



## **Irish Broadcasting Landscape:**

Economic and Environmental Review for the  
Broadcasting Authority of Ireland (BAI)

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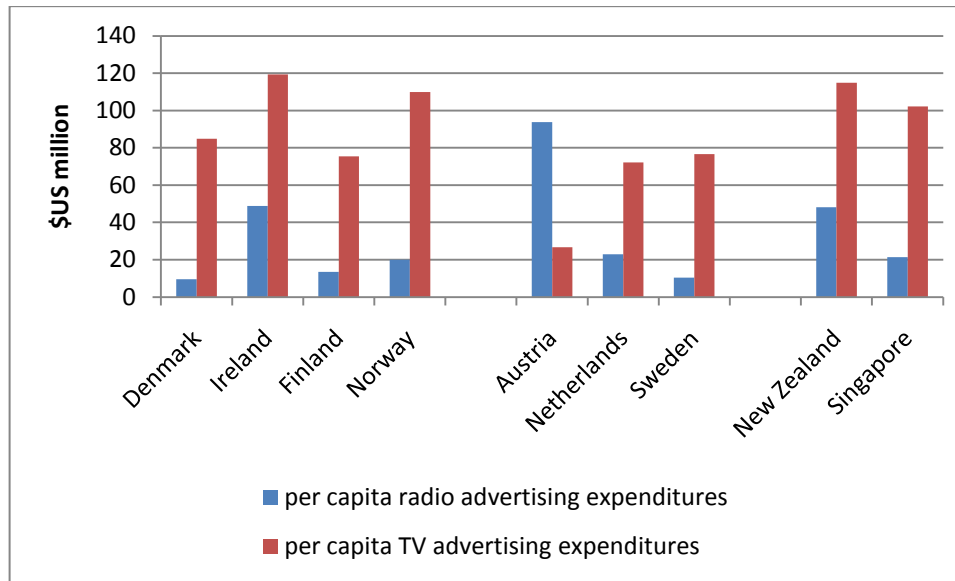
## INTRODUCTION: BACKGROUND TO THE REVIEW

The Irish broadcasting landscape has experienced dynamic changes in the last ten years which are central to our understanding of the current sector and the issues facing it in the next three to five years. From the late 1990s, as the national economy grew and boomed, national competition in both the radio and television markets began to flourish with the launch of the commercial services Radio Ireland (1997); later re-launched as **Today FM** (1998); and **TV3** (1998). RTÉ equally expanded its national offering to the public with the launch of the Irish language TV service TnaG; later **TG4** (1996); and in radio, the arts and music service **RTÉ Lyric fm**, and the extension of **Raidió na Gaeltachta** (1999). National broadcasting services and advertising competition had been slow to develop in Ireland. In radio the collapse of **Century Radio** (launched 1989 and closed 1991) had left RTÉ's radio competition to the emerging local radio market and undermined the development of the commercial value of the radio advertising market.

In television, RTÉ largely had the full benefit of the available domestic advertising spend until 2000 and its audience competition was limited to the UK services, BBC, UTV/ITV and Channel 4. From 2000, with the launch of TV3 as a terrestrial service, and with the roll-out of **BSkyB**'s digital satellite offering in Ireland, Irish TV viewers began to have extensive choice in TV with the majority of viewers having a minimum of 20 TV services by 2004-2005. Across the ten years 2000-2010 the growing range of choice in broadcasting and the development of stable national, terrestrial competition grew both audiences and broadcast advertising revenue. Beyond the peaks and troughs of economic boom and recession, the Irish national experience, in line with international comparisons, has seen the positive impact of wider domestic choice and competition.

Due to the late development of terrestrial national competition, the Irish broadcasting economy should be seen as one which is still maturing. In advertising terms, before we look at the impact of convergence and online, we can see a traditional media pie which has been dominated by print and where broadcasting, and TV in particular, has been growing significantly.

**Figure 1:** EAO/Picard (2008) Ireland reflects profile of a dual-funded PSB broadcasting economy



RTÉ being dual-funded and, within a European context, a highly commercial public service broadcaster (PSB), gives a unique character to the Irish landscape.<sup>1</sup> It also means that Irish broadcasting's commercial value has grown in that advertisers here can potentially reach all aspects of the Irish audience. This is unlike the UK where the BBC's audiences cannot be targeted by advertising spend. This is one reason why the UK radio advertising market is below average (less than 5% of total advertising compared to about 10% in Ireland).<sup>2</sup>

Besides the opening up of choice and competition, the Irish market place has also experienced deep social and economic change. From the mid 1990s Irish society has undergone a rapid and profound transformation; a growing population, increased ethnic and religious diversity and the impact of over ten years of growth, which dramatically increased consumer spending and swelled advertising revenue. The subsequent financial collapse from August 2008, and the past two years of recession and negative growth, has sharply hit the media sector and, in particular, broadcasting.

<sup>1</sup> Throughout the report we use PSB (Public Service Broadcasters) to mean a broadcaster who receives public funding and whose primary objective is not for profit. While all Irish regulated broadcasters have public service obligations the core PSB services are RTÉ and TG4.

<sup>2</sup> Nielsen 2010. In the UK online advertising overtook newspaper and radio by 2007 to become the second most popular medium after TV (Guardian Media 2007)



## **Why broadcasting regulation needs economic analysis**

Broadcasting/ communications policy and regulation has traditionally focused on the supply side, controlling media market structures and prescriptive content regulations to serve public purposes. The legal competence of regulatory agencies to carry out these functions has been based on broadcasters' use of radio spectrum under public control. Parliaments and policy makers across Europe generally created public service broadcasters as the monopoly providers of services, but then gradually augmented that broadcasting with commercial broadcasters as a means of providing more services and consumer choice. These broadcasters remained under the control of broadcast regulators, but typically had fewer public obligations than public service broadcasters.

Technical developments in the last quarter of the twentieth century lead to the creation of alternative privately funded broadcast related services involving cable, satellite, and the Internet. Although some of their functions come under telecommunications and broadcasting regulation, these services tend to face less regulation than traditional broadcasting.

Because a greater portion of the array of broadcasting and broadcast-related services are now provided in the commercial market and on platforms and services not fully controlled by regulators, policy makers must rely on policies that promote optimal outcomes for broadcasters and the public by ensuring as much competition as possible; that no competitor or platform or service operator unduly disadvantages others; and that incentives are in place to achieve public objectives through private activities.

Technological and market developments are rapidly changing the broadcast environment. From a narrow perspective, broadcasting and related services are being offered on four separate platforms. Digital terrestrial television is becoming the platform for free-to-air services and some pay services, cable and satellite systems have become the primary platforms for paid services, and broadband Internet is becoming a platform for IPTV and video on demand services. Although these are independent platforms and systems, a broader perspective recognises that these platforms are increasingly gaining interoperability that is allowing the movement of players and services across platforms and audiences/consumers to regularly move across platforms.

In order to gain benefits from the increased range of platforms, policy makers across Europe and the developed world are creating policies based on some shared economic principles:

- 1) Development of competing distribution platforms should be encouraged to ensure economically optimal provision of broadcasting and broadcasting related services.
- 2) Platforms and systems are critical infrastructures that need to be operated in ways that do not unduly advantage or disadvantage competitors or consumers.
- 3) Development of new business models and financial streams should be encouraged to support entry of additional content creators and distributors and to improve finances of existing firms.
- 4) Policies should encourage access to and use of new technologies by all citizens and residents.
- 5) Public support of content production to meet domestic social, cultural, and political goals should recognise that public service media, community media, and commercial media can all help meet those objectives.
- 6) The abilities of public service broadcasters to serve national political, social, and cultural objectives; but policies supporting those goals should not restrict or harm the abilities of competitors to similarly serve such purposes; to provide new types of broadcasting and broadcasting related services, or to contribute to economic growth.

In order to effectively pursue these principles, regulators need to keep a review of the economic condition of the broadcast and broadcast related environment to gain an understanding of what services are supplied, how widely they are available, what they cost, the extent to which they are used, the financial conditions of businesses providing services, the value of services to the economy, the distribution of wealth among competitors, the extent of market power of the competitors, and how the public is affected.

Our review takes places against a background where broadcasting stakeholders have experienced two years of declining revenues and cuts. We have taken a ten year legacy profile of Ireland, and the broadcasting sector, to see the underlining trends forming the landscape rather than the narrow focus of the current economic crisis and the often short-term evaluations it throws out. A long-term view of the landscape facilitates forecasting and allows us

to see the other factors which are coming into play: digital terrestrial services, the shift online and the social and economic balance between public media and the commercial sector.

This review is based on the changed legislative and regulatory framework defined by the Broadcasting Act (2009) and the establishment of the Broadcasting Authority of Ireland (BAI) in October 2009. The aim of our work is to inform the **BAI's Strategic Statement 2010-2013** and to provide the Authority with national and international intelligence on the broadcasting landscape and its future. A central element of this review is to define the current landscape and to provide guidance on the mapping methodology required by the BAI to operate effectively and employ best practice as a broadcasting regulator. The review has involved data collation, analysis and some international comparative work to see how Ireland fits against both European and international broadcasting trends. We have also conducted a range of detailed interviews in Ireland and a full list of interviewees is provided with the report.

The Athena Media research team has been led by the company's managing director and media expert **Ms Helen Shaw**. The international experts are **Professor Robert Picard** (media economist, Sweden) and **Dr Hessel Abbink Spaink** (financial consultant, the Netherlands). **Dr Sergio Sparviero** worked as a researcher. The project has also been supported by **Dr Brian O' Neill** and **Dr Ken Murphy**, Dublin Institute of Technology, who participated in an analysis workshop on July 16<sup>th</sup>, which explored some of the research. The timescale for the review has been tight given the broad scope of the territory involved, but what the review group has sought to do is to create a profile of the Irish broadcasting landscape against the context of the global landscape which will inform and provide the basis for future on-going market and economic analysis.

Every effort has been made to make the report as accurate as possible but it takes place against a backdrop of rapid and continuous change, both in the sector itself and in policy decision-making including recent decisions by the BAI to increase commercial TV advertising minutes (July 2010) and the BAI's statement on Digital Television (August 2010). New services have been licensed during this period and as such we date graphs at the point in which they were compiled. From time to time different source data can give different figures on audience, advertising or industry employment and any significant variable is referenced.

In constructing the review we took, in consultation with the BAI's executive, several research themes. These are:

1. **Services to Market.** Is there an appropriate match of licensed services to the Irish market? Is there over or under supply? Does the Irish market have the capacity to sustain the current, or an increased, number of services? What can international comparisons with small nations tell us? What is the role of the regulator in the face of service collapse? How should regulation respond to a changing broadcasting economy?
2. **Digital broadcasting.** DTT is a prime broadcasting imperative in the coming two years. The BAI has specific responsibilities regarding digital broadcasting. The review explores the options facing Ireland and the economic and environmental aspects of decision-making on DTT in the coming period.
3. **Broadcasting revenues and business models.** What are the core factors in the Irish landscape in terms of revenue? What are the business models which are both established and emerging? What are the strengths and weaknesses of the Irish landscape?
4. **Public Service Broadcasting (PSB) funding.** The balance between public funded broadcasting media and the terrestrial independent sector is increasingly a focal point, not just in Ireland but internationally. What are the issues in Ireland and what should the regulator be aware of in its decision-making?
5. **The shift online.** While the Internet and online content services are not regulated by the BAI the nature of convergence is transforming the media and in particular broadcasting. The review has looked at the Irish landscape in terms of production, consumption and revenue and has, where possible, sought to extend that prism to the online sphere. What are the trends online, how are they impacting on broadcasting, on its audiences and revenue, and what are the national and global trends we see emerging?

**Each of these themes could be the basis for a detailed review in itself and as such our work creates a baseline for further research and analysis.** Our research work and conclusions were based on information available to us by August 2010 and as such events which have happened since then are not reflected in the report and its findings.



## 1. IRISH BROADCASTING LANDSCAPE

**Chapter 1 Irish Broadcasting Landscape** provides a data profile of Irish broadcasting looking at the trends across the last ten years in services, consumption and revenue. It brings together research data and trends which we explore in subsequent chapters on services, digital terrestrial, revenue, public broadcasting funding and the impact of the shift online.

### 1.1 Irish broadcasting profile

Ireland's broadcasting landscape began, like most of Europe, with the birth of radio under state control in 1926 and developing into the current public broadcaster, RTÉ, under the 1960 legislation, and with the advent of television by New Year's Eve 1961. RTÉ now operates four national radio FM services; RTÉ Radio 1, RTÉ 2fm, RTÉ Lyric fm and Raidió na Gaeltachta. It has two television services RTÉ One, RTÉ Two and the online website [www.rte.ie](http://www.rte.ie). Privately run radio services, mainly in local radio, were launched following the 1988 Radio and Television Act but private television did not appear on the market until ten years later with the launch of TV3. As mentioned, national private radio faltered with the collapse of Century Radio in 1991 and re-appeared with the launch of Radio Ireland in 1997 and its subsequent re-launch as Today FM in 1998. There are now two quasi-national services in radio, Newstalk and the multi-city service 4FM, which were facilitated by the re-configuration of radio spectrum following the recommendations of the **Ox Report on Radio Licensing** (2004).<sup>3</sup> The latest radio addition is a Classic Rock service, Nova, on air from September 2010.<sup>4</sup>

Today the Broadcasting Authority of Ireland (BAI), the new combined regulator formed by the Broadcasting Act (2009), regulates both public broadcasting media, RTÉ and TG4, the independent commercial sector and the community sector. The BAI licenses 14 television and 60 radio services and regulates the PSB 3 national TV and 4 national radio services.<sup>5</sup>

In television, while the majority of viewers have significant digital choice, over half of what Irish audiences watch is confined to RTÉ and TV3. RTÉ One is the most popular station followed by

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<sup>3</sup> Ox Report (2004) (DCMNR) was commissioned to review radio licensing in Ireland. It recommended the full utilisation of radio spectrum. At that stage 25% of spectrum was idle and since then many new radio services have launched.

<sup>4</sup> BAI signed the contract with Nova August 4<sup>th</sup> 2010. Nova shares 45% ownership in common with 4FM.

<sup>5</sup> BAI list of services July 29<sup>th</sup> 2010 (national, regional, community (terrestrial and digital))

TV3. Irish audiences have a potential choice of over 558 channels but in reality, core viewing is spread across 20-25 services with domestic channels performing extremely well.<sup>6</sup> A key change in the television market in the past ten years is that nearly 80% of satellite or cable viewers have access to digital services with less than 22% relying on terrestrial analogue<sup>7</sup>.

The boom years from 2000-2008 saw increased revenues and growth for television and radio, both public and private, as advertising pushed above European rates and consequently many Irish companies were prospering well above comparative nations. We estimate that between 2004 and 2007 TV advertising cost per thousands of viewers increased by over 14% per year while in 2002-2003 spending on radio advertising increased by over 34%. The radio boom coincided with the launch of new services, the extension of a Dublin service, Newstalk 106, to quasi-national status and a new multi-city adult service, 4FM, which launched in February 2009.

While the last two years have seen an economic downturn for the broadcasting sector in Ireland, a PricewaterhouseCoopers study at the close of 2008 valued the audiovisual sector at €557 million, representing 0.3% of GDP, and employing nearly 7,000 people.<sup>8</sup> In 2009-2010, the only advertising sector to grow was online which now takes nearly 10% of the advertising pie, similar to the entire Irish radio sector. In 2010-2011 it is predicted that online may surpass radio, in its advertising pull, and that online is hitting print revenue more dramatically than other parts of Irish media.<sup>9</sup>

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<sup>6</sup> See Figure 11.2.1. in Appendices for full list of all TV services available in Ireland

<sup>7</sup> Government estimate in August 2010 gives this figure as 20%, approx 350,000 homes.

<sup>8</sup> PricewaterhouseCoopers. (2008) Irish audiovisual content production review. The Irish workforce is just below 2 million people.

<sup>9</sup> Liam O'Donohoe, Nielsen July 2010 (interview).

**Figure 1.1** Main Indicators of Ireland's broadcasting landscape<sup>10</sup>

Population, in 2009	4,459,300			
<b>Main Economic Indicators</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	
GDP (€ bn at constant 1995 prices)	184	170.9	171	A
% change	-3	-7.1	0	A
Unemployment rate	6.4	11.9	13.7	A
Average Wage	35.002	34.283	33.904	Z
% change		-2.1	-1.1	Z
<b>Broadcasting Services</b>				
<b>TV Services available</b>	<b>Total</b>	<b>Public</b>	<b>Private</b>	
National channels (with terrestrial licences)	4	3	1	D
Other national channels (Cable, satellite, IPTV, mobile)	5	1	4	D
Regional or territorial channels	3	0	3	D
Local stations and community	4	4		D
	<b>Total ROI</b>	<b>Foreign</b>	<b>Total</b>	
Channels available in the country	16	542	558	D
<b>Radio</b>	<b>Total (July 2010)</b>			
National / Quasi national stations	6			E
Regional/Multi-City radio services	5			G
Local Radio	26			G
Community/special interest/ Institutional services	26			G
<b>Total</b>	<b>63</b>			

<sup>10</sup> **Sources: June 2010**

(a) The Economist Intelligence Unit (b) Nielsen TV Audience Measurement Establishment Survey on behalf of TAM (c) comstat.ie (d) The European Audiovisual Observatory (e) JNLR (f) The Evolution of News and the Internet Report, OECD (g) Bai.ie (z) Own calculations



<b>Internet Penetration</b>				
	<i>Tot. population aged 16-65+</i>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Internet connection at home (%)		48	63	65
Connection to Internet via broadband (% with Internet access at home)		73	65	92
<b>Average daily time spent</b>				
		<b>2007</b>	<b>2008</b>	<b>2009</b>
Viewing television		181	186	183
Listening to the radio (weekdays)		242	250	255
<b>TV 1.58 mill homes</b>				
			<b>2009</b>	<b>2010</b>
Irish Terrestrial	<i>in '000'</i>		224	202
% of Total TV Homes			14.2	12.8
Multi Total	<i>in '000'</i>		1356	1378
% of Total TV Homes			85.8	87.2
Multi Terrestrial	<i>in '000'</i>		183	150
% of Total TV Homes			11.6	9.5
Cable/Sat Analogue	<i>in '000'</i>		275	248
% of Total TV Homes			17.4	15.7
Cable/Sat Digital	<i>in '000'</i>		898	980
% of Total TV Homes			56.8	62.0
Total Cable/Sat	<i>in '000'</i>		1173	1228
% of Total TV Homes			74.2	77.7
<b>Advertising (Million of EUR, unless %)</b>				
		<b>2007</b>	<b>2008</b>	<b>2009</b>
Television Advertising Spend		374	363	310*
% of total advertising spend		23	23	
Radio Advertising Spend		140	148	131*
% of total advertising spend		8.6	9.4	

\*estimate

### 1.1.2 Services to market

The 4.3 million residents of the Republic of Ireland can potentially access hundreds of TV choices via digital platforms and thousands of radio choices via the Internet. Yet the vast majority of Irish viewers and listeners consume Irish broadcasting services and favour domestic content. Over 80% of television viewers watch just 25 services and 17 of these services are established in Ireland.<sup>11</sup>

Irish terrestrial TV services are the PSB services; RTÉ One, RTÉ Two and TG4, and the private channel; TV3. The BAI licenses 3 satellite content television services (Setanta Sports Channel Ireland, Setanta Sports 1 and Setanta Sports North America), 7 Cable/MMD content television services (3e, UPC, City Channel Dublin, City Channel Waterford/South East, City Channel Galway, Munster, Hungary) and 3 community content television services (DCTV, P5TV and Cork Community TV CCTV).<sup>12</sup> In terrestrial radio the BAI licenses one national station, one quasi-national station, 5 regional and multi-city services, 25 local radio services, one special interest radio service, 20 community radio services and 5 institutional services. There are 4 PSB national radio services, under RTÉ.

Almost 80% of households in Ireland access TV services through a cable or satellite provider with 77% of those subscribers using a digital platform. Less than 22% receive reception via analogue.<sup>13</sup> The majority of Irish homes, (over 65% and growing), have access to the Internet and 91% of those using the Internet have a broadband connection. The relatively slow penetration of high-speed broadband has played a significant role in the growth of multimedia content, and IPTV in particular, and this trend is considered in **Chapter 7 'The Shift Online'**.

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<sup>11</sup> Research compiled June 2010 using European Audiovisual Observatory data.

<sup>12</sup> BAI list July 29<sup>th</sup> 2010

<sup>13</sup> In August the Department of Communications announced it was conducting a study on the households still using analogue to assess the needs during switchover (Irish Times August 13 2010)

### 1.1.3 Ireland's social and economic landscape: Who are we broadcasting to?

**Figure 1.2** Demographic trends: What's Ireland like today?

Age Group	in '000' of people		
	2000	2009	difference
0-14	828	937.8	109.8
15-24	641.2	583.4	-57.8
25-34	566.9	1368.2	801.3
15-34	1208.1	1951.6	743.5
35-44	540.7	660.5	119.8
45-54	464.1	555.2	91.1
35+	1753.5	2153.6	400.1
55+	748.7	937.9	189.2
Source: Calculations based on CSO estimates			

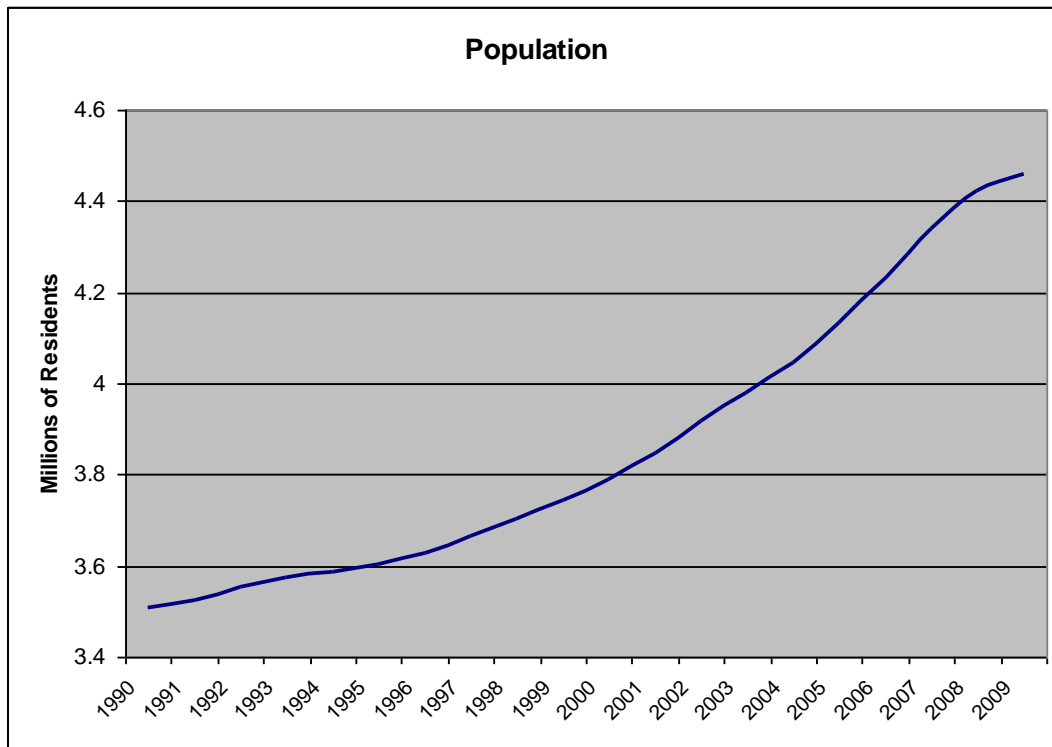
Since 1996, Ireland has become more diverse with significant populations of Polish, Chinese and Nigerian born residents. The emergence of a multi-ethnic society coincided with the economic boom and while two years of recession has seen a decline in migration it has equally seen a shift in emigration of both new resident workers and Irish citizens. According to the Central Statistics Office (CSO) the influx of migrants accelerated between 2004 and 2007, reaching over 109,000 people per year, while the number of annual emigrants has increased since 2005 and hit a peak in 2009 of 65,000 people. In 2009, and for the first time since 1995, the number of emigrants is greater than the number of immigrants resulting in a negative net migration trend. Projected figures for 2009 show that almost 70% of emigrants are Irish nationals and 30% are foreign born. According to the CSO 82% of non Irish nationals come from 10 countries; UK, Poland, Lithuania, Nigeria, Latvia, US, China, Germany, Philippines and France.

The population is also ageing. There are 58,000 fewer people aged 15 to 24 years and an additional 190,000 people over 55 years. The ethnic diversity and ageing profile of the Irish population raises questions about the future-proofing of broadcasting services in terms of the services fit to the national profile.

These changes are significant for broadcasting. The population growth increases market size and creates more efficiency in the economics of broadcasting distribution and advertising expenditure per capita. The growth of foreign born immigrants can increase demand for services in other languages and access to home country television, radio, and text content via broadband

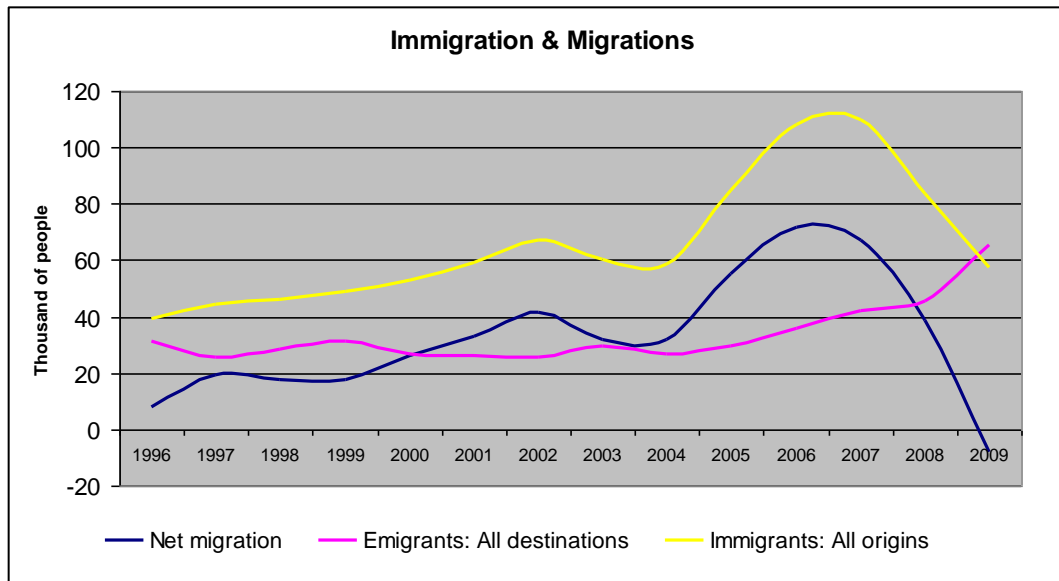
IPTV, online radio, and other Internet services. It also increases the need to provide Irish broadcast services that are designed to address a multi-cultural nation. The ageing population underscores the need for a wide range of domestic content that serves different age groups, in particular those who may be left behind by the digital transition and new technologies.

**Figure 1.3** Population 1990-2009 (steady growth in ten years)



**Source:** Central Statistics Office (CSO)

**Figure 1.4** Immigration and migration 1996-2009



Source: CSO

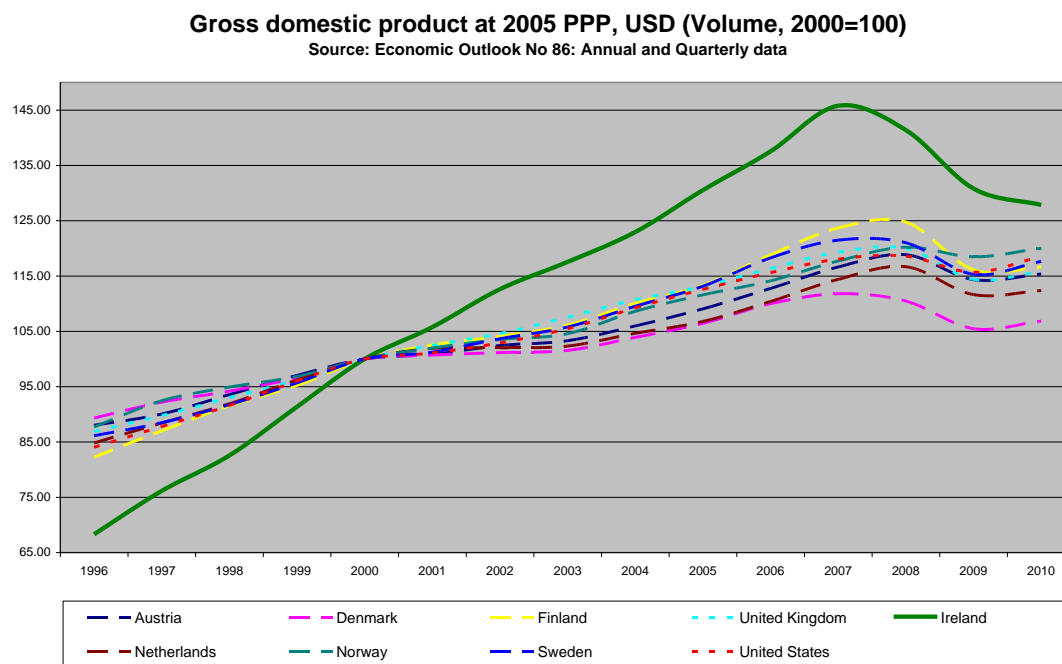
### 1.1.4 The national economy versus media economics

#### 1.1.4.1 Gross Domestic Product (GDP)

Since 2008, the financial crisis has clearly deepened the impact of the recession on the Irish broadcasting economy. Ireland, compared to other small European economies such as Austria, Denmark, Norway and Finland, experienced much faster growth from 1996 to 2007, with an annual GDP growth of 7%, and as such its downturn has been far sharper.

GDP is an important indicator in broadcast economics because advertising expenditure is closely related to the flow of money in any economy and it is the primary source of funding for the media. The first line to go in a recession is often marketing and advertising. When GDP rises, advertising expenditure tends to rise, reflecting consumer spending and vice versa.

**Figure 1.5 GDP 1996-2010 (highlights the dramatic rise in Irish economy peaking in 2007)**



**Source:** Economic Outlook Annual and Quarterly Data

#### 1.1.4.2 Private consumption expenditure

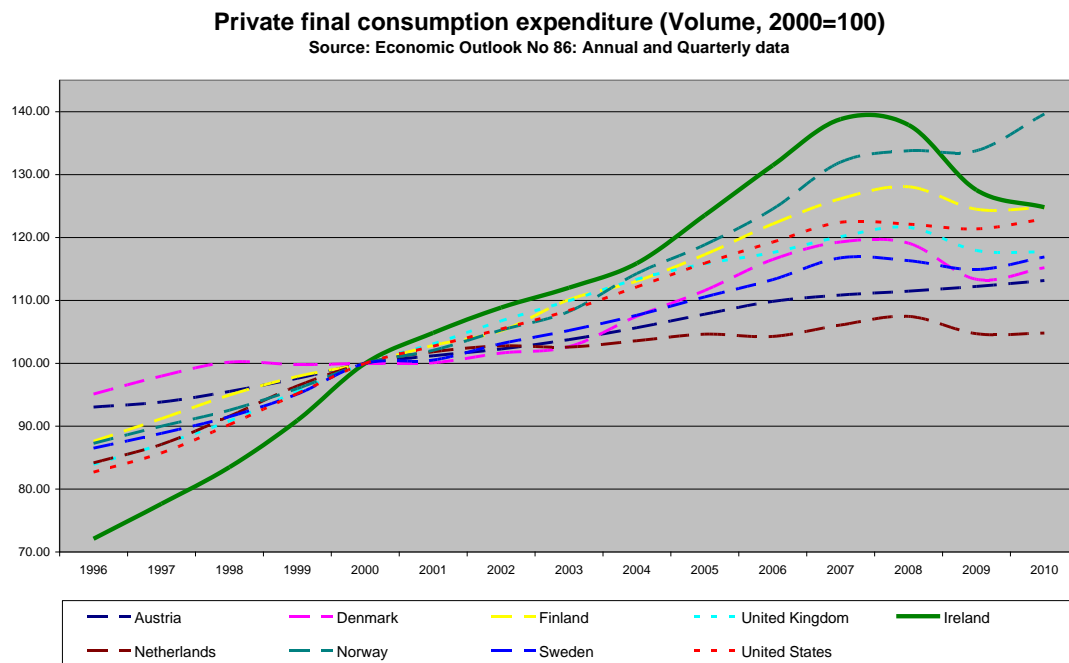
From 1996 to 2007 consumer spending increased in Ireland at a rate of 6% a year, faster than comparative countries; Austria, Finland, Denmark, Sweden and the Netherlands. The recession has seen quite a severe downturn particularly between 2008 and 2009 (-7.5%). Interestingly, according to OECD projections, all of the economies used for the comparison in this exercise are likely to experience a small growth in private consumption between 2009 and 2010; the Irish economy, on the other hand, is likely to experience a negative rate (about -2%) in 2010. The Central Bank in Ireland is now predicting just over 2% economic growth in 2011 but with no growth in jobs in what is being termed a '*jobless recovery*' which is unlikely to improve consumer spending figures.<sup>14</sup>

The broad trend in Ireland is that we grew faster and saw higher levels of consumption and advertising revenue growth in the previous ten years to 2008, but since then have suffered a more severe downturn compared to our European neighbours. **Our projected recovery will be later and slower.** The impact on media, and broadcasting in particular, is obvious. Broadcasting enjoyed the boom years of advertising growth and consequently is being severely hurt by the downturn. The other factor in consumer spending is that it links to funding for broadcast services or funding via paid subscription to cable/satellite services and also to consumer willingness to pay PSB licence fees.

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<sup>14</sup> The Irish Times, July 31 2010 'Central Bank says economy to grow by over 2% in 2011'.

**Figure 1.6** Private final consumption expenditure 1996-2010



**Source:** Economic Outlook Annual and Quarterly Data

#### 1.1.4.3 Employment: Ireland & broadcasting sector

As a consequence of the record economic growth between 1996 and 2008 the number of persons employed in Ireland increased, on average, **by 4% per year** and more rapidly in Ireland than in the other small European countries. Equally, the increase in unemployment since the start of the economic downturn has been more severe. Since 2008, the unemployment rate has increased at an annual rate of 38% and it almost doubled between 2007 and 2008. Economist Intelligence Unit (EIU) Statistics show that the rate of unemployment changed from 6.3% to 11.8% of the active population. By mid-2010 the unemployment rate was just under 14%. **The Irish workforce is currently just under 2 million and fell by 7.5% in 2009 partly due to emigration.**<sup>15</sup>

Nationwide employment is an indicator of consumer ability to buy electronic goods, particularly new technologies. This will be a factor in analogue switch-off and the rate of new broadband subscriptions has slowed down during the recession. According to a 2008 PricewaterhouseCoopers report, the Irish audiovisual sector employs nearly 7,000 people. This number has decreased since then as across all aspects of the broadcasting sector, both public and private, the last two years has seen reductions in full-time and freelance staff. By

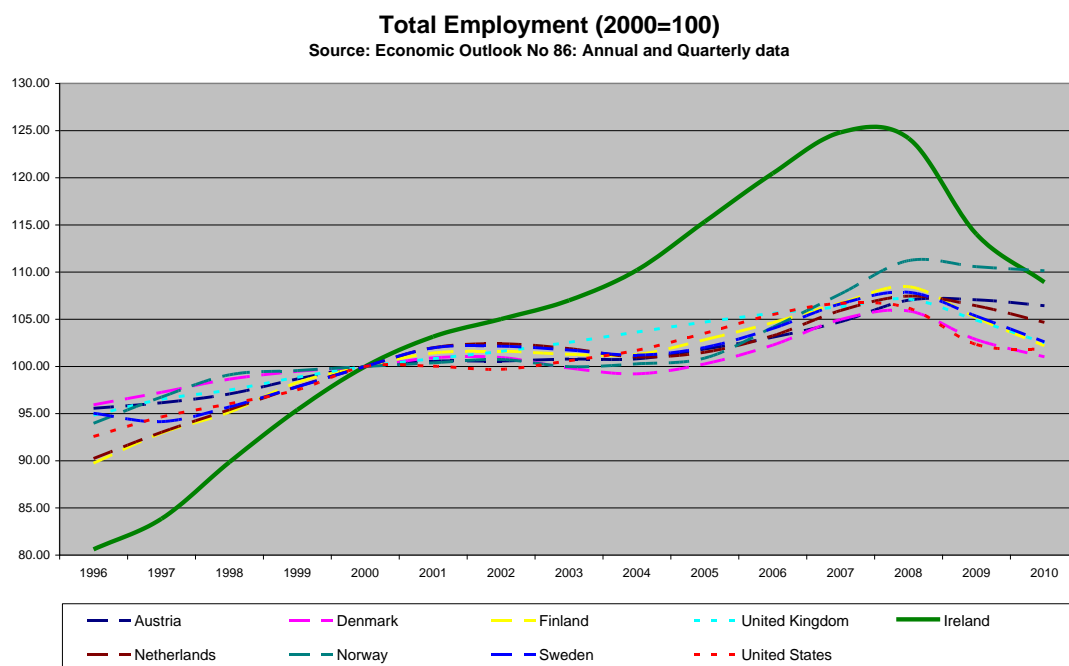
<sup>15</sup> ESRI labour force study.(2010)



the end of 2009, RTÉ employed 2,214 full time staff while TV3 had 200 staff and the Independent Broadcasters of Ireland (IBI) claim its sector employs about 1,500. Screen Producers Ireland (SPI) and the Association of Independent Radio Producers (AIRPI) represent independent production companies and producers and there are approximately 350 independent companies and sole traders representing a skills sector of about 1,000. In addition there are post-production houses and facilities which support the sector.

