

Ensuring the financial sustainability and independence of press and media councils

An analysis realized for the 2017 Annual Meeting of the Alliance of Independent Press Councils in Europe (AIPCE)

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“The issue of Press Council funding goes to the heart of related questions about independence and credibility. The examples of sources of funding offer intriguing insights into how Press Councils view their functions, and how divergent solutions have emerged as they wrestle with the issue of dependence on funders. ²”

Media self-regulation - a system developed voluntarily by media professionals to ensure respect for their professional and ethical guidelines - has become increasingly popular in Europe. Press and media councils are the most popular types of self-regulation mechanisms. They have been established to give media users a place to bring grievances against news outlets outside of the judicial system and rests on the premise that self-imposed rules are likely to carry a greater moral authority and likely to work with greater effectiveness than externally imposed legal rules.

As the economic crisis and the drop in advertising revenues severely hits media revenues around the world, some press and media councils are faced with an increasingly vulnerable and challenging financial situation. At the Annual meeting of the AIPCE³ in Budapest in October 2017, the Representative of the Swiss Press Council highlighted that “even though the importance of the Press Council is widely recognized in Switzerland, its funding is not assured for the future. The founders of the Council are unable to enhance their contributions. On the one hand the journalists unions are constantly losing members; on the other hand the publishers are unwilling to give more without gaining power.” Other press councils, such as the ones in South East Europe, highlighted that the challenging financial situation of the media in their region make them entirely dependent on the international donor community. Yet, the funds provided by international donors are usually

¹ Building Trust in Media in South East Europe and Turkey is a project funded by the European Commission and implemented by UNESCO in partnership with several partners. The project seeks to strengthen freedom of expression, access to information, free, independent and pluralistic media, ensuring that journalists and media are key drivers for democratic, sustainable and peaceful development in the region. More information: <https://en.unesco.org/trust-in-media-see>

² Fielden, L. (ed.) 2012. Regulating the press: a comparative study of international press councils, Oxford: Oxford University Press [Regulating the Press A Comparative Study of International Press Councils](#)

³ Alliance of Independent Press Councils in Europe (AIPCE): www.aipce.net

earmarked for specific activities over a defined period rather than contributing to the core functioning of press councils - i.e. handling citizens' complaints.

The lack of guaranteed income for press and media councils in the long-term makes strategic planning extremely difficult and is a reminder of the difficult economic conditions that underpin the work of these bodies.

The issues at stake in this paper are the ways in which press councils are funded, in particular who contributes to their budget. How is their financial independence guaranteed? In addition, what are the mechanisms in place, if any, to ensure their financial sustainability over the years? This paper also explores questions such as how to engage the media to cover the costs of a self-regulatory body. Despite a difficult financial environment for media, what can be done in the long term to encourage financial contributions, however small, from media owners and publishers, given that the success of self-regulation will largely be determined by the commitment of the industry itself? And what can be the solutions when media are either unable or unwilling to cover the costs of press councils?

This paper builds on a survey conducted in September and October 2017 with the members of the Alliance of Independent Press Councils in Europe.

I. How is the budget of press councils spent?

The size and budget of press councils vary quite a lot from one country to another. There seems to be nonetheless a correlation between the size of a budget of a press or media council and the number of complaints it receives. The more complaints it receives, the bigger the budget is. Yet, it could equally be understood that the bigger the budget, the more complaints it receives.

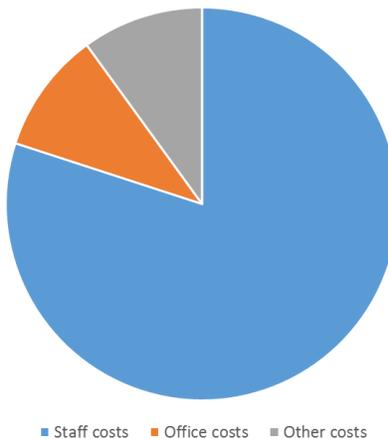
	Budget	Approx. Number of complaints	Number of staff working
Austria	235,000 Eur	300	2 full time, 1 part time
Azerbaijan	12,000 Eur	400-450	4 full time
Belgium/Flanders	200,000 Eur	70	1 full time, 1 part time
Bosnia and Herzegovina	160,000 Eur	500	3 full time, 3 consultants, 1 accountant
Cyprus	22,000 Eur	30-35	1 full time 1 part-time
Estonia	11,000 Eur	85	1 full time
Finland	390,000 Eur	470	3 full time, 1 part time
FYR Macedonia	60,000- 80,000 Eur	100	3 full time
Kosovo (under UNSCR 1244)	70,000 Eur	60	5 full time
Germany	700,000 Eur	1800-2000	10 full time

