



**Press Recognition Panel**

**Cyclical review of the recognition of IMPRESS under the Royal Charter**

**Supplemental note to the PRP Executive's assessment and recommendations 19.03.19**

1. As part of our assessment of continued compliance with criterion 6 of the Charter, we discussed the extent to which IMPRESS' funding settlement takes into account the cost of fulfilling the obligations of the regulator and the commercial pressures on the industry as required by that criterion. (See pages 32-36 of the assessment).
2. We indicated that IMPRESS was consulting its members on changes to the fee tariffs and included IMPRESS' confirmation (page 36) that if as a result of this consultation they felt minded to amend their tariffs in a way that would affect potential members then IMPRESS would launch a wider consultation:  
  
"IMPRESS' articles of association require it to consult with members over its budget and any changes to its regulatory scheme under paragraph 10.1. If, as a result of the consultation, IMPRESS decides to make any changes to its terms and conditions or its regulatory scheme, then IMPRESS will embark on a short public consultation about these changes before implementing them."
3. IMPRESS has now launched a public four-week financial consultation encouraging all news publishers – regulated by IMPRESS or not – and others who have an interest in their work to take part.
4. The consultation sets out that IMPRESS has received renewed funding for IPRT, that it will continue to seek funding/grants from elsewhere and proposes a new tariff schedule that replaces the existing one.
5. IMPRESS states that it has received feedback from publishers about the fairness of the current tariff system: "Their main concern is the steep rise in fees between the different bands, as publishers move from the top of one band to the bottom of another. For example, under the current tariff band system, a publisher with a turnover of £99,000 a year pays £50, whilst a publisher with a turnover of £101,000 pays £550. A publisher with a turnover of £1.9 million pays £1,500 and a publisher with a turnover of £2.1 million pays £7,000."
6. IMPRESS proposes to replace the current system of tariff bands with a system of charging based on 0.1% of turnover which will avoid a sudden jump in fees. There will continue to be a minimum fee of £50 for any publisher, and a new maximum of £250,000 for publishers with a turnover of £250m or greater.
7. IMPRESS states: "This change ensures that fees are directly related to a publisher's turnover and provides for fees to increase or decrease in line with changes in revenue. This is intended to provide a fairer, more transparent and proportionate charging system."
8. The table in Appendix 1 provided by IMPRESS shows the impact of this change at selected annual turnover levels.
9. One of the key impacts will be on large publishers with a turnover of more than £100m. The highest potential fee is £250,000, compared to £70,000 under the current scheme. IMPRESS has no publishers that currently approach the maximum but clearly this could affect potential members.

10. During the IMPRESS recognition process in 2016, the News Media Association (NMA) commented on proposed IMPRESS fees for larger publishers in their response to the first call for information. Their view was that the tariffs proposed by IMPRESS at the time did not properly take into account the cost of fulfilling the obligations of the regulator and the commercial pressures on the industry
11. It is important to note however that this was in the context at the time of IMPRESS having proposed a maximum tariff of £800,000. This was amended to £70,000 by IMPRESS before the PRP's decision to grant recognition.
12. The NMA [stated](#): "The NMA's analysis of the IMPRESS rate card and Regulatory Funding Company figures shows that the largest five publisher members of IPSO (who include regional as well as national publishers) pay a combined total of £780,000, which is less than any of them would have to pay individually if they joined IMPRESS (£800,000). For the highest-paying IPSO publishers, IMPRESS would be over £500,000 more expensive each year (nearly three times as expensive as IPSO.) The average that the top 10 IPSO publishers pay is £108,000. IMPRESS charges almost eight times this sum. There is therefore something seriously wrong with IMPRESS's financial model.

The flawed nature of IMPRESS's financial model can be demonstrated by an analysis of its figures if IMPRESS were (improbably) to attract just two of the large nationals and two of the large regional groups into membership. Applying the rate card in IMPRESS's Application (see Criterion 23 of the application matrix), IMPRESS would have income of £3.4 million. That is over half a million pounds more than it currently costs to run IPSO for 85 members with over 2,600 titles. Pursuing the comparison further, if IMPRESS had the membership that IPSO currently has, it would have an income of well over £10m, which is four times the total running cost of IPSO. These figures show that the fees IMPRESS intends to charge bear no proper relationship to the cost of its operations."

13. The PRP Executive does not consider that a potential maximum of £250,000 raises these issues to the same degree. IMPRESS currently receive £900,000 a year from the IPRT which makes up almost their whole budget, and if they receive applications from very large publishers this may well lead to an increase in IMPRESS staff numbers as well as reducing their reliance on grants.
14. However, we are unable to make an assessment at this stage of the extent to which the proposed maximum could possibly deter very large publishers from joining IMPRESS. Even under the current fee scheme, many of the largest publishers have indicated that they have no intention of joining IMPRESS for reasons unrelated to fees. IMPRESS will no doubt consider any responses that they receive to their consultation from publishers including potential members before taking their final decision.

15. The IMPRESS consultation will close on 15 April 2019 and IMPRESS will not have made a final decision by the time of the PRP Board meeting. For the avoidance of doubt, the IMPRESS consultation does not therefore alter the PRP Executive's recommendation in relation to criterion 6.

IMPRESS table of impacts of proposed changes in fee bands

<b>Publisher turnover</b>	<b>Old Fee (based on turnover bands)</b>	<b>New Fee (based on 0.1% of turnover)</b>
Up to £50,000	£50	£50
£75,000	£50	£75
£100,000	£550	£100
£250,000	£550	£250
£500,000	£550	£500
£750,000	£550	£750
£1m	£1500	£1000
£2m	£1500	£2000
£3m	£7000	£3000
£4m	£7000	£4000
£5m	£7000	£5000
£6m	£15,000	£6000
£10m	£15,000	£10,000
£15m	£30,000	£15,000
£20m	£30,000	£20,000
£50m	£70,000	£50,000
£100m	£70,000	£100,000
£150m	£70,000	£150,000
£200m	£70,000	£200,000
£250m or more	£70,000	£250,000