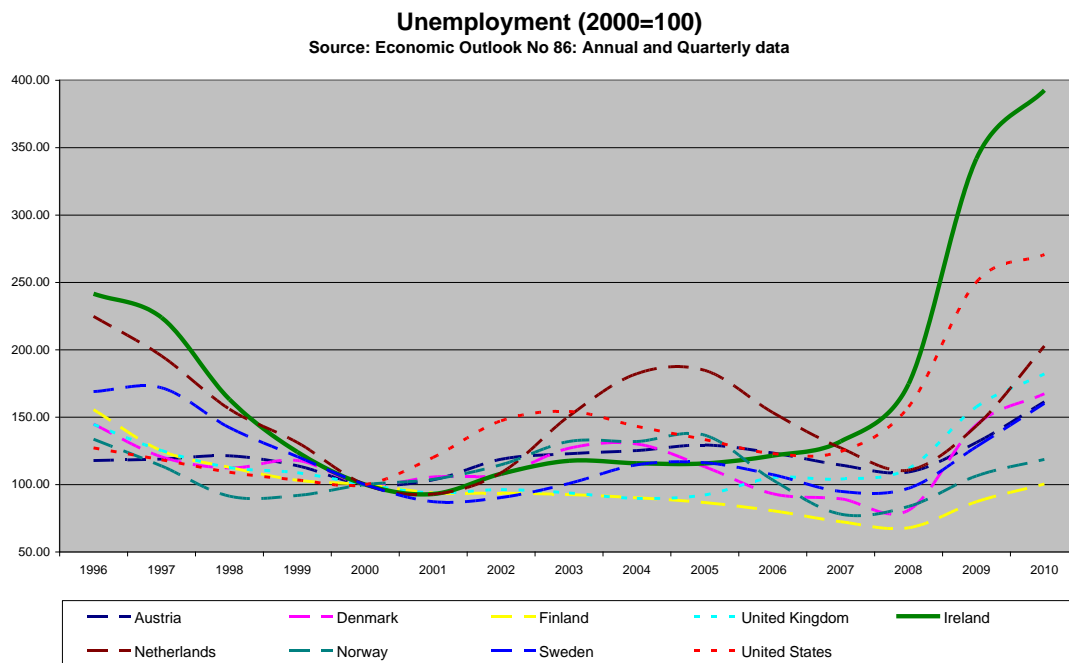
Employment in the audiovisual sector is both an indicator of the health of the industry and the capacity of the sector to produce the services and content required.

**Figure 1.7** Total Employment 1996-2010



**Source:** Economic Outlook Annual and Quarterly Data

**Figure 1.8 Total Unemployment 1996-2010**

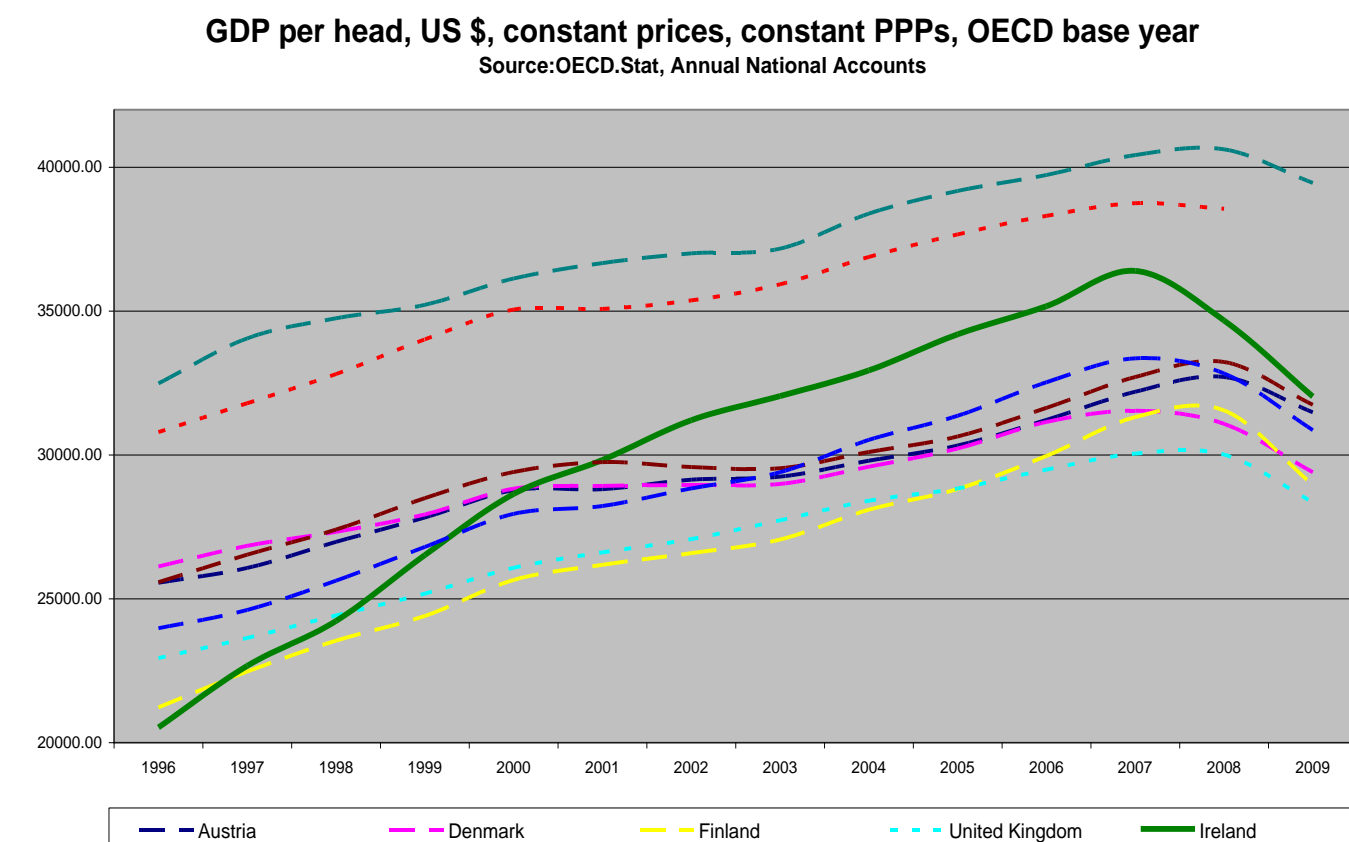


**Source:** Economic Outlook Annual and Quarterly Data

#### 1.1.4.4 Income per person

GDP per head provides an indication of the level of wealth. The OECD estimates that the GDP per head in the Republic of Ireland has increased by more than 5% per year, from 1996 to 2007. By 2009, as a result of this growth, Irish residents were judged wealthier than their counterparts in Austria, Netherlands, Denmark, Finland, Sweden and UK. This assumption of high consumer spending, which was present in Ireland until 2007, has defined public expectations of social wealth including media/technology services. Per capita income provides a basis for understanding how Irish economic resources compare to those of other nations. This can be used to assess the potential for new broadcast services. The challenge in making such comparisons is the sharp and sudden change in Ireland from 2008.

**Figure 1.9** GDP per head 1996-2010



**Source:** Economic Outlook Annual and Quarterly Data

## 1.2 Irish broadcasting & media policy

### 1.2.1 Broadcasting Act (2009) and the role of the BAI

The **Broadcasting Authority of Ireland (BAI)** was established on October 1st 2009, following the enactment of the Broadcasting Act (2009), to ensure that the numbers and categories of broadcasting services made available in the State best serve the needs of the people of the island of Ireland, bearing in mind their languages, traditions and their religious and cultural diversity. The new Authority combines the work previously undertaken by the Broadcasting Commission of Ireland (BCI) and the Broadcasting Complaints Commission (BCC), and is a combined regulator for both public and private broadcasting. The BAI is funded through a levy on all broadcasters licensed in the State, including Public Service Broadcasters, (PSB) broadcasters.

### 1.2.2 Funding content:

**‘Sound & Vision’** is the BAI’s Broadcasting Funding Scheme, launched July 2005, to provide funding for high quality programmes on Irish culture, heritage and programmes to improve adult literacy across all terrestrial broadcasting services in Ireland.<sup>16</sup> The fund is a unique content model, which directs 7% of the TV licence fee towards a public service content fund. It is of benefit to any terrestrial broadcaster, either public or private, once it makes approved programming in a list of genres including history, arts, culture, children’s programming, literacy, sports and the Irish language. The key focus of the fund is to add to the pool of Irish content being made for Irish audiences.

Following the 2009 Broadcasting Act, the scheme was extended to offer funding towards programmes dealing with the themes of global and development affairs. The scheme’s fund was also increased from 5% to 7% of the licence fee. The scheme can be accessed by both broadcasters and independent producers and to date **over 50% of the radio spend has gone to community radio while 77% of the TV spend has gone to PSB television**, RTÉ and TG4. Independent producers must confirm that they have an agreement to broadcast, and broadcasters must confirm their commitment to broadcast the programme during peak time. By June 2010, Sound & Vision (I & II) schemes provided funding for 650 radio projects

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<sup>16</sup> The fund is established under the Broadcasting Funding Scheme (December 2003). The Scheme was launched with an accumulative value of €25 million and an average value of €8 million therefore injecting a significant cash boost into the both the broadcasting and independent production sectors from early 2006 onwards. Its value is now approximately €14 million.

for a total of €7.9 million, and for 292 TV projects for a total of €53.2 million. The fund is worth over €14 million a year, and is tied to the licence fee. Along with the required RTÉ independent production spend in radio and television it has significantly grown independent production funding.

Key programming outcomes for the fund include **Aifric**, the teenager soap-drama series in Irish for TG4, the history series **Cromwell (RTÉ)** and contributions to international films like **Hunger**. The fund supports the documentary strand in the national talk radio station, Newstalk, and is a prime source for the independent production unit in TV3. It has been the driving force behind the emergence of an independent radio production sector in Ireland. A consideration for the future of the fund and its long term impact would be the promotion of the export of Irish programming and ways in which content, funded through Sound & Vision, could generate on-going economic value which could return additional resources back to the fund and PSB content.

### 1.2.3 ComReg and integrated regulation

The Communications Act (2002) established the Commission for Communications Regulation, ComReg, which regulates the infrastructure of communications, including broadcasting. It deals with frequency allocations. ComReg's mandate is facing important changes due to European Union reforms in 2009.<sup>17</sup> There is support in the broadcasting sector for the merger of the BAI with ComReg to facilitate greater coordination on spectrum management and on the wider inter-relationship between broadcasting, digital technologies and online content. RTÉ, TV3 and Communicorp all favour a merger while ComReg advocates one. The digital dividend, the re-use of spectrum in the upper 700-800 MHz range freed as a result of the switch to digital broadcasting, is one of ComReg's priorities. On July 29<sup>th</sup> 2010 ComReg, in response to the Minister's commitment that Ireland would switch off analogue by 2012, issued a statement reflecting the view that commercial DTT would not use the assigned spectrum before analogue switch-off and this would allow it to move ahead with further planning for the use of that spectrum.<sup>18</sup> (*See chapter 3*).

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<sup>17</sup> These changes are linked to supporting net neutrality and public access to the Internet.

<sup>18</sup> July 20 2010. [www.comreg.ie](http://www.comreg.ie) 'Update on the availability of Ireland's Digital Dividend'.

## 1.3 The Irish television broadcasting market

### 1.3.1 Television services

The Irish television broadcasting market is largely defined by RTÉ, Ireland's public broadcaster, a dual-funded PSB. UK television services, such as the BBC, ITV, BSkyB, etc., are significant players in the Irish market and all, except the BBC, sell advertising airtime in Ireland. **RTÉ delivers two TV services and has a 41% primetime TV share. RTÉ One is the most popular service in Ireland (29%) while RTÉ Two has over 10% share.**<sup>19</sup> The first service targets a more mature audience. In 2009, more than 65% of RTÉ One's daily audience was at least 44 years old, while over 50% of RTÉ Two's audience was aged 15-44 years. TV3, the commercial independent service is the second most popular channel with over 13% share and targets a young audience similar to RTÉ Two. TG4 is an Irish language PSB service and has a small audience of 3%. In 2009, it had an average of 2% of those aged 15 to 44 years old and 3.5% of those over 44 years of age.

The terrestrial services, RTÉ One, RTÉ Two, TV3 and TG4, are also distributed via cable and satellite. All broadcasters established in the Republic of Ireland carry advertising and are subject to commercial code regulation.

The data for this analysis of television services consumption is based on the Nielsen Television Audience Measurement system.<sup>20</sup> This system provides information about the audiences of main services. From September 2010, TV audiences, under TAM Ireland, will also be measured for 'time-shifting' or non-linear viewing which will give a more holistic value to the television market both in terms of audiences and potential advertising revenue.<sup>21</sup> Nielsen's Arianna software system provides the analysis which is measuring television audiences not just to TV sets but also on the Internet and mobile devices.<sup>22</sup>

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<sup>19</sup> Nielsen Irish Terrestrial Audience. In Cable/Sat audiences RTÉ One has 19.4%, RTÉ Two has 7.5%, TV3 has just under 10% and TG4 1.4% (2010)

<sup>20</sup> <http://www.agbnielsen.net/whereweare/dynPage.asp?lang=english&country=Ireland&id=324>

<sup>21</sup> <http://www.tamireland.ie/>

<sup>22</sup> <http://www.agbnielsen.net/products/arianna.asp>

### 1.3.2 Consumption of TV services

Over the last ten years, the growth of TV3 has impacted on PSB audiences particularly RTÉ Two, which is also targeting a young audience (less than 44 years). Given the expansion of choice and competition over the last ten years, the share that watches RTÉ One's programmes, the most PSB of RTÉ's services, has held up reasonably well, but audience fragmentation will continue with increased DTT and wireless broadband services.

Over the last ten years, TV3 (+25% since 2000) and TG4 (+23.5%) have increased their respective shares while the audience of RTÉ Two has decreased (-28.6%) and the size of RTÉ One's audience has remained relatively stable (-6%) although gradually declining. Many of the UK based services have experienced dramatic changes, particularly Sky TV. In the first six months of 2010 services such as Sky 1 (-69%), UTV (-67%) and Nickelodeon (-68.5%) have lost more than two thirds of their audiences compared to the year 2000, while other services such as Sky Sports, Sky News, MTV, BBC 1 and BBC2 lost about half of their audience over the same period. In contrast, the share of audience for add-on/niche digital channels, like Dave, Alibi, Hallmark, Living TV etc, which Nielsen lists as 'other services', has increased substantially over the last ten years (+20% since 2000).<sup>23</sup> The Irish television marketplace is now more fragmented, and the combined share of audience going to these niche services has grown as digital choice has expanded, but despite this competition Irish terrestrial broadcasters enjoy relatively strong and stable audiences.

The audience for many of these new digital services is young (under 34 years) so RTÉ Two and TV3 are the stations most affected.<sup>24</sup> The cumulated audience share of Irish based television is currently about 40% on cable and satellite platform and has been relatively stable over the last ten years. However, the share of viewers of Irish based TV services (all platforms) decreased from 56% in 2000 to 49% in 2010 (Nielsen) or from 49.7 to 39.1% (European Audiovisual Observatory). **The cumulated share of audience of Irish and British channels selling advertising space to Irish agencies was about 80% in 2000 while it is now about 61% as a result of market fragmentation.**

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<sup>23</sup> For full list of all TV services available in Ireland see Figure 11.2.1 in Appendices

<sup>24</sup> See Figure 11.2.2 in Appendices on age profile of TV services.

**Figure 1.10** Irish Terrestrial Audience (Analogue), Shares (%)

	1996	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
RTÉ One	63.66	53.78	48.12	47.62	45.27	44.53	47.91	46.78	47.32	49.71	50.12	51.26
RTÉ Two	34.76	28.14	24.93	24.78	23.22	22.04	22.90	24.99	24.76	23.61	20.35	18.70
TV3	0.00	13.91	21.90	21.85	25.64	26.38	22.37	21.35	21.66	21.05	22.13	23.12
TG4	0.26	3.39	3.99	4.72	4.78	5.23	6.04	6.50	5.71	5.40	6.83	5.33
Other Services	0.64	0.46	0.46	0.62	0.76	0.60	0.40	0.28	0.30	0.16	0.53	1.47
Total TV	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Nielsen TV Audience Measurement, population "Individuals" (aged 4-99)

Notes: The year 1999 refers to the months of September to December; the year 2010 refers to the months of January to June included.

**Figure 1.11** Irish Terrestrial Audiences, Shares Multi-Channel (%)

	1996	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
RTÉ One	77.60	50.30	44.50	38.90	36.10	37.10	38.90	36.60	37.00	33.80	30.70	29.00
RTÉ Two	42.40	26.30	23.00	20.20	18.50	18.30	18.60	19.60	19.40	16.00	12.50	10.60
TV3	0.00	13.00	20.20	17.80	20.40	22.00	18.20	16.70	16.90	14.30	13.60	13.10
TG4	0.30	3.20	3.70	3.90	3.80	4.40	4.90	5.10	4.50	3.70	4.20	3.00
Other Services	0.80	0.40	0.40	0.50	0.60	0.50	0.30	0.20	0.20	0.10	0.30	0.80
Total TV	121.90	93.50	92.40	81.70	79.70	83.30	81.20	78.20	78.20	68.00	61.30	56.50

Source: Nielsen TV Audience Measurement, population "Individuals" (aged 4-99)

Notes: The year 1999 refers to the months of September to December; the year 2010 refers to the months of January to June included.



**Figure 1.12** Cable and Satellite Audience, Shares (both analogue and digital) (%)

	1996	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
RTÉ One	22.06	20.72	19.08	19.62	19.00	19.75	19.15	19.47	18.93	19.73	19.13	19.49
RTÉ Two	10.85	10.60	9.26	9.68	8.51	8.85	8.23	9.09	8.38	8.59	7.69	7.57
TV3	0.00	7.61	9.92	9.64	10.01	10.26	10.30	9.80	9.66	9.42	9.82	9.53
TG4	0.15	1.15	1.46	1.60	2.17	2.37	2.26	1.86	1.71	1.68	1.69	1.42
3e	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.52	0.86	1.03	1.09	1.46
Setanta Ireland	0.00	0.00	0.00	0.00	0.00	0.00	0.37	0.67	0.81	1.01	1.13	0.68
UTV	14.06	12.21	11.68	9.33	8.09	7.16	6.23	6.09	5.11	4.57	4.50	4.02
Channel 4	7.08	6.48	6.41	5.21	4.37	4.24	3.92	4.09	3.77	3.73	3.64	3.05
Comedy Central	0.00	0.00	0.00	0.00	0.00	0.00	0.70	0.94	1.02	1.29	1.33	1.04
Comedy Central +1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.62	0.46
Discovery Ireland	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.72
E4	0.00	0.00	0.00	1.60	2.51	2.07	2.18	1.90	1.66	1.75	1.54	1.38
E4 +1	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.52	0.47
E! Entertainment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.03	0.48
Living	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.37	1.73	1.91	1.50	1.21
MTV	1.49	2.05	2.02	1.10	1.28	1.90	1.59	1.31	1.25	1.29	0.97	0.45
Nickelodeon	0.09	3.59	3.46	3.23	2.14	1.91	1.59	1.73	1.40	1.36	1.08	1.13
Nick Jr	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.38	0.94	0.78	0.67
Sky 1	7.53	6.51	5.39	6.01	5.97	4.69	3.59	3.21	3.04	3.36	2.79	2.04
Sky News	2.80	2.37	2.48	2.18	2.99	2.38	2.54	1.95	1.81	1.66	1.44	1.14
Sky Sports 1	0.15	1.79	1.52	2.38	1.94	1.69	1.66	1.57	1.59	1.43	1.18	1.09
Sky Sports 2	0.00	0.00	0.03	0.43	0.49	0.97	0.82	0.74	0.71	0.73	0.62	0.52
Sky Sports News	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.22	0.67	0.71
BBC1	13.95	10.41	10.41	8.55	7.90	7.25	7.03	6.71	5.71	5.63	5.24	4.88
BBC2	5.36	4.97	5.11	4.59	4.75	4.22	4.02	3.59	3.27	3.06	2.91	2.77
Other Services	14.43	9.54	11.78	14.84	17.87	20.32	23.83	23.91	26.94	25.32	27.90	31.52
Total TV	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Nielsen TV Audience Measurement, population "Individuals" (aged 4-99)

Notes: The year 1999 refers to the months of September to December; the year 2010 refers to the months of January to June included.

**Figure 1.13** Total Cable & Satellite Daily Shares (Annual Averages) grouped by TV services' countries of establishment

	1996	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Ireland</b>	<b>33.06</b>	<b>40.08</b>	<b>39.72</b>	<b>40.54</b>	<b>39.69</b>	<b>41.23</b>	<b>40.31</b>	<b>41.41</b>	<b>40.35</b>	<b>41.46</b>	<b>40.55</b>	<b>40.15</b>
<b>Other (1)</b>	<b>66.94</b>	<b>59.92</b>	<b>60.29</b>	<b>59.45</b>	<b>60.30</b>	<b>58.80</b>	<b>59.70</b>	<b>58.11</b>	<b>59.39</b>	<b>58.40</b>	<b>59.27</b>	<b>59.75</b>
UK	52.51	50.38	48.51	44.61	42.43	38.48	35.87	34.20	32.45	33.08	31.37	28.23
Other Services	14.43	9.54	11.78	14.84	17.87	20.32	23.83	23.91	26.94	25.32	27.90	31.52

Source: Calculated from Nielsen TV Audience Measurement, population "Individuals" (aged 4-99)

Notes: (1) includes the 'other services', which are channels that do not sell advertising space to Irish agencies and other local channels that do not subscribe to Nielsen's services; (2) the year 1999 refers to the months of September to December; the year 2010 refers to the months of January to June included.

**Figure 1.14** Total National Daily Shares (Annual Averages) grouped by TV services' countries of establishment

	1996	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Ireland</b>	<b>53.79</b>	<b>56.31</b>	<b>55.96</b>	<b>55.16</b>	<b>53.74</b>	<b>54.88</b>	<b>54.17</b>	<b>54.58</b>	<b>53.30</b>	<b>52.07</b>	<b>50.50</b>	<b>48.85</b>
<b>Other (1)</b>	<b>46.20</b>	<b>43.68</b>	<b>44.06</b>	<b>44.83</b>	<b>46.26</b>	<b>45.13</b>	<b>45.82</b>	<b>45.09</b>	<b>46.53</b>	<b>47.86</b>	<b>49.33</b>	<b>51.07</b>
UK	37.69	37.15	36.11	34.79	34.15	31.39	29.68	28.53	27.39	28.67	27.58	25.35
Other Services	8.51	6.53	7.95	10.04	12.11	13.74	16.14	16.56	19.14	19.19	21.75	25.72

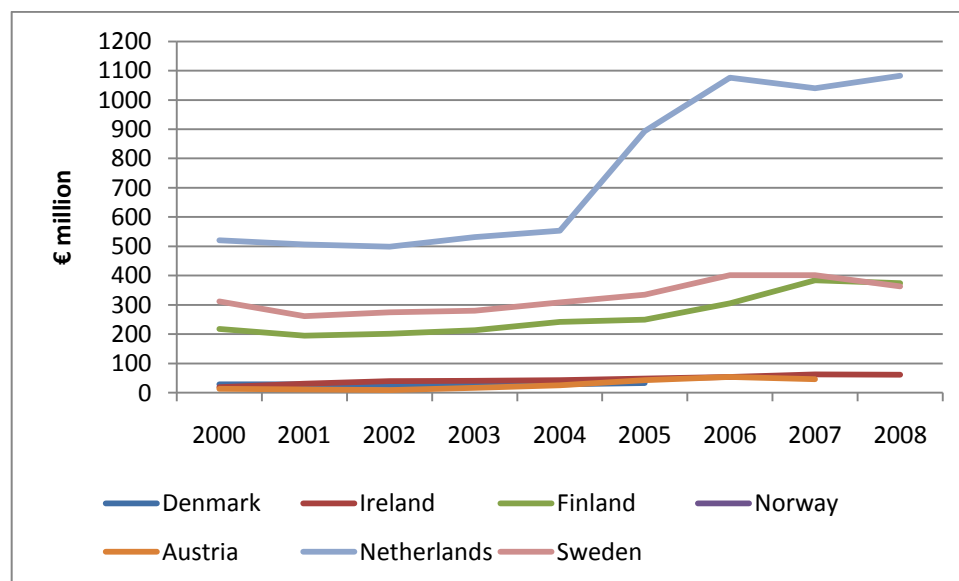
Source: Calculated from Nielsen TV Audience Measurement, population "Individuals" (aged 4-99)

Notes: (1) includes the 'other services', which are channels that do not sell advertising space to Irish agencies and other local channels that do not subscribe to Nielsen's services; (2) the year 1999 refers to the months of September to December; the year 2010 refers to the months of January to June included.

### 1.3.3 Revenue of TV services

Chapters 4 and 5 look at broadcasting economic models and revenue streams. Irish broadcasting companies have experienced falling revenues and some, like Setanta Sports, have gone through near collapse. In general the Irish television industry is marked by a weak domestic commercial sector (compared to other European landscapes) with significant external competition for audiences.

**Figure 1.15** EAO: Operating revenue of privately owned commercial TV



In looking at trends we see that the boom years provided strong revenue up until 2007. In fact, the cumulated operating revenue of Irish companies has increased by 8.6% between 2005 and 2006 (compared to 4.2% in Europe) and by 21.6% between 2006 and 2007 (compared to 1.5% in Europe). In Ireland, the private sector has produced better results in terms of revenue growth than the public sector: the cumulated revenue of private television companies in Ireland increased by 10.5% between 2005 and 2006 (RTÉ 9.5%), and by 16.4% between 2006 and 2007 (RTÉ 8.9%). There is still insufficient data on 2009 to see precisely how much the cumulative decline represents but all operators are reporting cuts, fewer staff and a fall in commercial revenue from 2008-2009.

**Figure 1.16** Operating Revenue of Television Companies in Europe (Euro mills)

	<b>Totals</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Ireland		396.9	429.2	466.3	567	559.9	a
	% change		8.1	8.6	21.6	-1.3	
Ireland, Private		43.0	48.5	53.6	62.4	61.6	a
	% change		12.8	10.5	16.4	-1.4	
EUR 27		56525.2	60031.8	62574.1	63498.3	60616.2	a
	% change		6.2	4.2	1.5	-4.5	
<b>Selected Companies (Ireland)</b>		<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
RTE Group			369.9	405.0	441.2	440.8	374.9 b
	% change			9.5	8.9	-0.1	-14.9
Media Partners and Silva Ltd						87.2	c
Setanta Sport PPV Limited					15.4		c
ESPN Global Ltd						10.3	c
SETANTA Sport (IRL) Ltd					4.8		c
<b>Selected Companies (Other)</b>		<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
ORF (AT)			999	917.6	952.9	943	a
	% change			-8.1	3.8	-1.0	
BBC Home Services (UK)			4478.9	4810.4	4288.8	3807.3	a
	% change			7.4	-10.8	-11.2	

Source: (a) European Audiovisual Observatory, 2009 Yearbook, (b) RTE reports, (c) Amadeus  
Note: Does not include autonomous public service radio companies, small regional, local or thematic channels or satellite packagers

The total spend on television advertising in Ireland has increased consistently from 1996 to 2007. According to the European Audiovisual Observatory (EAO) data, in 2009 an estimated €310 million was spent on TV advertising, a 60% increase since 2000.<sup>25</sup> Total spend on TV advertising has increased, on average, by over 10% per year from 1996 to 2007. The trend shows that TV advertising spend declined during previous economic downturns but that in 2009 the contraction in television advertising spend was close to 15%.

In order to understand the trend in the cost of TV advertising; we calculated average cost per thousands of viewers. As the 'volume' of audience increased relatively slowly between 1999 and 2009 most of the total expenditure's growth is explained by changes in the cost per viewer. In May 2009, RTÉ introduced a fixed-price mechanism around its advertising rates in an effort to stabilise declining revenue.<sup>26</sup> **Figures from April 2009 suggest that the 'cost per thousand' fell by close to 40% value.**

<sup>25</sup> The figures are based on Euro, current values.

<sup>26</sup> RTÉ CTP fell year on year by 38%

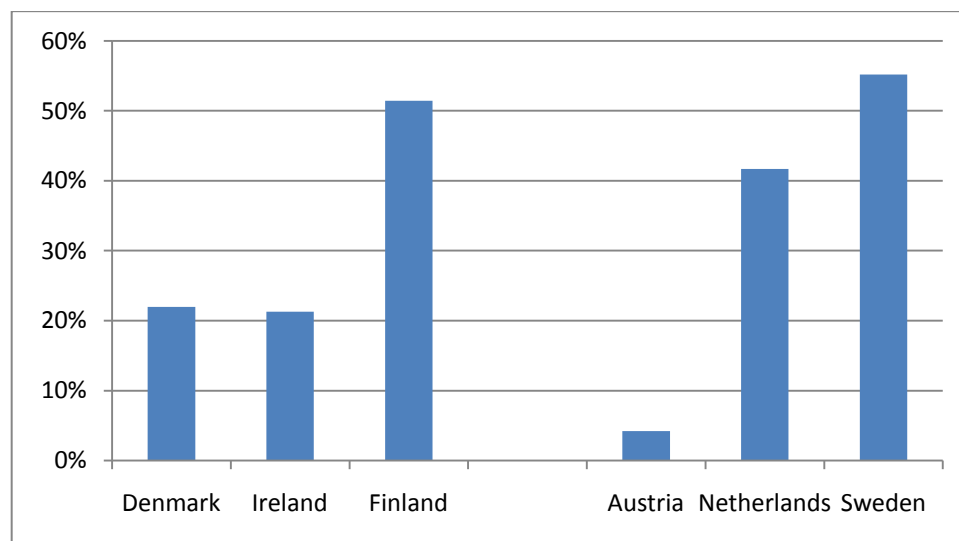
**Figure 1.17** Trends in Irish Television Advertising (1999-2009)

	1996	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
<b>TV Advertising (EUR Mill)</b>													
	116.3	167.8	193.6	190.6	200.5	189	229.1	278	316.4	373.3	363	310	a
% Change		44.3%	15.4%	-1.5%	5.2%	-5.7%	21.2%	21.3%	13.8%	18.0%	-2.8%	-14.6%	z
<b>Daily viewers per '000' of households</b>													
	451.6	442.1	440.2	460.3	453.5	455.2	472.8	485.3	498.6	523.6	530	543.4	b
% Change		-2.1%	-0.4%	4.6%	-1.5%	0.4%	3.9%	2.6%	2.7%	5.0%	1.2%	2.5%	z
<b>Advertising Cost per '000' of viewers (thousands)</b>													
	257.53	379.55	439.8	414.08	442.12	415.2	484.56	572.84	634.58	712.95	684.91	570.48	z
% Change		47.4%	15.9%	-5.8%	6.8%	-6.1%	16.7%	18.2%	10.8%	12.4%	-3.9%	-16.7%	z
<b>Consumer Price Index</b>													
% Change		1.7%	5.5%	4.9%	4.6%	3.5%	2.2%	2.5%	4.0%	4.8%	4.1%	-4.5%	c

Sources: (a) WARC; (b) Nielsen TV Audience Measurement; (c) CSO; (z) own calculation

RTÉ is the dominant player in television with just 21% of TV revenue going to the private sector (Figure 1.18). Only Austria, which also has a hybrid PSB, has a weaker commercial TV sector.

**Figure 1.18** EAO: Private owned commercial TV share of revenue; shows dominance of PSB



### 1.3.4 Content production

The share of indigenously produced feature, TV and short films; series, soaps and animation consumed by Irish audiences is lower than the European average. In 2008, 38.6% of programmes within these genres were produced in Ireland and/or by Irish companies. While domestic broadcasters like TV3 have actually increased domestic production above its requirement of delivering over 30% of home produced content, one point worth exploring in relation to 'Sound & Vision' is whether the fund is creating additional domestic content or simply subsidising what broadcasters should normally spend on home produced content. It would be worthwhile to do an economic and cultural analysis of the fund, and its operation. It is likely, however, that Ireland's lower than European average production is due to the limited market support for producers and channels.

**Figure 1.18** The origins of feature films, TV films, short films, series and soaps and animation broadcast in selected EU countries (2008)

2008	TOTAL EUR (including national)	National	EUR not national	not EUR	Total
AT	4894	377	4517	9234	14128
<b>IE</b>	<b>3826</b>	<b>457</b>	<b>3369</b>	<b>6084</b>	<b>9910</b>
NL	6690	1947	4744	8991	15682
EUR 15	222181	86212	135969	336349	558530
	TOTAL EUR (including national)	National	EUR not national	not EUR	Total
AT	34.6%	2.7%	32.0%	65.4%	100.0%
<b>IE</b>	<b>38.6%</b>	<b>4.6%</b>	<b>34.0%</b>	<b>61.4%</b>	<b>100.0%</b>
NL	42.7%	12.4%	30.3%	57.3%	100.0%
EUR 15	39.8%	15.4%	24.3%	60.2%	100.0%
<i>Source: European Audiovisual Observatory, 2009 Yearbook</i>					

### 1.3.5 Television platforms & other technologies

According to ComReg there are 1.5 million TV households in Ireland with 62% of Irish households receiving digital television (via satellite or cable) while 77% receive TV via either analogue or digital satellite/cable/MMDS.<sup>27</sup> The dominant satellite operator in Ireland is the UK based provider BSkyB, which had 578,730 subscribers (53% of pay TV market) by the first quarter of 2009. The cable market is dominated by UPC Ireland which had 450,100 subscribers by the end of 2008.

<sup>27</sup> ComReg quarterly 4 2009

While most cable and satellite subscribers are moving to digital platforms, there has been little development in the IPTV and mobile television markets. There are three operators (Magnet networks, 3Play Plus, and Smart Telecom) in the IPTV market, but the number of subscribers is still relatively low (23,000 in 2008). The mobile television market is still in its early stages: the first commercial mobile television trial in the DVB-H format was launched by Arqiva and O2 at the beginning of 2007 but further developments are slow. In **Chapter 2, Services to Market** and **Chapter 3, Digital Broadcasting** we look at digital services and the potential for IPTV and mobile television.

## **1.4 Irish radio broadcasting market**

### **1.4.1 The radio landscape and services**

The Irish radio marketplace is dominated by RTÉ Radio in the national space but has over 50% of the market with local/regional radio. The latest JNLR (Joint National Listenership Research) shows 86% of the Irish public listening to radio daily (slightly down on the previous survey and a decline of 4% in ten years). Ireland remains one of Europe's strongest audiences for radio with a particular emphasis on speech radio. Ireland's local radio market is quite distinctive compared to its European neighbours.

**According to Nielsen, Irish radio takes nearly 10% (approximately €100 million) of advertising spend.**

Since 2000, the radio market has experienced an expansion of choice at all levels; community, local, regional and national; and consequently the market share is being spread across a wider range of services with significant reductions in RTÉ's radio as competition develops. Expanded choice across the last ten years, along with a growing population, has grown radio listening, increasing from 228 minutes a day in 2005 to 255 minutes a day in 2009.

The late arrival of private, national competition (through the launch of Radio Ireland/Today FM) meant that local radio flourished in Ireland and many local stations have very high market share and broadcast a strong mix of local news/current affairs/speech and sports programming. According to the JNLR the top four local radio stations boost local market share above 50%; Highland Radio in the North West (64%), Tipp FM 55%, Radio Kerry 53.6% and Mid West Radio 51.5%.

Beyond RTÉ the main commercial radio company in Ireland is now Communicorp which owns the national station Today FM (reach 14%) and the quasi-national Newstalk (reach 7%) as well as local and regional stations. In recent years, the sector has gone through significant consolidation and ownership changes and a small number of media businesses play a significant role in the sector. Chapter 2 looks at who owns radio in Ireland.

**Research shows that Irish radio businesses, prior to the recession, were performing well.**

**Of 22 Irish radio stations reported in 2007-2008 the average station had a turnover of €10.9 million, an operating profit margin of 4%, €14.5 million in assets, and a solvency ratio of 41%.<sup>28</sup>**

Like television, radio broadcasting has been affected by the reduction in spend on advertising in the last few years. Although the revenue generated from advertising grew very rapidly between 1998 and 2007 (+14% per year), its decline during the economic downturn was also sharp (-11.5% between 2008 and 2009). The most recent additions to Irish radio, in particular the adult speech station 4FM, targeting the 45+ market, are the businesses which are most adversely affected by the current recession. While 4FM is suffering, another new addition, Nova, has just launched. This Dublin rock-orientated music station shares an ownership profile with 4FM and is currently offering 'free' advertising, for its first 9 month period, in advance of listenership figures.<sup>29</sup>

Digital radio remains a challenging transition, not just in Ireland but across Europe, and FM will continue to be the dominant radio platform for the next 5 years. RTÉ Radio offers a DAB portfolio of services including RTÉ Choice, adult orientated and Junior, a children's service. There are no Irish commercial operators participating in DAB broadcasting.<sup>30</sup>

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<sup>28</sup> Amadeus financial data. Amadeus is a financial data base of 1.4 million European companies.