Ireland	400,000 Eur	250-300	3 full time
Montenegro	30,000 Eur	45	1 full time
Netherlands	165,000 Eur	120	2 part time staff members: 1 secretary 32 hrs/week + 1 secretarial assistant 18 hrs/week
New Zealand	161,000 Eur	185	1 full time
Norway	850,000 Eur	400-500	5 full time
Russia	130,000 Eur	25-30	5 part time
Serbia	120,000 Eur	120	2 full time, 2 part time
Spain/Catalonia	50,000 Eur	20	1 full time
Sweden	600,000 Eur	500-600	2 investigators (The Press Ombudsman and deputy PO) and 2 administrative officers
Switzerland	300,000 Eur	80-100	1 full time (Director), 1 part time Administrative assistant (40%)
United Kingdom	2,800,000 Eur	30,000	22 full time

In fact, in order to properly compare the budgets of press and media councils, the figures should be indexed to the purchasing power statistics and costs of living in each of the countries considered in this survey. The funds of press councils are indeed usually spent under two main headings: the staff costs and the office, which are higher in some countries than in others (these costs are obviously higher in some Nordic countries than in South East European countries for instance).

Around 80% of the press councils' budget is generally dedicated to staff costs. In Austria for instance, 85% of the budget is allocated to staff costs, 8% to office rent, leasing and licences, and 7% for representations costs, office materials, communication costs and travel costs. In Belgium, the staff costs of the Flemish press council, represent 78% of the budget, the office rent represents 9% of the budget, and the remaining 13% are used for mobile internet costs, representation costs, travel expenses, and external accountant costs.

Average budget spending of press councils



Yet, the press councils with the largest budgets are those employing the most employees and usually receiving the complaints. The IPSO in the UK has a budget of around 2.8 million euros, employs 22 persons and receives on average 30,000 complaints per year. In comparison, the press council in Cyprus with the smallest budget employs one-person full time and one person part-time and receives 30 complaints per year with a budget of 22,000 euros.

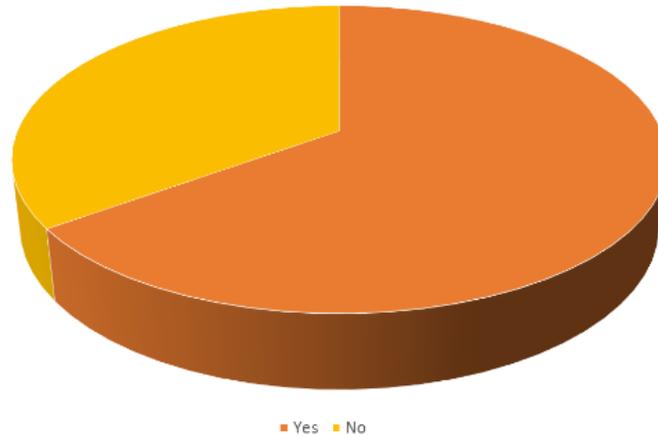
Looking closer at the budget expenses of press councils, it is interesting to note the number of staff employed in comparison to the number of complaints received. In Germany 10 staff are working for around 1800 to 2000 complaints received per year. In Ireland, the press council has 3 staff for 300 complaints per year while the Russian press council employs 5 persons part-time for an average of 30 complaints received yearly.

Fees payed to members of press councils

A small majority of press councils provide a fee to the members of their complaints committee for each of the sessions/hearings they participate in. In the Netherlands for instance, the President of the Chamber of the Committee receives 113 euros per session, while the other four members of the committee receive 45 euros per session/hearing. In addition, they receive a compensation for their travelling expenses. In Bosnia and Herzegovina, the members of the complaints commission receive a per diem of 100 euros for each hearing they attend. In Sweden, a fee is paid to the 4 judges that preside the press council. The members of the public and of the media industry also receive a fee, but smaller to compensate the time they spend on reading the materials of the cases to be handled by the complaints committee. In the United Kingdom, IPSO⁴ gives 1200 British pounds per year to each member of the press council complaints commission.

