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GEORGIA'S TELEVISION LANDSCAPE

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Key findings

- The Georgian television landscape is largely dominated by politics. Both the government and the opposition seek to keep a number of TV stations, as well as key intermediary companies that broadcasters need to reach their audience, in their sphere of influence. Most viewers perceive all TV channels as either pro-government or pro-opposition, not a single station that airs daily news coverage is seen as politically independent by a significant share of the audience (see page 39).
- Several companies with strategic positions in the television sector, including those who act as intermediaries between TV channels and their audience, have faced a broad range of difficulties in recent months: The leading investigative TV reporting team, Studio Monitor, had its office robbed and most of its equipment stolen; Videoscope, a company providing video equipment and services, including to TV9 and the Georgian Dream, has been fined after a tax audit; Maestro TV and the service provider Global TV had tens of thousands of satellite antennas seized over vote buying allegations; Global TV and TV9 have said that technical equipment they imported was damaged while waiting for customs clearance; Stereo+, a company providing transmission infrastructure and services to broadcasters including TV9, had a lien put on broadcasting licenses it holds (pp.15-20).
- The pro-government stations Imedi and Rustavi 2 remain by far the most popular TV channels, including for news and current affairs coverage (pp.8-10). Channel 1, Kavkasia and Maestro appear to have gained news audiences compared to 2011 (pp.6-7). Limited technical reach and access to audiences remains a major challenge for stations that do not hold a national terrestrial broadcasting license (p.10). The introduction of must-carry and must-offer regulation ahead of the elections has been an important positive step, allowing a larger share of the population to access TV stations with news coverage that is critical of the government (p.15).
- While policy makers have yet to put the switchover to digital terrestrial broadcasting on the top of their agenda, the role of satellite TV is increasing due to several new service providers in this field; must-offer rules have allow satellite TV providers to offer more pluralistic packages to their customers (pp.15-20).
- Several regional TV stations enjoy relatively high trust in their communities, with many people turning to their city's local station for news and information (p.36-37).
- Changes to the Law on Broadcasting, requiring license holders to disclose beneficiary owners, significantly improved TV ownership transparency (pp.26-31).
- Finances of TV stations have become more transparent. In the first 4 months of 2012, reported revenues of Imedi and Rustavi decreased, compared to the same period of 2011. Smaller channels including Maestro, Kavkasia, and Channel 25 received significantly higher advertising revenues than in same period of 2011 (pp.31-35), largely due to advertising spending by the Georgian Dream.

Recommendations

- The government and the new Parliament, to be elected in October 2012, must make the development of a digital switchover strategy and the publication of an action plan a priority and launch an inclusive consultation process involving all stakeholders to prepare and coordinate this process. Strong efforts will be necessary to ensure that Georgia will manage to fulfill its international commitment to switch to digital terrestrial broadcasting in the first half of 2015.
- The State Audit Office, the Prosecutor's office and the judiciary should ensure that all investigations affecting media outlets, or companies that serve as intermediaries between media outlets and media consumers, are conducted in a fair and

transparent manner. Any steps taken that affect media outlets or media consumers should be proportionate and taken with the necessary precaution in order to not affect the freedom of the media and citizens' rights to receive information. While companies in the media sector also have to be accountable for their actions and should not stand above the law, any actions taken against them are likely to be perceived as politically motivated. By presenting all relevant evidence and ensuring a fair and transparent investigation, the authorities can best address these concerns.

- Any attacks, acts of sabotage or incidents that prevent journalists and media workers to carry out their activities or limit the work of media outlets should be thoroughly investigated by the authorities and be followed up on.
- The GNCC, stakeholders, and civil society organizations should closely monitor the implementation of must-carry and must-offer regulation in the pre-election period. During the time the rules are in effect, the impact of this regulation should be evaluated, and on this basis, a permanent introduction of must-carry and/or must-offer regulation should be given strong consideration by policy makers and the GNCC, allowing for a continuation of this regulation on and after Election Day.
- Cable TV operators should continue to include channels that have been granted must-carry status in the pre-election period in their packages voluntarily after the regulation ends the day before the elections and refrain from self-censorship by not offering channels critical to the authorities. Taking critical TV stations out of cable packages on Election Day might contribute to political destabilization if consumers feel cut off from access to information.
- Consumers and civil society groups should engage cable operators in order to make them more sensitive and responsive to consumer demands, encouraging service providers to continue offering pluralistic content packages to their clients, even after a potential end of must-carry regulation.
- The new Parliament should introduce a proposal to change the status of Adjara TV and to potentially merge the station with the Georgian Public Broadcaster. Frequencies used by Adjara TV should be allocated to the GPB and/or be made available to interested private TV stations through a competitive process.
- In order to improve the transparency of license holders' ownership and their finances, the GNCC should consider creating a user-friendly database in which it regularly and pro-actively publishes financial data (currently only available on request) and ownership information (only scanned documents are available online).
- TV stations and their executives, producers, reporters and media workers should aim to provide their audiences with fair, professional and non-partisan current affairs coverage ahead of the elections and to act in line with self-regulatory mechanisms such as the Ethics Charter and the Code of Conduct for Broadcasters.
- TV stations should consider publishing of their financial data – including contributions from their shareholders – online and, if financially feasible, have their finances reviewed by an independent auditor. Media outlets should use financial transparency as a tool to build trust with audiences and stakeholders.
- The Georgian Public Broadcaster should take steps to strengthen its profile to be perceived as a truly politically independent news organization that is serving the Georgian people rather than the government. To achieve this, the GPB should consider introducing an investigative reporting magazine and a show representing consumer interests vis-à-vis the private sector. Furthermore, the GPB should also take feasible steps to increase its technical reach and seek to reach as many Georgians as possible through a broad range of technical platforms, while further increasing efforts to become more accountable and responsive to its audience.

Introduction

The Georgian television landscape remains closely linked with politics. Ahead of the October 2012 elections, developments in the television sector mirror the highly polarized political environment in Georgia. All major stations that offer current affairs content either belong to a pro-government camp or, with some nuances, appear to support a change in government and the opposition.

In a 2009 report, TI Georgia highlighted the opaque ownership of many TV stations, which at the time were held by offshore entities.[1] With significant improvements in media regulation, requiring the disclosure of broadcasters' beneficiary owners, the key question is no longer who owns and finances Georgia's broadcasters. Policy debates now focus on how to ensure that a large part of the population has access to a range of channels that offer different political views and opinions – in the short as well as the long run. The temporary introduction of must-carry regulation – an amendment to the Election Code that requires cable operators include licensed TV stations into their packages in the weeks before the October 1 parliamentary election – has been an important step in the right direction.

In April the Georgian Constitutional Court ruled that TV stations that transmit their programs though cable networks will no longer require a license from the Georgian National Communications Commission (GNCC), the telecoms and broadcasting regulator.[2] TV channels (or satellite service providers) still need a license from the GNCC for satellite uplinks but there are no prominent cases in which an applicant has been denied such a permit.

Since the mid-2000s, the GNCC has not issued general broadcasting licenses for terrestrial TV broadcasting that can be received by any household with a basic antenna. Georgia has committed in international agreements to switch to digital terrestrial broadcasting by June 2015. However, the government has so far failed to publish a strategy and action plan for this lengthy and complex transition process and has yet to initiate an inclusive preparation and consultation process. Meanwhile, time is slowly running short to meet this important deadline. Only after a successful switchover to digital terrestrial broadcasting will more resources become available, allowing more TV channels to compete for audiences.

Meanwhile, access to distribution systems – and thus to viewers – remains at times disputed and is seen as subject to political considerations rather than market dynamics. On one hand, key companies in this field, including cable TV and satellite operators, have the power to act as gatekeepers and have significant influence over how many households can access a certain channel. On the other hand, coordinated decisions of several TV channels to support or boycott a specific provider may determine the success or failure of that company.

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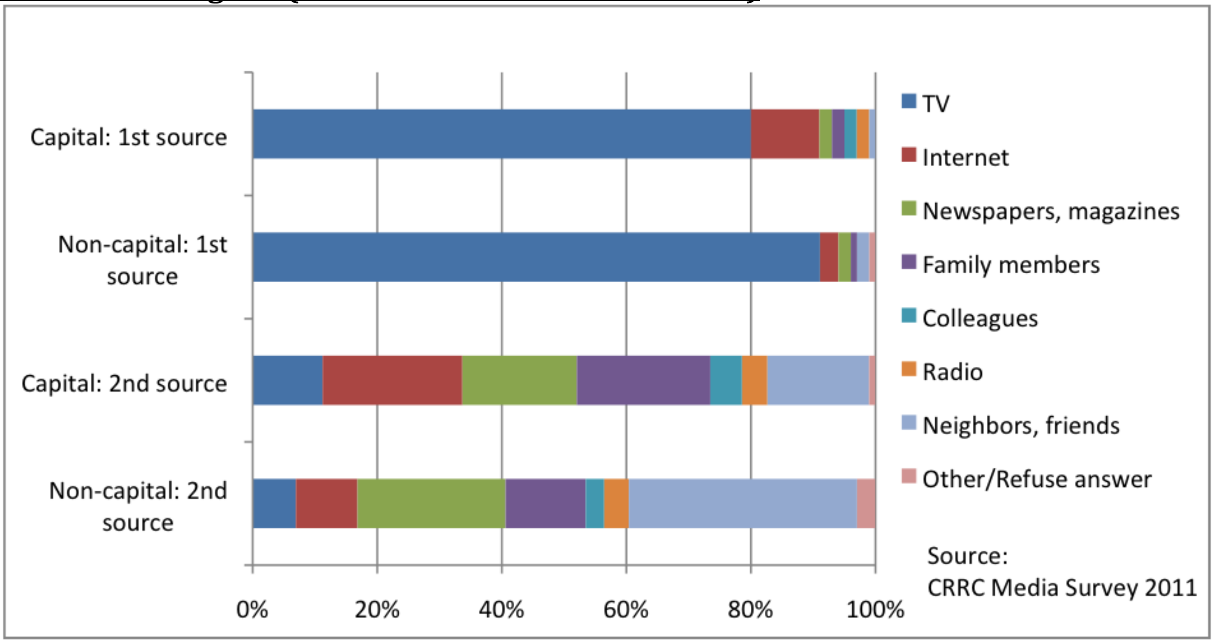
[1] Transparency International Georgia (2009): Television in Georgia – Ownership, Control and Regulation, http://www.transparency.ge/en/content/television-georgia-%E2%80%93-ownership-control-and-regulation.

[2] Constitutional Court of Georgia, April 11, 2012, http://www.constcourt.ge/index.php?lang_id=GEO&sec_id=22&id=688&action=show.

Television and politics
TV remains the most important source of information on current affairs. In Tbilisi, 80% of people first turn to their TV for news. Outside the capital, 92% of the population name television as their main source of information on current affairs.[3] 94% of respondents in a 2011 survey by the Caucasus Research Resource Centers (CRRC) said that they get information on current events from national TV channels every day or several times a week.[4] In 2011, Georgians watched on average 253 minutes of TV per day.[5]

The dominant role of television in shaping perceptions and public debate in Georgia has reinforced attempts from both the ruling party and the opposition to establish a sphere of influence over key television stations and key technical infrastructure.[6]

Graphic: "What are your first and second sources of information about current events in Georgia?" (Tbilisi vs non-Tbilisi residents)



TV9 does not have a license for terrestrial broadcasting; until the introduction of must-carry/must-offer rules, its signal was only available via Turksat satellite – the service provider for Global TV, majority-owned by Ivanishvili's brother – and online.

Voices critical of the government have gained some momentum in recent months on TV. In May 2012, TV9, a well-funded station closely linked with and financed by the leader of the opposition coalition Georgian Dream, Bidzina Ivanishvili, went on air.[7]

After the launch of TV9, which operates numerous local offices around the country, some independent media outlets have seen a significant brain drain, with some of their best reporters accepting better-paid positions at the new station.

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[3] Caucasus Research Resource Centers (CRRC): Media Survey 2011, http://www.crrc.ge/oda/?dataset=7&row=22&column=1.
[4] CRRC Media Survey 2011, http://www.crrc.ge/oda/?dataset=7&row=168.
[5] Data from 2011, TI Georgia interview with Nino Gogoladze, director of TV MR GE, August 2011.
[6] Two examples are provided in TI Georgia's blog article, describing how individuals and entities affiliated with the ruling party and the opposition are taking over control over TV stations, Igrika and PIK. http://transparency.ge/en/blog/entities-associated-government-and-opposition-taking-over-tv-stations.
[7] http://www.media.ge/en/stories/channel_9_to_open_up_to_

Some independent reporters have criticized the opposition for feeding exclusive stories only to their affiliated media and providing limited access to other outlets.[8] The government has faced similar criticism in the past for providing beneficial treatment to national TV stations.[9]

Recent cases, including the stalking of TV9 journalists by political activists and a camera crew working for Real TV, a station that is perceived as closely linked with the authorities, indicate that the political competition between the ruling United National Movement party and the opposition Georgian Dream coalition is also increasingly fought on – and between – TV stations.[10]

Smaller stations that provide news and current affairs programs that are critical of the government, including Maestro and Kavkasia, have seen a significant increase in advertising revenues and other income in the first months of 2012, compared to the same period in 2011. It remains to be seen how sustainable this development is, as a significant share of these additional revenues originates from ad spending of the Georgian Dream.

Meanwhile, Georgia's national TV stations – Imedi, Rustavi 2 and the Georgian Public Broadcaster's (GPB) Channel 1 – largely focus on highlighting achievements and reforms of the current government in their news coverage. The topics covered, and also the sequence of reports in newscasts, is often similar on all three national channels.[11]

In some cases, news coverage is clearly coordinated between all three channels. When a Georgian citizen died in police custody in March, the three national stations aired largely identical news-coverage on the case and used the same wording to report that the opposition was seeking to politicize a tragic accident and was putting pressure on relatives of the deceased.[12]

The budget-funded Georgian Public Broadcaster operates two channels that can be received via analogue antenna, Channel 1 and Channel 2 (which can also be seen via antenna in some parts of the country, including Tbilisi, Kutaisi and Gori), as well as a Russian-language news channel PIK.

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[8] Media.ge: Journalists Report on Interference into Professional Activities by Georgian Dream Representatives, 11 June 11 2012, http://www.media.ge/en/stories/journalistsreportoninter.

[9] See TI Georgia's June 2011 report: Georgia's regional media – local watchdogs under pressure, http://transparency.ge/en/post/report/report-georgia-s-regional-media.

