



EUROPEAN  
COURT  
OF AUDITORS

# **Rapid case review** **How the Commission** **monitors the EU** **support to Euronews**

**May 2019**

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# Introduction

**01** Euronews is a multilingual 24-hour news TV channel, launched in 1993 by a group of ten European public broadcasters belonging to the European Broadcasting Union (EBU), with the aim of reinforcing European identity and integration.

**02** The European Commission has supported Euronews and sponsored the production of programmes on EU affairs since the TV channel's creation. This has taken different forms through the years. Since 2010 following a Commission's Decision that Euronews contributed to the European general interest in the field of information<sup>1</sup>, the EU funds have been provided through successive Framework Partnership Agreements (FPAs). In 2018, the Commission has committed €19.96 million for Euronews support, through the budget line Multimedia Actions.

**03** In 2014, the Commission stated its intention of “developing and promoting a sustainable business model for Euronews, including by further developing its public service remit, by helping to identify new partners and by making better use of digital transmission technologies, in full respect of the editorial independence of Euronews”<sup>2</sup>. In 2015 and 2017, two new private shareholders acquired share capital, resulting in the channel being 85 % owned by private investors, and 15 % owned by EU and non-EU broadcasters as well as by local public authorities (see [Annex I](#)). These developments were accompanied by a number of business transformations.

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<sup>1</sup> Commission decision of 6.10.2010 on the amended annual work programme for grants and public contracts in the field of communication for 2010.

<sup>2</sup> Mission letter of the President of the Commission to the Commissioner for Digital Economy and Society, September 2014.

## Scope and approach

**04** This rapid case review examines the development of the relationship between the Commission and Euronews between 2014 and 2018 and the activities carried out by the Commission to monitor the implementation of the current FPA. The information analysed in this report was gathered between December 2018 and February 2019 through interviews with Directorate-General for Communications Networks, Content and Technology (DG CNECT) officials and Euronews management, a desk review of the financial and operational information provided by the Commission and Euronews, and research on the basis of publicly available information.

**05** This rapid case review has been carried out following the request of the European Parliament to ECA “to examine if the funding to Euronews is carried out in an efficient and transparent way and solely used to fulfil the mandate given to Euronews.”<sup>3</sup>

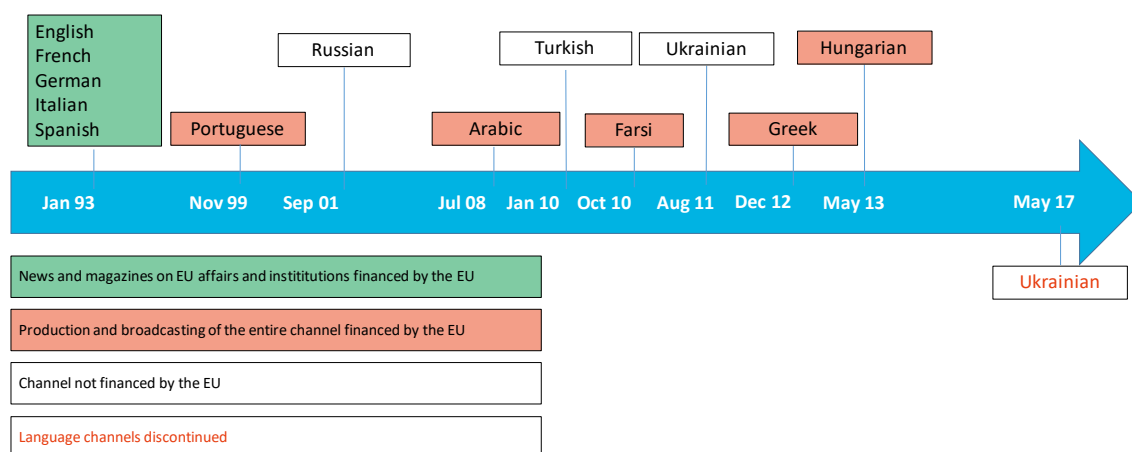
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<sup>3</sup> Letter of the Conference of Committee Chairs of the European Parliament, February 2018.

