

The Economic Contribution of Copyright-Based Industries in Hungary



Creative Industries Series No. 1



WORLD
INTELLECTUAL
PROPERTY
ORGANIZATION

The Economic Contribution of Copyright-Based Industries in Hungary

THE 2005 REPORT

COPYRIGHTS INDUSTRIES THE HUNGARIAN REPORT

November 2005

Budapest

Authors

Dr. Krisztina Penyigey, Hungarian Patent Office,
Chapter I, III, IV, V, VI, VII.

Dr. Péter Munkácsi, Hungarian Patent Office,
Chapter II.

I. Introduction

1. International surveys

Being the first researcher to study the economic aspects of copyright law in detail, it was Arnold Plant¹ who laid down the foundations of the economics of copyright law. In addition to theoretical arguments² addressing the relationship between copyright and economics, the studies and researches launched in the second half of the 20th century also focused on quantifying the economic contribution and significance of copyright based industries. The first studies were published in Canada and Sweden in the 1970s to be followed by further research works from the USA, New Zealand, the United Kingdom, Holland, Germany, and Austria in the 1980s.³ These analyses allowed for plenty of methodological considerations due to a lack of standard applicable methodology. Ever since the 1990s new countries (Finland, Japan, the MERCOSUR countries – Argentina, Brazil, Paraguay, Uruguay – and Chile)⁴ have been arriving on the scene preparing comprehensive studies and using an increasingly integrated standardised methodology to study the economic roles of copyright based industries. The analysis of the EU countries was prepared with the coordination and under the guidance of Robert Picard, Timo Toivonen, and Mikko Grönlund in 2003.⁵ Consistently adopting the methodology defined by the World Intellectual Property Organization (WIPO), the Singapore, Canada, and USA reports were published in 2004, as well as the Latvian report⁶ in early 2005, prepared by renowned experts like Robert Picard and Timo Toivonen. Out of the industrialized countries the USA, Finland, and Holland regularly publish reports⁷ on the economic significance of copyright based industries, their contribution to the national GDP and economic growth.

WIPO issued a methodological guide in 2003 with a view to revealing the economic contribution of copyright based industries under the title of “Guide on Surveying the Economic Contribution of the Copyright-Based Industries”.⁸ It is generally true that in countries where economic policy-makers are aware of the economic importance of copyright industries, the development of copyright based industries is considered a key issue among the development policies of the given country. This is one of the many reasons why WIPO encourages research projects aimed at studying the economic roles of copyright based industries.

¹ Arnold Plant: *The Economic Aspects of Copyright in Books*, *Economica*, 1., 1934, pp. 167-195

² Including but not limited to: W. Landes – R. Posner : *An Economic Analysis of Copyright Law*. *Journal of Legal Studies*. 1989. Vol: 18, pp. 325-363.; Richard Watt: *Copyright and Economic Theory: Friends or Foes?* Edward Elgar. 2000.

³ Marlies Hummel: *The Economic Importance of Copyright*. *Copyright Bulletin*. 1990. Vol. 24. No. 2 pp. 14-22., Fritz Scheuh–Hartmut Holzmüller: *Die wirtschaftliche Bedeutung des Urheberrechts in Österreich*. Orac, Wien, 1989.; *The Economic Importance of Copyright*. Common Law Institute of Intellectual Property. London. 1993.

⁴ Copyright White Paper. Japan Copyright Institute. 2001.; Economic importance of copyright industries in Finland. Finnish Copyright Industries in 1997. Finnish Copyright Society. Helsinki 2002.; Norwegian Copyright Industries in 1999. Finnish Copyright Society and Finnish Copyright Institute. Helsinki 2002.; *Estudio sobre la importancia de las industrias y actividades protegidas por el derecho de autor y los derechos conexos en los países de MERCOSUR y Chile*. UNICAMP, OMPI.; Economic Contributions of Singapore's creative industries. Economic Survey of Singapore. First Quarter 2003. pp. 51-75.

⁵ *The Contribution of Copyright and Related Rights to the European Economy*. The report was compiled and written by Robert G. Picard, Timo E. Toivonen, Mikko Grönlund. 20 October 2003.

⁶ Leo Kah Mun-Chow Kit Boey-Lee Kee Beng-Ong Chin Huat-Loy Wee Loon: *Economic Contribution of Copyright-Based Industries in Singapore*, 2004. October. IP Academy, Singapore.; *The Economic Contribution of Copyright Industries to the Canadian Economy* (www.pch.gc.ca/progs/ac-ca/progs/), Robert G. Picard–Timo E. Toivonen: *The Economic Contribution of Copyright-Based Industries in Latvia 2000.*, Ministry of Culture of the Republic of Latvia, 2005.

⁷ Stephen E. Siwek: *Copyright Industries in the US. Economy. The 2002. report.*

⁸ *Guide on Surveying the Economic Contribution of the Copyright-Based Industries*. WIPO, 2003.

In cooperation with the Finnish government, WIPO established a Working Group with a view to defining and determining a methodological guide in 2002 in order to study the economic contribution of copyright based industries. The members of the group were well-known experts on the issue: Mr. Jeremy Thorpe (Australia), Mr. Antonio Marcio Buainain (Brazil), Mr. Ahmed Ghoneim (Egypt), Mr. Robert Picard (Finland), Mr. Jules Theeuwes (Netherlands), Dr. Ruth Towse (Netherlands), Mr. Richard Watt (Spain), and Mr. Stephen Siwek (USA). The team was chaired by Mr. Jukka Liedes, Special Adviser to the Finnish Government. The group was assisted by a number of international organisations including: the International Confederation of Authors and Composers Societies (CISAC), the International Federation of Reproduction Rights Organisations (IFRRO), International Federation of the Phonographic Industry (IFPI), International Intellectual Property Alliance (IIPA), International Publishers Association (IPA).

The preparation of the WIPO methodological guide called for the need for international comparison. Earlier studies had limited possibilities to present and analyse the economic contribution of copyright based industries in international comparison because of the different terminology, the differing statistical data, and national legal regulations. The WIPO methodological guide is designed to eliminate conceptual and methodological differences and helps make international comparisons. Based on the guide the countries use a standard method and the same statistical figures to calculate the same indicators (statistical indexes), which are now comparable with the data of other countries.

WIPO's methodological guide had a threefold purpose :

1. summing up the existing experiences in the surveying of copyright based industries;
2. development of a practical analytical instrument for future surveys to serve as a guideline and define recommendations;
3. laying down common basic statistical methodologies for the comparison of future surveys with the results of previous researches.

WIPO invited Hungary to participate in this pioneering project in the East Central European region in acknowledgment of her internationally-acclaimed statistical system, her internationally-recognised experts in copyright, the extensive cultural statistics and, last but not least, for her internationally acclaimed contribution to creative art.

In addition to WIPO, the European Union is paying increased attention to the economic significance of copyright based industries. This is underlined by the fact that in 2003 a report on the economic contribution and significance of copyright based industries was commissioned by the European Commission's Internal Market Directorate-General. The study, which is based on the WIPO-established methodology, shows the contribution of core copyright industries and copyright-dependent industries⁹ to GDP in the EU-15 members on aggregate as well as in a country breakdown in the year 2000. It also shows the number of employees working in the sector and their productivity.¹⁰

⁹ Exact definition given in Chapter III.

¹⁰ The Contribution of Copyright and Related Rights to the European Economy. Prepared by: Robert G. Picard, Timo E. Toivonen, Mikko Grönlund. 20 October 2003.

2. Hungarian culture studies

So far no analysis has been prepared in Hungary on the economic contribution of copyright based industries, but there are numerous studies that provide us with a detailed picture of selected segments of the cultural sector as well as the entire Hungarian culture.

A comprehensive study¹¹ from 1996 provides us with a differentiated picture on the state of Hungarian cultural industries. The research conducted under the leadership of the Institute of Sociology of the Hungarian Academy of Sciences (HAS), in cooperation with Szonda Ipsos, the Centre for Regional Studies of the HAS, the Institute for Political Sciences of the HAS, and Alius Kft. gives us a comprehensive analysis of the state and development trends of the most important cultural industries – publishing, libraries, cinema, film, television, theatre, music, fine arts, museums, archives, community centres – as well as the cultural behaviour of the population, the regional characteristics of culture, the institutional system transmitting cultural values, and the state of financing. In the course of the survey on the economic role of culture, the research project emphasized that the value established by culture is double that of the required resources and this was indeed a steady trend in the 1990s. The research monitors and provides an insight into the development of the cultural industries up to the first half of the 1990s.

There have been numerous analyses prepared in recent years concerning the Hungarian cultural market under the aegis of the Hungarian Central Statistical Office (HCSO). One of them¹² provides an overview of the state of culture in the 1990s from an economic and cultural-sociological perspective by analysing the database of a cultural statistical observation conducted in 2000, presenting the relationship of supply and demand to the cultural market (books, press, television, libraries, public education and culture, cinemas, film production and museums), and the behaviour of the market. Another analysis¹³ relies on the Budapest data of a 1999/2000 time-scale analysis to present the different types of recipients of culture.

In 2005 the Hungarian Institute for Culture published the “Meeting Culture” series¹⁴, which may be considered a follow-up to the 1996 study. One of the volumes contains a statistical data-based analysis of the cultural processes, the main trends of specific areas of culture (publishing, libraries, mass communication, cinema, theatre, concerts, museums, public education and cultural institutions), while another volume focuses on the cultural customs of Budapest, and a third volume provides an overview of reading habits, the role of festivals, and community centres.

A 1999¹⁵ study enlists the most important theoretical research results of cultural economics, as an interdisciplinary academic area, in which Hungarian and international researchers examine the micro- and macroeconomic correlations of culture, the main characteristics of cultural assets, the alternative options available to privatisation, and the particular economic problems of the specific cultural industries from a theoretical perspective.

¹¹ The Cultural State of Hungarian Society, Research leaders: Iván Vitányi, Péter Hidy, László, The Institute of Sociology of HAS, Budapest. 1997.

¹² Cserta, Orsolya: The Development of Cultural Markets in Hungary; *Statisztikai Szemle*, Vol. 80. 2002. Issue No. 5-6. pp. 577-597.

¹³ Bognár, Virág: Consumer Types of Culture; *Statisztikai Szemle*, Vol. 80. 2002. Issue No. 5-6. pp. 537-556.

¹⁴ Bárdosi, Mónika-Lakatos, Gyuláné-Varga, Alajosné: The State of Culture in Hungary; MMI. 2005., Hunyadi, Zsuzsa: The Audience, Role, and Place of Festivals in the Consumption of Culture, MMI. 2004., Hunyadi, Zsuzsa: Cultural Habits of Budapesters; Institute of Sociology of MMI-HAS; 2004., Reading Habits; MMI. 2005.

¹⁵ Daubner, Katalin-Horváth, Sándor-Petró, Katalin (ed.): Cultural-economic studies, Aula kiadó, 2002.

3. Research objective, backgrounds

In 2004 the Hungarian Patent Office (HPO) endeavoured to be the first in Central Eastern Europe¹⁶ to conduct a survey on the economic contribution of copyright based industries using the methodology developed and recommended by WIPO.

The President of the HPO's advisory board, the Hungarian Council for the Protection of Intellectual Property, discussed and approved the objectives of the research in March 2004, which provided the foundations for the prospective work.¹⁷

The main objective of the research was to present the economic contribution, performance, and economic role of copyright based industries in the national economy of Hungary using the WIPO methodological guide. Accordingly, the Hungarian analysis follows the statistical method recommended by the methodological guide¹⁸ and calculates the indicators recommended therein, trying to adapt to the Hungarian statistical data collection system as much as possible.

Supplementing and going beyond the thematic recommended by WIPO, the Hungarian survey presents the development trends and structural characteristics of the key primary copyright based industries by means of cultural statistics and researching the available academic literature. This is intended to make the overall picture provided by the macroeconomic analysis more detailed.

WIPO provided professional advice on the implementation of the Hungarian project; the internationally-acclaimed American economist, Mr. Stephen E. Siwek, personally contributed to the success of the Hungarian survey by sharing his vast experience in methodology.

On 19-20 October 2004 a WIPO-HPO joint seminar was held in the HPO with the participation of WIPO-delegated experts, Stephen E. Siwek and Dimiter Ganchev, key figures in the Hungarian copyright law profession, and members of the HPO working group. The seminar addressed issues like the present research experiences on the economic role of copyright industries, and the unresolved questions of adapting the international methodology that was to provide the backbone of the Hungarian survey.¹⁹

In 2004 the HPO entered into an agreement with the Hungarian Central Statistical Office with a view to adapting the WIPO analysis method in Hungary. As a first step, the HCSO compiled and made the necessary statistical data available for the project.

¹⁶In addition to Hungary, a similar study was prepared by Finnish researchers on Latvia in 2004.

¹⁷The Economic Contribution of Copyright-Based Industries in Hungary. (Compiled by: Penyigey, Krisztina-Munkácsi, Péter-Vadász, Ágnes) HPO; 2004. Bp.

¹⁸The methodology of the Hungarian analysis was elaborated jointly by the members of the Hungarian Patent Office and the experts of the Hungarian Central Statistical Office.

¹⁹Information concerning the study on the Economic contribution of copyright based industries in Hungary. HPO. 2004.

II. Copyright Law in Hungary²⁰

1. The beneficiaries and the subject matter of copyright law

The Universal Declaration of Human Rights defined copyright²¹ as a basic human right in 1948: “Everyone has the right freely to participate in the cultural life of the community, to enjoy the arts and to share in scientific advancement and its benefits, and everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author” . Being part of the continental system, the Hungarian copyright law in force forms part of civil law in the wide sense, which is designed to settle property-related and personal matters. Copyright law protection is absolute in its structure (*erga omnes*) establishing a negative obligation, which is very similar to an ownership title²² in character. The beneficiaries of copyright protection are the authors, the creators of individual, original works in literature, science, and art, who are entitled to moral and economic rights. The author must be a natural person; however, the product may be the outcome of creative cooperation between a number of individuals. The authors of a common work, the parts of which cannot be used independently, shall have the copyright accrue to them jointly and – in case of any doubt – in equal parts. Thus authors of the entire work can dispose of it together. In other cases of copyright law, when a common work is made up of parts which can be used independently, then autonomous copyright shall accrue to the joint authors with regard to the respective individual parts.

The subject matter of copyright protection are authors’ works. The Copyright Act does not define the author’s work itself therefore it was the legal theory that established the conceptual components of author’s work. Accordingly, an author’s work shall be understood to be the result of

- any creative intellectual activity performed in the field of literature, art, or science,
- having an individual-original character,
- expressing an articulated thought,
- conceivable by others,
- and usually presented in a recorded format.²³

Similar to the main copyright legal systems in the world, the Hungarian regulations also provide us with a list of examples of works that may be considered typical. In addition to the extensive list, the law also defines the scope of works not falling under the protection of copyright; e.g. legal provisions, court and other official resolutions, authorities or other official announcements and files, as well as standards rendered

²⁰ This chapter was written by Dr. Péter Munkácsi. The authors are grateful to Dr. Zoltán Kiss (Hungarian Patent Office) who kindly commented on the taxation-related considerations of copyright based activities.

²¹ The earliest records of copyright go back to the privileges extended by 15-16th century monarchs and rulers, which provided protection not for the authors, but the printing guilds. The fundamentals of modern copyright regulations were laid down by the statute of *Anne Stuart* in 1710. By the end of the 18th century and the beginning of the 19th century the so-called continental (*droit d’auteur*) and the Anglo-Saxon (*copyright*) systems of copyright law had evolved in Europe and in the USA. As the first direct outcome of international attempts to standardise copyright laws, the Berne Convention (BC) on the protection of literary and artistic works was established in 1886. Other fundamental documents of international cooperation on copyright law include: the Universal Copyright Convention (UCC) from 1952, the 1961 Rome Convention (RC) for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) signed in 1994. The BUE and the RC comprise the backbone of the 1996 WIPO Copyright Treaty, and the WIPO Performances and Phonograms Treaty, which brought the internet-related copyright laws to international levels.

²² *Szerzői jogi törvény. A kommentárokat írta* Dr. Mihály Ficsor [Copyright Law. Comments written by Dr. Mihály Ficsor], VIVA Média Holding, Budapest, 1999, p.3.

²³ Lontai, Endre – Faludi, Gábor – Gyertyánfy, Péter – Vékás, Gusztáv: *Magyar polgári jog, szellemi alkotások joga* [Hungarian civil law – rights of intellectual creations], Eötvös József Könyvkiadó, Budapest 2004, p.41.

mandatory by legal statutes and other decrees, all facts and news of the day that merely serve as a basis for press information, and expressions of folklore. In practice many people seek protection for ideas, principles, procedures, operating methods; these are unprotected subject matter, that fall within the scope of the relevant provisions of the civil code regulating non-defined intellectual creations.

Authors' works can be categorised by the origins of the work: they may be originals or secondary (derivative). The adaptation, remake, or translation of originals falls into this latter category given that the outcome has individualistic, original traits.

2. Overview of the economic considerations of Hungarian copyright law

The first Hungarian copyright laws – Act XVI of 1884 and Act LIV of 1921 – were modern codifications neatly adapted to the civil relations of the era and taking the theoretical foundations of intellectual property, which withstood the test of time, as a premise when they recognised that while copyright may well be different from property rights, it is nonetheless an institution relating to property rights in essence. Codified in the era of socialism, Act III of 1969 was produced under a constellation of relatively favourable economic policies and was strongly based on the international legal evolution of the domain concerned. Nevertheless, the system of central economic and political control, strongly evident between 1970 and 1990, left a heavy imprint on the development of copyright laws. The state monopoly of customers, users, distributors of art works, and central foreign exchange control was a natural, inherent characteristic of the system. There were only one or two radio stations, TV channels, music companies, recording studios, movie distributors, cinema companies organised by geographic exclusivity, book distributors, hardly a dozen different-profile book publishers, two or three film producers and concert organisers were operating at the time. Even the state and cooperative catering trade was organised under a geographic hierarchy no matter how widely the industry availed itself of music as a source of entertainment. Under these circumstances the performance and publishing rights obtained from the author did not become the subject of property rights, but the works were always used by the acquirer of rights in the course of completion of his state-defined duties. Certain areas (e.g. film production and book publishing) were given significant direct and regular state support.

All this led to state preferences, bans, and censorship when it came to the issue of presenting the works to the public. The criticism of fine and applied arts, as well as the practice of contracting with foreign users was also centralised; determining royalty fees was also aimed to regulate incomes (income restrictions).

The copyright laws of the time also indicate that the sale of artistic works was performed by a single channel and that the operators who so communicated the artistic work, the performers, acted mostly as employees in a contractual relationship. State organisations were often favoured by copyright law, for example, in terms of free utilisation of works. However, the previously effective laws contained important counterweights to offset dominance of state monopolies: according to contractual rules it was (and still is) impossible to deviate from a legal provision to the detriment of the author which was originally aimed at protecting the author.²⁴ The content of copyright laws was defined by the integral unity of moral and economic rights. According to Article 10 of this Act any unauthorised use violates the author's moral rights.

²⁴ *Szerzői jogi törvény. A kommentárokat írta* Dr. Ficsor Mihály [Copyright Act. Comments written by Dr. Mihály Ficsor], VIVA Média Holding, Budapest, 1999, pp.7-8.

From 1989-90 contradictory economic and social processes began to unfold with an effect on copyright. The cultural market – including production and use – changed and a number of new actors entered the arena. Practically any work could be published and this was clearly visible in the number of publications. Often with no special knowledge of the law or art, production and user enterprises were very short-lived; this is similarly severe in terms of royalty payments. In the beginning of the 1990s the forces and confines imposed by foreign exchange regulations and international contract had been eliminated; the royalty tariffs due on individual licensing agreements became the lowest royalty fee limits since high inflation rendered them meaningless. Competition on the cultural market sometimes avails itself of dishonest means; the level of compliance with copyright laws is very low. This is due to a number of reasons including, for example, that the small privately-owned user enterprises replacing the “socialist economic organisation” giants were much more sensitive to costs, and the self-interest of decision-makers was now much more in focus. The legal awareness of copyright among members of society is also weakening. Public fees and dues burdening SMEs have risen. The efficiency of the enforcement of court decisions has subsided. In short it can be said that the authors of published works are now in a significantly weaker position not only in terms of their economic rights but also in terms of their moral rights.²⁵

It was necessary to introduce new economic rights because of private copying – while maintaining the previously acknowledged and accepted demand for fees to be paid on blank audio and video carriers – for the period of drafting and preparing the 1999 Act LXXVI on Copyright (CA). The frequency and intensity of photocopying and other reproduction of printed works now required that royalty fees due on private copying had to be extended to works distributed in print. It was necessary to establish separate regulations on the activities of enterprises providing photocopying services for a fee. The provisions of our Copyright Act governing the fees due on so-called reprography came into the force on 1 September 2000.

Under the legislation of the CA, the provision giving the author exclusive right to make available to the public his work via internet was of great significance. The nearly one and a half decades, which have passed since the Act came into force, was insufficient for an appropriate jurisdiction to develop and provide guidelines on the treatment of illegal internet-based uses with particular attention to peer-to-peer networks, resulting in serious financial losses for the music, film, and software industries. Consensus by the legal profession with regards to the curtailing of illegal content-sharing should be sought in the extension of marketed legal content instead of the imposition of further prohibitions. In order to understand how the main principles which define the beneficiaries and subject-matter of copyright protection and which have been upheld since the end of the 19th century began to change in order to adapt to consumer needs and the demands of technology, and also in order to promote the drafting of optimal legislative decisions that are sensitive to this change, it has now become essential to analyse Hungarian copyright law for the first time in its history from an economic viewpoint.²⁶

When looking at the various economic aspects of copyright, we must not ignore the taxation considerations of intellectual activities, royalties, and collective management of rights. Hungarian tax laws have a long tradition of granting tax allowances and tax exemptions to copyright based activities:

²⁵ Ib. pp.9-10.

²⁶ Copyright, and in a wider sense intellectual property, was first subjected to economic analysis by Smith, Bentham, and Mill – the great classics of economics – and then by Pigou, and Taussig in the first decades of the 20th century. The pioneering work in this field was published by Arnold Plant, American economist in 1934 (See Footnote 1). The projection of the theories of marginal cost, transaction/social cost (“The Problem of Social Cost” from 1960; published in Hungarian in 2004) bearing the name of another American economist, Ronald H. Coase, provided a solid foundation to the American-based legal and economic interdisciplinary research from the 1970s; the most important intellectual workshop of the time was the Chicago school bearing the names of William M. Landes and Richard A. Posner.

a) Personal income tax allows the creators of works protected by copyright (neighbouring rights) to avail themselves of a tax allowance amounting to a maximum of HUF 50,000 or up to 25% of the income derived from specific activities.

b) A private entrepreneur using the entrepreneurial income based taxation method may write-off the acquisition price of an intellectual production (as a right of economic value) used permanently – for at least one year or more – in a period 6 years or more.

c) As of 1 January 2005 the entrepreneurial revenue may be reduced by the costs written off in the given tax year and incurred in the acquisition and maintenance of patents, utility models and design copyrights in Hungary.

d) The corporate tax base (profit before tax) is reduced by the amount (not to exceed 1% of the value of all investments in the tax year) used for purchasing a work of fine art recognised as of artistic value in the expert opinion of the appropriate artistic body (Advisory Office of Fine Arts) authorized by law or by the value in the tax year of the purchase and the following four tax years broken down in equal parts.

e) Profit before taxes can be reduced from 2003 by deducting 50% of income received as royalties. Profit before tax can be reduced by a maximum of 50% by the deduction of the above item, as well as other items known as profit gained from interest and stock exchange transactions.

According to the definitions of the Act on company tax, royalties shall be:

consideration given for the use, or right to use of copyright and neighbouring rights relating to

- a) patent, protected procedures, trade marks, or similar rights,
- b) know-how, confidential business information,
- c) literary, artistic or scientific work.

f) The tax allowances relating to film production changed (expanded) on 23 November 2004. From that date the sum of support can not only be deducted from the tax base in the case of commissioned work (films produced on commission), but also in the case of non-commissioned work (Hungarian movie productions, or international co-productions).²⁷

g) Following the amendment of November 2005, Hungary introduced three rates of VAT: 5, 15 and 20%. Journals; music scores and maps (only as products); cable television; television programme transmission; radio programme transmission; movies, videos, and DVD screening; performing art services; puppet shows; artistic creative activities; circus performances; library, archive, museum and other cultural services fall under the 15% rate. VAT at 5% is imposed on books, which is considered an exceptionally favourable rate, as will dailies, and other newspapers, periodicals on subscription in 2006. Services falling under the 20% VAT rate include: books and periodicals (newspapers, journals, magazines); movies, videos, and DVD production; and movie, video, and DVD distribution. Collective copyright management comes under the same category as the creative and performing art activities it is designed to represent or convey and is encumbered with VAT at 12%.

²⁷ The benefit can be enjoyed with a certificate of support issued by the National Film Office. No certificate will be issued if the motion picture falls under category V in accordance with Act II of 2004 on Motion Picture (films that are likely to exert a seriously unfavourable influence on the physical, intellectual or moral development of minors particularly by containing pornography or extreme or unjustified violence). The aggregate value of certificates of support issued with respect to a given motion picture cannot exceed 20% of the production costs of the film. Further to this, the benefit can only be enjoyed if the sponsor has not obtained property rights to the movie (e.g. right to distribution) since, according to accounting provisions, the sums paid as compensation for the acquisition of property rights cannot be written off as support.

The Copyright Experts Council was founded in 1970. Its function and the framework of its structure and operation were confirmed in Act No. LXXVI of 1999. The members of the Council are appointed for a five-year period by the Minister of Justice in conjunction with the Minister of National Cultural Heritage. The Government Decree No. 156/1999 (XI. 3.) Korm. on the Organization and Functioning of the Copyright Experts Council contains further regulations on the appointment of the Council of a maximum of 200 members, its board of fifteen members and the President. According to the CA and Government Decree the Council deals with professional questions that arise in copyright disputes at the request of courts or authorities, or on out-of-court commission in matters in connection with the exercise of user rights.

The Board of the Copyright Experts Council consists of members proficient in the fields of copyright or creation and performance. The Board usually proceeds in three member councils, however in more complicated cases five member councils may be set up. If the adoption of an expert opinion necessitates special expert knowledge, an external expert's contribution can be requested. It is a characteristic of the Board's expert opinions that they extend to both the specialist and legal issues of the given case. Mostly they do not decide purely professional issues, therefore they usually do not participate e.g. in the decision of technical issues, or in the estimation of the value of seized pirated cassettes. According to practical experience, the Copyright Experts Council primarily plays a role in disputes between parties already involved in court proceedings, however it is not impossible for it to be requested to give an expert opinion in out-of-court procedures or before litigation.

3. European legal harmonisation in Hungarian copyright law

The Treaty of Rome establishing the European Communities makes no reference to a "community copyright law"; in pursuit of the legal practices of the European Court of Justice building on Articles 28 and 34 of the EC Treaty (former Articles 30-36) and aiming to harmonise territorial and single market requirements, the European Community harmonised certain sub-areas within copyright through the imposition of certain directives on the subjects contained in the "Green Books" issued by the Commission in 1988 and in 1991. Hungarian copyright law has been steadily adapting to the European Community's developing and constantly-changing copyright regulations since the mid-1990s. Act VII of 1994 on the amendment of certain patent and copyright laws was a significant step in the legal harmonization as it implemented some essential adjustments to Act III of 1969: it re-regulated the protection of rights, neighbouring rights, increased the term of protection, and introduced rights to rent and lending. One of the main objectives and guiding principles of creating the 1999 CA was to render Hungarian regulations as consistent with the contents of the copyright directives of the European Community as possible. This aim was essentially achieved by the CA.

In accordance with the annually-revised legal harmonisation programme, the establishment of complete harmonization with the Community directives was deferred with regard to two important issues: legal harmonisation regarding databases was effected by the amendment of the CA by Act LXXVII of 2001, while harmonization with the so-called INFOSOC directive²⁸ was established by Act CII of 2003 coming into force

on the day of accession. In addition to its primary objective, this latter regulation provided the legal background for the performance of tasks and changes that were necessary for the Hungarian copyright code to fully comply with all the major norms of the European Community law on the day of our accession to the European Union. Adaptation to community law required that other principles, norms, legal practices be considered in addition to the directive on copyright with particular attention to the freedom of movement of goods, the freedom of service provision across borders, certain bans on discrimination and on the law of competition.

In order to adapt to specific international copyright instruments (BC, TRIPS Agreement, WIPO Copyright Treaty), the law produced changes in the collective management of rights. As a result of these modifications, mandatory collective management of rights was replaced by collective management with extended effect in the case of certain entitlements, which allowed some authors and other authorised parties to opt for their exclusion from collective management and choose the option of individual assertion of rights.

As a result of the legal developments outlined above, the CA contains regulations which are by and large in harmony with the EC Directives²⁹.

Although our effective copyright law contains regulations that are by and large consistent with Directive 2001/84/EC of the European Parliament and of the Council on the resale right for the benefit of the author of an original work of art, the amendment of the CA was adopted (see Act CVIII of 2005; entry into force on 1 January 2006), in order to comply with legal harmonisation obligations at the time of preparing this survey. The implementation of Directive 2004/48/EC of the European Parliament and of the Council on the enforcement of intellectual property rights will generate changes in a number of provisions under copyright regulations.

²⁸ See Footnote 31 below.

²⁹ The CA is consistent with the following community directives:

- Council Directive 91/250/EEC of 14 May 1991 on the legal protection of computer programs;
- Council Directive 92/100/EEC of 19 November on rental rights and lending rights and on certain rights related to copyright in the field of intellectual property;
- Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission;
- Council Directive 93/98/EEC of 29 October 1993 harmonizing the term of protection of copyright and certain related rights ;
- Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases;
- Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society;
- Directive 2001/84/EC of the European Parliament and of the Council of 27 September 21 on the resale right for the benefit of the author of an original work of art.

III. Types of Copyright-Based Industries

1. Copyright-Based industries

The activities and industries³⁰ which produce creations protected under copyright law and the industries that utilise such products are important factors in the economies of industrialized countries. Works³¹ under copyright protection fulfil important social and cultural functions; their production is important from an economic perspective as they generate added value.

The creation of works under the protection of copyright only presents a starting point in terms of the economic weight and effect of copyright. The creation of copyright-protected works is essentially associated with other activities that increase added value. The indulgence or "consumption" (to use a term borrowed from economics) of literary and artistic creations and works cannot be possible without the interposing of certain associated activities (e.g. wrapping, copying, distribution, etc.).

The economic diffusive effect of copyright-protected creations is easily visible in the book and music publishing industries. The writer's literary product in the shape of a written manuscript is managed under the auspices of the publisher, who makes the necessary arrangements for printing, distribution, and marketing. Books are physical estates whose "consumption" requires no special hardware. As for musical compositions, the end product does not only have to be converted to a musical score, but sound recordings will have to be made. The recordings must be stored, distributed, and sold to the customer in an appropriate medium (e.g. audio cassette, CD). Then, in order to listen to or "consume" the musical composition, special hardware (e.g. cassette/CD player) is also necessary.

The following graph shows the various types of activities necessary for or associated with the creation, distribution, and consumption of copyright-protected creations.

³⁰The study uses the term industry differently from the meaning as we know it from (industry) statistics; it is used as a synonym for a comprehensive group of activities. This is the intended meaning whenever we talk about copyright based industries.

³¹According to Article 1, paragraph (2) of CA,

"In particular the following shall fall under the scope of this Act:

- a) literary works (of fiction, trade, science, journalism etc.),
- b) speeches delivered in public,
- c) computer program creations and related documentation (software), whether fixed in source code or object code or any other form, including application programs and operation systems,
- d) dramas, musico-dramatical works, ballets or pantomimes,
- e) musical works with or without words,
- f) radio and television plays,
- g) cinematographic creations and other audiovisual works (cinematographic creations),
- h) drawings, paintings, sculpture, engravings, creations produced by lithography or in like manner, and designs thereof,
- i) artistic photographs,
- j) maps and other cartographic creations,
- k) architectural creations and designs thereof, and designs of building complexes and town planning projects,
- l) designs of engineering structures,
- m) applied art creations and designs thereof,
- n) costume and scenery designs,
- o) industrial art designs,
- p) databases qualifying as collections of works.

Creations and works under the protection of copyright do not carry equal weight in the various sectors of the economy. There are industries that are almost totally based on copyright-protected creative works (e.g. literature, music), while in other sectors copyrighted creations are only partly represented (e.g. apparel industry, jewelry industry) or have no roles to play at all (e.g. machine-tool manufacturing).

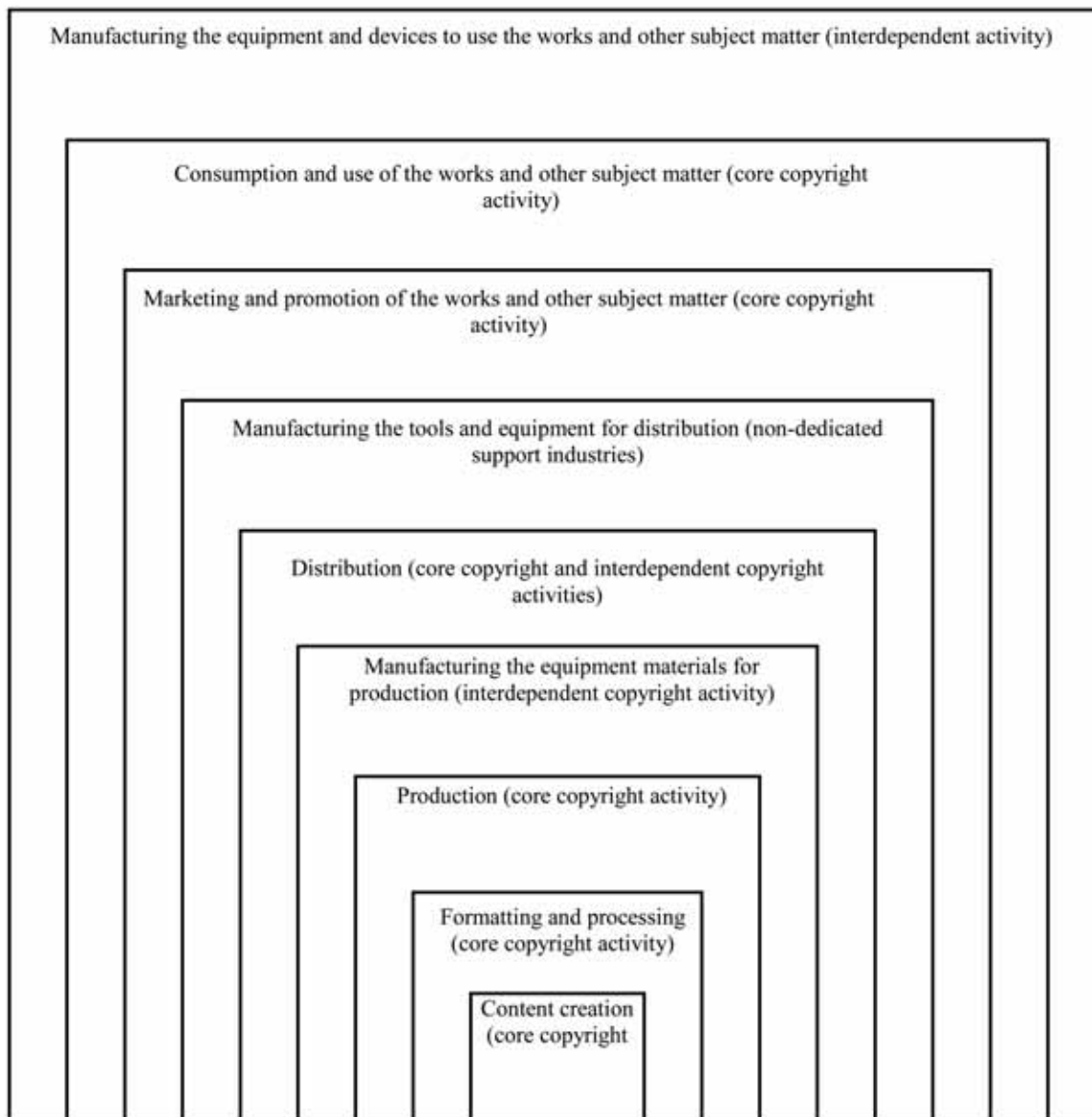
Prior to the standardised methodology laid down by WIPO, earlier studies used different terms and categories for activities that were outside the scope of copyright protection in the strict sense, but were nonetheless closely associated with the process of creation protected by copyright. The American and Japanese survey distinguished partial copyright industries, distribution, and interdependent copyright industries, in addition to core copyright industries. In addition to the core elements, the Australian survey distinguished partial copyright industries and distribution industries. The Finnish and Norwegian survey identified the core copyright elements and groups of interdependent copyright industries and non-dedicated support industries. The German survey recognised primary, secondary and related sectors.