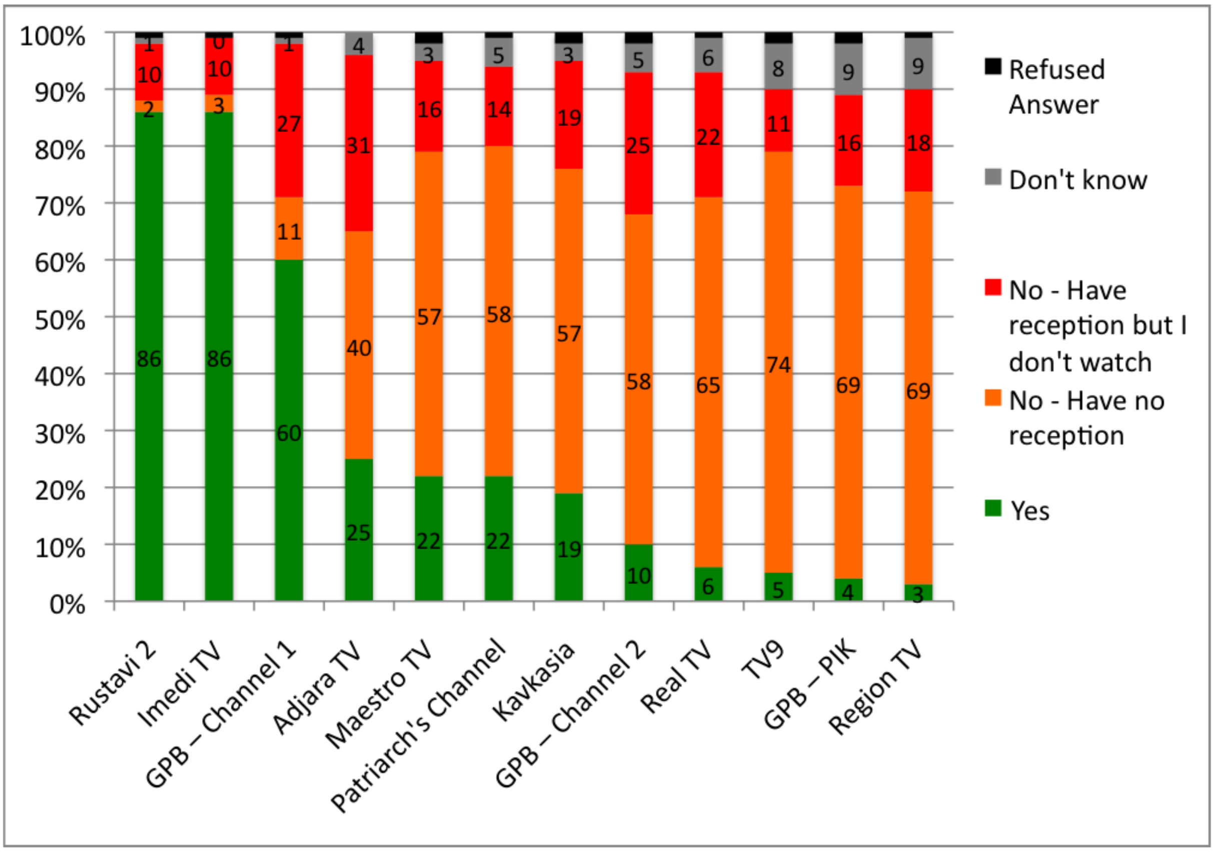
[10] http://info9.ge/?l=G&m=1000&id=1026; Media.ge: 9 July 2012, "Real TV" is not informed about the obstructing the work of "TV Nine" Batumi Bureau journalist Natia Rokva, http://www.media.ge/en/stories/realtvisnotinformedabout.

[11] TI Georgia's website http://Telekritika.ge allows users to compare and discuss summaries of newscasts from different channels, to get a better understanding of how different stations reported the news.

[12] For more details, please see TI Georgia's blog coverage of this incident, http://transparency.ge/en/blog/tv-stations-air-coordinated-news-coverage-kimeridze-death-case. In past years, there have been other prominent cases of clearly coordinated news reports. For some examples, please see TI Georgia's 2009 report: Television in Georgia – Ownership, Control and Regulation, http://transparency.ge/en/content/television-georgia-%E2%80%93-ownership-control-and-regulation.

A NDI survey from June 2012 highlights that the vast majority of the population turns to the two national private stations for news, with 86% of respondents saying they watch current affairs coverage on Imedi and Rustavi 2.[13]

Graphic: Do you watch coverage of Georgian politics and current events on the following national channels?[14]

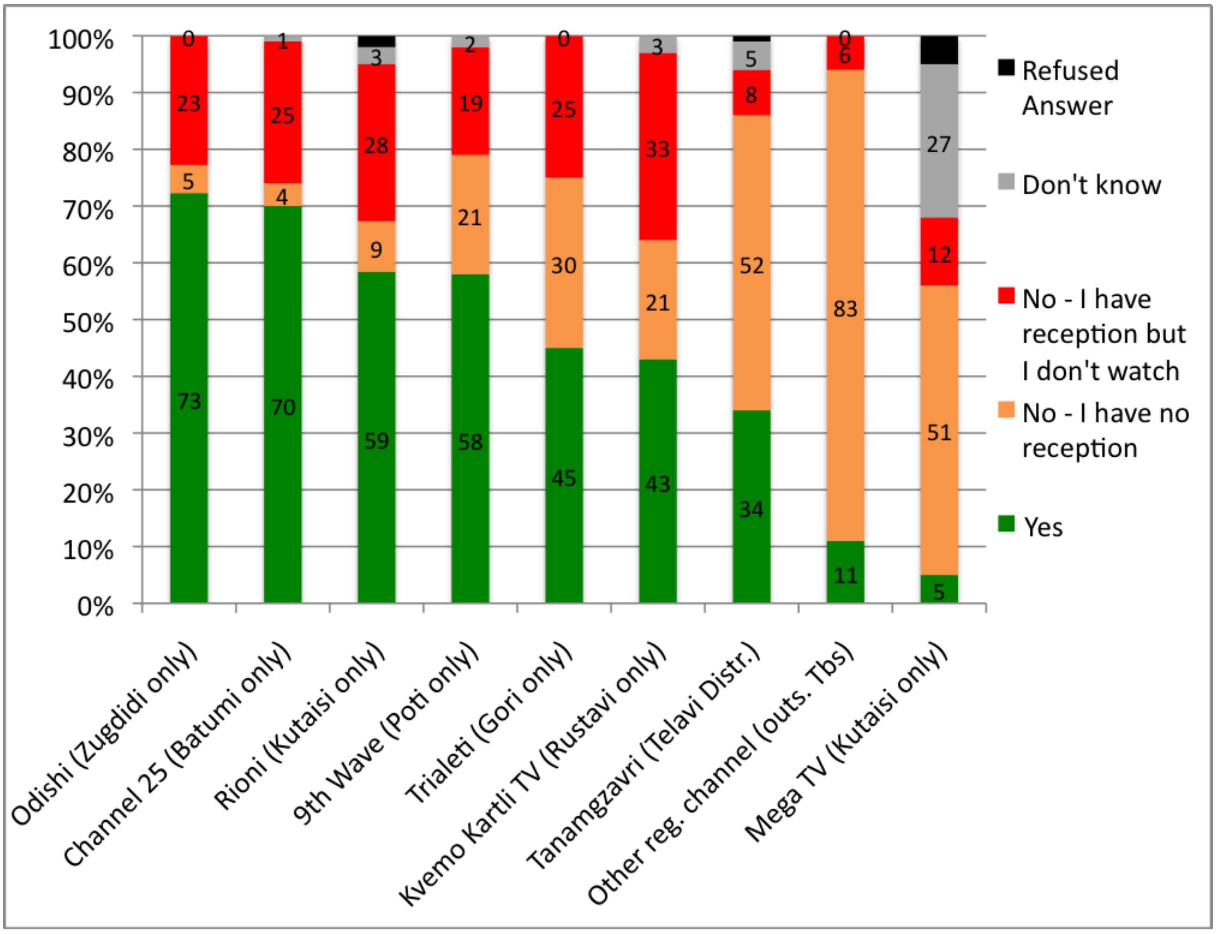


60% say they watch political shows on Channel 1 – a significant increase from spring 2011, when only 32% said they watched the news on the main channel of the Georgian Public Broadcaster (it is likely that the Euro football 2012 championship broadcast on Channel 1 in June has contributed to this increase in audience.)[15] Survey data also indicates that Maestro and Kavkasia have increased their news audiences in the past year. In Spring 2011, only 6% of respondents said they watched political coverage on Maestro, increasing to 19% in 2012; Kavkasia saw an increase from 9% (2011) to 19% (2012); while only 5% of respondents said they watched current affairs coverage on TV9 in 2012, with 74% saying they do not have reception of the station.[16]

[13] National Democratic Institute/CRRC: Public Attitudes in Georgia. Survey conducted in June 2012, sample: 6,299 interviews nationwide (margin of error +/- 2%), www.civil.ge/files/files/2012/NDI-June2012-Survey-ENG.pdf
[14] National Democratic Institute/CRRC: Public Attitudes in Georgia, June 2012.
[15] The question in the 2011 survey was slightly differently phrased than in the 2012 survey – in 2011, respondents who said they watch TV were asked: "On which TV channels do you most frequently watch the news or programs about politics and current events in Georgia?" CRRC Media Survey 2011, accessed via http://www.crrc.ge/oda.
[16] NDI/CRRC: Public Attitudes in Georgia 2012; CRRC 2011 media survey.

The NDI survey also highlights the role of some local channels, which are an important source of news in their cities and communities, including in Zugdidi, Batumi, Poti, Gori and Rustavi.[17]

Graphic: Do you watch coverage of Georgian politics and current events on the following local channels?[18]



Audience market shares

General audience market shares for the first six months of 2012 indicate that an increase in the number of Georgian TV channels has not cost Rustavi 2 and Imedi significant market shares. Together these two private national stations account for 60% of the Georgian TV audience market. This means 60 out of every 100 minutes Georgians watch TV, they are tuned to Imedi or Rustavi 2.[19]

Costs of content production and the operation of a TV station have decreased due to the digitalization of production processes, resulting in several new TV channels appearing on the Georgian market.

[17] Ibid.

[18] National Democratic Institute/CRRC: Public Attitudes in Georgia, June 2012.

[19] These audience shares are based on a representative sample of the urban population older than 18 years. Market shares for specific target audiences and peak times might significantly differ from these numbers. TI Georgia would like to thank TV MR Georgia, Nielsen Television Audience Measurement's local license holder, for providing this data. More information about the sample size and methodology is available on the company's website, http://agbnielsen.com/whereweare/georgia.asp.

In some cases, established players have launched niche entertainment channels targeting specific audiences, such as the gambling channel PlayTV (launched by Imedi's owners), the entertainment station Akhali Kanali (New Channel, a Rustavi 2 spin-off) or Maestro TV's Maestro Music. At the same time, several new players appeared, including Voice of Abkhazia TV, Ekni-Benki (a channel targeting children),[20] myvideo.ge TV (a spin-off of a popular video and streaming website), and News TV, a channel in which the owners of the daily newspaper *24 Hours* hold shares.[21]

Year	**2010**	**2011 (Jan-Sept)**	**2012 (Jan-June)**
Channel	Market share %	Market share %	Market share %
Rustavi 2	29.18%	28.88%	31.81%
Imedi	29.84%	31.56%	27.40%
Other use of TV	11.25%	10.14%	8.66%
GPB – Channel 1	5.53%	4.49%	5.79%
Sakartvelo	3.80%	4.27%	4.33%
Other Foreign	4.39%	5.57%	3.83%
Other Russian	2.62%	1.94%	2.90%
New Channel	-	-	2.68%
Region TV/GBP - PIK[22]	2.36%	2.57%	1.70%
Evrika (Ertsulovneba)[23]	2.08%	1.51%	1.46%
MZE	1.62%	1.34%	1.44%
Maestro	0.88%	1.28%	1.43%
Other Georgian	1.33%	1.67%	1.30%
Kavkasia	1.61%	1.12%	1.21%
GPB – Channel 2	0.50%	0.90%	1.17%
Enki-Benki	-	-	0.84%
Music Box	0.77%	0.57%	0.56%
Ajara TV	1.10%	1.07%	0.52%
I Stereo	0.84%	0.81%	0.42%
Real TV	0.30%	0.31%	0.29%
Voice of Abkhazia	-	-	0.12%
			Source: TV MR GE

Technical reach

The popularity of Rustavi 2 and Imedi can at least partly be explained by their technical ability to reach about 96% of all Georgian households. The taxpayer-funded Channel 1 only reaches about 82% of TV households. Only a quarter of respondents in a 2011

[20] Enki-Benki, which is included in Black Sea Sat's package, is owned by Iveria Inter Media LLC (ID: 205210902), which is owned by Lela Aslanikashvili (35%), Nona Chrgeilishvili (35%), Lili Kakhiani (20%) and Giorgi Ebralidze (10%).

[21] News.ge (ID: 404412248) was registered in June 2012 and is owned by Davit Sikharulidze (40%), Mamuka Monavardisashvili (15 %), the director of ITDC, an entity that does web design work, including for many government entities, and also operates the popular video and streaming website myvideo.ge, Giorgi Garsevanishvili (15%), Mamuka Phachuashvili (15%), a member of the Board of the Georgian Public Broadcaster and editor and co-owner of the daily *24 Saati* newspaper, and Paata Veshapidze (15%), another co-owner of *24 Saati*; Director: Mirian Kiknadze. Pach News.ge TV is carried by Black Sea Sat.

[22] Region TV took over PIK, the Georgian Public Broadcaster's Russian-language satellite news channel, in January 2012; Region TV itself went off the air in February, its audience market share in January was 2.51%; The share listed for PIK starts from February 2012.

[23] Ertsulovneba, a TV station of the Georgian Patriachate, uses the frequency originally allocated to Evrika.

survey said they could receive the public broadcaster's Channel 2, which provides live coverage of parliamentary debates and political parties' press conferences.[24]

Adjara TV, a state-controlled station operated by the regional government of the autonomous republic of Adjara, controls broadcasting frequencies that cover large parts of Georgia and allows the regional station to reach 55% of households with a TV set. The station received GEL 6.7 million of public funds in 2012 and continues to operate without a legal basis, as the Georgian Law on Broadcasting allows for a public broadcaster, but not a government-controlled TV station.[25] The law emphasizes that a "legal entity interdependent with, or controlled by, an administrative authority" must not hold a broadcasting license.[26] Amendments to the Law on Broadcasting made last year obliged the government to propose plans for the station's re-organization by November 1, 2011. However, this deadline passed without any government initiative to change the status quo.[27] If Adjara TV were reformed – for example, by integrating it into the GPB – at least some of the frequencies it currently occupies could be used by the public broadcaster to increase its reach. Other frequencies could be put up for a competitive tender for interested private stations.

Stations that provide a critical view of the government's activities suffer from their limited technical reach, as results of a 2011 CRRC survey indicate: 31% of respondents said they could receive Tbilisi-based Kavkasia TV which holds a terrestrial broadcasting frequency for Tbilisi, is included in several cable networks, and also became available in the package of Black Sea Sat in June 2012. Only 23% said they could receive Maestro TV, which does not hold a terrestrial broadcasting license and can only be received through a few cable operators and via satellite.[28] TV9, which does not hold a terrestrial broadcasting license and is not carried by any cable provider other than Global TV, is likely to reach only between 15% and 20% of all households, mostly via the Turksat satellite.