<sup>29</sup> According to advertising industry.

<sup>30</sup> Shaw & O'Neill Digital Radio For Ireland, BCI 2009.



### 1.4.2 Radio consumption

**Figure 1.19** Ireland's Radio Market. Main services' audience shares (2000-2009)

12 month - 7am/7pm - Population: All Adults, National JNLR

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>ANY RADIO</b>	100	100	100	100	100	100	100	100	100	100
<b>ANY NATIONAL</b>	57	56	57	54	53	49.5	49	52.4	50.4	49.4
% change		-1.8	1.8	-5.3	-1.9	-6.6	-1.0	6.9	-3.8	-2.0
<b>ANY RTE RADIO</b>	49	47	46	44	43	38.6	36	36.6	36	35.5
% change		-4.1	-2.1	-4.3	-2.3	-10.2	-6.7	1.7	-1.6	-1.4
<b>ANY RTE1/2FM/LYRIC</b>	49	47	46	44	42	38.2	35.5	36	35.3	35.1
% change		-4.1	-2.1	-4.3	-4.5	-9.0	-7.1	1.4	-1.9	-0.6
<b>RTE RADIO 1</b>	27	26	26	25	24	22.2	20.9	21.6	21.9	23.4
% change		-3.7	0.0	-3.8	-4.0	-7.5	-5.9	3.3	1.4	6.8
<b>RTE 2FM</b>	19	19	18	17	17	14.4	12.9	12.8	11.8	10.1
% change		0.0	-5.3	-5.6	0.0	-15.3	-10.4	-0.8	-7.8	-14.4
<b>RTE LYRIC FM</b>	2	2	2	1	2	1.6	1.7	1.7	1.7	1.6
% change		0.0	0.0	-50.0	100.0	-20.0	6.2	0.0	0.0	-5.9
<b>TODAY FM</b>	8	9	10	9	10	10.9	12.1	12.5	10.9	9.9
% change		12.5	11.1	-10.0	11.1	9.0	11.0	3.3	-12.8	-9.2
<b>NEWSTALK</b>								3.4	3.5	4
% change								2.9	14.3	
<b>ANY REGION/LOCAL/M-CITY</b>	43	44	43	46	47	50.5	51	47.6	49.6	50.6
% change		2.3	-2.3	7.0	2.2	7.4	1.0	-6.7	4.2	2.0
<b>HOME LOCAL STATION</b>	38	40	40	41	41	44.8	45.3	41	41.9	40.2
% change		5.3	0.0	2.5	0.0	9.3	1.1	-9.5	2.2	-4.1
<b>OTHER REGIONAL/LOCAL STATION</b>	5	4	4	4	5	4.8	4.6	4.9	4.6	5.1
% change		-20.0	0.0	0.0	25.0	-4.0	-4.2	6.5	-6.1	10.9
<b>Listeners ('000')</b>	2963	3017	3071	3123	3218	3301	3398	3483	3526	3529
% change		1.8	1.8	1.7	3.0	2.6	2.9	2.5	1.2	0.1
<b>MEAN NUMBER OF MINUTES</b>	224	230	230	227	225	228	225	227	234	237
% change		2.7	0.0	-1.3	-0.9	1.3	-1.3	0.9	3.1	1.3
Source: Various JNLR reports										

Over the last ten years RTÉ Radio has seen its share slide from nearly 50% to just over 35%, reflecting increased competition and market fragmentation. When Today FM was launched it was targeting a 16% share but has settled just below 10%. More stations are surviving on smaller slices of the audience. Communicorp's two national services target under 45 years (similar to RTÉ 2fm) while RTÉ Radio 1 remains the number one station with over 23% share (Figure 1.19) and the most popular programmes from Morning Ireland (7-9am) to the day-time chat and phone shows like Liveline.

### 1.4.2 Radio advertising

**Figure 1.20** Total advertising expenditure on the Irish radio market

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
EUR Mill	35.2	34.9	43.6	48.8	54.9	69.5	64.7	87.1	90.6	105.5	124.1	140.3	148	131
% change		-0.9%	24.9%	11.9%	12.5%	26.6%	-6.9%	34.6%	4.0%	16.4%	17.6%	13.1%	5.5%	-11.5%

**Source:** EAO. This shows the dramatic growth in radio revenue from 1996 and the downturn from 2007.

Radio advertising in Ireland has grown significantly in recent years reflecting the economic boom as well as the impact of increased competition and choice in the radio market, particularly at national level. Nielsen estimates that radio advertising share is now equivalent to online, at about 10% of the total spend. The level of Internet advertising is growing rapidly and both Nielsen and PricewaterhouseCoopers predict that Internet spend will continue to grow in the coming years and see revenues shift not just from print but also from radio.<sup>31</sup>

Several local radio operators describe a 60% fall in commercial revenue in 2009 and a direct impact of the falling radio revenues has been increased discounting with some services offering up to 70% discounts off their rate card. Scott Williams, Chairman of IBI and CEO of Dublin's Q102, puts it bluntly claiming pirate radio stations in the 1980s were delivering more cost per unit than some licensed operators today. While 2009 was extremely challenging for local radio, 2010 shows local radio advertising stabilising but all radio media sales are described as a discount battle. Newcomers, like 4FM, have so far failed to find an audience and a commercial life.

One of the factors affecting the radio market is the poor metrics available on radio advertising, particularly in the local radio market. While there is a clear sense that radio operators are suffering from two years of recession, there is little agreement that at present the radio market is over-supplied. However, there is little support for new services with advertising agencies saying they see no room for new offerings when others are failing.

<sup>31</sup> IAB/PricewaterhouseCoopers July 27<sup>th</sup> 2010 2009 'Online Advertising in Ireland approaches the €100m threshold'.

### 1.4.3 Digital Radio

DAB services are provided by RTÉ Radio but no progress has been made on digital radio since the commercial sector withdrew from the DAB trial period in November 2008. There appears to be less than 30,000 DAB radio sets in use and in 2009 Internet radio sets frequently sold more in Irish retail stores than DAB ones. In the UK, however, there are now over 11 million DAB radio sets in use (35% of homes) and digital listening accounts for a quarter of radio consumption.<sup>32</sup> In Ireland the commercial sector maintains it wants to see a policy statement from the BAI and a new coordinated trial, potentially in DAB+.<sup>33</sup> The renewal of radio licenses in 2012-2013 offers an opportunity to plan and incentivise digital radio.

While DAB may not be a significant force in Irish radio, most operators offer online services, including streaming and many provide on demand audio services like streams and podcasts. RTÉ Radio estimates it gets 500,000 to a million podcast downloads a month. Social media and smart phone applications have also become part of the daily life of broadcast radio in Ireland.

**Figure 1.21** Radio Services with Internet Streaming

List of Radio with Internet Streaming

RTÉ Radio 1	Dublin	Country Mix 106.8	Dublin	Northern Sound	Monaghan
RTÉ Radio 1 Extra	Dublin	Dublin City FM	Dublin	Ocean FM	Sligo
RTÉ Radio 2	Dublin	Dundalk FM	Dundalk	Phantom FM	Dublin
RTÉ Lyric FM	Limerick	East Coast FM	Bray	Power FM	Dublin
RTÉ Raidió Na Gaeltachta	Casla	FM104	Dublin	Q102	Dublin
RTÉ 2XM	Dublin	Galway Bay FM	Galway	Radio Kerry	Tralee
RTÉ Choice	Dublin	Highland Radio	Letterkenny	Raidió X	Dublin
RTÉ Gold	Dublin	i102-104fm	Galway	Red FM	Cork
RTÉ Junior	Dublin	Inishowen Community Radio	Carndonagh	Shannonside FM	Longford
RTÉ Pulse	Dublin	KCLR 96FM	Kilkenny	South East Radio	Wexford
4FM	Dublin	KFM	Naas	Spin 103.8	Dublin
Athlone Community Radio	Athlone	Life FM	Cork	Spin South West	Limerick
Cork's 96FM	Cork	Live 95	Limerick	Storm 106	Dundalk
98FM	Dublin	LMFM	Drogheda	Tipperary Mid-West Radio	Tipperary
Beat 102-103	Waterford	Mid West Radio	Ballyhaunis	Tipp FM	Clonmel
C103 North	Mallow	Mid West Irish Radio	Ballyhaunis	Today FM	Dublin
C103 West	Bandon	Midlands 103	Tullamore	WLR FM	Waterford
Clare FM	Ennis	NewsTalk 106-108	Dublin		

Source: Picard

<sup>32</sup> Ofcom. Communications Report August 2010. (Two thirds of this is DAB and one third is direct via Internet).

<sup>33</sup> Digital Radio for Ireland, BCI (2009). (This position has been echoed in interviews with radio sectors for the review).

## 2. SERVICES TO MARKET

### 2.1 Introduction

One of the key concerns for the BAI is the appropriate match of services to the Irish public and broadcasting market. The Broadcasting Act 2009 mandates the Authority to

- a) **Ensure that the number and categories of broadcasting services** made available in the State by virtue of this Act **best serve the needs of the people of the island**, bearing in mind their language and traditions and their religious, ethical and cultural diversity.
- b) **Stimulate the provision of high quality, diverse and innovative programming** by commercial, community and public service broadcasters and independent producers.
- c) Provide for the **provision of open and pluralistic broadcasting services**.
- d) **Promote diversity in control** of the more influential commercial and community broadcasting services.<sup>34</sup>

The Act, in the same section, also requires the Authority to ‘produce regulatory arrangements that are **stable and predictable**’.

*The Ox Report on Radio Licensing* (2004) recommended maximum spectrum utilisation given that as much as 25% of FM spectrum was not allocated to the provision of services. In that review Ireland had a lower number of services available compared to other small nations and the study recommended increased competition and choice. The subsequent roll-out of new radio licences saw new services at quasi-national, regional, local and community level. The recent period has also seen the availability of additional RTÉ DAB services for children, young people and adult audiences. The increased availability of radio services coincided with dynamic growth in both audiences and commercial revenue.

As mentioned, the Irish broadcasting landscape is still maturing and has experienced national competition for just over ten years. The economic boom years saw significant upsurges in revenue for both public and commercial services (particularly from 2004-2006) and the sector expanded in terms of output, employment and operating costs. The economic

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<sup>34</sup> Section 25 (1) (2) (3)Pg 33 of Broadcasting Act 2009

crisis since mid 2008 has seen dramatic declines in revenue, but not audiences, for both radio and television.

In two years of recession all services have experienced cutbacks, job losses and some; notably those which have launched in the last two years; are financially distressed. Consequently, attention is being focussed on whether the broadcasting marketplace is saturated or whether new services, like Nova, are sustainable. Nova is a classic rock station aimed at the Dublin region and commuter belt, and it has 45% shareholding in common with 4FM.<sup>35</sup> Given that a new rock station, Phantom FM, is struggling, and that shareholders are currently being faced with putting more money into 4FM, the question is why it is launching now and not postponing. The perception in the market is that an operating radio licence has potentially more value as an asset to sell on and the current speculation around 4FM's future highlights that view.<sup>36</sup>

While incumbents often make the case that the market is 'over-supplied' and resist more competition, in reality most believe the market can sustain diverse competitive choice but that the current financial crisis is threatening the viability of immature services which are literally running out of cash reserves. The potential failure of some recent launches is likely to re-open the question of consolidation in the marketplace and the need for the regulator to explore the balance between '*diversity in control*' with the need to ensure the stable provision of services to the public. On the other hand, failure is part of any functioning market and weak business models are not a reason to adjust regulation.

While the BAI is mandated to regulate the terrestrial broadcasting services available to the Irish public, and to ensure the appropriate match to the public's needs, it is important to reflect that the extensive choice of audio-visual services available via digital or online does not come under its remit. The BAI's role is to ensure the availability of diverse, high quality Irish content to Irish audiences, but in looking at the match of services to the market we need to see the full range of digital and Internet services and the increasing on-demand, mobile choices available to citizens and consumers.

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<sup>35</sup> <http://www.nova100.ie/shareholders.html> (Vienna Investments, Bay Broadcasting are shareholders in 4FM)

<sup>36</sup> This view of licences as 'real estate' encourages investors to put money into projects with no short to medium return on the basis that they see the return as being a future sale. The €200 million achieved by EMAP in 2007 for its interests fuels that belief

## 2.2 Irish services & ownership

The Irish broadcasting market is defined by a handful of players, predominantly Irish businesses from the island of Ireland. Irish entrepreneur, Denis O'Brien's company, Communicorp, is the most significant commercial player in the Irish radio landscape. TV3, owned by international venture capitalists Doughty Hanson, is the key private company in television. Ownership of broadcasting media is regulated by the BAI but cross media issues, such as media mergers, also come under the Competition Authority.

### 2.2.1 Ownership regulation

The BAI operates its Ownership and Control Policy under the remit of the Radio and Television Act 1988, the Broadcasting Act 2001 and the Broadcasting Amendment Act 2007. Until a further review is taken, the BAI is currently operating under the BCI's **Ownership and Control Policy** (2008). Under this the regulator assesses the concept of 'undue' interest or control by measuring the number of services (or licences) which any one operator has control or a substantial interest in. The current threshold states that any number over 25% is unacceptable while levels between 15-25% are considered by the regulator. When Communicorp bought EMAP's radio holdings Today FM, FM104 and Highland Radio for €200m in July 2007, it already had control of Newstalk, 98 FM and Spin FM. The BCI agreed to the sale of Today FM but not FM104 and the Competition Authority approved the deal on the basis that FM104 was bought but sold on to UTV.<sup>37</sup> While this effectively capped Communicorp's radio interests, the supply of radio services has expanded with new licences so it opens the way for Communicorp to consider new radio interests; including newcomers like Phantom FM and 4FM.<sup>38</sup>

Ownership and cross media controls are common across Europe but the area is long overdue a full review in Ireland and needs a fresh look at consolidation and the rationale behind the current measurements. The value of a local radio licence compared to a national one is not measured in the current Irish system and a more accurate measure of value would be the number of people potentially reached by a service. On a positive note, further consolidation in the radio market could lead to stronger niche services, particularly if content and genre regulation remained in place. The ability of a financially strong group to offer add-on choices in music and age/ethnic demographics is easier given economics of scale and cost efficiencies, and needs to be part of the way in which a small country can increase choice.

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<sup>37</sup> Irish Times July 24 2007. Shaw. H 'O'Brien bidding to rule the airwaves'. Op-editorial on deal.

<sup>38</sup> 4FM is owned by Vienna Investments, TCH (Thomas Crosbie Holdings), Bay Broadcasting and the Irish Times.

A ratio of 30% of any services in one company is more in line with international practice and allows for both competition and diverse ownership. An alternative to consolidation through ownership is to facilitate the development of programming networks, independent of ownership, that produce economies of scale beneficial to broadcasters and maintain media plurality.

Despite earlier interest by UK radio players like Virgin, Scottish Radio Holdings, Capitol and EMAP, the current landscape is defined by Irish business interests with limited cross holdings between the print and radio sectors. Communicorp's Denis O'Brien is now a 20% shareholder in Independent Media Group, the largest newspaper company in Ireland, and this is likely to focus attention on any further expansion of the Communicorp Group in radio.<sup>39</sup> TCH, Thomas Crosbie Holdings is behind the Examiner newspaper group and radio shareholdings and the Irish Times is a shareholder in the multi-city licence 4FM. There is limited cross interest between broadcast television and radio and this could be an area for joint ventures which could assist growth and efficiencies in both broadcasting models without an overtly negative impact on the diversity of content.

## 2.2.2 Key commercial broadcasting groups in Ireland

### 2.2.2.1 Radio

**Figure 2.1** Ownership Chart: Companies holding more than one radio broadcasting licence. Majority shareholders own more than 50% of the shares

	<b>(quasi)National</b>		<b>Regional</b>		<b>Local</b>	
	Majority	Minority	Majority	Minority	Majority	Minority
RTÉ	4					
Communicorp Group Limited	2		1		2	
Thomas Crosbie Holdings			1	1	1	3
Wilton Radio Limited			2			
UTV (ROI) Limited					3	
Bay Broadcasting Limited				1	2	1
Des Whelan				1	2	
Vienna Investments Limited				1	1	
Clare Community Radio Holdings PLC				1	1	
<b>Total Licences</b>	<b>2</b>		<b>5</b>		<b>25</b>	

**Source:** BAI Data August 2010 (compiled by authors)

<sup>39</sup> Irish Times, June 23 2010. 'O'Brien increases stake in Independent to 20%'

## **a. Communicorp**

Communicorp is an Irish based international radio and media business. Its founder and owner is telecoms entrepreneur, Denis O'Brien, who runs Digicel, an international telecoms business with major interests in the Caribbean. He founded the company in 1988 with the deregulation of the Irish radio market and later launched 98FM, the first station in this group, and one of the first local stations in Dublin.

Communicorp is the largest commercial radio operator in Ireland and it has a global radio network of 42 stations in 9 countries; predominantly in Central and Eastern Europe and the Middle East. In Ireland it operates two national licences; Today FM and Newstalk (the quasi-national); two local Dublin licences, 98FM and Spin 103; as well as the regional licence Spin South West which is based in Limerick. Communicorp is headed by CEO Paddy Halpenny.

Communicorp's Irish radio services all target under 44 age groups. Its two national stations hold under 14% of combined national share (Newstalk 3.9% and Today 9.6%).<sup>40</sup> In 2009 in response to the downturn, the company cut staff numbers from 443 (August 2008) to 346 (May 2010)<sup>41</sup> and implemented pay cuts ranging from 5-10% with Newstalk, the national speech station, losing over thirty jobs. Significant cost cutting and job reduction measures have taken place across all its output to compensate for falling radio advertising revenue which was approx €10 million down in 2009 (from a projection of €53million to €43million). Its 2008 company accounts showed an operating profit of €7.6million which was pulled down to an €3.8million loss largely due to acquisitions.<sup>42</sup> Its international radio business continues to perform better than Ireland as many of those economies have been less severely hit by the global recession.

## **b. UTV**

UTV Radio Solutions is owned by UTV Media plc, a major broadcast media business based in Belfast, Northern Ireland. It operates twenty radio stations in Northern Ireland, the Republic of Ireland and Britain. UTV bought FM 104 from Communicorp in January 2008 and also runs Cork's 96FM, Dublin Q102 (previously Lite FM), LMFM (Louth/Meath local station) and Limerick's Live 95FM. UTV also operates U105 in Belfast, a service aimed at adults aged 40+ and in competition with BBC Radio Ulster. UTV runs UTV television which is broadcast across the island and available on the UPC cable network.

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<sup>40</sup> JNLR May 2010

<sup>41</sup> Data provided by Communicorp July 2010 to the review group.

<sup>42</sup> Irish Independent, Nov 28 2009. 'Communicorp posts record €7.6mil in operating profits'.



UTV says up to 60% of its turnover now comes from its radio business along with much of its profit. In 2009 Irish radio business revenues were down by 16% and the Irish radio businesses generated a turnover of just under €25 million. It reported a £2 million (€2.4 million) profit drop in its 2009 figures, reflecting the declining advertising market reducing its company profit to £18.1 million. (€2.2 million) <sup>43</sup> UTV's ROI radio holdings represent quite stable and mature services. Dublin FM 104 has a 10.5% share of the lucrative Dublin market (JNLR May 2010) while Cork 96FM/C103 has a 43% share. Q102 has 9.4% share of Dublin giving UTV the third and fourth most popular radio stations in Dublin after RTÉ Radio 1 (31.8%) and Communicorp's 98FM (11.6%).

### **c. TCH Ltd (Thomas Crosbie Holdings)**

TCH Ltd is a media business based in Cork City which has grown from the Crosbie family and its operation of the traditional print group led by The Examiner newspaper. Today the company has 17 newspapers including 3 national and 14 regional. It also runs the online portals RecruitIreland.com, Breakingnews.ie and Motornet.ie and has shareholdings in regional and local radio including 4FM, the multi-city service launched in 2009. Its radio interests are in the regional service Beat 102-103, Cork local service Red FM, local service WLR and Mid-West Radio. TCH Ltd is understood to be seeking a buyer for its share in 4FM. <sup>44</sup>

TCH's radio holdings are Red FM, a youth orientated local station in Cork, delivering 10.3% share, above Today FM's 9.9% and RTÉ 2fm's 6.2%, while its regional station Beat FM in the south east, delivers over 12% share. Beat, the oldest of the emerging regional network, is performing well in a highly competitive market but needs to take more of a slice from locals in the region to stabilise. WLR has a solid 43.5% share in its district while Mid West Radio has an impressive 51.5% and both represent the traditional speech and music adult-orientated mix of local radio. 4FM with just 2% reach and barely 1.5% share has made little impact in its first year. The bulk of its audience is male and nearly half of its daily audience is under its target demography of 45 years, according to JNLR.

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<sup>43</sup> BBC March 23 2010. 'UTV reports £2 mill fall in profits.'

<sup>44</sup> The Irish Times, October 2 2010. '4FM terminates employment of Chief Executive'

## 2.2.2.2 Television

### a. TV3 (Doughty Hanson & Co)

TV3 was launched in September 1998 by a consortium including CanWest, a Canadian global media corporation. It was Ireland's first national private TV channel and marked a watershed in Irish broadcasting. By 2000 Granada Media Group had bought a 45% share and that opened ITV franchises to the service, including the mass audience soap *Coronation Street*. When Carlton took over ITV in 2004 the Granada shareholding shifted to Carlton. By 2006 CanWest made it clear it was selling its share-holding and subsequently venture capital company, Doughty Hanson & Co bought out the CanWest and ITV/Carlton shares at €103m each. In January 2009 TV3 re-launched as the TV3 Group including 3e which was created following the take-over of Channel 6, a cable TV entertainment service launched in 2006.

According to Nielsen audience research data, TV3 has an adult audience share of over 12% (Jan-May 2010), the second most popular TV service in Ireland after RTÉ One (25.8%). It puts its advertising loss at -13% on 2009 over 2008 and says it has reduced its headcount by 20% with 20% salary cuts, in order to trim its costs. It maintains it has increased home production to nearly 40% (including sport) and is making e3 work. TV3 now says it is aiming to push its home production to 50%.<sup>45</sup>

It is currently planning a new studio build at Ballymount, at a cost of approximately €2-3 million, creating a major digital studio which will allow it produce more audience based domestic shows. In the last Sound & Vision TV Round (announced June 2010) TV3 received 18% of TV Funding, a significant increase, and the station maintains it plans to increase its bid for funding to support home production. Successes for TV3 in recent years have been the Irish version of 'The Apprentice', and the development of 'Xposé', an evening entertainment show produced in Ballymount. It also continues to hold key ITV rights for mass audience programming like *Coronation Street* and *X-Factor*.

TV3 has successfully lobbied to get the increase in TV commercial minutes and in a presentation to the Minister, Eamon Ryan, on June 23<sup>rd</sup> 2010, entitled '*How TV can be the first industry to recover*', it outlined its wish-list including removing advertising completely from RTÉ One. It also sought the separation of RTÉ from RTÉ NL and the subsequent re-

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<sup>45</sup> Irish Times 'Channelling enthusiasm' 20 August 2010., New shows include Irish derivative versions of 'Come Dine With Me', 'Take Me Out' etc.

launch of commercial DTT, led by TV3.<sup>46</sup> TV3 reports a 7% growth in advertising in the first half of 2010 (compared to 2009).

TV3's owner, Doughty Hanson & Co, is a London based European private equity firm with investments in property, technology and media. It has over 118 acquisitions worth €28 billion and in its annual review 2009 shows TV3 with a turnover of €54 million (down €10 million on 2009) and 213 staff. It reports advertising for the station as down 13% (with audience growth of over 3%) as against a market fall of 29% in TV advertising. It reports its home production as over 30% with an additional 50% from Europe (largely UK).<sup>47</sup>

## **b. Setanta Sports**

2009 was a disastrous year for Irish sport media company Setanta Sports. The company was founded in 1990 by Irish entrepreneurs Michael O'Rourke and Leonard Ryan, with the concept of specialising in sport content from online to broadcasting. It had grown rapidly and had established a multi-million international base in the UK and America with a range of ten satellite sports channels including Setanta Sports Ireland. Investors included Doughty Hanson & Co, owners of TV3 who bought a 21% share on behalf of the TV3 Group in 2007. In February 2008 US sports media group ESPN reportedly attempted to buy the company but a deal did not happen.<sup>48</sup>

By June 2009 the company was put into administration after failing to pay instalments for international sports rights and the enterprise faced collapsed as it confronted over €261 million in bank debt. Setanta Sports was part of the failed OneVision DTT consortium with TV3 and Eircom. By July 2009, while the UK business was lost along with €500 million in shareholder value, Setanta Sports Centre Ireland emerged with Gaiety Investments taking 60% and the original founders (O'Rourke, Ryan and Mark O Meara) re-emerging as Sabloss Ltd and retaining 40%. Half the workforce at the Irish centre was made redundant, about 45 jobs, but Setanta is gradually re-building its business and both its Ireland and North American channels are licensed under the BAI. The company received a boost when it beat BSkyB to air 33 premier matches in Ireland last season. Setanta Ireland's CEO, Niall Cogley,

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<sup>46</sup> TV3 gave a copy of this and other documentation to the review in July 2010. The presentation also costs the Irish regulation impact on TV3 as a loss of €12.2 million compared to what it defines at EU 'best practice' in which it would gain €11.8 million. A key element of this is its view that RTÉ is pricing adverts below cost but it also challenges sponsorship and product placement codes which have impacted on shows like Vincent Browne and The Apprentice.

<sup>47</sup> Doughty Hanson Annual Review 2009. [http://www.doughtyhanson.com/DH\\_AR09.pdf](http://www.doughtyhanson.com/DH_AR09.pdf). In his Irish Times interview David McRedmond reports a 20% fall in advertising but this appears to be an aggregate figure 'from peak to trough'.

<sup>48</sup> <http://www.rte.ie/business/2008/0211/setanta.html>

has recently resigned the role to start a new business for the company.<sup>49</sup> Setanta and the company's founders are likely to continue to play a role in Irish broadcasting and particularly in digital media services.

### **c. City Channel**

City Channel is headed by David Harvey and is a network of cable television services in Dublin, Waterford and Galway. City Channel launched in Dublin in October 2005 and is based in Sandyford. The Dublin City Channel service has a potential reach of 500,000 on UPC.

## **2.3 Additional digital TV services**

The Broadcasting Act mandates the establishment of a Film and Oireachtas Channel as part of new digital terrestrial services. The funding of these new channels is not defined. It is likely that the BAI should tender or offer the licence for the delivery of these services to the market to see who can produce a potential business plan and production model for the delivery of such services. It is possible that a public-private consortium could emerge to deliver such services. TV3 maintains it can deliver the Film Channel on a commercial basis with a view to an international market.<sup>50</sup> An open licensing process could establish whether there is a market for such services and how they can be delivered in a sustainable model. The alternative is they become part of a PSB media model and are funded via the licence fee. By August 2010 the Joint Oireachtas Committee had already indicated that an Oireachtas Channel might be shelved due to economic considerations.

## **2.4 Digital services**

### **2.4.1 DAB – new multimedia audio services?**

While DAB is not a priority for the commercial radio sector or the policy-makers, the issue of how radio goes digital has to be grappled by the regulator. RTÉ currently delivers additional DAB services but without any significant investment in content creation. These services are also available on-line. While the commercial sector currently sees investing in DAB as a financial burden it has also stressed it wants to be involved in the digital future of radio and in the provision of new services. Communicorp says it wishes to see digital radio on the agenda and wants to see the regulator respond to the need to shape policy on the issue. Preparing for terrestrial platform launches and new content is part of the company's

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<sup>49</sup> The Irish Times, June 26<sup>th</sup> 2010 'Chief Executive of Setanta quits'

<sup>50</sup> David McRedmond interview with H.Shaw for this report.

strategic plan. Niche DAB or DAB+ services could be free of some of the regulation facing FM services to promote innovation and investment by the larger broadcasting groups. They could equally be attractive as audio channels for non-traditional radio players coming from the print sector (Irish Times etc) or from broadcasting television (TV3/Setanta/City), although cross-media issues would arise.

#### **2.4.2 DTT – new video services?**

While analogue switch-off has been confirmed by the Minister, there are few new services on offer for viewers. RTÉ's emphasis has been on HD services as an incentive to build on the fact that people viewing at home want higher definition quality. For DTT to succeed as a platform it needs to offer more; some level of innovation in product creation and delivery may come from outside the traditional broadcasters.

#### **2.4.3 IPTV – mobile television services**

IPTV involves delivering television services over the Internet using broadband infrastructure. IP voice services like Skype show the transformational nature of broadband-enabled communications. IP television is one-to-one, unlike mass broadcasting systems which is one-to-many, but provides an additional resource in parallel with terrestrial broadcasting systems. Ireland has nearly 500,000 mobile broadband users, and a growing penetration of smart phone users, expected to reach 500,000 by the autumn. Additional services in IPTV could be shaped by the changing consumption demand patterns for personalised content on-demand which interact with users and could therefore create new revenue streams based on paid subscriptions, as in the iPhone /iPad applications model of iTunes. IPTV services do not require BAI licensing.

The IPTV global market remains tiny with just a 5% share of multi-channel TV and 2% penetration of households.<sup>51</sup> The key IPTV countries are France, US, China and South Korea. Where growth is happening is in small nations where some of the standard TV platforms are absent or weak like Iceland, Qatar, Cyprus, Slovenia and Croatia. The DTT weakness in Ireland may present that opportunity. In the UK, BT Vision is an entertainment-led IPTV model. Content agreements with broadcasters like BskyB (in sport) and with music and film studios are shaping its video-on-demand offering. In August it announced a new service with

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<sup>51</sup> Informa (WBIS) Telecoms and Media (2010) [www.intelligencecentre.net](http://www.intelligencecentre.net)

US network, ABC; which is owned by Disney; called ABC TV On Demand, offering shows like *Desperate Housewives* and the back catalogue of *Lost* to its half million subscribers.<sup>52</sup>

#### 2.4.4 Online

In **Chapter 7, The Shift Online**, we look at how the Internet, and broadband-enabled Internet, is transforming the media. It is important in any discussion on the availability of services to market to reflect the growing choice available online, from international and domestic suppliers, both broadcasters and non-broadcasters. In Ireland online offers providers the ability to create channels of content without the need for licensing or content compliance. Communicorp is planning online-only audio stations while new media providers like Balcony TV provide video channels online. The growing layer of webcasts, podcasts and on demand audio and video may currently have a low commercial value but, with growing access to high speed broadband and smart phones, the market for such content will continue to grow<sup>53</sup>. Tommy McCabe of IBEC's Audiovisual Federation describes the new opportunities in the digital content business as 'immense'. He says *'a revolution is taking place, being driven by market demand, online video, wireless and mobile content and computer games'*. McCabe says there are two roads converging *'the content producers and the telecoms providers'*. Games like Modern Warfare 2, which Irish company Havok helped create, sold 4.7 million copies on day one and according to McCabe and digital media author, John Kennedy, these are the trends which are shaping the content future.<sup>54</sup>

### 2.5 Changing audiences

In Chapter 1 we saw how Irish society is changing; becoming more diverse, in ethnicity, religion and culture. Surprisingly, few broadcasting initiatives have been made to the changing dynamics of Irish society. There is little content available in languages other than English/Irish, and no local or community services offering specific choices to minorities, whether new communities such as the Polish, or established minorities, like the Irish Travellers. Beyond the RTÉ DAB service, Junior, there is no non-music radio service for children or young people since RTÉ 2fm now serves 25-45 year olds. There is a need to examine both the commercial and the public service opportunities in the changed Irish social landscape. In the current model, the delivery of services is defined by providers. A more

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<sup>52</sup> August 26 2010. 'BT ABC for UK VoD service' [www.c21media.net](http://www.c21media.net)

<sup>53</sup> Tech Crunch, August 2010, reports smart phone app market as worth \$2.2billion

<sup>54</sup> Kennedy, J 'How Ireland can develop a thriving digital media sector', Digital Media July 2010.

flexible approach to innovation and licensing could stimulate more targeted offerings for specific groups.

## **2.6 Recommendations**

### **2.6.1 Review of licensing process in advance of 2013**

The renewal of radio licences in 2013 offers a unique opportunity to the BAI to review the licensing process in advance of that renewal stage. Issues which should be considered include incentivising licence-holders to innovate and participate in digital radio. It also offers an opportunity to examine the way in which licences are issued and the way in which licence-holders are regulated in terms of management, content and commercial activity. From late 2010 the BAI should begin the preparation work for this review, in consultation with the stake-holders and the public. The BAI needs to maximise the benefits from the renewal process and to shape an efficient system which could promote self-regulation, avoids compliance micro-management and stimulates growth. The process needs to promote investment in broadcasting while enabling the sector to adapt to a digital future.

### **2.6.2 Ownership and control**

The BAI policy on ownership and control in broadcasting is due a review and positive decision-making in this area can promote and stimulate a dynamic broadcasting environment which will generate domestic content, services and employment. Clearly any such review is required to be conscious of the legislative need to protect media and broadcasting plurality.

### 3. DIGITAL BROADCASTING

#### 3.1 Introduction

Since the mid 1990s, broadcasting technology and policy has been dominated by digital and the transition to digital terrestrial broadcasting for both radio and TV. In Europe analogue switch-off for television is scheduled for 2012, and many countries have already managed the switchover to DTT, while in radio DAB (and now DAB+) has been the primary digital terrestrial platform. Digital transition for both radio and television has been challenging, often due to the cost involved. In radio DAB has failed to lead a European digital switch-over and the future for radio is more influenced by online than terrestrial broadcasting.

In Ireland the Government is committed to implementing DTT and meeting its ASO deadline, but the challenge for Ireland is that the majority of viewers are already on digital platforms, either satellite or cable, and at this stage the commercial venture for DTT has failed. RTÉ will launch its DTT network, 'Saorview', by October 2010, with 90% coverage at an estimated cost of €70 million.<sup>55</sup> It is also the sole provider of DAB services.

#### 3.2 Competitive struggles amongst platforms

Since the emergence of cable and satellite television services, there have been struggles amongst platforms to increase their attractiveness to audiences and to draw market share from terrestrial television. These struggles have affected content producers, broadcasters, platform operators and regulators attempting to fashion socially optimal broadcasting systems.

In the first competitive struggles between terrestrial broadcasters and cable operators, broadcasters controlled the highest quality contemporary programming, while cable operators primarily competed by offering a wider variety of channels and providing premium movie channels.

As cable matured and satellite services emerged, the nature of the struggle shifted as greater subscription and advertising revenues allowed cable networks to begin offering higher quality programming. In this competitive phase, terrestrial, cable and satellite operators began struggling for exclusivity of content that would drive audiences to the

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<sup>55</sup> RTÉ. August 3 2010. 'RTÉ to invest €70 million in digital TV.'



platforms. Gaining exclusive rights to first broadcast runs of motion pictures, sports, music and other events became a primary goal.

In this environment, producers of content and rights holders, particularly sports, sought to maximise their returns across the platforms and platform operators sought to maximise their returns by gaining market power through exclusivity. This led to negotiations based not only on transmission rights, but exclusivity rights, which dramatically pushed up costs of some content; especially sports rights.

As cable achieved a larger audience share, broadcasters that had previously been opposed to carriage of terrestrial signals on cable began asking for 'must carry' rules to require cable operators to carry terrestrial channels.

The digitalisation of terrestrial, cable, satellite, and broadband platforms has created multiple opportunities for distribution and is creating a new environment in which competitive struggles are taking place among platform operators. At stake are the significant potential gains from paid video-on-demand services and IPTV. Platform operators; DTT, cable, satellite; and telecommunications firms that offer broadband services, are now seeking to ensure that they are not competitively disadvantaged compared to other operators. Operators that control or have high market power over platforms; especially broadband links and systems needed for advanced services or interactive DTT services; will have significant advantages in the next generation of services. Consequently, there is a great emphasis by major platform operators on acquiring access to all platforms and services through ownership, alliances and joint ventures.

The trajectory and outcome of this competitive struggle is particularly important for regulators because it will have a significant impact on the range of services and costs for services available to the public. These developments have significant importance for the relationship between content producers and platform operators because the means of compensation is likely to evolve from current transmission rights and exclusivity rights to one involving revenue and/or profit sharing models. This has implications for the funding of contemporary terrestrial television programming.

### 3.3 DTT in Ireland<sup>56</sup>

State policies on digital television in Ireland began over fifteen years ago. Initial strategies involved the proposed development of a national platform with the broadcast regulator coordinating public and commercial broadcasters' involvement (Department of Arts, Heritage, Gaeltacht and the Islands 1995). A change of government in 1997 brought a shift to a more market-led strategy. The cable network, Cablelink, was privatised and RTÉ, a share-holder in Cablelink, was encouraged to divest itself of the terrestrial transmission network with the view to digitising it. From 1998, BSkyB, operating from London, began offering the same direct-to-home digital services that were available to its UK customers, with a subsidised set-top box to promote subscription.

The economic downturn in 2000-2001 undermined the potential market for the sale of the terrestrial network and subsequently DTT was shelved. RTÉ retained ownership of the network and its own digital plans were postponed. By 2004 the Irish Government once again committed itself to the implementation of DTT on the basis that it was essential for the independent delivery of terrestrial broadcasting services to the Irish public. Despite the growing dominance of BSkyB in the delivery of digital TV, the policy view has been that DTT is an integral part of the future of broadcasting and the delivery of Irish content to Irish audience.