Participants in the expert session in Helsinki in July 2002 arrived at a consensus with regards to the categorisation of copyright based industries and distinguished the following four groups (categories). This categorisation was used as the basis for the WIPO methodological guide.

The methodological guide published by WIPO distinguishes the following four main categories of copyright based industries depending on the type of association to copyright. They are:

- I. core copyright industries
- II. interdependent copyright industries or copyright-dependent industries or copyright-hardware
- III. partial copyright industries
- IV. non-dedicated support industries

Economic activities relating to the production, packaging, and distribution of materials protected by copyright and neighbouring rights



Source: Based on the study *The Contribution of Copyright and Related Right to the European Economy, Final report, 2003*. p. 18. and completed with application of the copyright definitions specified in the *WIPO guide*.

I. Core copyright industries or prime copyright industries include sectors that are fully engaged in the creation, production and manufacturing, performance, broadcasting, communication and exhibition or distribution and sale of works and other creations under the scope of copyright. Core or prime copyright industries are defined areas in the economy whose activities are based on creations protected by copyright and neighbouring rights. Consequently, the existence of these industries depends largely on copyrighted creations. These industries make up the core of copyright based industries and their activities in them are almost exclusively associated with creations protected by copyright. For this reason the full activities and performance of these industries must be taken into consideration when trying to establish the economic contribution of copyright industries.

The following industries fall into this particular category:

- press and literature,
- music, theatrical productions, opera,
- motion pictures and video,
- radio and television,
- photography,
- software and databases,
- visual and graphic arts,
- advertising,
- copyright collective management societies.

The core copyright industries primarily include the cultural sphere and the software industry.

II. The interdependent copyright industries or copyright-dependent industries or copyright-hardware include industries that are engaged in the production, manufacturing and sale of devices and equipment which are wholly or primarily responsible for the promoting the creation, production and utilisation, “consumption” of works under copyright protection. These industries produce devices or hardware that is used for the creation, production, distribution, “consumption” of the creations, works. These hardware devices can also be used for the creation, or “consumption” of objects not under the protection of copyright. Examples include televisions, cameras, or computers.

The interdependent copyright industries may be divided into two larger groups depending on the nature of their relationship to core copyright industries³²:

- industries depending on core copyright industries
- industries depending on partial copyright industries

Industries in the former group produce goods which consumers use, together with the output of core copyright industries. The second group includes industries that produce goods that are needed to provide base materials for the respective copyright industry.

The following industries come under the first group of interdependent copyright industries:

- Manufacture, wholesale and retail of TV sets, radios, VCRs, CD players, DVD players, cassette players, electronic game equipment, and other similar equipment,
- Manufacture, wholesale and retail (sales and rental) of computers and equipment,
- Manufacture, wholesale and retail (sales and rental) of musical instruments,

The following industries belong to the second group of interdependent copyright industries:

- Manufacture, wholesale and retail (sales and rental) of photographic and cinematographic instruments,
- Manufacture, wholesale and retail (sales and rental) of photocopiers,
- Manufacture, wholesale and retail of blank recording material,
- Manufacture, wholesale and retail of paper.

³² The distinction between the two interdependent copyright industries was based on the Latvian report prepared by the Finnish experts (Robert G. Picard–Timo E. Toivonen: The Economic Contribution of Copyright-Based Industries in Latvia 2000. p. 11.).

III. Partial copyright industries include industries that are only partially engaged in production of copyright-protected creations. Only a specific proportion, a defined percentage of the production of these industries is associated with products protected by copyright and related rights. The so-called copyright factor is an indicator of the percentage ratio, which shows what percentage of the production of the industry is under the protection of copyright³³.

The following industries belong to this category:

- apparel, textiles and footwear,
- jewelry and coins,
- other crafts,
- furniture,
- household goods, china and glass,
- wall coverings and carpets,
- toys and games,
- architecture, engineering, surveying,
- interior design,
- museums.

IV. Non-dedicated support industries are industries in which a portion of the activities is related to facilitating broadcast, communication, distribution and sale of products and works and other protected subject matter.

The following industries come under this category:

- general wholesale and retailing,
- general transportation,
- telephony and Internet.

The following table summarises all the copyright based industries included in the Hungarian survey. The industries were determined according to the WIPO guide but also taking into account the specifics of the Hungarian statistical system.

The following table provides a comparison of the industries recommended by WIPO and those used by the Hungarian survey. As it transpires from the table, they roughly correspond. There are differences, for example, in visual and graphic arts, advertising, wholesale, retail, and rental. The aggregation of the Hungarian data collection system did not allow us to present visual and graphic arts and interior design separately. Visual and graphic arts are shown on the one hand in an aggregated manner along with advertising and also with artistic creation in statistics. Interior design is listed together with architecture, engineering and surveying in the Hungarian data. In the Hungarian data collection system the wholesale and retail sale and rental of interdependent copyright industries and the wholesale and retail sale of partial copyright industries are shown as an aggregate figure, so the actual figures of specific industries can only be estimated.

³³The values and the methodology of determining the copyright factors used in the Hungarian survey are outlined in the following Chapter.

Copyright-Based industries in Hungary¹ (The categories used in the Hungarian survey)

I. Core copyright industries	II. Interdependent copyright industries ²	III. Partial copyright industries	IV. Non-dedicated support industries
Press and literature	Television and radio sets, etc.	Apparel, textiles and footwear	General wholesale and retailing
Music, theatrical productions, opera	Computers and equipment	Jewelry and coins	General transportation, storage and communication
Motion pictures and video	Musical instruments	Other crafts	
Radio and television	Photographic and cinematographic instruments	Furniture	
Photography	Photocopiers	Household goods, china and glass	
Software and databases	Blank recording material	Wall coverings and carpets	
Advertising	Paper	Toys and computer games	
Professional organisations		Architecture, engineering, surveying	
		Museums	
	(Wholesale and retail, and rental of interdependent copyright industries)	(Wholesale and retail of partial copyright industries)	

¹ The Hungarian adaptation of the WIPO "Guide on Surveying the Economic Contribution of the Copyright-Based Industries".

² Based on the basic data, the wholesale and retail, and rental of interdependent copyright industries and the wholesale and retail of partial copyright industries are shown separately. During the adjustment of data, wholesale, retail and rental were divided among the specific activities. As a result, the data already contains the manufacture, wholesale, retail and rental of products in this category.

Copyright-Based groups of industries

Category	Groups of industries	
	WIPO	Hungary
I. Core copyright industries	<ul style="list-style-type: none"> – press and literature, – music, theatrical productions, opera, – motion pictures and video, – radio and television, – photography, – software and databases, – visual and graphic arts, – advertising services – copyright collective management societies 	<ul style="list-style-type: none"> – press and literature, – music, theatrical productions, opera, – motion pictures and video, – radio and television, – photography – software and databases, – advertising – copyright collective management
II. Interdependent copyright industries	<ul style="list-style-type: none"> – manufacture, wholesale and retail of TV sets, radios, VCRs, CD players, DVD players, cassette players, electronic game equipment, and other similar equipment, – manufacture, wholesale and retail (sales and rental) of computers and equipment, – manufacture, wholesale and retail (sales and rental) of musical instruments, – manufacture, wholesale and retail (sales and rental) of photographic and cinematographic instruments, – manufacture, wholesale and retail (sales and rental) of photocopiers, – manufacture, wholesale and retail of blank recording material, – manufacture, wholesale and retail of paper. 	<ul style="list-style-type: none"> – manufacture of TV sets, radios, VCRs, CD players, DVD players, cassette players, electronic game equipment, and other similar equipment, – manufacture of computers and equipment, – manufacture of musical instruments – manufacture of photographic and cinematographic instruments – manufacture of photocopiers – manufacture of blank recording material, – manufacture of paper – rental – wholesale and retail of interdependent copyright industries
III. Partial copyright industries	<ul style="list-style-type: none"> – apparel, textiles and footwear, – jewelry and coins, – other crafts, – furniture, – household goods, china and glass, – wall coverings and carpets, – toys and computer games, – architecture, engineering, surveying, – interior design, – museums 	<ul style="list-style-type: none"> – apparel, textiles and footwear, – jewelry and coins, – other crafts, – furniture, – household goods, china and glass, – wall coverings and carpets, – toys and computer games, – architecture, engineering, surveying, – museums, – wholesale and retail of partial copyright industries
IV. Non-dedicated support industries	<ul style="list-style-type: none"> – general wholesale and retailing – general transportation – telephony and Internet 	<ul style="list-style-type: none"> – general wholesale and retailing – general transportation, storage, communication

The differences between the columns are shown in red.

2. Copyright factor

The so-called copyright factor is a percentage ratio expressing the share of copyright activities in a given industry, i.e. the figure indicates the extent of dependence of the product of the given industry on copyright. In the calculations recommended by the WIPO guide the copyright factor is used as a weight, which – depending on the industry – may take a value between 0 and 1. Industries that only produce products and works and other protected subject matter have a copyright factor value of 1 whereas industries having nothing to do with copyright have a copyright factor value of 0.

By multiplying the added value, output, and the number of employees by the copyright factor of the industry studied, we arrive at the added value, output and the number of employees of copyright based activities. This way we can accurately determine the significance of copyright based industries in the national economy and on employment figures.³⁴

All the products created by the core copyright industries are protected by copyright; in this case the copyright factor value is 1, similarly to the interdependent copyright industries. The larger share of the partial copyright industries and the non-dedicated support industries has no relation to copyright at all. Only a small fraction of the products produced by partial copyright industries are protected; the percentage figure is expressed by the value of the copyright factor. For example, it is estimated that only a very small fraction (0.5%) of added value is generated by textiles, leather goods, and footwear and can be considered protected subject matter, therefore the value of the copyright factor is 0.005.

As for the non-dedicated support industries, we used the calculation method applied by the American survey³⁵ to establish the copyright factor of general wholesale and retailing, general transportation, and communication. We based everything on the presumption that the weight represented by the copyright based activities in the support, distribution industries corresponded with the ratio of copyright based industries (core copyright industries, interdependent copyright industries, partial copyright industries) to the GDP. As for non-dedicated support industries the value of the copyright factor in 2002 in Hungary was 0.057.

When determining the copyright factors in the Hungarian survey, we benefited from all previous analyses on the economic contribution of copyright based industries and relied heavily on the copyright factors applied primarily by the US, Singapore and Latvian studies. We also took into consideration the regulations of copyright law, the structure of the industry, and the extent of aggregation of the available statistical data³⁶. Relying on all these factors and an expert estimate we used the following copyright factors in the Hungarian survey.

³⁴ The figures adjusted by the copyright factor are shown in the Appendix.

³⁵ Stephen E. Siwek-Harold W. Furchtgott-Roth: Copyright Industries in the U. S. Economy, November 1990. Appendix B.

³⁶ As for the partial copyright industries, the data required and supplied by the HCSO did not contain items that have no relationship to copyright. This way, for example, the figures on the textile industry do not contain any information on protective and work apparel. This can also be interpreted that in this case the copyright factor was 0 and the multiplication of output by zero will produce zero.

Copyright factors in the Hungarian survey

Description	Copyright factor
<i>I. Core copyright industries (CORE)</i>	
Press and literature	1.000
Music, theatrical productions, opera	1.000
Motion pictures and video	1.000
Radio and television	1.000
Photography	1.000
Software and databases	1.000
Advertising	1.000
Professional organisations	1.000
<i>II. Interdependent copyright industries</i>	
Manufacture of TV sets, radios, VCRs, CD players, DVD players, cassette players, electronic game equipment, and other similar equipment	1.000
Manufacture of computers and equipment	1.000
Manufacture of musical instruments	1.000
Manufacture of photographic and cinematographic instruments	1.000
Manufacture of photocopiers	1.000
Manufacture of blank recording material	1.000
Manufacture of certain types of paper	1.000
Rental of certain consumer goods	1.000
Wholesale and retail of interdependent copyright industries	1.000
<i>III. Partial copyright industries</i>	
Certain types of apparel, textiles and footwear	0.005
Jewelry	0.250
Other crafts	0.400
Furniture	0.050
Household goods, china and glass	0.005
Wall coverings and carpets	0.020
Toys and computer games	0.500
Architecture, engineering, surveying	0.100
Museums	0.500
Wholesale and retail of partial copyright industries	0.050
<i>IV. Non-dedicated support industries</i>	
General trade	0.057
General transportation, storage, communication	0.057

IV. Methodology

1. Statistical data collection system

The Hungarian survey designed to measure the economic contribution of copyright based industries follows the methodology recommended by the WIPO guide, in accordance with the main objectives of the research, but also adapts to the possibilities and constraints of the Hungarian statistical data collection and survey system.

The Hungarian survey has calculated the recommended indicators for all four copyright categories defined by the WIPO guide; they are core copyright industries (CORE), interdependent copyright industries (INTERDEPENDENT), partial copyright industries (PARTIAL), and non-dedicated support industries (NON-DEDICATED SUPPORT).

The statistical methodology described in the WIPO guide is based on the UN's ISIC (International Standard Industrial Classification) statistical classifications registry. The methodological guide that served as a reference during the Hungarian survey describes and names in detail in a four-digit breakdown all the sectors and special industries that come under copyright based activities in accordance with the UN ISIC and the EU NACE Rev.1.1 classification systems.³⁷ The Hungarian Standard Sectoral Classification of Economic Activities (commonly known as TEÁOR'03) is a classification system based on the European Union's corresponding (NACE Rev.1.1.) classification registry. As a result of this, the TEÁOR is compatible with the UN's (ISIC), and the EU's (NACE) nomenclature.

The TEÁOR is a classification system using a four-digit code, where the classification and the listing of the economic units is based on the nature of their main activities. The following example illustrates the hierarchical structure of the classification system:

Classification	Description	Code
Section	Manufacturing	D
Division	Manufacture of machinery and equipment	29
Group	Manufacture of other special purpose machinery	29.5
Class	Manufacture of machinery for paper production	29.55

The initial task was to create so-called "conversion" keys³⁸, which convert the corresponding copyright based industries/activities of the UN ISIC system used by WIPO to the Hungarian statistical classification system. As a result, the final Hungarian classification system used today is based on

³⁷ Pp. 73-79 of the WIPO guide contains a detailed listing of these sectors together with their statistical sectoral code numbers.

³⁸ Significant contribution was made by the Zoltán Nádudvari-led work team of the Hungarian Central Statistical Office in the elaboration of the solution.

- the TEÁOR, Standard Sectoral Classification of Economic Activities (the Hungarian equivalent of the NACE Rev.1),
- the Combined Nomenclature (CN), which is the product description and coding system of External Trade Commodities,
- the EBOPS, Extended Balance of Payments Services Classification,
- the FEOR, Standard Classification of Occupations (based on ISCO).

The conversion key had to be developed so that it allowed for the conversion of the copyright based industries listed in the WIPO guide to the categories of the Hungarian classification systems of sectors (TEÁOR) and occupations (FEOR). The concrete definitions that were directly related to the products and services listed under the Domestic Product Classification (BTO) and the Classification of Services (SZJ), as well as the occupation groups in the Standard Classification of Occupations (FEOR).

The table on the next page sums up how the Hungarian statistical classifications were linked to the specific copyright categories as defined by the WIPO guide.

For the purposes of the survey, the four-digit, class-level performance and employment figures, necessary for the analysis of copyright industries/activities was provided by the HCSO from the annual economic statistical data series on the basis of the structure of the sectoral classification (TEÁOR) of the given year. Appendix No. 1 contains the list of copyright based industries/activities – codes and descriptions – in accordance with the Hungarian standard sectoral classification (TEÁOR).

The precise determination of the number of employees engaged in the copyright based industries is facilitated and further refined by the provision of figures on gainful employment, which were supplied by the Hungarian Central Statistical Office on the basis of the 2001 census.

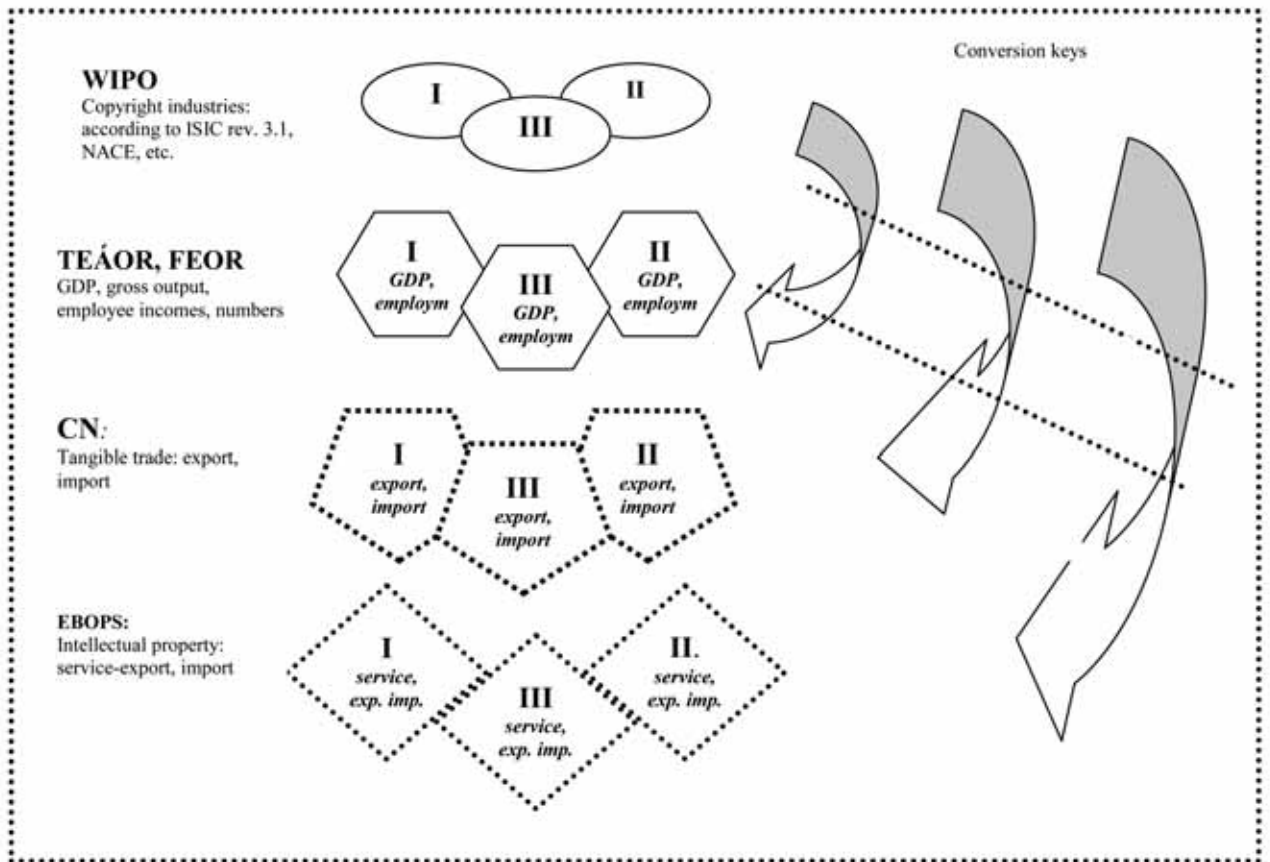
On the one hand, the copyright based industries produce tangible trade; the indicators thereof are defined by the customs tariff figures of the imported and exported goods (Combined Nomenclature – CN) rather than by the classification of economic activities. On the other hand, for the purpose of identifying foreign transactions of services that were within the scope of copyright law, and which generate intangible trade, the EBOPS codes are applied. In order to establish consistency of copyright categories with WIPO, the relevant groups of foreign trade classifications (Combined Nomenclature, EBOPS) also had to be defined.

The Hungarian statistical system allows for the generation of data consistent with the WIPO methodology since 2001. The HPO chose the year 2002 as the subject matter for its survey on the economic contribution of copyright based industries, which also means that we are not in a position to present the dynamics of development of copyright based industries in this present survey.³⁹

The HCSO provided all the necessary assistance to the HPO for the purpose of establishing the statistical database. The majority of the data collected and processed, such as the GDP expressed by the four-digit number and produced by classes are not public in Hungary. In other words, the HCSO did not officially publish data of such a degree of aggregation. From this it logically follows that the present survey will not disclose unpublished values either. At the same time, the data groups created in accordance with the purposes of the survey, i.e. the data relating to the groups established by the aggregation of the 4-digit data can be disclosed.

³⁹This may be the subject of a future survey

The relationship between the WIPO methodology and the Hungarian system of statistics



List of acronyms:

WIPO – the International Definition of Copyright-Based Industries (according to ISIC rev. 3.1., NACE, etc.)

TEÁOR – Standard Sectoral Classification of Economic Activities used in Hungary (similar to NACE Rev.1)

FEOR – Standard Classification of Occupations used in Hungary (based on ISCO)

CN – Combined Nomenclature, the product description and coding system of External Trade Commodities

EBOPS – Extended Balance of Payments Services Classification

2. Statistical data and key indicators

In the Hungarian survey the following key indicators on copyright based industries and also on the four different copyright based sectoral groups were calculated for the year 2002 (information in brackets indicates the source of statistical data):

- Value of gross output [million HUF]
 - Gross added value [million HUF]
 - Value of employee incomes [million HUF]
- (based on the itemisation of the published data of the National Accounts with regard to each class)

- Number employed [persons]
- Number of employees [persons]
(based on the itemisation of the data of the institutional labour statistical survey with regard to each class)
- Value of annual import and related ratios, 2002 [million HUF]
- Value of annual export and related ratios, 2002 [million HUF]
(based on the foreign external trade turnover of tangible goods registered by the customs tariff number)
- Value and ratios of annual import of services, 2003. [million HUF]
- Value and ratios of annual export of services, 2003. [million HUF]
- Increase in the value of international trade of services, 2003/2002 (total of national economy)
(based on the turnover figures of foreign trade of services in 2003 as registered by EBOPS)
- Findings and ratios of the data collection on occupations, 2001. [persons]
(based on the occupation figures obtained in the 2001 census [FEOR, four-digit])

The information on gross added value, gross output, and employee incomes of copyright based industries was compiled by relying on the data of the National Accounts. The National Accounts system is a macro-economic statistical accounting system, which sums up the country's economic activities. The methodology pursued by the HCSO follows the provisions of the European System of Accounts (ESA 1995).

The official terminology and definitions used by the Hungarian statistical system are fully compliant with European and international requirements. (The definitions of statistical terms and figures are shown in Appendix 2.)

In line with international statistical practices, the calculation of the applied performance indices was made according to sectoral classification by an organisational classification⁴⁰. This means that the complete data series of each business organisation is classified under the economic section within one of its sectors (in the class relating to the statistical classification), according to its main activity. This way, if we take, for example, a company providing software development-services engaged in other secondary activities as well (e.g. education, economic services, or trade), the entire performance of the company will be taken into account under software development regardless of whether performance actually relates to software development or one of the secondary activities. On the other hand, however, the software development activities of, for example, tertiary education institutions will be classified under education. Classification according to type of organisation and activity does not produce significant data distortion since the differences are evened out at national economy level.

Players in the economy are characterised by the activities they are engaged in; the activities must be classified according to the effective standard sectoral classification (TEAOR'03). The basis of the sectoral classification of economic organisations is the main activity⁴¹, which generates the greatest added value. The classification of organisations according to their main activity has produced some unlikely situations in

⁴⁰ Classification according to organisation type is not a Hungarian peculiarity, but an internationally accepted and widely-used application. This way the particularities relating to classification of organisations were also true for the other countries carrying out the study.

⁴¹ The sectoral classification according to the main activity is carried out at the time of its inception, but review of the TEAOR classification codes is due annually. During the review the HCSO always selects the activity with the greatest representation. In order to modify the main activity, the activity constituting the largest share must be different from the original classification in two consecutive years.

the case of copyright based industries, too. There is, for example, a commercial television company which was once classified under "advertising" instead of "radio and television" since the lion's share of its revenue came from advertising in that particular year. As a result, the performance of this television company was shown under "advertising" and not under "radio and television".

According to international practice the values of the National Accounts are usually higher than the corresponding figures of the annual economic statistical reports. One of the reasons for the differences is that GDP calculation takes into account hidden income-earning activities (e.g. calculating balance figures), which official statistics and taxation data collection cannot use.

The National Accounts report the performance and employee income of one-man enterprises under the so-called household sector. For this reason, and due to methodological considerations the gross output of the corporate and household sectors and the added value are reported as an aggregate.

Required as part of the National Statistical Data Collection Programme, the annual economic statistical data collection is complete among enterprises with 20 or more employees and is representative among enterprises employing 5-19 people. The registration of the performance of enterprises employing fewer than 5 people is not supported by direct statistical data; information relating to this entrepreneurial circle is based on statistical estimation relying partly on the 2002 tax returns, and partly on the environmental average.

3. Statistical estimation and data adjustments

The data supplied by the HCSO on the performance of copyright based industries are provided in a four-digit format and relate to class levels. In view of specific considerations of the survey, some of these data require adjustment or further refinement⁴². The four-digit data available provide us with far too aggregated categories to enable us to grasp the essence of copyright based industries exactly. Data relating to telecommunications, and the manufacture of photographic equipment and photocopiers, for example, needed to be adjusted by using various methods of estimation in order to determine the data values necessary for the survey to be used during the calculations.⁴³

The aggregation of wholesale and retail activities as used by the Hungarian statistical system is inappropriate for the purpose of surveying copyright industries. As a first step the data series (four-digit) relating to the different wholesale and retail activities were separated depending on whether they belonged to the interdependent copyright industries or the partial copyright industries. The aggregated data were broken down into categories by estimation and in certain copyright industries the wholesale and retail activities could be directly assigned to specific industries/sectors (e.g. retail trade in textiles, leather goods, footwear and furniture). In all other cases the available data on trade was shared among the copyright based industries according to their contribution to GDP.⁴⁴

⁴² The appendix contains all adjusted data which we took into account in the analysis.

⁴³ In order to suit the purposes of the study, data correction was achieved partly by using the CPA six-digit sales ratios (e.g. manufacture of office machinery, photocopiers), and partly by relying on expert estimation (e.g. the distinction between activities related to radio and television within the sector of telecommunications).

⁴⁴ The aggregated and broken-down figures are both published in the analysis.

In order to determine the segment of non-dedicated support industries (general wholesale and retail, general transportation) that relate to copyright based industries, estimation was used as it is also common in American practice.⁴⁵ Estimation rests on the simplifying assumption that all copyright based industries (core copyright industries, interdependent copyright industries, and partial copyright industries) are engaged in non-dedicated support industries in proportion to their contribution to GDP.

Out of the core copyright industries, the data relating to music, theatrical productions, opera include the entire artistic and literary creation and interpretation sector. In the Hungarian statistical system the activities of theatres, concert, opera, and dance performances are listed under "Artistic and literary creation and interpretation" (92.31) and the creative contribution of artists, music composers, writers, film directors, creative artists, actors, etc. is also included as an aggregate. The contribution of individual/independent artists to artistic and literary creation and interpretation has not been shared among the groups "Music, theatrical productions, opera", "Motion pictures and video", and "Advertising".

⁴⁵ "...for the copyright distribution industries, we applied the ratio of the sum of value added for the core copyright industries, the partial copyright industries, and the copyright-related industries to GNP less the transportation and trade sectors. Application of this weight is equivalent to an assumption that the proportional contribution of copyright industries to transportation and trade sectors is the same as their proportional contribution in the remaining sectors of the economy." Stephen E. Siwek-Harold W. Furchgott-Roth: Copyright Industries in the US Economy. 1999. Appendix B

V. The Contribution of Copyright-Based Industries to the Hungarian Economy

1. The performance of copyright based industries

Based on the value of their economic performance, and the number of employees, the contribution of copyright based industries was quite significant to the Hungarian economy in 2002. The total gross added value of copyright based industries came to HUF 987 billion⁴⁶, which represented 6.67% of the total gross national economic added value. Within copyright based industries the gross added value of core copyright industries amounted to HUF 586 billion in 2002, which accounted for 3.96% of the national GDP.

The total contribution of copyright based industries to gross output was HUF 3,412 billion, which represented 9.68% of national economic output. Within this figure, the contribution of core copyright industries came to HUF 391 billion, which represented 3.95% of gross national output.

Total volume of employee incomes within the entire copyright based sector was HUF 552 billion amounting to 7.17% of the whole national economic value. Within this figure, the employee incomes in core copyright industries amounted to HUF 325 billion – 4.22% of national employee incomes.

The total number of people employed in the copyright sector was 278,000, which is 7.10% of total employment. Within this figure, employee numbers in core copyright industries in 2002 was 162,575 people, which accounted for 4.15% of total employment.

To sum up we can safely state that all copyright based industries, i.e. the entire copyright industry, accounted for 7-9% of total economic output, while core copyright activities accounted for 4% on average of the Hungarian national economic performance.

Within copyright based industries, the contribution of core copyright industries is the highest. Based on their contribution to GDP, core copyright industries generate nearly 60% of the total added value of all copyright based industries while the remaining copyright based industries collectively account for 40% of GDP. The economic significance of core copyright industries is similar when we look at employee numbers or employee incomes.⁴⁷

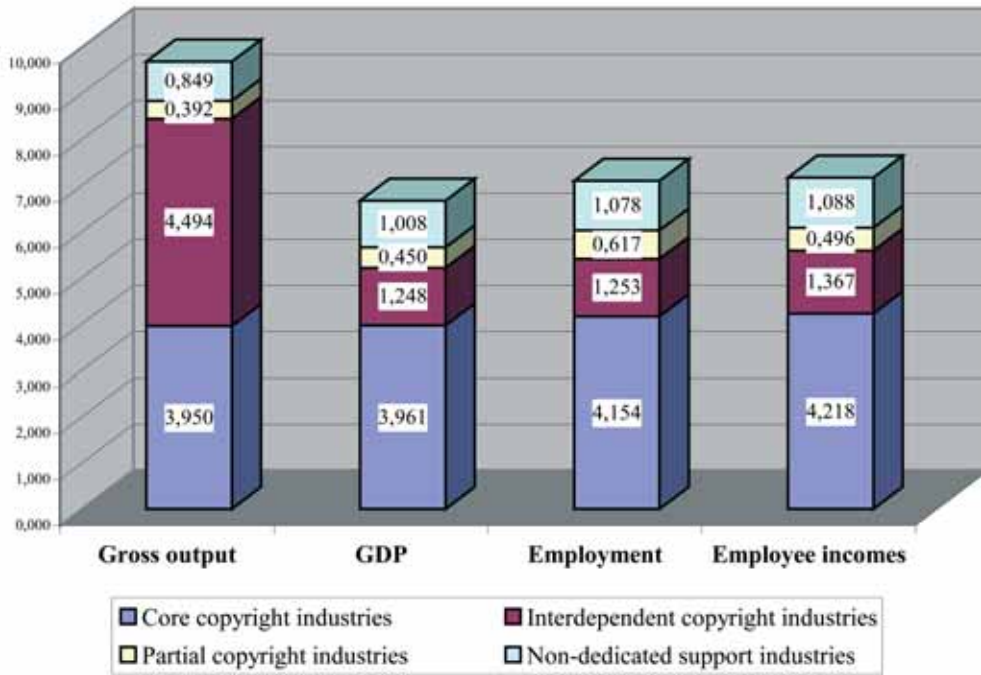
⁴⁶ The yearly average exchange rates between USD and HUF were 1 USD=286.54 HUF in 2001; 258.00 HUF in 2002; 224.44 HUF in 2003; 202.63 HUF in 2004.

⁴⁷ Core copyright based industries account for 40% of total gross output of the copyright based sector. These ratios are largely explained by the particular Hungarian development of interdependent copyright industries, which is outlined in greater detail in section 4 of Chapter V.

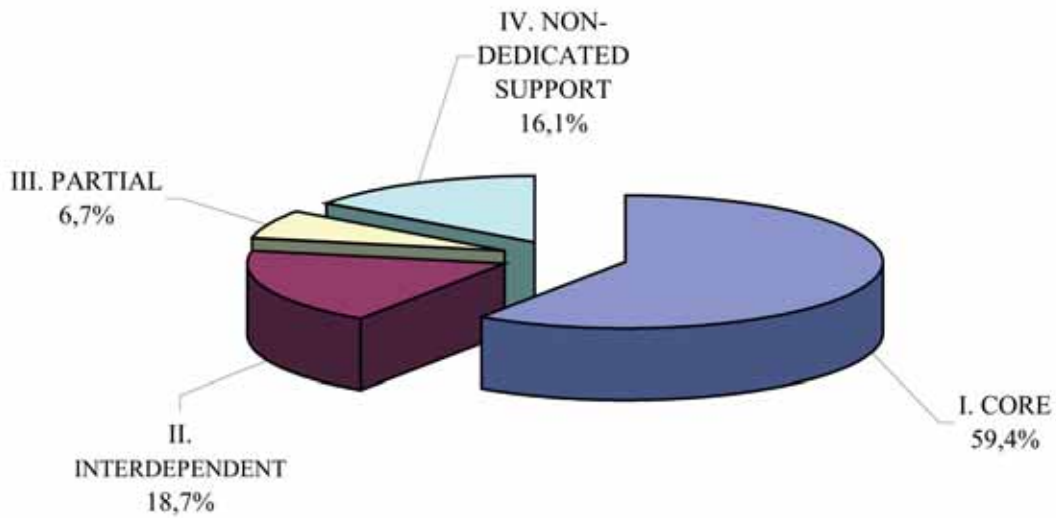
The economic contribution of copyright based industries in Hungary in 2002 (HUF million, %)

	GDP		Gross output		Employee incomes		Employee numbers	
	million HUF	%	million HUF	%	million HUF	%	people	%
I. Core copyright industries (CORE)	586,571	3.961	1,391,892	3.950	325,208	4.218	162,575	4.154
II. Interdependent copyright industries (INTERDEPENDENT)	184,841	1.248	1,583,538	4.494	105,391	1.367	49,029	1.253
III. Partial copyright industries (PARTIAL)	66,687	0.450	138,077	0.392	38,251	0.496	24,168	0.617
IV. Non-dedicated support industries								
(NON-DEDICATED SUPPORT)	149,334	1.008	299,039	0.849	83,872	1.088	42,200	1.078
I-IV. COPYRIGHT-BASED INDUSTRIES TOTAL	987,433	6.668	3,412,546	9.684	552,763	7.169	277,972	7.102
NATIONAL ECONOMY TOTAL	14,807,634	100.000	35,239,550	100.000	7,710,098	100.000	3,914,163	100.000

The economic contribution of copyright based industries in Hungary in 2002 (%)



Representation of copyright based sectors in Hungary based on GDP in 2002 (%)

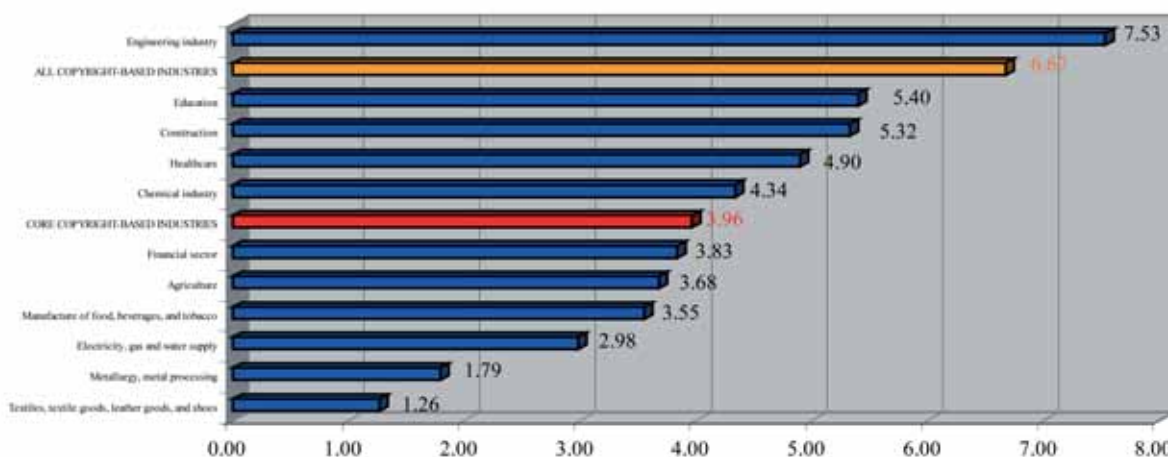


2. Comparison with other economic sectors

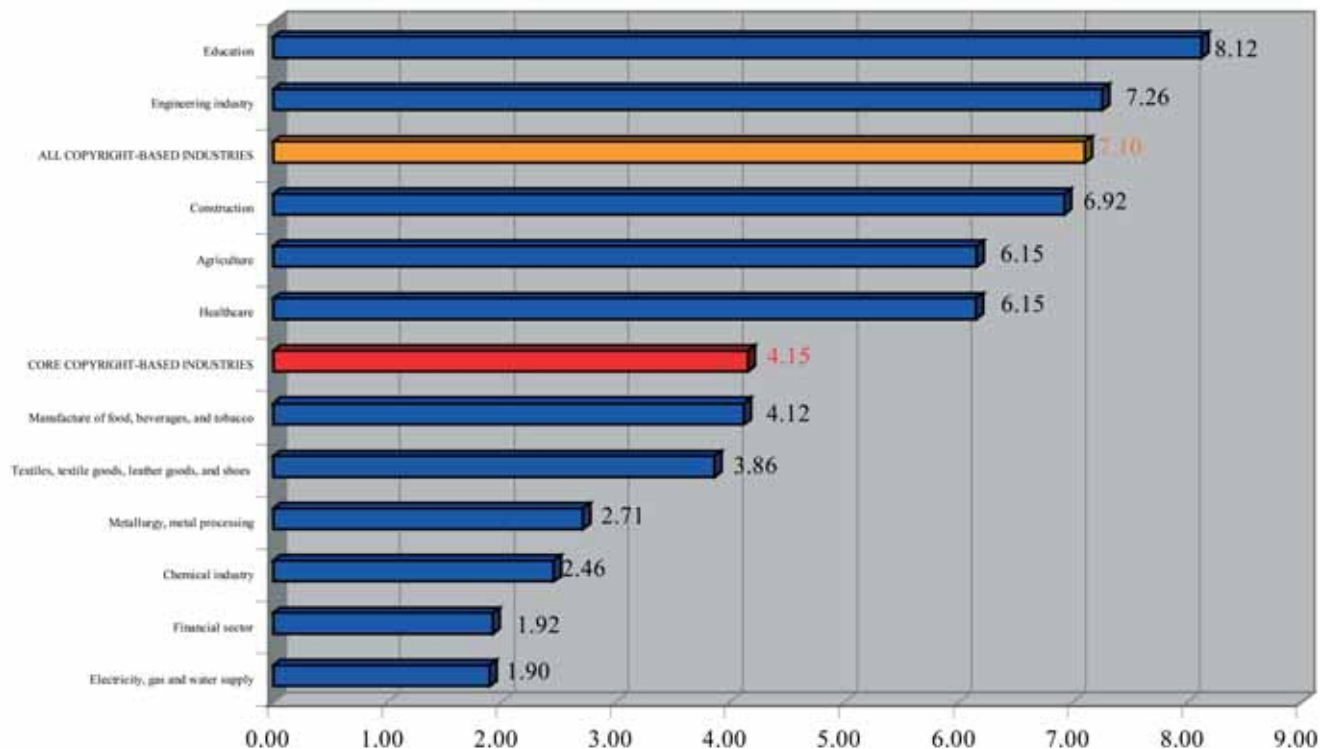
The role of copyright based industries in economic performance and employment in Hungary is easily illustrated by comparison with the other sectors and industries of the national economy. The contribution of copyright based industries/activities to gross added value and employment statistics in the national economy is not unlike that of large industries with a significant economic contribution. The 6.67% contribution of all copyright based industries to GDP with 3.96% produced by core copyright industries alone is comparable with the performance of economic industries like the engineering industry (7.53%), the chemical industry (4.43%), and the building industry (5.32%). The gross added value generated by core copyright industries is higher than that produced by the textile industry (1.26%), metallurgy and metal processing (1.79%), the electricity industry (2.98%), the food industry (3.55 %), and agriculture (3.68%).

