL 22 million to the Georgian Public Broadcaster.<sup>112</sup> Advertising revenues of the GPB are marginal – less than GEL 500,000 a year or less than two percent of its annual budget.<sup>113</sup> As a consequence, the current financing model does not allow the broadcaster's management to plan expenditures and major investments – such as the reform of its second TV channel – well in advance. Furthermore, this practice no longer ensures the public broadcaster's financial independence; the Ministry of Finance and Parliament could use their power of setting the GPB's budget to put pressure on the

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<sup>105</sup> TI Georgia interview with Levan Gakheladze, Head of the Board of the Georgian Public Broadcaster, October 7, 2009.

<sup>106</sup> Article 19 (2005): A Model Public Service Broadcasting Law.

<sup>107</sup> European Broadcasting Union/Rumphorst, Werner (2003): Model Public Service Broadcasting Law, [http://www.ebu.ch/departments/legal/pdf/leg\\_p\\_model Law\\_psb.pdf](http://www.ebu.ch/departments/legal/pdf/leg_p_model Law_psb.pdf).

<sup>108</sup> The BBC's Trust, for example, among other duties, oversees editorial standards and handles complaints but has no direct influence on programming, [http://www.bbc.co.uk/bbctrust/about/how\\_we\\_operate/committees/index.shtml](http://www.bbc.co.uk/bbctrust/about/how_we_operate/committees/index.shtml); see also Article 19 (2005): A Model Public Service Broadcasting Law, p. 10.

<sup>109</sup> TI Georgia interview with Levan Gakheladze, Head of the Board of the Georgian Public Broadcaster, October 7, 2009.

<sup>110</sup> Most European public broadcasters finance themselves through fees.

<sup>111</sup> When drafting the state budget, Parliament used approved GDP numbers of the past year to calculate the GPB's budget, not GDP predictions for the upcoming year. Thus, the GPB was unable to fully benefit from GDP growth. IREX: Media Sustainability Index 2006/2007, [http://www.irex.org/programs/msi\\_eur/2006/georgia.asp](http://www.irex.org/programs/msi_eur/2006/georgia.asp).

<sup>112</sup> Civil.ge: 2010 Draft Budget, October 8, 2009, <http://civil.ge/eng/article.php?id=21552>.

<sup>113</sup> The GPB is not allowed to air prime time ads (7pm to 12pm). TI interview with Levan Gakheladze, Head of the Board of the Georgian Public Broadcaster, October 7, 2009.



broadcaster.<sup>114</sup> Given this political influence and its dependence on the Government's good will to dedicate the appropriate funding, the Georgian Public Broadcaster shows several characteristics of a state broadcaster rather than of a real public broadcaster.

The GPB is currently in the process of launching Channel 2, which is intended to become a political channel, aiming to copy the concept of CSPAN in the United States. Channel 2 will start airing “politics without comment”<sup>115</sup> such as parliamentary debates, political press conferences and debates between politicians in early 2010. In the foreseeable future, Channel 2 will only be broadcast in Tbilisi. According to Levan Gakheladze, the GPB currently lacks the technical capabilities that would allow airing Channel 2 terrestrially in all parts of the country but he hopes that local cable providers will start to carry the signal in other parts of Georgia as well.<sup>116</sup>

The relaunch of Channel 2 can be regarded as a small step in the right direction if it provides a stage for political debates and contributes to a fact-based and constructive political dialogue in Georgia. However, political channels, such as CSPAN, BBC Parliament in the United Kingdom or Phoenix in Germany, tend to appeal only to tiny audiences. Already, Georgia's national channels extensively carry live press conferences or speeches by prominent political actors. What the Georgian TV landscape really lacks are programs that dare to ask and research tough questions and critically report on politicians from all camps.

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<sup>114</sup> Miklós Haraszti, OSCE Representative on Freedom of the Media lists three conditions of self-sufficient public-service media financing: 1.) Regardless of the source of funding, the total yearly income must be sufficient to guarantee the proper functioning of the public-service broadcaster. 2.) Financing must be guaranteed for a couple of years in advance, in order to exclude yearly negotiations that can lead to editorial concessions and corruption and avoid exposure to the ups and downs of the markets. 3) Financing must be indexed against inflation. OSCE (2008): Ten Years for Media Freedom - An OSCE Anniversary. Current and Forthcoming Challenges, p.117. [http://www.osce.org/publications/rfm/2008/09/32993\\_1179\\_en.pdf](http://www.osce.org/publications/rfm/2008/09/32993_1179_en.pdf)

<sup>115</sup> TI Georgia interview with Levan Gakheladze, head of the Board of the Georgian Public Broadcaster, October 7, 2009.

<sup>116</sup> However, there seem to be no “must-carry” requirements in Georgia that would oblige cable TV network operators to broadcast the signal of the public broadcaster's second channel. The introduction of such a rule could ensure that as many people as possible would have the possibility to watch both channels of the GPB.



## Policy recommendations:

- There is an urgent need for a comprehensive reform of the Georgian Public Broadcaster, a reform that should only be carried out after a broad public debate. A strengthened Channel 1, showing informative and critical news and reports, could provide important momentum and contribute to a more pluralistic television landscape in Georgia. The GPB's board should become truly depoliticized; one way of achieving this could be by granting civil society institutions and interest groups the sole right to nominate candidates for the board. Candidates should be chosen after a public hearing in a transparent selection process and be confirmed by a two-thirds majority of the Georgian Parliament.
- There is a need to reform the broadcaster's financing model. Currently, the government seems to somewhat arbitrarily decide on the broadcaster's funding. The GPB's editorial independence is thus not ensured. Intensive thought should be given to the idea of funding the GPB with an obligatory fee to be paid by every household. First, license fees would foster and underline the broadcaster's independence from the goodwill of the government or parliament; second, fees would make the public broadcaster's income considerably more predictable and would allow its management to engage in long-term planning; third, if Georgians had to pay license fees, it would promote a feeling of ownership in the public broadcaster. Expectations for the GPB's program and services would rise, the station would be pressured to become more accountable and become a proper public service broadcaster.<sup>117</sup>
- Georgia's current regulatory system has proven insufficient to ensuring a transparent media ownership regime and to promoting a competitive and pluralistic television market. TI Georgia recommends amending the license ownership regulation in order to ensure that off-shore companies can no longer own shares in media outlets and that sufficient information about the shareholder structure of license holders and their owners is reported to the Georgian National Communications Commission and made accessible to the public.
- The Georgian National Communications Commission should be depoliticized by revising the process in which the commissioners are appointed and by increasing transparency of its work in order to ensure fair regulation of the media market and to promote public trust in the decisions of the regulatory body.

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<sup>117</sup> See also: European Broadcasting Union/Rumphorst, Werner (2003): Model Public Service Broadcasting Law, p. 6, [http://www.ebu.ch/departments/legal/pdf/leg\\_p\\_model\\_law\\_psb.pdf](http://www.ebu.ch/departments/legal/pdf/leg_p_model_law_psb.pdf).