In 2008 policymakers chose to develop a hybrid platform which would offer the existing Irish terrestrial services, along with a proposed parliamentary channel and Irish film channel, free-to-air. The winner of the commercial multiplex licences, Boxer TV, returned the licence in April 2009 citing 'prevailing and anticipated economic difficulties' as the key reason. The runner-up, OneVision, a consortium owned by Eircom, Setanta, Arqiva and TV3, was later accepted as the licensee. Financial difficulties at both Setanta and TV3 led to a restructuring of the consortium, with Eircom emerging as the majority shareholder. This delayed OneVision's participation in DTT. By May 2010, following protracted negotiations with RTÉ NL on the network, it informed the BAI it was not proceeding.<sup>57</sup>

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<sup>56</sup> This section, on the background to the development of DTT in Ireland, is drawn from Dr Ken Murphy of DIT's work on DTT and his study 'Digital television policy and regulatory neutrality in small western states: Ireland, Greece, Finland, Austria and New Zealand' (Intellect 2010).

<sup>57</sup> A third party review, conducted by a former telecommunications regulator, tried to assist the breakdown in RTÉ and OneVision negotiations.

RTÉ is legally bound to launch DTT and by October 2010 the RTÉ multiplex will be operational and will carry TV3, as free to air. What is not clear is where the funding will come from for the additional digital content or for the public advocacy and marketing to drive switchover.

While the impact of the global recession, and the direct financial performance of broadcasting businesses like Setanta Sports and TV3, are factors in the collapse of a commercial DTT ventures, TV3's CEO, David McRedmond, believes the real barrier was RTÉ's continued control of the terrestrial network. In McRedmond's view this perceived conflict resulted in both commercial ventures being unable to close a deal on transmission costs. Communicorp's Paddy Halpenny, who was part of the Boxer negotiations, said he understood RTÉ's position, and its need to generate revenue from the network, but RTÉ control of the network is a barrier to developments in both digital radio and television.

*'In the Irish market where most people already have digital television via BSkyB or UPC the only differential is cost; so we need to be able to offer a DTT package which is cheaper, significantly cheaper, in order to compete',* says McRedmond who maintains that commercial DTT could still happen if the issue of transmission cost is addressed.

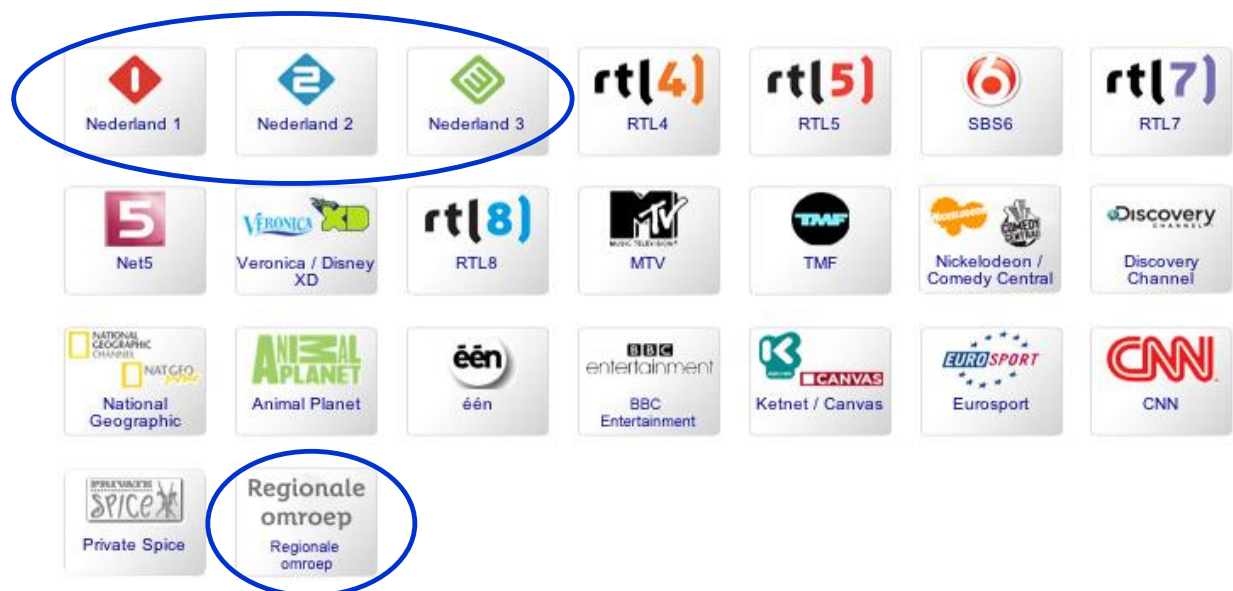
To date, the transition to digital television in Ireland has been quantitatively successful in that most people have moved to digital provision via satellite or cable. It is DTT which remains the challenge. Yet if DTT goes ahead without commercial involvement the question will be what does this indicate for the future of DTT in Ireland and equally what is the policy intention for the spectrum

**The BAI policy decision needs to take a long term view, beyond the immediacy of the current economic recession, and consider the impact of any proposed release of spectrum, and the potential digital dividend, on both the long term future of Irish broadcasting and broadcasting competition. An evaluation and cost benefit analysis is required.**

### 3.4 DTT Experience in the Netherlands

In the Netherlands, the broadcasting network for terrestrial radio and television was operated by a special entity 'Nozema', which was originally owned by the state (50%) and the public broadcasters. As a result of the introduction of cable television the position of analogue terrestrial TV waned; the terrestrial network could distribute only the three national public broadcasting stations and one regional public station, whereas cable networks offered 25 to 40 channels in a standard package. DTT was launched in 2003 by a consortium consisting of Nozema and the incumbent telecom operator KPN (the JV was named 'Digitenne'). Digitenne offers a package including the most popular channels.<sup>58</sup> It had to compete with cable networks so subscription rates are rather low. (Figure 2.1) Because KPN wanted to launch a mobile service (DVB-H), the shares of Nozema were sold to KPN in 2006. KPN had a strategic reason for this acquisition: cable operators were taking away KPN's fixed-line and Internet clients by offering very competitive packages consisting of cable television/radio, Internet and telephony. By offering DTT KPN increased its competitiveness and could offer mobile telephony on top of the 'triple-play' package.

**Figure 2.1** DTT package offered by KPN's Digitenne. Circled stations are PSB and can be received free of charge. The total package (23 TV + 19 radio stations) costs € 8.50 per month (July 2010)



<sup>58</sup> The must-carry package of DTT is limited to the national public broadcasters and one regional public channel. For the other channels a subscription fee needs to be paid. The fee is lower than the fee for cable networks.

Analogue switch-off was accomplished by 2006. This process was rather straightforward as government research showed that less than 77,000 households (1.1%) relied on the terrestrial platform for their main TV reception, whilst second sets accounted for another 220,000 analogue terrestrial TV receivers.

In early 2009, telecom regulator, OPTA, published a report on the broadcasting market. By mistake the report contained information that was classified 'company confidential'. Part of the confidential information was a statement by KPN indicating that in 2008 DTT had not become profitable, although there were already 600,000 subscribers.

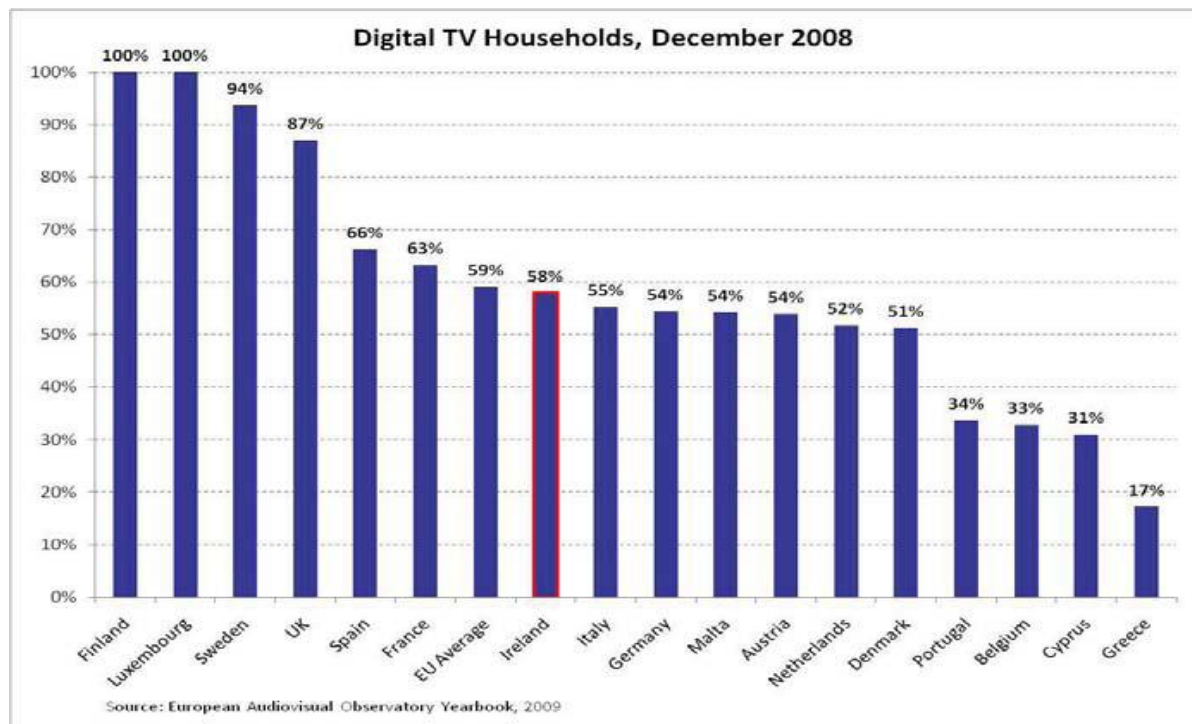
Although revenues per subscriber in Ireland may be higher than in the Netherlands, it is worth noting that network costs in Ireland will be higher since the land area is larger (70 thousand km<sup>2</sup> versus 41 thousand km<sup>2</sup>). Therefore, it is questionable whether there is a market for introducing more than one DTT network operator in Ireland.

### **3.5 Issues affecting DTT in Ireland**

The difficulties that continue to threaten the development of DTT in Ireland include:

- A reduced potential market for DTT. Less than 22% of television households rely on analogue terrestrial TV. This is a significantly reduced market and shows a potential lack of demand for DTT. This has been exacerbated by its late launch and the shift to satellite and cable digital solutions.
- A lack of new content to make the free-to-air DTT offering attractive. At present, the free element of DTT will offer the existing terrestrial channels.
- No commercial DTT platform.
- The ownership of the terrestrial network by RTÉ is referenced as the number one blockage to the development of commercial DTT projects since 2007.

**Figure 3.1** Digital TV households in EU 17



**Source:** ComReg Q3, 2009

Complete digital switchover cannot occur until all households have a digital service.

### 3.6 Conclusions re: DTT in Ireland

There has been a great deal of confusion in the Irish implementation of DTT but despite the issues, and the prevailing economic climate, Ireland maintains it will meet the ASO deadline of 2012. By mid 2010 at the time of this study RTÉ confirmed it was scheduled to begin offering digital terrestrial signals that could be received by at least 90% of the population in October 2010. The RTÉ NL transmission network is built and is currently testing 13 transmitters for that purpose. An additional satellite offering will be provided to cover 2% of the population. In order to receive the broadcasts, viewers will have to obtain set-top boxes. Those who do not will receive analogue signals until they are shut down. Questions remain over the funding for new digital content, including the proposed Film and Oireachtas

Channels mandated in the Broadcasting Act 2009, and the funding to promote digital switchover and public advocacy.<sup>59</sup>

Over-the-air reception of UK channels in Ireland is being affected by digital switchover in both countries. Ireland has concluded an agreement with the UK to coordinate switchover of broadcasting in Ireland and Northern Ireland and to provide for carriage of some broadcasts from each other.

Some observers judge DTT as a failure because of the reticence of the Irish commercial broadcasting sector to take up the spectrum allocated to it. However, the lack of success stems from short-term financial problems due to the recession and, more significantly, difficulties over RTÉ's control of the network and the conflict of interest that potentially presents on the cost of transmission.

The presence of Irish commercial broadcasters in DTT will help support RTÉ's investment in DTT as well as establishing a more viable alternative to the already dominant satellite and cable market. Research has shown that DTT tends to grow more rapidly where unique new channels are provided.<sup>60</sup> Consequently, it would be beneficial for Irish DTT if both PSB and commercial operators compete on the digital platform.

**Figure 3.1** Percentage of TV shares, by population (aged 4-99)

	Terrestrial Shares	Cable/Satellite Shares	Difference
RTÉ One	51.26	19.49	-61.97%
RTÉ Two	18.70	7.47	-60.05%
TV3	23.12	9.53	-58.78%
TG4	5.33	1.42	-73.35%

**Source:** Nielsen TV Audience Measurement

<sup>59</sup> By August 11 2010 the Houses of the Oireachtas Committee (JAC) indicated that the Oireachtas channel might be 'shelved' in favour of an online channel due to the economic downturn. Irish Times, August 11 2010 'Plans for Seanad, Dáil TV may be shelved'. In the Netherlands IPTV is being used for parliament broadcasts.

<sup>60</sup> Guy Bisson, Senior Analyst, Screen Digest, "Digital Platforms in the Age of Analogue Switch-off," presentation to TV Economics and Digital Switchover Seminar, London, 22 February 2008.

Decisions regarding digital terrestrial broadcasting are amongst the most important facing the BAI and the Department of Communications, as it is the one distribution platform over which Irish policy has the potential to define the future development of the broadcasting sector in Ireland.

From an international perspective, Ireland has the resources and capabilities to provide a range of broadcast-related services typical in smaller nations. However, it needs to exercise great care in its regulation of infrastructures and Irish broadcasting services to promote domestic cultural goals. The remit and structure of BAI is more contemporary than that in many countries and gives it an enhanced ability to respond to changes that are occurring and will occur in the broadcasting environment in the next decade.

Ireland needs to ensure that policies affecting DTT and broadband are designed to promote Irish broadcasters, and the provision of Irish content, and that these policies are coordinated with other supports for home production. DTT, and broadband, will be primary infrastructures on which domestic broadcasting is developed and can be re-transmitted on cable and satellite systems. DTT and broadband should be used to promote the positions of both RTÉ and domestic commercial broadcasters and policies regarding access to, and use of the infrastructures, should be balanced to ensure neither is disadvantaged.

Because of the fine balance of the domestic broadcasting system, DTT needs to be employed for both public service and commercial broadcasting and the provision of DTT infrastructure services should be neutral. The state should remove control of the transmission infrastructure from RTÉ to avoid any problems caused by that dual conflict of interest. A possible solution would be to transfer it into a state-owned firm or a public/private initiative. Such transformations have occurred in a number of nations in which DTT has been implemented for similar reasons.

In the coming years, broadband will increase pressure on Irish broadcasters as more channels from around the world are provided via IPTV and more video-on-demand services develop. This infrastructure could be used to deliver Irish content both at home and internationally. As providers develop to package and provide channels and materials, it is important that Irish material gains as much prominence as possible. This may need policy encouragement for joint ventures or alliances between RTÉ, domestic commercial broadcasters, content creators or similar ventures with external firms.



## **3.7 Digital broadcasting recommendations**

### **3.7.1 Create an independent terrestrial network entity**

RTÉ and RTÉ NL should be separated to ensure equal access within a competitive market. This can be achieved by moving RTÉ NL into a separate state body, given that in the current economic climate a sale may not be beneficial, or in the immediate short-term, requesting RTÉ to separate its corporate financial and network activities and to allow its transmission costing to be reviewed by an independent third party. In the medium to long-term the network could be operated as a public-private entity following the appropriate planning stages. While the Department has raised issues, such as debt and staff pensions in relation to this, our view is that the overall benefits to the broadcasting landscape far out-weigh any procedural issues. The status quo is seen as a continuing block on the development of digital terrestrial broadcasting in Ireland and the provision of an equitable, competitive market.

### **3.7.2 Funding the digital transition**

The issue of how new digital content or channels will be funded needs to be resolved to provide some security to the next phase of DTT. Equally the question of how the public information and advocacy campaign behind ASO is to be funded needs to be clarified and ideally this process needs to begin by October 2010 to coincide with the launch of the RTÉ services.

### **3.7.3 Digital radio**

We note the recommendations of the Digital Radio in Ireland Report (BCI 2009) and support the need for a combined PSB and commercial sector DAB+ trial, an independent cross-sector digital radio forum and a digital radio white paper. Digital platforms left solely to the PSB provider to service have proven weak across Europe. In both radio and television broadcasting there is a need for combined commercial and public service offerings in order to stimulate a viable market demand. In the current recessionary period commercial operators do not see the benefit of investing in digital but the coming two to three years could be used for combined planning and preparation work under the auspices of the BAI to ensure the radio sector is empowered to move forward and plan for the positive opportunities which digital can provide both in terms of services and market.

## 4. BROADCASTING ECONOMIC MODELS & REVENUE STREAMS

### 4.1 Introduction

Content connecting to audiences, to viewers/listeners or users, is the basis of all revenue in broadcasting. In Ireland the broadcasting landscape is defined by both public and commercial revenue and it has been shaped by the national broadcaster, RTÉ, and its position as a dual-funded PSB model, drawing roughly 50% of its income from the licence fee and 50% from commercial revenue. We look more closely at PSB funding in **Chapter 5, Public Funding & Broadcasting**, but for both RTÉ and the Irish commercial broadcasting sector the past two years have been defined by falling commercial funding and the need to respond by adjusting costs and developing new revenue streams. In this chapter we set out an economic model for broadcasting and the dominant revenue streams which support it including advertising, paid subscriptions, brand sponsorship and cross promotion. We look at how changing consumption patterns, enabled by digital technology, are affecting revenue and throwing up challenges like the regulation of product placement in programming and more fundamentally, the shift online in both consumption, production and revenue.

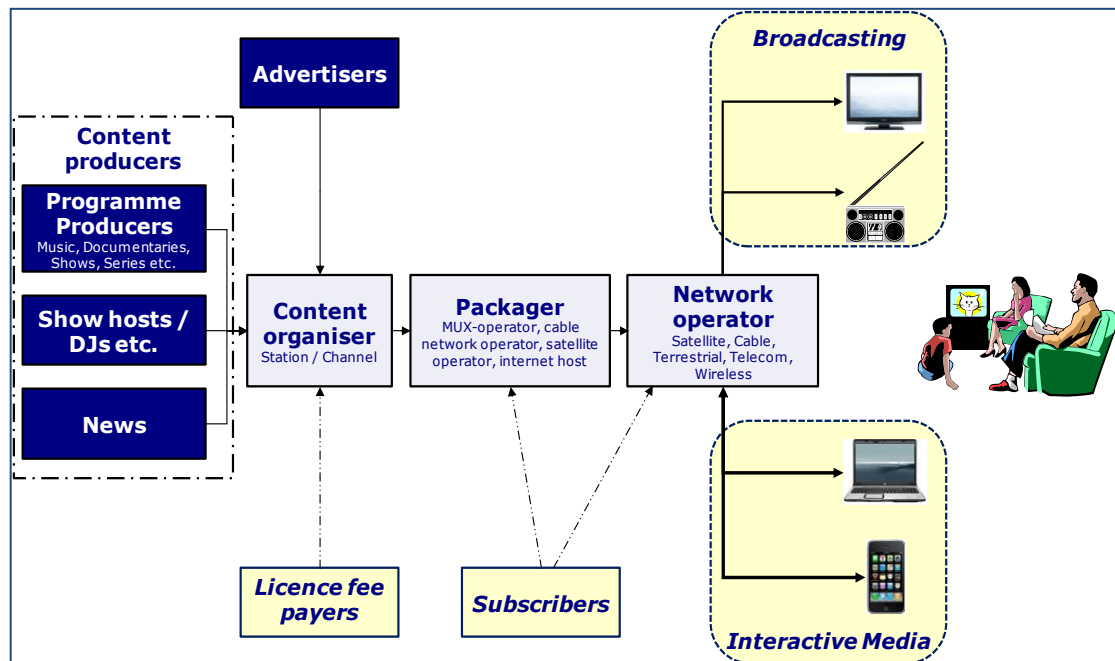
#### 4.1.1 Broadcasting economic model

In recent years the nature of broadcasting regulation has fundamentally changed because the number of broadcasting platforms increased via digital. Traditionally broadcasting could only be done by terrestrial transmission and the number of services was limited. The situation changed in the eighties with the introduction of satellite and cable networks and, two decades later, terrestrial digital networks as well as the Internet and mobile broadband networks. In addition the adoption of the first version of the European Directive, “Television Without Frontiers” (1989) resulted in an increase in the number of stations that households could receive; both foreign and commercial. More and more, the broadcasting landscape is shaped by digital technologies and economic mechanisms.

These developments focus a change from traditional ‘rule-based’ regulatory approaches to economic incentivising ones. With this, it is also good to define the scope of regulatory actions. Although the BAI’s remit is described in the Broadcasting Act, the wording leaves some freedom of interpretation which is in line with the new global realities of broadcasting and media.

This section outlines a generic economic model of the broadcasting market that can be used as a basis for the regulatory framework. The model integrates both traditional broadcasting systems and modern forms of narrow-casting and mobile networks.

**Figure 4.1** Broadcasting Economic Model (Abbink Spaink)



This graph gives a breakdown of various activities in TV/ radio broadcasting. For historic reasons the activities of the various parties are often conducted by one organisation (e.g. RTÉ), but in view of recent developments it is better to slice the activities of the big organisation into smaller units which may be open to competition.

Starting from the consumer/user the units are:

1. **Network operator.** Broadcasting signals are received via an antenna, satellite dish, cable, PSTN (ADSL), mobile data network (such as GSM, EDGE, UMTS, LTE and WIMAX). The network operator manages the infrastructure that gives broadcasters access to the audiences.

- 2. Packager/aggregator.** Most broadcasting infrastructures carry a variety of programmes from different sources; satellite and cable systems transmit many stations to the homes of viewers. Multiplexes in digital radio and television are another example. On the Internet social media sites, like YouTube, Facebook, are aggregators rather than direct content creators. A *packager* combines various programme streams into a ‘turn-key’ package offered to consumers. In broadcasting, the packager has a technical responsibility for standard programme formats and a commercial responsibility for creating packages that meet market demand. Cable network operators, like UPC, combine the functions of network operator and packager, but this situation is changing and becoming more competitive. In the Netherlands the telecoms authority moved to introduce more competition by obliging network operators with significant market power to carry the signals of packagers (similar to the rules in fixed telephony). The Swedish phone company, Tele2, tried to start a new business, offering cable subscriptions to customers of existing cable operators UPC and Ziggo.<sup>61</sup>
- 3. The channel scheduler/organiser.** These create and provide channels. They may create content but often buy it from the market. Digital channels like ‘Alibi’ or ‘Dave’ do not create content but broadcast acquired content. The content organiser offers a channel to packagers.
- 4. Content creators/producers.** Content creators are at the core of all broadcasting since they provide the content which may be broadcast in their own schedules (like RTÉ and TV3) but equally may be sold to other channel organisers as acquisitions.
- a. Programme producers can vary from producers of popular shows to special documentaries. In smaller countries a considerable share of the content is acquired.
  - b. Programme presenters/DJs etc., give programmes a face and voice. Often high value talent.

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<sup>61</sup>However, on August 18, 2010 the Court of Appeal decided to reject OPTA’s decision .

- c. **News.** News is often a brand distinction rather than a revenue stream. Some stations buy news from the market (Reuters, AP, newspapers, Google and other sources). Mainstream broadcasting stations often have their own newsrooms. Newspapers are also entering the audiovisual market by providing video and audio. Multimedia news apps, for mobile online use, are being offered by newspapers as well as broadcasters. The challenge for traditional content producers like ITV, BBC, and RTÉ is that online aggregators like Google are using their content to create revenue models.
5. **Advertisers.** Advertisers use the appeal of channels/programmes to reach consumers but also provide content (approximately one sixth of the viewing time on commercial stations is related to advertisements). Apart from direct advertising, advertisers provide sponsorship and cross promotion deals.

Traditional broadcasting organisations often combine various activities. For instance, RTÉ fulfils the roles of content producer, content organiser, packager (in the case of DTT) and network operator. In other countries (like the UK, France and the Netherlands) the role of network operator is often fulfilled by a separate organisation, either state or private. Apart from broadcasting activities, broadcasting organisations also generate income from other sources, such as publishing, archives or merchandise sales.

#### 4.1.2 Regulatory aspects

The trend in European broadcasting regulation is content, not infrastructure, focused. This is in line with sections 25 and 26 (1) (g) of the Broadcasting Act 2009. The BAI's role in infrastructures (like DTT) is limited to the objectives of ensuring '*that the number and categories of broadcasting services made available in the State ... best serve the needs of the people of the island of Ireland*', and '*the provision of open and pluralistic broadcasting services*'. Hence, the BAI promotes pluralism in the broadcasting sector and aims to create a vibrant market of diverse players with consumer choice. For instance, in the discussion on DTT the broadcasting objective is to find a solution that is attractive to consumers and which can compete with existing cable and satellite services. Consumers need to be offered choice with only one subscription/set-top box. Hybrid solutions in which RTÉ operates two multiplexes and commercial players employ the remaining multiplexes may only work if both services can be contained in one digital offering.

### 4.1.3 Economic aspects

The overall revenue model in broadcasting is relatively simple:

1. Licence fees or government contributions (PSB)
2. Content subsidies (as in 'Sound and Vision' top-slicing of licence fee or content funds)
3. Subscriptions
4. Pay per View (PPV) types of arrangements (especially for interactive media)
5. Advertising
6. Distribution revenue (transmission)
7. Brand sponsorship/cross-promotion/product placement

The relevance of the revenues depends on the entity.

**Figure 4.2** Relevance of different sources of revenues for various stakeholders (● = fully relevant; ○ = partly relevant)

Type of Revenues	Content provider	Content organiser	Packager	Network operator
Licence fee	○	●		●
Subscription			●	●
Pay per View etc.		●	●	○
Advertising		●	●	
Distribution	●	●		
Brand name	●	●		○

The nature of the financial arrangements generally depends on customer ownership and the market power of different players in the value chain. A new channel organiser will have to pay for the distribution of its programmes whereas a well-established and strong brand name (like CNN or Discovery Channel) can ask a fee for the distribution of its programmes: the inclusion of the channel in a package adds value that can be valorised by the packager or network operator.

In most cases the network operator is the 'owner of the customer' as this organisation controls access to the infrastructure. Other forms of customer relationships (like pay-per-view) occur in interactive media.

#### 4.1.4 How media economics can help (or hinder) the BAI

By understanding and employing economic mechanisms in the broadcasting sector the BAI can regulate the market efficiently and effectively. As a rule, regulation is needed only in areas where market mechanisms would result in situations that are considered not optimal and even undesirable for society. The next paragraphs discuss how market forces can support or hinder the BAI in fulfilling its objectives as set out in section 25 of the Broadcasting Act (2009)

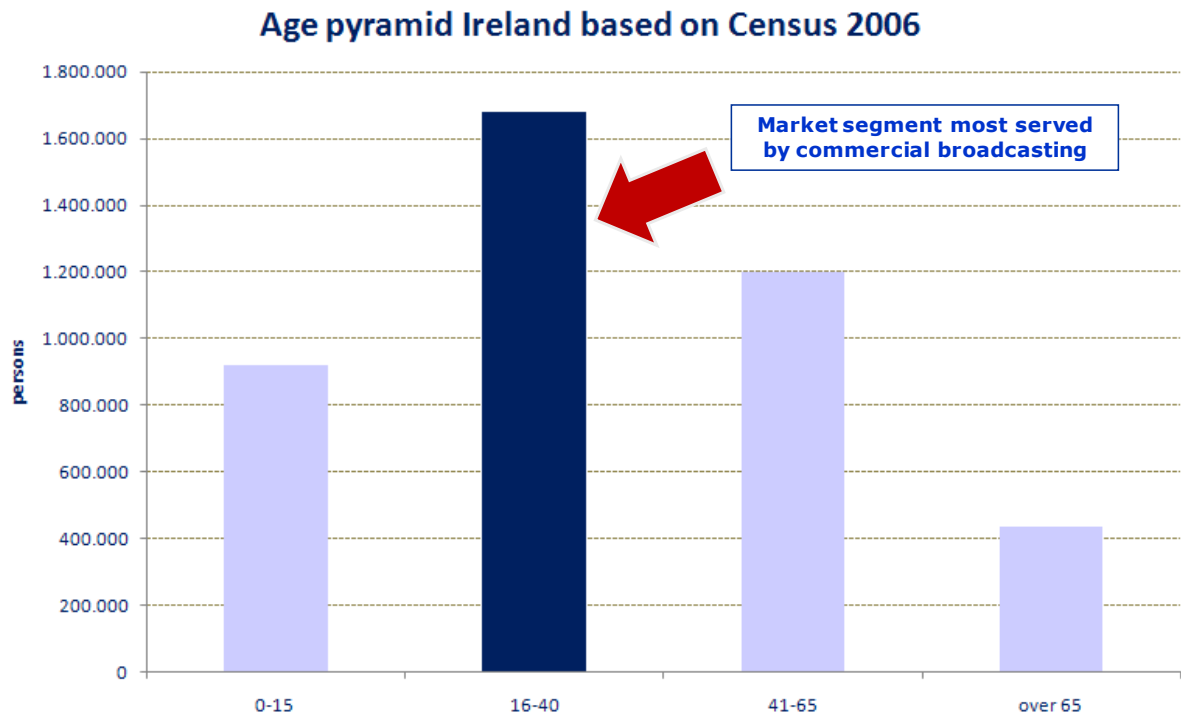
- a. Stimulating high quality, diverse, innovative programming*
- b. Facilitating public service broadcasters in fulfilling their public service objectives*
- c. Promoting diversity of station control in the commercial and community sectors*
- d. Ensuring that broadcasting regulation:*
  - (i) Sustains independent and impartial journalism*
  - (ii) Sustains compliance with employment law*
  - (iii) Protects the interests of children*
  - (iv) Facilitates a broadcasting sector which is responsive to audience needs and accessible to people with disabilities*
  - (v) Promotes and stimulates the development of Irish language programming and broadcasting services*

#### 1. Market forces are efficient in meeting the needs of specific groups in the audience

In a competitive economy businesses are challenged to maximise profits by meeting market demands, so in general the creation of a competitive environment will result in services that best meet customer needs. In the commercial broadcasting market both audiences and advertisers are customers.

Advertisers focus on the 25-44 age group because that is a key spending period in people's lives; buying houses, cars, starting families and socialising. Consequently commercial television and radio programmes provide more services for this age than others (cf. Figure 4). Regulatory action is needed to facilitate a sector which is responsive to the needs of all in society. Apart from age and class, society can also be stratified in other ways such as ethnic or cultural background, religion or education. The same line of reasoning applies to these stratifications: **the market will focus on the mass consumer groups and tends to neglect minorities or groups that are not valued by advertisers and brand marketing.**

**Figure 4.3** Commercial broadcasting focuses on the age category 16-40. Other groups get less attention or are not served



## 2. Regulatory options depend on market size

In order to increase consumer choice, regulators can stimulate competition by allowing more players to enter the market. Furthermore, by creating special format requirements in licences, it is possible to create stations that meet the needs of specific groups in the audience. However, such actions are restricted by the market size: commercial broadcasting organisations need to generate sufficient profit in order to keep capital providers (shareholders/banks) interested.

Format requirements generally result in higher costs and/or lower revenues, so the financial impact of special requirements needs to be analysed in advance: what are the expected effects on costs, audience shares and revenues?

If special stations are deemed necessary in view of the objective of facilitating diverse, or innovative programming while these services appear to be loss-making then a considered option may be to introduce subsidies for special stations and allocate licences by a “minimum-subsidy” procedure. That is, broadcasters are entitled to receive a subsidy,



reduced transmission costs, or lighter content regulation for operating the station, but the licence may be assigned to the party that requests the least amount of subsidy and nevertheless meets all requirements.

### 3. How many services can the market sustain?

One of the key issues for the BAI is the question of how many broadcasting services are feasible in a market of 4.3 million people. Obviously, for small nations it is more difficult to generate sufficient revenue for broadcasting services. But the concept of scale and market is changing and today more and more niche services are viable on smaller slices of the market.

Various factors determine the answer. Take television as an example:

- 1 The TV advertising market changes over time; the direction and the magnitude of the change is usually in line with economic peaks and troughs. Moreover, part of the advertising revenue is generated by international broadcasters and makes it more difficult to assess the market available for domestic stations. In Ireland the market for TV advertising is approximately €300m, i.e. €75 per inhabitant.<sup>62</sup> That is higher than the market in the Netherlands (€53/inh.) or Sweden (€54/inh.). However, the share of TV advertising is only 23% of the total advertising expenditure, while the European average is 43%<sup>63</sup>. **This suggests that Ireland could see increased television advertising revenues shifting from newspapers.**
- 2 The cost of a TV channel depends on the nature of the channel. Satellite broadcasters can produce low cost channels by establishing an international channel with local footprints for every country, buying productions (no original content) and using lots of repetition.<sup>64</sup> Annual costs can be kept at a level of approximately €10m. Costs rise when local productions are made (or bought) and the number of programme repetitions is reduced.<sup>65</sup> In those situations the cost level will increase to €70m and higher. However, due to digital developments, costs for producing original content have fallen. Costs are also influenced by whether the channel produces its own content or acquires it and whether it acquires new previously broadcast content.

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<sup>62</sup> EAO figure for 2009

<sup>63</sup> EAO. Nielsen puts TV currently at 25-30% of the advertising pie.

<sup>64</sup> Alibi, for example, buys detective series and runs repeats of popular series like 'Murder She Wrote' or 'Miss Marple'.

<sup>65</sup> According to RTE's annual report 2009 the total costs for its two TV stations were €228m in 2009. In the Netherlands the total costs for three PSB stations were €523m. RTL operated four commercial channels for approximately €300m. In the UK, the total costs of BBC's nine PSB-stations were €3,560m.

- 3 The budget available for PSB stations is largely determined by the number of households and is predictable with a range of €150 and €250. Nevertheless, the number of PSB services does not strongly correlate to the size of the country. For instance, France has just four national PSBs, Germany twelve, the Netherlands three, the UK eight and Italy four. PSB is a cultural variable.

By making a number of assumptions an impression of the maximum number of services can be obtained. If the minimum operational expenditure of a TV station with a substantial amount of local content is €70m and the total TV advertising revenue is €300m then the market can support up to four stations (*ceteris paribus*). A similar line of reasoning is applicable to the radio market.

A more accurate assessment of the maximum number of services would require an in-depth investigation of expected advertising expenditure, developments in the media-mix and the minimum costs of a broadcasting station that meets certain content requirements.

Because of the complexity of predicting the maximum number of services, many regulators focus on the removal of barriers to entry, such as spectrum, and leave it to the market to decide which stations will survive and what is the margin of operating revenue required.

#### **4. Synergies between legislation and market forces**

In some cases, it can be argued that market forces will point in the same direction as regulation. An example is the maximum time spent on advertisements, where research has shown that linear audience shares decline if stations spend more than 9-10 minutes in an hour on advertisements.

Enforcement is needed on matters where market forces may point in a different direction like: concentration of power, interests of children, special format requirements (in Ireland music/language and diversity of content).

#### **5. In a dual funded broadcasting model due attention must be given to public funding justification and the competitive position of PSB**

The licence fee was commonly derived from the total costs of the public broadcasting system (varying from content production to signal transmission) divided by the number of television households. With the advent of commercial broadcasting and the transmission of signals from foreign stations (satellite and cable networks) the position of the licence fee

was gradually eroded. Now, the ubiquitous presence of TV and radio receivers, on phones and laptops, reduces the validity of a receiver-based licence fee.

In the Netherlands it was decided to replace the licence fee system by a direct government contribution in order to save on collection costs (5-15% of the total revenues).<sup>66</sup> In the PSB sector the shift to state funding raised the concern of a loss of independence.

In dual-funded models the support of public broadcasting by licence fees or tax monies introduces a risk of market distortion; in that public broadcasters are exposed to lower risks while working in the same commercial market as private broadcasters. In situations where PSBs make commercial profit it can be unclear whether the PSB status is being maintained.<sup>67</sup>

PSB services provide a service that meets the needs in society that will not be served otherwise. For instance, the fact that RTÉ 2fm is 100% commercially funded does not mean that it should be sold off, or transformed into a commercial station, as a commercial organisation would operate to maximise profits. This could imply that the format of the station is changed and that a considerable part of the present RTÉ 2fm audience would not be served. However, if RTÉ 2fm is already addressing the group that is most valued by advertisers (25-44) then the PSB status is questionable from the perspective of fair competition.<sup>68</sup> RTÉ own defence is that it has to be permitted to do wholly commercial activities which ultimately fund PSB content.<sup>69</sup>

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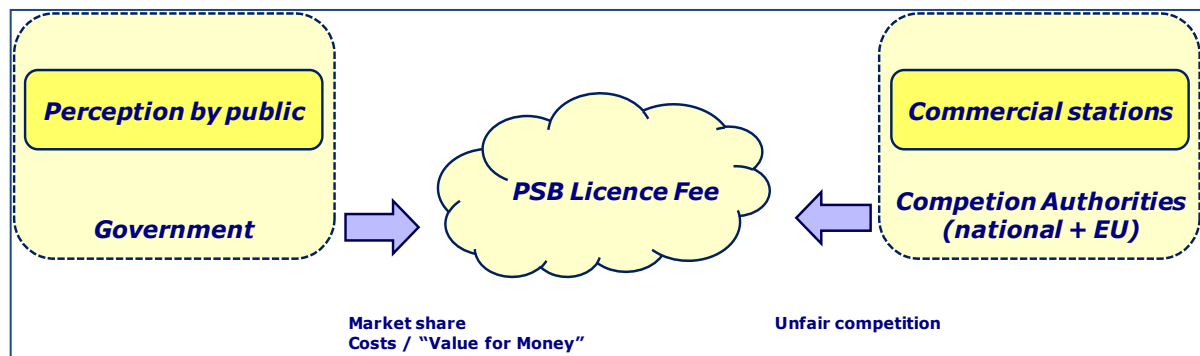
<sup>66</sup> In Ireland collection fees are estimated to cost 15% of the fee.