The entire copyright based sector employed 283,000 people, which is 7.1% of total employment. Within this statistic, core copyright industries employed 162,000 people in 2002, accounting for 4.15% of total employment. The collective contribution of all copyright based industries to employment is equivalent to that of the engineering industry (7.26 %), the building industry (6.92%), agriculture (6.15%), and healthcare (6.15%). Core copyright industries employ nearly as many people as the food industry (4.12%). The number of employees in core copyright industries was higher than that of the textile industry (3.86%), metallurgy and metal processing (2.71%), the chemical industry (2.46%), and the electricity industry (1.90%).

The contribution of copyright based industries to the Hungarian economy in 2002 in comparison with other sectors on the basis of their contribution to GDP (%)

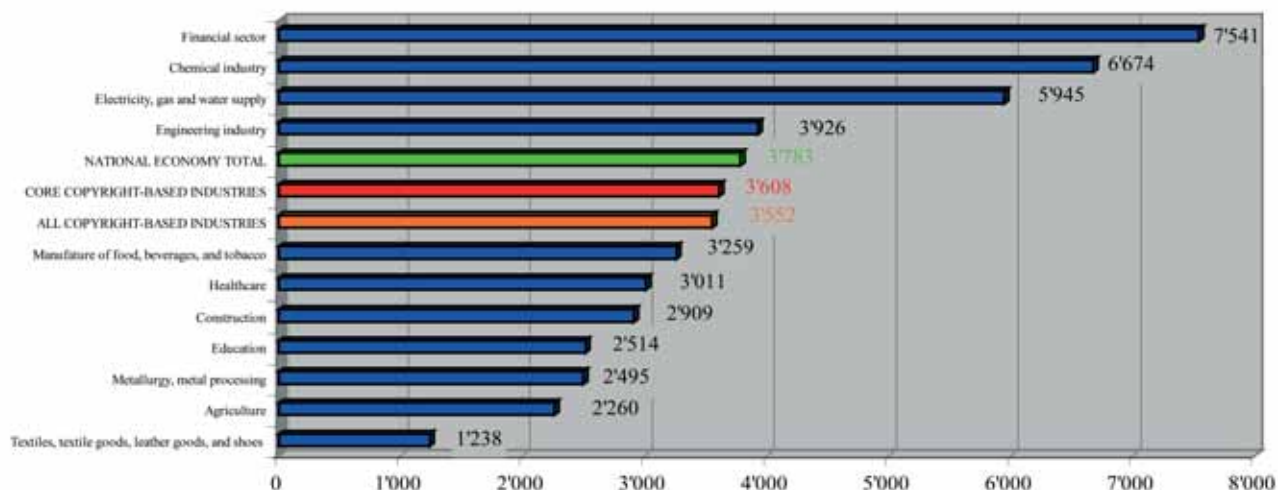


The contribution of copyright based industries to the Hungarian economy in 2002 in comparison with other sectors on the basis of their contribution to employment (%)



In 2002 in the copyright based industries – core copyright industries and the overall total of copyright based industries – the productivity index expressed as the fraction of added value per employee was very close to the national economic average. The productivity index of core copyright industries came to HUF 3,608,000, while that of the entire copyright industry was HUF 3,552,000, and the average of the national economy amounted to HUF 3,783,000. Only the traditional industrial sectors like the engineering industry, the chemical industry, and the electricity industry succeeded in producing better performances than the copyright based industries. The food industry, the building industry, metallurgy, metal processing, the textile industry and agriculture had all performed less well than the copyright based industries.

The productivity of copyright based industries (gross added value per employee) in comparison with other sectors in 2002 (HUF '000s)



3. The economic contribution of core copyright industries

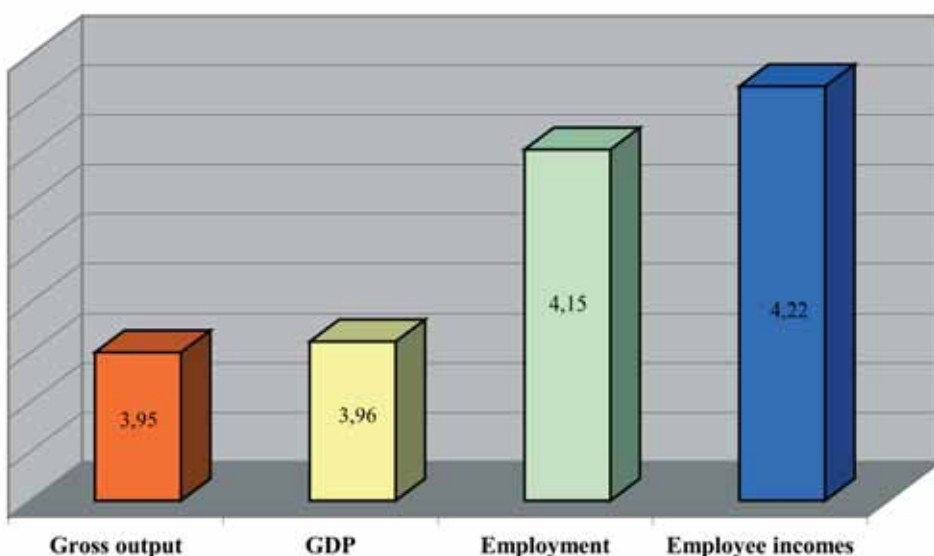
Core copyright industries include industries/activities engaged in creation, production and manufacturing performances, broadcasting and communication, exhibition, or distribution and sale of products and works and other protected subject matter. Core copyright industries, in fact, cover the entire field of culture in the traditional sense of the word as well as the software industry.

The economic performance of core copyright industries is approximately 4% of the entire national economy. The gross output of core copyright industries in 2002 was HUF 1,391 billion. This segment accounted for 3.95% of the gross economic output. The gross added value generated by core copyright industries was HUF 586 billion – 3.96% of the total gross added value produced by the entire national economy. In 2002 162,000 employees were engaged in these industries, which accounted for 4.15% of the total employment. Employee incomes amounted to HUF 325 billion accounting for 4.22% of total employee incomes.

The contribution of core copyright industries to employment and to employee incomes is higher than its contribution to national economic gross added value, or gross output. This phenomenon contradicts the trends observed in industrialized countries and it is a reflection on the fact that the core copyright industries in Hungary use a larger labour force than the average industry. This loss in productivity is probably due to the lower level of mechanisation and automation of the core copyright industries in international comparisons, and the slow establishment of new, labour-saving technologies because of lack of finance.

When we take the average of the EU-15 and each of the old member states separately, we find that the contribution of core copyright industries to employment is lower than its contribution to GDP. In the country comparisons we find only six countries – Denmark, Finland, Greece, Latvia, Singapore, and Hungary – where the contribution of core copyright industries to employment is greater than its role in shaping GDP.

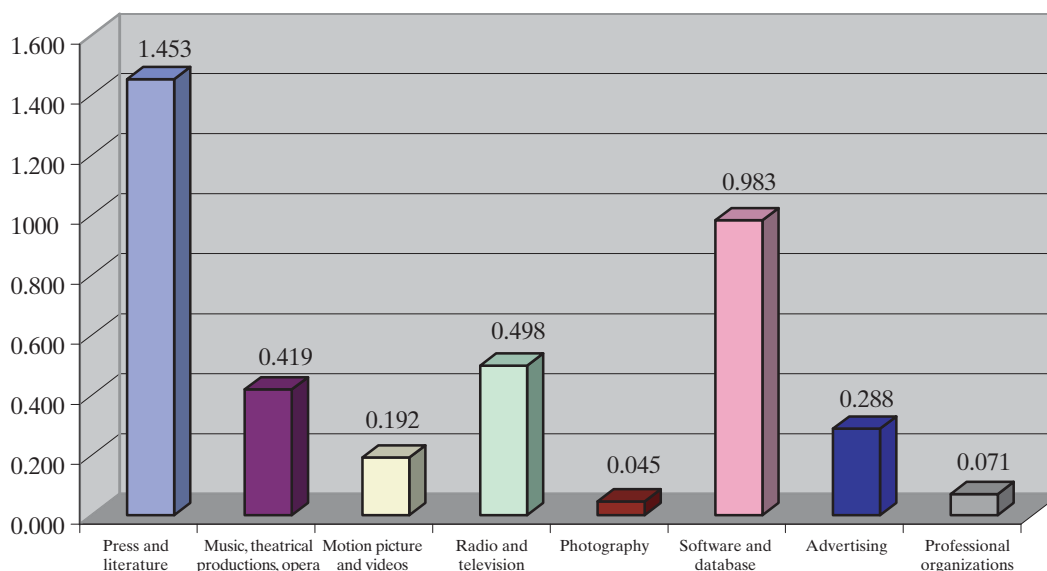
The economic contribution of core copyright industries (CORE) in Hungary in 2002 (%)



The following core copyright industries were the most important in terms of their contribution to gross output in 2002 in the order of their contribution: press and literature, software and databases, radio and television, music, theatrical productions, opera, and advertising. These five activities accounted for 92% of the total gross output of core copyright industries. Motion pictures and video, photography and professional organisations⁴⁸ made up the remaining 8%.

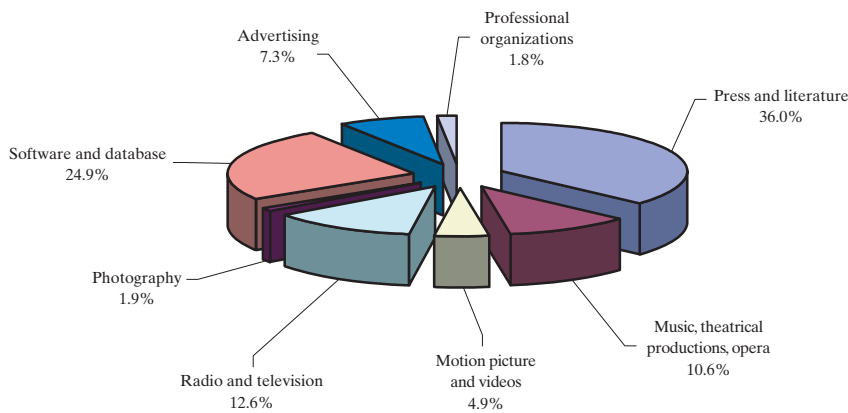
The heavy concentration of core copyright industries is shown by the fact that 61% of the gross output of core copyright industries came from two areas: press and literature, and software and databases. The traditionally strong Hungarian press and literature sector has a long history while the software industry is a relatively young, but fast-developing industry. This explains the dominance of these two sectors with different pasts and traditions within the core copyright industries.

The weight of core copyright industries on the basis of gross output in 2002 (%)



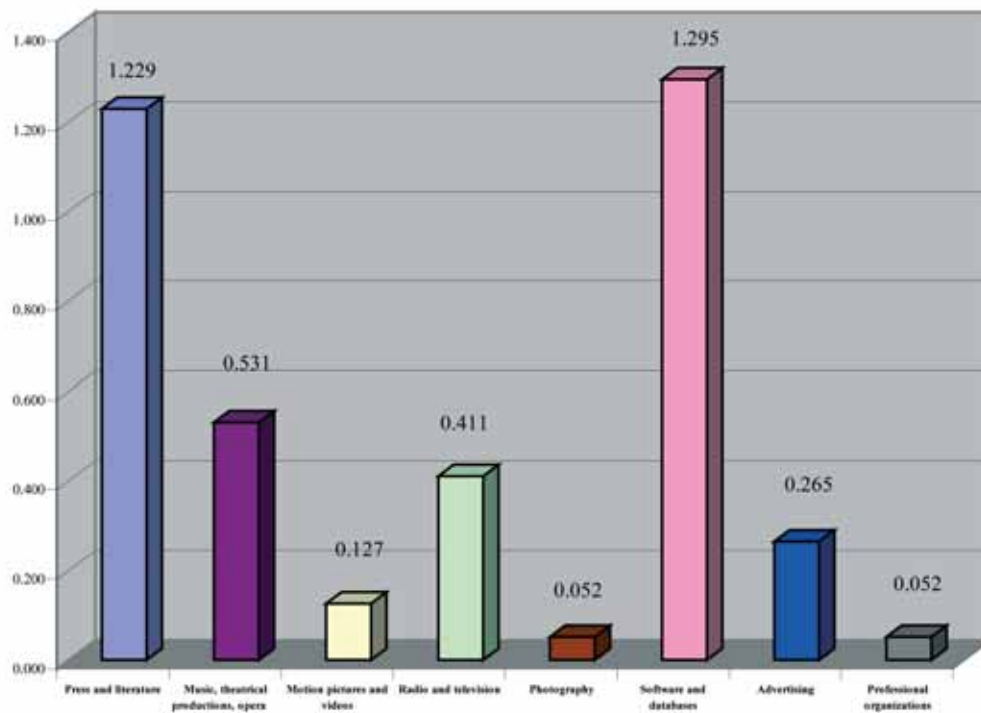
⁴⁸ Since 2003, seven registered organisations concerned with collective administration of copyrights and related rights operate in Hungary: ARTISJUS - Hungarian Bureau for the Protection of Authors' Rights; HUNGART - Society of Visual Artists Performing Collective Administration of Rights; FILMJUS - Hungarian Society for the Protection of Audio-Visual Authors' and Producers' Rights; EJI - Association of Arts Unions Bureau for the Protection of Performers' Rights; MAHASZ - Association of Hungarian Record Companies (Hungarian Group of IFPI); RSZ - Hungarian Alliance of Reprographic Rights; MASZRE - Reprographic Society of the Hungarian Book and Periodical Writers and Publishers)

The representation of core copyright industries based on gross output in 2002 (%)



Of the core copyright industries, the five strongest areas in terms of contribution to GDP are the same as those that make the greatest contribution to gross output; they are: software and databases, press and literature, music, theatrical productions, opera, radio and television, and advertising.

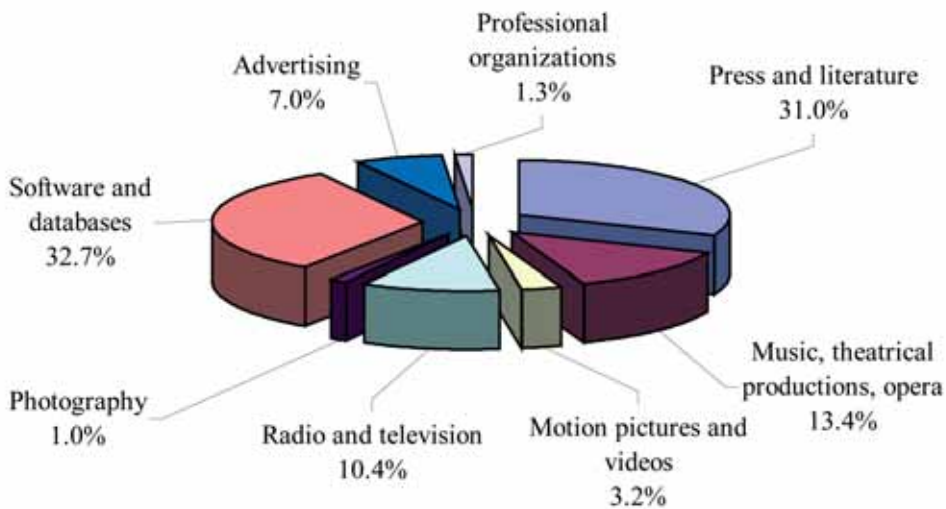
The contribution of core copyright industries to GDP in Hungary in 2002 (%)



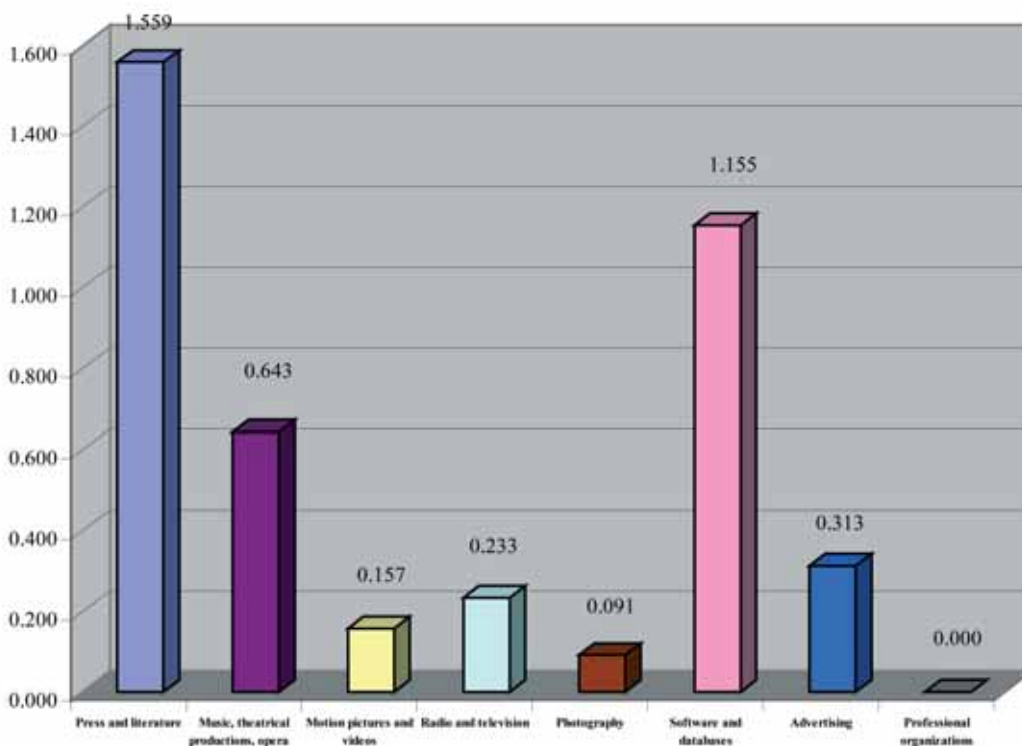
Ninety-five percent of the gross added value produced by core copyright industries came from the above five areas of activity. What is more, two areas – software and databases, and press and literature – accounted for 65% (nearly two-thirds) of the gross added value. Therefore contribution to gross added value was even more strongly concentrated than contribution to gross output.

The difference in the rankings based on the contributions to gross output and gross added value can be explained by the different material demands, intellectual and outside labour intensity in the specific core copyright industries. The greatest contribution of press and literature to gross output is due to its relatively greater material intensity than that of software and databases. As for radio and television, productions are predominantly made with the engagement of outside production companies, which is also reflected in the higher contribution to gross output since the value of gross output – given that all conditions are unchanged – is directly proportional to the increase in the division of labour.

The structure of core copyright industries in 2002 according to GDP (%)



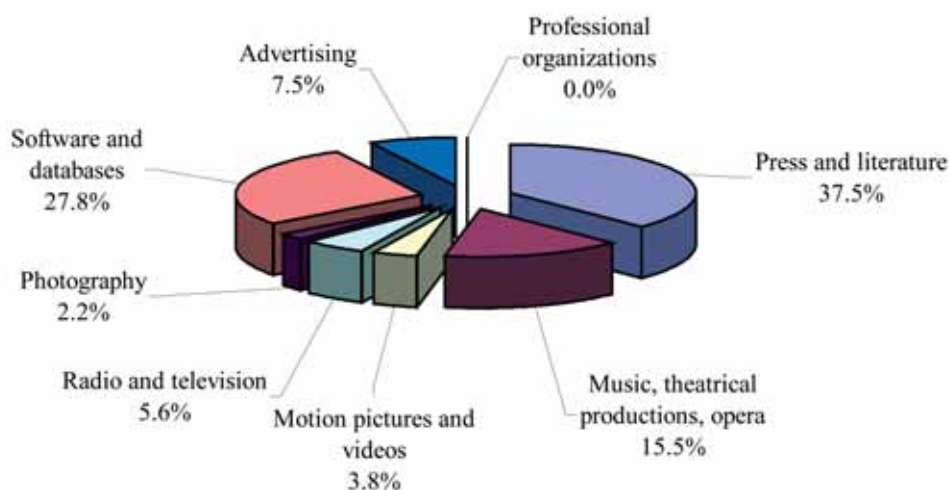
The contribution of core copyright industries to employment in Hungary in 2002 (%)



The ranking of core copyright industries in terms of their contribution to employment (workforce-intensity) is as follows: press and literature, software and databases, music, theatrical productions, opera, advertising, and radio and television. It transpires that press and literature swapped places with software and databases; advertising came before radio and television. This is closely related to the labour-intensity of the given activity.

The number of employees engaged in press and literature in 2002 was 61,000, in software and databases the figure was 45,000, in music, theatrical productions, opera it was 25 thousand. Advertising provided jobs for 12,000 people, and radio and television employed 9,000.

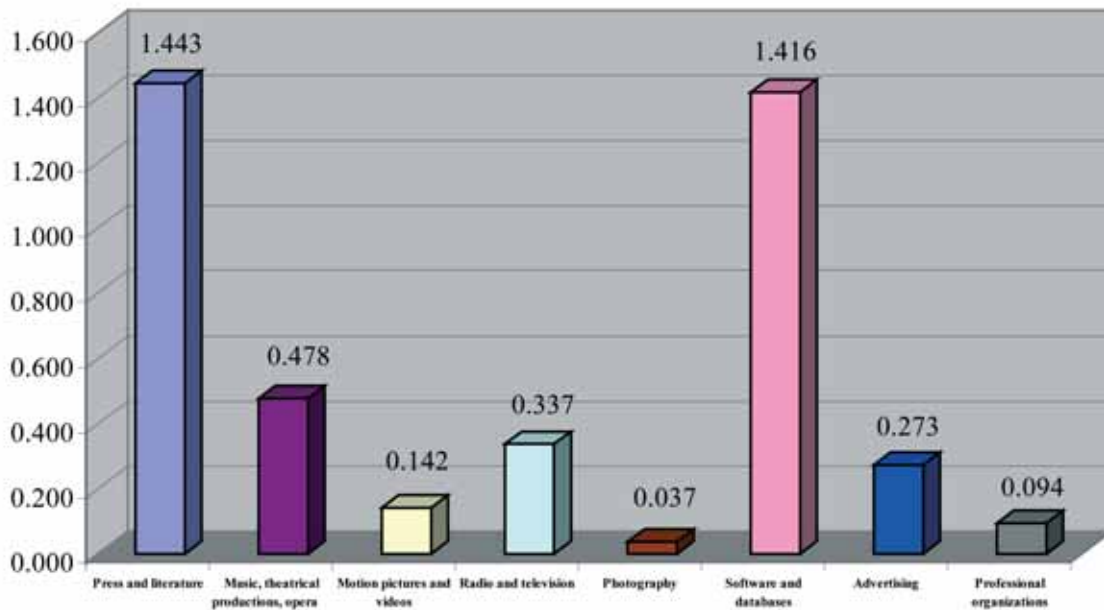
The structure of core copyright industries on the basis of the number of employees (%)



Ninety-four percent of all employees engaged in different areas of core copyright industries are employed in five fields of activity; 65% are engaged in the two areas mentioned above: in press and literature, and software and databases. The proportion of employees in press and literature is the highest followed by software and databases, and music, theatrical productions, opera. In comparison to gross added value, and gross output, radio and television as well as advertising make a smaller contribution to employment, which is likely to be related to the peculiarities of the division of labour.

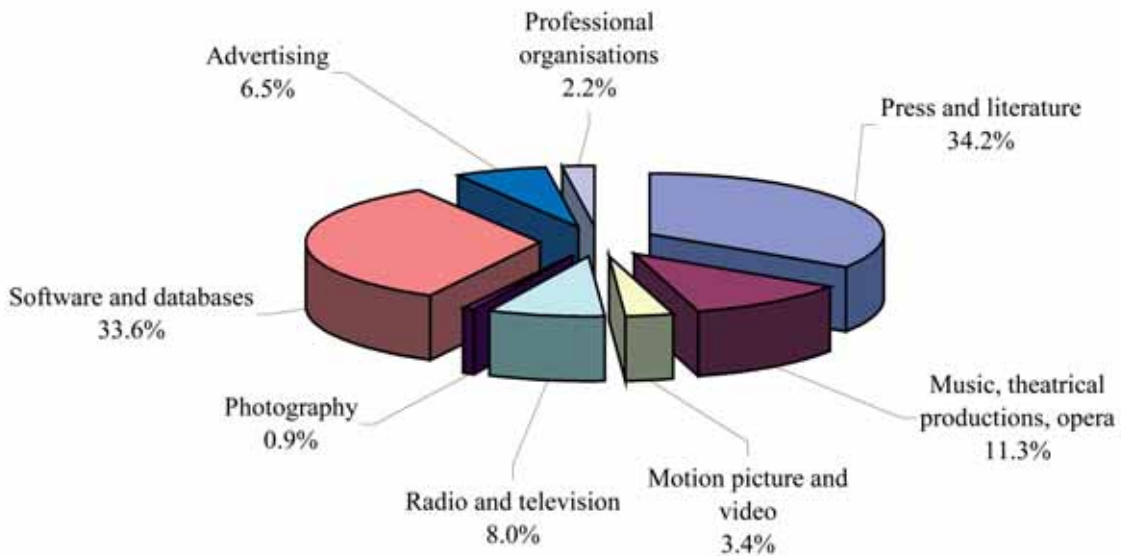
With regards to contribution to employee incomes of the core copyright industries, the five strongest areas are as follows in order of importance: press and literature, software and databases, music, theatrical productions, opera, radio and television, and advertising.

The contribution of core copyright industries to employee incomes in 2002 (%)



These five activities accounted for 86% of all employee incomes. The heavy concentration of employee incomes is further demonstrated by the fact that more than two-thirds of incomes come from only two areas: press and literature, and software and databases.

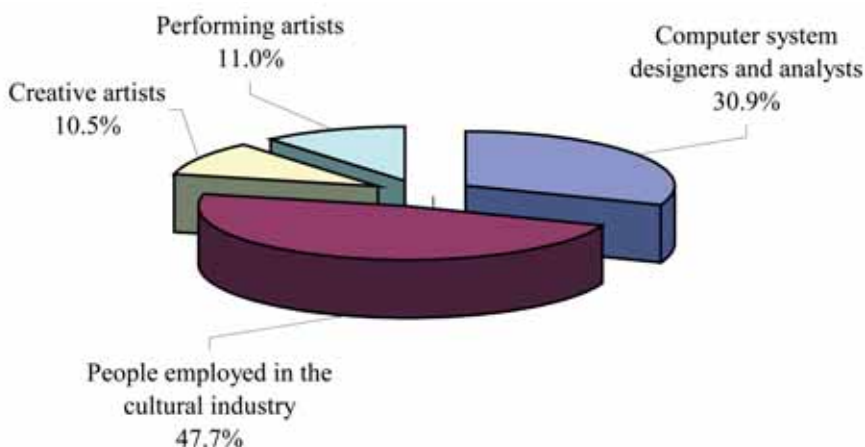
The structure of core copyright industries on the basis of employee incomes in 2002 (%)



In the 2001 census 3,690 people claimed to be running one-man enterprises⁴⁹. This survey does not encompass the total number of employees employed by the copyright industries, but only those that are directly engaged in cultural or certain IT activities. Other services related to copyright industries (e.g. ushers in theatres) are not included in the classification. For the purposes of this survey therefore we do not focus on absolute numbers, but rather on the composition of employment.

Out of the survey subjects 87,000 people claimed to be engaged in core copyright industrial activities: 47.7% of these were involved in cultural activities, 30.9% worked in IT, while 21.5% claimed to be creative or performing artists. (For details on employment categories, see Appendix.)

The distribution of employees engaged in the core copyright industries in the breakdown of occupational categories in 2001 (%)

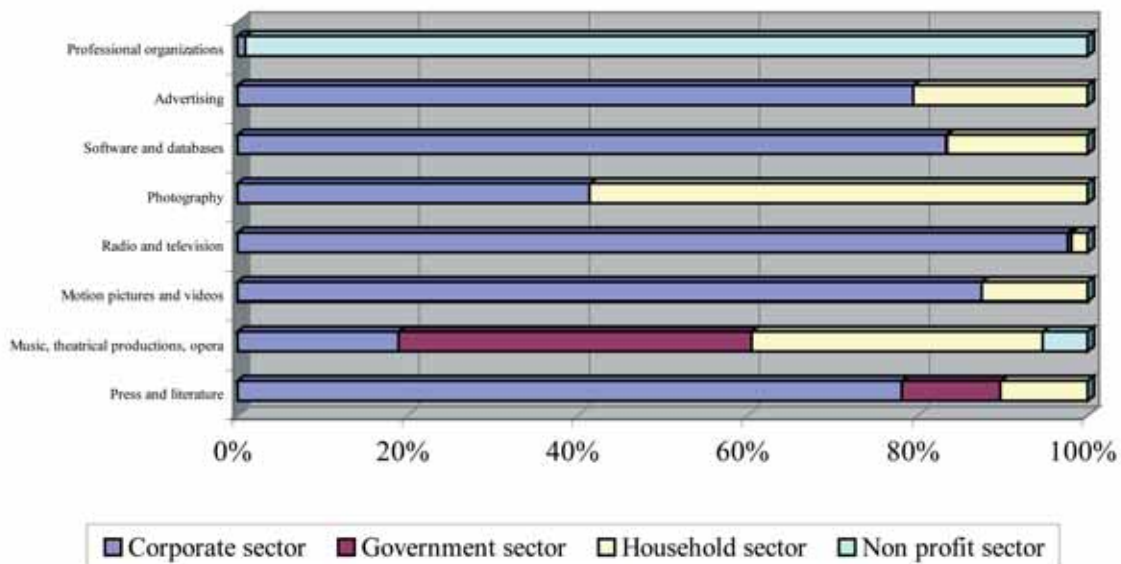


We looked at the composition of employees engaged in copyright based industries. In the core copyright industries, the top two ranks were occupied by other computer associate professionals (9,382), software designers and IT experts (8,171 making a total of 17,553). They are followed by other culture-related professionals (7,167), and librarians (5,966). Fifth place was occupied by journalists (4,303), followed by industrial designers (3,500). The top ten copyright based occupations account for 57.7% of employees engaged in core copyright industries.

Once possession of the available statistical figures we looked at the composition of core copyright industries/activities by sector. According to the Hungarian statistical survey system, the corporate sector includes all enterprises with legal person status and economic organisations without legal person status. The activities of central and local government funded institutions and state allocated funds under the budget directives are classified under the government sector. Households, and small enterprises falling under the scope of the personal income tax law are shown in the household sector. Non-profit organisations assisting households are institutions whose resources are primarily supplied by private financiers.

⁴⁹ Following the tradition of census surveys in Hungary, the 2001 census was also conducted by personally questioning the population and completion of a questionnaire; the data does not need to be verified by documents. For this reason the census data may differ from the results of data collection where data had to be verified. The information on the occupations of the working population is published in compliance with the revised FEOR-93 system effective from 1997. The number surveyed amounted to 95% of the 2001 employment figures.

The structure of core copyright industries by sector in the breakdown of gross added values in 2002 (%)



In the majority of core copyright industries the corporate sector plays a key role. More than three-quarters of gross added value is generated in the corporate sector by press and literature, motion pictures and video, software and databases, and advertising. Accordingly, employees in the fields of motion pictures and video, photography, radio and television, software and databases, advertising, and professional organisations are represented almost exclusively by partnerships and one-man enterprises.

The government sector dominates only music, theatrical productions, opera. The maintenance of theatres and music halls and related institutions is mainly funded by state resources. In the field of music, theatrical productions and opera, 41% of gross added value was generated by institutions owned and run by the central and local governments. In addition to the government sector, the household sector encompassing all one-man and small enterprises that fall under the scope of personal income tax law play a key role in the field of music, theatrical productions and opera. In addition to the institutions financed by the central government, the role of performers working and paying taxes as one-man enterprises, or joint partnerships is also important. Accordingly, joint partnerships and one-man enterprises account for 56.7% of employees and the government and non-profit sector represents 43.3% of employees in the field of music, theatrical productions and opera.

78.2% of gross added value was generated by the corporate sector within press and literature, and accordingly 88.9% of employees were running one-man businesses or joint partnerships and 11.1% of employees were engaged in the government and non-profit sectors.

The contribution of business associations and one-man businesses, or small enterprises in photography is equally shared between the two. Professional organisations are definitely associated with the non-profit sector.

