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City Hall Buys Weekly Paper to Extend 'Reach'

By Delphine d'Amora

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By acquiring Argumenty i Fakty the city can now reach the weekly paper's 330,000 mostly middle-class readers.

The Moscow government has purchased Russia's most popular weekly newspaper, Argumenty i Fakty, placing a hefty chunk of the nation's reading public squarely in government-owned hands.

As falling advertising revenues make print media less and less attractive to private business, City Hall appears to be stepping in to gain control of the one asset that the papers do have to offer: readership.

Maxim Melnikov, general director of Media3, the media holding that owned Argumenty i Fakty, told Vedomosti this week that the paper had been sold to the Moscow city government. The purchase was confirmed by City Hall press secretary Gulnara Penkova.

The city's print media holdings are already significant, including daily newspaper Vechernyaya Moskva, which has a weekly circulation of more than 1.3 million according to its website, the official government paper Tverskaya 13, several magazines, and a series of dailies, weeklies and monthlies published by individual districts, said Vasily Gatov, general director of RIA Novosti's center for new media technologies.

While spending on printed media has since been curtailed somewhat, in 2010 and 2011 Moscow was paying for more than 40 percent of all print circulation in the city, Gatov added.

But despite the city's substantial investment, "none of these dailies, weeklies and monthlies could be called 'influential' or 'popular' or even 'having a good reach' in the city," he said.

The purchase of Argumenty i Fakty will change that. In May 1990 the paper entered the Guinness Book of World Records with the highest circulation of any weekly newspaper in history — more than 33 million copies.

Numbers declined with the collapse of the Soviet Union and ensuing privatization, but Argumenty i Fakty remains the leader among Russian weeklies with a current Moscow circulation "of more than 300,000," according to Gatov, and an estimated national circulation of 2.2 million.

"Supported by much less investment, Argumenty i Fakty could perform all the tasks that now cost City Hall billions," Gatov said.

Argumenty i Fakty was formerly part of media holding Media3, itself owned by billionaire brothers Alexei and Dmitry Ananyev's investment group PromSvyazCapital. The group also owns Promsvyazbank, the 10th largest bank in Russia as of Jan. 1, according to RIA Rating.

The city acquired the paper for free, in exchange for taking on its debt, an official in the mayor's office told Vedomosti. Argumenty i Fakty's net debt stands at 2 billion rubles ($55 million), individuals on both sides of the purchase said.

Argumenty i Fakty's head editor Nikolai Zyatkov told RIA Novosti that he does not anticipate any major changes on account of the new ownership.

"Perhaps the Moscow insert will change a bit, our supplement will illuminate Moscow life in more detail ... but the paper will be federal, international, as it was before," Zyatkov said.

"I hope that this will be a spur for further development of the brand as a whole," he added.

Purchasing Argumenty i Fakty will expand the readership of city-owned media, but only among a very specific demographic.

The paper's readers are older, middle-class and with a secondary-school education — in other words, many of those who read Argumenty i Fakty in its Soviet heyday, said Yelena Vartanova, dean of the journalism faculty at Moscow State University, or MGU.

But City Hall is in negotiations over the purchase of yet another paper — local weekly Moskovskiye Novosti — that could give access to the young, cosmopolitan audience that Argumenty i Fakty lacks.

“If we are speaking about an integrated approach to seizing as much of the Moscow audience as possible, the choice may be entirely correct,” Vartanova said.

Moskovskiye Novosti is distributed for free at more than 850 points around Moscow, with the total circulation of its weekly edition and three daily editions amounting to about 190,000 issues a week, according to its website.

The 85-year-old paper is owned by state news agency RIA Novosti, which President Vladimir Putin in December unexpectedly slated for liquidation to make way for a new international information agency named Rossia Segodnya.

Irakly Gachechiladze, who was appointed acting head editor of RIA Novosti until the liquidation, announced the impending sale to City Hall on the RIA Novosti website in late January.

“The decision has been made to sell [Moskovskiye Novosti] to the Moscow authorities. The conditions of the deal are being agreed on,” Gachechiladze said.

A City Hall spokesman in February confirmed the discussions, but added “it is still premature to talk about the details of the deal,” Kommersant reported.

Print Fever

This interest in developing its print assets is a “relatively new development” for the Moscow government, and one that implies a keen awareness of the city’s informational landscape, MSU’s Vartanova said.

“For cities today, newspapers are a very good means for creating a unified informational landscape, and since Moscow is a large city where people spend a lot of time in public transport, creating citywide printed media pays off,” she said.

Overall, Vartanova believes that government investment will improve the quality of information available to Moscow’s residents.

Moskovskiye Novosti and Argumenty i Fakty are well suited to serve the city public, she said — both “stand behind politics” and devote particular attention to the specific issues of interest to their readers.

But there is always the risk, she added, that a government-funded media outfit will “advance only the interests of certain regional authorities, and not of the city’s residents.”

For other media experts, City Hall’s motivation in buying print media is clear — and has nothing to do with economics.

“Advertising revenue has never been a consideration for Moscow City Hall ... what they care about is “the reach” of owned media — where they define the agenda, the form, the intonation and the interpretation,” Gatov said.

There is another theory on City Hall’s increased interest in print. The purchases “can only be viewed as a desire to increase the possible capitalization of City Hall’s publishing house for an

ensuing sale of the entire media packet," said Alexander Chibisov, head editor of the publishing house Otrasleviye Vedomosti and instructor in the journalism department of the Russian State University of the Humanities.

Floundering Market

Whatever the city's intentions, holding on to any newspapers for too long is a risky move in the current market climate.

Advertising revenue for newspapers fell by 9 percent in 2013, according to the Association of Communication Agencies of Russia, and the downward trend is expected to continue.

The Argumenty i Fakty publishing house is quite profitable, with a net margin of 21 percent and profit of about 430 million rubles ($11.9 million) in 2012, according to Spark-Interfax.

It is one among a small group of national papers, others including Moskovsky Komsomolets and Komsomolskaya Pravda, that have managed to hold onto their advertisers, most likely thanks to particularly high circulation figures, Chibisov said.

But all of them face the same basic problem: their audience is aging, and people under the age of 35 simply "do not read newspapers," he said.

As for the youth-oriented Moskovskiye Novosti, Chibisov is "very skeptical about its prospects." The similarly positioned biweekly journal Bolshoi Gorod struggled financially for years and finally halted publication of its print edition in February.

Print media's financial plight was further aggravated in late February, when the federal government decided to discontinue subsidies on the delivery of subscriptions via Russian Post.

The move will increase the price of subscriptions by between 30 and 50 percent, RBC reported.

Government sponsorship may be necessary in order to keep some key newspapers alive, as "it is practically impossible to find other effective business models on the Russian market today," MGU's Vartanova said.

Simply letting these newspapers die off would be a mistake, she added.

"Newspapers have a very large social significance, and if society wants to live in normal, civilized conditions of public communication, for now it is difficult to get by without them," Vartanova said.

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