<sup>67</sup> Hence the need for clarity and definition in RTÉ commercial activities in the recommendations.

<sup>68</sup> The Broadcasting Act puts no serious restrictions on commercial activities: section 108 states that commercial activities are considered acceptable as long as the revenues are used to subsidise its public service objectives which is the case RTÉ management maintains.

<sup>69</sup> Cathal Goan June 2010.

**Figure 4.4** External pressures on PSB licence fees



In addition to monitoring the performance of the PSB organisation with respect to the sections in Part 7 of the Broadcasting Act, it makes sense to give attention to the economic aspects that shape the debate on PSB.

1. Justification. RTÉ has a substantial market share in the television market but that situation may change. Market shares may need to stay above a minimum level in order to justify public funding.
2. Costs of public broadcasting. In order to enable a comparison of RTÉ's costs with costs of other providers it would be good to work towards a system of further accounting for the separation of the various activities.
3. Unfair competition with commercial broadcasters. The PSB character of services (like RTÉ 2fm) needs to be clear. Attention needs to be paid to PSB advertising tariffs in relation to other players in the market.

### Monitoring aspects

To monitor the developments in the sector the following information should be tracked for each PSB channel by the regulator: (this is available re RTÉ & TG4)

- (a) Market shares in various groups in the society
- (b) Profile of the PSB stations (% airtime dedicated to specific genres)
- (c) Hours of own productions; including news, sports and documentaries
- (d) Hours of acquired programmes (by genre)
- (e) Advertising revenues (including sponsorship and product placement)
- (f) Gross and net advertising rates ( $\Rightarrow$  discounts), including barter deals and sponsoring contracts

## **6. Competition between infrastructures needed for keeping subscription fees low**

Subscription arrangements are offered by a network operator or packager. Typical examples are cable network operators, satellite companies, providers of DTT, telecom operators and Internet providers. In the case of telecom networks, there is generally a split between the provider of the infrastructure and the service provider: customers have a contract with a telecom operator for *signal* transmission and a separate contract with an Internet service provider for the *information* processing. In cable networks a similar arrangement may be desirable to make customers less dependent on one provider.

The level of subscription rates is primarily determined by competition between DTT, cable and satellite and in future, the Internet. If consumers have a possibility to switch from one infrastructure to another then prices need to remain competitive.

### **Monitoring aspects**

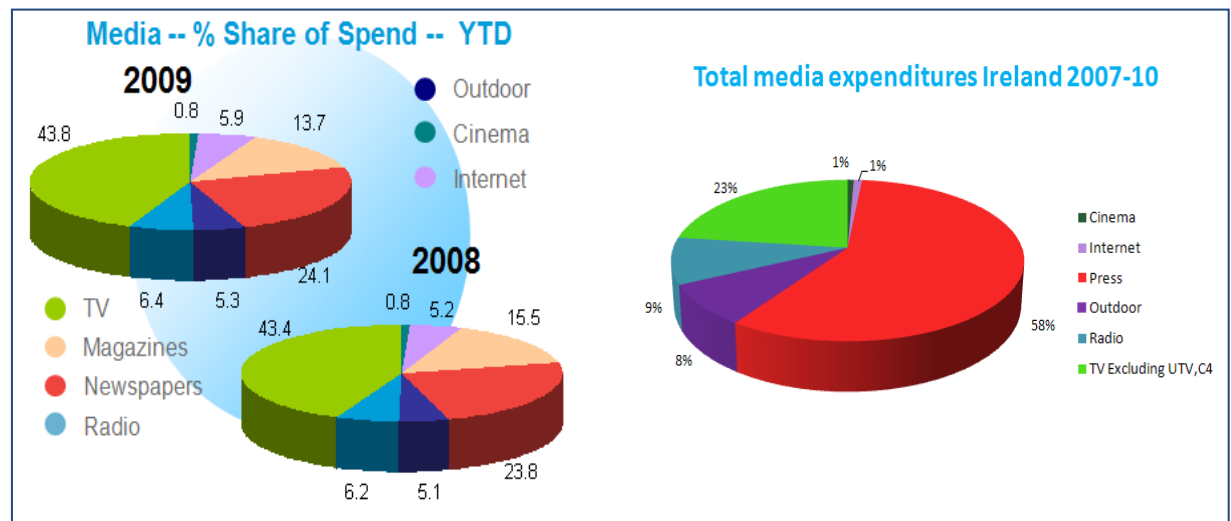
For each infrastructure:

- (a) Market share (per provider – if applicable)
- (b) Services offered
- (c) Prices
- (d) Quality of Service
- (e) Complaints

## **7. Advertising revenue gives information on emerging regulatory needs**

Advertising revenue is the main source of income for commercial players and a significant factor for hybrid PSBs. Advertising revenue is related to the number of people reached by a station and the profile of the audience. In general, advertisers spend most of their budget on the 16-40 age group. However, with a maturing population new markets for goods and services emerge and these groups can become more attractive to advertisers. Total advertising expenditure is highly dependent on the state of the economy and the type of society. **In Ireland, a third of total advertising expenditure is spent on TV and radio whereas in Europe approximately half of the expenditure goes to TV and radio.** This could imply that broadcast revenues may rise, probably at the expense of news papers and magazines, although the primary shift will be from print to online.

**Figure 4.5** Media expenditures in Europe (left) and Ireland (right)



**Source:** Nielsen 2010

Advertisers have fixed advertising budgets and for them it is crucial to find the media mix that gains the highest impact on sales. The cost of reaching one person and its effectiveness determines decisions on spend. Because of budget limitations, and the need to focus spend, advertisers tend to use only two or three players in a specific medium.

**Monitoring developments in advertising revenue per broadcasting station lets the BAI track changing patterns in the valuation of different audience segments.**

### **Monitoring aspects for tracking broadcasting economies**

- (a) GDP and GDP per capita
- (b) Total advertising expenditure
- (c) Expenditure per media type
- (d) Market shares of all players in the TV, radio and Internet sectors, both in terms of audience share and advertising revenue
- (e) Top ten advertisers for each media
- (f) Total number of advertisers per media type  $\Rightarrow$  by dividing (c) by (f) the average expenditure per advertiser can be determined
- (g) CPT (cost per thousand) for all media types (and cost of production)

## 5. PAYING FOR CONTENT

### 5.1 Broadcasting Revenue

#### 5.1.1 Advertising: Core broadcasting revenue model

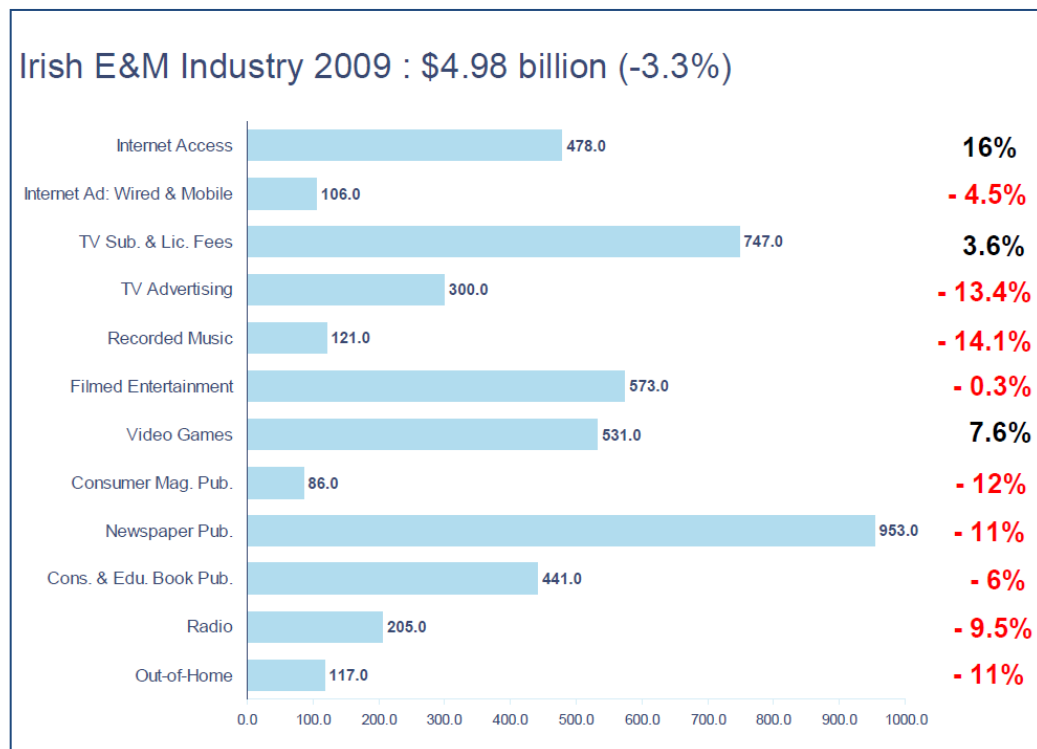
Advertising remains the dominant business model for broadcasting services or in the case of public broadcasting, public funding, or a combination of public and commercial funds. Digital satellite broadcasters, like BSkyB, gain revenue via subscriptions combined with advertising. Sponsorship, cross brand promotions, product placement are increasingly a growing part of any broadcast business and one of the central reasons is the diminishing value of linear spot advertising and the added value to commercial brands to get into the programming mix and closer to the value content of the programming itself. In a digital age of non linear viewing, via tools like the Sky Box, advertising is easy for consumers to avoid and higher value is created by embedding commercial messages within content.

The global advertising market is estimated by PricewaterhouseCoopers as \$406 billion (€317 billion) in 2009, down 12% on the previous year and likely to hit \$498 billion (€389 billion) by 2014, with less than 5% growth in 2010.<sup>70</sup> While global growth is predicted in 2010, Ireland is one of the countries which is predicted to continue declining (-1.3%) through 2010. PricewaterhouseCoopers' *Entertainment and Media Outlook 2010-2014* also makes the prediction that by 2014 only TV and the Internet will have global \$100 billion (€78 billion) advertising businesses. **PwC say the key driver for growth will be digital access, broadband speeds and digital content, such as like games.**

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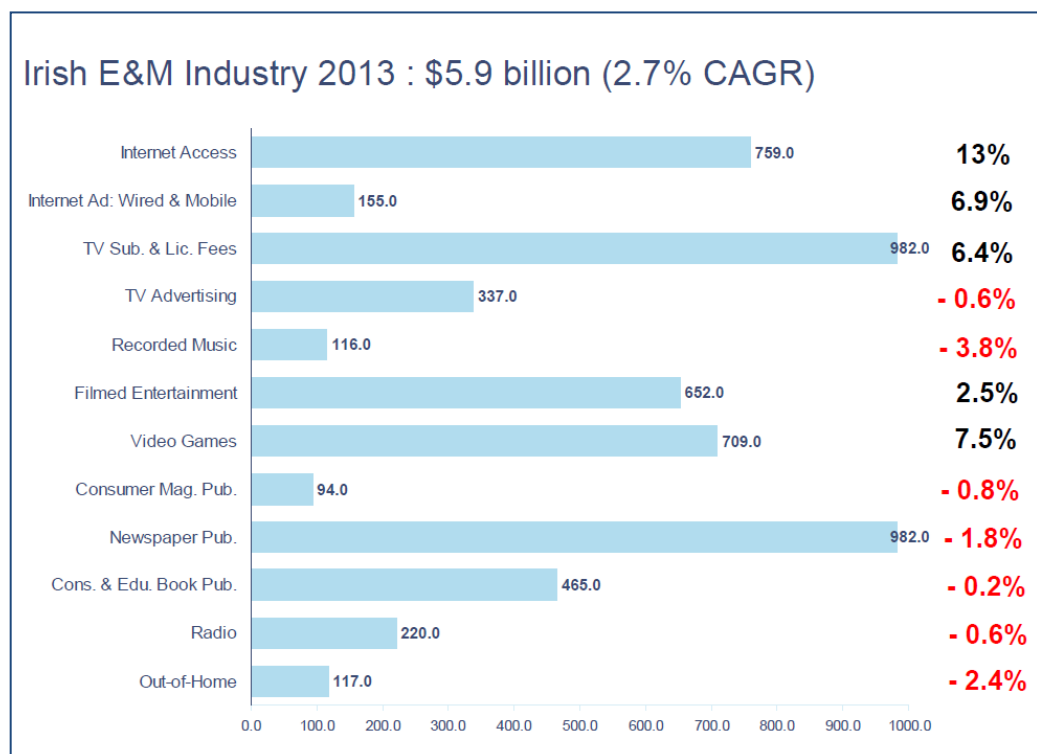
<sup>70</sup> PricewaterhouseCoopers. The Global & Irish E&M Landscape 2009-2013. (conversion rate 16/08/2010)

**Figure 5.1** The Irish E & M Industry 2009



**Source:** Price Waterhouse Coopers, The Irish E&M landscape 2009-13

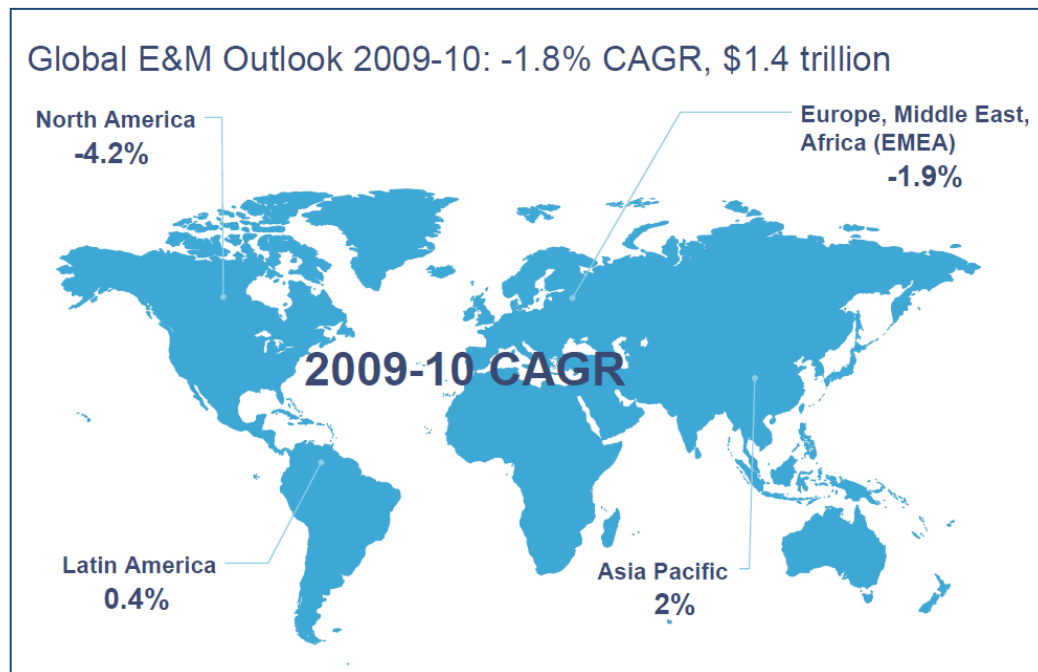
**Figure 5.2** The Irish E & M Industry 2013



**Source:** Price Waterhouse Coopers, The Irish E&M Landscape 2009-13

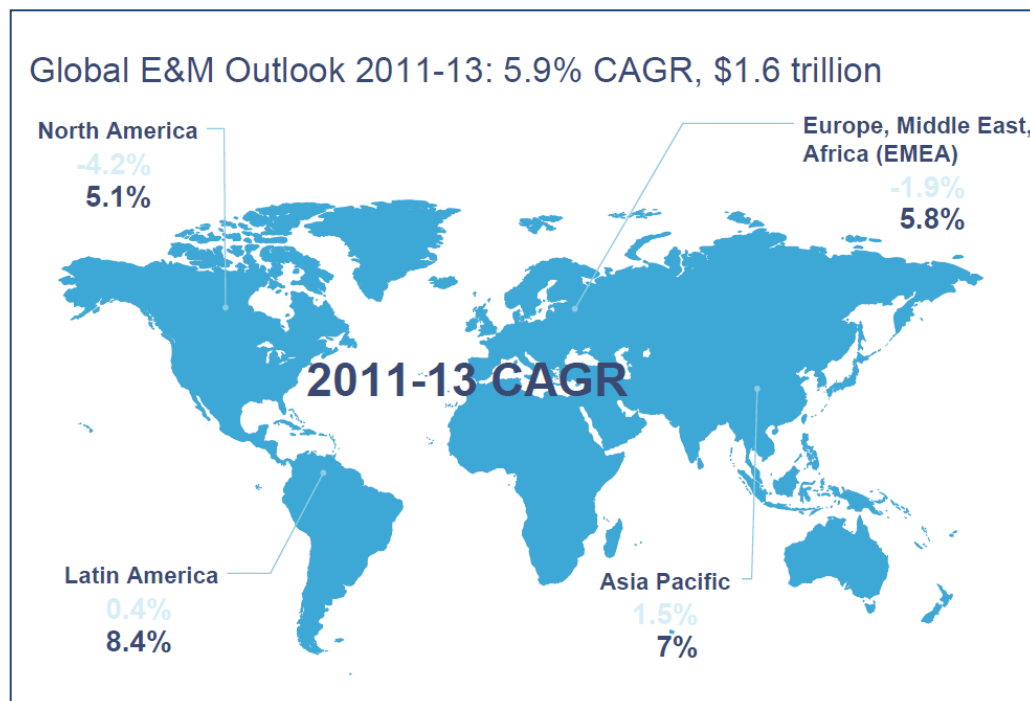


**Figure 5.3** The Global E & M Outlook 2009-10 (the media recession)



**Source:** Price Waterhouse Coopers, The Irish E&M landscape 2009-13

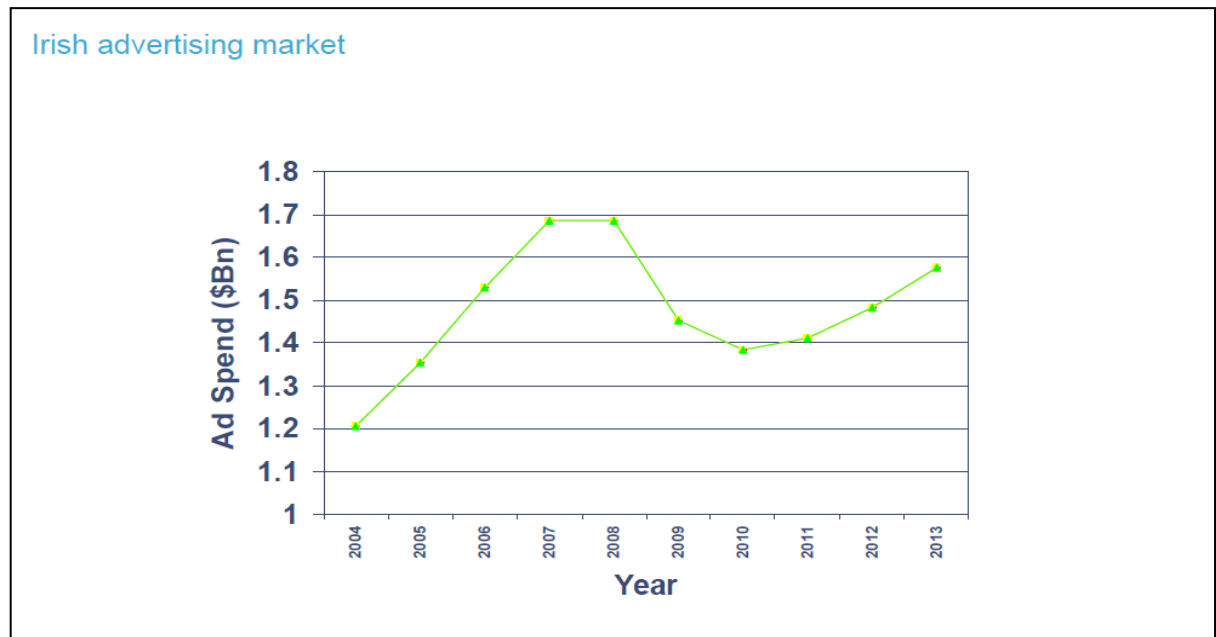
**Figure 5.4** The Global E & M Outlook 2011-13 (the projections for growth)



**Source:** Price Waterhouse Coopers, The Entertainment & Media Outlook: 2009 -2013

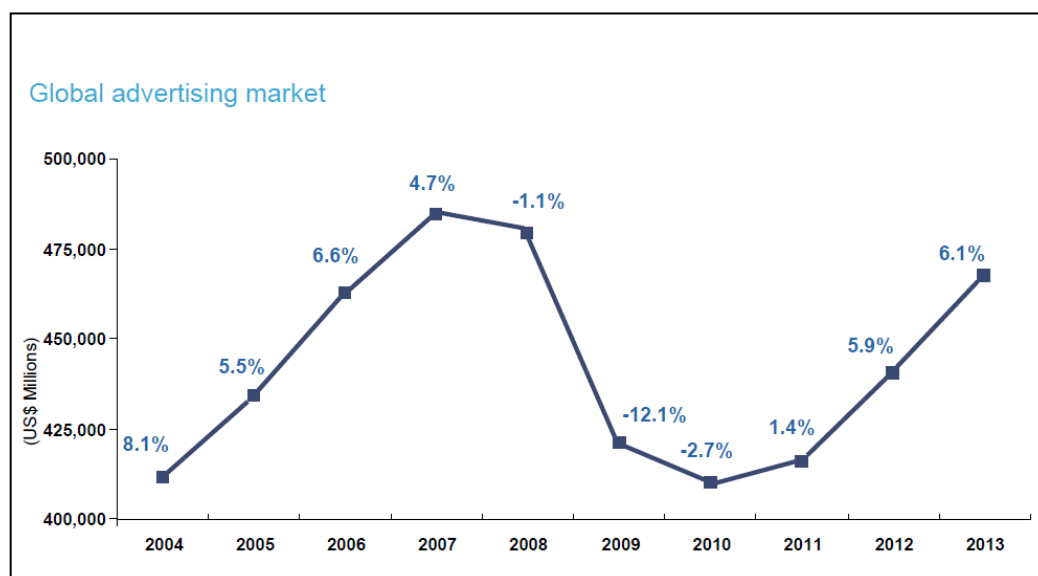
While PricewaterhouseCoopers see consumer spending growing in Ireland, with a compound annual growth rate of 3.1%, it sees Irish advertising spend declining by -1.3%. **In 2009, it reports that Irish advertising spend was down 13.7% and TV took the biggest hit at -13.4%.** While it predicts a return to growth its 2013 figures show the Irish advertising market still trailing below 2006 levels.

**Figure 5.5** Irish Advertising Market 2004-2013



**Source:** Price Waterhouse Coopers

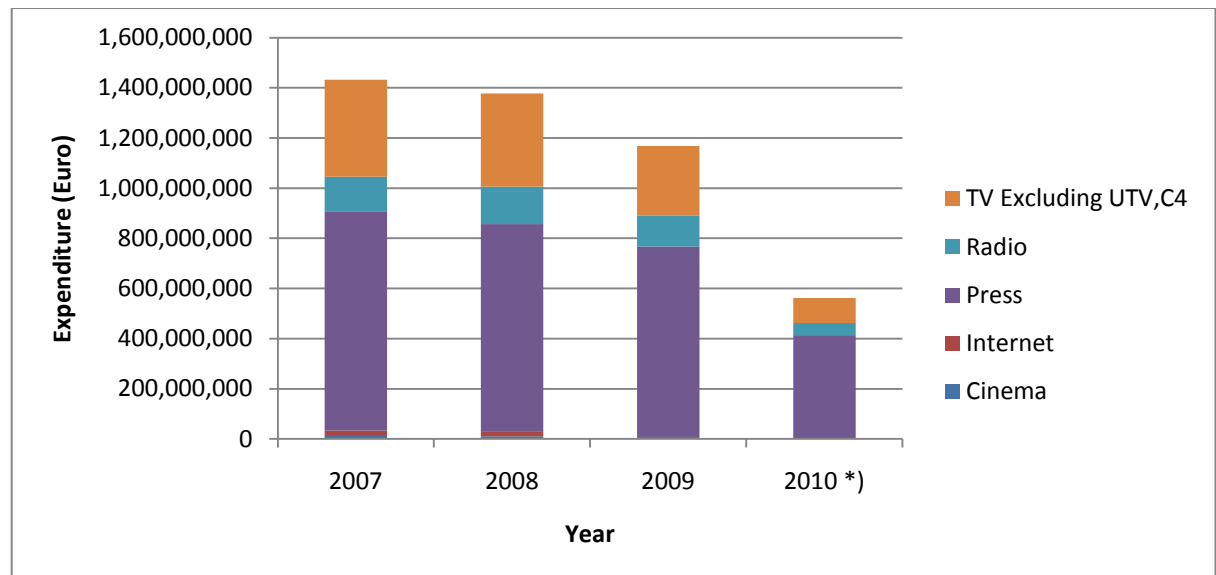
**Figure 5.6** Global Advertising Market 2004-2013



**Source:** Price Waterhouse Coopers

In Ireland the TV advertising market is valued at €280-300 million, roughly 25% of all advertising, with radio getting over 10%.<sup>71</sup> Different measures are used by different sources for data collation as some count commissions, rebates, discounts, production etc. In the review we have used data from the European Audiovisual Observatory to provide a country comparison but within Ireland the best source of data is Nielsen which took over the role of measuring advertising in Ireland in 2007. Equally we have compared this to data from RTÉ, in its annual reports, broadcasters and all other industry measurements including PricewaterhouseCoopers and the advertising sector itself to gain a sense of the commercial activity.

**Figure 5.7** Total Media Expenditure 2007 – 2010

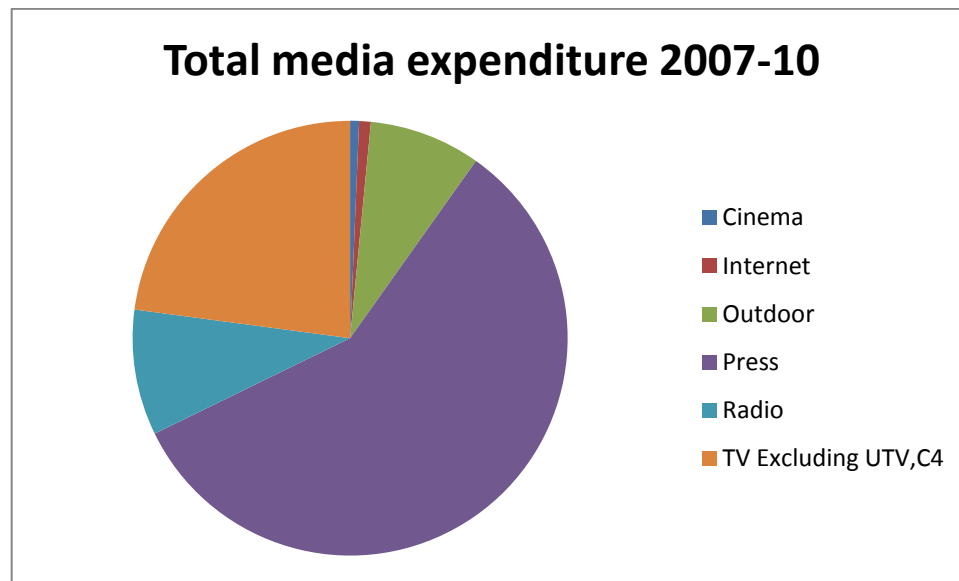


2010: 1 Jan 2010 – 10 July 2010

**Source:** Nielsen Ad Dynamix 2010 (Nielsen is not tracking Internet but estimates on its own analysis that it is taking 10%.)

<sup>71</sup> Different aggregates are given for the total TV advertising market which can reflect the terrestrial operators market and the total combined terrestrial/cable/satellite analogue and digital market.

**Figure 5.8** Total Media Expenditure, by medium



**Source:** Nielsen Ad Dynamix 2010 (Nielsen is not currently tracking Internet so this under-represents online advertising and in Nielsen's own opinion currently over represents press)

**Liam O'Donohoe** at Nielsen's Ad Dynamix in Dublin estimates **the average size of the Irish media advertising pie at €1 billion across print, broadcasting, outdoor and cinema.**<sup>72</sup> This gives us a sense of the volume of spot advertising in the Irish market but it does not tell us the volume of sponsorship, brand promotion, product placement etc taking place in the Irish market, since Nielsen is solely monitoring direct advertising, the page adverts in print and the spot adverts on radio and television. Agencies will give estimates on client spend but this data is not formally trapped, but will be recorded as commercial revenue by both RTÉ and the independent sector.<sup>73</sup> O'Donohoe's view on the real and current trends in the Irish market is that it splits 40-45% print (a declining percentage) 25-30%, TV (a growing percentage) with roughly 9-10% going each to radio, the Internet and outdoor, with what is left going to cinema.

The trend O'Donohoe sees in Ireland is a dramatic growth in online advertising and that will soon overtake radio and outdoor.<sup>74</sup> Yet the key issue is not the shift from one media to another but the lack of adequate metrics, which he believes is holding back the Irish media market and broadcasting.

<sup>72</sup> Interview 14/07/2010

<sup>73</sup> This is one of the reasons we recommend the BAI captures sales data from broadcasters.

<sup>74</sup> This is paralleled by PwC online advertising report for IAB although traditional media players maintain there is still no hard evidence of this shift.

### 5.1.2 Transparency issues in the Irish broadcasting market

A truism about market analysis is that our intelligence can only be as good as the information we get. In the Irish broadcasting context a central issue, beyond the quantity of revenue flowing in the sector or the range of new business models emerging, is the poor quality of metrics and the way in which that is seen as a block on the performance of the industry as an economic sector. While this highlights a potential weakness in the role played by IAPI, it also raises the role of the BAI, as in some states the broadcasting /media regulator, or competitions authority, has a function in ensuring financial transparency from licence holders and in reviewing the advertising costs per thousand, or rates.

While Ireland suffers from a lack of adequate tracking and measures on both audiences and revenue online Irish broadcasting, in particular commercial radio, it provides very weak data on its advertising activity. **Nielsen's Ad Dynamix tool tracks RTÉ, Communicorp, UTV, and IRS but has no data available on the bulk of local radio and at least a third of the radio market is not being reported or tracked<sup>75</sup>.** Equally, what data is provided by the participating radio groups, except for RTÉ, is judged by Nielsen to be inadequate to provide advertisers with relevant information to justify significant campaign spending. *'Data from the radio sector is not trustworthy'* he says. *'It's a major battle with radio to get them to come on board.'*

While all print advertisements are electronically scanned and assessed manually against rate cards, Nielsen is dependent on the broadcasters for the information relating to both TV and radio advertising. While it gets detailed daily logs from TV, it gets only total revenue per client per month figures from radio, and as such there is a significant gap in any commercial understanding of the value and cost of radio and the return to the client. *'Advertisers are very poorly served in the Irish market, they're often spending millions and often getting very little back to show the value chain,'* O'Donohoe says he maintains this lack of transparency is holding back the growth of the Irish media market, in particular broadcasting, and that better data and metrics is the single biggest key to driving growth and value in the market.

This view was underscored by **Orlaith Blaney**, Managing Director, McCann Erikson, Dublin, and **Martina Stenson**, Managing Director, Universal McCann, one of the biggest buyers of advertising globally and a significant player in Ireland.<sup>76</sup> *'Lack of quality metrics is a major concern,'* Stenson says, in that many of their clients are international brands looking at

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<sup>75</sup> This is largely the portion of radio sales sold directly by local stations.

<sup>76</sup> Interview 20/07/2010.

marketplaces where robust data is provided upon which decisions can be made and when it comes to Irish broadcasting it often gets quite grey. While agencies have audience figures the lack of robust data on the value of advertising, in terms of the cost of reaching that audience and how that compares across the market, often means that clients make decisions less on measured evidence of value and return and more on the opinion of an agency who may be getting a station rebate or incentive. This leads to a view that incentives operate from broadcasters to agencies to ensure its services, programmes and stations are where the money is spent.

*‘Transparency is missing, the industry needs to be on a more professional basis,’ says Blaney. ‘We’re US chaptered so have to be completely transparent. The greyness does seem to suit some people here; but it reflects poorly on the Irish market in an international context that all people see are the volume figures and not what is happening beneath.’*

The lack of transparency in advertising served both Irish broadcasters and agencies during the boom. In a recovery economy, a system which encourages a lack of clarity is now seen as a disincentive to growth in that the top advertising brands, whether Unilever or Nestlé, are multinational corporations who are getting better data and metrics elsewhere and are often more inclined to grow spending in those territories where they can best quantify return value. According to Nielsen, the sector needs to be encouraged to see the benefit of transparency and the power the overall sector will have if everyone buying media space can clearly see the value proposition behind Irish broadcasting. Beyond transparency issues, a key concern is the low value put on advertising metrics, particularly by radio, where new entrants like 4FM are not participating in Ad Dynamix and where data on local radio is absent. One regional station head said there was a lack of professionalism in the local radio sector with little understanding of market and economic issues.<sup>77</sup>

Nielsen is in the process of including the Internet in Ad Dynamix and believes this process of developing robust data will take 12-18 months. While print media in Ireland has lost the most revenue due to the growth of online, it is likely that radio will increasingly be hit and the onus is on that sector to get its data collation in order and work as a sector. The IBI and RTÉ have run a combined ‘power of radio’ campaign but according to Nielsen and McCann Erickson that power is best spelt out in accurate data rather than radio messages.

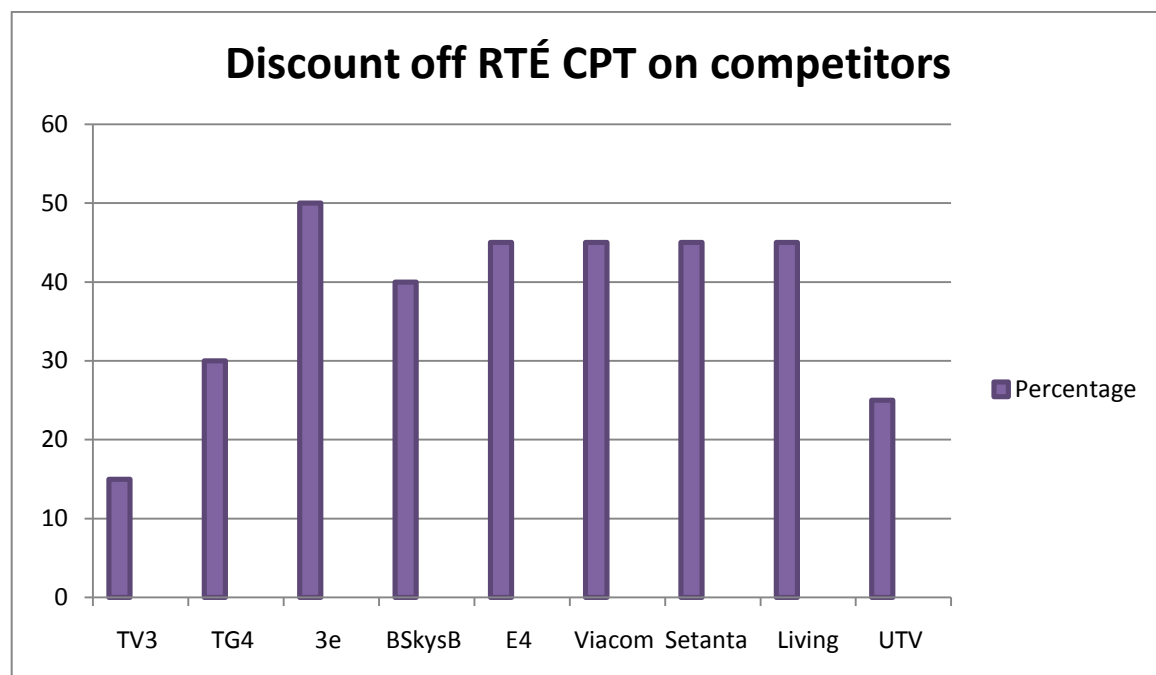
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<sup>77</sup> ‘It’s a form of below cost selling’ he said ‘if someone sells radio airtime for next to nothing beside you it drags us all down and devalues all our audiences. People don’t seem to get there is no coming back from this bargain basement sale’.

### 5.1.3 Discounts, rebates & advertising

A consequence of the lack of transparency in the broadcast advertising market, and as a direct result of the collapse in advertising post August 2008, has been the level of discounting in broadcast advertising which is high, and often seen by observers as particularly random in commercial radio. Nielsen Ad Dynamix has estimated the level of TV discounting off RTÉ's CPT as ranging between -15% to -50% but agencies say volume discounts are also being operated, so discounts can be as high as -30 to -70%.