The gross added value of core copyright industries in 2002 in the breakdown of sectors (HUF million, %)

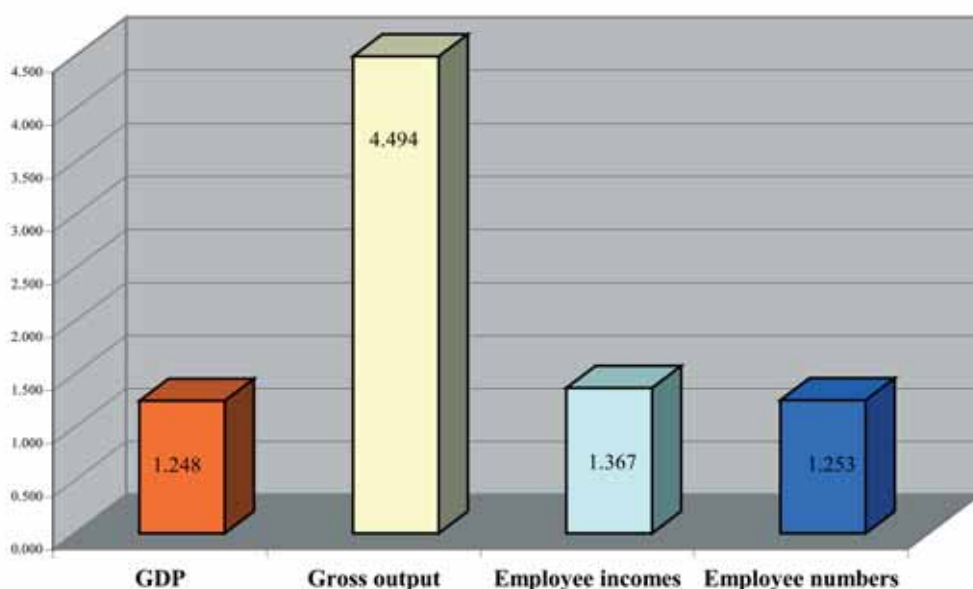
	Gross added value								
	National economy total				percent				
	Corporate sector	Government sector	Household sector	Non profit sector	Corporate sector	Government sector	Household sector	Non profit sector	
	HUF million								
Press and literature	182,019	142,312	21,132	18,575	0	78,19	11,61	10,20	0,00
Music, theatrical productions, opera	78,579	14,886	32,636	26,931	4,126	18,94	41,53	34,27	5,25
Motion pictures and videos	18,770	16,439	0	2,331	0	87,58	0,00	12,42	0,00
Radio and television	60,912	44,554	210	859	0	73,14	0,34	1,41	0,00
Photography	7,639	3,166	0	4,473	0	41,45	0,00	58,55	0,00
Software and databases	191,727	159,783	310	31,634	0	83,34	0,16	16,50	0,00
Advertising	39,193	31,176	0	8,017	0	79,54	0,00	20,46	0,00
Professional organisations	7,732	72	0	0	7,660	0,93	0,00	0,00	99,07
Core copyright industries (CORE) total	586,571	412,388	54,288	92,820	11,786	70,30	9,26	15,82	2,01

4. The economic contribution of interdependent copyright industries

Interdependent copyright industries include industries/activities engaged in the production, manufacturing, and sale of instruments and equipment wholly or primarily designed to promote the creation, production, or “consumption” of copyrighted works and other protected subject matter.

The output value of interdependent copyright industries in 2002 was HUF 1,583 billion, which accounts for 4.49% of the gross national economic output. The gross added value of interdependent copyright industries was HUF 184 billion, which is 1.25% of the national GDP. In 2002, 49,000 people worked in these sectors, which amounts to 1.25% of all employees. The income of employees in the sector was HUF 105 billion, which comes to 1.37% of total employee incomes.

The economic contribution of interdependent copyright industries in Hungary in 2002 (%)



The data and the figure shown illustrates that the contribution of interdependent copyright industries in gross national output was 3.5 times higher than its contribution to GDP, employment and employee incomes. This phenomenon is largely due to the odd structure of the Hungarian economy. In Hungary the manufacture of durable consumer goods was developed in the 1990s by the involvement of foreign capital. Attracted by well-qualified labour, cheaper than in western Europe, a number of large foreign companies (e.g. Philips, Samsung) relocated their final assembly plants of a number of durables to Hungary; the activities were almost entirely based on the use and final assembly of imported materials and parts. When modern manufacturing technologies were introduced, yet they represented little added value for Hungary.

A similar process was evident in the manufacture of computers⁵⁰. This explains the fact that in the manufacture of electronic entertainment products (televisions, radios, videos, CD players, DVD players, cassette players, video game consoles) and also in the manufacture of computers the relatively high gross output of these activities is coupled with a relatively low contribution to GDP. These industries work with above-average productivity, which is reflected in the fact that their employment rate is lower than their performance rate.

In 2002 the average ratio of gross added value and gross output of the Hungarian national economy was 42.02%. The same figure in core copyright industries was 42.14%, which is consistent with the national economic average. In contrast to this, the ratio of gross added value/gross output in the manufacture of electronic entertainment (televisions, radios, videos, CD players, DVD players, cassette players, video game consoles) and in the manufacture of computers was extremely low at 9.4%, and 6.4%. This is closely related to the dominance of low added value assembly activities.

On the other hand, the Hungarian economy is characterised by heavy imports of durable consumer goods, which explains the high proportion of retail and wholesale trade associated with interdependent copyright industries.

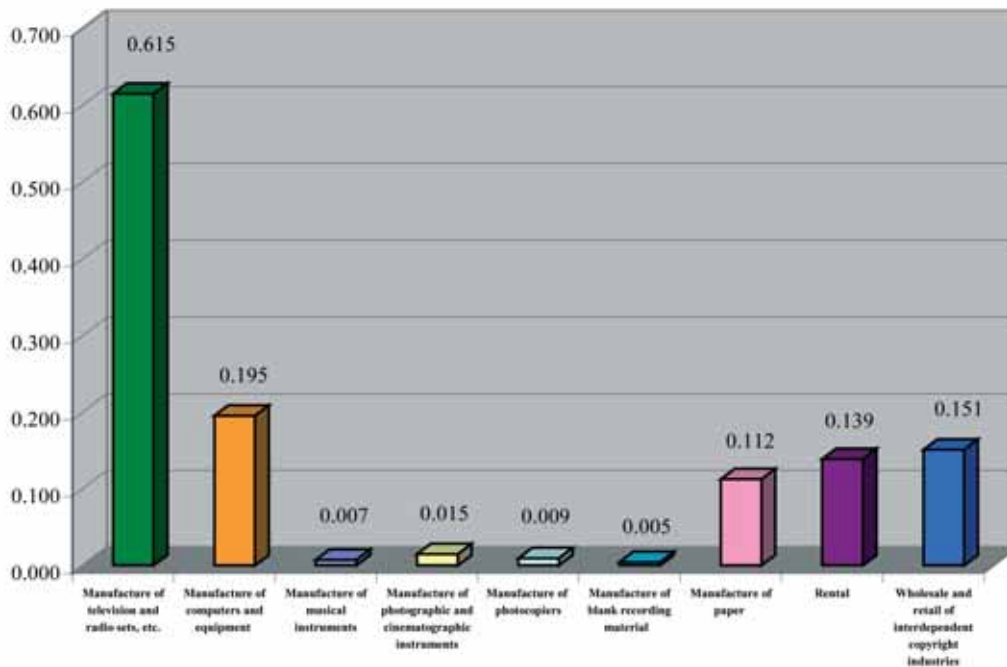
Taking these specifics into consideration, we studied the activities of interdependent copyright industries from two aspects. The statistical data provided by the HCSO were related to the manufacturers' activities and showed relatively aggregated figures on the wholesale and retail trade activities and rental of interdependent copyright industries. In our first approach, we listed retail and wholesale activities and rentals related to interdependent copyright industries as a separate figure.

As for the performance rates within interdependent copyright industries, there are two main areas: the manufacture of televisions, radios, videos, CD and DVD players, cassette players, video game consoles, which are collectively referred to as entertainment electronics, and the manufacture of computers account for 65% of added value within the category. These manufacturing activities are followed by wholesale and retail, and rentals. The contribution of interdependent copyright-industry-related wholesale and retail activities to gross output and gross added value was 0.15% of the national economic average for both. The proportion of employees engaged in this sector was much higher at 0.24%. The higher-than-average labour demand of wholesale and retail is articulated in the fact that the contribution of trade-related activities to employment is higher than the economic contribution of wholesale and retail.

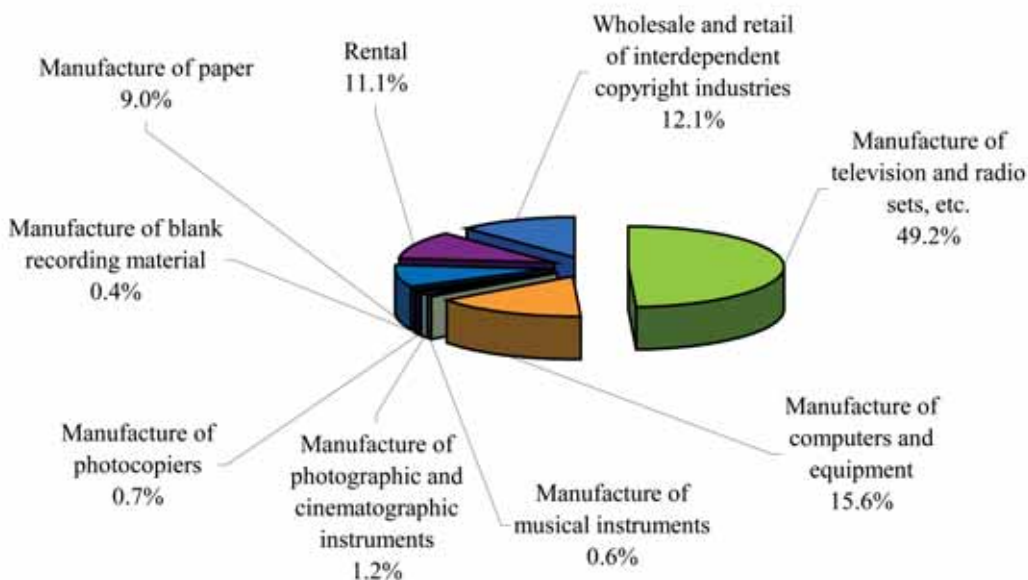
Entertainment electronic products (television, radio, etc.), computers, the manufacture of paper, together with wholesale, retail and rental account for 97% of added value in this field, which demonstrates that there is practically hardly any manufacture of photocopiers, musical instruments, blank recording material or photographic equipment in Hungary.

⁵⁰ At the IBM's Székesfehérvár factory in the customs-free zone, hard disk drives were manufactured. IBM Storage grew into becoming Hungary's sixth largest company and was one of the largest exporters in the country. Due to falling global demand, IBM stopped production in its Székesfehérvár factory on 30 November 2002.

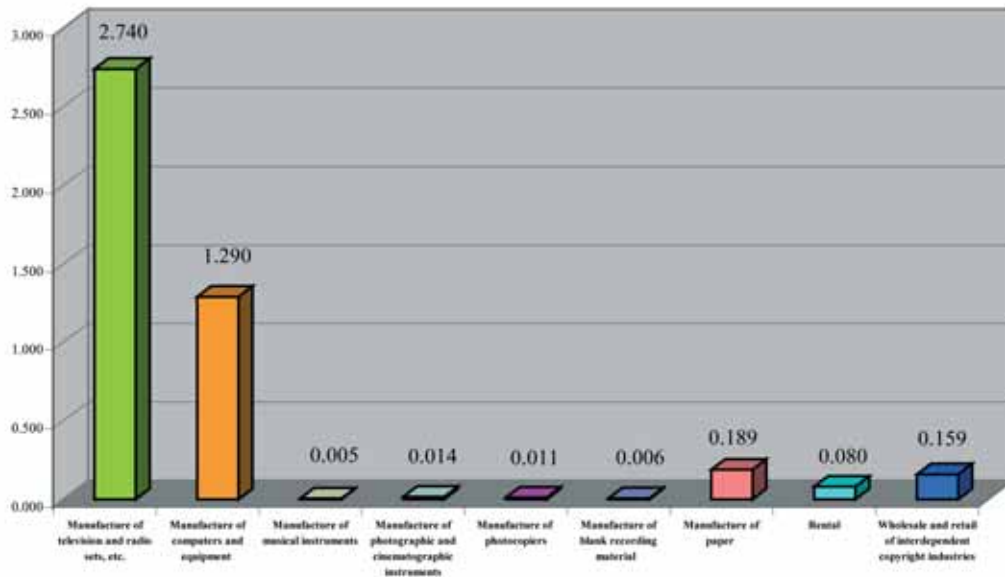
The contribution of interdependent copyright industries to GDP in 2002 (wholesale and retail shown separately (%))



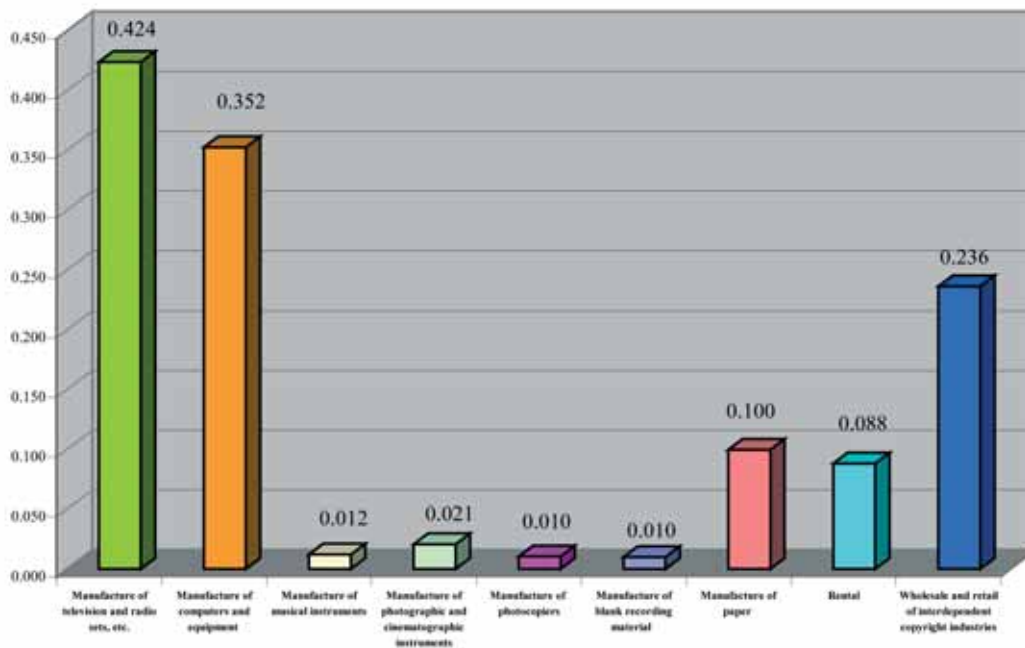
The contribution of interdependent copyright based industries to gross added value in 2002 (%)



The contribution of interdependent copyright industries to gross output in 2002 (wholesale and retail shown separately (%))



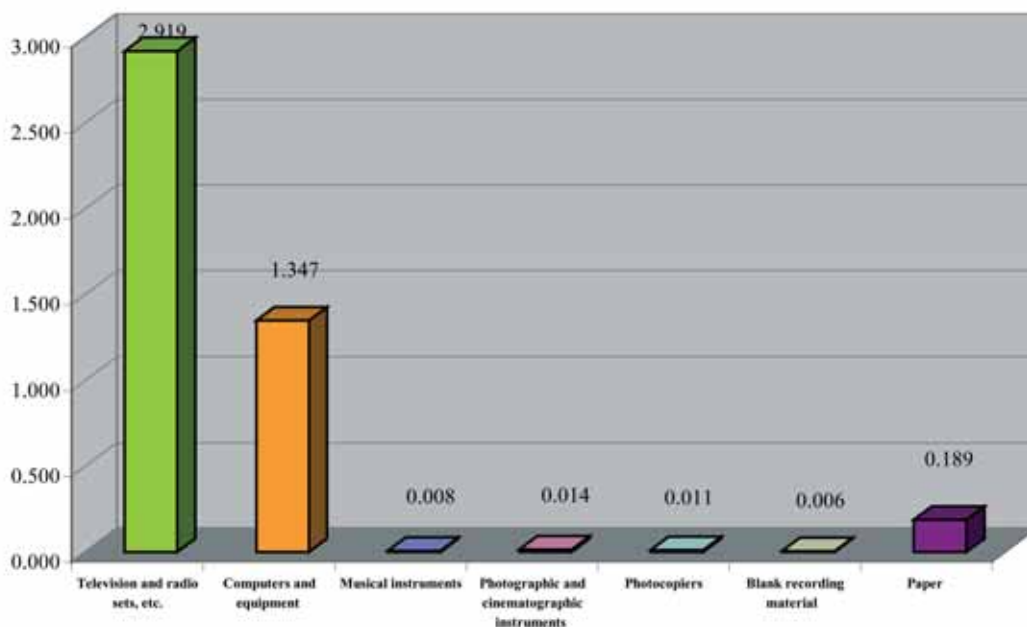
The contribution of interdependent copyright industries to employment (wholesale and retail shown separately (%))



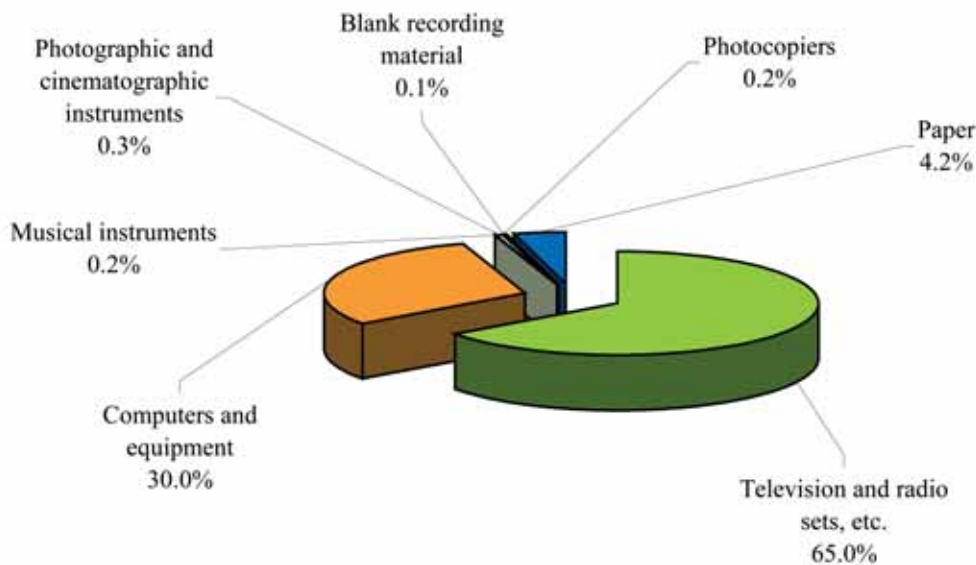
In the second approach we shared the values of wholesale and retail, and rental activities among the given sectors as a form of data correction. The purpose of data correction was to adapt Hungarian statistics to European and American practices and include not only the manufacture but also the wholesale and retail of hardware products of copyright industries and also rental activities where applicable. Consequently, we divided the wholesale and retail activities relating to interdependent copyright industries – in consideration of the proportion of added value – among the given sectors. The following distribution values have been prepared with the inclusion of data adjusted for wholesale and retail and rental, but must be treated with caution as rough estimates.

Based on its contribution to gross output, out of all the interdependent copyright industries entertainment electronics (television, radio, video, CD and DVD players, cassette players, and video game consoles) is ranked top followed by the computer industry. The lion's share (93%) of aggregate output of interdependent copyright industries is given by these two sectors. The output of the remaining sectors is insignificant.

The contribution of interdependent copyright industries to gross output in 2002 (%)

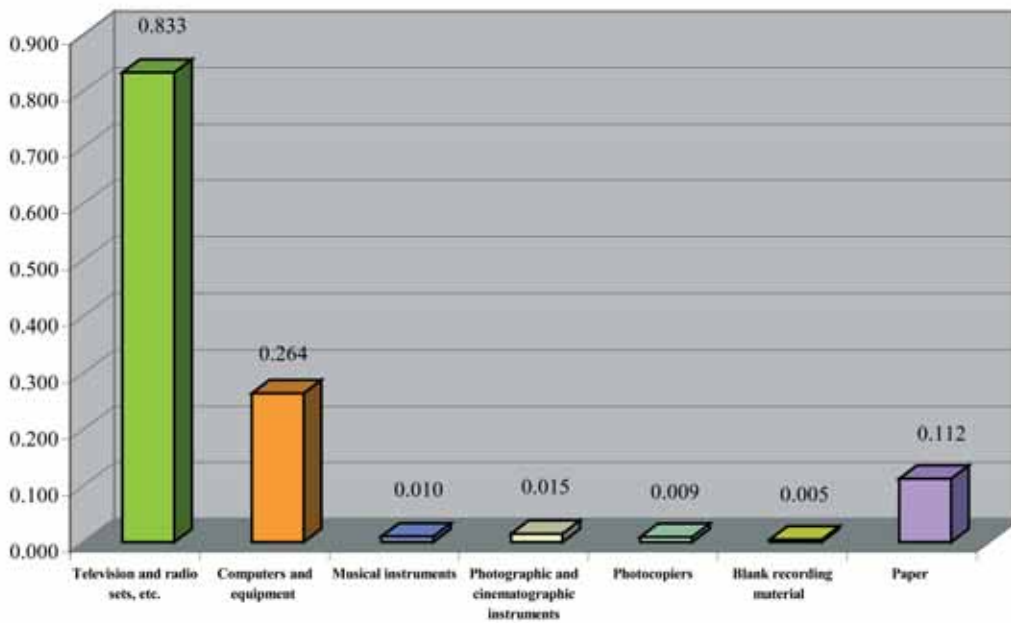


The structure of interdependent copyright industries on the basis of gross output in 2002 (%)



The above two sectors – entertainment electronics and the computer industry – play the most important role in the contribution to GDP. In addition to these, the paper manufacturing sector is worth attention for its contribution to GDP.

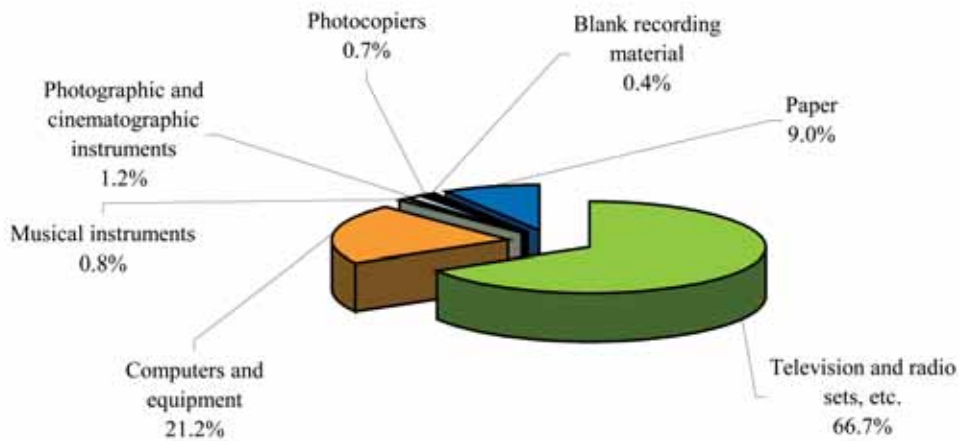
The contribution of interdependent copyright industries to GDP in 2002 (%)



The importance of this area is demonstrated by the fact that the above three industries (entertainment electronics, computers and equipment, and paper manufacturing) accounted for 97% of the aggregate gross added value of the interdependent copyright industries. What is more, only two of the three

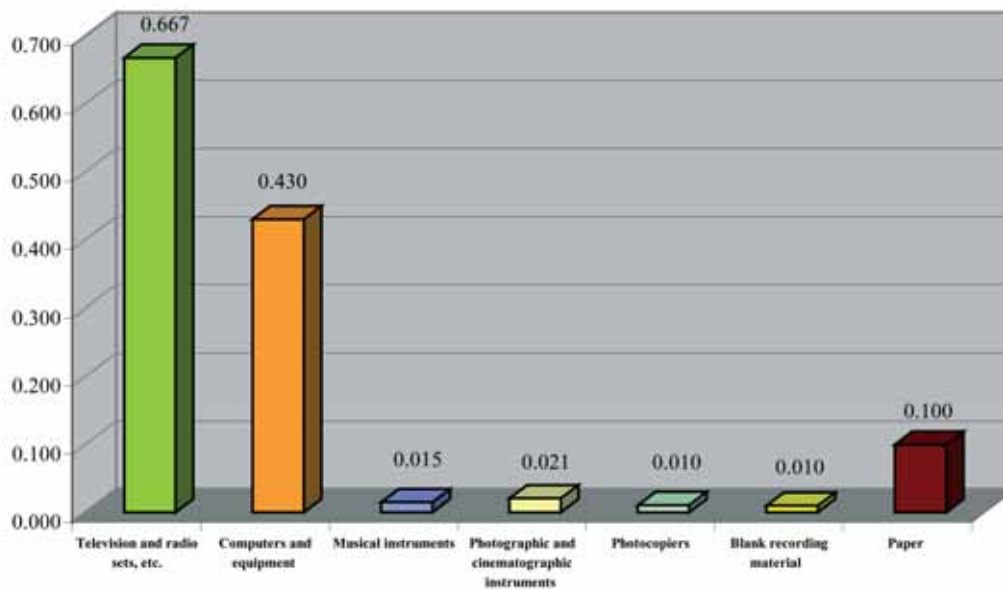
(entertainment electronics, computers and equipment) are responsible for 89% of all added value. The “industrial” performance of musical instruments, photographic instruments, and photocopiers is insignificant in the Hungarian economy.

The structure of interdependent copyright industries based on GDP (%)



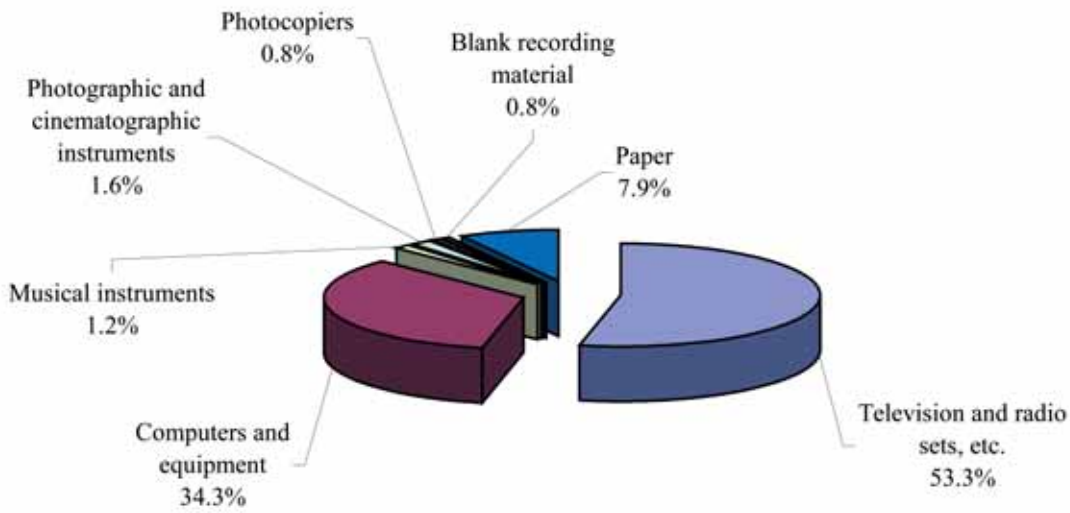
The sectors with the highest number of employees within the interdependent copyright industries are: entertainment electronics, computers and equipment and paper.

The contribution of interdependent copyright industries to employment in 2002 (%)



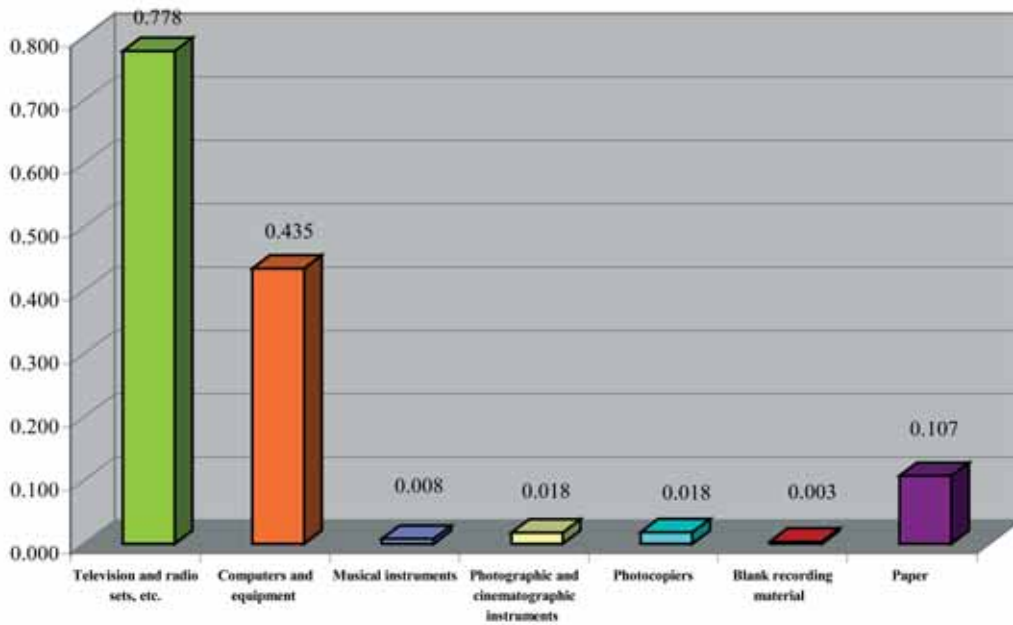
95.5% of employees in the interdependent copyright industries were engaged in these three industries.

The structure of interdependent copyright industries based on employment in 2002 (%)

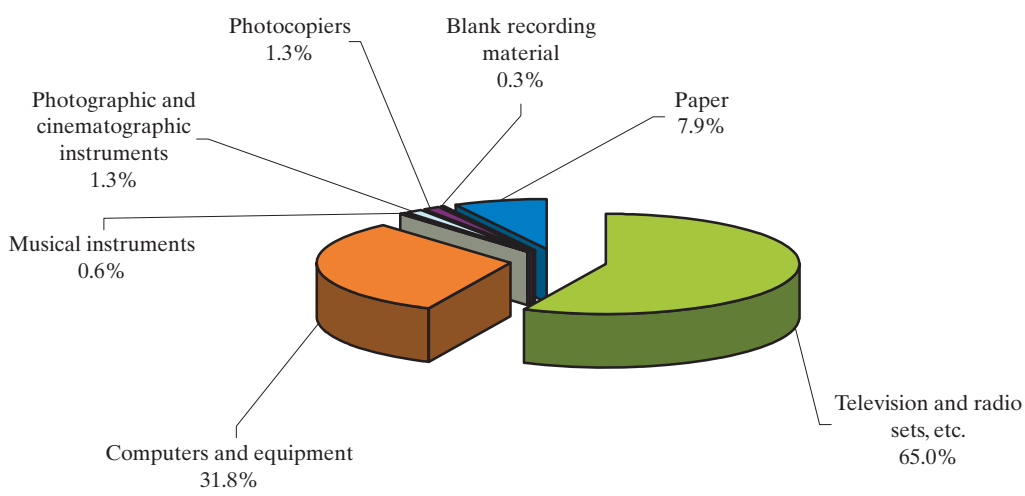


Again, the role of the above three industries previously mentioned with respect to employee incomes is dominant with a share of 96.6%.

The contribution of interdependent copyright industries to employee incomes in 2002 (%)



The structure of interdependent copyright industries based on employee incomes in 2002 (%)



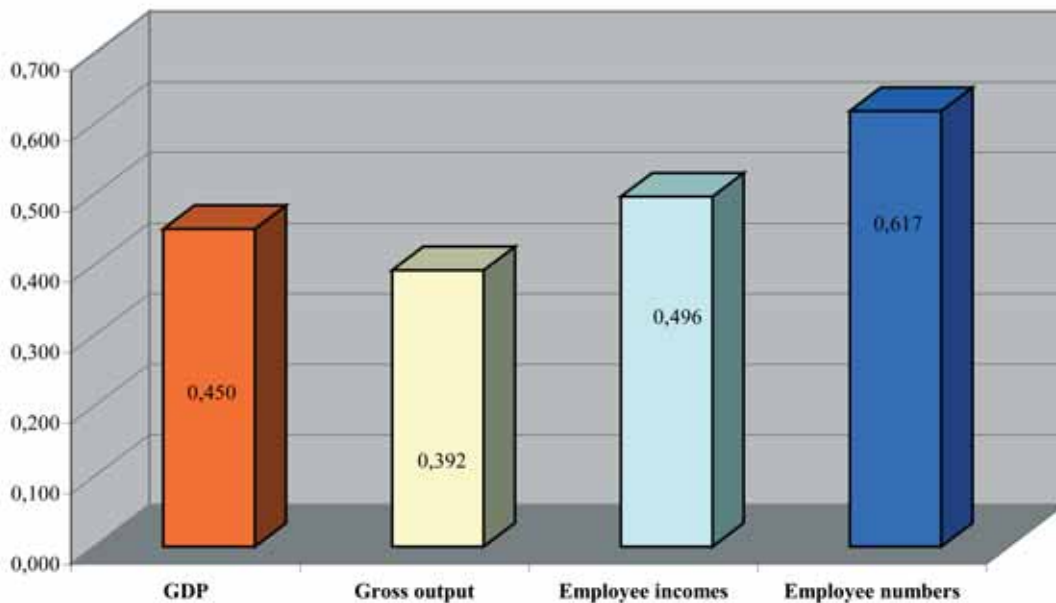
5. The economic contribution of partial copyright industries

Partial copyright industries include industries that are only partially engaged in production of copyrighted works, i.e. only a specific segment of their activities is aimed at creating copyright-protected works. The proportion of copyrighted works is expressed by the so-called copyright factor⁵¹, whose value was established by an expert estimation. The performance indicators of partial copyright industries below are adjusted by the copyright factors, and the following distribution rates have also been prepared using performance values adjusted by the copyright factors.

The contribution of partial copyright industries to performance and employment is relatively low, since most of the activities of these industries are not aimed at creating copyrighted works and other protected subject matter. The value of gross output of partial copyright industries in 2002 was HUF 138 billion, which accounted for only 0.39% of gross national output. Added value generated by these sectors amounted to HUF 67 billion, which is 0.45 of national GDP. The number of employees engaged in partial copyright industries was 24,000 accounting for 0.61% of total employment. Contribution to employee incomes was HUF 38 billion – representing 0.49% of the national aggregate.