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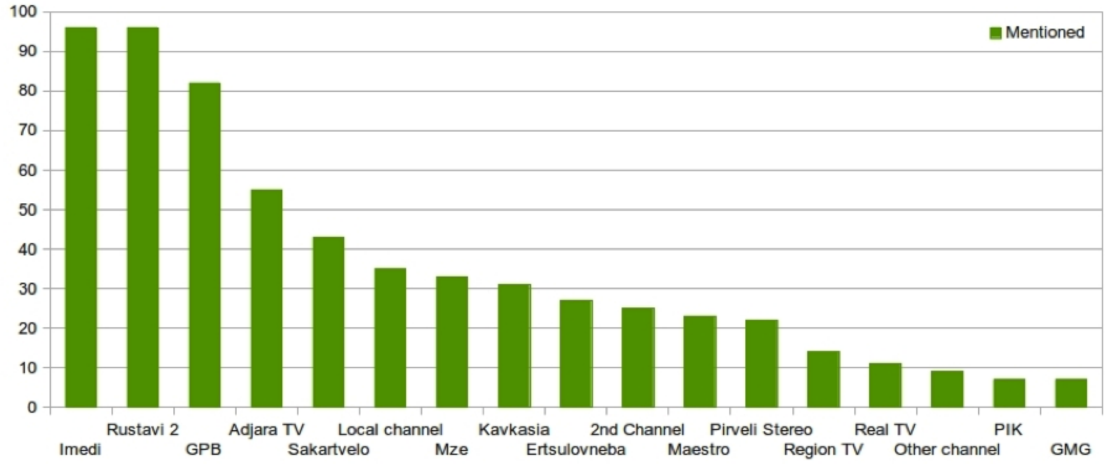
[24] CRRC Media Survey 2011, accessed through http://crrc.ge/oda.
[25] Adjara TV – the official name is Department of Adjarian AR Television and Radio Broadcasting – is part of the regional government in Batumi. Funding in 2011 was GEL 5.808 million, and GEL 6.142 million in 2010, according to the autonomous republic's budget, https://matsne.gov.ge/index.php?option=com_ldmssearch&view=docView&id=1532899#.
[26] Georgian Law on Broadcasting, Article 37 (2), http://www.gncc.ge/files/7050_3380_492233_mauwyebloba-eng.pdf (please note that this English translation does not contain amendments made in 2011). Amendments to the Law on Broadcasting from December 2005 required the government to "elaborate proposals for the re-organization" of Adjara TV by the end of 2006. But this date passed without any such proposal being put forward. When the Law on Broadcasting was amended most recently in April 2011, again a deadline for the re-organization was included in the law.
[27] Georgian Law on Broadcasting, Article 76 (19).
[28] The Caucasus Research Resource Centers: Media Survey 2011. Retrieved through ODA - http://www.crrc.ge/oda/.

Graphic: Percentage of owners of a TV set who said they can receive the following channels (2011)



About 92% of Georgian households in urban areas and 83% in rural areas own a color TV set.[29] Especially in rural areas, a significant number of households continue to watch TV in black/white. Only about 2% of households do not have a TV set.[30]

Around half of Georgian households receive their television signal through an antenna, limiting them to watch only stations that have a terrestrial broadcast frequency in the respective area – in mountainous regions, reception is often a problem. In rural areas, satellite dishes are becoming more popular, while many households in cities are connected to cable networks.

In 2011, about 17% of households had their TV set connected to a satellite dish (7% of Tbilisi and 22% of non-Tbilisi households).[31] It is likely that in recent months satellite penetration has increased across the country due to the launch of two Georgian pay-tv satellite providers earlier this year and the distribution of satellite dishes and receivers by Global TV.

About 43% of households get their TV signal from a cable network or a satellite (59% of Tbilisi households, 36% of non-Tbilisi households).[32] Vasil Mghebrishvili of Black Sea Sat estimates that some 300,000 households in Georgia own a satellite dish;[33] Zurab Bazlidze, Global TV's Director for Marketing and Development, estimates that before his company started to distribute dishes earlier this year, between 150,000 and 170,000 households had dishes.[34]

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[29] CRRC Caucasus Barometer – Georgia 2011, http://www.crrc.ge/oda/?dataset=16&row=223&column=1.

[30] 17% of households own two TV sets, 5% of households own three or more TVs. Only Georgian speakers were interviewed for the media survey. It is possible that TV penetration in minority language communities is lower than in the rest of the country. CRRC Media Survey 2011, http://www.crrc.ge/oda/?dataset=7&row=125%20.

[31] CRRC Media Survey 2011, http://www.crrc.ge/oda/?dataset=7&row=377&column=1.

[32] CRRC Media Survey 2011, http://www.crrc.ge/oda/?dataset=7&row=126, http://www.crrc.ge/oda/?dataset=7&row=126&column=1.

[33] TI Georgia interview with Vasil Mghebrishvili.

[34] TI Georgia with Kakha Bekauri.

Access for socially vulnerable people and the digital switchover

In March 2012, about 133,000 Georgian households received social assistance from the government.[35] Recipients of social assistance – families that live below the poverty line – are allegeable to own an old TV set and a computer.[36] Owning a modern TV and a satellite dish, items that are listed as 'luxury goods' by the Ministry of Labor, Health and Social Affairs, are likely to lead to a household's disqualification from receiving financial assistance.[37]

Georgia has committed to switch from analogue to digital terrestrial broadcasting by June 2015. Almost all TV sets will be able to work after the switchover to digital terrestrial television. However, most TVs (with the exception of new flat-screens that have a digital receiver included) will require a set-top box – an external receiver that processes the digital signal so that the TV can display it. Very old television sets that do not have so-called scart or s-video plugs will require a set top box with an integrated modulator that transforms the digital signal into an analogue one, which then goes through an antenna cable to the TV. Current online retail prices for basic set top boxes in Europe start at around EUR 25/USD 30/GEL 50.

In order to ensure that all socially vulnerable families will be able to have access to TV after the switchover, the government might be required to provide assistance for socially vulnerable families, i.e. by providing vouchers for subsidized set top boxes.

Before 'must-carry': Cable operators unresponsive to consumer demands

In the first quarter of 2012, Georgian cable operators had about 194,000 officially registered clients (households, companies and organizations), according to data provided to TI Georgia by the GNCC.[38] Most cable service customers are located in urban areas, with about 150,000 clients in Tbilisi (total population: 1.15 million)[39] and another 17,500 in the Black Sea region of Adjara and its capital Batumi.[40] A total of 70 cable operators are authorized to transmit television and radio signals to their clients, according to the GNCC. Many of these companies are located in smaller cities and serve less than 1,000 clients.[41]

In past years, numerous cable providers across the country have refrained from including Kavkasia and Maestro in their packages.[42] Maestro is still not included in the package of Silknet, the country's largest cable TV provider with 48,341 customers in

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[35] The Messenger: Social assistance methodology to be changed, 20 April 2012, http://www.messenger.com.ge/issues/2590_april_20_2012/2590_salome.html.

[36] Black Sea Press: Computer and vacuum cleaner not to be considered objects of Luxury from May 1, 30 April 2012.

[37] The Ministry of Labor, Health and Social Affairs uses a point system to determine the eligibility of a household to receive financial assistance. A senior official from the ministry told TI Georgia that a satellite dish is likely to lead to a disqualification.

[38] Georgia's population is 4.47 million. However, no current data about the number of Georgian households is available. The last census, carried out in 2002, put the number of households in Georgia at 1.18 million.

[39] Geostat: Georgia in Figures, p. 9, http://geostat.ge/cms/site_images/_files/mcg/Georgia%20in%20figures_Eng.pdf.

[40] TI Georgia transcribed the dataset provided by the GNCC in April 2012, including all authorized cable providers, their location and the number of their clients, and made it available online, http://goo.gl/hN2co.

[41] Ibid.

[42] Media.ge: Maestro TV vs providers, 20 July 2011, http://www.media.ge/en/node/41980.

early 2012.[43] When Maestro collected some 5,000 signatures, and around 200 people rallied in front of Silknet's headquarter in 2011, asking the provider to include Maestro TV in its package, the company stated that it would not respond to such outside pressure.[44] Similarly, TV9 is only offered by a single cable service provider – Global TV, owned by Ivanisvhili's brother.

While many cable providers have refused to include stations that provide current affairs coverage critical of the government, often referring to "technical problems", there is strong interest among potential customers to have access to these channels: Asked "Would you watch Kavkasia if it was accessible?" 50% of respondents in a 2011 CRRC poll said "yes". Asked about Maestro TV, 45% of respondents said they would be interested in watching the station if it was accessible.[45]

In an effort to address this apparent disconnect between consumer demands and supply, civil society representatives, united under the campaign This Affects You Too, advocated for the introduction of must-carry and must-offer rules into broadcasting regulations.[46] These principles require that service providers *must carry* certain TV channels with public value content (e.g. channels of the public broadcaster, local channels or channels with national news and current affairs programs) in their packages, while TV stations *must offer* their signal to service providers without discriminating against selected companies.[47]

Initially, high-level representatives of the ruling United National Movement party refused to discuss the introduction of must-carry and must-offer regulation, describing it as illegitimate government interference in private businesses.[48]

With concerns over citizens' access to pluralistic media ahead of the elections rising domestically, as well as among the international community, the Parliament agreed to allow for a temporary introduction of must-carry and must-offer rules ahead of elections.[49]

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[43] Data provided by the GNCC, see: http://goo.gl/hN2co.
[44] Media.ge: Silknet Refuses to Include Maestro TV into SILK TV Programming, 21 April, 2012, http://www.media.ge/en/content/silknet_refuses_to.
[45] 23% of respondents said no, 32% did not provide an answer to this question. CRRC Media Survey 2011, http://www.crrc.ge/oda/?dataset=7&row=293.
[46] Transparency International Georgia is a leading member of this campaign, which unites civil society organizations, activists and media outlets. Civil.ge: Campaign Group Calls on Parliament to Pass 'Must-Carry' Rules, 8 June 2012, http://www.civil.ge/eng/article.php?id=24864.
[47] In the EU, Article 43 of the EU Universal Service Directive allows member states to impose certain must-carry obligations, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32002L0022:EN:NOT. The Council of Europe has recommended countries to use must-carry and must-offer rules where appropriate in order to promote media pluralism and diversity of media content, https://wcd.coe.int/ViewDoc.jsp?id=1089699. For a discussion of must-carry and must-offer in the European context and the United States, see: Iris Special, European Audiovisual Observatory, Council of Europe (2005): To Have or not to Have – Must-carry Rules.
[48] Civil.ge: Ruling Party Says 'Must-Carry' Rules Unacceptable, 14 June 2012, http://www.civil.ge/eng/article.php?id=24890.
[49] Civil.ge: Draft Law on 'Must-Carry' Rules Initiated, 26 June 2012, http://www.civil.ge/eng/article.php?id=24922.

Introduction of 'must-carry' in pre-election period

The Georgian Parliament passed an amendment to the Election Code on June 29 introducing temporary must-carry obligations for cable TV providers during the pre-election period.[50] The new regulation requires cable TV providers to carry the channels of the Georgian Public Broadcaster (Channel 1, Channel 2, PIK), any Georgian channel that has a license for satellite broadcasting, and all TV channels that hold a general terrestrial broadcasting license in their service area.[51] Any local station that reaches more than 20% of the population is also granted nationwide must-carry status – this rule was introduced to give nationwide must-carry status to Kavkasia TV.

The official pre-election period in which this regulation will be in force starts with the official announcement of the election date by the President – at least 60 days before the elections – and ends the day before the elections.

The GNCC must inform broadcasters and cable operators on their must-carry/-offer obligations and publish a list of affected entities ahead of the pre-election period. Cable companies that do not implement must-carry rules shall be warned by the GNCC and then have three days to comply.

In cases of non-compliance and repeated violations, the GNCC can suspend a cable provider's authorization for one year. A cable provider or broadcaster may appeal any must-carry related decision by the GNCC within 48 hours after its announcement at the Tbilisi City Court, in line with the Administrative Offences Code (the law highlights that political parties cannot appeal). The Tbilisi City Court must rule on the dispute within two days. It's ruling may be appealed in the Tbilisi Appellate Court, which must issue a final ruling within two days.[52]

If implemented properly, the must-carry regulation will help to improve citizens' access to pluralistic current affairs reporting. It will also increase the technical reach of smaller TV stations, allowing them to compete with the major national channels for viewers, as well as for advertising revenues, on a more even playing field.

After the President's announcement that the parliamentary election will be held on October 1, must-carry and must-offer rules came into force on August 3.[53]

According to data released by the GNCC, as of August 6, all but a few hundred of Georgia's 190,000 cable TV customers were able to receive TV9; Maestro was accessible to 130,073 customers (Silknet, the country's largest cable provider, being the main provider not carrying Maestro, due to a dispute between the two companies);[54] Kavkasia

[50] More than three weeks after the adoption of must-carry, the final text of the amendment, as approved by Parliament in the 3rd reading and signed by the President, had not been made publicly available yet in the government's law database Matsne.gov.ge.

[51] Georgian broadcasting regulation distinguishes between a specialized license, allowing the holder to air entertainment content but no current affairs content, and a general license, permitting a broadcaster to air news and political talk shows.

[52] For a more detailed documentation of the debates in Parliament on the introduction of must-carry, please see TI Georgia's blog: http://transparency.ge/en/blog/must-carry-and-its-discussions-parliament-upd.

[53] Civil.ge: 'Must-Carry' Rules Go into Effect, 3 August 2012, http://civil.ge/eng/article.php?id=25069.

[54] Maestro's co-owner, Mamuka Ghlonti, first demanded an apology from Silknet for not including Maestro in its package in the past, before engaging in talks with Silknet. The companies also disagreed about which party would have to pay for a piece of equipment that would convert Maestro's signal into a format that

TV was accessible to 159,226 cable customers, indicating that several providers had not included the station at this point. 76,912 customers of cable TV packages were able to receive the Batumi-based Channel 25 (which has regional must-carry status).[55] Silknet also said that it would also include Trialeti TV and Channel 25 in its package.[56]

The increasing role of satellite TV

National TV channels have broadcast their non-encrypted (and thus freely accessible) signal via a satellite operated by the Turkish provider, Turksat, for several years.[57] Smaller channels, however, could not afford the costs for the uplink of their signal and the rent of a satellite slot. In recent months, however, the role of satellite transmission has started to increase after two Georgian pay-TV satellite providers launched their services.

MagtiSat

In January 2012, the Georgian mobile phone operator MagtiCom launched a subsidiary, MagtiSat, to offer the first Georgian pay-TV satellite packages, transmitted via Astra 1G, a satellite operated by the Luxemburg-based company SES.[58]

MagtiSat offers mostly international news, sports and entertainment channels in its packages (costing between GEL 10 and GEL 50 per month). The company has struggled to include Georgian TV channels in its packages though, Imedi, Rustavi 2 and other popular channels refused MagtiSat's offer to show their channels, arguing that they would exclusively work with a different provider, Black Sea Sat, which only launched half a year after MagtiSat. The only Georgian channels MagtiSat currently carries are Maestro TV and the GPB's Channel 1 and PIK, although the Georgian Public Broadcaster initially was reluctant to allow for the retransmission of its channels. MagtiSat has about 10,000 clients, according to David Lee, MagtiCom's CEO.[59]

No other Georgian TV channels have their signals transmitted via Astra 1G. As a result, customers who would like to watch Georgian channels not included in MagtiSat's package have to buy an additional satellite dish and receiver, buy a cable package, or receive channels available in their area via antenna.

As must-offer regulation came into force in the beginning of August, MagtiSat added Imedi, Rustavi, Channel 9, Channel 25 and Adjara TV to its package.[60]

The majority beneficiary shareholder of MagtiCom is its founder, Gia Jokhtaberidze (51%), son-in-law of former President Eduard Shevardnadze.[61] Former Magti managers

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would allow Silknet to make the channel available to all its costumers. Correspondence with Maestro and Silknet between August 4 and August 8, 2012.

[55] GNCC statement, http://gncc.ge/index.php?lang_id=GEO&sec_id=110&info_id=112849, August 7, 2012.

[56] Media.ge: SILK TV to Carry Channel 25 and Trialeti, 7 August 2012, www.media.ge/en/stories/silktvtocarrychannel25an.

[57] Turksat: http://www.turksat.com.tr/english/v2/satellite-fleet-and-specifications/turksat-3a-42-east.

[58] http://www.ses.com/4336667/about-ses.

[59] TI Georgia interview with David Lee, CEO of MagtiCom.

[60] MagtiSat: Several New Channels Added to Magtisat, 2 August 2012, http://magtisat.ge/index.php?page=news&id=67.