## Euronews operations

**06** Euronews is one of 140 all-news channels available in Europe. It is described as a “global multi-edition TV news which aim[s] mainly at presenting the world agenda from a particular perspective while making it available globally through transnational customised editions”<sup>4</sup>. It focuses on a global audience, and has a global editorial agenda. Euronews is broadcasting in eight EU and four other languages, as shown in **Figure 1**. Its main competitors are DW (Deutsche Welle), “France 24”, Al Jazeera, i24News, the Russian channel RT, BBC World news (owned by the BBC) and CNN<sup>5</sup>. The availability of robust data on Euronews TV audience, as well as on other international news channels is however limited mainly due to the high cost of obtaining them.

**Figure 1 – Euronews language timeline**



Source: ECA.

**07** From the channel’s launch to 2015, Euronews’s stock capital belonged to a group of public broadcasters which were members of the EBU. A reduction in financial contributions from its shareholders led Euronews to find new partners to sustain and develop its activities. At this point, Media Globe Networks (MGN), a Luxembourg based private company, acquired a 53 % share of the channel’s capital. Two years later, in 2017, the North American private broadcaster NBC acquired 25 % of the share capital and MGN increased participation to 60 %, the resulting share of European broadcasters and local authorities being 15 %. These successive operations increased the stock capital from €4 032 840 to €26 885 595; an acquisition premium, i.e. the difference between the book value of a share and the price paid of €50 480 579 was paid out by the incoming shareholders.

<sup>4</sup> “TV news channels in Europe” European Audio-visual Observatory (EAO) - October 2018.

<sup>5</sup> “TV news channels in Europe” - European Audiovisual Observatory (EAO) - October 2018.

**08** After the investment by MGN, Euronews started a restructuring programme called “Euronews Next”. It firstly moved from broadcasting a shared video feed for all languages, to one video feed per language. Consequently, viewers can now see on-screen information in their own language, with news coverage tailored to a national audience, with a focus being maintained on coverage of EU affairs. This has involved producing more content than before. Euronews has also restructured its workforce. Broadcasting in Arabic and Farsi became digital-only, leading to a reduction of the cost of these two channel editions. The channel’s network of correspondents was enlarged in numerical and geographical terms. The arrival of NBC also brought about the launch by the English edition of new programmes during the “prime-time” hours, in line with programming practices of competitors.

**09** Euronews financial reporting shows that revenues come mainly from advertising and from the contracts signed under the FPA with the Commission. Between 2014 and 2017, the payments from the Commission to Euronews increased from 30 % to 38 % of the annual turnover of Euronews. Efforts are being made by Euronews to increase advertising revenues and diversify revenue sources.

## General EU interest and public service remit

**10** In 2009, the Commission's Directorate-General for Communication (DG COMM) launched an independent evaluation of the core contractual relationship between Euronews and the Commission which concluded that "Euronews can claim to be performing a public service role". Following the evaluation, the Commission considered that Euronews is a body pursuing an aim of general European interest in the field of information<sup>6</sup> and recognised that Euronews was in a situation of a "de facto monopoly", and was "a particular body on account of its high degree of specialisation carrying out actions with specific characteristics"<sup>7</sup>. On this basis, as of 2010, the FPAs and the resulting grants have been awarded without a call for proposal in accordance with the financial regulation<sup>8</sup>.

**11** Every year, when adopting the annual work programme and the budget breakdown for the Multimedia Actions line, the Commission confirms that these circumstances remain valid i.e. that Euronews is a body pursuing an aim of general European interest. However, the situation changed when the new Financial Regulation entered into force in August 2018, since there is no longer the reference to bodies pursuing a general Union interest<sup>9</sup>.