⁴ Independent Press Standard Organisation: <https://www.ipso.co.uk/>

Press councils paying fee to the complaints' commission members



In Belgium (Flanders) if a journalist is not employed by a media outlet and is an independent journalist, he can apply to receive an attendance fee of around 25 euros per session for sitting in complaints handling committee. This system is applied in Austria or in Norway where the lay members of the complaints committee receive a fee if they are not a member of the media. In Ireland, the independent members that are not media industry members receive a fee of 5,000 euros per year for sitting in the complaints commission and handling complaints.

In Switzerland, Cyprus, Estonia, the United Kingdom, Germany and Russia, no fees are given to those sitting in the complaints committee.

II. Who contributes to the budget of press councils?

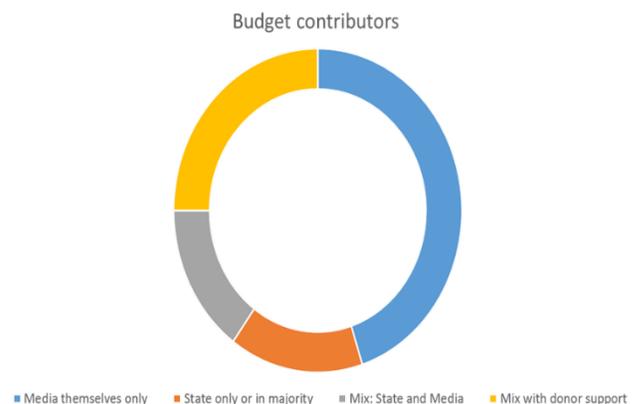
The majority of press and media councils in Europe are fully financed by the media industry or the media themselves and include Denmark, Estonia, Ireland, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom. For those press councils, this way of financing is key to the independence and functioning of the self-regulation system in the country.

Some other press councils rely on a mixture of funds coming from both the media and the State. For instance, the German press council and the Finnish press council are receiving state funds on the basis that they are contributing to decreasing the amount of complaints that would otherwise go to the judicial system in their respective countries. In Finland, when the council was set up in 1968, the state funds accounted for 50% of the budget. The state saw that without media self-regulation, the alternative would be for complainants to go to court. And if ordinary people went to court and didn't have money to pay the bills, they would come back to the State and apply for some kind of assistance. With this in mind, the Ministry of Justice decided to finance the press council to avoid larger payments. More recently state funding in Finland has reduced to 30% of the budget as part of austerity measures.

In three countries, Austria, Cyprus and Russia, the self-regulatory bodies are mostly relying on state funding. The Austrian press council receives around 75% of its budget through state funding. It has a budget of 236,000 euros with 150,000 euros received on a yearly basis according to the Austrian Press Funding Law from the federal state. The remaining part of its budget comes from the fees paid by six journalists and publishers' associations. The founding members, the Publishers Association, the owners of TV and radio stations and the Journalists Union should fund the Cyprus Media Complaints Commission, in theory. In practice, its running expenses are covered by a grant given by the State. In Russia, the press council relies on a grant provided to NGOs by the State.

Finally, in some countries, the press councils are relying on the funding of international donors, for instance in South East Europe. In those countries, while the statutes of the self-regulatory bodies foresee symbolic membership fees to be paid by media outlets belonging to the system, the funds generated are close to zero as most media outlets have stopped paying those membership fees. In Bosnia and Herzegovina, the membership fee foreseen in the statutes is of around 45 euros per year per media foreseen in statutes, corresponding to around 5% of the total income of the press council. The statutes also foresee that if a membership fee is not paid for more than 3 months, media outlets are excluded from membership. Yet, no media organisations have paid membership fees since 2014. In Serbia, there are no financial contributions made by members even though a (non-detailed) provision for this is included in the council's statute and in the Articles of Association. The Association of Media, the Journalists' Association of Serbia and the Independent Association of Journalists funded the press council's activities during the first four months of 2014, when there were no international donors. In Kosovo (under UNSCR 1244), Article 8 of the press council's statute foresees that its members contribute financially to its budget. In practice, member contributions have not proven to be a reliable source of income: the press council reports that only a total of approximately €2000 is collected per year.

Media only	State in majority	Mix: State and Media	Mix with donor support
Denmark Netherlands Norway UK Estonia Switzerland Ireland Sweden New Zealand Azerbaijan	Austria Cyprus Russia	Germany Finland Belgium (Flandres)	BiH Serbia FYR Macedonia Kosovo



How is the contribution of the media to the budget of a press council calculated?