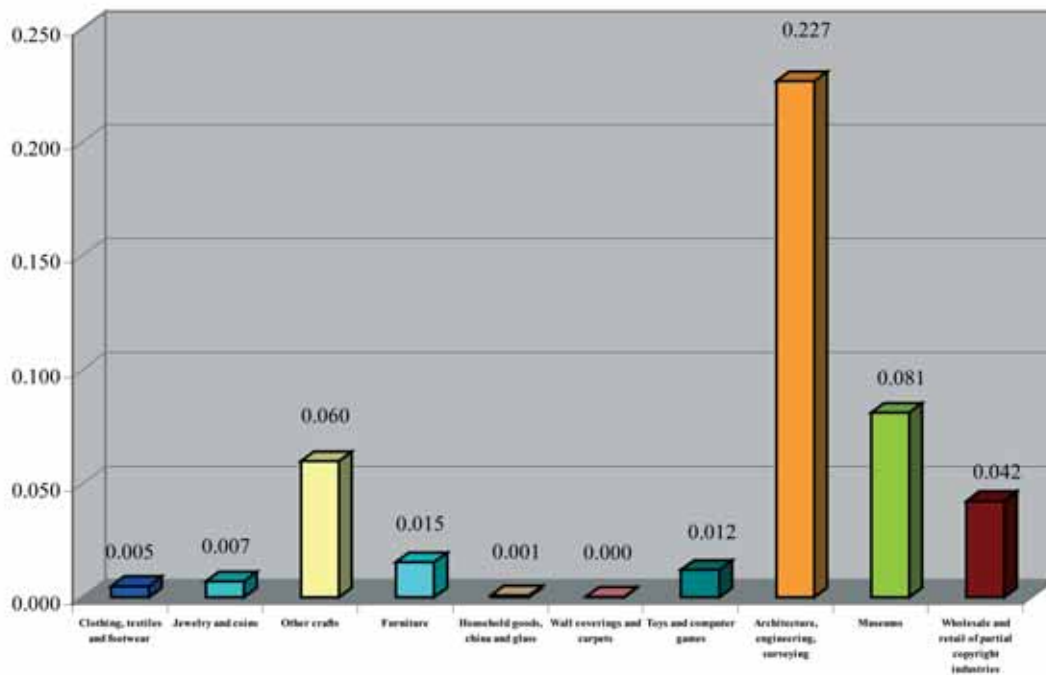
⁵¹ For more details on copyright factors, see section 2 of Chapter III

The economic contribution of partial copyright industries in Hungary in 2002 (%)



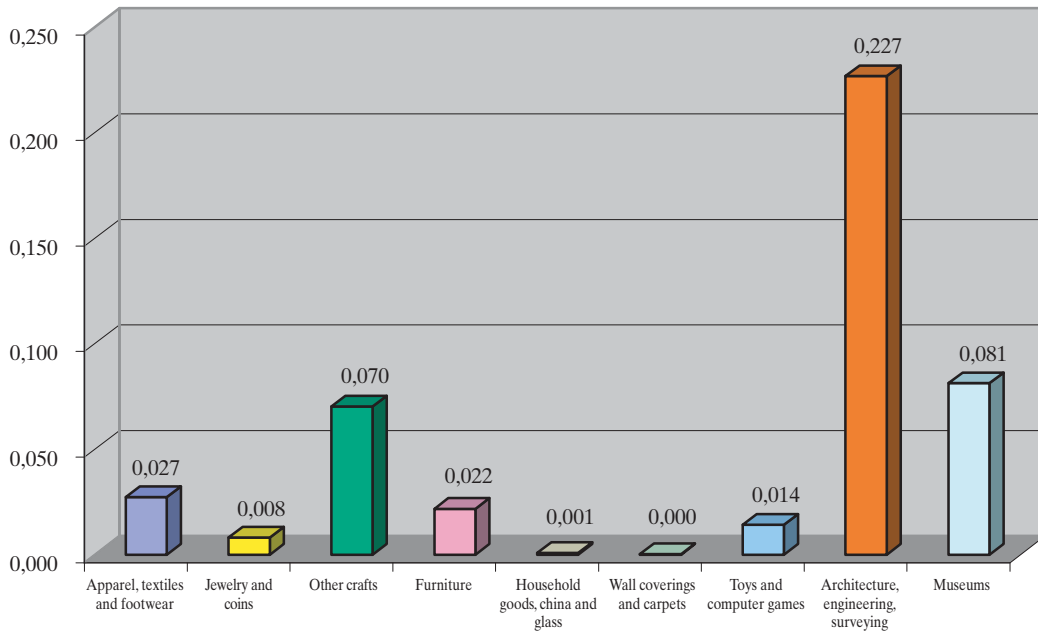
The proportion of retail and wholesale in partial copyright industries is nearly 10%.⁵²

The contribution of partial copyright industries to gross added value in 2002 (wholesale and retail shown separately (%))



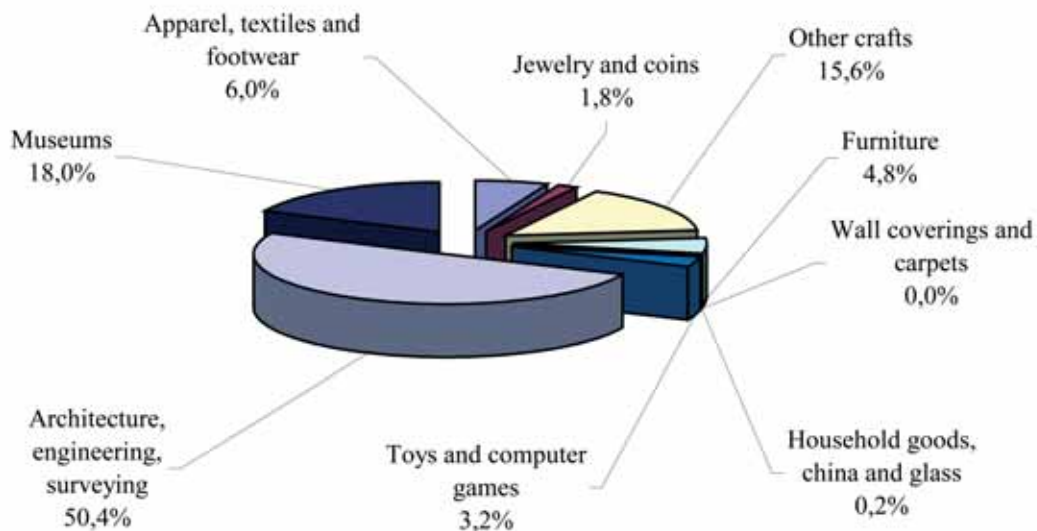
⁵² As shown by the following graphs, we made two calculations: one where wholesale and retail were separated and one where they were distributed among the specific sectors

The contribution of partial copyright industries to gross added value in 2002 (%)

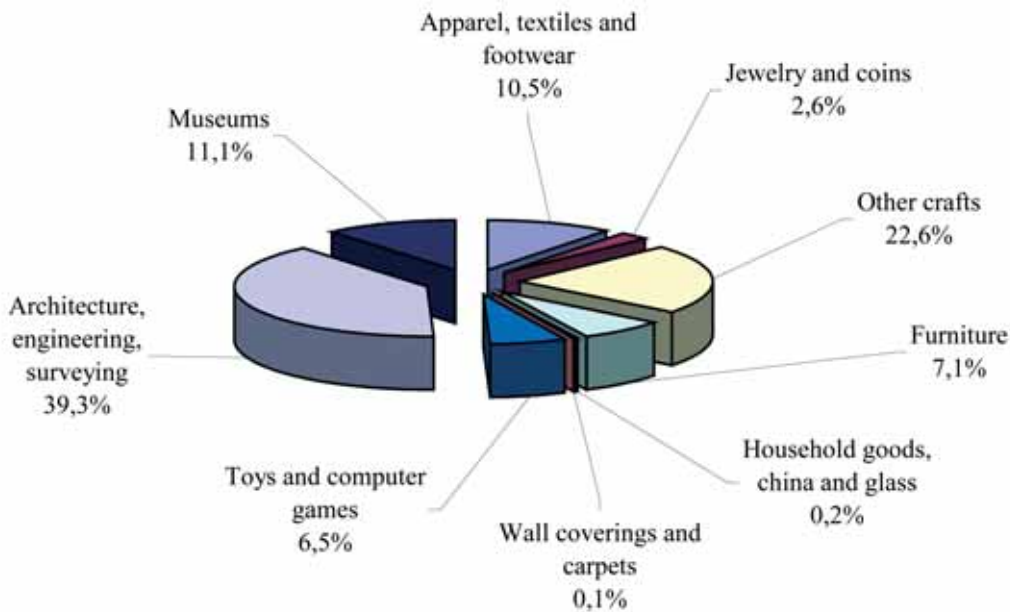


Based on their contribution to gross added value, gross output and employment, as well as to employee incomes, the following activities play the most important roles among the partial copyright industries in order of contribution: architecture, engineering, and surveying, museums, other crafts, apparel and toys. The ranking is not indicative of the size of the sector, but primarily of the extent of activities aimed at creating copyrighted works and products.

The structure of partial copyright industries based on contributions to GDP in 2002 (%)



The structure of partial copyright industries based on contributions to employment in 2002 (%)



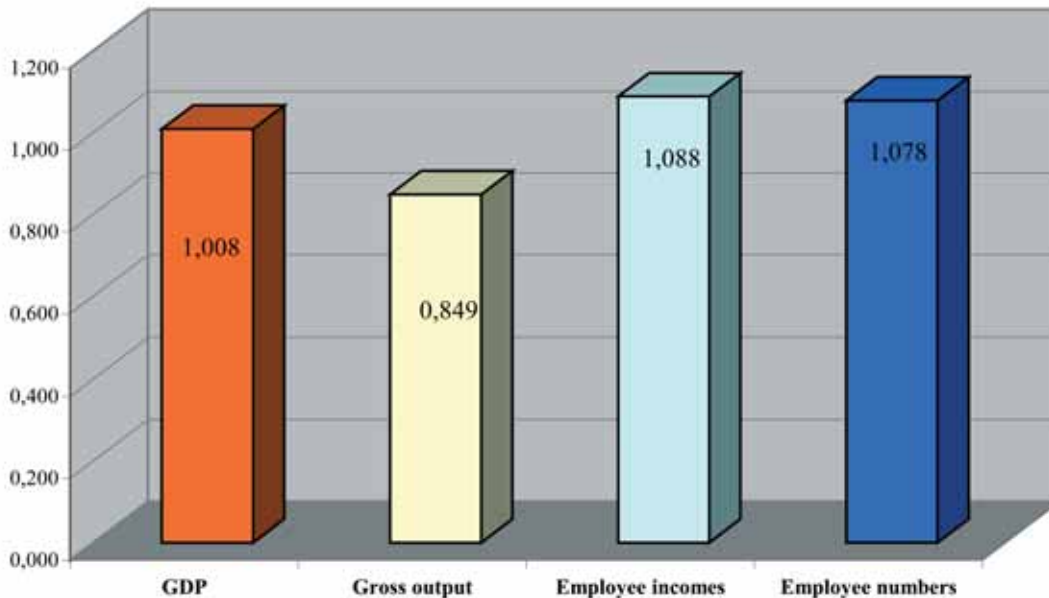
6. The economic contribution of non-dedicated support industries

The non-dedicated support industries make a contribution to the broadcasting, communication, distribution, and sale of copyrighted works and products. In the calculations we relied on the simplifying presumption that the copyright-related activities of general wholesale and retail, general transportation, storage, and communication are identical to the contribution of copyright based industries to GDP.⁵³

The economic contribution of non-dedicated support industries/activities is about 1%. In 2002 the non-dedicated support activities relating to copyright based industries contributed HUF 299 billion to national economic gross output (0.85%). The gross added value of non-dedicated support industries was HUF 149 billion – 1.01% of GDP. The estimated number of employees engaged in non-dedicated support industries related to copyright based areas was 42,000, making up 1.08% of total employment. Employee incomes thus came to HUF 84 billion, which was 1.09% of the aggregate national employee incomes.

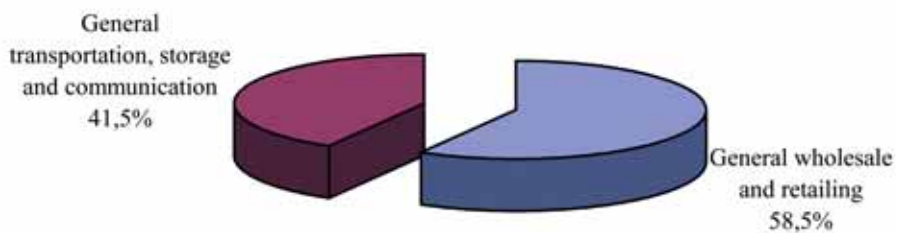
⁵³ This assumption is accepted by international methodology. See: Stephen E. Siwek–Harold W. Furchgott-Roth: Copyright Industries in the U.S. Economy, 1990. Appendix B-6.

The economic contribution of non-dedicated support industries relating to copyright based industries in Hungary in 2002 (%)

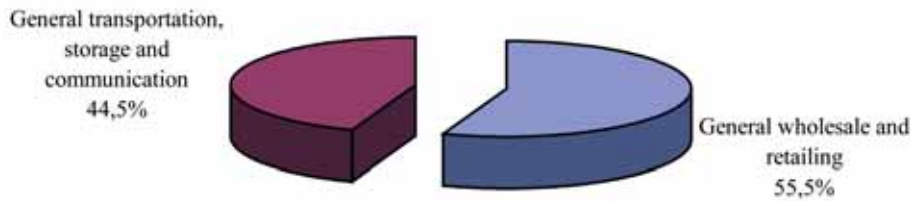


The performance of non-dedicated support industries was approximately equally shared (55-45%) between general transportation, storage, telecommunications, and general wholesale and retail.

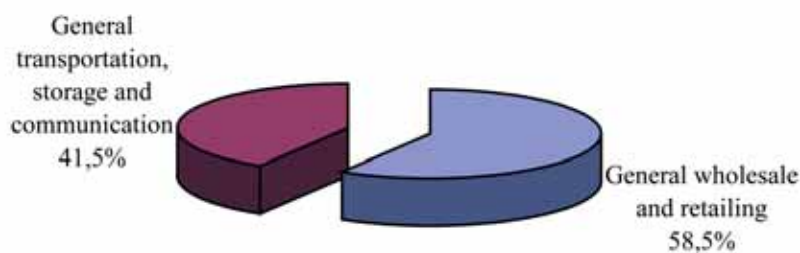
The structure of non-dedicated support industries relating to copyright based industries on the basis of their contribution to gross output in 2002 (%)



The structure of non-dedicated support industries relating to copyright based industries on the basis of their contribution to gross added value in 2002 (%)



The structure of non-dedicated support activities related to the copyright based industries on the basis of their contribution to employment (%)



7. International comparisons

We compared the economic contribution of copyright based industries in Hungary with other countries. On the one hand we had the final report on the EU countries⁵⁴, the recently published Latvian⁵⁵ and Singapore studies⁵⁶, and the latest USA report⁵⁷ which served as an excellent basis for comparison. Comparison with EU countries was made with respect to the aggregate weight of core copyright industries, and interdependent copyright industries because the limitations of the available European data only allowed for comparison in these two categories. Comparison of the entire scope of copyright based industries is only possible with the USA, Latvia, and Singapore by using the results of the latest studies.

The economic contribution of copyright based industries in Hungary is consistent with the values registered in the EU member states; in fact, we are ranked among the EU leaders in this respect. The contribution of copyright based industries to employment is also strong and we are again ranked among the top EU countries.

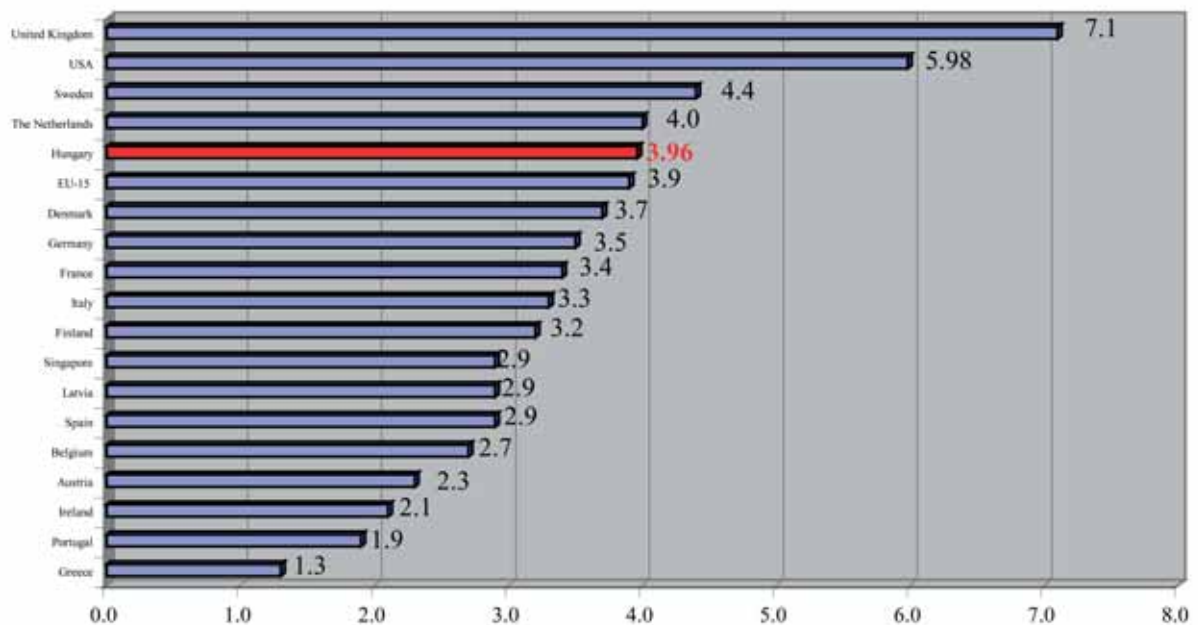
⁵⁴Robert G. Picard–Timo E. Toivonen–Mikko Grönlund: The Contribution of Copyright Related Rights to the European Economy, Final Report, 20 October 2003.
⁵⁵Robert G. Picard–Timo E. Toivonen: The Economic Contribution of Copyright-Based Industries in Latvia 2000.
⁵⁶Leo Kah Mun–Chow Kit Boey–Lee Kee Beng–Ong Chin Huat–Loy Wee Loon: Economic Contribution of Copyright-Based Industries in Singapore, October 2004.
⁵⁷EU data are from the year 2000, the US data are from 2002, the Latvian data are from 2000, Singapore data are from 2001, and the Hungarian data are from 2002.

The contribution of core copyright industries to gross added value was highest in the UK (7.1%) and in the USA (5.98%)⁵⁸. Hungary's position on this regard was also quite impressive with 3.96% of the GDP, which is slightly higher than the EU-15 average of 3.9%. This put Hungary in front of Germany (3.5%), France (3.4%), Italy (3.3%), Finland (3.2%), Austria (2.3%), and Ireland (2.1%) just to name a few.

The proportion of employees engaged in activities within the core copyright industries against all employees in Hungary in 2002 was 4.15%, which is well above the EU-15 average of 3.1%. In this regard we were ranked ahead of countries like the UK (3.2%), the USA (4.02%), and Sweden (2.7%). The high representation of core copyright industries in employment is not a self-evident and unconditional advantage since this index is also indicative of differences in productivity. High employment numbers in an international comparison also means that the higher added value generated by the UK, USA, and Sweden is in fact generated by fewer employees than in Hungary.

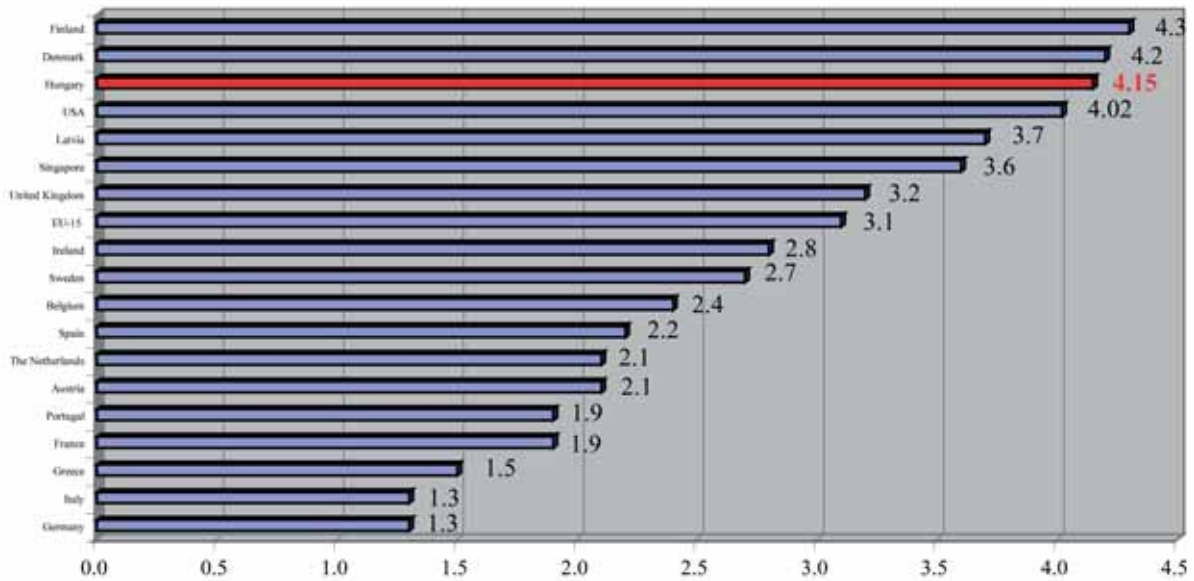
The aggregate economic contribution of core copyright industries and interdependent copyright industries accounted for 5.2% of the GDP in Hungary and represented 5.4% of all employment. These results place Hungary among the European leaders.

The contribution of core copyright industries to GDP by international comparisons (%)

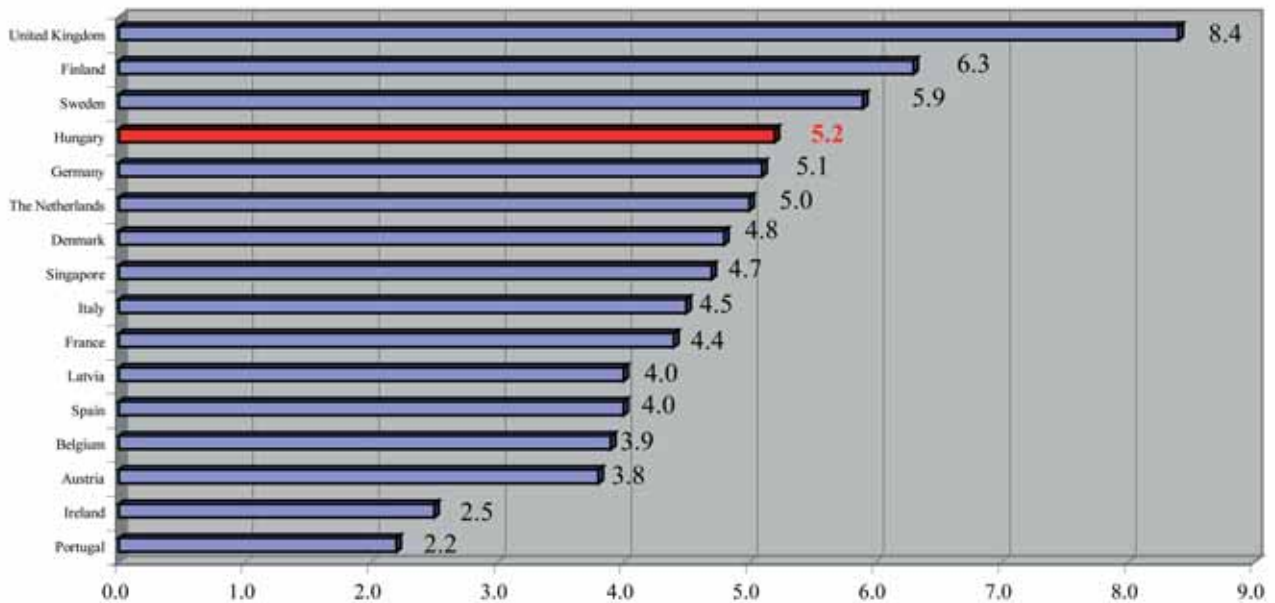


⁵⁸Data of the US report. Stephen E. Siwek: Copyright Industries in the U. S. Economy. The 2004 report.

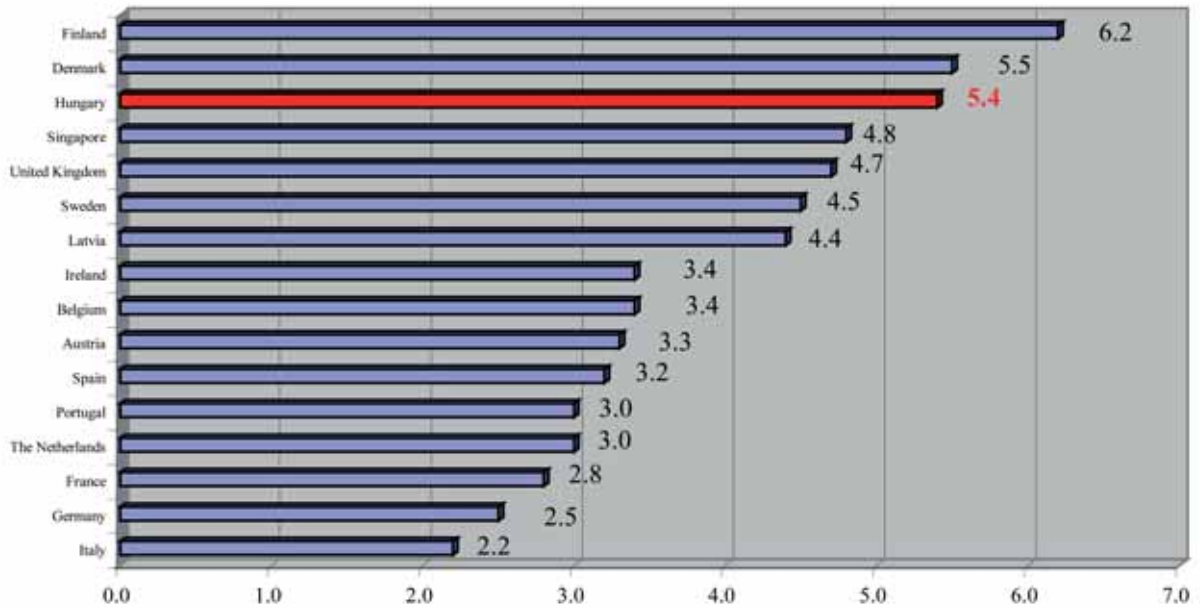
The contribution of core copyright industries to employment by international comparisons (%)



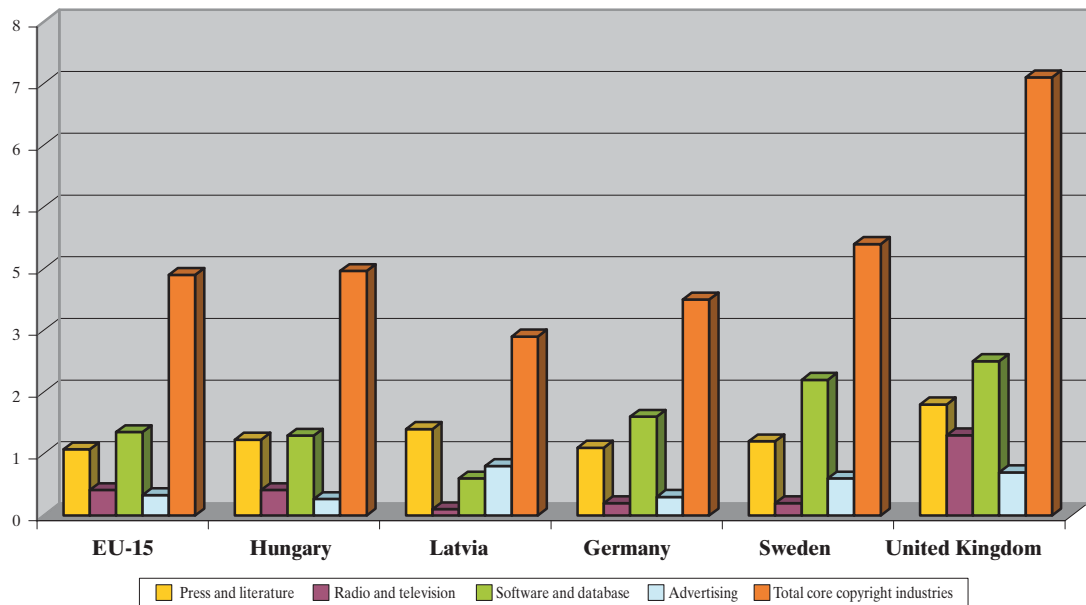
The aggregate contribution of core copyright industries and interdependent copyright industries to GDP by international comparisons (%)



The aggregate contribution of core copyright industries and interdependent copyright industries to employment by international comparisons (%)



The contribution of core copyright industries to gross added value by international comparisons (%)



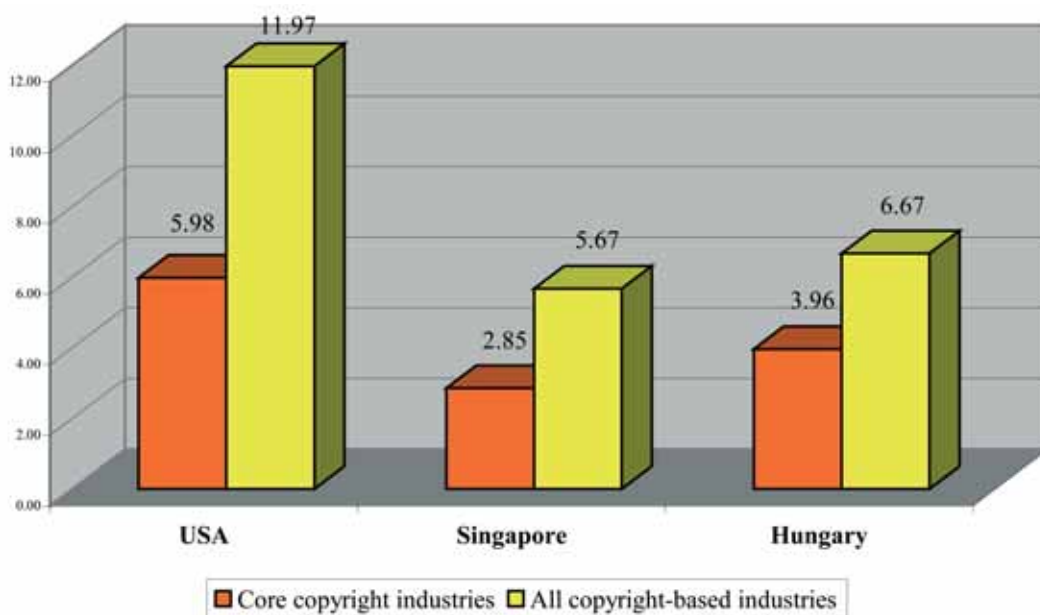
Out of the key core copyright industries in Hungary, the contribution of press and literature to gross added value was 1.23% in 2002. This value was higher than that of Austria (0.9%), France (0.8%), Germany (1.1%), and Spain (1.1%). The contribution of press and literature to GDP was higher in Finland (1.4%), Denmark (1.7%), and the United Kingdom (1.8%). In Sweden the economic contribution of the sector was the same as in Hungary (1.2%).

The 1.3% contribution of the Hungarian software and database industry in the GDP is close to the EU average of 1.35%. The economic performance of this fast-expanding industry in Hungary is higher than in Austria (0.9%), Spain (0.8%), Latvia (0.6%) and Singapore (1.08%), but lower than in Germany (1.6%), Italy (1.7%), France (1.9%), Sweden (2.2%), and the United Kingdom (2.5%).

The aggregate economic contribution of radio and television and advertising was 0.68% in 2002 in Hungary; this is higher than that of Germany (0.5%), Denmark (0.4%), Finland (0.5%) and close to that of Sweden (1.8%), Spain (0.7%) and Holland (0.7%). In Europe the United Kingdom is number one with radio and television representing 1.3% and advertising accounting for 0.7% of GDP.

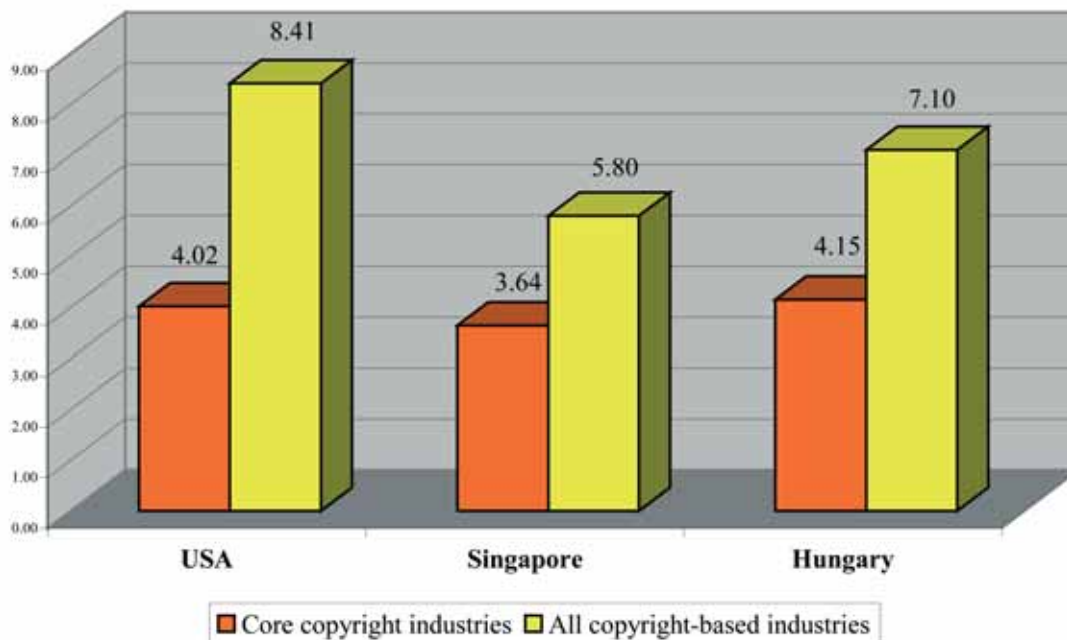
Only for the USA, Singapore and Hungary did we have sufficient data⁵⁹ indicating the contribution of all four categories of the copyright based sectors to national GDP, and employment.

The contribution of core and all copyright based industries to GDP by international comparisons (%)



⁵⁹ The Latvian report only provides ratios for the first two categories; the percentage figures on aggregate contributions are not available.

The contribution of core and all copyright based industries to employment by international comparisons (%)



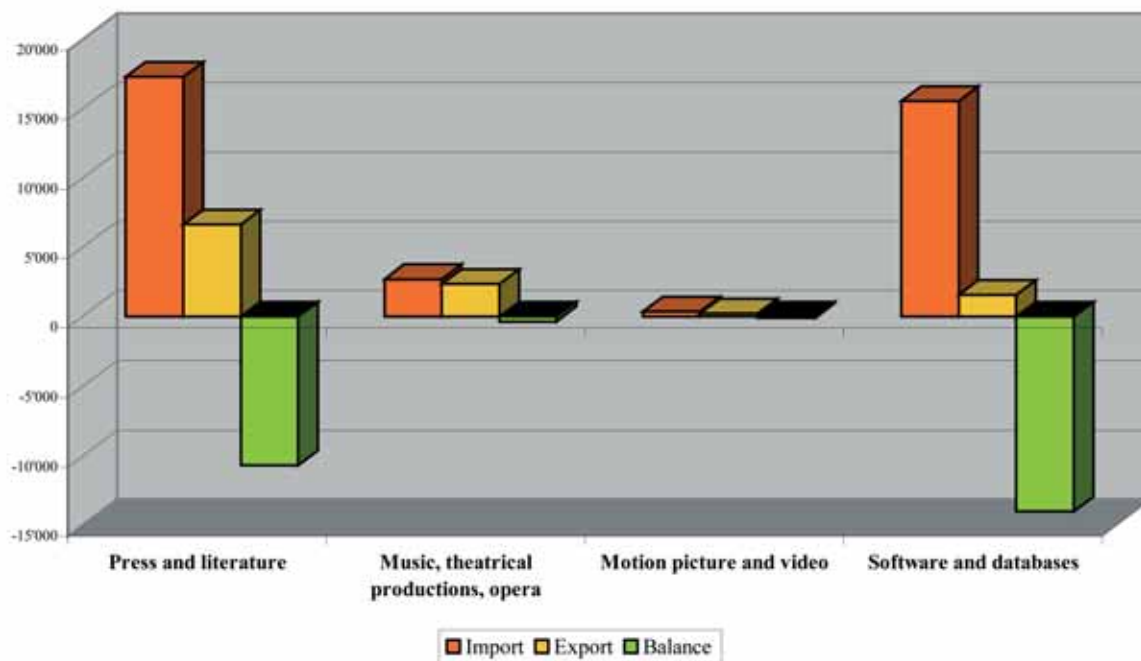
8. The foreign trade turnover of copyright based industries

The Hungarian statistical system allows for the foreign trade turnover of copyright based industries to be studied from two different aspects: on the one hand, we have the data relating to products sold on foreign trade markets and, on the other, there is export services-related information. Copyright based industries produce tangible goods whose import and export value indices and turnover are shown by the foreign trade turnover statistics, which are based on customs records. On the other hand, as a result of copyright based activities, intangible goods (rights) are produced, whose foreign sales are shown by service export statistics.

The value of imported products⁶⁰ related to core copyright industries in 2002 was HUF 35.9 billion, which accounted for 0.42% of all imports. The value of exported products generated by core copyright industries came to HUF 10.7 billion, which amounted to 0.13% of total exports. The product import of core copyright industries was three times that of product export. As a consequence the foreign trade balance of core copyright industries showed a deficit of HUF 25.2 billion in 2002. The foreign trade deficit of core copyright industries indicates that the potential export opportunities should be better exploited.

⁶⁰Of all core copyright industries, the sectors appear in foreign trade statistics are those engaged in that product manufacture; service sectors (e.g. radio and television, advertising) can only be studied with the help of service export statistics.