[61] A 2010 filing to the U.S. Securities and Exchange Commission and official documents on the bankruptcy of the Delaware company MIC.inc shed some light on the company structure of MagtiCom's, http://www.secinfo.com/dsvr4.r3J15.htm?Find=magticom#1stPage, http://google.brand.edgar-online.com/EFX_dll/EDGARpro.dll?FetchFilingHtmlSection1?SectionID=7438410-427456-

hold 3% of shares.[62] The family of the late oligarch Badri Patarkatsishvili holds the remaining shares through several entities and trusts.[63]

In April, the GNCC fined MagtiSat GEL 90,000 for misleading advertising (in particular, for failing to highlight that a channel in its package that shows English Premier League football games has a Russian language commentator).[64] Given the fairly low number of subscribers and the minor nature of the violation, this fine was remarkably high for Georgian standards. (In comparison: in 2011, the GNCC punished Imedi and Rustavi 2 with fines of GEL 2,500 each for systematically airing more advertising than they were allowed to.)

Black Sea Sat - Turksat

In June 2012 a new Georgian satellite pay TV provider, Black Sea Sat (BSS), launched its service, which had only been publicly announced a few weeks earlier. The company uses the satellite Turksat 2A/3A, controlled by a Turkish, state-owned satellite operator.[65] In its packages, which start at GEL 10 per month, BSS has included all major Georgian TV channels that provide current affairs coverage as well as a number of Georgian entertainment and pay-TV channels.[66]

The package includes Channel 1 and Channel 2 of the Georgian Public Broadcaster, stations supportive of or linked with the current government, including Rustavi 2, Imedi TV, Real TV and Abkhazetis Khma, as well as Maestro and Kavkasia, two stations that are critical of the government.[67] The channels in the package of BSS are encrypted and can only be watched by subscribers who have a receiver provided by the company.[68] Through the same satellite, Channel 1, Imedi TV, Rustavi 2, TV9, Maestro and Channel 25 relay non-encrypted signals that can be watched freely by anybody with a satellite dish and receiver (pointed towards the satellite), without having to pay a monthly subscription fee.

BSS compensates the pay-TV providers GMG for carrying its channels; other Georgian TV channels are included without money changing hands between BSS and the

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1521296&SessionID=9-UbHH_6_c4eiP7; http://www.secinfo.com/dsvr4.r3J15.d.htm#1stPage; http://delawarebankruptcy.foxrothschild.com/uploads/file/MIG%20Affidavit.pdf.

[62] Through Gemstone Management, Ltd., a British Virgin Islands company.

[63] TI Georgia interview with David Lee, CEO of MagtiCom.

[64] Media.ge: GNCC Fines Magtisat with GEL 90 Thousand, 11 April 2012, http://www.media.ge/en/stories/gncc_fines_magtisat_with.

[65] Website of Turksat, http://www.turksat.com.tr/english/v2/.

[66] Installation plus satellite dish and receiver costs 199 GEL.

[67] Black Sea Sat uses the satellite Turksat 2A/3A at 42° East and offers the following channels: Channel 1 (Georgian Public Broadcaster - GPB, also in HD), Rustavi 2, Imedi, Adjara TV (government-owned), Channel 2 (GBP), Ertsulovneba, Real TV, Mze, Maestro TV, Maestro Music, Enki Benki, Kavkasia, Dia TV, Sakartvelo, Akhali Arkhi (New Channel), Style TV Georgia, MyVideo TV, News TV, Abkhazetis Khrma (HD), and several channels of the pay-TV provider GMG, according to the satellite info site Flysat.com, http://www.flysat.com/turksat42.php; http://bssat.ge/.

[68] The encryption technology used by Black Sea Sat is called Trophy Access 2.0, provided by a Ukrainian company. The technology does not use smart card technology but requires the use of a receiver provided by Black Sea Sat to encrypt the signal. More data on the technical specifications of this technology is available on Trophy's website, http://www.trophy.com.ua/en/products/. According to its website, Trophy has a Georgian daughter company, Trophy-Caucasus LTD (ID: 202451015). Giorgi Abuashvili, a close friend of Mghebrishvili, is the sole owner of Trophy-Caucasus. The company's director is Giorgi Abunashvili, who was also the owner of LLC Mediacashen, a legal predecessor of Black Sea Sat. Abuashvili, a close relative of Mghebrishvili, currently holds 10% of shares in Black Sea Sat.

respective TV station, according to Vasil Mghebrishvili, the company's Technical Director. The production, conversion and satellite uplink of all signals is done locally by BSS.[69]

BSS, formerly registered under the name Mediacation, was founded in March 2011. Its director, Mamuka Tskitishvili, owns 5% of shares.[70] Black Sea Group LLC has a controlling position in the company, with 70% of shares. Black Sea Group and its sister-company Black Sea Road are construction companies involved in several major government road construction projects, owned by Giorgi Kalandadze and Amiran Mamuchadze.[71]

Media reports have alleged that Black Sea Group is affiliated with Givi Targamadze, a ruling party Member of Parliament and Chairman of the Security and Defense Committee. BBS-Director Tskitishvili has rejected these reports as not true.[72] Vasil Mghebrishvili, Black Sea Sat's Technical Director, says that there is no link between his company and the ruling United National Movement party. "I have never seen Givi Targamadze on the property of this company," Mghebrishvili told TI Georgia. "The activities of Black Sea Sat are not related to any political party, we are simply a business with a positive future."[73] He did not specify the number of customers the company signed up in the first few weeks of operation – before it had launched its full website and an advertising campaign.

Mghebrishvili says the company has rented a transponder on Turksat for ten years and has invested several million US Dollars. Speaking to TI Georgia, he also hinted that Black Sea Sat had an exclusive contractual relationship with many of the Georgian channels in its package, without providing much detail on the terms and conditions of these contracts. "The rent for the transponder is very expensive. We cannot afford the risk that one day, a TV station decides to move to another satellite, putting our investment at risk", Mghebrishvili says.[74] Later, Mghebrishvili clarified that BSS had not asked national broadcasters to cancel any cooperation with other service providers.

Mghebrishvili told TI Georgia that he was happy to see an increase in satellite dishes across Georgia, distributed by Global TV (see chapter below). "These dishes are an asset for us. In the future, we can provide these people with our receivers and they can use their dishes to watch Black Sea Sat."

Several Georgian TV executives told TI Georgia about talks over BSS becoming the exclusive Georgian representative of Turksat, meaning that all channels wanting to relay their signal via a Turksat satellite would have to negotiate the terms and conditions with BSS. Mghebrishvili confirms that Turksat was interested in working exclusively with his company and to include all Georgian channels currently on their satellite into the BSS

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[69] TI Georgia interview with Vasil Mghebrishvili, June 2012.
[70] Black Sea Sat (ID: 417875115) extract from the Public Registry, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=322981&app_id=370750.
[71] Black Sea Group (ID: 204477734) is owned by Giorgi Kalandadze (25%) and Black Sea Road (75%); Black Sea Road (ID: 204472061) is owned by Giorgi Kalandadze (50%) and Amiran Mamuchadze (50%).
[72] Media.ge: Black Sea Sat to Launch Broadcasts in May, 11 April 2012, http://www.media.ge/en/stories/blackseasattolaunchbroa0.
[73] http://www.media.ge/en/stories/black_sea_sat_to_launch_.
[74] TI Georgia interviews with Vasil Mghebrishvili, Technical Director of Black Sea Sat, July 2 and 9, 2012.

package. BBS' Technical Director says that TV stations would be able to get better conditions by working with BSS rather than negotiating with Turksat directly. He also speculates that once BSS has gained significant momentum and has a large number of consumers, the unencrypted signals of Georgian stations, for which each channel has to pay, may disappear.

Both, Maestro TV and TV9, have so far rejected the idea of working exclusively with BSS. Mamuka Glonti, a co-founder and shareholder of Maestro, says that he does not want to fully depend on BSS for access to satellite transmissions and thus only has a non-exclusive agreement with the satellite provider. At the same time, by cooperating with BSS, his station is able to get better terms and conditions than by directly negotiating with Turksat, Glonti told TI Georgia. Maestro is also the only private Georgian channel available on Turksat (encrypted and non-encrypted) and in the package of MagtiSat. Kavkasia says it signed an exclusive agreement with BSS, as it has to rely on the company's infrastructure for the satellite uplink.[75] As must-offer regulation went into force, BSS also included TV9 into its package.

Global TV

From the point of view of consumers, Global TV (official name: Global Contact Consulting) works like other satellite or cable providers. To reach customers with its package of TV channels, rather than using a cable network or a satellite in orbit, the company relies on a technology called Microwave Integrated Television Radio and Information System (MITRIS) and broadcasts a terrestrial microwave signal from television towers across Eastern Georgia.[76]

Global TV's package includes the three channels of the public broadcaster, Maestro, Kavkasia, Real TV and Abkhasetis Khma, Adjara TV, Channel 25 and the pay-TV package GMG, in addition to international channels. Global TV can be received in and around Tbilisi, Rustavi, Mtskheta and large parts of the Kakheti region. Subscribers need a satellite dish and a decoder box (provided by the same company as those for Black Sea Sat consumers) to watch Global TV's channels.

The company is of strategic importance to TV9, as it is the only major service operator that makes the opposition channel available to its customers. Furthermore, Global TV appears to be an important service provider to smaller channels that do not have a terrestrial license, such as Maestro, Real TV and Abkhazetis Khma, as its system allows these stations to transport their signal into regions of Western Georgia, where cable providers can then feed the signal into their cable systems.

The majority shareholder of Global TV, which launched operations in 2006, is Aleksandre Ivanishvili, brother of Bidzina Ivanishvili, who owns 66.8% of shares. Minority shareholders are Alexandre Ronzhes (a U.S. citizen who holds 17.2%), Olga Svanidze (10%), David Kapanadze and Davit Svelidze (3% each).[77] Global TV says it

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[75] TI Georgia interview with Maestro shareholder Mamuka Glonti, June 2012.

[76] For an in-depth description of the technology, see this patent documentation: http://www.wipo.int/patentscope/search/en/WO2003088523; Global TV says the technology allows for households to receive a signal in the DVB-S standard within a radius of 30 to 60 kilometers of a transmitter mounted on a TV tower or based on a mountain.

[77] Georgian Public Registry, extract for Global Contact Consulting, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=400768&app_id=465119.

holds 10-year licenses for microwave transmission and for retransmission of broadcasting signals as a cable provider through cable networks. According to GNCC data, Global TV had about 15,000 clients in 2011.

Zurab Bazlidze, Global TV's Director for Marketing and Development, told TI Georgia in late June that his company had imported some 107,000 satellite dishes to Georgia, with more than 25,000 of them being installed across the country; in addition, the company also had a core clientele of about 14,000 to 15,000 paying customers, with subscription fees starting at GEL 12 per month.[78]

In spring, Global TV started to offer new customers a ten-year contract, with free hardware and installation, as well as one year of free service. From year two, customers have to pay a fee of GEL 4/month. (Over the 10-year period, customers commit to paying a total of GEL 432.)

The company does not operate a system of microwave transmitters in Western Georgia. Global TV representatives told TI Georgia that they have not been able to extend their infrastructure because of alleged sabotage and problems with finding locations to install transmitters.[79] In these areas, Global TV has provided satellite dishes to interested customers, as well as assistance in setting up the dishes to receive freely available stations via Turksat. Global TV representatives have also alleged that in some regions, potential clients were informally advised or warned by individuals linked to local government bodies to refrain from obtaining satellite dishes.[80]

Furthermore, the company has alleged that when trying to import technical equipment, including receivers, to Georgia, much of its equipment was destroyed while sitting in the port awaiting customs clearance. This alleged sabotage resulted in damages of more than USD 100,000, according to company executives.[81] Similarly, TV9 has said that its equipment was damaged while waiting for customs clearance – allegations that were strongly rejected by the government.[82]

Bazlidze recognizes that BSS is a major competitor for Global TV and that if channels such as Maestro TV would stop paying for a non-encrypted signal on Turksat and instead work with BSS, Global TV could lose many of its customers who watch these un-encrypted channels.

In April, the GNCC warned Global TV over alleged copyrights violations, stating that the company had not presented the regulator with sufficient documentation that it had all the necessary rights to some of the channels it was transmitting. Global TV claims that it has provided the GNCC with all the required contracts, but that the regulator demanded to see evidence that foreign channels hold the rights to some of the content they were

[78] Global TV says the value of the equipment installed per household is around GEL 110. TI Georgia interviews with Zurab Bazlidze, April and June 2012.
[79] TI Georgia interviews with Zurab Bazlidze, http://www.media.ge/en/stories/global_tv_attempting.
[80] TI Georgia interviews with Zurab Bazlidze, http://www.media.ge/en/stories/global_tv_attempting.
[81] TI Georgia interviews with Zurab Bazlidze.
[82] Civil.ge: Authorities Say Ivanishvili's Satellite Van Damage Allegation 'Unacceptable', 15 February 2012, http://www.civil.ge/eng/article.php?id=24450.

showing, which Global TV says is impossible to provide as its agreements with foreign channels are conducted through intermediaries.[83]

On June 14, Alexander Ronzhes, a citizen of the United States who holds 17.2% of shares in Global TV, was questioned for more than five hours at the Tbilisi airport when trying to leave the country in a money laundering investigation over a real estate deal.[84] The Ministry of Finances Investigation Service said that Ronzhes had received more than twice the market price when he sold property for GEL 3.2 million. The authorities said they launched the investigation after Ronzhes had withdrawn large amounts of cash from his bank account.[85]

Imedi, Rustavi 2 vs. Global TV

Rustavi 2, Imedi, Mze, the New Channel and Sakartvleo withdrew their permissions for Global TV to re-broadcast their signals in March and threatened legal action if their channels were not taken out of the company's package – a move that appeared to be driven by political, rather than economic motivations, given Global TV's strategic position and the highly politicized environment.[86]

Global TV removed Rustavi 2, Imedi, and the other channels from its package. (It added these channels again as must-offer regulations came into force in early August). The company says that only a few households canceled their subscriptions after Rustavi 2 and Imedi revoked their signal, but that numerous government agencies and ministries have cancelled their contracts. In May, Global TV was blacklisted from public procurement after Rustavi City Hall reported that the company was no longer able to provide the full cable package service it had promised.[87]

Global TV reacted by selling customers antennas that plug into their set-top box and allow clients to receive Imedi and Rustavi 2's terrestrial signal. Using the satellite dishes and receivers Global TV has distributed to its clients, households can still receive non-encrypted channels via Turksat – stations, including Imedi and Rustavi 2, that can be freely received by any owner of a satellite dish that is pointed towards this satellite.

Rustavi 2 and Imedi filed separate requests to the Tbilisi city court (on May 4 and May 8, 2012), asking the court to order Global TV to stop transmitting their signals by any means. In response to the request of Rustavi 2, the court issued a provisional remedy – a temporary action that can be taken without a court hearing: "In order to fulfill the request of Rustavi 2, Global Consulting is prohibited to retransmit in any form the TV channel Rustavi 2 to its customers through signals received by antennas installed by

[83] Media.ge: Georgian National Communications Commission warns Global-TV for unlawful Transit of Certain Channels, 4 April 2012, http://www.media.ge/en/stories/georgian_national_commun; TI Georgia interview with Global TV representatives.

[84] Civil.ge: Global TV's American Co-Owner Questioned, 15 June 2012, http://civil.ge/eng/article.php?id=24891.