There are 3 options used by press and media councils for defining the amount of contributions by the media to the budget of a press council.

- The equal membership fee
- The proportional membership fee
- The membership fee based on the “polluter-pays” principle

There are only few self-regulatory bodies applying the principle of equal membership fees payed by media outlets or organizations to the press council. In Bosnia and Herzegovina for instance, the membership fee foreseen in the statutes of the press council is of around 45 euro per year per media belonging to the press council. Yet, the reason why such a principle of contribution is rarely applied can be found in the way most press councils are structured and represented. Indeed, in the majority of press councils, it is the organizations representing the media – be it the journalists’ unions or the editors’ associations – that act as members of the press councils, not the media outlets directly.

The most common system of calculating the membership fees is the principle of proportionality applied to the size or circulation of the press council members. In Denmark, the media council is a cross-media regulator; hence 50% of the budget is met by public service broadcasters (29% by Denmark's Radio, the Danish Broadcasting Corporation, and 21% by TV2). The other 50% is provided by print publishers (41% by the association of newspaper publishers, 3% by the association of magazine publishers, 3% by representatives of regional and local papers, and 3% by the trade press). Non-public service television stations do not contribute to funding as they did not have a significant presence when the Media Liability Act, which set up the funding mechanism, came into force. Online media only contribute if they are members of one of the four funding associations.

In Ireland, the proportion of funding is determined by the circulation figures. All national newspapers, most regional newspapers, many magazines and some online-only news services are signed up members of the press council. Around 80% of the funds come from national newspapers, 15% from regional newspapers, 5% online-only. Similarly, in Norway the amount of contributions is proportional to the size of the press organizations that are part of the self-regulation system. The contributions are divided as so: 60% from publishers’ organizations/publishers, 20 % from the editors’ organization, 20 % from the journalists’ union. In Belgium, for the Flemish press council, the size of the contributions is also determined by the size of the publisher and the number of journalists employed (including freelancers). The same system has been adopted in the United Kingdom by IPSO.

In some rare cases, the amount of membership fees to be paid to the press council is determined both by a proportionality criteria and by the polluter-pays” principle. This is for instance the case in the Netherlands where the press council is financed by members of the Press Council

Foundation: the Netherlands Union of Journalists, the Netherlands Society of Chief Editors, the Dutch Publishers Association, the Dutch Association of Local Newspapers, the Netherlands Public Broadcasting, the Foundation of Regional Broadcast, RTL Netherlands, SBS Broadcasting and RNW Media. The media jointly contribute approximately 90%, while the Union of Journalists contributes approx. 6.67 % and the Society of Chief Editors approx. 3.33 %.

In Sweden, funding of the press council is divided between the Swedish Newspaper Publishers' Association (75%); the Magazine Publishers' Association (5%); the Swedish Union of Journalists (under 1%); and the National Press Club (under 1%). The Swedish Press Council has a budget of 550 000 euros, which comes from:

- The Newspaper Publishers association: roughly 400,000 euros.
- The Magazine Publishers association: 40,000 euros
- The Journalist Union: 1500 euros.
- The National Press Club: 1500 euros

The difference between the funding given by all organizations is based on the proportionality criteria. Most funds are coming from the Newspaper Publishers association because 90 percent of the complaints received by the press council are against newspapers. Less than ten percent concerns magazines. Normally journalists and publishers fund the press council and press ombudsman together; however, contributions from journalist organizations are symbolic rather than onerous. Yet, in Sweden the "polluter-pays" principle is also applied through the collecting of a financial penalty attached to an upheld complaint by the press council and which is built into the funding structure of the body. Around 20% of the budget is provided by the 'administrative fees', sometimes referred to as administrative fines, levied on publications that are subject to upheld complaints. If the publication is criticized by the press council and has a circulation of less than 10,000 copies or if it is an online-paper only, the fee is 1400 euros. If it has a larger circulation the fee is 3500 euros.

The Swiss press council is considering a similar system and this will be discussed by the council's foundation at the end of 2017.

III. How is the financial independence of press councils guaranteed?

The majority of press and media councils in Europe are fully financed by the media industry or the media themselves and include: Denmark, Estonia, Ireland, the Netherlands, Norway, Sweden, Switzerland, and the United Kingdom. For those press and media councils, this way of financing is key to the independence of the self-regulation system with regards to the State. In fact, in many European countries, media self-regulation was originally developed by media professionals

themselves in order to avoid State interference in the field of media. The rejection of any state funding reflects this arrangement.