Foreign trade turnover of core copyright industries in 2002 (HUF million)



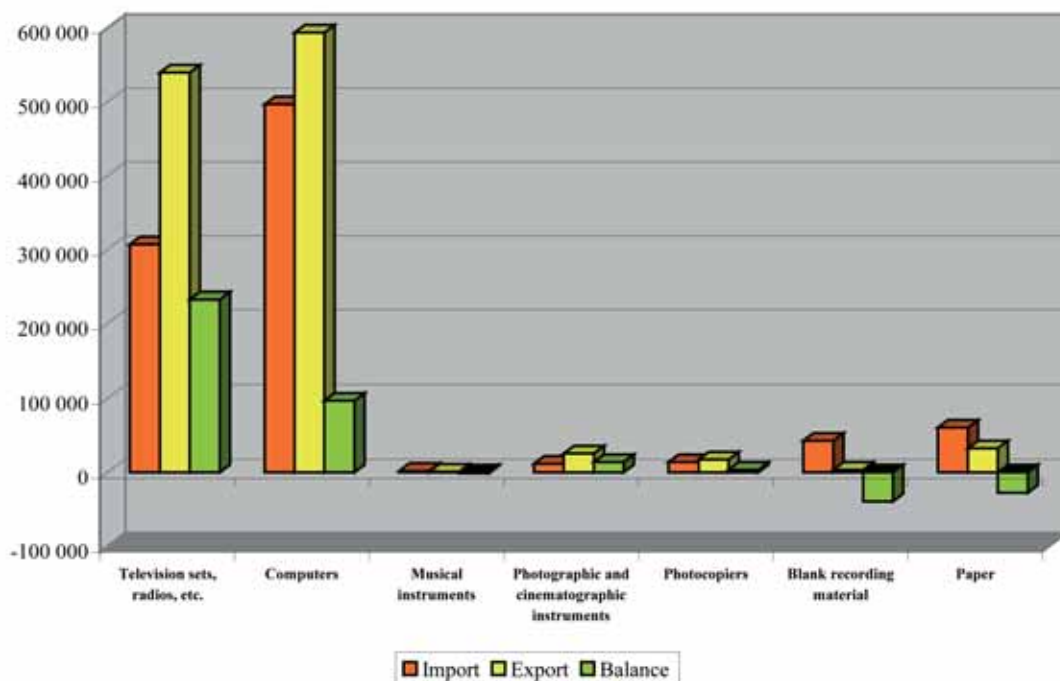
The figure shows clearly that the areas with the largest export activities are those that generate the largest foreign trade deficit. They are: press and literature, software and databases. Within core copyright industries, the import of software and databases was almost ten times that of exports in the same field, and as a result, the balance of product sales was HUF 14 billion in deficit. The value of imports of press and literature was 2.6 times that of exports and the foreign trade deficit thus came to HUF 10 billion. The only possible option for these two areas is not to reduce imports but to seek ways to increase exports.⁶¹ Of all the remaining areas the low export figures for music, theatrical productions, and opera are indicative of their unexploited potentials in the domain of export of classical music and urge us to exploit our present competitive edge much more effectively⁶².

The value of imports of interdependent copyright industries in 2002 was HUF 934.2 billion, which is 10.8% of total imports. The value of exports of these sectors came to HUF 1,211.7 billion, which accounted for 15.1% of all exports. In interdependent copyright industries the value of exports was 30% higher than the value of imports and as a result, the balance of foreign trade was mainly positive at HUF 277.5 billion. Of all interdependent copyright industries the export of computers accounted for 7.4% of all exports and the export sales of entertainment electronics (television, radio, video, CD and DVD players, cassette players, video game consoles) made up 6.7% of all export sales. Similarly high is the share of these two domains in total imports: the import of computers amounted to 5.8% while the import of entertainment electronics (television, radio, video, CD and DVD players, cassette players, video game consoles) accounted for 3.6% of all imports.

⁶¹ Making use of the greater interest shown in Hungarian literature due to the Nobel prize-winner Imre Kertész would be a good place to start.

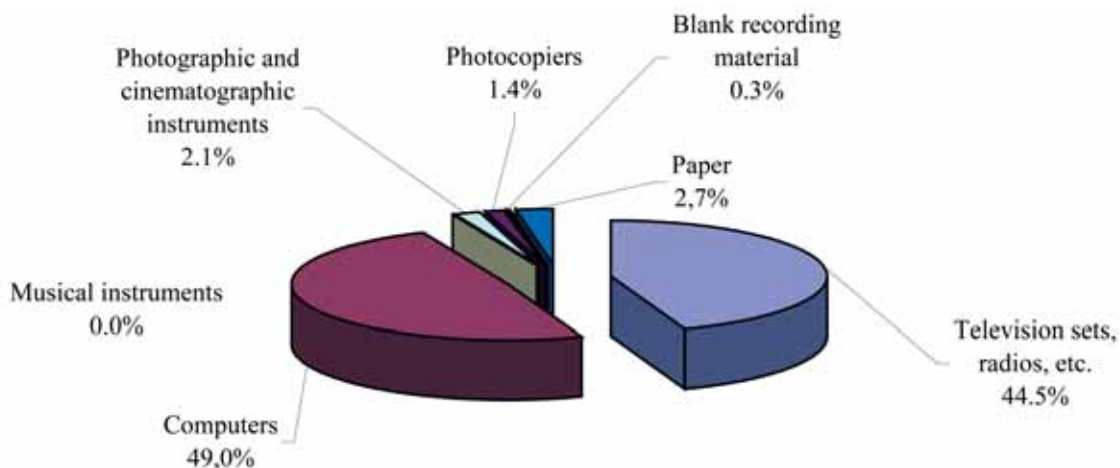
⁶² For example, Hungarian cultural festivals held abroad provide ample opportunities for publicity

Foreign trade turnover of interdependent copyright industries in 2002 (HUF million)



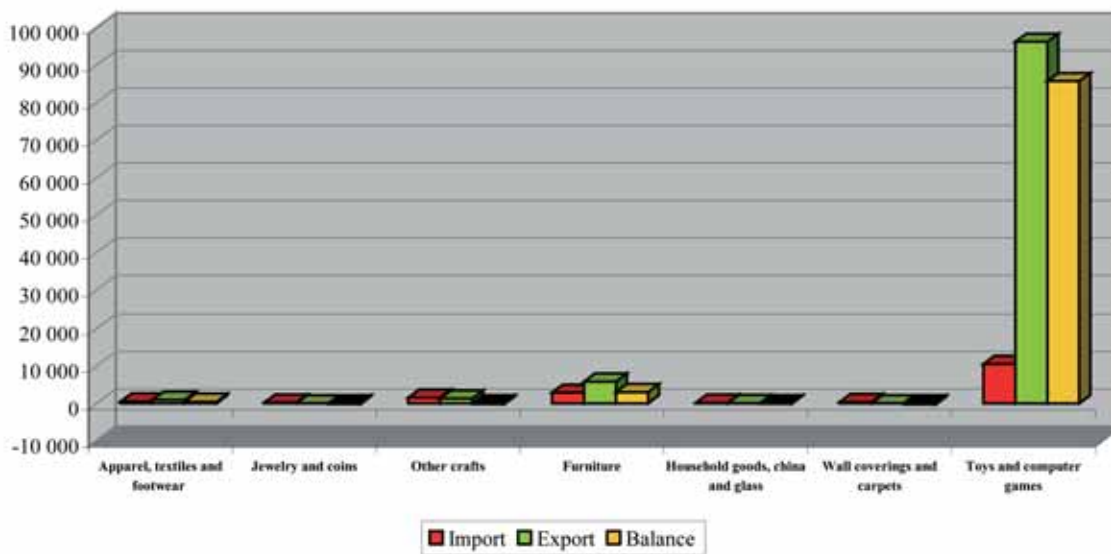
The figures clearly illustrate that interdependent copyright industries play a significant role in the foreign trade of Hungary. 93.5% of interdependent copyright industries export sales were realised in the domains of computers and equipment, entertainment electronics (television, radio, video, CD and DVD players, cassette players, video game consoles). Imports are also similarly concentrated since the import of products from these two domains accounted for 86.1% of total imports. The high representation of computers and entertainment electronic products in total imports and total exports is related to the above-mentioned Hungarian particularity in its industrial structure whereby the relocated export-oriented production sites of multinationals in Hungary perform the final assembly of their products by primarily relying on imported materials with the vast majority of end-products being sold on foreign – mostly European – markets.

Structure of exports of interdependent copyright industries in 2002 (%)



The value of exports relating to partial copyright industries⁶³ in 2002 was HUF 104.5 billion, which accounted for 1.3% of total foreign sales. The value of imports came to HUF 16.1 billion amounting to 0.19% of total imports. The value of exports of partial copyright industries was 6.5 times that of imports. As a result, the balance of foreign trade was positive at HUF 286 billion.

Foreign trade in partial copyright products (HUF million)



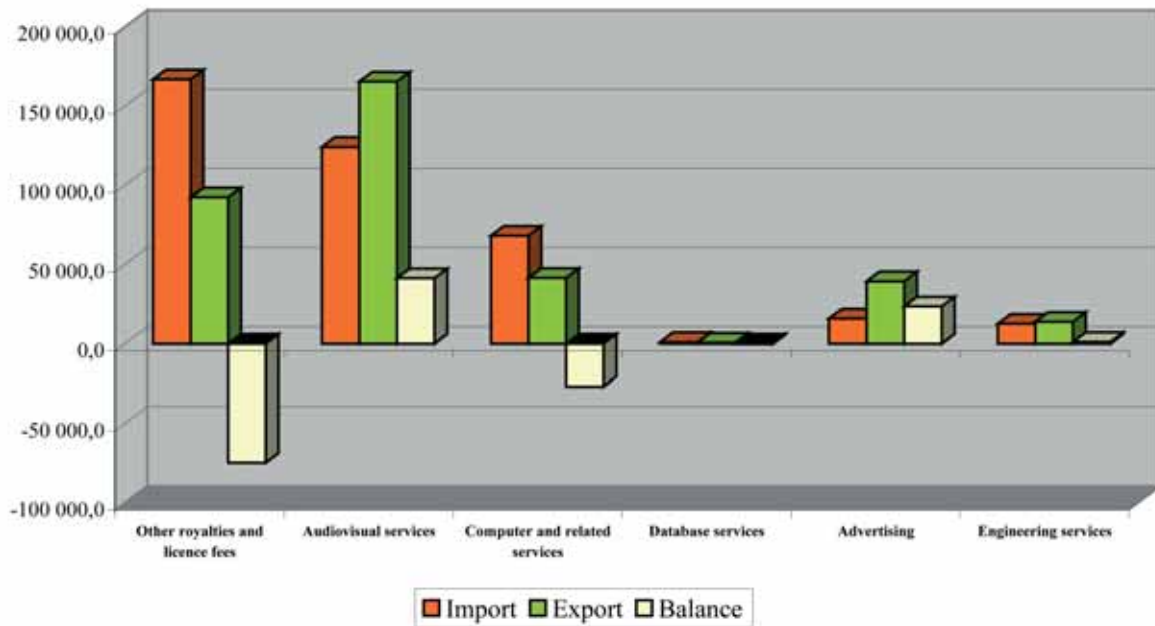
The graph shows that toys and computer games played a pivotal role in the export of partial copyright products. These products accounted for 65.1% and 92.1%⁶⁴ of imports and exports of partial copyright products respectively. These foreign trade figures clearly reflect the impact of export-oriented production based on the domestic labour force.

The value of imported copyright based services in 2002 was HUF 389 billion – 0.32% of total imports. The value of exported copyright based services in 2002 was HUF 353 billion, which accounted for 0.37% of total export of services. As a result, the foreign trade balance of copyright based services showed a deficit of HUF 35 billion.

⁶³In the examination and analysis of the import and export values we relied on values adjusted by the copyright factor.

⁶⁴The performance of toys and computer games was strongly affected by the fact that Flextronics manufactured Xbox products in Hungary between 2001 and the middle of 2002. Two Hungarian manufacturing plants – one in Sárvár and one in Zalaegerszeg – were producing 15 thousand Xbox products a day first for the US and later for the Western European markets. The Zalaegerszeg plant produced parts and printed circuits while the Sárvár site was responsible for assembly, testing, and logistics. Due to price competition, the Hungarian manufacturing capacities were relocated to China in 2002 because of lower production costs.

Foreign trade turnover of copyright based services in 2002 (HUF million)



Out of all copyright based services, imports significantly exceeded the value of exports in the fields of other royalties and licence fees, computing and related activities, and database activities. At the same time, the balance of foreign trade in the domain of audiovisual service activities, advertising, and engineering service activities showed a significant surplus.

VI. The Development Trends of Some Core Copyright Industries

Going beyond the analysis method recommended by the WIPO guide, this chapter presents a picture of the main Hungarian development trends behind the significant contribution of core copyright industries in the economy and employment in the light of cultural statistics using scholarly literature⁶⁵ – without seeking to be exhaustive. In this pursuit we will sum up the most important questions of the following areas in a more differentiated manner: press products, the book market, the music and sound recording market, theatres, cinema and film production, and television market.

In 2003 the central budget spent HUF 163 billion on culture at current rates. This was 10% higher than in the previous year⁶⁶. The nominal value of state budget expenditure on culture has been steadily rising since the end of the 1990s; as a result, the sum in 2003 was double that of 1995, however this was still much lower than the 9-fold rate of inflation registered between 1995 and 2003.

In 2002 the cultural sectors (core copyright industries without software, and museums of partial copyright activities) accounted for 2.8% of gross national added value, while the budgetary expenditure on culture in the same year only amounted to 1% of the GDP (HUF 148 billion). Looking at the same thing from a different angle we can say that in 2002 cultural expenditure accounted for 2.5% of the total budget expense sheet figure, i.e. culture received a slightly lower share of budget expenses than its contribution to GDP.

According to HCSO data, in 2002 households spent HUF 370 billion on culture, which is 2.5 times that of the budget expenditure on culture.⁶⁷ This means that the rate of budget and household expenditure on culture was 29/71.

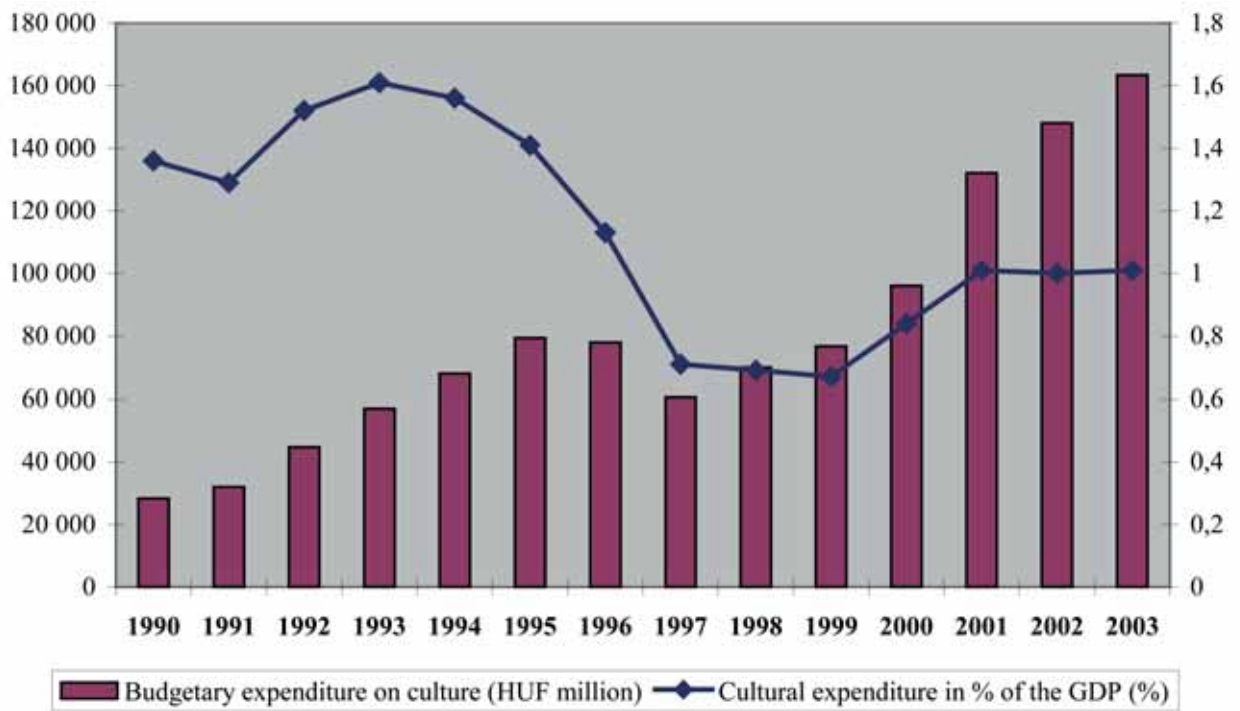
The lion's share (61%) of budgetary expenditure spent on culture was used to maintain public institutions (libraries, community centres, museums). Of the total expenditure HUF 27 billion was used to maintain libraries, HUF 25 billion was used for community centres and HUF 33 billion was used by museums. Arts facilities operating services were supported by HUF 49 billion (35% of total expenditure on culture). State contribution to the operation of theatres was HUF 26 billion, while music and dance performances received HUF 15 billion from the state budget.

⁶⁵ Literature used for analysis: *Kulturstatistikai adattár*, HCSO, 2002., *Magyarország*, 2003., HCSO, 2004., *Magyarország*, 2002., HCSO, 2003., Book sales in Hungary, Hungarian Association of Publishers and Booksellers website <http://www.mkke.hu/>, *A magyar társadalom kulturális állapota*, Research leaders: Iván Vitányi, Péter Hidy, László Harsányi, Institute of Sociology of HAS, Budapest, 1997., Hidy, Péter: *Magyarország kultúrájának helyzete az 1990-es évtizedben a műveődésszociológiai kutatások tükrében*, Budapest, 2000., Cserta, *Orsolya: A kulturális piac (ki)alakulása Magyarországon. Statisztikai Szemle*, Vol. 80. 2002. issue 5-6. pp. 577-597. A kilencvenes évek változásai: színház, KSH jelenti, 2002/10., *A kilencvenes évek kulturális változásai: komolyzene*, KSH jelenti 2002/11.

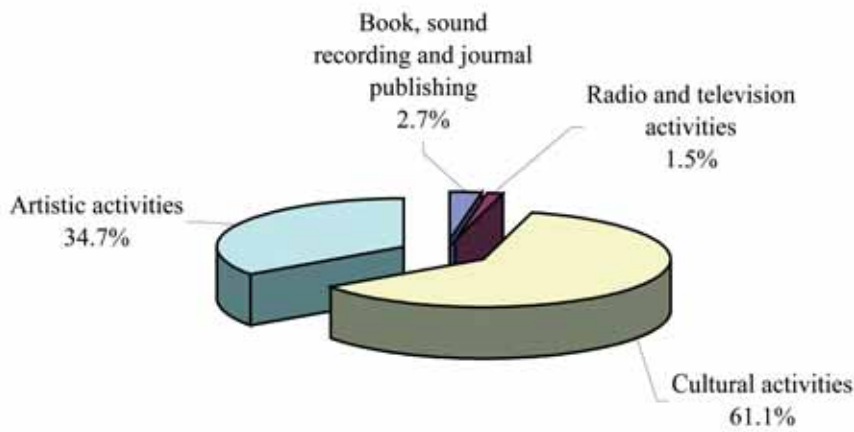
⁶⁶ Statistical Yearbook of Hungary. 2003. HCSO

⁶⁷ *Magyarország* 2003. HCSO, 2004. p.30.

Budgetary expenditure on culture between 1990 and 2003 (HUF million, %)



The distribution of budgetary expenditure on culture in 2003 (%)



1. Press and literature

Press products

In the 1990s the Hungarian press market was formed and moulded by opposing forces from two different directions. On the one hand, the economic, political and social transformations had brought a fresh momentum to the Hungarian press market and these changes greatly impacted on the composition of press products, the corporate and ownership structure and of the press market, the activities of publishers, and journalists. On the other hand, despite the effects of the social and economic changes in the 1990s, the printed press lost its leading position in the media market due to the dynamic penetration of the electronic press.

According to a survey conducted by the Hungarian Institute for Culture⁶⁸, respondents spend half an hour a day on average reading newspapers. A total of 86% of 14-70 year olds read newspapers with some regularity. This is a definite drop in comparison to a 1996 survey, which showed that 95% of respondents read newspapers. After the turn of the millennium 79% of newspaper readers (68% of the total population surveyed) read more than once a week, and 16% (14% of the population) read a newspaper or magazine once a week. Electronic press has started to take off in Hungary too: 26% of the 14-70 age group uses the Internet to read.

Due to the liberalisation of the press market at the beginning of the 1990s, the establishment of market conditions and, as a result of the penetration of private capital, a large number of business enterprises introducing many new press products had emerged on the market. The costs of entering the press market are not particularly high, and this greatly contributed to the multiplication of economic players. According to HCSO data⁶⁹, in 1990 in Hungary there were 1,490 different types of press products published. The market began to get saturated and many of the new publications were rapidly withdrawn. By 2000 the number of press products had dropped to 580. Following this nadir, slow growth ensued and as a result, 806 different press products were again available on the press market in 2003.

The total number of all press products in 1990 was 1,275 million issues, which fell by 22% to 996 million by the turn of the millennium. Copies of press products issued have stabilised in the past three years to around 1,000 million; in 2003 the total figure was 1,064 million. Simultaneously, the number of copies published per 1,000 inhabitants dropped from 2,066 per annum in 1990 to 1,065 in 2000, then rose again to 2,016 in 2003, indicating that readers are no longer disappearing.

Number of copies of press products between 1990 and 2003

	1990	2000	2001	2002	2003
Number of press products	1,490	580	669	713	806
Copies issued (millions)	1,275	996	1,090	1,020	1,064
Average copies issued per 1000 inhabitants	2,066	1,605	1,753	1,741	2,016

Source: Statistical Yearbook of Hungary. 2002, 2003.

⁶⁸ Találkozások a kultúrával 5. - Olvasási szokások. MMI. 2005.

⁶⁹ Statistical Yearbook of Hungary. 2002.

The number of published daily newspapers did not change: both in 1990 and in 2003 there were 35 dailies available for readers; however, the average number of copies has fallen: while in 1990 2.1 million copies a day were sold on average, the same figure for 2003 was only 1.74 million.

The number of copies published each day on average per one thousand inhabitants in 1990 was 245; this figure sank and then rose back up to 210 by 2003. This ranks Hungary middle among European countries. According to UNESCO data⁷⁰, at the end of the 1990s Norway (588), Finland (455), Sweden (430), and Austria (402) were at the top in terms of the number of daily newspapers produced per one thousand inhabitants. Hungary in this respect produced better results than Belgium (158), Ireland (154), Spain (106), or Portugal (72).

The emergence and rapid market penetration of tabloids caused significant structural changes to the daily newspaper market⁷¹. As a result of market segmentation, three types of newspapers were now clearly discernable: tabloids, quality newspapers and special, thematic papers. In the daily market tabloids won significant ground from quality papers. Thanks to tabloids, the market positions of the printed press did not deteriorate significantly. The quick success of tabloids indicates that the reading habits of the population have undergone significant changes. At the end of 2003, the freely available "Metro", and the "Blikk" were leading the daily market pushing the long-time market leader the "Népszabadság" back into third place. In 2003 the market for quality papers was dominated by four papers: the "Népszabadság", "Magyar Nemzet", "Magyar Hírlap" and the "Népszava". In addition to the tabloids, the free newspaper, "Metro", also presented a great market challenge for these papers, while local papers presented competition for the leading four dailies to some extent in the country.

According to international experience⁷², the publication of daily papers is strongly dependent on economic conditions; the state of the newspaper industry practically maps out the general condition of business activities. This is closely related to the fact that advertising plays a pivotal role in the financing of dailies, which, of course, is strongly dependent on economic developments. Revenue on average is shared between advertising and sales at a ratio of 80 to 20. This also depends on the type of daily since in industrialized countries tabloids tend to finance themselves largely from sales revenue, while the major income of quality papers comes mostly from advertising. In contrast to foreign trends, the prices of quality papers and tabloids do not differ greatly while in Western European countries tabloids are generally cheaper than quality papers.

The transformations and restructuring evident in the press market are also accurately reflected in the average number of copies per issue. The average number of copies per issue dropped by 20.7% in the case of the "Népszabadság", by 50.5% in the case of the "Népszava", and by 18.6% in the case of the "Magyar Hírlap", while – for completely different reasons – the "Magyar Nemzet" doubled its average number of copies per issue in the period between 1996 and 2003. In 2003 the "Metro" was issued at 317,000 copies a day while the "Blikk" came out in 290,000 copies a day on average⁷³; this meant a 40% increase for the "Metro" and a three-fold rise for the "Blikk" over the past five years.

⁷⁰ World Cultural Report 2000.

⁷¹ Gulyás, Ágnes: *Bulvárlapok a rendszerváltás utáni Magyarországon. Médiakutató. 2000. 1., Juhász, Gábor: Az országos minőségi napilapok piaca, 1990-2002. Médiakutató. 2003. 1., Sikertörténet előtt a sajtópiac? Népszabadság online, 15 April 2005.*

⁷² The Economic Contribution of Copyright Industries to the Canadian Economy (www.pch.gc.ca/progs/ac-ca/progs/),

⁷³ Average number of copies per issue. Source: Bárdossi, Mónika-Lakatos, Gyuláné-Varga, Alajosné: *A kultúra helyzete Magyarországon. MMI. 2005. p. 59.*

The market for weeklies has been dominated by a TV guide called "TVRHét"; it was issued in 363,000 copies on average in 2003. This is followed by two popular weeklies both designed for women readers: the "Kiskegyed" (304,000 copies) and the "Nők lapja" (296,000 copies). A strong fall in the average number of copies per issue characterises all weeklies. The annual average number of copies per issue fell by 42% in the case of the "TVRHét", by 36% in the case of the "Nők Lapja", by 27% in the case of the "Kiskegyed", and 48% in the case of the "Füles".

In the market of monthly journals a similar reduction in copies has been witnessed in recent years.

One of the important factors behind the falling demand for press products was the price hikes of newspapers and journals, which in recent years have exceeded average consumer price increase rates: in 2004 the price of press products was 39.4% higher than in 2000, while the consumer price index rose only by 26% in this period.

Owing to the penetration of electronic media, the printed press has been able to access smaller and smaller parts of the advertising revenues. According to data published by Medialab⁷⁴, the press had a 38.9% share (HUF 60.3 billion) of the 2004 Hungarian advertising market. This is considered low in international comparisons; nonetheless, it is expected to further decline and be only around 36% in 2005. This phenomenon is contrary to European trends, since in 2003 the press in Germany and in Austria proved to be the most important sector in the advertising market with a share of 66 and 53.7% respectively.

Average number of copies of most important national dailies sold

	First half of 2003	Second half of 2003	First half of 2004
Népszabadság	182,485	173,272	163,535
Magyar Nemzet	79,864	80,524	77,789
Magyar Hírlap	35,435	32,756	28,438
Népszava	28,814	27,991	26,565
Blikk	226,895	252,394	254,961
Metro*	308,703	324,971	314,510

* The figures show the number of issues distributed since the paper is free.
Source: Magyar Terjesztés-ellenőrző Szövetség (www.matesz.hu)

The Hungarian press market is renowned for the strong presence of foreign investors. Foreign media companies appeared on the market back at the beginning of the 1990s and the ownership stake in foreign publishers is constantly on the rise. At the end of the 1990s, the share of foreign capital on the national daily market had exceeded 80%.

⁷⁴ Világgazdaság, 13 May 2005

The book market

In close relation to the transition to a market economy, the Hungarian book market also underwent major restructuring during the 1990s, and it seems today that by the second half of the 1990s the state of the Hungarian book market stabilised along the newly emerging structures.⁷⁵

Main figures for Hungarian book publishing between 1990 and 2004

Year	Number of titles	Number of copies (thousand)	Average copies	Book sale (thousand)
1990	7,464	113,112	15,200	n. a.
1991	7,210	91,406	12,700	n. a.
1992	7,629	80,989	10,600	n. a.
1993	8,458	72,076	8,500	n. a.
1994	9,383	70,291	7,500	n. a.
1995	8,749	62,984	7,200	n. a.
1996	8,835	51,929	5,900	n. a.
1997	8,941	52,125	5,900	24,434,000
1998	10,626	47,046	4,400	29,997,000
1999	9,731	44,652	4,600	33,477,000
2000	8,986	35,246	3,900	38,642,000
2001	8,837	32,615	3,690	45,742,293
2002	9,990	45,502	4,458	53,604,202
2003	9,205	32,627	3,544	56,871,989
2004	11,211	32,035	2,857	58,194,650

Source: Hungarian Association of Publishers and Booksellers website <http://www.mkke.hu/>

With restructuring the number of book publishers and the range of books on offer greatly expanded, while the number of copies of published works shrank and with economical considerations becoming increasingly important, the structure of supply was reshaped to suit effective demand.

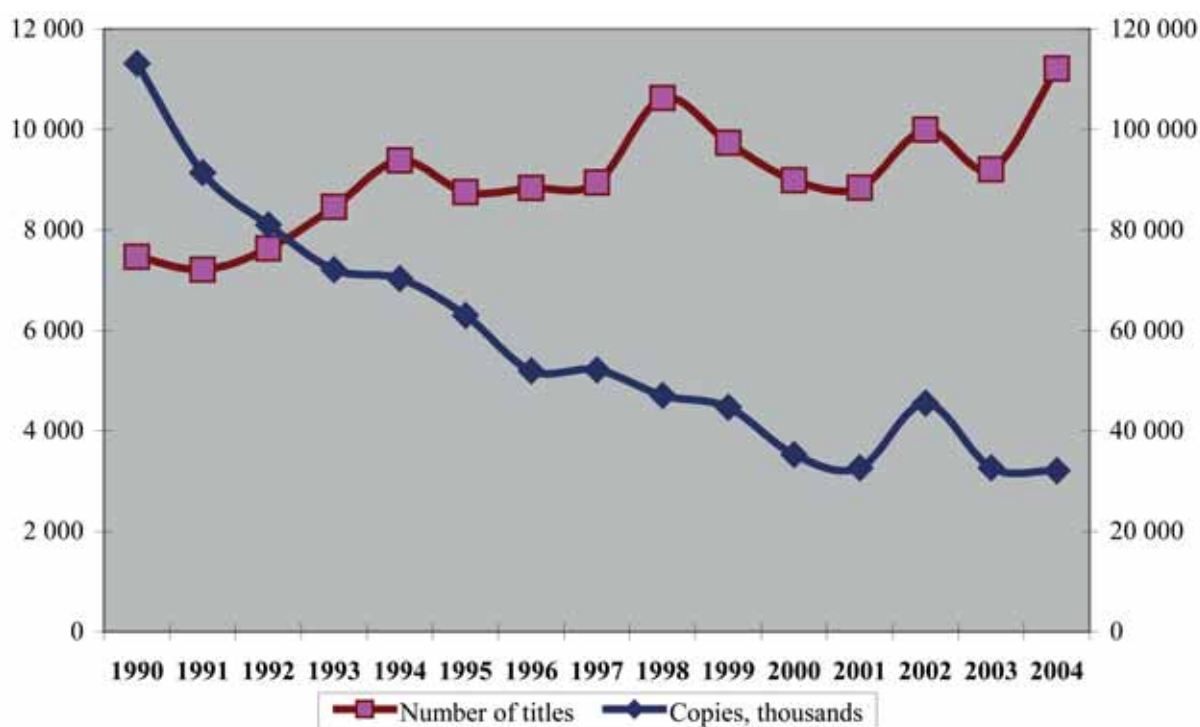
Since 1990 the number of published titles has been steadily rising. The number of published book titles increased by 150% rising to 11,211 in 2004 from 7,464 in 1990. The rise in the number of book titles was

⁷⁵In the presentation of the book market we primarily relied on the information published by the Hungarian Association of Publishers and Booksellers

extremely steep in 1994, 1998, and 2002, then again in 2004. In the period between 1994 and 2003 the number of book titles was steady between 9,000 and 10,000.

The expansion of supply however, was not directly accompanied by an increase in the number of copies published; in fact, the total number of copies published had sharply declined. The total number of copies fell from 113 million a year in 1993 to 32 million in 2004. There have been better years than this though when, for example, in 2002 the number of copies published was 45 million or in 1999 it was 44 million. The average number of copies fell from 15,000 in 1990 to 2,857 in 2004, which is only 18% of the 1990 figure. It now became quite common to publish works in only a few thousand copies.

The number of book titles and copies between 1990 and 2003



Source: Hungarian Association of Publishers and Booksellers.

The diversity and multitude of published books was necessarily accompanied by a fall in the number of average copies; the number dropped from an average of 15,000 in 1990 to 3.5,000 in 2003.

It follows from the statistical data that in 2002 the narrowing of the Hungarian book market – characteristic of the second half of the 1990s – had stopped. The soaring sale figures of 2002 were followed by a record in 2004 when the number of published book titles reached 11,000 and the number of copies was also 32 million – a figure identical with that of 2001 and 2003. The expansion of book sales continued in 2004. Total sales revenues amounted to HUF 58 billion – a 2% rise on the previous year.

The number of books (book titles) per one hundred thousand inhabitants also showed a welcome rise and came to a steady figure of around 90 by the middle of the 1990s (91 in 2003) against the figure of 72 in 1990. According to UNESCO data⁷⁶, the number of published books (book titles) per one hundred thousand

⁷⁶World Culture Report 2000 (www.uis.unesco.org)

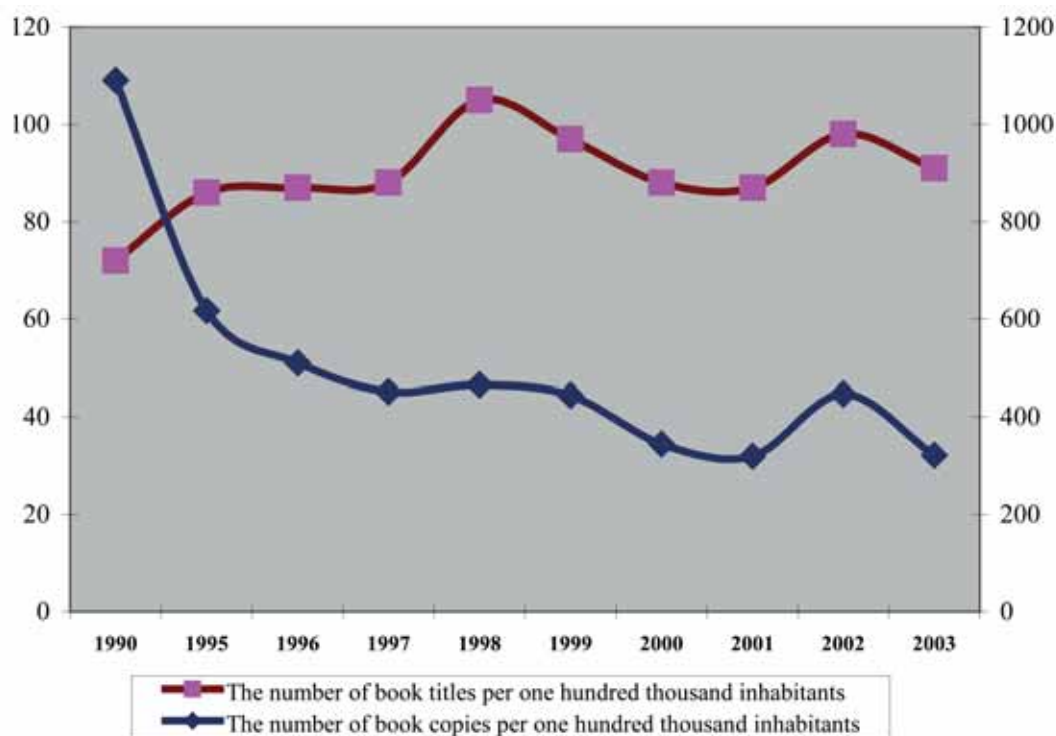
inhabitants was the highest in the following EU countries at the turn of the millennium: Finland (252), Denmark (233), and Holland (217); it was lowest in Greece (40), and Belgium (37). In this regard Hungary is middle-ranked with the figure of around 90 books per one hundred thousand inhabitants. This index is similar in Germany (87), Austria (99), Portugal (80), and the majority of Central and Eastern European countries. Of the new EU-entrants, Estonia (188) and Slovenia (172) are in the lead.

The number of books per one hundred thousand inhabitants

Year	Number of books per one hundred thousand inhabitants	Copies (thousands)
1990	72	1,091
1995	86	617
1996	87	510
1997	88	451
1998	105	466
1999	97	444
2000	88	345
2001	87	320
2002	98	447
2003	91	322

Source: Cultural Statistical Database, 2002. HCSO, Statistical Yearbook of Hungary, 2003. HCSO

The number of book titles and copies of published books per one hundred thousand inhabitants in the 1990s



Source: HCSO data

The number of copies sold per one hundred thousand inhabitants has plummeted in Hungary falling to about one-third. At the beginning of the 1990s there were more than one million books per one hundred thousand inhabitants, and this figure had dropped to 345,000 by the turn of the millennium and further to only 322,000 by 2003. This is closely related to the soaring book prices, the high sales taxes imposed on books, and falling demand. VAT on books was high in European comparisons, as well; up 12% in 2004. Finally the civil profession succeeded in reducing the value of VAT to the 5% band, which is consistent with the EU average.

In the past decade the structure of books on offer has changed dramatically. At the beginning of the 1990s 37.7% of all published books and booklets (titles) were made up of technical literature with fiction and educational books coming next with 18% each. School course books accounted for 14.8% of published works. The share of technical literature dropped (31.3%) while that of fiction and school course books increased (22.8% and 21.1% respectively).

The state and condition of schoolbook publishing has always greatly impacted on the development of the Hungarian book market, both with respect to titles and number of copies.