**12** No EU Member State has accorded Euronews a public service mandate or considered it as a public service broadcaster, meaning they do not provide it with any direct funding. EU Member States also do not apply "must-carry" to Euronews. These must-carry rules allow governments to give channels offering content in furtherance of public interest goals the right to be carried on all networks<sup>10</sup> (cable, satellite, digital terrestrial television). Euronews is therefore not accessible to most or all citizens in the European Union.

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<sup>6</sup> Article 162 of the implementing rules of the 2002 Financial regulation <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex:32002R2342>

<sup>7</sup> Commission decision of 6.10.2010 on the amended annual work programme for grants and public contracts in the field of communication for 2010.

<sup>8</sup> Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002.

<sup>9</sup> Recital 124 and article 180 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32018R1046>

<sup>10</sup> "To Have or Not to Have Must-Carry Rules" Published by the European Audiovisual Observatory – October 2005.

## Editorial independence

**13** Regarding the requirement to ensure editorial independence and impartiality at all levels and for all language editions, Euronews, a company legally established in France, is subject to the French regulatory frameworks on audio-visual communication<sup>11</sup>.

**14** Under its contract with the Commission, Euronews is bound by an editorial charter governing the production and broadcasting of EU-sponsored programming. In this document<sup>12</sup> Euronews commits to comply with journalistic standards related to editorial independence, impartiality, diversity and respect for viewers when performing the obligations linked to the FPA with the Commission. Further ethical standards which must be complied with are included in Euronews' own annual transparency reports<sup>13</sup> that set out how Euronews has fared in meeting the commitments required under its relationship with the Commission.

**15** In addition, in line with French legislation, Euronews has drawn up an editorial charter applying to all the activities and programmes produced and broadcast by the channel; this document was not published at the time of our review.

**16** After the acquisition of the majority of share capital by MGN in 2015, Euronews introduced a consultative editorial board to assess the performance and strategy of the editorial department and advise management on editorial issues. According to Euronews's internal rules, the minority public shareholders appoint the majority of the members of the editorial board, including its chairperson who has veto right on editorial matters. At the request of the editorial board in specific cases, Euronews contracts "Osservatorio di Pavia" (OdP), an independent institute for the analysis and

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<sup>11</sup> Directive 2010/13/EU of the European Parliament and of the Council of 10 March 2010 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services (Audiovisual Media Services Directive); Law no 86-1067 of 30/09/1986 on freedom of communication ("Loi Léotard") and Law no 2009-258 of 5/03/2009 on the audio-visual communication and the new public service of television. See also a database on legal information relevant to the audio-visual sector in Europe: <https://merlin.obs.coe.int/>.

<sup>12</sup> <https://www.euronews.com/services-ue>

<sup>13</sup> <https://static.euronews.com/website/pdf/euronews-transparency-report-2018.pdf>



research on mass communication and election campaigns<sup>14</sup>, for carrying out external assessments on the impartiality and independence of Euronews. In the period 2016 – 2018, the OdP has issued four reports on the balance, fairness and impartiality of Euronews output, particularly around sensitive topics such as conflict reporting. The Euronews annual transparency reports<sup>15</sup> disclose the main conclusions of these reports. The main findings of these reports are that Euronews showed, in the cases under analysis, a commitment to fairness, accuracy and impartiality, that there were no cases where the independence of the journalists was undermined and that a range of viewpoints was available in most stories.

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<sup>14</sup> <https://www.osservatorio.it/en/profilo/>

<sup>15</sup> Euronews 2018, 2017 and 2016 Transparency reports.

## Financing, control and monitoring

**17** The first four-year FPA between the Commission and Euronews was signed in 2010. In the context of the changes in the ownership structure the Commission and Euronews signed two transitional one-year FPAs at the end of 2014 and 2015. The latest four-year FPA was signed in February 2017. DG CNECT is the lead DG for the monitoring and implementation of the FPA.