[85] Ministry of Finance, Investigation Service: Statement on the questioning of Mr. Alexander Ronzhes by the Investigation Unit of the Ministry of Finance of Georgia, accessed July 15, http://is.ge/en/en/News/2174.

[86] Media.ge: Global TV Accuses Government in putting Pressure, 5 April 2012, http://www.media.ge/en/stories/global_tv_accuses_govern; TI Georgia interview with Global TV's representatives.

[87] Georgian Competition and State Procurement Agency, http://procurement.gov.ge/index.php?lang_id=GEO&sec_id=14&info_id=801.

them as well as through their receivers."[88] This order, written by judge Soso Ghurtskaja, who also considered Imedi's request, has not been enforced yet, but its language could also be applied to any receivers distributed by Global TV, even though this equipment only allows households to receive freely available signals that are outside the company's control.

Global TV and the bribing of voters

On June 6, the Financial Monitoring Service of the Chamber of Control (recently renamed the State Audit Office – SAO), charged with monitoring compliance with party financing regulations, found that Global TV was used by Bidzina Ivanishvili's Georgian Dream opposition coalition "for its political and electoral goals" through the "mass distribution of tens of thousands of satellite antennas to voters free of charge."

Part of the evidence referred to in the SAO judgment were images showing employees of Global TV wearing Georgian Dream T-shirts when distributing and installing satellite dishes. The State Audit Office also provided testimonies of several people who said that Global TV staff had told them that their satellite dishes were a gift from Bidzina Ivanishvili. The SAO concluded that there was clear evidence that the satellite dishes had been distributed and installed in order to influence voters and that Bidzina Ivanishvili was the de-facto owner of Global TV, using it and several other companies to circumvent limitations on party financing rules.[89] The SAO also argued that Global TV's activities – such as offering customers a ten-year subscription deal for GEL 4 per month, with the first year for free – were not simply a poorly designed business plan.

On June 11, the Tbilisi City Court recognized Ivanishvili as the beneficiary owner of Global TV, saying that a loan from Ivanishvili's Cartu Bank to his brother Aleksandre, Global TV's majority shareholder, was used to fund Global TV's campaign to distribute satellite dishes, allowing recipients to receive a number of channels, including TV9.[90]

The court supported the arguments provided by the SAO and did not consider any petitions made by the defendant, including requests to allow a Global TV representative to elaborate on the company's business plan and to hear the SAO's representative who had analyzed the company's business model. The court, in line with the SAO's recommendation, established that Ivanishvili had made an illegal contribution to his campaign through Global TV's installation of satellite dishes and put the value of this violation at GEL 12,622,019 (calculating costs for equipment, installation and logistics). As a result of this violation, Ivanishvili was fined ten times the amount of the violation, GEL 126,220,190.[91]

In a letter dated June 12, the State Audit Office asked Global TV to "(…) stop installing technical equipment and providing services under currently offered conditions from today; conduct your activities in line with market prices and business interests of your

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[88] Court order by the Tbilisi City Court.

[89] State Audit Agency: Announcement of the Financial Monitoring Service, June 6, 2012, http://www.control.ge/eng/news/id/245.

[90] At this point, Ivanishvili was listed as the beneficiary owner of Cartu Bank in documents released by the National Bank of Georgia. Ivanishvili says he has since sold to close affiliates, and which was put up for auction by the government in order to pay for fines imposed on him. Civil.ge: Ivanishvili's seized assets put on auction, 2 July 2012, http://www.civil.ge/eng/article.php?id=24956.

[91] In line with Article 34_2 (2,9) of the Georgian Law on Political Unions.

company in order not to violate rules defined by the Georgian organic law on Political Unions."[92]

The Tbilisi Appeals Court considered an appeal by Ivanishvili's lawyers. An expert from the National Forensics Bureau, a legally independent government agency, provided expertise in the hearing, stating that Global TV's satellite offers were not profit-oriented and thus not legitimate. The Appeals Court also did not accept any petition of Ivanishvili's lawyers, but on June 15 ruled to reduce the first-instance fine by 50% to GEL 63,110,095.

Seizing of Global TV dishes

In the afternoon of June 21, authorities moved to seize at least 70,000 satellite dishes, receivers, and other equipment from a Tbilisi warehouse and several properties used by Global TV to store equipment in the regions.[93] In a press release, the Prosecutor's office accused Global TV of distributing satellite dishes "free of charge" in various regions of Georgia, stating that despite the request from the SAO Global TV had continued to do so. "To prevent further commission of the crime", the Prosecutor's office said it had moved to seize the dishes.[94]

The action was approved by the Tbilisi City Court, which agreed that Global TV had bribed voters with the dishes it distributed to clients. The Court also argued that there was a possibility that the technical equipment of Global TV was to be used to commit a crime – bribing voters – and because of that, the equipment had to be seized.[95]

Questions remain about the legal justification for the seizure: Article 151(1) of the Georgian Criminal Procedures Code allows for property of a person charged with a criminal offence (or of a person responsible for his/her actions and/or of a related person) to be seized. This provision is applicable if a person is charged with a crime and the penalty of that crime includes the seizure of property.

Article 164(1) of the Criminal Code makes bribing of the electorate a criminal offence, but does not include the seizure of property as a possible sanction. In addition, the property of Global TV was seized without anyone being charged with a criminal offence. Therefore, paragraph 1 of Article 151 is not applicable to this case.

Deriving from the argument of the court order, it can be concluded that the court used Article 151(2) of the Criminal Procedures Code when seizing the property. Article 151(2) allows for the seizure of property if there is enough evidence that it will be used to commit an especially severe crime, punished with a minimum of ten years of imprisonment. However, according to the Article 164[1] of the Criminal Code, vote buying is punished by a maximum of three years in prison, which makes it a less severe crime. Thus, Article 151 (2) cannot justify the seizure in this case.

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[92] State Audit Office: Letter 1126/57 to Global TV, June 12, 2012.

[93] There have been different reports about the number of dishes and receivers seized, with some reports mentioning more than 100,000 packages. Civil.ge: Global TV's Satellite Dish Antennas Seized Civil Georgia, 21 June 2012, http://civil.ge/eng/article.php?id=24908.

[94] Statement of the Office of Chief Prosecutor of Georgia, 21 June 2012, http://justice.gov.ge/index.php?lang_id=ENG&sec_id=23&info_id=4509.

[95] Order of the Tbilisi City Court from June 21, 2012, allowing for the seizure of Global TV's satellite dishes, http://transparency.ge/sites/default/files/post_attachments/ganchineba%2021-06-2012.pdf.

Article 151(3) allows for the seizure of property that has been used in corruption cases. However this provision is only applicable if the property has already been used in a corruption case and does not provide a legal basis to seize property in order to prevent a possible future incident of corruption.

Maestro TV dishes seized

In early July, Maestro TV announced that it was planning to distribute satellite dishes to households for a “symbolic amount – a very small fee” in order to increase its technical reach. Ilya Kikabidze, the company’s director, told media.ge that receivers and dishes would be offered to all residents in the regions as part of a promotional campaign, with the purchase of equipment being subsidized by the outlet’s owners.[96]

On July 11, the authorities seized up to 10,000 satellite dishes that Maestro TV had imported – before the station had started the distribution process. The prosecutor’s office, acting with approval from the Tbilisi City Court, stated that Maestro had imported the dishes under “instructions of Elita Burji Ltd – a company associated to Georgian Dream Coalition.”[97] On July 16 and July 22, more shipments with thousands of satellite antennas were seized.[98]

In a press release, the prosecutor’s office said: “The investigation has sufficient evidence to believe that the antennas will be distributed in accordance to the scheme of vote-buying previously used by Global Contact Consulting Ltd another company associated with Georgian Dream Coalition.”[99]

Bacho Kikabidze, Maestro TV’s general director, denied any links of his company to Ivanishvili-affiliated companies or the Georgian Dream coalition, and called the prosecutor’s allegations “absurd”.[100] In a statement, Maestro also highlighted that it had no electoral ambitions and was not participating in any political campaign.

Civil society groups, including TI Georgia, GYLA and the This Affects You Too coalition, voiced concerns over the legal justification for the seizure and asked the government to present evidence to substantiate allegations that Maestro TV was acting on behalf of the opposition and seeking to buy votes.[101]

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[96] Media.ge: Maestro starts the installation of satellite antennas in a week, July 3, 2012, http://www.media.ge/en/stories/maestrostartstheinstall.

[97] Statement of the Prosecutor's Office, 11 July 2012, http://justice.gov.ge/index.php?lang_id=ENG&sec_id=23&info_id=4557.

[98] Media.ge: „მაესტროს“ კიდევ 8 ათასი ანტენა დააყადაღეს, 17 July 2012, http://www.media.ge/stories/maestroskidev8atasianten; Civil.ge: More Satellite Dishes, Imported by Maestro TV, Impounded, 24 July, www.civil.ge/eng/article.php?id=25037.

[99] Statement of the Prosecutor's Office, 11 July 2012, http://justice.gov.ge/index.php?lang_id=ENG&sec_id=23&info_id=4557.

[100] Civil.ge: Maestro TV's Satellite Dishes Targeted in Vote-Buying Probe, 11 July 2012, http://www.civil.ge/eng/article.php?id=24992.

[101] Transparency International Georgia, Georgian Young Lawyers’ Association: GYLA, TI Georgia urge authorities to handle Maestro satellite dish seizure in transparent manner, 11 July 2012, http://transparency.ge/en/post/press-release/gyla-ti-georgia-urge-authoritie; This Affects You Too campaign challenges the decision to seize satellite dishes belonging to Maestro TV Company, 13 July 2012, http://transparency.ge/en/post/general-announcement/this-affects-you-too-statement-maestro.

Dunja Mijatović, the OSCE Representative on Freedom of the Media, said she hoped the court's decision to seize the antennas imported by Maestro TV would not negatively impact the right of its viewers to freely receive information.[102]

Disputes over 1 Stereo and Stereo+

In spring, another strategically placed company, Stereo+, was affected by an ownership dispute over a related company.

Stereo+ is a company that provides technical services including signal uplinks and point-to-point transmission, maintenance of technical equipment, and training to Georgian broadcasters. David Zilpimiani, the company's founder, director and majority shareholder (68%) says that no other company in Georgia offers similar services and has the same expertise. Most Georgian broadcasters have been Stereo+'s clients for years, according to Zilpimiani.[103] He also says because of its in-house technical expertise, Stereo+ was well-positioned to assist broadcasters in the switchover to digital terrestrial broadcasting.

In May, Zilpimiani was replaced as a director of 1Stereo, a music channel he had founded and remains a minority shareholder of, by Vasil Kobaidze (who holds 65% of shares), and was then denied access to the premises.[104] Zilpimiani refers to Kobaidze as a brother-in-law of David Bezhuashvili, a Member of Parliament for the ruling United National Movement party, and brother of Gela Bezhuashvili, the head of Georgia's foreign intelligence service. The Bezhuashvili family had held shares in 1Stereo (as well as in Mze and Rustavi 2) through the Georgian Industrial Group (via Chemexim International LTD, a Marshal Islands shell company) until late December, when the introduction of media ownership transparency regulation required a re-registration of the ownership.

Although 1Stereo was not directly connected with Stereo+, Kobaidze had a lien put on the assets of Stereo+ and the company's broadcasting licenses were frozen.[105] The Georgian Public Registry accepted the requests to seize these assets on Saturday, May 19, between 19:18 and 19:26, according to public records.[106] Employees of the Public Registry told TI Georgia that the agency usually does not process applications, including for the seizure of property, on weekends.

In June, Stereo+ was also blacklisted from public procurement on the request of Adjara TV, which claimed that Studio+ had failed to comply with its contractual obligations.[107]

Zilpimiani told TI Georgia that problems with his partners in 1Stereo started after he had transferred some shares in Stereo+ to his son, an Italian citizen, and the company

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[102] Organization for Security and Cooperation in Europe (OSCE): Press Release – OSCE media freedom representative concerned by repeated violence, intimidation against journalists in Georgia, 16 July 2012, http://www.osce.org/fom/92206.

[103] TI Georgia interview with David Zilpimiani, May 2012. Company Registry Extract of Stereo+, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=421241&app_id=491690.

[104] TI Georgia interviews with David Zilpimiani, May and June 2012.

[105] The technical reference of these licenses: F13, F37, F77, F84, F86.

[106] Registered liens are publicly accessible at https://naprlmr.reestri.gov.ge/#st_intro, (Stereo+, ID: 204986408).

[107] Georgian Competition and State Procurement Agency, June 22, 2012, http://procurement.gov.ge/index.php?lang_id=GEO&sec_id=14&info_id=834.

signed a service contract with TV9 to repair equipment that TV9 says was damaged and destroyed while waiting for customs clearance.

"I am a businessman, I am not involved in politics", Zilpimiani told TI Georgia a few days after he was replaced as director of 1Stereo, which he said was done without the consultation of other shareholders. "They (the majority shareholder and his alleged political backers) were worried that I would sell Stereo+ to Ivanishvili – but I don't want to sell that company, I want my son to run this family business."

In early June, TV9 became temporarily available to households in Tbilisi via antenna. Stereo+, the company responsible for the transmission of the signal, claimed it was doing nothing illegal and just offered TV9 a point-to-point transmission service it had provided to other TV stations before.[108] On June 7, Stereo+ was warned and fined with GEL 5,000 by the GNCC for transmitting the signal of TV9, which does not hold a terrestrial broadcasting license, in a way that allowed households in Tbilisi to receive the channel via antenna. The GNCC stated that Stereo+ was misusing its frequency spectrum license (NF13), stating that this license had been allocated only for mobile or fixed radio link services, not for free to air broadcasting.[109]

A TV9 contractor under scrutiny

Valeri Odikadze is a cameraman and filmmaker who co-produced the documentary Power Trip and recently worked with the BBC.[110] He serves as the director of Videoscope, a business that sells and rents video equipment, and has several ongoing contracts with TV9 to provide the channel with video production equipment, cameras, and consulting services.[111] Videoscope has also provided services to the Georgian Dream coalition, including the production of live TV feeds of political rallies in Kutaisi, Ozurgeti and other towns.

In June, the Revenue Service launched a 2-phase tax audit of Videoscope. Odikadze says it is the first tax inspection since he started the business in 2005. After tax officials concluded an inventory of the company, he says he was fined GEL 120,000 over allegedly unpaid taxes, although, as he claims, the company had made advance tax payments of GEL 70,000 at the time the audit started. Odikadze says while there might have been minor problems, the high fines were unjustified. As this report went to print, the final results of the audit had not been communicated to Videoscope yet.

Odikadze alleges that the audit of his company is politically motivated and says his company was "punished" for working with TV9. "When talking to some of the tax inspectors, I realized that they have an especially strong interest in the invoices and contracts from TV9 and that it was important for them to understand the overall picture

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108 Media.ge: Ninth Channel Available at Metric Frequency, 5 June 2012, http://www.media.ge/en/stories/ninthchannelavailableatm.

109 Georgian National Communications Commission: Stereo + was imposed sanction, 7 June 2012, http://www.gncc.ge/index.php?lang_id=ENG&sec_id=110&info_id=112609.

110 See: http://powertripthemovie.com/bios.html. He worked as a camera man and equipment provider for the recent BBC documentary "Putin, Russia and the West".