To remain independent from the media industry, most of these bodies have established indirect funding mechanisms. In Sweden for instance, the press council is totally funded by the media houses, but indirectly via the organizations representing the media and which are collecting membership fees. Each of the media organizations contributing to the funding of the press council also nominate two representatives who sit on the board of the press council also called the Committee for Media Cooperation. This committee has three tasks: give instructions to the press ombudsman and the press council, manage the code of ethics, and finance the press ethical system. The same system has been adopted in the Netherlands, which is funded by the media industry through the media organizations- 9 in total. Yet, the participating organisations in the funding of the press council are entitled to delegate one or two representatives to the board of the press council's foundation. In Ireland, to avoid that media contribute directly to the budget of the press council, the spending requirements for the coming years are decided by an Administrative Committee which is made up of nominees of the press industry and which is also responsible for gathering the funds for the budget. The press industry itself determines what subscription each members pay while the press council plays no part in the determination of its budget. In Switzerland, similarly, it is the council members of the foundation who decide independently on the budget of the press council. The annual contributions give a right to sit in the foundation's council. This council has no influence on the decisions taken by the press council but it is responsible for the financing of the press council's operations the operational part of the press council. Finally, in the UK, the IPSO funding comes from the publishers that are members of the press council. The formula for funding and the collection of the subscriptions is managed by the Regulatory Funding Company – essentially a representative committee of the industry.

However, as a matter of fact, genuine media self-regulation (where the State is involved neither in the functioning nor in the financing of a press council) is not the rule everywhere in Europe. Statutory media self-regulation, where the State officially recognizes the system of self-regulation or supports it without getting involved in the functioning is widening⁵. In Denmark, media self-regulation is recognized by law and is even mandatory. In the United Kingdom, the signing of the Royal Charter⁶ does not make the system mandatory but formally recognizes the system of media self-regulation and endorses its way of functioning. Indeed, the phone-hacking scandal of the News of the World fundamentally questioned the efficiency and independence of a system accused of being abused by the media industry. As Lord Justice Leveson opened an inquiry into

⁵ Hulin, A., *Statutory Media Self-Regulation: Beneficial or Detrimental for Media Freedom?* (December 2014). Robert Schuman Centre for Advanced Studies Research Paper No. RSCAS 2014/127. Available at SSRN: <https://ssrn.com/abstract=2554260>

⁶ The report published by Lord Justice Leveson in November 2012 concluded that the former British press council (the Press Complaints Commission) had failed and that a new system of media self-regulation would be required. Leveson's report recommended a system of media self-regulation underpinned by a statutory recognition body, which was brought in practice with a Royal Charter and the creation of the Recognition Body in November 2013.

the practices of the British press and was charged with providing recommendations for a more effective regulation of the media in the United Kingdom, one question stood at the core of its inquiry, namely “who guards the guardians?”⁷

In that respect, both the German and Finnish models accept a percentage of state funding below 50% of the overall amount of the budget. The German press council is co-financed by the industry, with the publishers’ organisations contributing 55% of the budget, journalists’ organisations 15%, and the government providing the remaining 30%. Funding from the government was established in 1976 but, due to acute awareness of the potential for state interference, it is provided on a ‘no strings’ basis under the Law for Guaranteeing the Independence of the Complaints Committee of the Press Council, and state funding cannot exceed 49% of the press council’s income. The state wants to secure independence from the industry and fear that without a grant the publishing houses or their associations would dominate the decisions in the Complaints Committees. They also support the German press council because they regard its work as a ‘pre-judicial mediation’ that diminishes the amount of complaints that go before court.

Among the press councils receiving state funding, some have specific indirect mechanisms to avoid State interference. The Flemish Council for Journalism for instance is funded joint fifty-fifty by the media houses and the association of journalists. They both pay 100,000 euros per year. Yet, the association of journalists gets a government subsidy to pay its contribution. In Austria or in Russia, the State is contributing more than 70% to the budget of the press council, yet it is done through an indirect mechanism where the press council needs to apply yearly to a specific fund supporting NGOs.

All in all, if many press councils have established mechanisms to remain independent either from the State or from the media industry, none of them are totally perfect. Indeed, when a press council mainly relies on state funds, the independence of the system depends on the way these funds are administered by public officials and eventually their commitment to media freedom and democracy. When a press council receives most of its funding from the media industry it scrutinizes, the independence of the system relies on the professionalism and ethical commitment of the media profession to the system of independent media self-regulation.