**18** Under the FPA, the Commission awards annual grants to Euronews to fund the production and broadcasting of programmes in several languages using mainly the “Multimedia Actions” budget line<sup>16</sup>. These appropriations fall under the Commission’s administrative autonomy<sup>17</sup>.

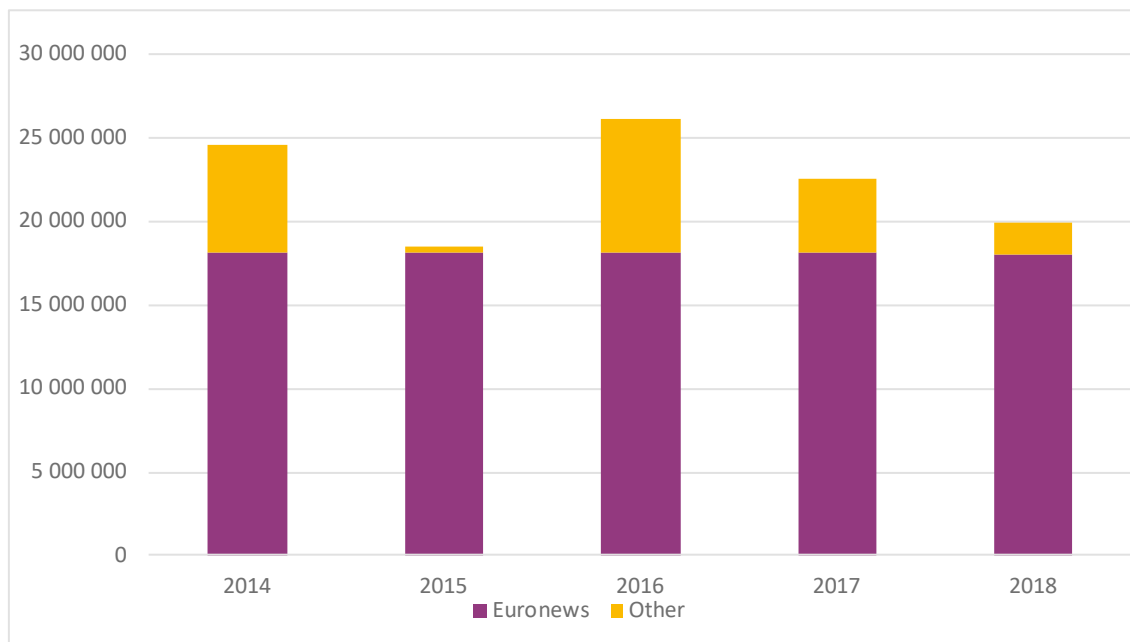
**19** The annual work programme for Multimedia actions, serving as financing decision, indicates the actions which DG CNECT intends to finance during the financial year<sup>18</sup>. The contracts concluded between 2014 and 2018 in this respect are summarised in [Figure 2](#). The financing of Euronews activities represents around 80 % of the annual budget committed for Multimedia actions. The same budget line also finances a consortium of radio broadcasters (Euranet Plus), as well as studies, evaluations and audits, mostly involving the monitoring of the implementation of the FPA with Euronews.

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<sup>16</sup> Draft General budget 2019 of the European Union – Volume 3 Section III Commission.  
<https://eur-lex.europa.eu/budget/www/index-en.htm>.

<sup>17</sup> Article 54(2) of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=celex%3A32012R0966> Corresponding to Article 58 of Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council of 18 July 2018.

<sup>18</sup> Commission Decision on the adoption of the annual work programme for 2018 for the Multimedia Actions serving as financing decision. Brussels, 13.2.2018 C(2018) 708 final.

**Figure 2 – Contracts for Multimedia actions 2014 - 2018**

Source: ABAC datawarehouse.