**Figure 5.9** Discount off RTÉ CPT on competitors



**Source:** Nielsen Ad Dynamix 2010

The point in trying to unravel the discounts is to see the real decline in the cost per thousand which, in April 2009, before RTÉ fixed its CPT, was 38% lower for RTÉ. The focus on volume of business can hide the dramatic decline in the actual value of broadcasting as a medium. **While an economic recovery will see growth, broadcast advertising has been dramatically devalued.** The pricing of RTÉ, especially if heavy discounting is involved, needs to face regulatory scrutiny because it is particularly problematic for the sustainability and development of the commercial sector and may have anti-competitive implications.

In radio the story is less clear, with extensive discounting, agency rebates and deals generally being volume based. The national market is largely defined by RTÉ, through Radio 1 and

RTÉ 2fm, which compete with Communicorp's Today FM and Newstalk; while the local market is delivered by IRS (independent radio sales) and local adverts sold directly by the stations. Many local stations claim they are retaining local advertising but losing national adverts. One local radio operator has stated that advertising revenue fell by as much as 60% in 2009, forcing significant cost and salary cuts. For him, the real issue is the value of radio as a medium, which has plummeted, although audiences remain high. Equally radio stations complain of the control held by a small number of advertising agencies who are forcing the price of radio down and seeking significant 'rebates,' effectively putting a 25% commission plus rebate cost on advertising sold. The 'rebates' issue means agencies get financial incentives to channel revenue to certain stations.

**In reality the lack of audited data on the local radio market makes an analysis of radio sales challenging and advertising sales transparency is one of the recommendations in this area. The BAI needs to promote and assist the development of a more transparent broadcast sales market and needs to both gather and analyse market sales information as part of its routine processes.**

While many of the incumbent stations are financially suffering, most claim they are holding their own. The vulnerable stations are the new-comers including 4FM (adult over-45 station launched Feb 2009). Speech-based stations like Newstalk have also been badly hit and have significantly cut staff. With agencies, the perception is that radio sales are now very much a deal-making enterprise. *'If your client has an additional €50,000 you can do a volume deal and the rate card is out the window. Discounts may be over 30% off the rate card,'* one buyer says.

**The issue for the radio sector is that this struggle to get cash, in the absence of strong financial metrics, is diminishing the value chain around radio audiences and how they are sold. It may be hard for radio to recover value post recession.**

#### **5.1.4 Increased TV advertising minutes**

On June 16<sup>th</sup> 2010, the BAI issued draft rules proposing changes to the daily and hourly advertising limits for commercial television which would increase the current maximum of ten minutes an hour to a potential maximum of twelve minutes an hour.<sup>78</sup> By July 27<sup>th</sup> the Authority had approved changes and issued new guidelines to the sector. According to the BAI's public consultation document, June 2010, the change will permit an increase in total

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<sup>78</sup> In line with the permitted EU Audiovisual Media Directive



broadcast commercial minutes from 15% to 20% a day. The changes affect Irish licensed stations; TV3, Setanta Ireland, City Channel etc. PSB services are limited to 10% of broadcast time.<sup>79</sup> Swedish commercial television was permitted a similar move in the same week.

TV3 had made the case for the increase, to allow it to compete with other non-terrestrial channels, which are using the EU limit. TV3 Chief Executive **David McRedmond** maintains the move will simply allow it to maximise mass audience shows like 'X Factor' and will not lead to twelve minutes in every primetime hour. *'We're not stupid; we're not going to hurt our own audiences. This just gives us a more competitive hand.'*

The discussion over advertising minutage has to be seen in the context of the US situation, where some TV stations adopt 18 minutes of programming to 12 minutes of advertisements. The average TV hour in the US has 42 minutes of programming. US audiences view approximately three hours of advertising per day. Irish stations such as RTÉ Two and TV3, who acquire US series, have to 'fill' airtime with internal promotions and trailers, as the average half hour show is 22 minutes.

The increase in TV advertising minutes was widely opposed by commercial independent radio, the newspaper sector, RTÉ and even advertising agencies. The radio broadcasters saw it as disadvantaging them. **Scott Williams**, Chairman of the IBI and CEO of Dublin's Q102, pushed for radio to get equal treatment as he believes the move will reduce the cost per unit of television and take revenue from radio. All make the case that they believe it will devalue the cost of advertising further. IAPI Chairman **Sean McCrave** said it was a negative move and believes it will simply drive down the cost per thousand of TV advertising.

**Paddy Halpenny**, CEO of Communicorp described the move as *'the rush to the bottom'* in that more airtime does not seem to be the challenge for the sector therefore making more available will cheapen it. His colleague, **Liam Thompson**, is concerned by the speed of the change. *'Why the rush now? Capacity is not the problem'*, he says. For commercial radio, more TV airtime could mean the narrowing of the price gap, with radio businesses jumping to television.<sup>80</sup> Equally, major radio operators like Communicorp reflect a concern that despite the level of industry hostility to the move, it has gone through and it now creates a

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<sup>79</sup> PSB commercial minute regulation is governed by the Minister and is lower than the commercial sector in both radio and television. RTÉ uses an average of 7 minutes an hour in TV.

<sup>80</sup> This view is supported by Paul Moran, Mediaworks, who said in a Sunday Business Post review of the change that it would shift advertising from newspapers and print to commercial TV. SBP, August 1, 'TV3 Happy but BAI slated'.

policy separation of commercial radio and TV. Both national and local radio operators have expressed the view that the consultation process was weak.

On the other hand there is little evidence in the advertising industry to suggest that increased minutes in commercial TV advertising will hit national radio or newspapers, given that the real threat to both is the Internet. Radio's case is weak in that it does not have an unequal competitive market (in terms of foreign stations) and can already carry more minutes than its PSB competitor, RTÉ.

**Martina Stenson**, McCann Universal, does not believe that the change in advertising minutes will drive revenue into TV, but buyers like her are concerned that it will lower both the cost, and more importantly the value, of Irish television to audiences and, consequently, advertisers, by removing its one point of distinction over channels that are carrying more minutes. The prospect of increased RTÉ minutes, would she believes, reduce the value of the advert breaks in RTÉ primetime. *'Clients do not necessarily want cheaper TV adverts, they want impact and results; ultimately market value'*, she says. It is that brand pressure, which is why revenue is shifting closer to programming and content, via sponsorship or product placement.

While there are no significant risk factors in the move to a twelve minute limit, a cost benefit analysis should have been undertaken before changing the commercial code to assess the actual market value and its market impact. No qualitative evaluation was done to see if this will benefit the market, and consumers, other than the data presented by TV3. The question remains whether it will generate additional revenue or simply reduce the cost per thousand? It will allow TV3 to offer competitive packages around events and reality TV, but the risk will be a higher volume of potentially cheaper adverts which may hit audience tolerance. Ironically, from an RTÉ perspective, the change will increase the viewer distinction between its PSB services; with 10% of programme time in advertising, and commercial TV with 20% so it may actually benefit the public service broadcaster. Fox TV in the US experimented with shorter advert breaks last season as it maintained research showed that shorter breaks had more impact with audiences, but it currently remains just an experiment. The value of the increase may only be realised for businesses like TV3 as recovery takes off and capacity becomes an issue in key points of the schedule.

The issue for the BAI is the industry's perception that this change was based not on an evidence based approach but on direct lobbying from one sector, indeed one player, who made a compelling case in a competitive and recessionary economy. While TV3's case may be valid, the policy-making process and consultation was poor, and has the potential to undermine the industry's confidence in the BAI at a time when needs to build its reputation.

#### 5.1.5 RTÉ & advertising: Fixed CPT rates

In May 2009, in the face of a rising deficit and a deeply uncertain advertising market, RTÉ announced that it was fixing its TV advertising rates; its CPT (cost per thousand); for the remainder of the year. RTÉ effectively cut its advertising rate against the 2008 rates and fixed them on a cost per thousand basis. The move allowed it to plan its income, but equally, given it is the dominant player in both Irish TV audiences and revenue, it brought stability to the declining TV market. IAPI's Sean McCrave saw the move as 'stabilising' while Martina Stenson describes it as a 'bold move' which 'impressed' her and the market at the time. However, by mid-2010 TV3 now sees it as deflationary pressure in the marketplace since everyone is reacting to the RTÉ price and having to discount against it. *'RTÉ is dominant in the market, has 93% of the licence fee and 70% of advertising and is setting the advertising rate,'* according to **David McMunn**, regulatory officer of TV3.

According to Stenson at McCann Erickson things are not quite so 'fixed' in the current climate, in that in periods of high demand, like the World Cup, prices have been shifting up based on the demand. The market is, according to her, less predictable now and she sees RTÉ as 'fixing' rates to suit itself. *'The decision last year certainly brought discipline to the market. At that point people were booking a week in advance. It facilitated planning for buyers and broadcasters,'* she says, but added that by mid-2010 the goal posts have moved and that now she sees every month is a different set of rules.

RTÉ's 'fixed' CPT decision may now be past its usefulness and it would be better to see rates responding to demand and supply with the normal seasonal fluctuation.

**Éanna Ó Conghaile**, Principal Officer at the Broadcasting Division, Department of Communications, said it would be preferable if some form of independent review mechanism was introduced in relation to RTÉ advertising rates to ensure that it was assessed

fairly with regard to its impact on a competitive market.<sup>81</sup> He said in the future it would ideally be done by the BAI. Ofcom, for example, in the UK, conducts an airtime sales review. An airtime review, independently done by the BAI, may assist the broadcasting marketplace to grow by providing an assessment which is based on competitive equity and fairness, and might remove the sense that the market is being dictated, or dominated, by RTÉ.

#### **5.1.6 Advertising online**

By late July 2010 PricewaterhouseCoopers issued its first Online Advertising Survey in Ireland for the Interactive Advertising Bureau. It confirmed the view from Nielsen that in 2009 online advertising accounted for nearly €100 million (10% of spend).<sup>82</sup> It showed that search accounted for nearly 50%, confirming Google as the current winner in the shift online. The report showed that 25% of the online advert revenue came from recruitment and property; traditional print sectors; followed by autos at 20%. This corresponds to Nielsen's view that print has been the number one loser in the shift online. The key trend in 2010 and towards 2013 is increased growth in online advertising spend which will directly impact on all traditional media markets including broadcasting. In Ireland, for example, a telecoms operator says it spends one third of its marketing budget online while in 2010 AIB shifted its advertising spend from radio to online.

### **5.2 Content as value. Shifting revenue streams**

#### **5.2.1 Below the line spend: sponsorship**

Nielsen's Ad Dynamix solely reflects the spot advertising market. In broadcasting, brand and product sponsorship has always played a role in revenue. Increasingly radio and television programmes, in both PSB and commercial services, are sponsored as well as carrying spot advertising slots. RTÉ Radio, for example, has had a brand sponsor of all the weather bulletins for nearly ten years now, as well as different brand sponsors for key presenter led programmes. In RTÉ television the boom years saw significant revenue behind sponsorship deals for premier programmes such as 'The Late Late Show'. In the past two years, total sponsorship spend, according to agencies, has been even weaker than direct advertising, since it requires clients to commit funds up-front for a period of time when cash flow is poor.

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<sup>81</sup> Interview with H. Shaw 14.07.2010 as part of review project.

<sup>82</sup> IAB/PricewaterhouseCoopers July 27 2010. '2009 Online Advertising in Ireland approaches the €100m threshold'. This survey has been questioned by the media as over-emphasising online without adequate audited data.

But in 2009 RTÉ, because it has the value mass audience programmes, was better able to hold and attract sponsorship deals compared to other operators. RTÉ's 2009 annual report shows just under €9 million commercial revenue came via sponsorship down nearly 400,000 on the previous year, but with television rather than radio showing the short-fall.

For RTÉ sponsorship revenue has been more consistent than advertising due to both its strong audiences but also because it represents a clear value proposition for the brands involved. At a time when linear television is suffering and people can avoid spot adverts, using digital players like the Sky Box, getting closer to the content, to the programmes and presenters, has a higher impact and return value for the brand. Sponsorship revenue may indeed be a shift away from direct advertising but it allows broadcasters to hold revenue streams around content and it has been a key source of funding for online content streams/podcasts and channels.

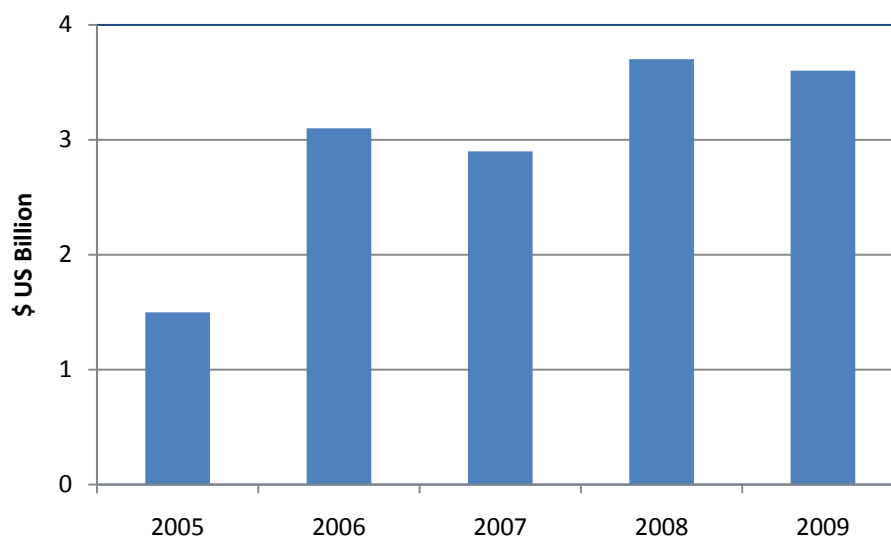
### **5.2.2 Product placement**

Compared to the United States the European broadcasting sector operates under quite strict guidelines on product placement. However the differential between the European and U.S. market, is increasingly becoming difficult for European broadcasters to manage given the high level of US acquired programming and the fact that European broadcasters are pushing to integrate produce placement into their revenue streams.

Product placement has largely flown from Hollywood films to US broadcasting, where brands purchase to have their products used within the narrative of programmes. It has now become a standard part of mainstream Hollywood films and U.S television exports so that audience recognise when it is happening and often 'see' the close-up of the Apple logo or the bottle of Coke for the embedded advertisement that it is. For brands, the value proposition is obvious. Viewers cannot avoid it and the brand gets linked to the emotional glue of the story or the celebrities involved. Product placement is therefore becoming an assumed part of broadcasting revenue and often brands are willing to pay far more for placement than for advertising slots, which involve both creative and air-time costs. European commercial TV companies using TV content or formats from the US have had the issue of re-formatting content for European regulation, but the trend towards an acceptance of product placement has been dramatic in the recent years.

Product placement is one of the most rapidly growing areas of marketing expenditure and is used in motion pictures, television programmes, music videos and video games. Television accounts for about two-thirds of the total global revenue. In 2009, global spending on product placement was estimated to be €5.4 billion, with U.S. expenditure accounting for €2.9 billion.<sup>83</sup> Product placement is expected to grow significantly in Europe due to the intended loosening of regulation in a number of countries, including the UK.

**Figure 5.10** Product Placement Spending in the United States



**Source:** P.Q. Media

The UK regulator Ofcom has indicated that product placement will be permitted by 2011 and its final consultation on the issue closes in mid September. Ofcom is proposing to allow TV product placement in films, drama, sports and entertainment programming, and is seeking views on whether it should be allowed in specialist factual programming. It will remain banned in children's, religious, news, current affairs and consumer programming made in the UK. For radio product placement, Ofcom is suggesting four options ranging from 'do nothing,' to allowing the complete integration to commercial communications and programming, ending any distinction between spots adverts and other forms of promotion.<sup>84</sup> Ofcom, in its proposals, makes it clear that the move is intended to allow broadcasters access new revenue streams.

<sup>83</sup> P.Q. Media, Global Branded Entertainment Marketing Forecast 2010-2014, 2010.

<sup>84</sup> Ofcom Product Placement Proposals <http://consumers.ofcom.org.uk/2010/06/ofcom-publishes-product-placement-proposals/>

In Ireland the BAI has continued the ban on paid product placement for 2010 but has undertaken a review of the regulations for 2011.<sup>85</sup> Both RTÉ and TV3 see product placement as simply part of the commercial reality of contemporary broadcasting, particularly since Ireland is an English speaking market and uses significant levels of content from UK and US broadcasters. Given the diversity of choices available to viewers they see the need to harmonise regulation and believe in the current climate, where linear advertising is suffering, that the economy requires openness on product placement, particularly within entertainment and drama genres.

In the UK, it is shows like 'X Factor' which have pushed the boat out on product placement and internal commercial deals within programmes. 'X Factor' generated as much as £100 million in revenue for ITV.<sup>86</sup> In the UK the Government has already approved the shift to product placement and the issue is solely the detail and the extent to which radio is given a free hand. Certain products including tobacco, drugs, alcohol and foods high in fat, salt and sugar are still barred from product placement in the UK proposals, along with gambling.

It was a product 'high in sugar' which brought the issue centre-stage in Ireland. In 2009 a complaint relating to the use of Cadburys in the TV3 reality TV show 'The Apprentice' was upheld on the grounds that it was a form of product placement and breached the commercial code. That show has been quite creative in generating cross-promotional revenue and barter deals, which underscored the production costs. In a sense, however, that activity had moved ahead of regulation and the process required the establishment of an agreed and practical model which protects consumers while supporting the economic needs of the sector.

Realistically product placement, and the value of getting your product into programmes, is nothing new to broadcasting from the 'one for everyone in the audience' of RTÉ One's 'The Late Show' to the RTÉ 2fm *Roadcaster* cross-promotion deals, where the station is paid to broadcast outside a brand/venue/product launch etc. The grey area; which has always existed across radio and television; where products/brands are used within chat shows and entertainment or music programmes as promotional prizes or rewards, increasingly needs to be defined.

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July 8th 2010. Irish Times.

<sup>85</sup> <http://www.irishtimes.com/newspaper/finance/2010/0708/1224274266239.html>

<sup>86</sup> BBC Dec 13 2009 'X Factor prompts ITV revenue resurgence'

This form of promotion has generally been seen as low value compared to advertising, however future trends will see revenue shift more to below the line spending; to sponsorship, cross-promotion and product placement, since that will deliver a more stable value chain for advertisers in an age of advert avoidance.

While Irish broadcasters, both public and private, say they want to see product placement the advertising agencies say there needs to be a clear offering to the market. *'Our clients are not asking for it yet. We don't know how it will work here and how we will value it yet'*, says Orlaith Blaney of McCann Erickson. On the other hand she sees the significant value that a brand like Cadburys got from 'The Apprentice'. *'That is what is going to change. I mean how do you value product placement? It's not like direct advertising. It's a lot to do with perception and perceived value'*.

The current BAI rules, operative from June 10<sup>th</sup>, permit limited product placement where goods are provided free, as props, prizes and without a cash exchange. Where the accumulative value is more than €5,000, it requires consumers to be informed before a programme with a text statement. The programme also carries a PP logo through the programme. In the proposed changes, while product placement will still be banned in genres like news & current affairs and children's programming, only the PP logo will be carried.<sup>87</sup> The BAI has also indicated the value limit of €5,000 may be reviewed. The new code, in all its detail, reflects the dynamic nature of how revenue models are altering in broadcasting, and how the regulator is being pushed to respond. Clarity is required and the envisaged product placement and commercialisation of content review needs to provide it. The issue of just how 'free' product placement can be, when such exchanges are often contra-deals of value between a broadcaster and brand, needs to be considered.

**The current rules may tend to promote below the radar, or cashless deals. The definitions of commercial value need to be clearer.**

The BAI needs to manage a regulatory process which promotes compliance but which is anchored in ensuring that audiences know when products are placed for a commercial value in programmes.<sup>88</sup> Requiring broadcasters to *always* make audiences aware of commercial content is best practice, but equally there is a question as to what level of product placement is appropriate in public broadcasting.

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<sup>87</sup> BAI codes & standards. [http://www.bai.ie/publications\\_codestandards.html](http://www.bai.ie/publications_codestandards.html)

<sup>88</sup> Besides the issue of broadcaster editorial independent it also directly concerns consumer rights and has implications for consumer protection legislation and regulation.



The proposed review on product placement needs to consider both market and public impact, the potential value to broadcasters and the potential impact on programming, as well as the competitive playing field between public and private operators. Given the level of US/UK content on RTÉ Television, it may face difficulties in implementing a different threshold to other commercial broadcasters.

The changing regulatory framework takes place against the background of European directives which bans surreptitious product placement but allows certain forms, once consumer transparency and editorial independence is maintained. The European regulatory framework does not favour product placement, but recognises that recent developments result in a rising importance of product placement. Directive 2010/13/EU (Audiovisual Media Services) permits Member States to allow certain forms of product placement but prohibits it where it is surreptitious. Product placement is prohibited for:

- tobacco products or cigarettes or product placement from undertakings whose principal activity is the manufacture or sale of cigarettes and other tobacco products,
- Specific medicinal products or medical treatments available only on prescription in the Member State within whose jurisdiction the media service provider falls.
- Children's programmes.

Programmes that contain product placement shall meet at least all of the following requirements:

- (a) their content and, in the case of television broadcasting, their scheduling shall in no circumstances be influenced in such a way as to affect the responsibility and editorial independence of the media service provider;
- (b) they shall not directly encourage the purchase or rental of goods or services, in particular by making special promotional references to those goods or services;
- (c) they shall not give undue prominence to the product in question;
- (d) Viewers shall be clearly informed of the existence of product placement.

Programmes containing product placement shall be appropriately identified at the start and the end of the programme, and when a programme resumes after an advertising break, in order to avoid any confusion on the part of the viewer.

It is within this context that European regulators, like Ofcom and the BAI, are in the process of defining clear rules on product placement. The changing dynamics of media economics, and the way in which regulators are responding to it, will potentially lead to a revision of the European directive. **Given the level of grey in product placement clarity, transparency and information is required for both citizen/consumers and the broadcasting marketplace.**

### 5.3 Trends

PricewaterhouseCoopers, while predicting a recovery in broadcast advertising in Ireland, does not see it returning to 2006 levels by 2014, and as such the key advertising growth area in coming years will be online, from entertainments to games, and centred on social media platforms like Facebook. The underlying and dominant business model for broadcasting is being altered by the Internet, and broadcasting services need to adapt in order to survive. PwC sees the concept of commercial revenue as becoming more **collaborative** rather than direct. The collaborative trend is one of the key messages of the PricewaterhouseCoopers *Outlook 2010-2014* and it is a message echoed by Irish media buyers, who say the relationship between broadcasters, or media airtime, and advertisers, via agencies, is shifting to a partnership model where both sides are exploring value and mutual gain. They anticipate collaborative revenue trends will grow and that increasingly broadcasters and buyers will be working together to find best matches for revenue generation and for commercial benefit. The challenges to regulation are clear as commercial revenue generation and programming move closer, and the edges blur, in terms of editorial independence and consumer transparency.

On the other hand, the sustainable model for broadcasting requires a radical re-think of the broadcasting concept from production to audiences and its inter-relationship with revenue. Issues like product placement are part of the contemporary broadcasting mix and codes of practices must be dynamic and flexible, while ensuring transparency for audiences. Given the rapid pace of change, a coherent flow of information in the sector is critical. From the regulator's perspective, the consumer/citizen is the primary consideration but there is an onus on regulation to provide a framework for a sustainable and stable broadcasting environment, which can promote production, employment and quality content.

**5.4 Recommendations** Several of these recommendations are inter-related and focus on the need for greater transparency, clarity and accountability.

#### **5.4.1 Transparency**

We are concerned by the lack of transparency in the Irish broadcasting advertising and commercial revenue market, in comparison with northern European trends. The BAI needs to consider what positive role it can play in promoting transparency, improved metrics and a flow of information from the sector. There needs to be consultation between stakeholders, including Nielsen, the advertising industry, the broadcasting sector and the regulator, to facilitate wider transparency. This issue will become increasingly significant in the shift to 'below the line' revenue sources like sponsorship and product placement.

As part of this process we suggest that the regulator consider requesting and tracking revenue/sales data from the licence holders in terms of advertising cost per unit, and sources of revenue, as part of its annual performance review. While annual financial data is provided by licence holders, more specific data is needed to monitor the media market. Individual company confidentiality of the data should be maintained, but aggregate information (i.e. averages for all broadcasters and all national, regional, or local) could be made available to the public, researchers and the industry to use in reviewing the broadcasting industry.

#### **5.4.2 Market skills**

The BAI needs to develop and grow economic and market analysis skills, as well as extending its information gathering tools and sources, in order to lead in this role. Adjusting advertising/sponsorship and product placement regulations require market impact statements and accurate data as part of best practice, evidence-based regulation. The quick implementation of the increased TV commercial minutes raises issues on process and tends to give the impression that sector lobbying works.

#### **5.4.3 Independent sales review mechanism**

An independent sales rate review, which assesses rates operating in broadcasting, would be beneficial for broadcasters and the advertising industry. It would also provide a third party review of the rates being set by RTÉ, as the dominant player in the broadcast advertising market. Such a review, similar to those conducted in the UK, would not interfere with the market operation but would act as a neutral force assisting an open competitive market.

#### **5.4.4 Product Placement and the Commercial Code**

We recommend that the impact of increased commercial minutes in TV is assessed as part of the proposed commercial code relating to product placement regulations, so that the holistic interaction of the commercial code is assessed. The considerations for Ireland will be what impact will this have on a small, open market and whether it will promote growth that benefits Irish broadcasting and Irish audiences. A market impact statement needs to be conducted on the increase in TV advertising minutes for commercial television and a cost benefit analysis should be conducted on the proposed changes in product placements before they are introduced.

#### **5.4.5 PSB**

We recommend a more specific statement on the characteristics that distinguish Irish PSB stations from commercial stations and the appropriate level of commercial activities particularly in wholly commercial services. This would benefit both public service broadcasters and commercial operators and is in line with RTÉ's own wish to seem greater clarity on the definition, funding and role of public broadcasting services.

## 6. PUBLIC FUNDING & BROADCASTING

### 6.1 Background to the Irish PSB model

In Ireland there are two bodies providing public broadcasting services, RTÉ and the Irish language service, TG4. RTÉ moved from being a state entity to a semi-state with the 1960 Broadcasting Act, which defined the broadcaster's public responsibilities and the concept of an independent public broadcaster has been shaped by further legislation in 1988, 2001, 2007 and 2009. Through the Broadcasting Act (2009), the BAI was established, with responsibility for both the private and public broadcasting sectors. This move significantly altered the regulation of RTÉ and TG4, although many elements of regulation are still directed upon by the Minister for Communications, in consultation with the BAI.<sup>89</sup> In small nations the benefits of combined regulation are both economic and increased efficiency. In Ireland there is growing consensus that the broadcasting regulator should eventually be merged with the telecommunications regulator, ComReg.<sup>90</sup> Equally there is a view that broadcasting regulation will extend to digital and online content given that content is increasingly being distributed and consumed via online.<sup>91</sup> Broadcasting can no longer be defined by terrestrial operators and increasingly the audio-visual production, consumption and revenue landscape is being shaped by broadband and online.

RTÉ is unusual amongst EBU members in its strong dependency on commercial revenue. In 2000-2001, the broadcaster was two thirds dependent on commercial revenue with the licence fee as a form of revenue, declining. The Government promoted **Broadcasting Forum**, which reported in 2002, initiated a wide discussion on the role of public broadcasting in Ireland and led to a significant increase in the TV licence fee and the Minister's decision to index-link that fee. The policy view was that RTÉ should be 50:50 balanced between public and commercial funding on the basis that deeper public funding was unrealistic for a small nation and that a diverse public broadcaster with both minority and popular content was important to the economic, social and cultural life of Ireland. From 2003, the licence fee increased and RTÉ's revenues stabilised. Equally the broadcaster benefited from increased commercial advertising revenue through the economic boom.

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<sup>89</sup> Ministerial directive is needed for RTÉ to increase its commercial broadcast minutes.

<sup>90</sup> This direction was supported by ComReg, RTÉ, Communicorp and TV3 in their interviews.

<sup>91</sup> Several commentators made the point that the 2009 Act is already out of date and the next phase of legislative change will involve an extension to digital and online content.

That transition to a more stable PSB model in Ireland was also linked to greater accountability and scrutiny, with the publication of an RTÉ Charter (2004) and annual reviews of its performances against its public service commitments being made by independent auditors. In recent years that assessment has been done by the broadcaster itself, based on agreed metrics. In general RTÉ's financial accountability has significantly increased and it reports how the licence fee is spent across its services. It equally reports salaries and fees paid to talent presenters. It also has tighter controls upon its access to commercial revenue, in terms of broadcast minutes, than commercial competitors.

The BAI is required to make recommendations to the Minister on the licence fee rate. The BAI is now undertaking a Public Funding Review, which is required under the 2009 Act. This review makes no attempt to fulfil this detailed work but we look at the PSB model in Ireland and consider its impact on the economic landscape and some of the issues involved in order to provide a briefing for the BAI.

## **6.2 RTÉ profile**

By August 2008, the economic switch off dramatically hit advertising spend affecting TV first and in particular the terrestrial broadcasters, RTÉ and TV3. By the end of 2008 RTÉ TV was down nearly €8 million while RTÉ Radio had held its own, giving RTÉ a loss in commercial revenue of -2.3% (compared to 10.5% growth the previous year and 11.2% in 2006).

**By the end of 2009, TV was -49.7% and radio was -11.3% showing a -27% fall in commercial revenue since 2005 (RTÉ annual report 2009).**

RTÉ experienced boom revenue, with the TV licence fee drawing in about €200 million and commercial revenue bringing in well over €200 million post 2005, but it had also inflated its cost base. Full-time staff numbers grew from 2,169 in 2004 to 2,351 in 2008. According to its own data average personnel costs raised by 40% from €58,517 in 2004 to €82,125 in 2008. In the same period revenues from licence fees increased 21%, while the individual licence fee increased from €152 in 2004 to €160 in 2008.

By the beginning of 2009, RTÉ was projecting over €60 million in deficit and a range of actions were taken during the year to stabilise the financial situation including significant salary cut-backs, taking over €9 million out of costs, through a negotiated series of pay-cuts which affected all staff and contracted on-air talent. In May, RTÉ fixed its cost per thousand in TV advertising rates in an effort to bring some order to commercial sales projections and to allow it to plan the remainder of the year in terms of revenue.

By July 2010 the necessity for that form of fixed rates seemed less clear and there is hostility to it in the commercial sector. RTÉ's TV market dominance, in advertising and commercial revenue, and the correlated impact of that on the future growth of the commercial sector, both in competition, employment and production, is a factor which has to be assessed more fully during the period of the proposed BAI Strategic Statement, 2010-2013.

In 2009, RTÉ had to reduce its 2009 deficit to €16.5 million, excluding an additional deficit of €11.3 million spent on a staff reduction programme (early retirement and career breaks). By the close of 2009, RTÉ's full time staff number was 2,214 and that number is expected to fall further in 2010 due to the implementation of the staff cost reduction policies. Yet the company's steady growth in full-time numbers up to the end of 2008 is contrary to the European PSB trends, where numbers have been falling. In essence RTÉ has been paying the price for its cost base inflating during the boom years.

Equally, beyond the digital radio and television transmission network, it has not invested significantly in its production base and *Project 2025*, its infrastructural development plan, at a projected cost of €350 million, now seems both costly and too late for the digital and financial challenges facing it.<sup>92</sup> Planning permission has been granted to RTÉ for the development of the new digital campus at Montrose, but the project may have to be scaled back given the financial realities.

RTÉ faces another uncertainty with the announcement, by late July 2010, that the Minister has included it in a review of semi-state assets. This review will include an assessment of the use of spectrum and while few observers expect the Government to privatise RTÉ it has provoked a range of commentaries, particularly in the print media, suggesting the sale of the more commercial RTÉ services such as RTÉ 2fm and RTÉ Two.<sup>93</sup> (In reality the focus of this asset review is likely to be RTÉ NL and may relate to our recommendation on the separation of RTÉ and the terrestrial network.)

The fact that RTÉ now states that RTÉ 2fm does not receive any funding from the licence fee, and is therefore a wholly commercially funded activity, may fuel speculation. RTÉ has also shifted the focus of this station from 15-35 year olds to one aimed at 25-44 year olds, which is where the national independent service, Today FM, is positioned.

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<sup>92</sup> July 18 2010 <http://www.tribune.ie/news/article/2010/jul/18/storm-brewing-in-d4-as-rte-plans-350m-campus-rebui/>

<sup>93</sup> July 27 2010 <http://www.independent.ie/business/irish/mccarthy-to-examine-overlap-of-semistates-2273266.html>

The independent radio sector did not make the case for selling RTÉ 2fm, since there may be a concern that if it was an independent radio station running without PSB constraints against the national Communicorp stable of Today FM and Newstalk, it could potentially take more revenue and increase competition.<sup>94</sup> The only argument to close RTÉ 2fm came from Sean McCrave, of the Institute of Advertising Practitioners in Ireland, (IAPI) who maintains the commercial sector can deliver this audience to advertisers while Scott Williams, the Chairman of the Independent Broadcasters of Ireland (IBI) and CEO of Dublin's Q102, made the point that the hybrid identity of RTÉ 2fm, as a commercial station under a public broadcaster, gives an edge to competition and is ultimately good for listeners and for the whole radio market.<sup>95</sup>

**Figure 6.1** RTÉ financial profile

<b><u>Divisional Results (change from previous year)</u></b>						
<i>Millions of Euro, Current Value</i>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Television	-15.9	-17.28	10.15	2.2	6	8.4
Radio	0.7	2.76	2.66	2.7	2.1	2.2
News and current affairs	-2.4	-2.75	-2.65	-2.7	-2.2	-2.2
<b>Performing Groups</b>						
Network	8.3	6.11	5.52	5.4	5.9	-0.5
Publishing	-1.6	-2.06	-0.98	0	0.6	1.1
Corporate HQ	-2.9	-2.53	-4.34	-4.5	-3.6	-4.6
Consolidation Adjustments	0.4	0.6	3.04	-0.5	0.5	-0.1
Disposal of Surplus Site	0	0	0	0	0	13.3
Building impairment	0	0	0	0	0	-10.8
<b>Sub-Total</b>	<b>-13.4</b>	<b>-15.15</b>	<b>13.4</b>	<b>2.6</b>	<b>9.3</b>	<b>6.8</b>
Net Defined Benefit Pension Related Finance Income	-2.8	5.72	16.18	14.5		
Operating earnings before interest, tax, depreciation and amortization						27.6
Restructuring Charges	-11.3					

<sup>94</sup> The debate over RTÉ 2fm is complicated by the death of its star presenter, Gerry Ryan, and the challenge that has presented to the station to address its own declining audience share. Ryan's death has been taken as an opportunity by the station's competitors who defined the period between April-mid August (when Ryan's replacement took over) as an opportunity to win the RTÉ 2fm listeners.

<sup>95</sup> RTÉ 2fm schedule is now being re-vamped for autumn 2010.