Finally, in countries in democratic transition, operating in a system characterized by media capture⁸, where the interests of the media industry and of politics are confused and the press remains the key gateway in the representation of the government, relying on external donor support remains the main guarantee of independence for the system of media self-regulation.

⁷ Leveson, L.J. 2012. An inquiry into the culture, practice and ethics of the press: a report, London: The Stationary Office.

⁸ Dragomir, M., Control the money, control the media: How government uses funding to keep media in line, September 2017, Central European University (CEU)

IV. How is the financial sustainability of press councils guaranteed?

According to the survey conducted with the members of the AIPCE, very few mechanisms are in place to guarantee the financial sustainability of press councils. As explained previously, some press councils are applying yearly to receive international donor support or to receive state subsidies, while others are relying on the good will of their members without any kind of written guarantee and a budget adopted on a yearly basis.

The IPSO in the United Kingdom is the only press council for which the budget is adopted for four years, soon to be five, subject to amendment in extreme circumstances, which brings sustainability.

Apart from multiple-year budgets, another mechanism guaranteeing some sustainability and adopted by some press councils is the state recognition of the system by law. In Denmark for instance, the press council regulation has a statutory footing and is mandatory for the print and broadcast media, even though funding is provided by the industry. The mechanism is an interesting one: the Ministry of Justice pays for the press council's budget and is then reimbursed by the media industry. As mentioned previously, in Germany, the funding from the government was established in 1976 but, due to acute awareness of the potential for state interference, it is provided on a 'no strings' basis under the Law for Guaranteeing the Independence of the Complaints Committee of the Press Council and state funding cannot exceed 49% of the Press Council's income.

Conclusion

The budget of many media councils has been unsafely impacted by multiple factors including the drop in advertising revenues of the print media and the decreasing number of journalists being part of journalists' associations and unions. Yet, in genuine media self-regulation systems, this research shows that no tangible mechanisms are usually in place to guarantee the financial independence and sustainability of press and media councils, apart from the existence of indirect budget or finance committees managing and deciding on the budget of press councils. In spite of this situation, members of genuine self-regulatory bodies underline that their financial sustainability and independence are normally guaranteed by the desire of the media industry to avoid state regulation and by the media profession's recognition of the crucial role played by accountability mechanisms.

Examples of tangible mechanisms guaranteeing either the independence or the sustainability of press and media councils should instead be searched in statutory media self-regulatory systems- where the State acknowledges and/or supports this system. "Recognition by law helps securing the independence of the body from the interests of the media industry and can prevent the "privatization of censorship". Statutory recognition may also bring incentives for media to take

part in the voluntary system of media self-regulation.⁹” However, such a statutory media self-regulation system bears some risks too, in particular when press councils become fully dependent on State support, which in the long run might hamper media freedom. At further risk are the countries in democratic transition. “The recognition of a media self-regulatory body and its decisions by State authorities in countries that are not yet democratic is particularly problematic because of the risks of transforming self-regulation into a compulsory system controlled by political interests and hence into mandatory self-censorship of media.¹⁰”

In countries in democratic transition, relying on external donor support therefore remains a guarantee of independence both from the State and from the industry. As underlined previously, countries in democratic transition often suffer from a so-called “media capture” where the interests of the media industry and of politics are confused. If international donor support does not generate any kind of sustainability, yet it prevents state officials and media owners’ interference in the system of media self-regulation. To increase sustainability, further funding should be offered without being earmarked so that such funds can cover the running costs of press councils and contribute to their core function: handling citizens’ complaints about a potential breach of media ethics and professional standards.

At the same time, this should not prevent efforts to increase the commitment of the media industry to the system, including financially. Media outlets could also support the work of press councils through other ways than by paying the fees, for instance by dedicating senior staff to serve on committees, for no fee, and by sharing professional expertise and other resources. Some press councils have expressed the idea of exploring some income-generating ideas, such as creating news paying services, but this would potentially conflict with the legal status of many councils as not-for-profit organisations.

⁹ Hulin, A., *Statutory Media Self-Regulation: Beneficial or Detrimental for Media Freedom?* (December 2014). Robert Schuman Centre for Advanced Studies Research Paper No. RSCAS 2014/127. Available at SSRN: <https://ssrn.com/abstract=2554260>

¹⁰ *ibid*