**20** The specific contracts placed by DG CNECT with Euronews relate to the production and broadcasting of European programmes on Union affairs and Union institutions activities and policies, and to the production and broadcasting of certain EU and non-EU languages. Out of the current twelve languages of operation, four languages (Arabic, Farsi, Greek, Hungarian) were introduced at the request of the Commission; their cost, together with the cost of the Portuguese language which already existed when the Commission contribution started, is financed by the Multimedia actions line with the exception of Farsi which is financed by the budget heading “Information outreach on the Union's external relation” under the Foreign Policy Instruments title.

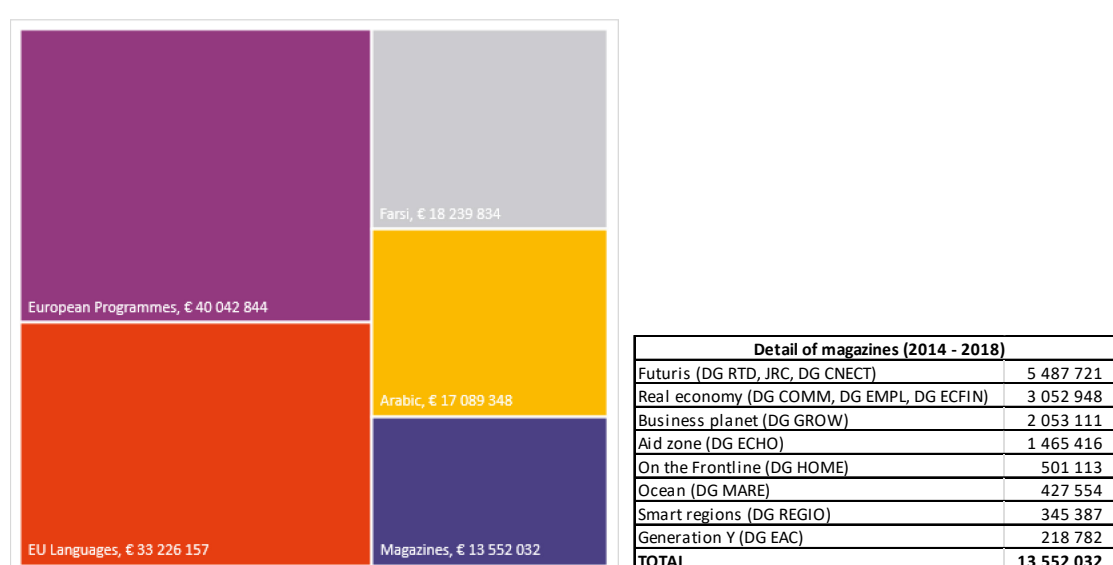
**21** The “European programmes” main contract currently finances the production and broadcast of different formats to cover European news. The last contract concluded in December 2018 to cover the year 2019 amounted to €9 million and included also the financing of a network of correspondents in five European countries, of social network correspondents in headquarters as well as the production of news item by a network of freelancers in a number of EU capitals.

**22** In addition, under the umbrella of the FPA, several other Commission Directorates General conclude specific contracts with Euronews for the production and broadcasting of Magazines and other communication contents relating to their policy area. These contracts are not financed by the Multimedia Actions budget line but by the budget appropriations relating to the policy areas concerned. Each DG concluding

a specific contract for a magazine has the duty to monitor its financial implementation. As an example, in 2017, 8 Directorates-General (excluding DG CNECT) committed around €3.5 million to finance a total of seven specific contracts with Euronews.

**23** *Figure 3* summarises all the contracts relating to Euronews concluded between 2014 and 2018, which have been identified by our review. The total value of these contracts amounts to €122 million representing an annual average of €24.5 million (out of which €18 million from the multimedia actions line).

**Figure 3 – Actions financed between 2014 and 2018**



Source: ECA on Financial Transparency System for 2014-2017 and other financial data for 2018.

**24** From our analysis, it was not clear how DG CNECT ensures the coordination of the different specific contracts signed by the different services under the FPA. The 2017-2020 FPA covers the nature of the actions. However, it does not provide for the maximum amount of Union funding over its total duration in order to provide assurance that there was no undue use of the framework partnership agreement. This reduces the transparency of the financial support provided to Euronews and overall accountability.