111 Videoscope is owned by two Russian citizens, Yuri Gubakini and Valeri Smirnov. Extract from the Georgian Public Registry, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=418293&app_id=488605; Videoscope.ge, http://www.videoscope.ge/portal/alias__Videoscope/lang__ka-GE/tabid__2762/default.aspx.

of the station's technical capacities. I also sensed their frustration when they talked to their bosses – it seemed like they expected a much larger operation or some direct [political] financing," Okidadze told TI Georgia. "I am worried that more fines will be imposed on us and that our business will be shut down."[112]

The Ministry of Finance says that the audit of Videoscope was based on a risk assessment the Revenue Service had conducted, in line with an audit plan that had been approved in the beginning of 2012. The Ministry confirmed that as a result of the inventory, Videoscope was fined (without disclosing the amount of the fine).[113]

Robbery of investigative journalists' equipment

Unknown thieves broke into the office of Studio Monitor, the country's leading group of investigative TV reporters, on the night from July 21 to July 22. Most of the reporters' equipment was stolen from the centrally located Tbilisi office, including two cameras, tripods, several laptops and two editing terminals. The thugs also took a small camera that was hidden in a worn handbag, while leaving behind two expensive new Mac computer terminals.[114]

According to Nino Zuriashvili, Studio Monitor's director, she and her reporters lost extensive research material, video footage and documentation. Zuriashvili says police searched the crime scene for clues.[115] An investigation is ongoing.[116]

Given the extraordinarily low crime rate in Georgia and the current highly politicized environment, this crime is widely perceived as a targeted action to undermine and temporarily stop the work of investigative journalists. Georgian civil society organizations have called on the authorities to properly investigate and solve this crime.

In its reports, Studio Monitor has uncovered corruption cases and business scandals, has highlighted socio-economic problems and injustice, and has investigated the misconduct of companies and the business activities of current and former high-level officials and their networks. Maestro TV is the only station that airs the reports of Studio Monitor, which are funded by international donors.

Television ownership transparency

Changes in the Law on Broadcasting that came into force in the beginning of 2012 banned off-shore ownership and required the disclosure of beneficiary owners of broadcasting license holders.

In practice, changes to the law have resulted in a significant improvement of television ownership transparency. All broadcasters by and large comply with the disclosure requirements and the Georgian National Communications Commission pro-actively publishes scanned disclosure forms that include the beneficiary shareholders of a license holder on its website.[117]

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[112] TI Georgia interview with Valeri Odikadze.
[113] E-mail response provided to TI Georgia by the Ministry of Finance via the National Security Council, August 1, 2012.
[114] TI Georgia interview with Nino Zuriashvili, 23 July 23.
[115] Ibid.
[116] TI Georgia communication with the National Security Council, 1 August, 2012.
[117] At times, changes in ownership are not immediately reflected in documents published by the GNCC. TI Georgia has transcribed the documents of beneficiary ownership, released on the GNCC website, and has

Ownership of television stations that were previously owned by offshore shell companies has been transferred to Georgian individuals. In some cases, official owners appear to be representing actual owners and decision makers – often relatives or close friends, who enjoy the trust of political actors.

However, increased ownership transparency and financial transparency has not resulted in a significant increase in media accountability. The television landscape remains highly polarized – and has arguably become more even more partisan after the opposition united around Ivanishvili and received better access to funding.

Rustavi 2

Until late 2011, Rustavi 2 was majority-owned by an off-shore entity registered in the British Virgin Islands, Degson Limited Ltd, which held 70% of shares, with the remaining 30% owned by the Georgian Industrial Group, a business holding owned by ruling party MP David Bezuashvili (via a Marshal Islands shell company, Chemexim International Ltd) whose brother Gela is heading Georgia's foreign intelligence service. [118]

After a transfer of ownership, Rustavi 2, as well as the entertainment channel Mze, is now owned by Levan Karamanashvili (90%) and Giorgi Gegeshidze (10%).[119] The most discussed fact about Karamanishvili in media reports is his participation in the 2011 Russian Poker series. However, Karamanishvili is also a board member of the 3rd largest mobile phone operator in Georgia, Mobiltel, which operates under the brand Beeline.[120] Media reports have described Levan Karamanishvili as a close relative of Gia Karamanishvili, whom President Mikheil Saakahsvili referred to as a friend in a 2005 speech, according to several media reports.[121] A report by Studio Monitor found that Levan Karamanishvili was director of GMC Holding, an offshore company owning LLC Akhali Rikhe, which bought property in Tbilisi from the government for USD 7 million in 2006. This land was then sold back to the government in 2008 for USD 17 million – at this point, Karamanisvhili was no longer the company's director.[122]

Gegeshidze, who is the director of Rustavi 2, is a close business partner of Irakli Chikovani, a former co-owner of the station and currently the head of the Georgian National Communications Commission. The two hold shares in several companies, including Magi Style, a construction company that has played a key role in constructing the new Parliament building in Kutaisi.[123]

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made the data available in a user-friendly, machine-readable format: http://transparency.ge/en/post/general-announcement/georgian-tv-and-radio-owners-revealed.

[118] Asset declaration of David Bezuashvili, released on May 20, 2012 http://declaration.ge/csb/report/report.seam?id=6988.

[119] Company extract of Rustavi 2, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=384295&app_id=444810.

[120] Beeline: Quarterly Report, published 12.08.2011, http://about.beeline.ru/media/Documents_for_download/Documents%20Vimpelcom/qr0211.rtf.

[121] Human Rights.ge/Netgazeti.ge: Rustavi 2 and Mze under Ownership of Saakashvili's Friend's Family, 22 February 2012, http://www.humanrights.ge/index.php?a=main&pid=14494&lang=eng.

[122] Studio Monitor: Opaque rehabilitation, 12 May 2012, http://www.youtube.com/watch?v=YNzxVWoL0Jw.

[123] The contract and the exact role of Magi Style in the construction of the Parliament building remains unclear, as relevant contracts have not bee released upon request from TI Georgia and the Georgian Young Lawyers' Association. For more details on the business connections between Gegeshidze and Chikovani,

Imedi TV
Giorgi Arveladze has become the largest shareholder in Imedi, holding 45% of shares, after ownership was transferred from RAAK Georgia, a Panamanian offshore entity that held 90% of Imedi's holding company, the Georgian Media Production Group. In 2003, Arveladze ran for Parliament on the list of the United National Movement, served as a lawmaker and became President Mikheil Saakashvili's Chief of Staff in 2005. In 2006, he became Minister of Economy.[124] In this position, he announced the President's decree declaring a state of emergency in November 2007, which resulted in a temporary shutdown of the media, including that of Imedi TV – at the time a voice of the opposition controlled by oligarch Badri Patarkatsishvili.[125] Arveladze left the government in January 2008 and in 2009 became the head of the Georgian Media Production Group, the holding group of Imedi TV and Radio Imedi.[126]

Giorgi Kokharashvili, a businessman with shares in numerous medium-size businesses, holds 30% of shares in Imedi.[127] 15% of shares in Imedi are held by Giorgi Mikeladze, who holds 80% in Benett and Benett Capital, a company that has been involved in real estate development in Tbilisi.[128] 10% of shares remain in the hands of Joseph Kay, a distant relative of the late oligarch and 2008 presidential candidate Badri Patarkatsishvili, who was granted control over Imedi TV by a disputed decision of the Tbilisi Court in 2008 – a decision that was challenged by Patarkatsivhili's family.[129] (In 2011, Patarkatsishvili's family and the Georgian government announced a settlement over the late oligarch's disputed assets, including Imedi TV, the amount and conditions of which were not publicly disclosed.)[130]

Kavkasia is fully owned by Nino Jangirashvili who also manages the station.

Maestro TV
Maestro is owned by singer Giorgi Gachechiladze (25%), also known as *Utsnobi* (the Unknown), brother of opposition politician Levan Gachechiladze; Maka Asatiani, a fashion designer and wife of Kote Gogelia, a wealthy businessmen, (who until November 2011 was a leading member of the opposition Georgian Party) holds another 25% of

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please see Transparency International Georgia's 2011 report: The Georgian Advertising Market, http://transparency.ge/en/advertising.
[124] Civil.ge: Saakashvili's Longtime Ally Becomes Head of Imedi TV, Radio, 14 July 2009, www.civil.ge/eng/article.php?id=21231.
[125] Civil.ge: Emergency Rule in Georgia, News Coverage Curtailed, 8 November 2007, www.civil.ge/eng/article.php?id=16239.
[126] Civil.ge: Saakashvili's Longtime Ally Becomes Head of Imedi TV, Radio, 14 July 2009, www.civil.ge/eng/article.php?id=21231.
[127] Kokharashvili also owns shares in a number of other businesses, including: A Gas (30%, Akhaltiskhe, ID: 424066423), Geo Snack Service (100%; ID: 404415307), Georgian Investment Holding (100%; ID: 404414102), LTD Geo Kiri (30%, ID: 404421719), Geo Construction (55%, ID: 401961748), Meskhuri Sakhli (100%, ID: 404421577), Shatili (Dusheti, 50%, ID: 429319739), Kolmeurne (ID: 404908356).
[128] http://www.media.ge/en/content/new_owners_of_imedi_tv; Company extract for Benett and Benett Capital, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=430677&app_id=501851; Website of Grato, a real estate development company owned by Benett and Benett Capital, http://grato.ge/index.html.
[129] Civil.ge: Patarkatsishvili Family Steps Up Efforts to Regain Assets, 24 October 2008, www.civil.ge/eng/article.php?id=19824.
[130] Civil.ge: Patarkatsishvili Family, Gov't Say 'Dispute Settled', 6 July 2011, www.civil.ge/eng/article.php?id=23709.

shares;[131] Mamuka Glonti, a founder of Maestro, continues to hold 15% of shares; the remaining shareholders are Levan Chikvaidze (15%), Giorgi Ebralidze (15%) and Ekaterine Akobia (5%).

Maka Asatiani's lawyer, Dimitri Gabunia, has publicly alleged that a business dispute over shares in a Georgian Mercedes car dealership, Aka LLC, is politically motivated and connected to her role as a shareholder in Maestro. Speaking at a press conference in March, Gabunia said that Asatiani was providing funding for Maestro. "She is paying journalists' salaries, she purchased a new office and has funded the technical equipment of the channel", media.ge quoted the lawyer.[132]

According to Gabunia, the liquidation of Aka LLC, in which the Asatiani family is the majority shareholder, was launched in early July after a long-lasting ownership dispute over the company and its management.[133] A Supreme Court decision from February 12 awarded 20% of shares in the company to David Dzotsenidze who was also rewarded GEL 900,000 in dividends by the Tbilisi City Court.[134] Dzotsenidze's lawyer has rejected any political motive in this case. On June 28, Gabunia alleged that Justice Minister Zurab Adeishvili had hinted to Asatiani that problems over the car dealership would be settled if she withdrew her financial support from Maestro.[135]

In late 2011, Maestro was paralyzed by a dispute between the company's owners and Erosi Kitsmarishvili, who had been granted extensive rights to manage the TV station in 2009.[136] For weeks, the station was broadcasting in an improvised manner from the studio of Radio Untsnobi. The TV channel also had its satellite transmission temporarily suspended. The dispute between Kitsmarishvili and the station's owners continues in court, while Maestro is back to normal operations.

TV9 (Channel 9 LTD) is fully owned by the company Accept LLC,[137] which is owned by Ekaterine Khvedelidze (80%), the wife of opposition leader Bidzina Ivanishvili; the remaining 20% of shares are held by Kakha Kobiashvili; according to media reports a cousin of Bidzina Ivanishvili who has managed several companies affiliated with

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[131] Other leading founders of the Georgian Party were former defense minister Irakli Okruashvili and Erozi Kitsmarishvili, a former owner of Rustavi 2 and former Georgian Ambassador to Russia, and former Ombudsman Sozar Subari. Onlinenews.ge: "Georgian Party cuts ties with Kote Gogelia", 3 November 2011, http://www.onlinenews.ge/index.php?id=15982&lang=eng.

[132] Media.ge: Dimitri Gabunia – Lien has been Imposed on Maka Asatiani's Property because of Maestro, 6 March, 2012, http://www.media.ge/en/stories/dimitri_gabunia_lien_has.

[133] The entry for Aka LLC (ID: 204875082) in the public registry provides does not contain a current ownership document.

[134] Kviris Palitra: "This is political pressure", July 2, 2012, p. 7; Media.ge: I shall not swap Maestro for Mercedes or any other assets! – Maka Asatiani, http://www.media.ge/en/stories/ishallnotswapmaestrofor.

[135] Ibid.

[136] Civil.ge: Maestro TV Staff Rallies Outside Police Station, 16 December 2011, www.civil.ge/eng/article.php?id=24276, Civil.ge: Maestro TV Keeps Broadcasating, Scarcely, 2 December 2011, www.civil.ge/eng/article.php?id=24224.

[137] Extracts from the Georgian public registry: 9th Channel LTD, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=421345&app_id=490972; Accept LTD, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=369086&app_id=425615.

Ivanishvili, including Georgian Holding and Holding Twenty First.[138] The station does not have a license for terrestrial broadcasting but is broadcast via satellite and Global TV's network.

In May, TV9 bought 10% of shares in the Gori-based Trialeti TV station for USD 1 million. TV9's management told TI Georgia that it was interested in making similar acquisitions of other local TV stations holding terrestrial broadcasting licenses. Kakha Bekauri, Director of TV9, told TI Georgia that when buying into regional TV stations, his company would not interfere with the editorial independence of these outlets but would ask them to re-transmit TV9's main evening newscast.[139]

Trialeti TV
The Gori-based station is owned by brothers Jondo Nanetashvili (50%) and Badri Nanetashvili (20%). Another 20% of shares are held by Nino Gagnidze. In May 2012, TV9 bought 10% of shares, making Ekaterine Khvedelidze, Ivanishvili's wife, beneficiary owners of 8% of shares, with the remaining 2% owned by Kakha Kobiashvili. After the buy-in of TV 9, Trialeti has started to re-transmit TV9's main newscast. The station has a terrestrial license for the Shida Kartli region.[140]

Channel 25
The Batumi-based station is owned by Giorgi Surmanidze (50%), Merab Merkviladze (25%) and Malkhaz Verdzadze (25%). In April, the newspaper Batumelebi reported that free property was given to relatives of owners of Channel 25 by the Georgian government. One of the owners, Giorgi Surmanidze, told the paper that the real estate given to his relative was not related to his TV channel.[141]

Real TV is owned by Lia Dolidze. However, little is publicly known about her: In 2011, media.ge tried to contact her but was not able to speak to her.[142]

Region TV/PIK
In mid-January, the company behind the Russian-language broadcaster Region TV, Alania LLC, was given the right to manage PIK, the Russian-language news channel of the Georgian Public Broadcaster, for one year.[143] A few weeks later, in February, Region TV stopped broadcasting.

Alania LLC's director Aleksandre Farulava has worked for a number of TV channels, including Mze and PIK. His wife, Nino Shubladze, manages Rustavi 2's newsroom. Alania LLC is officially owned by Mamuka Tatoshvili (55%), Giorgi Aghdgomeladze (15%), Tamaz Gudadze (15%) and Nikoloz Tabidze (15%), according to ownership

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138 Netgazeti: ივანიშვილის ბოლოშანსი საქართველოში, June 14, 2012, http://netgazeti.ge/GE/105/News/10305; Extract of Akzenti from the Georgian Public Registry, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=369086&app_id=425615.

139 TI Georgia interview with TV9's management.

140 Media.ge: Channel 9 Bought 10% of TV and Radio Company Trialeti's Shares for a Million US Dollars, 15 May 2012, www.media.ge/en/stories/channel9bought10oftvandr.

141 Media.ge: TV 25 Founders Receive Real Estate from Government – Batumelebi Newspaper, 30 April 2012, http://www.media.ge/en/stories/tv_25_founders_receive_r.

