



## **Sustaining Trust**

# **Paying for independent self-regulation of the press**

### **Decision Paper**

#### **Introduction**

1. On 8 June 2016, IMPRESS launched a formal four-week consultation on our financial arrangements. We received 12 submissions before the consultation closed at 5pm on 6 July 2016.
2. The consultation was informed by the issues which had been raised by news publishers during a long process of engagement which started in September 2013.
3. In this decision paper, we describe the process of engagement with the news publishing industry which led up to the launch of the formal consultation, summarise the findings of this consultation and propose a small change to our financial arrangements in light of some consultation responses.

#### **Engaging with the news publishing industry**

4. Before launching the formal consultation on our financial arrangements, representatives of IMPRESS held meetings with numerous news publishers, spoke at industry events and communicated with publishers and other

stakeholders via the media and social media. Publishers also had the opportunity to comment on our financial arrangements via two calls for information which were issued by the Press Recognition Panel (PRP) in 2016.

5. In December 2013, plans for IMPRESS were publicly launched with a website featuring a Prospectus which set out the company's vision of an independent self-regulatory body in line with the criteria in Schedule 3 of the Royal Charter on Self-Regulation of the Press ('the Charter'). The Prospectus stated that the organisation would be funded through a blend of subscriptions from regulated publishers and income from charitable grants and donations.
6. Jonathan Heawood gave evidence on behalf of IMPRESS to the House of Commons Select Committee on Culture, Media and Sport on 28 January 2014, when the organisation's financial arrangements, as set out in the Prospectus, were discussed. He sent copies of the Prospectus to all identifiable editors, executives and non-executive Directors of the principal newspaper companies in the United Kingdom and held meetings with a number of editors and executives. He also spoke at events involving news publishers in London, Liverpool, Cardiff and Belfast, including one event hosted by the London Press Club.
7. Heawood publicised the IMPRESS vision through comment pieces in the *Guardian* newspaper on 8 October and 9 December 2013. He gave interviews to the principal trade publications, *Press Gazette*, *journalism.co.uk* and *The Drum*. He appeared on the BBC Radio 4 Media Show on 11 December 2013 and 16 July 2014 and created a Twitter feed (@impressproject) to publicise the IMPRESS vision to a wider constituency and host debate on relevant issues.
8. News publishers across the United Kingdom were thus given every opportunity to understand and discuss IMPRESS's proposed financial arrangements through this extensive programme of engagement with the news publishing industry.
9. The strongest support for IMPRESS during this period came from independent news publishers. This sector of the industry includes approximately 400 so-called

'hyperlocal' publications, which tend to have turnover of less than £100,000 per annum, alongside a number of larger publishers at a local and national level. We agreed with these publishers that membership of IMPRESS should be made available, as required by the Charter, on 'fair, reasonable and non-discriminatory terms' (Criterion 23).

**10.** Taking into account the commercial pressures on this sector, and on the news publishing industry more generally, and the cost of fulfilling the obligations of the regulator, the Board developed a Business Plan for the period 1 April 2015 – 31 March 2020. This Plan set out an indicative annual budget of approximately £1m in the first full year of operations. At the same time, the Board developed a Tariff Schedule, showing that news publishers would be charged membership fees at tariffs banded according to a publisher's financial turnover. The Plan showed that the balance of the organisation's running costs would be subsidised through grants and donations.

**11.** News publishers were given an opportunity to comment on the financial arrangements represented by this Business Plan and Tariff Schedule during the course of two calls for information issued by the PRP in the first months of 2016. They also had the opportunity to comment directly to IMPRESS, which continued to hold individual meetings with news publishers across the United Kingdom.

### **Consultation responses**

**12.** The consultation ran from 8 June – 6 July 2016 and 12 responses were received in total. Six of these respondents were happy for us to publish their names and any comments that they made. One respondent was happy for us to publish any comments they made but asked to remain anonymous. Another respondent completed the consultation under a pseudonym. Four respondents asked us not to publish either their name or their comments.

**13.** The following respondents gave us their permission to publish their names:

- Simon Carne
- James Glen
- Paul Henderson
- Una Murphy
- Stephen Slominski
- Christopher Whitmey

**14.** We asked whether respondents agreed with the principle of using financial turnover as the basis for a tariff schedule. 83% of respondents agreed and 17% disagreed. One respondent commented that this was the ‘most equitable’ approach (Christopher Whitmey).

