



Minutes of Meeting of the Authority of Broadcasting Authority of Ireland

Date 5/04/2013 **Time:** 9.30am **Venue:** 2-5 Warrington Place, Dublin 2

Minutes

Attendance

Authority: Bob Collins (Chairperson), John Waters, Michelle McShortall, Colum Kenny, Maria Moloney, Paula Downey, Larry Bass, Siobhán Ní Ghadhra

Apologies: Michael Moriarty

Executive: Michael O'Keeffe, Celene Craig, Aoife Clabby, Margaret Tumelty, Diarmaid Breathnach

Crowe Horwath: Shane McQuillan, Tim Suter

1. **Policy: 5 Year Review of Funding for Public Service Broadcasters**

- **Presentation by Crowe Horwath**

Representatives from Crowe Horwath presented the draft findings of the report on the five year review of funding for public service broadcasters. At the outset of the presentation, Members were provided with an overview of the report structure, and were reminded of the parameters for the review, as stipulated in the project deliverables set out in the BAI request for tender. Members were also reminded that the findings from the review were based on an analysis of the costed five year plans submitted as part of the process by both RTÉ and TG4, together with jurisdictional, audience and market research undertaken as part of the project overall. A copy of the draft report was circulated to Members at the meeting and it was agreed that it would be given detailed consideration at the April 29th meeting of the Authority.

Crowe Horwath set out a number of broad conclusions in relation to the plan submitted by each public service broadcaster. In setting out its views Crowe Horwath provided a context for the manner in which each costed plan had been evaluated, specifically:

- The extent to which each broadcaster's plans were coherent and had identified gaps and needs in respect of content, services and audience;
- The extent to which the funding needed to address these gaps and needs was identified and was realistic;
- The extent to which efficiencies had been identified by each broadcaster and incorporated for implementation into the five-year plan;



The broad conclusions drawn by Crowe Horwath in relation to each broadcaster were as follows:

RTÉ

Overall, RTÉ's five-year plan envisages a modest increase in public funding revenue set against a corresponding decline in commercial revenue. In return for an increase in revenue a range of commitments are proposed by the broadcaster.

The conclusions reached by Crowe Horwath in relation to RTÉ's proposals were that:

- Overall, RTÉ had taken account of the brief provided by Crowe Horwath and had adopted a sensible and balanced approach to the development of their costed plan. There was no evidence in the plan of radical thinking or of any consideration of a different model for service provision which might be less costly;
- The commitments proposed in the base case scenario put forward by RTE did not warrant any uplift in public funding support. The plan, as set out, was seen as a stabilising one;
- RTÉ's revenue projections had, in Crowe Horwath's view, been understated. Crowe Horwath was of the view that a potential uplift of €15m in television and online advertising was not unrealistic. RTÉ's radio revenue looked reasonable.
- The efficiency measures proposed in the report were not far-reaching enough. The view was expressed by Crowe Horwath that getting a clear sense of costs would be an on-going challenge, particularly in considering the commissioning of content versus its in-house production. Arising out of the review, Crowe Horwath felt that this issue should be looked at in more depth;
- The base case scenario, as set out by RTÉ, did not create any new investment in digital platforms, services and new content, which was, in the view of the consultants, strategically problematic;
- The lack of inclusion in the report of any detail in respect of the RTÉ Jr service was a cause for concern in light of recent developments in that regard;
- Notwithstanding the view expressed by Crowe Horwath that further efficiencies could be pursued by RTÉ, any additional revenue generated through efficiency gains would not be sufficient to secure investment in all the digital developments proposed, although some of these could be funded through a combination of an uplift in revenue and cost savings driven through greater efficiencies. In Crowe Horwath's view, such investment would be necessary to sustain RTÉ into the future;
- In considering the extent to which RTÉ meets the requirements in statute and at a European level in respect of transparency and accountability in the separation of public and commercial funds and activities, it was the view of Crowe Horwath that RTÉ was compliant but that the processes for achieving compliance were not sufficiently transparent;



TG4

Overall, TG4's plan sought a substantial increase in public funding in return for a the delivery of a core of 6 hours Irish language programming per day and the delivery of a 40% increase in share from current levels of just under 2% to between 2.5-3% share by the end of the five year plan.

The conclusions reached by Crowe Horwath in relation to TG4's proposals were that:

- While TG4's plan was felt to be ambitious and aligned with its public service remit, it was not felt to be realistic. It was also believed to be very costly. Crowe Horwath further expressed the opinion that the broadcaster should be encouraged to re-consider its options in this regard;
- The commercial revenue projections contained in the plan were very optimistic. The plans are also dependent on a range of funding sources including other public service bodies and it was felt that this presented a funding risk;
- The stated outcomes envisaged a 60% growth in audience on a primary platform which, in the absence of further investment, is unlikely to thrive;
- In audience measurement terms, a key concern identified by Crowe Horwath was that TG4 does not identify or measure the manner in which it reached indigenous language audiences. It was felt that this issue should be addressed by the broadcaster.
- Linked to the issue of audience measurement was a consideration of the nature of TG4 operational model, its statutory remit and whether the measures currently utilised were the most appropriate ones. TG4 has demonstrated that it cannot drive any further efficiencies from the existing operating model and therefore, in the view of the consultants, further efficiencies would only be likely to be achieved in the context of an alternative structural model. It was felt that this would be a public policy consideration for government.