**25** With regard to costs, in 2013 the Commission authorised the use of unit costs. The method used for calculating unit costs, which was set out in annex to the Commission's Decision<sup>19</sup>, was last revised in October 2018. The financial monitoring of the FPA implementation involves an ex-ante verification of the unit costs claimed by

<sup>19</sup> Commission Decision of 7.11.2013 authorising the use of unit costs under action grant agreements signed with Euronews C(2013) 7360 final.

Euronews for each contract, the verification of payment requests and the scrutiny of the reporting on the execution of actions attached to them.

**26** Each year, the Commission outsources the ex-ante financial audits to analyse and verify the unit costs which will be used in specific contracts for a certain period. We analysed the results of these audits, which draw attention to the following limitations::

- (a) In the absence of an analytical accounting system, the costing of EU programmes is carried out outside the accounting system;
- (b) There is no timesheet system and, as a result, certain staff costs are allocated to activities on the basis of estimates;
- (c) Audience figures used to allocate revenue to specific language services are estimates;
- (d) Ex-post controls are necessary to confirm certain provisional estimates used to determine unit costs.

**27** These limitations bring about a risk of deviation between unit costs and actual costs, which remains unaddressed, and constitute a risk for the sound financial management of the EU contribution.

## Performance reporting framework

**28** The FPA establishes operational reporting requirements to justify the payment requests. The Commission's operational monitoring activity involves verifying Euronews's progress towards achieving the objectives set in the action plan included in the FPA (see [Annexe II](#)). Euronews on its side has also started to keep track of its performance by quantifying indicator values at year-end, and reporting on the achievement of objectives.

**29** In addition, the Commission outsourced studies and performance audits to evaluate different aspects of Euronews's operations (in 2009, 2014, 2016 and 2018). Following up the recommendations issued by these evaluations falls within the Commission operational tasks, as well as monitoring the implementation of the recommendations addressed to Euronews.

**30** Objectives established in the multi-annual action plan linked to the FPA are both quantitative and qualitative. Certain indicators require further qualitative analysis. The Commission had not established a formal monitoring and control system to verify the operational information reported by Euronews on the indicators linked to the objectives by the date of our review.

**31** In February 2017, Euronews agreed to respect the commitments listed in [Table 1](#) to reassure the Commission, before the conclusion of the 2017 FPA, about the preservation of the channel's editorial impartiality and of its European perspective following the change in its ownership structure. The Commission should verify annually if Euronews is compliant with the commitments set, however we did not find a formal link between these commitments and the award criteria of the annual work programme serving as financial decision.

**Table 1 – Euronews' commitments 2017 -2020**

	<b>Euronews' Commitments 2017 - 2020</b>
1	Engagement to unbiased, pluralistic and independent information and commitment to establish a mission statement defining these common underlying principles devoted to preserving the European perspective and DNA
2	To continue to enact the channel current editorial principles, its editorial governance mechanisms and the external assessment of independent bodies
3	To keep multilingualism as one of its core strengths
4	No staff reductions due to changes in the production model after the implementation of the new business plan
5	The Chief Content Officer will be required to have in-depth knowledge of EU Affairs and governance
6	To keep the name "EURONEWS" and to feature it prominently in the brand

Source: European Commission.

## Conclusion

**32** The Commission, through financial contributions and partnership agreements, supported Euronews to attract new partners, develop a unique business model, and make better use of digital transmission technologies (see paragraphs **06** and **08**). The changes in the ownership structure were accompanied by updates to governance arrangements, which together with the regulatory environment (see paragraphs **13** to **16**), enforce editorial independence.

**33** Most television news channels' revenues come from advertising, subscriptions, and grants awarded by governments to public service broadcasters<sup>20</sup>. The Member States of the EU have not accorded Euronews a public service remit. EU supports a fundamental part of the overall income of Euronews (see paragraphs **03, 09, 10** to **12**). The geographic and linguistic coverage of Euronews could not be maintained without this EU support (see paragraph **20**).