Income Tax	0.3	9.46	-3.15	0.9		
<i>The Exceptional Item (Restructuring charge) arises from the cost reduction programme put in place during the year. Provision of €11.3 million was made in 2009 in respect of the introduction of an Early Retirement &amp; Redundancy Facility and an Incentivised Career Break/ Leave of Absence Scheme.</i>						
<b><u>Commercial Revenue (change from previous year)</u></b>						
<i>Millions of Euro, Current Value</i>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Television Advertising	-49.7	-7.8	17.3	15.6	17.7	n.a
Radio Advertising	-11.3	1.1	0.5	2.7	3.2	n.a
Other areas	-4.2	1.1	5.5	4.1	2.2	n.a
Year-on-Year movement	-65.2	-5.6	23.3	22.4	23.1	n.a
<b>Commercial Revenue</b>	<b>174.7</b>	<b>239.9</b>	<b>245.5</b>	<b>222.2</b>	<b>199.8</b>	<b>n.a</b>
%	-27.2%	-2.3%	10.5%	11.2%		
<b><u>Licence Revenue (Change from previous year)</u></b>						
<i>Millions of Euro, Current Value</i>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Growth in Volume of TV Licences Sold	-0.7	5.2	10.1	9.8	3.2	n.a
Increase in the unit price of a TV Licence	0	0	2.8	1.9	2.3	n.a
Other factors	0	0	0	1	-1.6	n.a
Year-on-Year movement	-0.7	5.2	12.9	12.7	3.9	n.a
Licence income	200.217	200.9	195.7	182.8	170.1	166.2
%	-0.3%	2.7%	7.1%	7.5%	2.3%	
<b>TOTAL INCOME (Commercial + Licence)</b>	<b>374.917</b>	<b>440.8</b>	<b>441.2</b>	<b>405</b>	<b>369.9</b>	<b>n.a</b>
<b><u>Employees</u></b>						
<i>Total Number</i>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
Full time	<b>2214</b>	<b>2351</b>	<b>2307</b>	<b>2283</b>	<b>2239</b>	<b>2169</b>
Part-time	332	358	358	399	402	407
<b><u>Capital Expenditure</u></b>						
<i>Millions of Euro, Current Value</i>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	15.2	51.4	19.1	17.1	15.1	0

<b>Utilisation of TV Licence (Divisions)</b>						
<i>Millions of Euro, Current Value</i>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
RTÉ One	62.0	59.4	60.1	59.4	62.8	61.4
RTÉ Two	31.6	34.1	31.5	33.6	31.0	32.3
<b>RTÉ Television</b>	<b>93.6</b>	<b>93.5</b>	<b>91.6</b>	<b>93.0</b>	<b>93.9</b>	<b>93.7</b>
RTÉ Radio	16.7	14.2	14.6	12.0	10.0	10.3
RTÉ RnaG	9.1	10.7	10.0	9.5	8.8	8.6
RTÉ lyric fm	5.2	5.8	5.7	5.4	5.1	5.2
<b>RTÉ Radio</b>	<b>31.0</b>	<b>30.7</b>	<b>30.3</b>	<b>26.9</b>	<b>23.9</b>	<b>24.0</b>
RTÉ Performing Groups	9.5	11.0	10.9	11.1	10.6	10.4
<b><u>RTÉ Activities</u></b>	<b><u>134.1</u></b>	<b><u>135.2</u></b>	<b><u>132.8</u></b>	<b><u>131.0</u></b>	<b><u>128.4</u></b>	<b><u>128.1</u></b>
	83.8%	84.5%	84.1%	84.1%	83.3%	84.3%
RTÉ Support for TG4	7.5	7.89	8.34	7.53	7.65	7.03
BCI Broadcasting fund	8.45	7.53	7.4	7.3	7.25	7.12
BAI Levy	0.63					
Collection costs -						
An Post / DCENR / DSFA	9.37	9.36	9.44	9.91	10.84	9.74
<b><u>Non-RTÉ Activities</u></b>	<b><u>25.95</u></b>	<b><u>24.81</u></b>	<b><u>25.18</u></b>	<b><u>24.74</u></b>	<b><u>25.74</u></b>	<b><u>23.89</u></b>
	16.2%	15.5%	15.9%	15.9%	16.7%	15.7%
Avg. cost of TV Licence	160	160	158	155.76	154.15	152
<b><u>Cost by Output Category</u></b>						
<i>Millions of Euro, Current Value</i>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
In-house production	209.2	245.0	226.3	211.8	182.4	179.8
Statutory Commission	37.2	35.9	32.9	24.5	29.4	28.6
Non-Statutory Commission	22.9	44.0	44.3	48.4	45.3	22.3
<b>Indigenous Programming</b>	<b>269.2</b>	<b>324.9</b>	<b>303.5</b>	<b>284.6</b>	<b>257.1</b>	<b>230.8</b>
<i>% change</i>	-17.1	7.1	6.6	10.7	11.4	
Acquired Programmes, Ireland	0.4	0.4	0.4	0.7	0.5	0.6
Acquired Programmes, overseas	25.0	24.7	23.7	22.9	21.7	23.0
<b>Programme Costs Total</b>	<b>294.6</b>	<b>350.0</b>	<b>327.5</b>	<b>308.1</b>	<b>279.2</b>	<b>254.4</b>
<i>% change</i>	-15.8	6.9	6.3	10.3	9.8	
General broadcast & transmission costs	46.1	51.6	45.9	43.9	36.6	38.6

Sales costs	9.4	12.7	12.4	10.5	9.5	10.9
Other operating / output related costs	35.4	39.5	37.5	41.5	36.0	35.3
<b>Output related Costs Total</b>	<b>385.5</b>	<b>453.9</b>	<b>423.4</b>	<b>404.1</b>	<b>361.3</b>	<b>339.2</b>
% change	-15.1	7.2	4.8	11.8	6.5	
<b>Net Surplus / Deficit (after Tax)</b>	<b>-27.8</b>	<b>0.0</b>	<b>26.4</b>	<b>17.9</b>	<b>16.5</b>	<b>18.7</b>

Source: Compiled from RTE annual reports

### 6.3 How Irish PSBs compares

A challenge in doing any comparative work between Irish PSBs and the rest of Europe is the highly commercial nature of the Irish landscape and the concept of 50/50 commercial to public funding as the basis for public service broadcasting in Ireland. While we look at small nation broadcasters in countries like Denmark and Finland, the direct comparison for a PSB with commercial dependency is Austria. In general what we have looked at are trends in revenue. We also reflect the changing landscape of PSB funding, where many states using licence fees are exploring or implementing policies which will replace a receiver tax and shift to either direct state funding and subsidies, as in the Netherlands, or a combination of subsidies and new taxes, as in France and Spain. In some territories the shift has been to a household tax, based on electricity, as in the Slovak Republic. The issue in Ireland is that collection costs are high, evasion is relatively high (and has increased during the recession) and increasing the concept of a direct licence for each television set or receiver is out of date with technology and consumption.

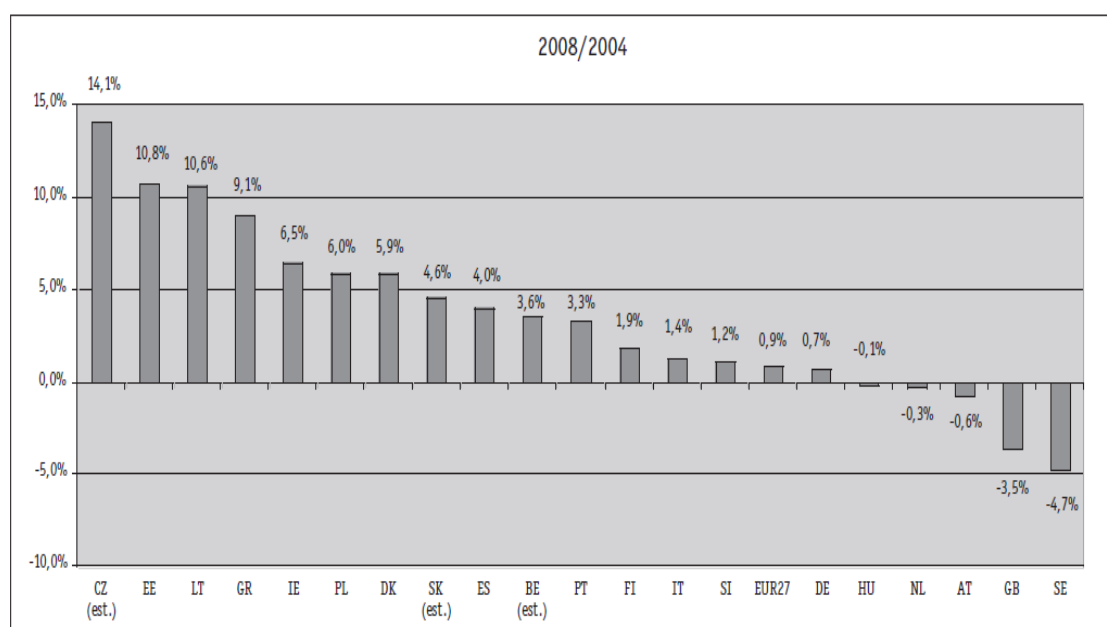
*'There's 10-15% evasion; and then €10-15 million lost in collection. Ultimately there's about 30-40 million lost. We need to look at more effective ways of doing this,' Eaná Ó'Conghaile* of the Broadcasting Division of the Department of Communications, says.

**Figure 6.1** Operating revenues of public radio and television companies EUR27 (2004-2008)

	2004	2005	2006	2007	2008	2008/2007
AT	967,104	990,010	917,642	952,896	943,038	-1.0%
BE (est.)	671,136	716,910	790,328	770,209	772,111	0.2%
CZ (est.)	191,838	211,559	270,102	304,108	324,624	6.7%
DE	8,016,090	8,476,933	8,481,632	8,467,959	8,241,162	-2.7%
DK	675,868	710,391	735,947	845,282	849,436	0.5%
EE	21,273	21,248	25,439	27,726	32,065	15.6%
ES	1,826,902	1,711,759	1,806,137	1,833,759	2,136,065	16.5%
FI	368,459	415,302	396,374	409,051	397,517	-2.8%
FR	4,800,792	4,852,016	5,099,623	5,276,083	4,216,934	(1)
GB	6,131,275	6,393,253	6,847,058	6,178,605	5,306,559	-14.1%
GR	263,898	273,477	321,943	360,059	373,968	3.9%
HU	139,416	158,394	162,824	163,599	138,840	-15.1%
IE	342,882	369,888	405,021	441,152	440,760	-0.1%
IT	2,943,651	2,942,754	2,991,272	3,066,015	3,110,315	1.4%
LT	17,300	17,300	19,800	23,900	25,900	8.4%
LV	18,779	21,918	26,800	29,800	n.a.	n.a.
MT	7,103	5,738	5,615	6,475	n.a.	n.a.
NL	853,056	822,393	679,988	893,300	843,000	-5.6%
PL	473,820	551,294	583,784	668,360	597,441	-10.6%
PT	261,763	266,105	292,150	314,853	298,348	-5.2%
RO	180,565	203,880	243,341	n.a.	n.a.	n.a.
SE	718,671	712,062	739,319	696,424	593,948	-14.7%
SI	108,784	109,833	116,880	114,524	114,171	-0.3%
SK (est.)	87,127	79,141	87,561	92,047	104,244	13.3%
<b>EUR27 (2) (est.)</b>	<b>30,087,552</b>	<b>31,033,558</b>	<b>32,046,580</b>	<b>32,179,527</b>	<b>30,140,062</b>	<b>-6.3%</b>

**Source:** European Audiovisual Observatory, Public Service Media: Money for Content 2010

**Figure 6.2** Average annual growth rate of operating revenues of public broadcasting companies (2004-2008) (Ireland shows a 6.5% growth in PSB operating revenue, compared to EU average of 0.9%)



**Source:** European Audiovisual Observatory, Public Service Media: Money for Content 2010

How public service broadcasting is funded is a debate across the European Union with several trends emerging. Those countries using a TV licence fee are generally looking at future funding mechanisms, which reflect the changed technological environment where television can be received on mobile phones as well as laptops. A reception-based licence fee is often being replaced by a household charge as in the Slovak Republic where the PSB fund is now via the electricity bill per household. In Ireland, the Minister for Communications has already indicated that he does not see a physical TV licence existing in ten years time.<sup>96</sup> In other European nations, like France and Spain, the debate over public service broadcasting funding has resulted in moves to withdraw commercial advertising from PSBs. In Spain the changed funding policy and the introduction of new state subsidies and three different forms of taxes is being reviewed by the European Commission. The planned reforms in France, which will prohibit all advertising on public service broadcasters and introduce a tax on advertising on commercial TV, are also being examined by the Commission.

<sup>96</sup> Irish Times. <http://www.irishtimes.com/newspaper/finance/2010/0428/1224269221173.html>

The European Audiovisual Observatory, in its study *'Public Service Media: Money for Content'*, highlights the challenges in comparative analysis of PSBs in Europe as it is dependent on the quality and transparency of the national data.<sup>97</sup> It is that issue of transparency, which is at the heart of the contemporary debate over PSB funding in Europe. The European Commission's evaluation in its 2001 and 2009 communications assumed the 'public service remit' is defined clearly and accurately and that a clear distinction is made between a broadcaster's public service activities and its other activities. **The central trend in PSB funding regulation is to give form to that objective and to underscore transparency and clarity in the role and remit of the national PSB operators.**

#### **6.4 Issues for Irish PSB public funding**

While 2003-2007 saw RTÉ revenues grow, it faces the next five years with a list of uncertainties and challenges. The economic climate may not favour increased licence fees and the principle of top-slicing of the licence fee, via the content fund Sound & Vision, is now well established. Seven percent of the licence fee now goes directly to that fund and while RTÉ continues to benefit from it, via its programming bids, a trend towards sharing public funding will hit its revenue projections. Equally, neither PricewaterhouseCoopers nor Nielsen see much growth for broadcasting advertising in the coming three years, so recovery will be slow and paralleled by a continued shift in spend online. There is also likely to be little growth in the TV licence fee base, with increased emigration, and evasion is certainly running at a higher rate through the recession.

For RTÉ that picture of contracting revenue coincides with a need to transform its production base to a more multimedia, cross-platform one which is content, rather than platform or medium, led. At the same time it is required to invest heavily in DTT and will face further scrutiny on its public service remit and the need to develop transparent public value criteria. Its hybrid identity, as a hyper commercial PSB, may face increased competition given the relative weakness of the independent commercial television sector and the commercial identity and nature of services like RTÉ 2fm in radio and RTÉ Two in television. On the other hand, and more importantly, it is a popular and highly regarded broadcaster, with strong national audiences across TV, radio and online.

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<sup>97</sup> EAO (July 2010) 'Public Service Media: Money for Content'

RTÉ's future challenges will require a positive and progressive regulatory structure. The ideal outcome will be clarity over the role of public service broadcasting and security on its future funding to facilitate future economic planning and ensure best value for the public.

#### **6.4.1 RTÉ and RTÉ NL**

Ireland is unique amongst European broadcasting systems in still having the terrestrial broadcasting network tied to the public service broadcaster. As we mentioned in the section on DTT this is more the result of economic factors, which hindered the sale of the network in 2000, rather than a policy position. RTÉ itself expresses the view that it would welcome the separation of the network from the broadcasting company, although there will be the need to transfer value from the network back to RTÉ. The Department of Communications supports the separation of RTÉ and the network but in the interview conducted for this review, raised practical issues of staff pensions and the debt transfer from the network.

**There is clear agreement across the sector that the economic landscape and competitive quality of the broadcasting sector would benefit from a separation of RTÉ and RTÉ NL.**

TV3 raised this as the barrier to DTT, while the issue of the transmission costs was also raised by the commercial radio sector as an obstacle to its continued participation in DAB transmission in the Digital Radio in Ireland study (BCI 2009). The question of how and when RTÉ separates from the transmission network seems unavoidable and could open up the potential for more commercial activity in the digital broadcasting space. Given the significance of DTT, which the Department of Communications describes as the single biggest broadcasting issue facing it in the coming three years, it is an issue that needs to be tackled now. While the economic climate is not favourable for a sale of the transmission network, it could be transferred into another state entity or into a public-private partnership. We recognise this would require planning and legal amendments. Equally, in the short-term, RTÉ could be asked to separate the management of the network on the basis that in the short to long term the intention is to make it an independent transmission body.

### 6.4.2 Public value criteria

One of the challenges facing PSB models in Ireland is the need to develop public value criteria in line with other European territories. This concept goes beyond the nature of commitments to performance but scopes how we assess 'public value' and how different PSB services and programmes measure against such public value criteria. In a sense RTÉ currently defines everything it does as PSB although it describes some services, like RTÉ 2fm, as contributing commercial revenue to ensure PSB can happen. RTÉ itself maintains it will welcome greater clarity about what is public service and how we measure it. This process is likely to follow a public funding review.

Public value criteria are primarily used to analyse new projects, initiatives and services. They are often used to determine the benefits of new services to the public and the impact on existing services, the market and society. In an era of digital terrestrial and online services it has become standard good practice to build in an independent metric to ensure that the overall match of public funding to service is appropriate.

According to Professor Picard, the criteria often employed include:

1. What additional value is provided to users of public services by the proposed changes or developments?
2. What value does the proposed change provide to the wider society as a whole?
3. How will it affect existing services?
4. How will it impact on the market and market based services?
5. What is the cost-benefit ratio?
6. Are the overall impact assessments beneficial or detrimental?

### 6.4.3 Dual funding and commercial impact

Ireland is unusual in having a highly commercial public service operator which is both popular and core to the commercial advertising marketplace. The balance of 50:50, as a split between commercial and public funding, is a notional one which shifts up and down, depending on commercial and licence fee revenues, but it equally defines public policy which sees RTÉ at the centre of Ireland's cultural life and where dual funding allows it to



fulfil that role. Effectively commercial funding, and commercial activities, in RTÉ's analysis, enables it to be a stronger PSB, offering more services than a small nation state can support.

While the commercial broadcasting sector would welcome a pull back on RTÉ's advertising capacity, or even the closure of some of its commercial activities, the advertising industry sees such suggestions as 'disastrous' and likely to cost jobs and growth given the scale, and value, of RTÉ audiences.

A hybrid PSB model, like RTÉ, is somewhat out of step with some trends in Europe, to remove commercial revenue out of PSB as in countries such as France and Spain (although the French plan to remove advert revenue has stalled in the recession). If Ireland was to follow suit, or even reduce commercial revenue to one third, the question would be stark; could public funding increase to fill the gap left by commercial revenue or would public broadcasting contract to fit the levels of public funding? Given the dramatic decline of public finances, increased public funding seems unlikely. Yet the alternative would be to reduce the size of RTÉ's services to match funding and a reduced RTÉ could lose public share/reach and as such begin to reduce its hold on public funding as we have seen in other countries such as Canada.

The issue over dual funding is not so much whether RTÉ can harness commercial revenue but more how transparent and accountable it is both within its public value obligations and commitments and within the marketplace.

RTÉ's fixed advertising rates raises the question of an independent rate review (which happens in many other competitive markets) and which would allow a third party to review rates and address the commercial argument that RTÉ, through its share and market dominance, is setting the rates artificially. The review would be in the best interests of both RTÉ and the commercial sector, as it would remove subjectivity from the discussion.

#### **6.4.4 PSB online**

One of the challenges for RTÉ in the coming period is to define its role online, in particular its public service broadcasting role online. RTÉ currently manages its online operations under its Publications Division, which is seen as a highly commercial division, responsible for the 'RTÉ Guide' magazine and merchandise. This combination of direct PSB content like news, via the RTÉ Player, has proven commercially successful for RTÉ and it is charging, according to advertising agencies, 'broadcast-like' rates for its main news in the player.

While this is a logical commercial connection for RTÉ, it is being challenged by the Irish newspaper industry which sees its advertising revenue being eroded by online and sees RTÉ, as a news provider, benefiting from its PSB funding to extend its commercial life online. What RTÉ is doing is in line with the way it sells its news audiences in TV and radio but what it does expose is the lack of definition around RTÉ's role online and its online public service remit, as distinct from extending its audiences and revenue online. There is a sense that RTÉ has not married the Internet platform into its PSB remit and that this will need to be resolved as the level of its commercial revenue from online grows. The Broadcasting Act (2009) clarifies the position for RTÉ in that it determines that RTÉ must provide a public service on all platforms, including online, and this may allow RTÉ to take greater leadership in the online space as a public service content provider. The tensions about PSB online operations is common across Europe and the Irish legislative position gives RTÉ clarity to re-shape itself as a platform neutral content creator.

RTÉ, as a dual funded operator, has the ability to play a vital public service role online and to carry its hybrid model into that space. Rightly or wrongly there is a view amongst its competitors, the print sector and the advertising sector, that RTÉ currently sees the Internet as revenue first and public service second.

**That level of subjectivity can be removed in an environment where the PSB role and remit of RTÉ on all platforms, including online, is clearly defined and where those commitments to performance are tracked.**

## **6.5 Recommendations**

### **6.5.1 Create a separate network entity**

Separation is needed between RTÉ and RTÉ NL in order to promote a competitive environment and facilitate the digital future of broadcasting.

### **6.5.2 Establish public value criteria**

Public value criteria need to be agreed which create clarity and transparency around the delivery and funding of PSB services. RTÉ needs to be encouraged to define, and clarify, its PSB role online in terms of content and innovation. Public value criteria in public broadcasting are primarily used to analyse the appropriate match of new services and initiatives to public value.

### **6.5.3 Third party review of advertising sales rates**

A third party review of the advertising sales rates would be beneficial, would assist both RTÉ and the commercial sector, and would bring clarity and transparency to how RTÉ sets and operates advertising sales rates in a market where it remains the dominant terrestrial operator. **Undertaking this review may be a role for the Competition Authority or could involve a collaborative initiative between the BAI and the Competitions Authority.**

### **6.5.4 Regulating public service broadcasting**

The Broadcasting Act (2009) gives the BAI a role in regulating public service broadcasting although key elements report directly to the Minister. The BAI would benefit from capacity building in its expertise in public service broadcasting and in particular European models and trends. This transition should be mapped in the 2010-2013 time period and should allow for expertise, within the BAI, to develop in PSB models. RTÉ, in particular, faces a challenging time, and the regulator has a key role in facilitating change which can ensure best value and quality for the public and as well as the promotion of a stable environment for the management of PSB in a dual-funded structure.

## 7. THE SHIFT ONLINE: IRELAND AND THE GLOBAL TRENDS

### 7.1 Ireland and the global trends

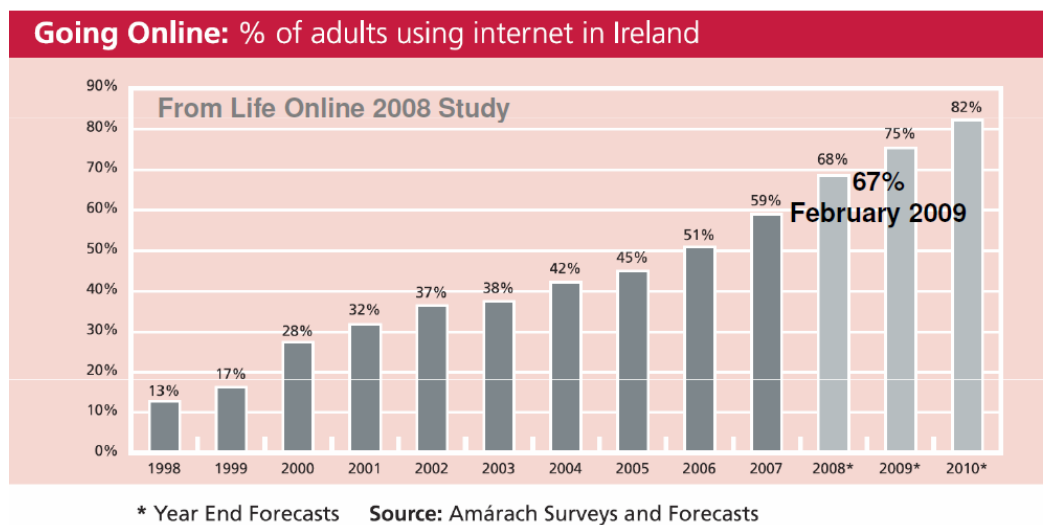
*'The challenge facing TV and radio broadcasters is they need to stop thinking of themselves as TV and radio broadcasters'* according to **Liam O'Donohoe**, Commercial Director of Media Ireland, Nielsen. PricewaterhouseCoopers points out that while traditional media will struggle to recover in the coming period, the strongest growth will be with mobile Internet and digital content. For media operators, the accelerated speed of the shift online is transforming production, consumption and revenue models.

According to ComReg's *Consumer ICT Survey Q4 2009*, internet usage in Ireland grew from 2.8 million to 3.2 million people online in one year, with average time spent online increasing to over 13 hours a week. While the vast majority of those users are using broadband, there is still a significant gap amongst the Irish public in terms of access.

In Ireland the shift online remains somewhat behind the trends in the UK and mainland Europe, as broadband penetration and speeds catch up. While Ireland may be as much as five years behind many of its European neighbours, the gap is narrowing. A sign of that is the migration of advertising revenue online in that revenue follows audiences. By mid-2010 Nielsen estimates that the internet now accounts for up to 10% of Irish advertising revenue, doubled in just over a year. 10% for online advertising is also the figure released by PricewaterhouseCoopers in its online advertising study in late July 2010. McCann Universal put the online pull on advertising and marketing spend (which includes sponsorship, promotions and branding) at about 12% of the Irish total spend by mid-2010, reflecting that it sees online continuing to take from other media.

Amárach's survey 'Life Online 2009' gives a picture of the personal and professional shift online and the impact on consumption habits. 82% of Irish people are now online and those online are increasingly likely to have some form of broadband access. Not surprisingly, the growth of faster connections is increasing online consumer retail activity and access to content, both from traditional media sources like newspapers and broadcasting to new media outlets.

**Figure 7.1** Percentage of adults using Internet in Ireland



Source Amárach 'Life Online 2009' via [www.amarach.com](http://www.amarach.com)

### Key online content trends from Amárach 'Life Online 2009'

- 39% of Irish Internet users watch videos on YouTube
- 36% read Irish newspapers online
- 24% read blogs only 5% write one
- 21% listen to Internet radio
- 14% download podcasts.
- 23% use Skype
- 43% of Irish Internet users use social networking sites

By late 2009, the Information Society Statistics showed that 95% of all Irish enterprises had an internet connection, with 84% using broadband and 45% using high-speed DSL broadband connections.<sup>98</sup> While ComReg's data show the growth of mobile broadband access, indeed the Irish dependency on mobile broadband, it also gives the per capita penetration as 32%, with nearly 60% household penetration.<sup>99</sup> While Irish speeds, compared to those now available in the UK, remain slow, one of the key consumption transformations from mid-2009 has been the mass take-up of social networking and social media by Irish people.

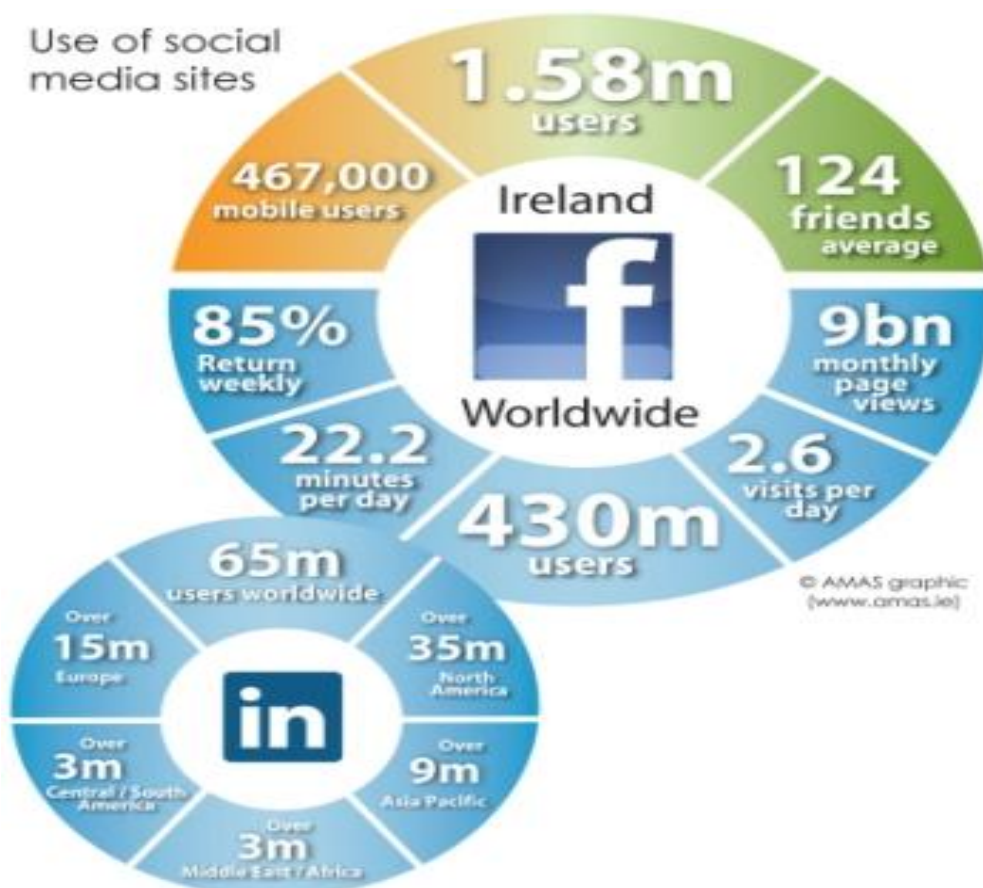
<sup>98</sup> Information Society Statistics, Enterprise Statistics 2009 (December 7 2009)

<sup>99</sup> ComReg Quarter 3 and Quarter 4 2009.

## 7.2 The growing power of social media

By mid 2010 Facebook had 1.5 million Irish users and increasingly media advertising is taking place via social networks including Facebook and Twitter. By 2010 Facebook became more important than Google in distributing links (usually content; news and video) globally, and social media had become the number one activity on the internet, with 500 million users on Facebook (July 2010) and two thirds of users returning daily. Irish online agency, Amas, shows the growing significance of mobile users in the graph below. The growing mass penetration of smart phones is accelerating this change and by March 2010 there were 250,000 iPhones in Ireland, with 500,000 predicted by the end of summer 2010. Nielsen research shows that mobile use increases social media utilisation by about 50%.

**Figure 7.2** Social Media in Ireland 2010



Source: Amas 2010. [www.amas.ie](http://www.amas.ie)

While audiences are shifting online, the view from Ofcom's *Communications Report* (2010) is that this is leading to multi-tasking, with people using multiple forms of media and communications at the same time. **Ofcom reports that people spend half their waking life using media, but that in a seven hour period they use 8.4 hours of media.**<sup>100</sup>

So people are online, using social media, with the TV or radio on, or using smart-phones, using applications, while listening to radio. Therefore while time spent watching and listening is somewhat declining, this level of multi-tasking shows that, **broadcast TV and radio are becoming absorbed into the new media consumption habits, rather than being abandoned.** The more broadcasters recognise this consumption trend and adapt, the more likely they are to benefit from both consumption and revenue transitions.

### 7.3 Broadcasting and online

While Irish broadcasters have adopted online tools to both distribute and promote their content, there are few examples of traditional broadcasting businesses which have successfully integrated their broadcasting and online to maximise their production, audiences and revenue. The Internet and online is still seen as 'additional' to many Irish media groups, rather than core.

In RTÉ online activities sit under the Publishing Division, which manages of commercial products such as the RTÉ Guide. One of the successful audience and revenue initiatives of RTÉ in the past year has been the launch of the RTÉ Player, the television catch up service, which has captured audiences as well as generated higher CPT rates, compared to other online advertising rates. *'The RTÉ Player is closer to TV rates and clients can see the value because viewers can't avoid it'*, says **Martina Stenson** of McCann Universal.

RTÉ has integrated its broadcast newsroom and the online news operation this year and is working towards multimedia, or cross media, production models. Its website is Ireland's most popular, with over 4 million unique users a month, a million of those being overseas.<sup>101</sup> Over 4.4 million audio-video clips were accessed via the website during May 2010.<sup>102</sup> RTÉ is consequently in a prime position to lead in online content initiatives.

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<sup>100</sup> Ofcom Communications Report 2010, released August 19 2010, Ofcom, UK.

<sup>101</sup> Irish Times, Múirne Laffan, Publishing Executive Director. April 24 2010 and RTÉ May 2010 online statistics.

<sup>102</sup> <http://www.rte.ie/about/websitefigures/rte-abc-audit-may2010.pdf>

The ability of broadcasters like RTÉ to capture online advertising by using their content has created tensions with the newspaper industry. Print and press have been hardest hit by the shift online, not just in Ireland but across the globe. The debate over the future of newspapers and what audiences will pay for has also brought newspapers into conflict with broadcasters, in particular Public Service broadcasters, who are seen as mopping up online audiences and revenue, by using their broadcast content. In reality, the Broadcasting Act (2009) gives RTÉ a mandate online but its public service role needs to be clearly defined, in this regard.

The disruptive nature of the online transformation has generally suited new media providers more than traditional media, who are hampered by having to re-think their production, consumption and business model. YouTube now boasts two billion video viewing a day, while new mobile digital tools like the iPhone have shown the power of an integrated platform connected to a retail store like iTunes. Smart phone applications are increasingly becoming mass consumer tools for games, content, news, entertainment etc. In the first 18 months of the iPhone 3 billion applications were downloaded and US research shows the average iPhone user has 30 applications, with 12 of them being paid for applications. In Ireland the smart phone market will be half a million by the autumn and applications are soon to become advertising platforms.

While mass audiences in TV and radio in Ireland are still extremely strong and show the power of home produced content, the key shift change for broadcasting is from linear to non-linear with audiences /users wanting content on demand ‘what you want, when you want it, where you want it,’ which they can share and use in an online life. In radio broadcasting, non-linear tools like podcasting have proven far more popular than digital radio offerings. In the UK where online radio audiences’, streaming, downloads and podcasts are measured by RAJAR, we now see 47% of listeners using podcasts at least once a week. Edison Research measures US podcast audiences at 27 million (2009).<sup>103</sup>

- Over 8 million people in the UK download podcasts (RAJAR December 2009)
- Podcast users download 5 podcasts a week and spent an hour listening (RAJAR 2010)
- 75% of podcast users in UK/US subscribe to podcasts via iTunes (RAJAR 2009/Edison 2009))
- BBC top podcasts get over 2 million downloads each a month (BBC)

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<sup>103</sup> Edison, ‘The Infinite Dial’ 2010.



- Over half of US podcast users are under 35 (Edison The Infinite Dial 2009)
- Podcasting *increases* linear radio listening (RAJAR & PALVIS 2008-2009)

Podcasting, like most of the current digital and online tools, is a recent development. It uses RSS feeds to distribute audio (and video) and podcasts grew from the blogging community in the US. The term itself was coined in February 2004 by a media writer in *The Guardian* and podcasting pilots were run from late 2004-2005 by the BBC, in the UK and NPR, in the US. By mid-2005, iTunes opened its portal to podcasts and it became mass media. By 2005, Irish community radio station Near FM lead with podcasting, followed by commercial broadcasters like Newstalk. RTÉ Radio opened a podcasting service in mid-2006 but by Jan 2007 had recorded over a million downloads and now averages half a million to a million downloads a month, with key programmes like Morning Ireland and comedy segments from the RTÉ 2fm breakfast show being amongst the most popular.<sup>104</sup>

In television, the trend online has been towards catch-up players, video on demand and short segments of news programmes. Increasingly, video news clips from broadcasters like the BBC are being shared via platforms like Facebook and Twitter. Twitter has a global user base of over 100 million and an estimated one third of all tweets are sharing video links.

In Ireland, online content producers and aggregators, operating outside the traditional broadcasting model, include online music video channel, Balcony TV, and music video portal, Muzo. Most online content companies are using a mix of sponsorship, advertising and some micro-payments as revenue streams.

## **7.4 How broadcasters are facing the shift online**

### **7.4.1 NPR (US)**

NPR, in the United States, is a public service radio network which raises revenue via public funds, public donations, micro-payments and commercial sponsorship. It was one of the early adopters of podcasting in 2004-5, and it effectively became a multimedia operator by 2006, providing content on-demand and making extensive use of social media platforms and tools; creating digital online communities. Since 2002, it has increased its audience reach by 17% to 27 million a week. Its iPhone app gets 8,000 unique visits an hour, it gets 13 million podcast downloads a month, and its web and mobile web traffic has grown by over 30% in

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<sup>104</sup> RTÉ online May 2010 reports over a million requested downloads via RTÉ websites.

the past year.<sup>105</sup> Digital, multimedia and mobile web have been at the heart of NPR's reinvention.

#### **7.4.2 DR (Denmark)**

DR, Danish public broadcasting, has sought to address the multi-media challenge facing traditional broadcasters, by shifting all content creation to one production centre and seeking to break down the content silos. DR creates original public service content and projects for online; particularly for young and marginal audiences.

#### **7.4.3 BBC+C4+Channel 5+ITV (UK) Project Canvas**

Project Canvas is a proposed partnership between Arqiva, the BBC, BT, C4, Channel Five, ITV and Talk Talk to build an open Internet-connected TV platform. The aim is to provide a future for free-to-air TV via the Internet and to launch a consumer device by 2011.

Project Canvas will see the creation of a standards-based, open Internet-connected TV environment to offer viewers easy access to both linear and video-on-demand, web-based content, HD, and interactive services over the internet direct to the TV.

#### **7.4.4 NOS (Netherlands)**

In the Netherlands, where the licence fee has been replaced by direct state subventions via taxation, NOS has integrated all its news production; radio, television and online, and runs a collaborative news desk using citizen journalism in a form of crowd sourcing.

#### **7.4.5 SBS (Australia)**

Australia has combined online and broadcasting content regulation and all broadcasting operates under the Department of Broadband, Communications and the Digital Economy.<sup>106</sup> SBS (Special Broadcasting Service) is a hybrid PSB competing with the main PSB model, ABC, and serves a multi-cultural, multi-lingual Australia. The SBS website is a multimedia manifestation of its mission, which combines linear and non-linear radio and television, social media, genre archive content on-demand and linguistic content choice.<sup>107</sup>

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<sup>105</sup> NPR Research, August 2010.

<sup>106</sup> [http://www.dbcde.gov.au/\\_\\_data/assets/pdf\\_file/0015/120507/Statistical\\_Snapshot.pdf](http://www.dbcde.gov.au/__data/assets/pdf_file/0015/120507/Statistical_Snapshot.pdf)

<sup>107</sup> [www.sbs.com.au](http://www.sbs.com.au)

## 8. MAPPING METHODOLOGY FOR BAI

### 8.1 Mapping template for on-going BAI work from September 2010 as part of Strategic Statement 2010-2013

#### 8.1.1 Skills development and capacity building

In our recommendations we state that the BAI needs to **up-skill all its executive team and existing staff in market intelligence, knowledge and economic awareness as part of its strategic objective of providing evidence-based regulation**. We have recommended that as well as extending and enhancing the broad skills of the executive, the BAI should focus **training on several staff members** who are currently involved in research and strategic support. Ideally an **additional team member, a researcher/analyst**, should be recruited, when resources are available, with specific economic / market qualifications, skills and experience. The BAI does not necessarily need to recruit an economist but it would benefit from a qualified and experienced researcher, who has specific market analysis skills and who may have a market and media business background.

This capacity building programme is essential for the success of any proposed mapping template and should begin in September/October 2010, as part of the Strategic Statement, to ensure the BAI can best meet its obligations under the Broadcasting Act (2009). This is the crucial first step in achieving an evidence-based regulatory process; building the **skills** to use the **information** which will feed **policy**.

In our report we took a view of the Irish broadcasting landscape across production, consumption and revenue and reflected that against international trends and drivers. In **Chapter 1, Irish Broadcasting Landscape**, we created a grid of the Irish broadcasting landscape reflecting it against the national economy. A mapping template for future work should use the headings of **production, consumption and revenue**, and should seek to track information for quarterly and annual updates, using both national and international data.