142 Media.ge: January is to Come, 23 September 2011, www.media.ge/en/node/42501.

143 Media.ge: Alania to Manage PIK till the end of 2012, 13 January 2012, www.media.ge/en/content/alania_to_manage_pik.

documents filed with the GNCC.[144] Tatoshvili, a former director of Alania/Region TV, is also the owner of GMC, a cable broadcaster.

PIK launched its news program in 2011, largely funded from a government reserve fund. PIK was set up and run for one year by the company K-1, founded by Ekaterine Kotrikadze – a reporter of Echo Moscow in Tbilisi, a Russian opposition radio station – and the British journalist Robert Parsons, who has since left PIK to work for France 24. Parsons' decision to leave channel PIK raised concerns whether PIK would be able to defend its editorial independence. Region TV's operator, Alania LLC was the only bidder to run PIK, receiving GEL 14 million for the operation of PIK in 2012.[145]

Region TV and its predecessor Alania TV have a legacy of being political tools. Alania TV was launched in 2005. Based in Tbilisi, the station targeting people in South Ossetia with its Russian language news broadcasts. Gia Chanturia, who today is the General Director of the Georgian Public Broadcaster, worked at Alania for several years. Observers at the time described Alania TV as "pro-Tbilisi"[146] and as a "pet project"[147] of the Georgian government, seen as closely affiliated with the authorities.[148] Until 2008, the station was broadcasting without a license, its ownership and finances remained "shrouded in mystery",[149] as an IREX report put in 2009. When Kanal PIK's unsuccessful predecessor, the First Caucasian Channel, was launched in early 2010, Alania TV was re-branded as Region TV.

Financial Transparency

Amendments to the Law on Broadcasting that came into force in the beginning of 2012 introduced new financial disclosure requirements for holders of broadcasting licenses. The law now requires broadcasters to report information about their revenues from advertising, sponsorship, teleshopping, donations and other sources to the GNCC.[150] This information is not pro-actively published by the GNCC on a regular basis, but the regulator provided the data to TI Georgia upon request.[151]

[144] Georgian National Communications Commission: http://gncc.ge/declarations/alania.pdf (accessed June 30, 2012); Georgian Public Registry extract for Broadcasting Company PIK, https://enreg.reestri.gov.ge/main.php?c=mortgage&m=get_output_by_id&scandoc_id=406152&app_id=472841.

[145] Liberali.ge: Lika Chakhunashivli: "პირველი კავკასიური": რეორგანიზაცია 7 დღეში, http://liberali.ge/blog/lika-chakhunashvili/pirveli-kavkasiuri-reorganizatsia-7-dgheshi.

[146] International Crisis Group: Georgia's South Ossetia Conflict: Make Haste Slowly, 7 June 2007, http://www.crisisgroup.org/~/media/Files/europe/183_georgia_s_south_ossetia_conflict_make_haste_slowly.pdf.

[147] IREX: Media Sustainability Index 2010 – Georgia, http://www.irex.org/system/files/EE_MSI_2010_Georgia.pdf.

[148] Global Journalist: Alania TV, 1 January 2008, www.globaljournalist.org/stories/2008/01/01/alania-tv/.

[149] IREX: Media Sustainability Index 2009 – Georgia, http://www.irex.org/system/files/EE_MSI_09_cauc_Georgia.pdf

[150] Law on Broadcasting, Article 70 (4).

[151] TI Georgia requested the data for several privately-owned TV channels that have daily newscasts: Rustavi 2, Imedi TV, Maestro, Kavkasia, Real TV, Channel 25 (Batumi) and Trialeti TV (Gori). TV9 was not on air yet in the months covered by this data. In past years, the GNCC had refused to issue information about the income of individual license holders, arguing that this data was protected as a commercial secret. Several requests for the release of public information by TI Georgia, asking for the financial data of license holders, were fully fulfilled by the GNCC and the data was provided in hard copies.

In 2011, TV and radio stations reported revenues of GEL 88 million, GEL 12.8 million more than in 2010, according to the GNCC's annual report. Among all broadcasters, advertising accounted for 68.8% of revenues, income from sponsorship deals for 12.6%, donations for 1.2% of and teleshopping for .7% of all income. The remaining 16.7% of income were from other sources, including the lease of property, equipment, technical services, and renting out program windows.[152]

Imedi, Rustavi 2

Available financial data for selected TV stations shows that Imedi and Rustavi 2 play in a very different league than other channels when it comes to revenues.[153] In 2011, Rustavi 2 reported revenues of GEL 39,294,999, Imedi of GEL 28,132,817. However, reported revenues of both stations in the months from January to April 2012 dropped, compared to the same period a year before. Rustavi 2's revenues fell from GEL 7.7 million in the first four months of 2011 to 6.7 million in 2012; advertising revenues and 'other' income decreased, while income from sponsorship deals increased. Similarly, Imedi's revenue in the same period fell from GEL 7.1 million to 6.4 million; income from advertising and teleshopping decreased while sponsorship revenues increased.

Table: Reported incomes by selected TV stations (GEL)[154]

		2011 total	Jan-April 2011	Jan-Apr 2012
Rustavi2	Total Income	39,294,999	7,774,059	6,728,390
	Advertising	27,598,946	5,884,325	5,413,197
	Sponsorship	3,665,089	890,625	1,052,540
	Other	8,030,970	999,110	262,656
Imedi TV	Total Income	28,132,817	7,161,771	6,441,603
	Advertising	23,336,818	6,112,225	5,391,213
	Sponsorship	4,184,341	884,355	1,031,593
	Teleshopping	464,595	165,190	18,798
Maestro	Total Income	285,005	50,607	280,811
Channel 25	Total Income	692,412	113,957	184,724
	Advertising	540,715	76,583	184,724
	Other	151,696	14,264	0
Kavkasia	Total Income	383,677	123,036	303,553
	Advertising	295,690	93,005	198,509
	Teleshopping	16,531	16,531	0
	Other	38,032	13,500	105,044
	Broadcasting Rent	25,424	0	0
	Equipment Rent	8,000	0	0
Trialeti	Total Income	245,084	72,188	81,602
RealTV	Total Income	267,243	62,929	167,881
TOTAL	**Total Income**	**69,301,037**	**15,358,547**	**14,188,564**

Reported advertising revenues of Imedi and Rustavi 2 have developed largely in parallel. One explanation for this is the fact that both stations (as well as Real TV and other smaller entertainment channels) use the same exclusive partner, General Media, to

[152] Georgian National Communications Commission: Annual Report 2011, p.37, http://www.gncc.ge/index.php?lang_id=GEO&sec_id=3100.

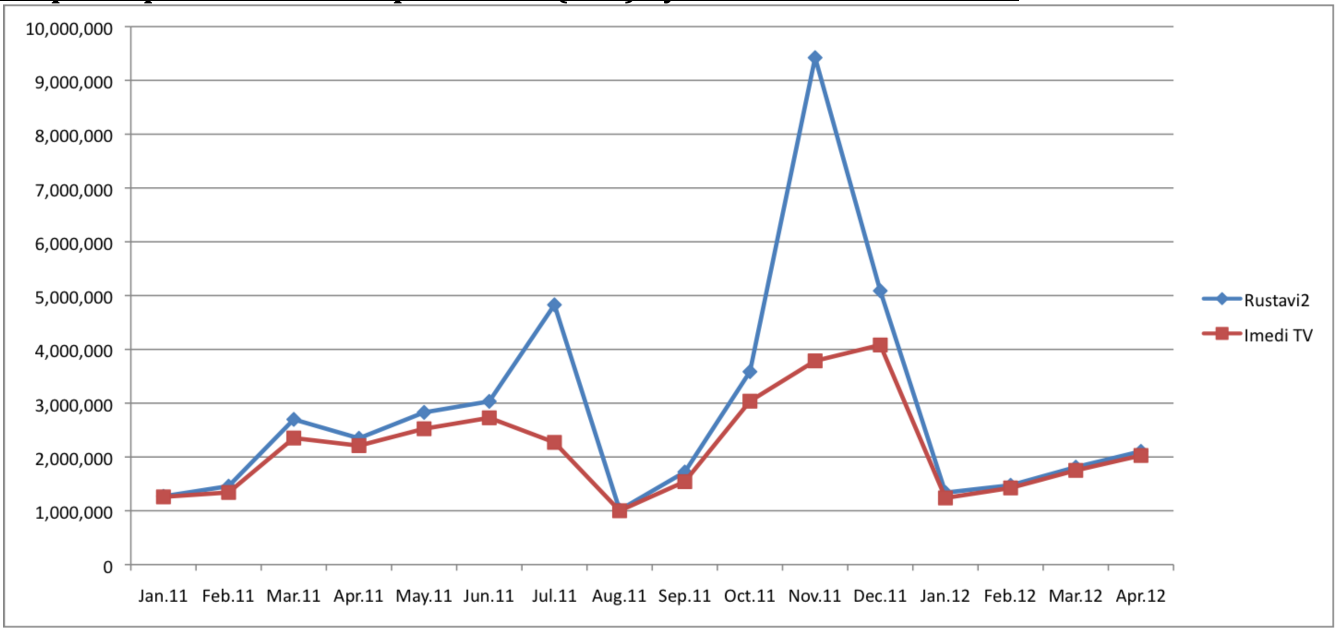
[153] TI Georgia only requested data for selected channels that provide current affairs coverage.

[154] Data provided by the Georgian National Communications Commission.

manage their advertising sales.[155] In July 2011 and November 2011, Rustavi 2 reported revenue peaks, mostly originating from unspecified sources (see graph below). Between January 2011 and April 2012, Rustavi 2 reported a total of GEL 8 million of non-advertising related income, accounting for a fifth of the station's income. Imedi did not report any such income.

A significant share of advertising revenues for Imedi and Rustavi 2 is likely to originate from government advertising campaigns funded with taxpayer money, although no financial data on the extent of government advertising on national TV is publicly available.[156]

Graph: Reported revenues per month (GEL) by Imedi and Rustavi 2[157]



Kavkasia, Maestro, Real TV, Trialeti, Channel 25

Among the smaller TV stations that air newscasts, Channel 25 reported the highest revenues for 2011 – GEL 692,412. Kavkasia reported GEL 383,677, Maestro GEL 285,005, RealTV GEL 267,243 and Trialeti GEL 245,084.

Maestro has declared that its co-owner, Maka Asatiani, has invested some GEL 5.18 million into Maestro since November 2011 on top of USD 1.5 million she invested in equipment for the TV station. This income is not reflected in the numbers released by the GNCC. In general, it remains unclear to what extend declared revenues by TV station also reflect in-kind and financial contributions from owners, as stations' financial statements are not subject to an independent audit.

The income of TV stations is subject to very high fluctuations from month to month. In the case of Kavkasia, revenues were as little as GEL 23,000 in October 2011 and January

[155] For more information on General Media and television advertising, please see TI Georgia's 2011 report: The Georgian Advertising Market, http://transparency.ge/en/advertising.

[156] Private TV channels may carry government public service announcements, so-called social advertising, without receiving financial compensation. However, it is difficult if not impossible to distinguish between non-paid public service announcements and paid advertising campaigns by government entities.

[157] Data provided by the Georgian National Communications Commission.

2012 and reached GEL 143,000 in April. Channel 25 reported a peak in income in August and September 2011 (see graph below), stemming both from advertising and other income – the station receives income from renting program windows out to third party content providers, including the controversial group ObjectTV.[158]

Comparing reported revenues in the first four months, Maestro's reported revenues soared from GEL 50,607 in 2011 to GEL 280,811 in 2012.[159] Maestro also reported that in the months from March to June 2012 its advertising revenue was GEL 651,950.[160] Kavkasia saw a similar positive development, with revenues increasing from to GEL 303,553 this year, compared to GEL 123,036 in 2011 – the increase was the result of higher advertising revenues as well as other income the station received. The increase in advertising revenues of smaller channels is an encouraging sign and could be a major step towards financial sustainability – if these revenues were not one-time payments but turn out to represent a general trend.

However, managers of Maestro and Kavkasia caution and say that private sector advertising spending has been stagnating at a low level, while their increase in revenue is mostly from political advertising.[161]

According to data released by the Chamber of Control's Financial Monitoring unit, Maestro received GEL 195,622 from the Georgian Dream in late December 2011 – a few days before strict party financing rules came into force – accounting for 68% of the station's reported revenues in that year.[162]

Kavkasia received GEL 147,893 in advertising spending from the Georgian Dream in late 2011, according to the disclosed documents, equivalent to 38.6% of the station's reported revenues for that year. Kavkasia described the payment as part of an advertising agreement lasting for several months.[163] Trialeti TV received GEL 10,000, reportedly for airing a speech by Ivanishvili.

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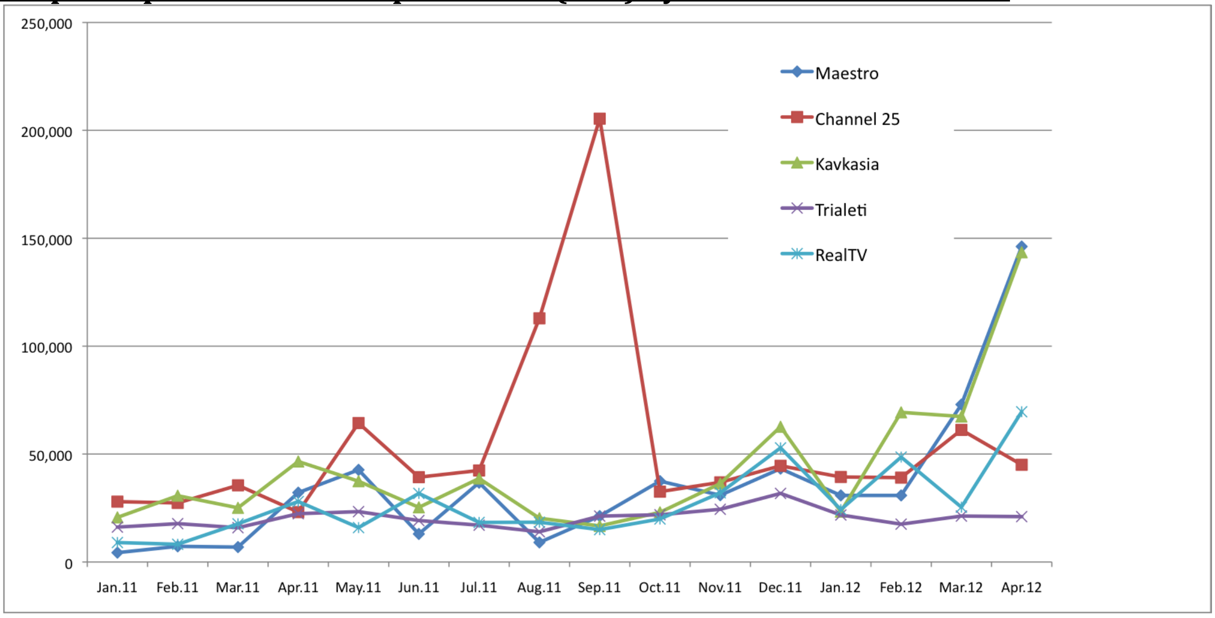
[158] Media.ge: Channel 25 launches satellite broadcasting, 6 September 2011, http://www.media.ge/en/node/42240.
[159] Data provided by the Georgian National Communications Commission.
[160] Civil.ge: GYLA Says Impounding of Maestro TV's Satellite Dishes 'Illegal', 31 July 2012, http://civil.ge/eng/article.php?id=25057.
[161] TI Georgia communication with Nino Jangirashvili, Director of Kavkasia TV and Neli Begiashvili of Maestro TV's marketing department, August 6, 2012.
[162] Chamber of Control: Financial Disclosure forms for the Georgian Dream: media spending, 10 January 2012, http://control.ge/files/upload-file/pdf/media.qartuli-ocneba.pdf; Civil.ge: GEL 16.7m for Ivanishvili's Public Movement, 10 January 2012, http://www.civil.ge/eng/article.php?id=24342.
[163] Media.ge: Georgian Dream Advertising Expenses, 10 January 2012, http://www.media.ge/en/content/georgian_dream.