**34** This means that the Commission provides a major source of revenues to a TV channel that is mostly privately owned. Until the revision of the Financial regulation, this support was justified on the basis that Euronews has a purpose of general Union interest in the field of information. However, the 2018 Financial Regulation no longer contains provisions for such support<sup>21</sup> (see paragraphs **11** and **12**).

**35** The lack of a formal coordination mechanism among the various DGs concluding specific contracts with Euronews, reduces the transparency of the financial support provided to Euronews and accountability (see paragraph **20** to **24**).

**36** The limitations raised by the ex-ante audits of unit costs have not been addressed so far. They relate to the lack of an analytical accounting system and a timesheet system, as well as to audience measurement and other estimates. These limitations bring about a risk of deviation between unit costs and actual costs. (see paragraph **25** to **27**).

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<sup>20</sup> "What is happening to television news?" A report from Reuters Institute – Digital News project 2016.

<sup>21</sup> The Commission states that currently, grants for action are only awarded on the basis of Article 195(c) and (f) of the Financial Regulation, notwithstanding that the Financing decision and the FPA with Euronews would allow them to award operation grants on the basis of art. 180(2) of the Financial Regulation.

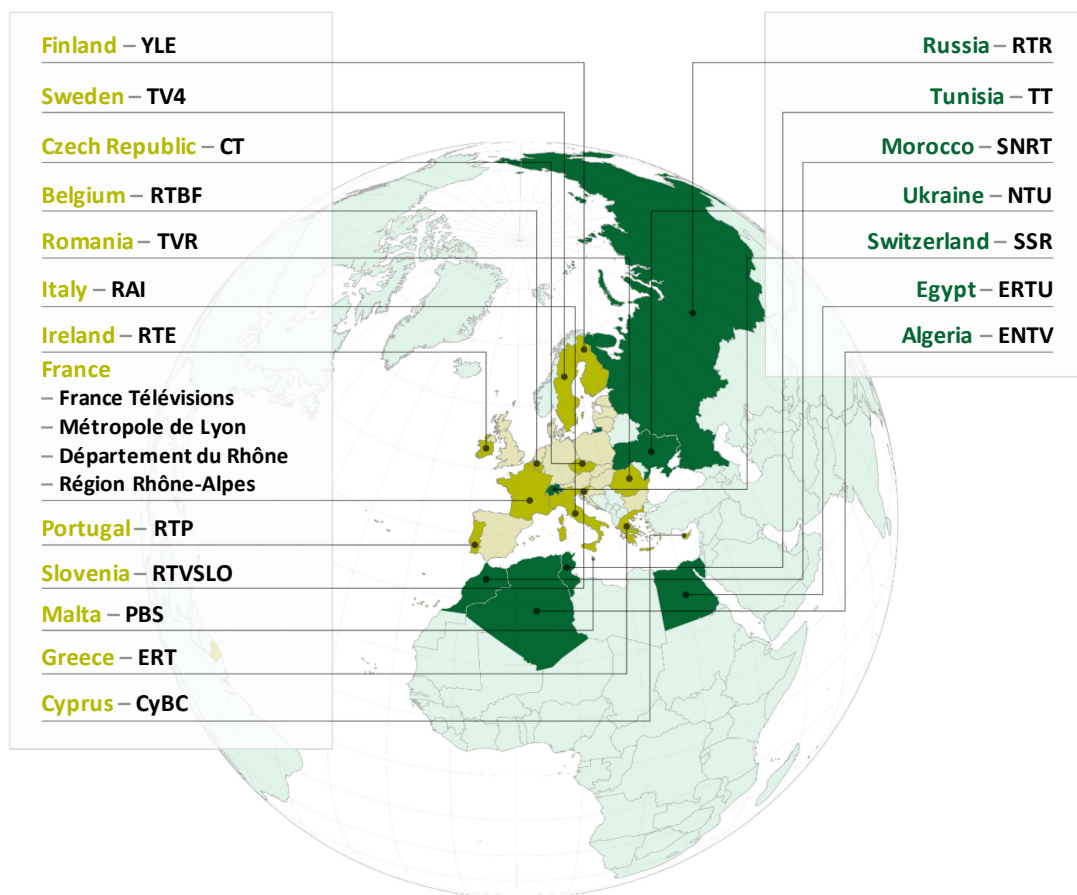


**37** The Commission introduced a performance-reporting framework to measure Euronews' achievement of objectives. However, the Commission has not established a system to verify this operational reporting and to link the performance to the annual financing decision. Performance control mechanisms work on ad hoc basis rather than on the basis of a formal control framework. (see paragraphs **28** to **31**).

# Annex I – EU and non-EU broadcasters and local public authorities

## EU broadcasters and Local Authorities

## Non EU broadcasters



Source: [www.euronews.com/about](http://www.euronews.com/about).

## Annex II– Objectives of the 2017 – 2021 FPA and related indicators

Objectives	Indicators
1. To progressively increase the volume of its reporting of EU affairs and policies	<u>Number of EU languages in which European related stories are produced</u> <u>Number of EU countries from which stories are produced</u> <u>The number of stories covering European affairs</u> <u>Lives</u> <u>The number of retransmissions (for television broadcast)</u>