With regard to copies, fiction was in the lead at the beginning of the 1990s with a share of nearly 40%; one-quarter of published works consisted of educational books and nearly 17% were school learning materials. Concurrently with the heavy drop in the number of published copies, by 2003 the share of fiction and educational literature had declined (to 29.4% and 14.6%), while that of school books rose to nearly 34%, which is now higher than the share of fiction. The figures show that in the past 15 years it was unfortunately fiction that suffered the greatest decline in terms of number of published copies plummeting in 2003 to a mere 20% of the 1990 figure, while specialized literature also fell to 40%.

Number of titles and copies of books and booklets by type

Year	Scientific	Educational	Special literature	Fiction	Juvenile and children's literature	Schoolbooks	Other	Total
Number of book titles								
1990	137	1,555	3,136	1,560	476	1,230	228	8,322
2000	79	1,778	2,968	2,122	546	1,595	504	9,592
2002	75	1,675	3,182	2,249	472	2,299	255	10,207
2003	115	1,387	2,977	2,165	531	2,001	321	9,497
Number of copies (thousands)								
1990	129	31,352	7,133	47,009	15,294	22,219	2,605	125,741
2000	41	7,044	3,991	11,220	2,354	11,090	1,255	36,995
2002	97	5,750	4,797	12,238	2,022	21,198	578	46,680
2003	71	4,919	4,354	9,874	2,303	11,440	649	33,610

Source: Cultural Statistical Database, 2002. HCSO, Statistical Yearbook of Hungary, 2003. HCSO

In the first half of the 1990s the liberalisation of publishing and the opening of the market increased the market share of foreign books. The 80.8% presence of Hungarian authors on the Hungarian market up to 1990 had dropped to 74.1% by 1995 and further to 70.4% by 2003. Within the category of foreign books the share of American authors had dramatically increased: in 1990 26.7% of foreign works, then 37% in 1995 and 47.9% in 2003 were written by American authors. This also means that every seventh book published in Hungary was written by an American.

With respect to the total number of copies published, Hungarian authors have preserved their rate of 60% in recent years; however, the percentage of American copies sold rose from 15.1% in 1990 to 23.9% in 2003.

Number of books and copies by authors' nationality

Author's nationality	1990	1995	2000	2003
Number				
Hungarian	6,734	6,900	6,815	6,688
Foreign	1,588	2,414	2,777	2,809
of these: American	424	894	1,015	1,348
Total	8,322	9,314	9,592	9,497
Number of copies (thousand)				
Hungarian	79,238	38,855	22,444	20,811
Foreign	46,503	28,068	14,551	12,799
of these: American	19,044	15,016	8,211	8,021
Total	125,741	66,923	36,995	33,610

Source: HCSO database

The corporate structure of the book market has – similar to the production sectors of the economy – undergone some fundamental changes since the 1990s. The transformation was first characterised by the dramatic expansion in the number of publishers which was fuelled by low market-entry costs. Later, heavy concentration took place. According to statistical data of the Hungarian Association of Publishers and Booksellers, in 2004 only 13 companies made 54.4% of the total book sales, 25 companies were responsible for 69.3% of total sales and 149 publishers accounted for 89.9% of total book sales.

2. Music, theatrical productions, opera

The music and sound recording market

Classical music concerts up to the last third of the 1990s were also in decline; gaining fresh momentum from the turn of the millennium, which was clearly evident in the soaring number of concerts and concert-goers. The number of concerts organised by the National Philharmonic has been on the rise again since the turn of the millennium and was over 1,400 in 2002-2003. At the end of the 1990s the concert audience also began to increase, reaching a total of 470,000 by 2003. The proportion of concert-goers was 4.7% of the total population. Findings of cultural researchers indicated that a small segment of the population attends concerts regularly. The previous audience of intellectuals and youth have gradually left the scene for different reasons and a narrow clientele remain.⁷⁷ According to researchers, the audience is primarily made up of music lovers and well-to-do people.

⁷⁷ See: Research by Iván Vitányi and Péter Hidy: Cultural state of Hungarian society, Research leaders: Iván Vitányi, Péter Hidy, László Harsányi, the Institute of Sociology of the HAS, Budapest. 1997., Péter Hidy: Culture in Hungary in the 1990s in light of cultural-sociological research findings, Budapest, 2000.

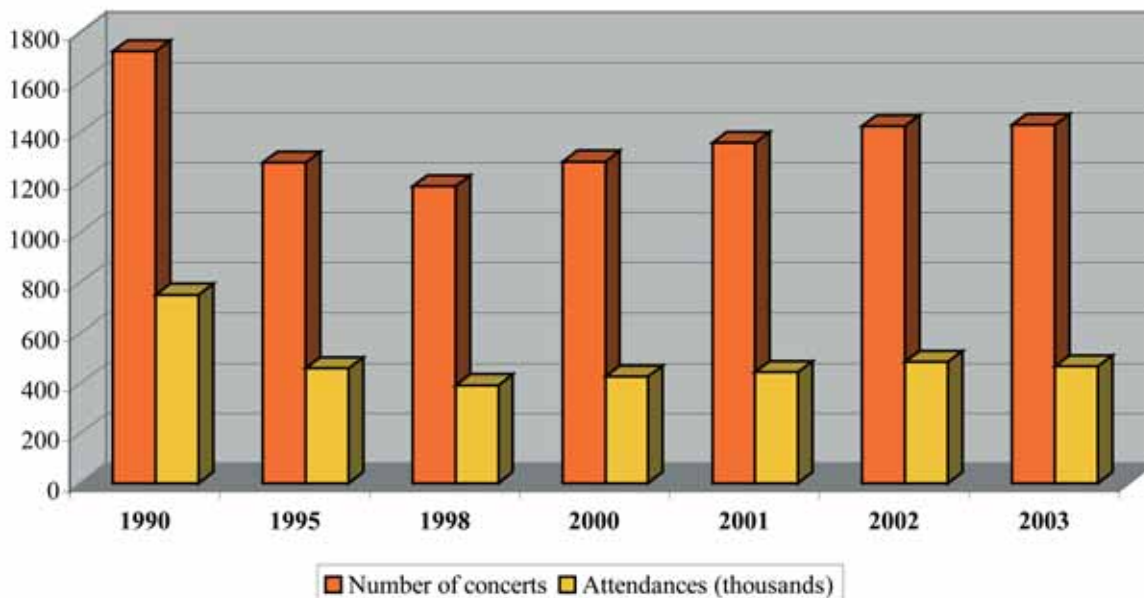
Changes in government support mechanisms, economic considerations, rising ticket prices, changes in living standards, the penetration of good quality sound carriers and music playing devices and the wide availability of music CDs for home listening have all had a strong impact on concert-going habits.

Changes in the number of concerts and attendances between 1990 and 2003

Year	Number of concerts	Number of concert-goers (thousand attendances)
1990	1,723	749
1995	1,277	459
1998	1,182	391
2000	1,281	426
2001	1,356	444
2002	1,423	485
2003	1,428	466

Note: inclusive of events held by the National Philharmonic.
Source: HCSO

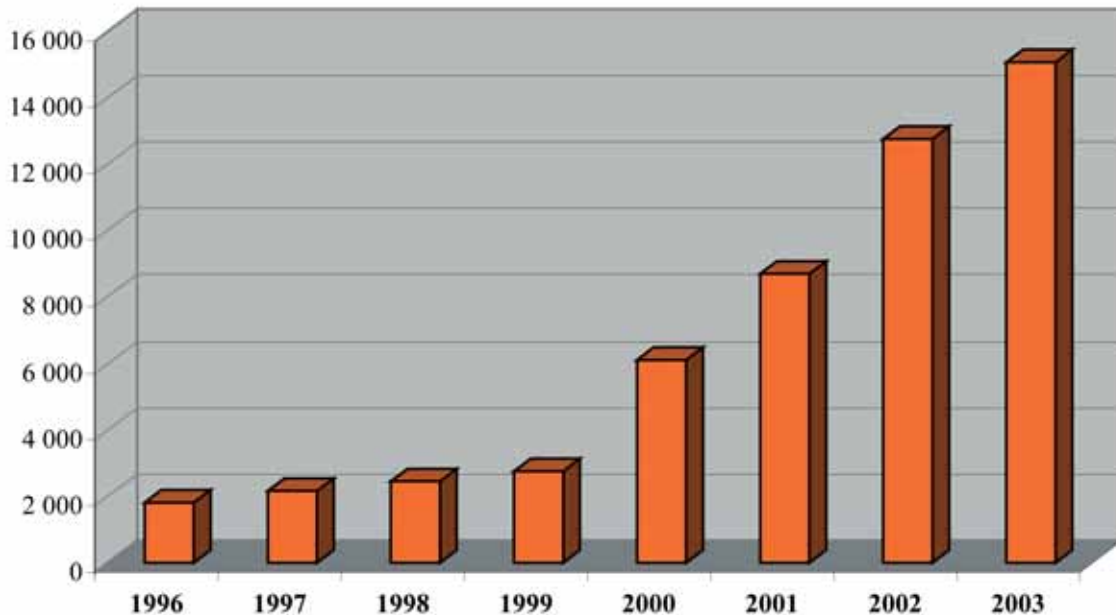
Number of concerts and concert-goers (thousand attendances)



Source: Cultural Database, 2002. Statistical Yearbook of Hungary, 2003. HCSO.

Budgetary expenditure on music and dance performances has soared in recent years; the nominal value of 2003 is eight times that of the 1996 figure.

Budget expenditure on music and dance performances between 1996 and 2003 (at current prices, HUF millions)



Source: *Statistical Yearbook of Hungary, HCSO.*

In the past decade the market for sound recording media has also undergone some structural reforms. The organisational structure of sound carrier publication has been restructured; the number of record production companies has soared. Although there has been significant development in the availability of sound recording media of households we still lag behind in comparison with the rest of Europe. Statistics published by EUROSTAT compared the proportion of families owning CD players within the member states. Seventy-two percent of households within the EU-15 owned a CD player in 2001, while the same figure in Hungary was only 31%. Top ranked in this respect were taken by Holland (93), Denmark (89), France (85), and Germany (82). Of the EU countries the bottom ranks are occupied by Portugal (58), and Spain (50), while the situation in Central and Eastern European countries is very similar to that of Hungary with the Czech Republic and Poland having a score of 31 and 37 respectively.⁷⁸

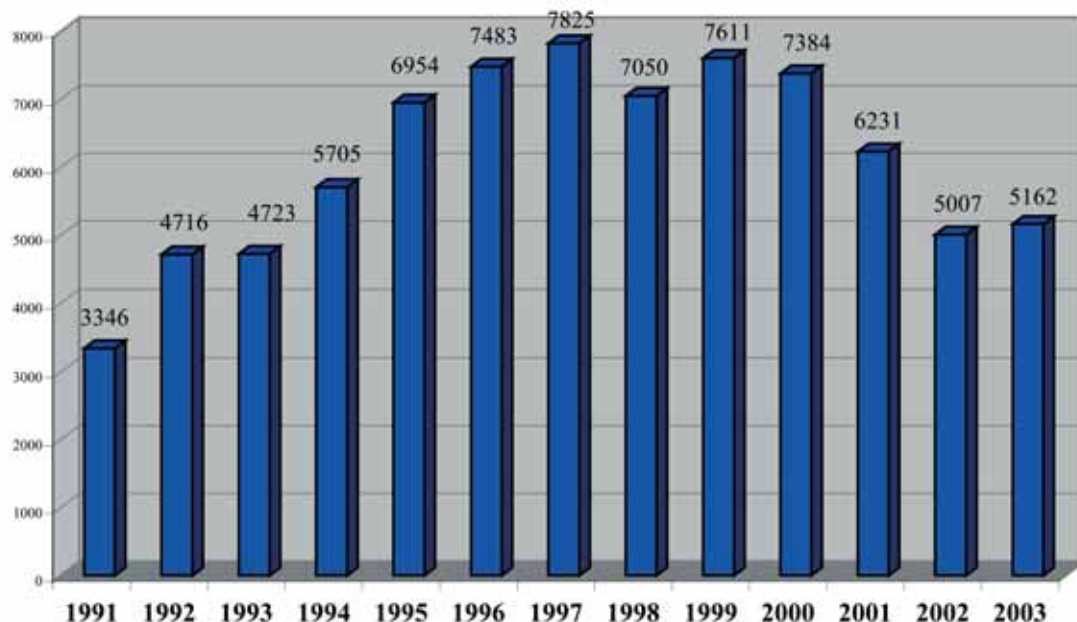
According to data from the Association of Hungarian Record Companies (MAHASZ), Hungarian sales of sound recording media (CDs, cassettes, vinyls, singles, music videos, DVDs) were dramatically expanding in the first half of the 1990s to be followed by a period of stagnation when the number of sound recording media was around 7 million. The decline of the Hungarian music record market began in 2000 with a 5% fall in sales. This was followed by further negative figures in the next two years with 16% and 15% fewer sound recording media sold in Hungary than in the previous year. In 2003 a total of 6.04 million sound recording media were sold on the Hungarian market for a total of about HUF 16.67 billion (retail price). In 2004 the shrinking of the market was apparently stopped: although the volume of sales rose to 7.64 million sound recording media – 26.5% higher than in the previous year, the unit growth was the result of free products, i.e. articles which were attached to products for promotional reasons.

⁷⁸Statistical Yearbook of Hungary 2003., World Culture Report 2000. UNESCO.

The value of receipts on sound recording media dropped by 16.2%, which was due to the increase in sales at artificially low prices or dumping by hypermarkets and the reduction of sales by record shops. According to MAHASZ's analysis, hypermarkets sell-back catalogue records (CDs with deceptive appearance) in great numbers and cheap classical CDs of dubious origins. Consumers can now buy low quality sound recording products with a limited service life at exceptionally low prices.

With regard to the sale of music CDs per capita, the United Kingdom is in the lead in the EU with 3.7 CDs/capita/year. The UK is followed by Sweden (3.0 CDs/capita/year), then France, Denmark, and Germany with 2.2 CDs/capita sold a year. In Hungary the same figure is 0.29 CD/capita/year calculated on a sale of 3 million CDs in total per year, which is even weaker than the score of the EU tail enders Greece (0.8) and Italy (0.7).⁷⁹

Number of sound recording media sold between 1991 and 2003 (thousands)



Source: MAHASZ

According to the MAHASZ analysis, in recent years the conventional record market has been characterised by a general decline worldwide, which is presumably due to the popularity of CD duplication. (The sales index of CDs had first shown an absolute decline in 2001 (-5.1 %), then a further drop of 5% in 2002.)

According to UNESCO's statistical publication, the share of illegal publications in total sales amounts to 3% in North America and 12% in Europe. By the end of the 1990s UNESCO estimated the share of illegal publications to be as high as 25% in Hungary. This figure is quite high even in international comparisons since the share of illegal publications in Germany, France and Portugal is only 3%, in Ireland 5%, and in Spain 2%. Of the EU member states only Italy and Greece have produced figures similar to Hungary; while the situation is worse in the majority of Central and Eastern European countries (Poland (40%), Romania (80%) and Latvia (50%).⁸⁰

⁷⁹ Cinema, TV and radio in the EU, op.cit. p. 110.

⁸⁰ World Culture Report 2000. UNESCO

According to the EU-15 study⁸¹, illegal activities are encouraged by the availability of cheap technology required for duplication, by insufficient countermeasures by governments, and the popularity of music downloads from the Internet. According to the IFPI⁸², in 2001 the number of pirated CD products reached 500 million throughout the world – 5% higher than the year before. They estimate that in June 2002 file sharing programs like Kazaa, iMesh, and Gnutella were used by as many as 3 million people bringing the total number of music files accessible via one of these programs to 500 million. Measuring the actual number of file exchanges is not, however, very difficult.

According to the EU-15 study piracy is most widely practised in four countries: China, Russia, Brazil, and Indonesia. The largest manufacturers and exporters of pirate copies are the Eastern European countries with the Ukraine being at the forefront.⁸³

In recent years the Hungarian black market also started undergoing some changes. While earlier most losses to record companies were caused by Romanian, Bulgarian, and Ukrainian pirated CDs, today the greatest threat is posed by digital duplication. According to an estimate by MAHASZ, there are three duplicate copies for each musical CD purchase today in Hungary.⁸⁴

The sale of writable CDs quintupled in Hungary in a single year. The number of blank CDs grew from annual sales of 5 million in 2001 to 25 million in 2002. The expansion in writable CDs can partly be attributed to the expansion of illegal copying.⁸⁵

It is an international trend that on the sound recording market the sale of domestic music increased. The proportion of domestic music record sales against foreign sales is highest in the USA (93%) with Japan next (76%), while in Europe France (59%) and Greece are in the lead (54%). According to EUROSTAT, this rate in Hungary was 44% in 2001⁸⁶, which ranks Hungary in the middle. However, if we only look at classical music from this angle, Hungary is in the top rank – second only to Spain's 11%.

The Hungarian classical music sales figures are encouraging: in 2003, 699,000 classical music audio carriers, showing a modest increase on the figure of the previous year.

In line with technological developments the market for sound carriers also underwent a significant structural transformation. At the beginning of the 1990s the market share for cassettes was still 80%, but by 2003 it had plummeted to 32%. Conventional LPs have practically vanished from the market. In contrast, the market share of CDs rose from an annual rate of 8% in 1991 to 66% in 2003.

The main players in the Hungarian musical record market are the multinationals. About 36% of all sales are realised by four large multinational companies: SonyBMG, EMI, Universal, and Warner.

⁸¹ Cinema, TV and radio in the EU, *op.cit.* p. 108.

⁸² International Federation of the Phonographic Industry

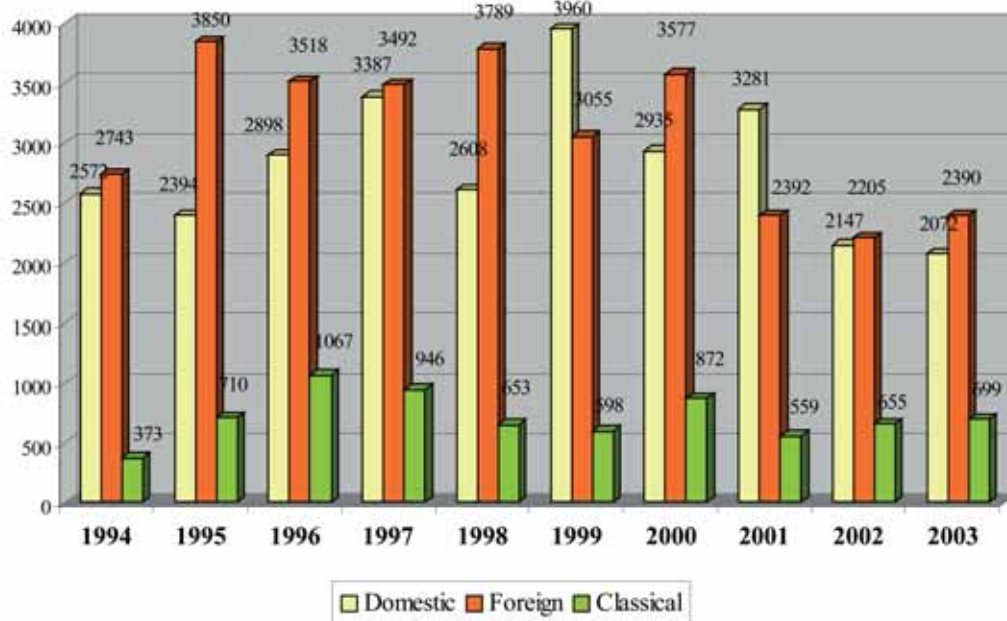
⁸³ Cinema, TV and radio in the EU, *op.cit.* p. 108.

⁸⁴ This estimates corresponds with UNESCO data.

⁸⁵ Writable CDs replaced floppy disks in data storage. Today almost all computers are equipped with CD writing hardware.

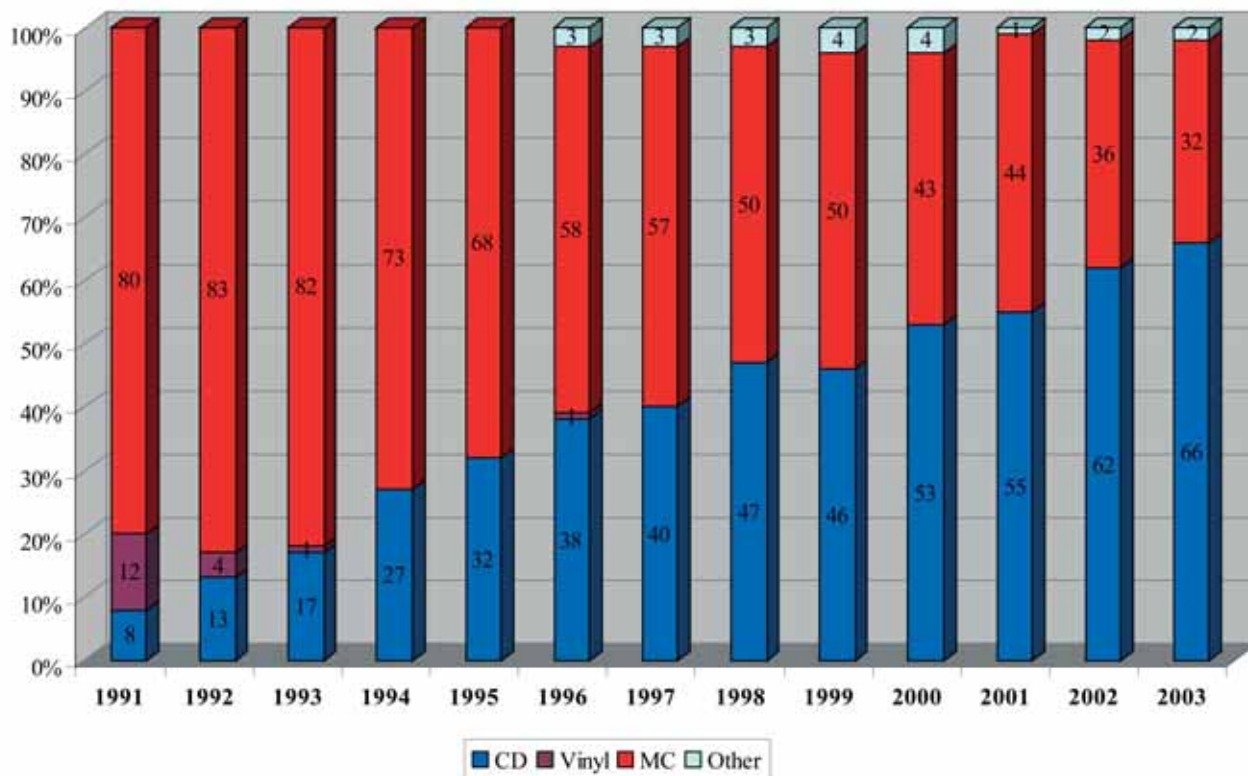
⁸⁶ Cinema, TV and radio in the EU, *op.cit.* pp. 111. The MAHASZ data shows the number of Hungarian audio carriers sold; expressed in percentages it totalled 52% in 2002.

Sale of audio carriers between 1994 and 2003 in the breakdown of classification (thousands)



Source: MAHASZ

The market share of various audio carrier types based on the numbers sold between 1991 and 2003 (%)



Source: MAHASZ

Theatres

In the past 15 years the developing network of theatrical institutions, and the increasing number and diversity of performances offered a contracting theatre audience a steadily expanding range of shows.

The theatrical institution system did not show drastic changes; yet it expanded and developed in the 1990s. According to statistical data from HCSO, the number of theatres increased from 43 in 1990 to 54 in 2003. Cultural research projects⁸⁷ show that a stone theatre was funded in Sopron, new theatres were opened (e.g. Merlin), and opera and dance faculties were set up (Miskolc, Szeged Veszprém), puppet theatres (e.g. Kecskemét, Győr, Miskolc, Debrecen, Szeged, Szombathely), and open air theatres were opened, and established (e.g. Kőszeg, Zsámbék). The emergence of so-called alternative theatres – however tentative they may be – is a new and welcome development. Between 1990 and 2003 the seating capacity of theatres increased by 7,000 according to HCSO.⁸⁸

In the past 15 years, the number of theatrical performances has also grown on aggregate while ticket sales have dropped slightly. The number of performances in the capital has stabilised at around 6,000-6,400, while it has significantly increased in country towns from 5,000 performances a year at the beginning of the 1990s to 6,700 in 2003. A slow decline in interest toward plays is indicated by a drop in the number of theatre-goers; while in 1990 the number of attendances was nearly 5 million, it fell by 16% by 2003 to around 4.2 million. The number of attendances seems to be stabilising at around 4 million, which may mean 3.8-3.9 million visitors in one year and 4.1-4.2 million the next. Decline in interest mostly affects country theatres while in the capital there has been a rise in interest in recent years. Between 2000 and 2003, attendances at Budapest theatres rose from 2,086,000 to 2,345,000 in 2003 while it fell from 1,851,000 to 1,795.

Main statistics for the theatre in Hungary

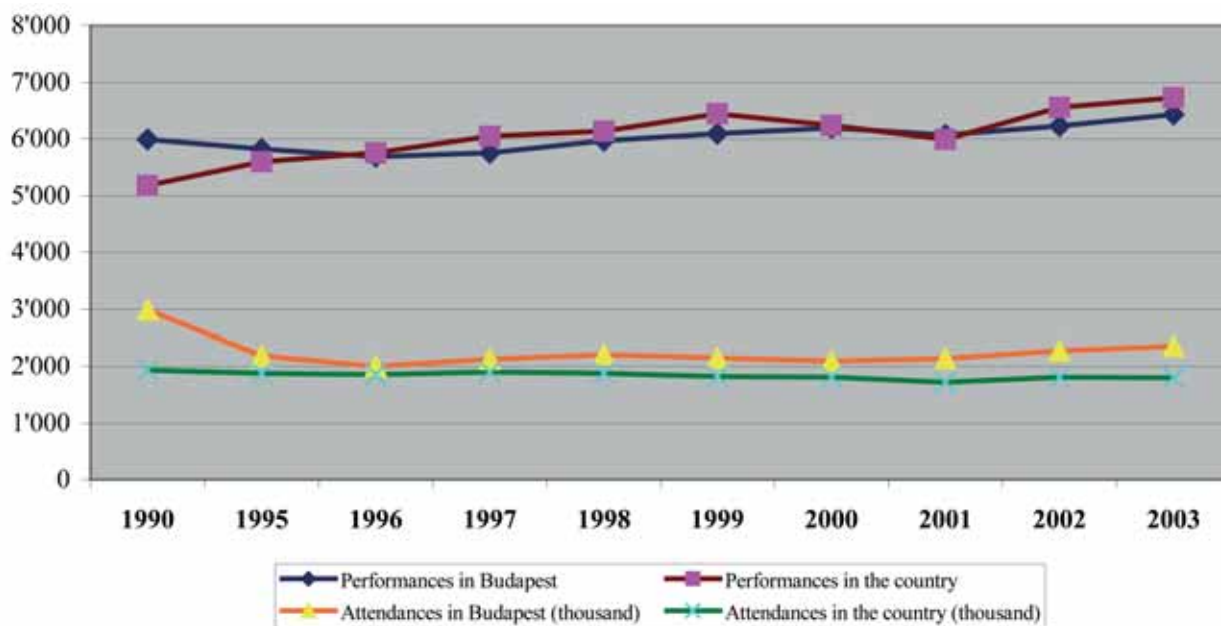
	1990	2000	2002	2003
Number of theatres	43	52	54	52
Number of performances	11,534	12,680	13,176	14,097
Number of visitors (thousand attendances)	4,991	3,938	4,152	4,217
Number of theatre visits per one hundred inhabitants	48	39	39	42

Source: HCSO, HCSO database

⁸⁷ The State of Culture in Hungarian Society, research co-ordinators: Iván Vitányi, Péter Hidy, László Harsányi, the Institute of Sociology of the Hungarian Academy of Sciences, Budapest. 1997.

⁸⁸ Statistical Yearbook of Hungary; 2002., 2003. KSH.

Number of theatrical performances and attendances in Budapest and outside



Source: HCSO

The slight drop in interest in theatres is attributable to a number of factors. On the one hand, there is the change in cultural trends, which is closely related to the penetration of television and videos. At the turn of the millennium, the population devoted only one tenth of the time spent on culture and entertainment to theatres, concerts, and cinema.⁸⁹ On the other hand programme policies and increasing ticket prices also played a significant role. Ticket prices in theatres and concert halls rose by 58.4% between 2000 and 2004; i.e. they not only exceeded the consumer price index but were also higher than the average price increase in cultural services. In addition to this, country audiences had also to deal with the other increased costs (e.g. rising travel expenses).

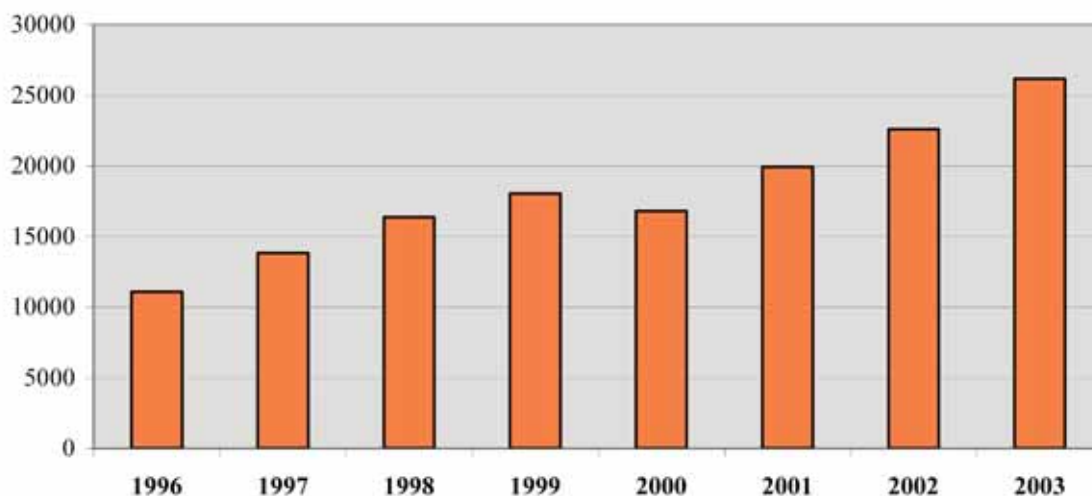
According to HCSO data, only 10-12% of the 15 and above age group – nearly 900,000 people – are regular theatre-goers, which is a very small segment of the population. A relatively stable theatre-going audience seems to have established itself. This regular audience goes to the theatre on average four times a year. The regular theatre audience is made up mainly of city-dwellers under the age of 30 engaged in intellectual occupations.⁹⁰ Season tickets are still very popular among regular theatre-goers. In 2003 310,000 season tickets were sold; 26% of theatre visitors had season tickets in 2003.

The data from HCSO and the results of cultural research projects indicate that programme policies have tended to favour lighter, more entertaining plays in recent years. The audience for straight plays steadily increased throughout the 1990s and amounted to 36% in 2001. The number of concert-goers or attendees at musical performances increased (30%), while the number of opera, ballet, and dance performances steadily dropped.

⁸⁹ Bárdosi, Mónika-Lakatos, Gyuláné-Varga, Alajosné, *op.cit.* p. 74.

⁹⁰ HCSO report 2002/10.

Theatre-related expenditure between 1996 and 2003 (at current prices, HUF millions)



It is considered a fundamental change, a real structure-forming force that in the past decade the role of government subsidies – in comparison with previous periods – has diminished and, parallel with this, economical considerations and market factors have become an important priority. It is not known though how much this may have helped or hindered the profession.

It is worthy of attention that in the past fifteen years the number of theatres has increased by 11 and the number of performances has also risen by 16.8%, while the number of full-time employees in theatres has dropped from 6,345 in 1990 to 5,117 in 2003. The figures reflecting staff cuts are not only explicable by the penetration of new theatre technology that helps to reduce staff, but also by the cost effective approaches that have recently been adopted. Freelance actors playing on a commission basis as one-man entrepreneurs are quite common today.

The operations of theatrical institutions are still primarily funded by public money. In 2003 16.0% (a total of HUF 26.1 billion) of budgetary expenditure on culture was used to finance theatres. Although the nominal value of budget funding devoted to financing theatres increased by a spectacular 55.6%, the consumer price increase in the same period was 19.2%, and thus the increased funding was insufficient to solve the financial problems of theatrical institutions.⁹¹

3. Film production and videos

Cinemas, cinematography

The general public's 'desertion of the cinema is a world phenomenon that lasted from the mid fifties until the 1990s in the EU member states. The appearance and dominance of television and later the spread of cable TV, videos, then the appearance of the Internet have all contributed and played major roles in this phenomenon. These on-going processes all led to a decrease in traditional cinema screenings and a fall in

⁹¹Statistical Yearbook of Hungary. 2002., Statistical Yearbook of Hungary. 2003. HCSO.

attendance by the general public. In European countries, with the modernisation of cinemas and the introduction, spread and dominance of the multi-theatre cinema complexes in the 1990s we have been able to experience a revival of cinema. The number of cinema-goers stopped falling and, even if not steady, interest towards cinema began to grow. Between 1990 and 2002, the number of cinema attendees grew by 62% in the EU; this translates to an increase from 577 million to 934 million people in the 15 member states. This growing tendency seemed to lose momentum in 2002.⁹²

Following international tendencies, the multiplex cinema has been introduced in Hungary as well, where such a revival process started to evolve.

Over the last couple of decades, the technical basis of the cinema networks with regard to organisation and ownership went through transformations and the institutional network has reduced in size. In Hungary almost 4,000 movie theatres were operational in the 1960s and 1970s. In the early 1990s the number of cinemas was halved to approximately 2000 cinemas. In the late 1990s the number of cinemas was around 600. In 2003 a total of 580 cinemas were operating in the country. As a result of the decrease in the number of cinemas, the number of seats was also reduced from 344,000 in 1990 to 124,000 in 2003⁹³, which was primarily a result of the large-scale closure of rural cinemas. In 2003 almost two-thirds of the cinemas were operated privately, while the rest were run by community centres or municipal budgetary institutions, whose numbers are not to be neglected. As a result of the above, economic operation is of crucial importance in this sector as well.

Following international trends, according to data from HCSO, approximately 70% of the traditional cinemas ceased their operations. As a result of this, the largest fall in the number of cinemas took place in villages, as there were only 125 cinemas operating in 2003. With the introduction of multiplex cinemas, providing more movie theatres, modern picture and sound technology, Hungary has also witnessed the revival of cinema. The spread of multiplex cinemas meant this cinema revival was primarily in Budapest. However, over the last few years, more and more multiplex cinemas have opened in larger rural cities. This is reflected by the increase in movie theatres between 2000 and 2003 from 564 to 580 in Budapest and from 296 to 321 in rural cities.⁹⁴

According to data from EUROSTAT⁹⁵ there were a total of 10,000 cinemas operating in the 15 EU member states at the turn of the millennium. The average number of cinemas per 100,000 inhabitants was 2.8, which is roughly half of Hungary's value. Sweden has the highest cinema density (9 cinemas per 100,000 inhabitants), while this value is the lowest in the Netherlands, Belgium and the UK. (1.2, 1.3). In the USA there are 2.5 cinemas per 100,000 inhabitants. These national figures suggest that the transformation of the cinema network in Hungary may not yet be completed.

Parallel with the restructuring of the Hungarian cinema network, the number of performances and attendances continued to drop in the 1990s. In the late 1990s there was a continuous increase in numbers in these areas, due to the emerging trends of multiplex cinemas. As a result of this, the number of performances in 2003 was 442,000, which is a 6.3% increase compared to 1990. Due to the introduction of multiplex cinemas, the number of performances increased greatly, primarily in Budapest; the number of performances increased from 71,000 in 1996 to 227,000 in 2003. The number of attendances, however, which was 13.6 million in 2003, did not even reach the 40% level of attendances registered in 1990 and

⁹² Cinema, TV and radio in the EU, *op.cit.* p. 38.

⁹³ Statistical Yearbook of Hungary. 2003. KSH.

⁹⁴ Statistical Yearbook of Hungary. 2003. KSH.

⁹⁵ Richard Deiss: *Kinostatistiken. Starke Zunahme der Besucherzahlen. Statistik kurz gefasst. Thema 4.* 2001/2.

remained at the level of the mid-nineties, mainly due to an increase of attendances registered in Budapest. The majority of people who regularly go to cinemas come from the 20-29 year age group.⁹⁶

In 2002, people living in the 15 member states of the EU attended cinemas 2.5 times a year on average, while in the US this number is 5.7 times a year. Hungarians are left behind in this matter, by going to the cinema 1.5 times a year. Amongst the newly-joined EU member-states, Hungary is ranked second after Malta, where this is 2.7 times a year. In EU countries, Ireland has the highest value (4.5 times a year), followed by Spain (3.5), Luxembourg (3.2), France (3.1). Finland, and the Netherlands are next, attaining the same value as Hungary (1.5).