**15.** We asked whether respondents agreed that, on balance, a banded tariff schedule was preferable to percentage-based membership fees. 67% of respondents agreed and 33% disagreed. One respondent commented that ‘bands must be based on financial turnover and somehow accurately reflect [...] circulation numbers of that publisher’ (Anonymous).

**16.** We asked whether respondents agreed that the bands, and the fees in each band, of the tariff schedule were fair and reasonable. 58% of respondents agreed and 42% disagreed. One respondent said that the bands and the fees were fair and reasonable at the lower end for smaller publishers but that ‘when you get to the multi-million turnover bands, [...] the current proposed band charges may be prohibitive for IMPRESS to encourage membership’ (Paul Henderson). Another respondent said that ‘the top tariff is too high and should be removed’ (Anonymous). At the other end of the spectrum, one respondent suggested that IMPRESS should introduce ‘another band for organisations with a very low turnover or for new start-ups’ (James Glen) and another said that the lowest band ‘would be completely unreasonable for me as I make no money’ (Stephen Slominski).

We asked whether respondents agreed that IMPRESS should monitor and evaluate its current charging model in light of experience before deciding whether

to introduce any element of additional charging for publishers which generate a higher workload for the regulator, for example by committing more breaches of the standards code. Of respondents who answered this question, 89% agreed and 11% disagreed that we should indeed consider introducing an element of the so-called 'polluter pays' principle, in due course.

- 17.** We asked whether respondents agreed with the principle that, taking into account the cost of fulfilling the obligations of the regulator and the commercial pressures on the industry, IMPRESS should develop a mixed income model, with a blend of income from fees, grants, donations and other services. Of respondents who answered this question, 75% agreed and 25% disagreed. One respondent described this as a 'sensible approach for a Community Interest Company' (Christopher Whitmey). Conversely, another respondent said that IMPRESS 'should be entirely funded by income from fees as a first principle if the press is truly "self-regulating"' (Anonymous).

## **Proposals**

- 18.** In general, respondents agreed with the financial arrangements set out in the consultation paper. A majority of respondents supported every proposal in the paper. The most popular proposal was that IMPRESS should monitor and evaluate its current charging model in light of experience before deciding whether to introduce any element of additional charging for publishers which generate a higher workload. By contrast, only a slim majority of respondents agreed that the bands, and the fees in each band, of the tariff schedule were fair and reasonable.
- 19.** In light of the broad support for our financial arrangements, and taking into account the lack of any compelling argument against these arrangements to have emerged in our longer process of engagement with the news publishing industry since September 2013, we do not propose to make any significant changes to these arrangements. We will continue to use financial turnover as the basis for a tariff schedule. We will continue to employ a banded tariff schedule rather than percentage-based membership fees. And we will continue to develop a mixed

income model, with a blend of income from fees, grants, donations and other services.

**20.** However, a significant minority of respondents did not agree that the bands, and the fees in each band, of the tariff schedule were fair and reasonable. We do not intend to reduce the fee in the lowest band which, at £50 per annum, already represents a heavily subsidised service. However, we do propose to remove the highest two bands from this schedule, so that all publishers with financial turnover above £20m will be eligible for an annual membership fee of £70,000. The revised schedule is as follows:

- Publishers with turnover up to £100,000 pay a membership fee of £50 per annum.
- Publishers with turnover between £100,000 and £1m = £550pa
- Publishers with turnover between £1m and £2m = £1,500pa
- Publishers with turnover between £2m and £5m = £7,000pa
- Publishers with turnover between £5m and £10m = £15,000pa
- Publishers with turnover between £10m and £20m = £30,000pa
- Publishers with turnover above £20m = £70,000pa

**21.** As noted above, an overwhelming majority of respondents supported the proposal that we should monitor and evaluate our charging model in light of experience before deciding whether to introduce any form of ‘polluter pays’ principle. We will honour this commitment. More generally, we will review our financial arrangements each year, and may modify them if that proves necessary to ensure the organisation’s independence and sustainability.

**13 July 2016**