Graph: Reported revenues per month (GEL) by smaller TV stations[164]



Unpaid taxes

In July, the Georgian Revenue Service, the government agency tasked with tax collection, released documents on its website, disclosing entities that owed taxes to the state.[165] The data indicated that Imedi and Rustavi 2 have accumulated a significant tax debt of several million Lari since 2010, when a tax amnesty erased GEL 36 million of liabilities from the books of Georgian TV stations.

According to Revenue Service documents, Imedi (Teleimedi) owes some GEL 13.9 million in taxes, Rustavi 2 owes some GEL 5.5 million and the Georgian Public Broadcaster has unpaid taxes of GEL 3.5 million. Trialeti TV and a few other media outlets had accumulated some minor tax obligations of less than GEL 10,000; TI Georgia was not able to obtain information on tax obligations of other stations.

The major beneficiaries of the 2010 tax amnesty were the national TV channels; Kavkasia and Maestro TV at the time said they did not owe any taxes. A small part of the amnesty also benefitted TV stations critical of the government: Channel 25 was relieved of some GEL 277,500, which had posed an existential threat to the station from Batumi, and Trialeti TV was forgiven some GEL 45,000.[166]

The beneficiaries of the tax amnesty were not publicly disclosed and there were concerns that the general amnesty might contribute to an uneven playing field for TV stations, as government-leaning stations were forgiven huge amounts of debt and received an incentive to not pay taxes in the future, hoping for another amnesty, while stations critical of the government had paid most or all of their taxes over concerns that they could be fined or shut down by the revenue service.[167] The data temporarily

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[164] Data provided by the Georgian National Communications Commission.
[165] Kavkasia TV: "Today" (20:30 news), 18 July 2012. The report quoted documents Kavkasia had obtained from the website of the Georgian Revenue Service, http://rs.ge/5559. Extracts of the database, which was taken offline on July 17, were provided to TI Georgia by Kavkasia TV. TI Georgia was not able to verify if and how many tax debt other TV stations had accumulated.
[166] Media.ge: GEL 36 mln Tax Amnesty for TV Stations, 3 April 2010, www.media.ge/en/node/36850.
[167] Transparency International Georgia: Tax Amnesty for Georgian TV Channels: A Subsidy for Pro-Government Reporting? 8 April 2010, http://transparency.ge/en/node/748.

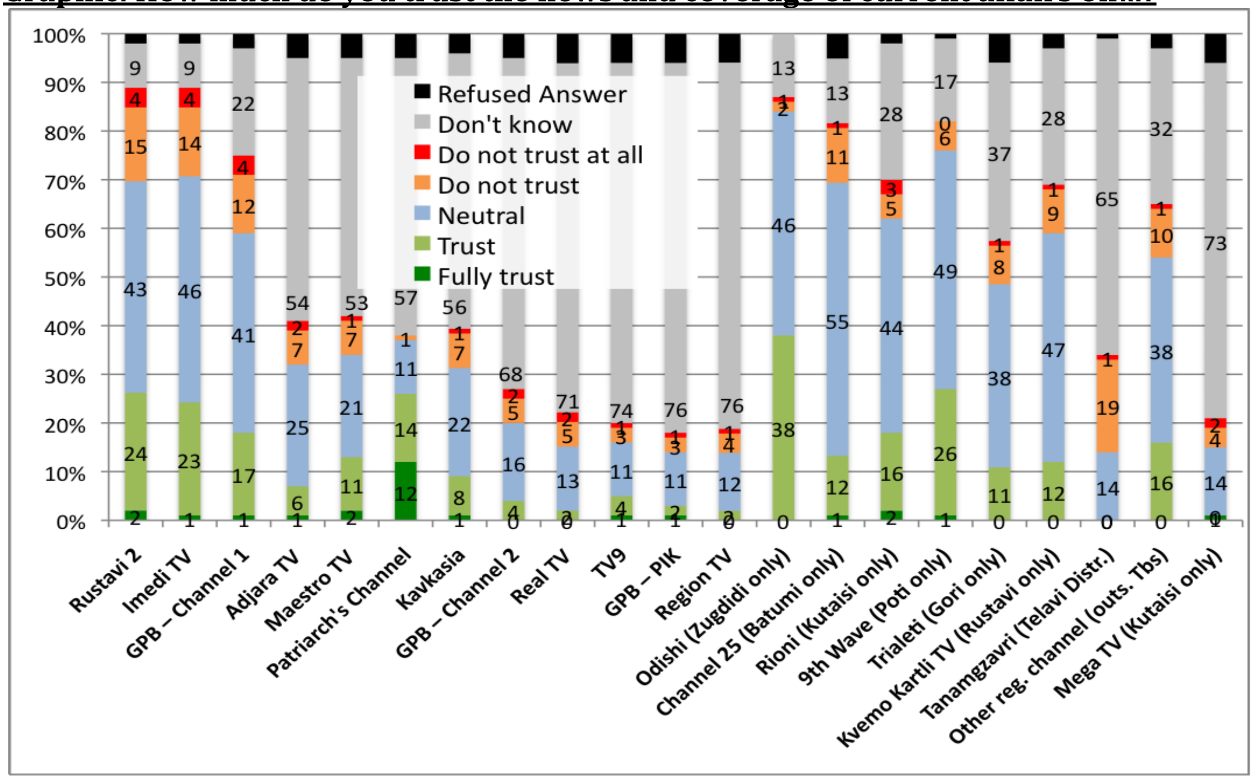
released on the Revenues Service website appears to prove these concerns were not unfounded.

A question of trust

People's trust in the media seems to have slightly decreased in recent years. In 2008, 50% of respondents in a nationwide CRRC survey said they fully or strongly trusted the media (16% saying they had no or little trust).[168] The number of respondents that had full or strong trust in the media decreased to 32% in 2011 (13% saying they had no or little trust in the media).[169]

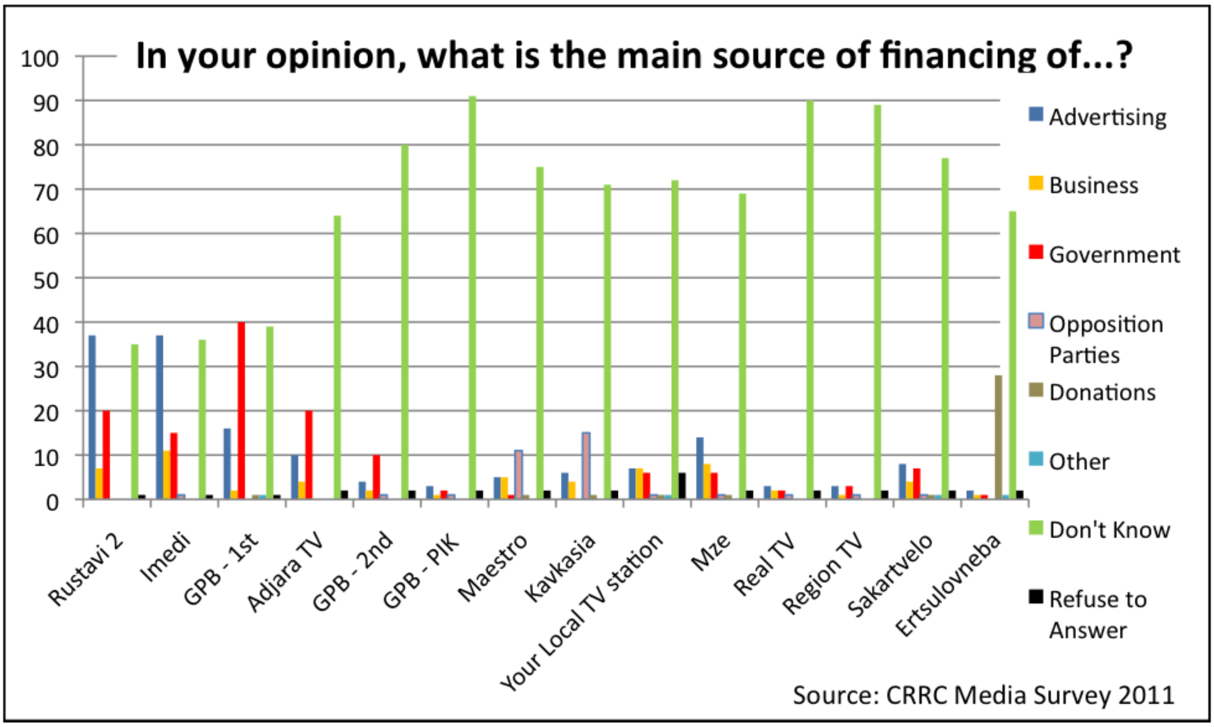
Over the past year, trust in major TV outlets has fallen significantly: In 2011, more than half of television viewers said they had strong trust in Imedi and Rustavi 2, which is likely to be related to the stations' high reach. Both stations were each named by one third of respondents as the TV channel they trust most.[170] NDI data from June 2012 shows that only about a quarter of the population now trusts the two major channels, with Channel 1 enjoying slightly lower trust than its national competitors. However, the data also indicates that only about a fifth of the population distrusts Imedi and Rustavi 2. At the same time, a number of local channels enjoy higher trust – or are less distrusted – in their communities than many of their Tbilisi-based competitors.

Graphic: How much do you trust the news and coverage of current affairs on…?[171]



[168] CRRC Caucasus Barometer - Georgia 2008, http://www.crrc.ge/oda/?dataset=11&row=143.
[169] CRRC Caucasus Barometer - Georgia 2011, http://www.crrc.ge/oda/?dataset=16&row=120&column=1.
[170] Other channels were named by 3%, 14% said "none" and 9% refused to answer the question. The question was asked to respondents who watch TV. CRRC Media Survey 2011, http://www.crrc.ge/oda/?dataset=7&row=253.
[171] NDI/CRRC: Public Attitudes in Georgia 2012.

Citizens' perceptions of TV stations' funding sources indicate that most channels are seen as entities with political ties to the government or the opposition by a significant share of the population.

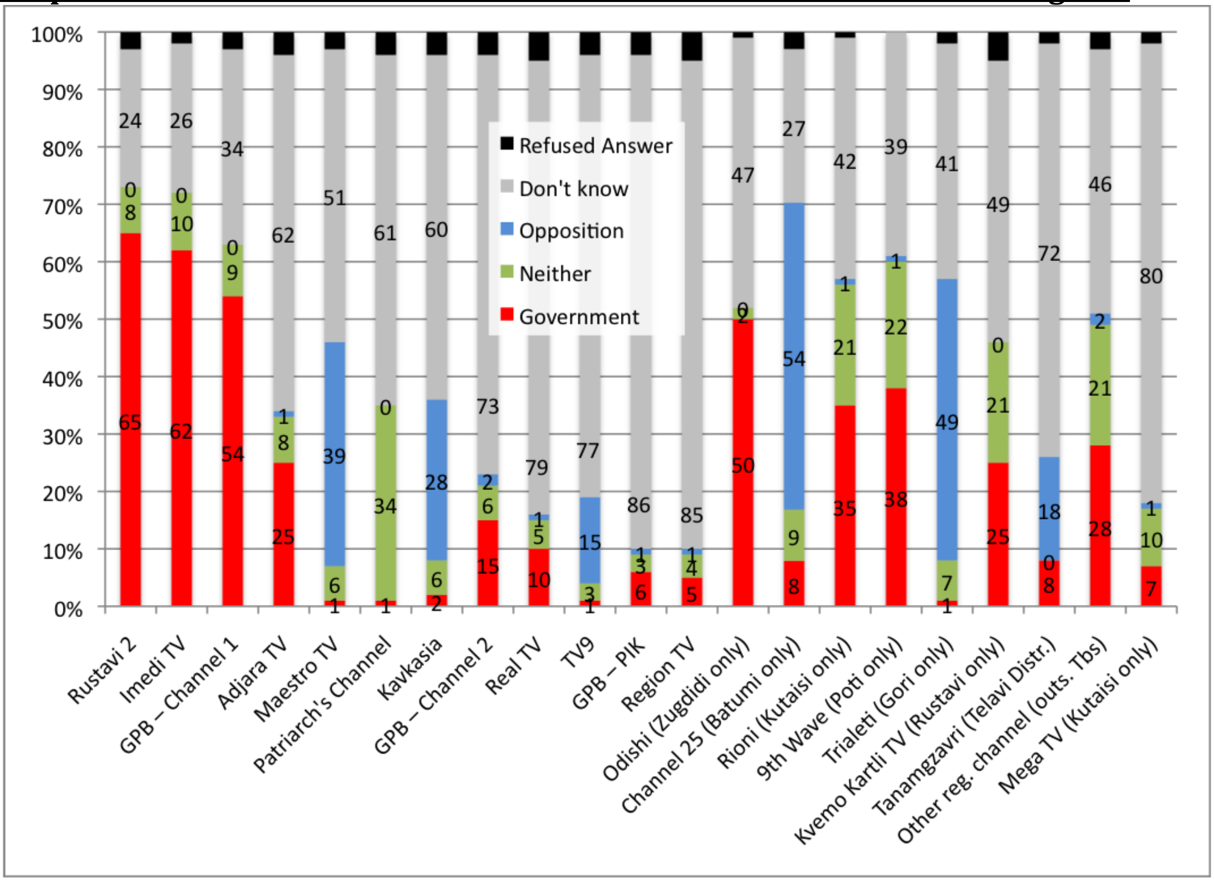


Most Georgians believe that the owners of TV stations exercise significant editorial influence: 36% say they think media owners influence what is shown on newscasts to a great extent, 28% say they think owners influence the news to a small extent (31% said they don't know, 4% said they don't believe that the ownership is reflected on newscasts).[172]

Imedi and Rustavi 2 are perceived as supportive of the government by more than 60% of respondents in NDI's June 2012 survey. 54% also saw the GPB's Channel 1 as pro-government, with only 9% of respondents perceiving it as neutral. Maestro TV, Kavkasia and TV9 are perceived as favoring the opposition, while many people do not have an opinion on these stations' political positions – likely because many respondents had no access to watch these stations. On the local level, some TV channels – Odishi in Zugdidi, Rioni TV in Kutaisi or 9th Wave in Poti – are perceived as government-leaning by a large number of respondents from these communities. Other stations – Channel 25 in Batumi and Trialeti TV in Gori – are seen as favoring the opposition in their current affairs coverage.

[172] CRRC Media Survey 2011, accessed via http://crrc.ge/oda.

Graphic: Perceived views reflected in TV station's current affairs coverage:[173]



The survey also highlights the political polarization of the Georgian television landscape: all TV stations that provide current affairs coverage – on the national as well as on the local level – are perceived as favoring one political camp or the other. None of the stations (with the exception of the Patriarch's channel), including those of the Georgian Public Broadcaster, are perceived as truly independent actors that provide balanced news coverage, holding both political camps equally accountable.

[173] NDI/CRRC: Public Attitudes in Georgia 2012. "Do you think that news about Georgian politics and current affairs on the following Georgian TV channels mostly reflect the interests of government, opposition or neither?"