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Duma Approves Abrupt Advertising Ban for Paid Television

By Delphine d'Amora

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Natalya Sindeyeva at Alexander Vinokurov speaking at a news conference earlier this year.

In a decision that has cast a pall over the future of small and independent television stations, the State Duma on Friday rubber-stamped a widely censured bill banning advertising on cable and satellite television from the beginning of 2015.

The law raced from proposal to reality in less than a week, passing its first reading Tuesday and its second and third in a single blow on Friday.

Suddenly learning of the initiative, the heads of several Russian channels — including Natalya Sindeyeva of opposition-minded news channel Dozhd and Sergei Nazarov of premium channel Amedia TV — last week wrote a letter urging the government to consult with the business community before rushing to a decision.

Of about 270 cable and satellite channels in Russia, "excluding the advertising model will

place about 150 on the brink of survival," the letter said, warning that the ban would likely lead to an increase in the price of paid television services.

Such a ban is unheard of in "the vast majority of countries," the authors added, according to a copy of the letter posted last week on Dozhd's website.

The bill bans advertising on all channels that are available "exclusively on a paid basis," as well as on channels that can only be viewed with a decoding device.

Safe from the ban are all "national, compulsory, universally accessible" channels, and those which are conveyed by terrestrial broadcasting — in other words, all the major state-run channels that dominate the Russian airwaves.

According to its author Igor Zotov, a Duma deputy and leader of the marginal Russian Pensioners for Justice party, the bill is intended to even the playing field for free and subscription-based channels. In Zotov's view, paid channels now benefit from two sources of revenue — advertising and subscriptions fees — while the free broadcast channels have to make do with just advertising.

Interestingly, however, the advertising revenues of digital and satellite channels last year amounted to just 2.6 percent of the total television advertising market — hardly a competitive market share, according to data from the Association of Communication Agencies of Russia.

Free broadcast channels, meanwhile, raked in 152.2 billion rubles ($4.4 billion) — or more than 97 percent of the total market.

In the brief period of discussion prior to its approval, the proposal elicited sharp criticism from the Duma's leading minority factions — A Just Russia, the Liberal Democratic Party and the Communist Party, RBC Daily reported.

It nonetheless sailed to victory with the support of 245 deputies, the majority of them members of the ruling United Russia party.

Shortly after the bill was passed, Dozhd owner Alexander Vinokurov announced that the law would force the channel — which has relied on advertising for about 70 percent of its budget — to raise the price of subscription, Interfax reported.

"The cost of subscription to the channel will rise significantly very shortly," Vinokurov said, adding that all paid channels would be forced to take similar action.

In addition to threatening the incomes of cable and satellite television channels, the law may also harm advertisers who are unable to afford the pricey airtime of big state-run channels, the channels' heads said in their letter.

"A ban on such advertising could lead to a significant setback in the development of small and mid-sized business in our country," the letter said, adding that the ban seems to contradict the state's oft-reiterated policy of supporting small business.

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