A number of the findings from the review were common to both broadcasters and a summary of the points raised by Crowe Horwath in their presentation on these aspects of the review were as follows:

- The market analysis undertaken addressed the key issues and environmental pressures impacting on both PSBs and assessed the likelihood for growth in the market in the coming five years. A primary concern arising out of the market analysis related to digital developments, in particular DTT and the potential for it to become a stranded digital platform;
- As part of the review, Crowe Horwath had also been requested to develop a framework of broadcaster returns for future annual reviews of public funding. It was observed that a number of suggestions and recommendations were contained within the draft report but that further work was required in terms of identifying the body of data, measures and milestones that would be required for future reviews. An important aspect of this work would be in determining what the milestones should be arising out of the conclusions reached in the five-year review;



- In their jurisdictional analysis, Crowe Horwath found that when Ireland was compared with European markets with similar characteristics, it is not out of step from a funding perspective. Overall it was felt that the Irish system of broadcasting performed quite well. It was further observed that Irish households spend a considerable amount on audio/visual content, second only to Norway, with a high penetration of pay television;
- Some consideration was given in the review to the question of a universal household charge to fund public service broadcasting instead of a television licence fee. It was suggested that the move from a device-based charge posed a number of key challenges which would need to be addressed from a public policy perspective;
- The audience research conducted as part of the review yielded positive outcomes for both RTÉ and TG4. RTÉ in particular scored highly in the provision of core PSB genres. In more general terms however, there was no appetite among those surveyed for paying additional money for public service broadcasting and a perception existed that people were already paying twice for content through the licence fee and their subscription for digital/cable television;

- **Authority Discussion**

A broad and wide-ranging discussion followed the presentation and included a consideration of the issues raised in the review together with broader public policy concerns arising from the work conducted by Crowe Horwath. In summary the discussion addressed the following points:

- Consideration was given to what the required media strategy for Ireland should be, having particular regard to digital media developments, and how indigenous television providers, both public service and commercial, could best fit into that strategy. It was agreed that while the statute required a consideration of the adequacy of public funding for public service broadcasters, it was difficult to undertake such a review without considering the impact of changes to funding for the PSBs on the wider broadcasting and media landscape. The capacity of the Authority to act as an agent of public policy change, being mindful of its regulatory remit, was considered by the Members;
- The proposed move to a Universal Service Charge (USC) in order to fund public service broadcasting, as flagged by the Minister for Communications, was discussed. In particular the implications of moving to a USC; the manner in which funds would be disbursed and to whom, was discussed in detail. The question as to whether there should be broader access to public funding through the USC in order to deliver public service-type content and whether such funding should be contestable as part of a wider media and broadcasting strategy, was considered;
- Related to the above discussions was a consideration of the commercial broadcasting market and the impact that any changes to public funding or any restriction on the commercial activity



of the public service broadcaster might have on the broadcasters themselves, as well as on the commercial market.

- Members considered DTT as a platform for the delivery of PSB and other indigenous content and the implications of any lack of development or success of the platform on both RTÉ and TG4 was discussed. The further development of DTT as a platform would need to be considered in the context of a wider digital media strategy, as its success is centrally linked to the future of the PSBs.
- Public policy expectations in respect of TG4, in light of the findings from the Crowe Horwath report, were discussed. It was acknowledged that, notwithstanding the efficiencies being delivered by TG4, the cost of service delivery relative to audience share, was very high. In this regard the question of balancing expectations against affordability was considered;
- Developments in public service broadcasting more generally, from the perspectives of revenue generation and content production, were discussed. The commercial restrictions placed on a number of PSBs across Europe were noted and the implications of restrictions on PSBs in Ireland and in particular on RTÉ were the subject of detailed discussion by the Members, particularly in the context of the impact on the wider commercial broadcasting market. The question as to whether the PSB should be the programme maker or the publisher of public service content was considered, particularly in the case of RTÉ. Trends internationally in this regard were noted.

Following the discussion it was agreed that Members would consider the Crowe Horwath report in more detail with a view to arriving at a range of recommendations for submission to the Minister for Communications, Energy and Natural Resources. It was further agreed that, while the matters of public policy discussed by the Members were not within the scope of the review, as defined in statute, they nonetheless raised significant concerns which were appropriate to bring to the Minister's attention. It was therefore agreed that these matters would be the subject of further discussion on the 29th and that the Authority's views would be brought to the attention of the Minister, as part of the submission on the five year review of funding.

2. Date of Next Meeting

The next meeting of the Authority will be held on Monday, **29th April** at 9.30am in the BAI offices.

Bob Collins,
Chairperson
29th April, 2013