2. To improve further the quality of Euronews' reporting of EU affairs	<u>Number of external links to its content from other non-search or social media sites.</u> <u>Audience feedback via email, through the feedback section of our website, and via social media; number of reactions, retweets, shares and views on social media.</u> <u>Facebook engagement (reactions + comment + shares) per year</u>
3. To guarantee a European perspective for each language market	<u>Compliance with Euronews' editorial charter</u> <u>The proportion of broadcasting time dedicated to European affairs in each language service, both EU language and non-EU language</u> <u>Concerning television, the number of stories rebroadcast by European media, Euronews would report on its content that has been used by other media. This indicator is made possible by the watermark available on video content.</u>
4. To improve Euronews' digital coverage of European affairs as part of a wider multiplatform strategy	<u>Unique browsers</u> <u>Unique browsers in Europe</u> <u>Page views</u> <u>Page views in Europe</u> <u>Time per visit</u> <u>Views on YouTube (Global)</u> <u>Views on YouTube (Europe)</u> <u>28-day reach on Facebook</u> <u>Inventory of available platforms Euronews is present on</u>
5. To ensure a pluralistic coverage of EU affairs that covers all audience segments	<u>Reports from an independent media monitoring body, the Osservatorio di Pavia, with which Euronews cooperates on factors including balance, fairness and impartiality.</u> <u>Feedback volunteered by our audience communicated via social networks, email or via our website</u> <u>Polling of our own audience to gauge perception of Euronews' pluralistic endeavor</u>
6. To increase production and distribution of EU languages	<u>Number of EU languages covered by Euronews</u> <u>The size of the population in Europe able to understand Euronews.</u> <u>The size of global population able to understand Euronews.</u> <u>Provide periodic reports to give an updated overview of must-carry status in each country</u>
7. To secure production and distribution of non-EU languages	<u>Number of non-EU languages covered by Euronews</u> <u>The size of the global population able to understand Euronews.</u>
8. To explore possibilities to broaden Euronews' public service status in EU countries	<u>Provide periodic reports to give an updated overview of must-carry status in each country.</u>

Source: European Commission.

This rapid case review describes the development of the relationship between the European Commission and Euronews between 2014 and 2018 and the activities carried out by the Commission to monitor the implementation of the current Framework Partnership Agreement.

The ECA's rapid case reviews present and establish facts surrounding very focused specific issues or problems and, if necessary, they may include an analysis to help understand those facts. A rapid case review is not an audit.

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