Cinema, performances, and attendances

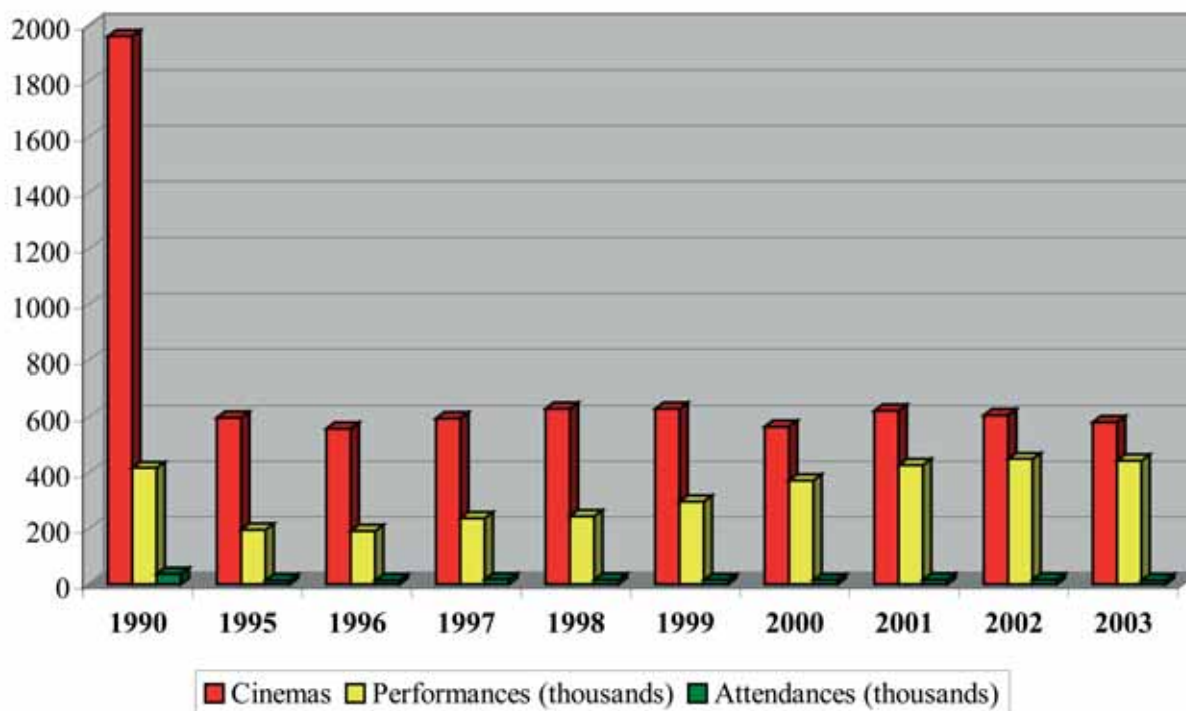
Year	Cinemas	Performances (thousands)	Attendances (thousands)	Attendances per 1000 inhabitants
1980	3,624	703	60,718	5,668
1990	1,960	416	36,220	3,495
1995	597	194	14,040	1,373
1996	558	189	13,291	1,304
1997	594	235	16,572	1,632
1998	628	242	14,578	1,438
1998	628	296	14,421	1,432
2000	564	372	14,294	1,426
2001	622	426	15,704	1,543
2002	605	448	15,278	1,504
2003	580	442	13,630	1,348

Source: Culture Statistical Database, 2002, Statistical Yearbook of Hungary 2003.

Andreas Dollt: *Kinostatistik. 2002 kein weiterer Anstieg der Besucherzahlen. Statistik kurz gefasst. Thema 4. 2003/8.*

⁹⁶Statistical Yearbook of Hungary. 2002., 2003. HCSO., Bárdosi, Mónika-Lakatos, Gyuláné-Varga, Alajosné, *op.cit.* p.70.

Cinema, performances, and attendances between 1990 and 2003



In 2001 people in the 15 EU member states spent on average 13.7 Euros on cinema tickets per year (the respective value for the USA was 32.9 Euros). Amongst the member states, Ireland leads this chart with 21.7 Euros/person/year, followed by the United Kingdom (17.2 Euros/person/year). Hungary is way behind with 3.8 Euros/person/year and even so this is more than double the average value in the newly-joined EU countries (1.4 Euros/person/year)⁹⁷.

The market share of European films in the 15 EU member states was on average 31% in 2001 and 27.5% in 2002. In all member states, in France, Denmark and Sweden locally produced films play an important role. In 2001 the revenue from tickets sold for local films was 22.5-41.7% in the three countries mentioned above. This figure was 30% in the Czech Republic, while in Hungary this percentage was a mere 5.1%. Even so, in 2001 from the 20 most popular films in the EU 17 were produced in the US. More than 80% of revenue from tickets sold comes from American films in Ireland, Germany, Luxembourg and Greece.⁹⁸

Throughout the 1990s, the number of newly-produced feature films screened showed a continuous drop in Hungary. In 1990, on average 4.8 new feature films were screened weekly. By 2001, this number fell to three a week. After 2001, there was an increase in the weekly premieres and by 2003 this figure reached four new feature films a week. At the end of the 1990s, in the 15 member states of the EU, an average of five feature films were screened weekly. Half of the new films were US productions. This phenomenon applied to Hungary as well.

⁹⁷ Cinema, TV and radio in the EU, *op.cit.* p. 42.

⁹⁸ Cinema, TV and radio in the EU, *op.cit.* p.53

The breakdown of new feature films per country of production

Country	1995	1995	2000	2001	2002	2003
Total number of feature films screened	258	143	199	164	182	212
Breakdown						
Hungary	31	9	22	23	19	21
France	17	11	14	21	20	30
USA	126	98	125	93	108	109

Source: Culture Statistical Database, 2002., Statistical Yearbook of Hungary, 2003. HCSO.

In 2002, according to data from NKÖM (The Ministry of National Cultural Heritage), 9.9% of the newly screened films were Hungarian productions and 56.25% were produced in the US. Considering the total number of screenings, the American films' dominance is even more depressing: 80.3% of screenings were US-produced films, while the Hungarian share was 6.2%. 81.9% of cinema-goers watched American films and only 7.7% watched Hungarian films.

Over the last few years, approximately 20 newly-produced Hungarian films have been screened yearly. In 2003, 21 locally-produced films were premiered on Hungarian screens. The 10% ratio for newly-produced Hungarian films is not considered bad compared to international figures. According to EUROSTAT's analysis, the share of locally-produced films in European countries is the highest in the following countries: France (38%), Italy (27%) and the UK (21%).⁹⁹ The boost in locally-produced films (wide-screen films) began in the mid-1990s in the European Union. Between 1995 and 2002 this dynamic growth was registered in the following countries: Spain (116%), France (68%) and Italy (60%).¹⁰⁰

Even in an international context, Hungarian film-making is well respected. Movie makers produce films for the big screen and television alike. According to data from HCSO¹⁰¹, the number of films produced for the big screen was 95 in 2003, from which 19 were all-evening feature or documentary films. The number of films produced for television was a mere 42, which represented only 10-15% of the films produced in the previous two years. In earlier years, television was an important client for the local film industry, but over the last few years, Hungarian television companies favour easy-to-obtain foreign serials to locally made films. Section 7 of the 1996 Act I on Radio and Television Broadcasting does not seem to have helped the situation of the Hungarian movie industry, since the proportion of obligatory locally-made productions to be broadcast is set at a very low level.¹⁰²

⁹⁹Richard Deiss: *Kinostatistiken. Starke Zunahme der Besucherzahlen. Statistik kurz gefasst. Thema 4. 2001/2.*

Andreas Dollt: *Kinostatistik. 2002 kein weiterer Anstieg der Besucherzahlen. Statistik kurz gefasst. Thema 4. 2003/8.*

¹⁰⁰Cinema, TV and radio in the EU, *op.cit.* p. 36.

¹⁰¹Statistical Yearbook of Hungary 2003. KSH

¹⁰²Paragraph 1 of Section 7 states that broadcasters shall devote over one-third of their transmission time to works that were originally made in the Hungarian language. The second paragraph states that broadcasters shall reserve at least 7% of their transmission time for works originally made in the Hungarian language that were created by or purchased from producers who are independent of broadcasters. Paragraph 4 indicates that broadcasters shall reserve at least 12% of their programming budget for works created by independent producers, which are to be made in the Hungarian language.

Act II of 2004 on Motion Pictures came into force on 1 April, 2004. This Act outlines the legal framework in which the film industry will be supported, the organizational arrangement of the state institutions operating within it and the introduction of the tax-allowance system, which could benefit those helping the film industry and those companies which invest in it. The new public Act entrusts the Motion Picture Public Foundation of Hungary, made up of representatives of the film industry, with the responsibility for the allocation of the state-supported funds. By offering tax benefits, the Act encourages the making of co-produced works, as well as trying to attract more foreign films to be produced in Hungary. The current plan is to increase the state-supported fiscal funds to an acceptable level and to gradually increase this support to 10 billion HUF by 2006.

The revenue of the film industry is reduced by those who obtain films illegally. According to data from ASVA¹⁰³ (a public-service organization to protect the rights of audiovisual works), with the appearance of the Internet, illegal film downloads¹⁰⁴ and distribution began to enjoy growing popularity. Consequently, the film industry loses around 6 billion HUF in cinema ticket sales, video and DVD hire and sales, and cable fees, which represents about 20% of the film industry's revenue totalling around net 29 billion HUF.

4. Radio and television

The television market¹⁰⁵

Over the last fifteen years, Hungary has developed its new television structure, based on the multi-channel model existing in more advanced countries. The number of television stations has multiplied and apart from land-based broadcasting, new technologies evolved – cable and satellite. In contrast to advanced countries, the development of the new television structure was not the result of a long process, but a relatively fast transformation. The consumer structure and the program structure of the Hungarian television market, after the changes in the program supply, is more and more similar to international television market tendencies.¹⁰⁶

According to HCSO data, in 2001 there were 2.6 million television subscribers. With respect to television, the degree of supply is good in Hungary; 92% of households had colour televisions, 11% had black and white ones, usually as a second or third TV. One-third of households had two or more televisions.¹⁰⁷

Regarding leisure time spent watching television, Hungary is the leader amongst EU countries. In 2001, the average daily time spent watching television – according to EUROSTAT – in the 15 member states of the EU was 3 hours 30 minutes, while in Hungary it was 4 hours and 10 minutes.¹⁰⁸ Hungarian statistics show a lower value than the ones used by the EU and refer to a smaller section of the population, but even so they show this leisure-time activity to be constantly growing. Men aged 15-74 spent on average two hours and

¹⁰³ *Világgazdaság*, 28 October 2004

¹⁰⁴ Film downloads are tied to technical requirements, a field in which Hungary is not very advanced. Only 7.3% of Hungarians have subscriptions to the Internet, while only 3.8% have access to broadband Internet. Although this number exceeds the average of the newly-joined EU countries (average 1.6%), it is still far from the rates of the industrialized countries. In 2004, the average for EU member states was 8.5%. *Napi Gazdaság*. 2005. 05. 23., Origo, 2005. 06. 09.

¹⁰⁵ When presenting the television market, we relied on the research paper of Ágnes Urbán: *A magyarországi televíziós piac stabilizálódása.. Médiakutató. 2004. tavasz*, and the research paper *A televíziós piac átrendeződése. Médiakutató. 2000. I. szám. (www.mediakutato.hu)*

¹⁰⁶ This has not always benefited the television market.

¹⁰⁷ Statistical Yearbook of Hungary 2003. KSH.

¹⁰⁸ Cinema, TV and radio in the EU, Statistics on Audiovisual Services. European Commission. 2003.

40 minutes a day in front of the television, while women an average of 2 hours and 30 minutes. Listening to the radio is considered more of a background noise activity.¹⁰⁹

On the television market, there is competition between the various types of broadcasting technologies. Cable, satellite and land-based broadcasting technologies compete with one another, while they complement one another at the same time. In 2000, 3.7 million households had televisions, almost half of which, 1.8 million, had cable television; 400,000 had satellite and 300,000 had AM-micro (land-based) television access.¹¹⁰ The competition is much fiercer amongst television stations, which represent various types of contents.

In a multi-channel model there are many market players at the same time, in other words the number of available stations has multiplied over the last decade. Apart from MTV and Duna TV, two commercial market-leading networks made their appearance (RTL Klub, TV2). Other stations (i.e.: Msat, Viasat) offering general viewing began operations as well, and the market for thematic stations began to take shape. Apart from thematic stations owned by global broadcasters (i.e.: Discovery, National Geographic), Hungarian stations (Spektrum, Hír TV) commenced their broadcasts. In parallel with this, regional television started to develop as well.

In television broadcasting, cable television became more and more widespread in Hungary. In 2002, more than 1700 households had cable television and the length of the established cable network was 94,000 kilometres.¹¹¹ Regarding reception, Hungary is amongst those few countries – such as Switzerland, Luxembourg, Ireland and Germany -, where cable reception exceeds 50% of the percentage of reception. In Hungary satellite reception was 18% and land-based reception was 26% in 2001.¹¹²

After the development of the multi-channel television model, MTV lost a considerable section of its share. This follows international tendencies, however, in other countries, the loss of market-shares by public television networks was not as important as in Hungary. In 2002, the market-share of the two MTV stations was 15%, while in other countries they were as follows: the BBC in the UK (39%), YLE in Finland (45%), ARD, ZDF and other public networks in Germany (43%) and SVT in Sweden (43%).

It is a Hungarian characteristic to have a lower national content. Public television networks in other European countries rely more on national content (products of the sports or film industries) than in Hungary. The Media Act of Hungary does not seem to provide enough incentive for this situation to change.

Television competition does not only affect the viewers, but also advertisers. With the ever-growing number of television stations, more players need to share the advertising market, which increases competition. In 2004, televisions' share of the Hungarian advertising market was 41.2% (63.8 billion HUF) from the total of a net amount of 154.7 billion HUF.¹¹³ The slowly-expanding advertising market has to support an increasing number of television stations.

¹⁰⁹ Bárdosi Mónika-Lakatos Gyuláné-Varga Alajosné. op.cit. p.51.

¹¹⁰ Urbán Ágnes: *A magyarországi televíziós piac stabilizálódása.*

¹¹¹ Bárdosi, Mónika-Lakatos, Gyuláné-Varga, Alajosné, op.cit. p.53.

¹¹² *Cinema, TV and radio in the EU. op.cit. p. 93.*

¹¹³ *Világ gazdaság. 13 May 2005 Net expenditure*

According to data from the 15 EU member states, in 2000, 50.6% of the revenue of public and privately-owned television stations was from advertising, which was their major source of income. Another important source of income is represented by state funds (30.1%) and subscription fees (19.4). Two-thirds of advertising expenditures was spent with privately-owned TV stations. In financing public television stations, license fees play a major role (59.9%), followed by commercial earnings (7.8%), donations and other earnings.¹¹⁴

Experts say that in order to operate a commercial station successfully, 3-5 million viewers are required. According to this, a maximum of three stations could be operated effectively in Hungary.

¹¹⁴ *Cinema, TV and radio in the EU. op.cit. p.89.*

VII. Summary of Findings

This survey is the first analysis in Hungary to outline and numerically support the importance of the copyright based sector in the economy regarding performance and rate of employment. According to these findings, copyright based industries are of vital importance in the overall national economy, both when compared to other sectors of the economy and when compared to other countries in the EU. The total contribution to the national economy by copyright based industries was 6.67% of the national economy's gross added value, 9.68% of the gross output and 7.17% of the employee's income and 7.1% of the employment rate was from this sector. The contribution by core copyright industries was 3.96% to the national economy's gross added value, 3.95% to its gross output, 4.22% to employee income and 4.15% of the employment rate was from this sector.

Even in an international context, the weight of the copyright based industries in the economy regarding performance and rate of employment is high and this fact allows Hungary to be at the forefront of the EU countries.

In the Hungarian copyright based industries there is a typical tendency for the rate of employment to outweigh the performance rate in the economy, which means it requires a higher degree of employment, while it performs less well compared other industrialized countries. This inefficiency can be reduced by technical developments in the copyright based industry, however, this requires investment.

From the perspective of future structuring of Hungarian economic policy decision-making, it must be noted that the copyright based sector is the strongest amongst all traditional economic sectors. The total economic weight of all copyright based industries almost equals the whole of the engineering industry and is larger than the education and the construction industries. On the other hand, the economic weight of the core copyright industries can be compared to such sectors as the textile industry, metallurgy, the food-processing industry and the electricity industry.

Considering their economic weight, copyright based industries do not receive the consideration deserved from economic policies; a situation which in the future ought to be changed. Economic policy decision-makers and other players in the copyright based industries must be made aware of the importance and weight of this sector. The socio-economic power of copyright based industries is not in proportion to its economic weight, while treatment and regulation of certain copyright based industries can differ. The copyright based sector is made up of many different types of activities and fields. Such diversity may result in the copyright based industry's interest representation ability to be weaker than its economic weight. This situation can only be resolved through coalition of forces driven by a common interest and by finding common goals and objectives.

The economic weight of the copyright based industries puts great emphasis on the importance of copyright awareness, which has been somewhat neglected in Hungary. In respect of copyright related issues, Hungary is low on the list of the EU countries. Raising awareness in individual and institutional users regarding copyright related issues cannot be achieved in the short-term. Motivational and disciplinary measures, as well as long-term awareness-raising programs must be prepared and introduced in order to help develop such awareness towards copyright related issues, which would need a coalition of forces from the government and civil spheres.

The copyright based industry can be regarded as a considerable foreign-trade factor. The foreign trade deficit of the core copyright industries could be better exploited considering the present potential export possibilities. In both export and import, the press and literature, as well as software and databases play a role of crucial importance amongst core copyright industries. The low number of exports in music, theatrical plays and the opera indicate an export possibility which, so far, has not been thoroughly exploited and increases the need to capitalize on our competitive edge.

Hungary – concentrating on the manufacture of certain recreational electrical goods – also takes part in the international labour division of copyright based industries and in this way contributes to the shaping of the balance of foreign trade. In the area of services, audiovisual and associated services are significant balance sheet stimulators in foreign trade.

In international comparisons, the importance of the copyright based industries in the economy regarding performance and rate of employment is high and it goes hand-in-hand with a large structural deficit, which can be attributed to the cultural sphere's developing trends and derived through international comparisons. In the cultural sphere, Hungary is left behind in many respects. In an international context, the degree of supply of cultural consumer durables and recreational electronic goods is relatively low. The general public's regular use of the facilities of the cultural institution system – i.e.: cinema, theatre, concerts - is confined. The expenditure level for cultural purposes by the public shows a low euro value. The number of CDs sold per capita puts Hungary far down the list in the EU countries. Screenings of newly-produced films are also at a low level. The share of national/local content-based programs on television is minute.

Considering the spreading negative phenomena of the copyright based industries even at an international level, Hungary is amongst the top countries in the EU. We are amongst the leaders in distribution, utilization of pirated copies, audio carriers, software, as well as in the amount of time spent watching television.

The rate of price increases for cultural services has exceeded the rate of the consumer price index, which is an unfavourable tendency. At the same time, the rate of growth of cultural expenditures from the budget is lower than the growth of inflation. The concentration and centralisation of the cultural institution network has continued to grow in favour of the capital and larger regional cities. In book publishing, the steepest decline in the number of copies printed was experienced in the area of fiction.

Even in international comparisons, the cultural sector was able to show impressive results. It has the second highest rate of sales of classical music devices in Europe. Hungary is amongst the few countries, where national film production plays an important role and where the percentage of premiered local productions is relatively high, compared to the total of newly-produced international films. (At the same time, the revenue from ticket sales from locally-produced films is low in comparison with other EU countries – around 5%). Hungary's performance, compared to EU countries, is average regarding the sales rate of locally-produced sound media devices, the number of copies printed of daily newspapers per capita, the number of book titles per capita, as well as the number of cinemas. We are amongst the leaders in the rate of cable television reception.

The political transformation, similar to all other economic sectors, brought radical changes in the cultural sphere, to which the majority of the core copyright industries belong. Over the last fifteen years, the cultural institutional system has gone through a restructuring process. Many new players have appeared on the market, the organizational structure of ownership has been transformed, the media and the culture-consuming public has changed.

According to cultural statistics, in the last fifteen years since the political transformation, Hungary's cultural production has grown and developed tremendously, however, the direct culture consumption (the number of book or newspaper readers, the number of theatre and cinema goers) has dropped. The ownership structure of the cultural institutions has changed; a colourful new multi-player, institutional structure has been developed. Private capital plays an increasing role in the sector, while foreign capital has appeared in some of the more profitable segments. Certain goods that were previously only available directly from the cultural institutions are now widely available for consumption - as a result of the wide-spread use of computers and the Internet - without having to go through cultural institutions at all. (i.e.: reading newspapers, books or listening to music via the Internet). Consequently, cultural products have become available even to those people who are not close to the cultural hubs. As a result of this trend, a simultaneous growth and reduction in culture consumers has been experienced.

The statistical data indicates that the collapse of previous structures – before the political transformation and the developmental process of the new structures shown in the statistical data for the decline as well –has ended. The stabilization process of the cultural sphere has started and must continue for years to come.

Following international trends in many areas, the structure of the cultural supply has shifted towards a less intellectually-demanding type of product and light entertainment genre. At the same time the leisure activities of the Hungarian public have been transformed, but this change is not necessarily for the better.

Appendices

Appendix No. 1

Copyright-Based activities in the Hungarian system of classification of economic activities (TEÁOR (Standard Sectoral Classification of Economic Activities))

Code	Description
2211	<i>Books</i>
2212	<i>Newspapers, journals and periodicals, appearing at least four times a week</i>
2213	<i>Newspapers, journals and periodicals, appearing less than four times a week</i>
2221	<i>Newspaper printing services</i>
2222	<i>Printing services n.e.c.</i>
2223	<i>Bookbinding</i>
2224	<i>Composition and plate-making services</i>
2225	<i>Other services related to printing</i>
9240	<i>News agency services</i>
9251	<i>Library and archive services</i>
5247	<i>Retail trade services of books, newspapers and stationery</i>
	Press and literature
2214	<i>Sound recordings</i>
2231	<i>Reproduction services of sound recordings</i>
9231	<i>Artistic and literary creation and interpretation services</i>
9232	<i>Arts facilities operation services</i>
9233	<i>Fair and amusement park services</i>
9234	<i>Other entertainment services n.e.c.</i>
	Music, theatrical productions, opera
2232	<i>Reproduction services of video recordings</i>
9211	<i>Motion picture and video production services</i>
9212	<i>Motion picture or video tape distribution services</i>
9213	<i>Motion picture projection services</i>
	Motion pictures and video
6420	<i>Telecommunications services</i>
9220	<i>Radio and television services</i>
	Radio and television
7481	<i>Photographic services</i>
	Photography
2233	<i>Reproduction services of software</i>
7221	<i>Software supply services</i>
7222	<i>Software consultancy and other supply services</i>
7230	<i>Data processing services</i>

7240 *Database services, on-line data retrieval or accessibility*

7260 *Other computer-related services*

Software and databases

7440 *Advertising services*

Advertising

9112 **Services furnished by professional organisations**

I. Core copyright industries

3230 *Television and radio receivers, other radio receivers, sound or video recording or reproduction apparatus and associated goods*

Manufacture of televisions, radios, videos, CD players, etc.

3002 *Computers*

Manufacture of computers and equipment

3630 *Musical instruments*

Manufacture of musical instruments

3340 *Optical instruments and photographic equipment*

Manufacture of photographic and cinematographic instruments

3001 *Office machinery and spare parts*

Manufacture of photocopiers

2464 **Chemical photographic material**

2465 *Prepared unrecorded media*

Manufacture of blank recording material

2112 *Paper and cardboard*

2123 *Office paper supplies*

2215 *Postcards, greeting cards, pictures and similar printed matter*

Manufacture of paper

7133 **Rental services of office machinery and equipment including computers**

7140 *Rental of consumer goods*

Rental

II. Interdependent copyright industries

1740 *Made-up textile articles*

1753 *Non-wovens and articles made from non-wovens*

1754 *Other textiles n.e.c.*

1810 *Leather clothes*

1822	<i>Outerwear</i>
1823	<i>Underwear</i>
1824	<i>Other wearing apparel and accessories n.e.c.</i>
1830	<i>Furs</i>
1930	<i>Footwear</i>
	Apparel, textiles and footwear
3621	<i>Coins</i>
3622	<i>Jewelry</i>
3661	<i>Imitation jewelry</i>
	Jewelry and coins
2051	<i>Other wooden goods</i>
2875	<i>Other metallic goods</i>
	Other crafts
3611	<i>Chairs and benches</i>
3612	<i>Office furniture</i>
3613	<i>Kitchen furniture</i>
3614	<i>Other furniture</i>
	Furniture
2613	<i>Hollow glass</i>
2621	<i>Ceramic household and ornamental articles</i>
2630	<i>Ceramic tiles</i>
	Household goods, china and glass
1751	<i>Carpets and rugs</i>
2124	<i>Manufacture of wall coverings</i>
	Wall coverings and carpets
3650	<i>Games and toys</i>
	Toys and computer games
7420	<i>Software consultancy and supply services</i>
7487	<i>Other economic services n .e. c.</i>
	Architecture, engineering, surveying
9252	<i>Museum services and preservation of the cultural heritage</i>
	Museums
5147	<i>Wholesale trade services of other household goods</i>
5143	<i>Wholesale trade services of electrical appliances</i>
5145	<i>Retail trade services of electrical appliances</i>
5248	<i>Other retail trade services in specialized stores</i>
5116	<i>Wholesale trade services of apparel, footwear and leather garments</i>
5242	<i>Retail trade services of apparel</i>
5243	<i>Retail trade services of footwear and leather garments</i>
5244	<i>Retail trade services of furniture and household appliances</i>

Trade

III: Partial copyright industries

G Trade, repair services
I Transportation, storage, communication

IV. Non-dedicated support industries

TOTAL OF NATIONAL ECONOMY

Appendix No. 2

Statistical definitions

Gross output: the aggregate total of products and services produced by a given economic association for the purposes of other economic associations and for end use by an economic association. Output is assessed on the basis of the Hungarian National Accounts.

Intermediate consumption: the value of products and services purchased during production from other producers in the period of account clearing and used for the production of new products and services. The depreciation of fixed assets is not part of intermediate consumption. Intermediate consumption is valued at market purchase prices.

Gross domestic product (GDP): the balance of the total value of gross added value produced by industries or sectors assessed on basic prices and the indirectly-measured commodity taxes reduced by product subsidies minus the cost of financial intermediation services indirectly measured. The GDP is thus an index assessed at market value. GDP can be defined from three different aspects:

- in terms of production:**
 - + sum of gross added value calculated on basic cost
 - + commodity taxes
 - product subsidies
 - the cost of financial intermediation services indirectly measured (internationally used acronym: FISIM)

- in terms of consumption:**
 - + final household consumption expenditure
 - + final government consumption expenditure
 - + final consumption expenditure of non-profit organisations
 - + gross accumulation of fixed assets
 - + inventory changes
 - + export costs
 - import costs

- in terms of incomes:**
 - + wages and earnings
 - + social security contributions
 - production subsidies
 - + production taxes
 - + gross operating profit, and miscellaneous income
 - + commodity taxes
 - product subsidies
 - the fee of financial intermediation services indirectly measured (internationally used acronym: FISIM)

Some of the fundamental principles of production:

- Gross added value** of basic cost:
- + gross output (on basic cost)
 - intermediate consumption (at market purchase price)

Employee income: part of macroeconomic calculations. This includes all remuneration given by the employer both in money and in kind in consideration for the work performed by the employee. It consists of two main components: wages and earnings, and the social security contribution paid by the employer.

Social security contributions paid by employer: employee incomes over and above wages and earnings are used to ensure that employee can have access to social services. Two main types:

- Real contributions paid by the employer into social security systems or other mandatory insurance systems;
- Imputed social security contributions including: benefits provided by the employer through means other than the social security system and for which the employers do not allocate a separate fund. This may be, for example, sick leave benefit paid for the period set out by the law.

Economic sectors: the organisational units of the economy may be classified in five separate sectors:

- companies
- financial companies
- households
- government
- non-profit organisations assisting households.

Corporate sector: all enterprises with a legal person status and all economic associations without legal person status, with the exception of companies engaged in financial activities as their main activity. This sector includes non-profit institutions that are engaged in market production and cover their expenses mainly from sales revenue. For example, employer interest representatives.

Government sector: central and local government-funded institutions, allocated government funds, and social security funds used in activities in accordance with the budget directives.

Households: households can be classified in this category on two grounds. They may either be consuming or productive organisations. This latter includes small enterprises falling under the scope of the personal income tax law. The National Accounts therefore account for the performance and employee incomes of one-man enterprises under the household sector.

Non-profit organisations assisting households: this includes non-profit institutions that are not directly controlled by the government and whose operations are primarily funded by private support.

Occupied: any person who in the week observed performed at least one hour of paid work or had a job where he/she did not temporarily perform any work (e.g. sick leave, holiday).

Employee: an employee performing a regular income earning job for an enterprise, budgetary or non-profit organisation (including seasonal workers).

Appendix No. 3

The economic contribution of copyright based sectors in 2002 in Hungary (wholesale and retail shown separately)

	HUF M		%		HUF M		%		incomes		employees	
									HUF M	%	people	%
Press and literature	182 019	1,229	512 077	1,453	111 233	1,443	61 039	1,559				
Music, theatrical productions, opera	78 579	0,531	147 609	0,419	36 816	0,478	25 182	0,643				
Motion pictures and video	18 770	0,127	67 715	0,192	10 922	0,142	6 156	0,157				
Radio and television	60 912	0,411	175 595	0,498	25 970	0,337	9 139	0,233				
Photography	7 639	0,052	16 005	0,045	2 830	0,037	3 578	0,091				
Software and databases	191 727	1,295	346 359	0,983	109 170	1,416	45 196	1,155				
Advertising	39 193	0,265	101 641	0,288	21 036	0,273	12 270	0,313				
Professional organisations	7 732	0,052	24 891	0,071	7 231	0,094	15	0,000				
I. CORE COPYRIGHT INDUSTRIES	586 571	3,961	1 391 892	3,950	325 208	4,218	162 575	4,154				
Manufacture of televisions, radios, etc.	91 031	0,615	965 388	2,740	46 976	0,609	16 579	0,424				
Manufacture of computers and equipment	28 896	0,195	454 743	1,290	29 388	0,381	13 797	0,352				
Manufacture of musical instruments	1 097	0,007	1 931	0,005	458	0,006	468	0,012				
Manufacture of photographic and cinematographic instruments	2 213	0,015	5094	0,014	1 367	0,018	807	0,021				
Manufacture of photocopiers	1384	0,009	3930	0,011	1 402	0,018	406	0,010				
Manufacture of blank recording material	669	0,005	2038	0,006	268	0,003	380	0,010				
Manufacture of paper	16 654	0,112	66 451	0,189	8 284	0,107	3 896	0,100				
Rental	20 561	0,139	28088	0,080	4 605	0,060	3 447	0,088				
Wholesale and retail of interdependent copyright industries	22 336	0,151	55 875	0,159	12 643	0,164	9 249	0,236				
II. INTERDEPENDENT COPYRIGHT INDUSTRIES	184 841	1,248	1 583 538	4,494	105 391	1,367	49 029	1,253				

Apparel, textiles and footwear	717	0,005	2 813	0,008	583	0,008	506	0,013
Jewelry and coins	1 024	0,007	2 017	0,006	404	0,005	539	0,014
Other crafts	8 860	0,060	25 039	0,071	5 375	0,070	4 780	0,122
Furniture	2 283	0,015	7 136	0,020	1 586	0,021	1 264	0,032
Household goods, china and glass	112	0,001	233	0,001	51	0,001	48	0,001
Wall coverings and carpets	25	0,000	123	0,000	18	0,000	20	0,001
Toys and computer games	1 797	0,012	4 718	0,013	1 365	0,018	1 427	0,036
Architecture, engineering, surveying	33 578	0,227	61 921	0,176	16 487	0,214	9 510	0,243
Museums	12 028	0,081	21 500	0,061	9 264	0,120	2 680	0,068
Wholesale and retail of partial copyright industries	6 263	0,042	12 577	0,036	3 118	0,040	3 394	0,087
III. PARTIAL COPYRIGHT INDUSTRIES	66 687	0,450	138 077	0,392	38 251	0,496	24 168	0,617
General trade	82 946	0,560	174 853	0,496	45 250	0,587	24 700	0,631
Transportation, storage, communication	66 388	0,448	124 186	0,352	38 622	0,501	17 500	0,447
IV. NON-DEDICATED SUPPORT INDUSTRIES	149 334	1,008	299 039	0,849	83 872	1,088	42 200	1,078
COPYRIGHT-BASED INDUSTRIES (I-II-III-IV)	987 433	6,668	3 412 546	9,684	552 722	7,169	277 972	7,102
TOTAL OF NATIONAL ECONOMY	14 807 634	100,000	35 239 550	100,000	7 710 098	100,000	3 914 163	100,000

* Data on trade and rental activities are shown separately.

Appendix No. 4

The economic contribution of copyright based industries in Hungary in 2002 (including wholesale and retail)

	GDP		Gross output		Employee incomes		Number of employees	
	Mft	%	Mft	%	Mft	%	fő	%
Press and literature	182 019	1,229	512 077	1,453	111 233	1,443	61 039	1,559
Music, theatrical productions, opera	78 579	0,531	147 609	0,419	36 816	0,478	25 182	0,643
Motion pictures and video	18 770	0,127	67 715	0,192	10 922	0,142	6 156	0,157
Radio and television	60 912	0,411	175 595	0,498	25 970	0,337	9 139	0,233
Photography	7 639	0,052	16 005	0,045	2 830	0,037	3 578	0,091
Software and databases	191 727	1,295	346 359	0,983	109 170	1,416	45 196	1,155
Advertising	39 193	0,265	101 641	0,288	21 036	0,273	12 270	0,313
Professional organisations	7 732	0,052	24 891	0,071	7 231	0,094	15	0,000
I. CORE COPYRIGHT INDUSTRIES	586 571	3,961	1 391 892	3,950	325 208	4,218	162 575	4,154
Televisions, radios, etc.	123 290	0,833	1 028 528	2,919	59 947	0,778	26 126	0,667
Computers	39 148	0,264	474 810	1,347	33 511	0,435	16 832	0,430
Musical instruments	1 483	0,010	2 687	0,008	612	0,008	582	0,015
Photographic and cinematographic instruments	2 213	0,015	5094	0,014	1 367	0,018	807	0,021
Photocopiers	1384	0,009	3930	0,011	1 402	0,018	406	0,010
Blank recording material	669	0,005	2038	0,006	268	0,003	380	0,010
Paper	16 654	0,112	66 451	0,189	8 284	0,107	3 896	0,100
II. INTERDEPENDENT COPYRIGHT INDUSTRIES	184 841	1,248	1 583 538	4,494	105 391	1,367	49 029	1,253
Apparel, textiles and footwear	4 025	0,027	9 370	0,027	2 045	0,027	2 539	0,065
Jewelry and coins	1 201	0,008	2 366	0,007	496	0,006	617	0,016
Other crafts	10 382	0,070	28 043	0,080	6 168	0,080	5 454	0,139
Furniture	3 209	0,022	9 150	0,026	2 184	0,028	1 727	0,044

Household goods, china and glass	130	0,001	269	0,001	61	0,001	56	0,001
Wall coverings and carpets	29	0,000	131	0,000	20	0,000	21	0,001
Toys and computer games	2 105	0,014	5 327	0,015	1 526	0,020	1 564	0,040
Architecture, engineering, surveying	33 578	0,227	61 921	0,176	16 487	0,214	9 510	0,243
Museums	12 028	0,081	21 500	0,061	9 264	0,120	2 680	0,068
III. PARTIAL COPYRIGHT INDUSTRIES	66 687	0,450	138 077	0,392	38 251	0,496	24 168	0,617
General trade	82 946	0,560	174 853	0,496	45 250	0,587	24 700	0,631
Transportation, storage, communication	66 388	0,448	124 186	0,352	38 622	0,501	17 500	0,447
IV. NON-DEDICATED SUPPORT INDUSTRIES	149 334	1,008	299 039	0,849	83 872	1,088	42 200	1,078
COPYRIGHT-BASED INDUSTRIES (I.-II.-III.-IV.)	987 433	6,668	3 412 546	9,684	552 722	7,169	277 972	7,102
TOTAL OF NATIONAL ECONOMY	14 807 634	100,000	35 239 550	100,000	7 710 098	100,000	3 914 163	100,000

* Data relating to retail and wholesale rental are not shown separately, but have been distributed in proportion to production and employment.