The BAI needs to make better use of the data which is currently available to it, and should augment it with authoritative data which is specific to its needs. The BAI already collects significant data on licence-holders via the annual performance review and for the levy. It needs to collate this, use it appropriately and identify the gaps (such as sales/revenue data).

The aim will be to provide quarterly reports which will integrate data and show trends in the sector. It will also assist in the development of market impact statements. While the primary function is to inform the regulator, the BAI can also look at the benefit of publishing, non-confidential broadcasting updates, combining production, consumption and revenue data, which will increase sector and public awareness. This is in line with best practice in other international regulatory bodies.

## **8.2 Action plan**

### **8.2.1 Collate existing data, augment it appropriately and use it better**

Quarterly, and additional research data from **ComReg**, provides information on analogue/digital broadcasting (satellite/cable etc) and on broadband/mobile consumption. ComReg has also offered to establish a bi-annual briefing session on its data which can be used to extend and share knowledge as well as establish constructive shared research points between the two regulators.

The **European Audio-Visual Observatory** is currently obtained by the BAI as a hard book subscription. We recommend extending the subscription to the online version which will provide more up-to-date information on broadcasting in Ireland and internationally and allow it to be accessed easily. We also suggest using **Amadeus**, the European financial database.

Audience data for both radio and TV is already available to the BAI via **JNLR** and **Nielsen**. Nielsen also runs **Ad Dynamix**, which provides data on all advertising in the Irish market, including broadcasting. We have recommended that the BAI subscribe to this service, which happened in July 2010 at the mid-report stage, and Nielsen has indicated it will train up to 11 staff on the use of the data and will support the BAI. It currently does not provide adequate internet advertising data, but Nielsen is exploring how it grows into this research with the market and it is likely to be available within one year to 18 months.

Reports/research from other regulators and bodies including **Ofcom** (UK), **EBU**, **OECD** should be tracked and used. Ofcom's annual '*Communications Report*' provides essential data and is a template for tracking broadcasting markets. National data from **CSO**, **ESRI** and the quarterly economic data from the **Department of Finance** should be tracked to monitor population, spending, GDP, employment, inflation and cost of living as a background to tracking of the broadcasting and media data.

Media and economic research from **PricewaterhouseCoopers** and the **Economist Intelligence Unit (EIU)** are valuable sources and worth taking as subscriptions. We see it is vital to make better use of existing information flowing from the sector, and to augment it where gaps are identified. The annual performance review statements and the levy income statements already provide essential data on the health of the sector and is a vital basis for market analysis. The gap we see is in revenue, advertising and sales data, which could easily come as an extension of the current annual performance review which gives employment, production and turnover data. This data can be confidential to the regulator but must include both public and private broadcasters. It should ensure that broadcasters provide financial data on advertising; average cost per unit, sales rates and discounts.

**This can be the goal in a three year strategic transition into the market related activities of the BAI. It will assist evidence-based decision making, and ultimately the BAI's ability to regulate appropriately on behalf of the public.**

## 9. REVIEW RECOMMENDATIONS

The review maps the existing landscape of Irish broadcasting and provides insights into key drivers and trends which will impact on the future. This report has sought to map out the tracking methodology which could be adopted by the BAI, to ensure it stays on top of market intelligence as it implements its strategic statement 2010-2013. Our recommendations are driven from the landscape and from international best practice. They are intended to give an independent viewpoint and assist the BAI in its strategic plan

Our core recommendation is that the BAI's should **adopt an evidence-based approach to regulation and policy making, to ensure that regulation promotes a vibrant, equitable and competitive market which benefits all the people of Ireland.**

Evidence based regulation is a contemporary public administration and regulatory approach based in the use of relevant scientific, economic, financial and performance evidence in decision-making. It is now widely used in many social policy and regulatory environments worldwide. It is designed to provide fundamental information that is used concurrently with regulatory values, preferences and expertise to promote best practices and consistency in regulation. Evidence-based regulation involves research on relevant markets, identification of market successes and failures, identification of potential regulatory measures, cost-benefit analysis on proposed policies and impact assessments on existing policies.<sup>108</sup>

Adopting an evidence-based approach will counter subjectivity. We summarised the main conclusions here. Details are provided at the end of each chapter which expand this summary

### 9.1 Market skills & organisation capacity (Chapter 8)

We recommend, in line with **Chapter 8, Mapping Methodology**, that the BAI, as part of its Strategic Statement, implements a plan to build market skills capacity within the executive staff starting from September/October 2010. **Enhanced skills are needed across all operations, with specific team members being up-skilled to lead in this area.**

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<sup>108</sup> Definition by Professor Picard who has extended experience in the development of evidence based regulation.

As resources permit, **at least one team member, with specific and appropriate skills, should be recruited.** A first step in shaping evidence-based decision-making is ensuring that all relevant information flows into the regulator and is collated into research tools, including an internal quarterly broadcasting review, which builds across the period of the Strategic Statement into a trends analysis of Irish broadcasting. An annual public information profile, similar to Ofcom's *Communications Report*, could be achieved within the time-frame of the Strategic Statement by working in consultation with ComReg.

## **9.2 Revenue & business models (Chapter 5 & Chapter 6)**

### **9.2.1 Transparency in the advertising market**

We are concerned by the lack of transparency in the Irish broadcast advertising and commercial revenue market, in comparison with international best practice trends. The BAI needs to consider what positive role it can play in promoting transparency, improved metrics and a flow of information from the sector. There needs to be consultation between stakeholders, including Nielsen, the advertising industry, broadcasting sector and the regulator, to facilitate wider transparency. This issue will become increasingly significant in the shift to 'below the line' revenue sources like sponsorship and product placement. The BAI requires this information in order to regulate appropriately, but transparency will also promote fair competition.

As part of this process we suggest that the regulator requests and tracks revenue/sales data from the licence holders in terms of advertising cost per unit, and sources of revenue, as part of its annual performance review. While annual financial data is provided by licence holders, more specific data is needed to monitor the media market. Individual company confidentiality of the data can be maintained, but aggregate information (i.e. averages for all broadcasters and all national, regional, or local) should be made available to the public, researchers and the industry, to use in reviewing the broadcasting industry. In some countries, like Sweden, this pricing data is gathered and provided by central statistics offices.

### **9.2.2 Independent sales review**

An independent sales rate review, which assesses rates operating in broadcasting, would be beneficial for both broadcasters and the advertising industry. It would also provide a third party review of the rates being set by RTÉ as the dominant player in the broadcast advertising market. Such a review, similar to those conducted by Ofcom in the UK, would not

interfere with the market operation, but would act as a neutral force assisting an open and fair competitive market. This may be a role for the Competition Authority.

### 9.2.3 Product Placement & Commercial Code

The review recommends that the impact of increased commercial minutes in TV is assessed as part of the proposed commercial code review relating to product placement regulation so that the holistic interaction of the commercial code, and its impact on revenue and audiences, is assessed. The BAI needs to adopt an evidence-based approach to policy changes in the commercial code and in particular to changes which will have a direct impact on the market value of broadcasting and its relationship with audiences. **An impact assessment should be conducted on the increase in commercial TV advert minutes and a cost benefit analysis should be conducted on the proposed changes relating to product placement.** These should be research-led studies which go beyond the stakeholder view of the market. Particular attention needs to be given to the obligations of PSBs and the impact of product placement in public broadcasting content.

### 9.2.4 Public broadcasting & commercial activity

We recommend further clarity on the role of RTÉ in terms of its public service versus commercial activities, particularly with regard to those services, like RTÉ 2fm, which are wholly commercially funded. This is aligned to the recommendation on public value criteria in relation to new services, both digital terrestrial and online.

## 9.3 Digital broadcasting: DTT and DAB (Chapter 3 and Chapter 6)

We are concerned that any proposed decision to release broadcasting spectrum may have long-term consequences and note that Ireland would be exceptional in leaving DTT solely as a public service broadcasting initiative. We are not convinced that commercial DTT can wait until after 2013 and are concerned that such an approach may undermine Irish DTT and ultimately limit Irish broadcasting. Competition and access to all platforms is seen as essential within a European context and while the current commercial process has come to a close, there are indications that a separation of RTÉ NL may open the potential to move ahead on digital terrestrial broadcasting in both TV and radio.

The BAI has indicated that commercial DTT could be re-visited by 2013, when ASO has taken place, and as such it needs to have a strategic planning mechanism which will facilitate and support that approach. Our view is that a PSB only DTT future is limiting for Ireland, and



may lead to DTT failure. **Every effort should be made to re-visit commercial DTT and leave broadcasting options open.**

### 9.3.1 Create an independent network entity

RTÉ and RTÉ NL should be separated to ensure equal access within a competitive market. This can be achieved by moving RTÉ NL into a separate state body, given that in the current economic climate a sale may not be desirable. In the short term, RTÉ could be requested to fully separate its corporate financial and network activities and to allow its transmission costing to be reviewed by an independent third party, under the BAI.

In the medium to long-term, the network could be operated as a public-private entity following the appropriate planning stages. While the Department has raised issues such as debt and staff pensions in relation to this recommendation, our view is that the overall benefit to the broadcasting landscape far out-weighs any procedural issues. We understand the current consideration of semi-state assets may explore the future of RTÉ NL. **The status quo is seen as a continuing block on the development of digital broadcasting; both radio and television; in Ireland and on the provision of an equitable, competitive market.**

### 9.3.2 Funding the digital transition

The issue of how new digital content or channels will be funded needs to be resolved to provide security for the next phase of DTT. Equally, how the public information/ advocacy campaign behind ASO is to be funded needs to be clarified and this process should begin by October 2010 to coincide with the launch of the RTÉ services.<sup>109</sup>

### 9.3.3 Digital radio

We note the recommendations regarding digital radio from the research report *Digital Radio for Ireland* and support a combined PSB and commercial DAB+ initiative as well as an independent cross-sector digital radio forum and a digital radio white paper. Ireland's remains behind its European counterparts in digital radio and at present no radio operators except for RTÉ are broadcasting in digital.

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<sup>109</sup> RTÉ has appointed a senior manager to lead this initiative but our concern is the national campaign needed to underscore DTT. **All broadcast radio and TV should be used to alert the public to ASO to maximise impact.**

## **9.4 Services to market (Chapter 2)**

A key aspect of this discussion is spectrum utilisation, in that spectrum remains a public good, and as such the use of spectrum needs to be in the public interest, to promote pluralism, choice and competition. The licensing of services is based on the availability of spectrum and an operator's ability to deliver a defined service to an audience/user base. In the event of a market failure relating to that service, which is a concern given the recession, the obligation on the regulator is to offer that spectrum to potential service providers to see if another operator, or several competing operators, are willing to provide an alternative service.

There is no view that there is currently over-supply in the Irish market and while terrestrial service providers will say there is little indication of demand for new services, either digital or terrestrial, there is no view that the regulator should amend licensing conditions to support failing services. There is a need to require potential services to have an extensive five year plan which involves clear financing for the long-term development of any proposed service. The recommendation relating to the provision of financial/sales data from services would assist market impact statements in advance of licensing.

### **9.4.1 Review of licensing process in advance of 2013**

The forthcoming renewal of licences for radio offers a unique opportunity to the BAI to re-visit licensing processes and procedures in advance of the commencement of that renewal stage. Issues which should be considered include incentivising licence-holders to innovate and participate in digital radio. It also offers an opportunity to examine the way in which licences are issued, the ability of the BAI to match market gaps to providers, and the way in which licence-holders are regulated in terms of management, content and commercial activity. An initiative from late 2010 should begin preparation work for this review, in consultation with stake-holders and the public, to ensure the best value, in terms of outcomes, is achieved. The BAI needs to maximise the benefits open to it from the renewal process and to effect an efficient system which could promote more self-regulation on compliance and stimulate growth. The process needs to encourage and promote investment in radio and television broadcasting, while enabling the sector to adapt to a digital future.

#### **9.4.2 Ownership and Control**

The BAI policy on ownership and control in broadcasting is due to be reviewed and positive decision-making in this area can promote and stimulate a dynamic broadcasting environment which will generate domestic content, services and employment. Any review on ownership must be balanced against the legislative need for media plurality.

### **9.5 Public funding (Chapter 6)**

#### **9.5.2 Public value criteria**

Public value criteria need to be agreed, which will create clarity and transparency around the delivery and funding of public broadcasting services including online. Public value criteria, in public broadcasting, creates an independent metric to assess the services, which receive public funding, in direct relation to their value to the public and provides an independent methodology to review the fit of public services. They are primarily used to analyse new services and initiatives and to determine the public benefits of such services/initiatives and the impact on existing ones, the market and society.

#### **9.5.5 Regulating public broadcasting**

The BAI, in becoming a combined regulator, needs to build collaborative relations with the public service broadcasting operators and to build its knowledge and skills in public broadcasting models. While key elements of Ireland's public broadcasting system report directly to the Minister the BAI has a clear and distinct role in the future of all broadcasting and needs to map these requirements into its Strategic Statement 2010-2011. It should allow for expertise to be developed in diverse PSB models. Ideally, in the future, all aspects of PSB regulation should move to the BAI to avoid a dual system (for example on commercial minutes) and to create, in the long-term, a fully integrated regulatory process.

## **10. EXECUTIVE SUMMARY**

Irish society, the broadcasting landscape and its regulatory framework has changed dramatically in the last ten years. While the population has grown and become more diverse the number of broadcasting choices, in radio and television, has expanded. Digital technologies have transformed how we create, receive and pay for broadcasting services. Increasingly the internet plays a significant role in broadcasting models.

The Broadcasting Act (2009) established the Broadcasting Authority of Ireland (BAI) as a combined regulator of both private and public broadcasting in Ireland although the public broadcasters, RTÉ and TG4, still report directly to the Minister on key functional issues. In a contemporary environment, broadcasting and communications regulatory bodies need to understand the economic dynamics at work in the sector in order to make appropriate licensing and policy decisions.

This economic and environmental review of broadcasting in Ireland was commissioned by the BAI to assist with the development of the Strategic Statement 2010-2013. It was conducted by Athena Media and the report authors are Helen Shaw, Athena Media Managing Director, Professor Robert Picard (media economist, Sweden) and Dr. Hessel Abbink Spink, (financial consultant, the Netherlands).<sup>110</sup>

The review constructs a contemporary broadcasting landscape of Ireland and explores five themes:

- 1. Services to market**
- 2. Economic and revenue models for broadcasting**
- 3. Digital broadcasting**
- 4. PSB funding**
- 5. The shift online.**

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<sup>110</sup> Professor Picard is Hamrin Professor of Media Economics and Director of the Media Management and Transformation Centre at Jonkoping International Business School, Sweden. He is one of the world's leading experts on media economics and is the author and editor of 24 books. Dr Abbink Spink is Director of The Responsibility Lab, the Netherlands and works as an international consultant with governments, private enterprises and broadcasting companies. He was the project leader on the Ox Report (2004) Review of radio licensing of radio services in Ireland.

It also outlines an economic and market tracking methodology for the BAI's future work and makes a number of recommendations to assist the BAI's strategic planning process. While the BAI does not regulate online content services, the media landscape is being shaped by high speed broadband and the report reflects the challenges and opportunities this presents and gives guidance on some of the dominant trends in media convergence and their impact on broadcasting

The review work began June 8<sup>th</sup> and concluded August 30<sup>th</sup> 2010. Research was collated in Ireland and internationally and augmented by a series of stake-holder interviews.<sup>111</sup> A research analysis workshop was held in July, with the assistance of Dr. Brian O Neill, Head of the School of Media, DIT. The report's findings and research is current to mid August 2010 when the report was being drafted and any developments since then are not reflected or included.

The review took place at the end of two years of an economic recession which has seen broadcasting revenues significantly fall and some new services, by mid 2010, were described as being in a 'distressed financial state'. A key concern across the sector is sustainability and stable, informed regulation. In order to analyse the landscape, the review looked at trends across ten years and compared trends in Ireland with those in comparative small nations, to provide context.

### **10.1 Research findings include:**

1. Our interviews show there is some sector support for the merger of the BAI and ComReg, the communications and spectrum regulator, to increase regulatory efficiency. Irish society has grown and is more diverse in ethnicity, language, religion and culture since 2000. Yet few broadcast content services have emerged to reflect this change. Digital services could support greater choice and diversity.
2. Despite increased choice and market fragmentation, home produced content is the most popular content in Ireland. In TV while there are 558 channels available in Ireland (via digital) over 80% of viewers watch 25 channels and 17 of those are established in Ireland.
3. The total spend in Irish media advertising is estimated at approximately €1 billion. In 2009, online advertising was estimated to be worth 10% of that total; the equivalent of Irish radio.

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<sup>111</sup> Figure 11.1 has full list of interviewees.

4. The broadcasting economy reflects the boom and collapse of the national economy. Broadcast revenues for Irish radio and television grew significantly in the boom years, from 1998 onwards. In radio, advertising revenue grew on average by 14% every year until 2007 and declined by nearly 12% since then. By 2009 Irish TV advertising revenue had increased 60% on the year 2000, but in 2009 the fall in RTÉ's TV commercial revenue was nearly 50% over 2008.
5. While an economic recovery from 2011 will bring growth, broadcast advertising has been dramatically devalued.
6. While some commercial radio businesses report losses in 2009 as high as 60%, prior to the recession the majority of audited radio businesses had an average operating profit margin of 4%.
7. Online advertising is predicted to over-take radio by 2011; key drivers for online growth will be broadband speeds and digital games.
8. The majority of TV homes subscribe to cable and satellite. Approximately 20% (350,000) Irish homes rely on analogue terrestrial television.<sup>112</sup> The failure to launch commercial DTT services is a risk factor for DTT generally, as DTT needs both public and commercial services to provide a realistic alternative to cable/satellite platforms.
9. RTÉ's ownership of the network is seen as a barrier to fair and equal competition.
10. The review found a lack of quality metrics in broadcast media advertising data. Approximately one third of the radio market, local radio, is not reflected in tracking data. There is also a lack of transparency in the broadcast advertising market in the pricing of media sales.
11. While most broadcast services are suffering financially, there is no evidence that the broadcast market is currently over-supplied. However, there is little market enthusiasm for further launches in the current economic climate. Failing services are not seen as a reason for regulatory reaction, in terms of licensing conditions, but operators at both national and local level make the case for a reduction in compliance 'micro-management,' and a stronger emphasis on audited self-regulation.
12. The BAI's recent increase in commercial TV minutes was opposed by RTÉ, the independent radio, print and the advertising sectors. A cost benefit analysis could have been conducted on the proposed change given the weak value of broadcast

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<sup>112</sup> Department of Communications estimate, August 2010.

advertising. The stakeholder and public consultation was short, and based on our interviews and research, undermined the sector's confidence in the BAI's processes.

13. The BAI needs to place a long-term view at the core of its strategy; taking account of economic, social, technological and cultural drivers.

## 10.2 Main recommendations

The review makes a number of recommendations based on its findings. These include:

1. The adoption of an evidence-based approach to policy and strategy. Evidence-based regulation involves research on relevant markets, identification of market and regulatory issues, cost-benefit analysis on proposed policies and impact assessment on existing ones.
2. Enhancing coordination with ComReg, particularly on market analysis.
3. The development of market-orientated skills development in the BAI across the whole agency.
4. Increased information sources relating to media and broadcasting economics.
5. An independent sales review. This could be a collaborative initiative with the Competitions Authority.
6. The tracking of financial and sales data from licensed services. These data can be included in current information being collected by the BAI.
7. The establishment of public value criteria for PSB media which will provide enhanced clarity around the public value of new public broadcasting services.
8. A review of radio licensing in advance of the licence renewal process in 2013.
9. A holistic review of Product Placement within the Commercial Communications Code.
10. The creation of an independent terrestrial network entity and the separation of the existing network from RTÉ.
11. Capacity building within the BAI in relation to public broadcasting models and market analysis.

The review outlines a mapping methodology for the BAI to begin tracking the broadcasting landscape on an on-going basis, and recommends the development of a quarterly internal briefing document with the goal of producing a public communications report, probably in collaboration with ComReg, on an annual basis. This could form part of the BAI **Strategic**

**Statement 2010-2013**, as part of its evolution as a regulator, in the coming two to three years.



## 11. Appendices

### 11.1 Interviews

A select range of detailed interviews were conducted with some stakeholders and interested groups for this report. Interviews were conducted from June 21 to August 16 2010. Some interviewees asked for interviews to be ‘off-the-record’ and are not listed. There was regular contact and discussion with the BAI Executive during this process.

<b>Communicorp</b>	Paddy <b>Halpenny</b> , CEO,  Liam <b>Thompson</b> , Group Programme Director,  Dee <b>Murphy</b> , Finance Director
<b>ComReg</b>	John <b>Doherty</b> , Commissioner
<b>Dept of Communications</b>	Éanna <b>Ó’Conghaile</b> , Officer, Broadcast Division
<b>Digital Media Forum</b>	Neil <b>Leyden</b>
<b>KCLR</b>	John <b>Purcell</b> , CEO.
<b>Nielsen</b>	Liam <b>O’Donohoe</b> , Commercial Director, Media Ireland
<b>McCann Erickson</b>	Orlaith <b>Blaney</b> , CEO, Dublin  Martina <b>Stenson</b> , Managing Director (Universal McCann)

**Independent Broadcasters Ireland (IBI)** & CEO of Dublin’s Q102 Scott Williams **Institute of Advertising Practitioners in Ireland (IAPI)** Sean **McCrave**, Chief Executive Officer,

<b>RTÉ</b>	Cathal <b>Goan</b> , Director General,  Anne <b>O’Connor</b> , Special Adviser to the DG
<b>TV3</b>	David <b>McRedmond</b> , CEO  David <b>McMunn</b> , Director of Government, Regulatory and Legal Affairs

## 11.2 Reference Graphs

### 11.2.1 All services available to the resident in the Republic of Ireland, in alphabetical order (558)

100 % Babes, 18 Plus Movies, 18 Plus XXX AIT International, AIT Moviestar, ARY Digital, ARY News, AXN (version in English), Aaj Tak International, Aashta International, Adult Channel, Adult Channel PPV, Adult Preview Channel, Africa Channel (The), Ahlebait TV, Ahlulbayt TV, Al Jazeera (version in English), Alibi, Alibi +1, Amateur Babes, Animal Planet Europe, Animal Planet Europe +1, Arsenal Replay, At the Races, At the Races Extra, Audi Channel. B4U Movies, B4U Music, BBC News 24, BBC Red Button, BBC World News, BBC1 Northern Ireland, BBC2 Northern Ireland, BBC3, BBC4, BEN (Bright Entertainment Network), BET, BET +1, Babecast, Babestation, Babestation 2, Babeworld TV, Baby First, Baby TV (Version in English), Baby TV (Version in Turkish), Bangla TV, Be Do Have TV, Bedroom TV, Best Direct, Blighty, Blighty +1, Bliss, Bloomberg TV Europe, Bloomberg TV UK, Blue Hustler Europe, Blue Tube, BlueKiss, Blueberry TV, Boomerang +1 (Version in English), Boomerang Europe, Bravo, Bravo +1, Bravo 2, BritAsia, Buzz TV. bid tv, bio., bio. HD. C Music, CBBC, CBS Drama, CBS Reality, CBS Reality +1, CCTV-9, CEE (I) TV, CITV, CNBC Europe, CNN International, Cartoon Network Too, Cartoon Network UK, Cartoonito, Cbeebies, Celebrity Shop, Celtic TV, Challenge, Challenge +1, Challenge Jackpot, Challenge Roulette, Channel 4 +1, Channel 7, Channel AKA, Channel S, Channel Starz, Chart Show TV, Chat Box, Chat Cafe, Chelsea TV, Cinémoi Movies, City Channel Dublin, City Channel Galway, City Channel Waterford/South East, Climax 1, Climax 2, Climax 3, Clubland TV, Comedy Central Extra, Comedy Central Extra +1, Comedy Central UK, Comedy Central UK +1, Community Channel, Create and Craft, Crime and Investigation Network, Crime and Investigation Network +1, Crime and Investigation Network HD, Cultoon (Version in English), Current TV Europe, CCTV (Cork Community Television). DCTV (Dublin Community Television), DM Digital, DM News Plus Global UK, DMAX +1.5, DMax, DW-TV (Deutsche Welle) Europe, Dance Nation TV, Dave, Dave ja vu, Dirty Talk, Dirty Talk , Discovery Channel Europe +1, Discovery Channel Europe +1 (Version in Polish), Discovery Channel Europe +1.5, Discovery Home & Health, Discovery Home & Health +1, Discovery Knowledge, Discovery Knowledge +1, Discovery Real Time, Discovery Real Time+1, Discovery Science, Discovery Science (version in Polish), Discovery Science +1, Discovery Shed, Discovery Travel & Living, Discovery Travel & Living (version in Polish), Discovery Turbo, Discovery World (version in English), Disney Channel, Disney Channel +1, Disney Cinemagic, Disney Cinemagic +1, Disney Travel, Disney XD (UK + Ireland), Disney XD (UK + Ireland) +1, Diva TV, Diva TV +1, Dmax +1, Dmax +2. E! Entertainment, ESPN America, ESPN Classic UK, EWTN – Eternal World Television Network, EbS Europe by Satellite (version in Gaelic), EbS+ Europe by Satellite (version in Gaelic), Eden, Eden +1, Essex Babes, Euronews (Version in French), Euronews (version in English), Euronews (version in German), Euronews (version in Portuguese), Euronews (version in Russian), Euronews (version in Spanish), Eurosport (version in English), Eurosport 2 (version in English), Eurosport UK, Eurosport UK HD, Extreme Sports Channel UK. FX, FX + 1, FX + 2, Fame TV, Fantasy, Fantasy , Fantasy 2, Film 4, Film 4 +1, Film24, Filmflex Promo, Five, Five USA, Five USA +1, Fiver, Fiver +1, Flava, Fox News Channel, France 24 (version in English). GMTV, GMTV2, GMTV2+1, GOLD, GOLD +1, Gala TV, Gay Network, Gay TV, GayDate TV, Gems TV, Gems TV 2, Genesis TV, Geo UK, Geo USA, Glory TV, God Channel, Golf TV Pro Shop (JJB Golf), Good Food, Good Food +1, Gospel Channel Europe, Grind. HBO Mobile TV, Hallmark Channel UK, Hallmark Channel UK +1, Hits, Home, Home +1, Horse and Country TV, Hotel Voyeur, House of Fun, Hustler TV UK. IPLAY, ITV1, ITV2, ITV2+1, ITV3, ITV3+1, ITV4, ITV4 +1, Ideal World Home Shopping, Info TV (Chorus TV), Info TV 2, Information TV, Investigation Discovery UK, Islam Channel. JJB Sports TV, JML Active, JML Choice, JML Cookshop, JML Cookshop, JML Cookshop, JML Cookshop +1, JML Home & DIY, JML Lifestyle, Jetix Play (version in English). KICC TV, Kerrang

TV, Kiss, Kix. LA Babes, LA Muscle TV, Lava TV, Live Roulette TV, LiveXXX, LiveXXX Babes, Liverpool FC (LFC TV), Living TV, Living TV +1, Living TV +2, Living TV 2, Living TV 2 +1, Living+2, Livingit, Livingit +1, Loveworld, Luxe TV (version in English). MATV, MGM Channel, MGM HD Channel, MSK, MSK Extra, MTV , MTV +1, MTV Base, MTV Dance, MTV Hits UK, MTV Ireland, MTV Rocks, MTV Snax, MTV Trax, MTV UK & Ireland, MTV ®:, MUTV, Magic, Main Concept Promo, Max TV, Max TV +1, Men & Motors, Monte Carlo Roulette, More 4, More 4 +1, Movies 24, Movies 24+, Movies4men, Movies4men +1, Movies4men 2, Movies4men 2+1, Movies4women, Movies4women 2, Music India, Muslim Television Ahmadiyya International (MTA International), Muslim Television Ahmadiyya International (MTA International) (version in Bengali), Muslim Television Ahmadiyya International (MTA International) (version in English), Muslim Television Ahmadiyya International (MTA International) (version in Urdu), My Channel. NDTV 24X7, NDTV Imagine, NHK World TV, National Geographic Channel Europe, National Geographic Channel HD, National Geographic Channel UK, National Geographic Channel UK Promo, National Geographic Channel UK+1, Nick Junior Replay, Nickelodeon UK, Nickelodeon UK +1, Nicktoons Replay, Nicktoons TV, Nigeria Movies, Nollywood Movies, Noor TV, Northern Birds. OBE – Original Black Entertainment, Omusic, Open Access 1, Open Access 2, Open Access 3, P5 TV, PTV Global, Party People, Passion (UK), Peace TV, Phoenix CNE, Pitch TV, Pitch TV World, Playboy Channel, Playboy One, Playhouse Disney, Playhouse Disney +1, Pokerzone, Pop!, Pop! +1, PopGirl, PopGirl+1, Price Cash TV, Price Cash TV 2, Price-drop tv, Prime TV, Primetime, Propeller, Psychic Interactive. Q TV, QTV, QVC TSV Now !, QVC UK, RTE News Now. RTM 7 Aflam TV Assabiâa, Racing UK, Racing World, Raj TV, Rangers TV, Real Estate TV, Real Estate TV +1, Real Wives, Really, Red Hot 40+, Red Hot Amateur, Red Hot Fetish, Red Hot Mums, Red Hot TV, Revelation TV, Rockworld TV, Rush HD, Russia Today. SCI FI Channel, SCI FI Channel +1, Sahara Filmy, Sahara One, Scuzz, Sex Station, Shop Now TV, Shop on TV, Shopping TV (UK), Sky 3D, Sky Arts, Sky Arts +1, Sky Arts 1 HD, Sky Arts 2, Sky Arts 2 HD, Sky Bet, Sky Box Office, Sky Box Office 18+, Sky Box Office Events, Sky Box Office HD 1, Sky Box Office HD 2, Sky Digital Retail Info Ireland, Sky Electronic Programme Guide, Sky Movies Action & Adventure, Sky Movies Classics, Sky Movies Comedy, Sky Movies Crime & Thriller, Sky Movies Crime & Thriller , Sky Movies Drama & Romance, Sky Movies Family, Sky Movies Modern Greats, Sky Movies Multistart, Sky Movies Premiere, Sky Movies Premiere +1, Sky Movies Review Mosaic, Sky Movies Sci-Fi/Horror, Sky Movies Screen 1, Sky Movies Showcase, Sky Movies Showcase HD, Sky News, Sky One, Sky Perks, Sky Real Lives 1, Sky Real Lives 2, Sky Retail HD Info, Sky Sports 1, Sky Sports 1 in Pubs, Sky Sports 2, Sky Sports 2 in Pubs, Sky Sports 3, Sky Sports 3 in Pubs, Sky Sports 4, Sky Sports Active, Sky Sports HD, Sky Sports HD 2, Sky Sports HD 3, Sky Three, Sky Travel, Sky Travel +1, Sky Two, Sky Vegas, Skypoker.com, Smart Live Casino, Smash Hits TV, Smile TV, Sony Entertainment Television (SET ASIA), Speed Auction TV, Sport XXXBabes, Sport XXXGirls, Sport XXXGirls , Star Gold, Star News UK, Star One, Star Plus UK, Sumo TV, Sumo TV +1, Sunrise TV, Supreme Master TV. TBN Europe, TCM Europe, TCM UK, TCM2, TV Shop, TV5MONDE Europe, TVE Internacional Europa, Teachers' TV, Tease Me, Tease Me 2, Tease Me 3, TeleG, Teletext Holidays, TelevisionX, TelevisionX Amateur, TelevisionX Brits, Thane Direct, Thane Direct International, Thane Stop and Shop, The Africa Channel, The Box, The Business Channel, The Chat Lounge, The Dating Channel, The Entrepreneur Channel, The History Channel, The History Channel +1, The Jewellery Channel, The Military History Channel, The Pub Channel, Thomas Cook TV, Thomson TV, Tiny Pop, Tiny Pop +1, TopUp Anytime 1, TopUp Anytime 2, TopUp Anytime 3, Travel Channel, Travel Channel +1, Trouble, True Movies, True Movies 2. U-Save TV, UCB TV. VH1 Classic Europe, VH1 Classic UK, VH1 Europe A, VH1 Europe B, VH1 UK, Vault, Venus TV, Virgin 1, Virgin 1 +1. Wedding TV, Wild, Wild HD, Wine TV, Wonderful. XXX Gay, XXX Housewives, XXX Mums, XXX TV, Xplicit XXX. Yesterday, Yesterday +1. Zee Gujarati, Zone Horror.

### 11.2.2 Irish TV audience, share by age (2009)

Age Group	Composition of services' audience (%)						National Shares (%)				
	15-24	25-34	35-44	45-54	55+	Total	15-24	25-34	35-44	45-54	55+
RTÉ One	7.2	12.9	14.1	17.4	48.5	100	16.2	16.9	19.5	26.2	37.6
RTÉ Two	14.4	19.7	20.4	16.6	29.0	100	12.1	9.7	10.6	9.4	8.4
TV3	12.5	18.4	19.4	18.6	31.1	100	13.5	11.5	12.9	13.4	11.5
TG4	8.8	12.0	13.6	21.6	44.0	100	2.0	1.7	2.0	3.4	3.5
3e	14.3	26.2	19.0	19.0	21.4	100	1.0	1.2	0.9	1.0	0.6
Setanta Ireland	11.6	20.9	18.6	16.3	32.6	100	1.0	1.0	0.9	0.9	0.9
UTV	9.4	13.7	16.5	20.3	40.1	100	3.7	3.2	4.1	5.4	5.4
Channel 4	11.5	23.0	17.2	17.2	31.0	100	3.8	4.4	3.5	3.8	3.5
Comedy Central	29.8	27.7	17.0	14.9	10.6	100	2.7	1.5	0.9	0.9	0.3
Comedy Central +1	27.3	31.8	18.2	13.6	9.1	100	1.1	0.7	0.5	0.4	0.1
Discovery Ireland							0.0	0.0	0.0	0.0	0.0
E4	23.2	32.1	21.4	12.5	10.7	100	2.4	1.9	1.3	0.9	0.4
E4 +1	22.2	27.8	22.2	16.7	11.1	100	0.7	0.6	0.4	0.4	0.1
E! Entertainment							0.0	0.0	0.0	0.0	0.0
Living	12.5	25.0	23.2	16.1	23.2	100	1.3	1.5	1.5	1.1	0.8
MTV	27.3	27.3	18.2	12.1	15.2	100	1.6	1.0	0.7	0.6	0.3
Nickelodeon	25.0	16.7	25.0	16.7	16.7	100	1.0	0.4	0.7	0.5	0.2
Nick Jr	5.0	35.0	35.0	10.0	15.0	100	0.3	0.8	0.8	0.3	0.2
Sky 1	17.6	26.4	26.4	14.3	15.4	100	2.9	2.6	2.7	1.7	0.9
Sky News	5.5	21.8	21.8	20.0	30.9	100	0.6	1.3	1.4	1.4	1.1
Sky Sports 1	13.6	27.3	22.7	13.6	22.7	100	1.1	1.4	1.2	0.8	0.6
Sky Sports 2	8.7	26.1	21.7	17.4	26.1	100	0.4	0.6	0.6	0.5	0.4
Sky Sports News	16.7	41.7	25.0	8.3	8.3	100	0.7	1.1	0.7	0.3	0.2
BBC1	8.5	17.8	17.0	20.6	36.0	100	4.0	4.8	4.9	6.4	5.7
BBC2	8.3	18.1	18.1	18.8	36.8	100	2.3	2.8	2.9	3.3	3.4
Other	13.4	26.9	22.6	14.5	22.6	100	23.4	27.5	24.4	17.2	13.7
Total TV	11.5	19.6	18.6	17.1	33.2	100	100	100	100	100	100

Source: Nielsen Audience TV Measurement

**11.2.3** Characteristics of TV services in Ireland, which are measured as consumables (Mavise 2009)

Services	Launch date	Country of establishment	Access modalities	Public	Private	Licence			Genre				
						Analogue Terrestrial	Cable & Satellite	DTT (UK)	Generalist channel	Entertainment channel	Sports channel	Children's channel	Documentary, News, Regional or Local Channel
RTE 1	1961	ROI	Free										
RTE 2	1978	ROI	Free										
TG4 (Gaelic)	1996	ROI	Free										
TV3 (Ireland)	1998	ROI	Free										
3e	2006	ROI	Pay										
Setanta Sports Ireland	2004	ROI	Pay										
BBC1	1936	UK	Free										
BBC2	1964	UK	Free										
Channel 4	1982	UK	Free										
Comedy Central Ireland		UK	Pay										
Comedy Central Ireland +1		UK	Pay										
<i>Discovery Channel Europe</i>		UK	<i>Pay</i>										
E! Entertainment (Ireland)	2009	UK	Pay										
E4 +1		UK	Free										
E4 Ireland	2002	UK	Free										
Living Ireland		UK	Pay										
MTV		UK	Pay										
Nick Junior Ireland		UK	Pay										
Nickelodeon Ireland		UK	Pay										
Sky News Ireland	2004	UK	Free										
Sky One Ireland	2000	UK	Pay										
Sky Sports 1 Ireland		UK	Pay										
Sky Sports 2 Ireland		UK	Pay										
Sky Sports News	1998	UK	Pay										
UTV	1959	UK	Free										

Source: MAVISE : Database on television channels and TV companies in the European Union, <http://mavise.obs.coe.int/country?id=17>, extracted 10/06/2010

#### 11.2.4 Cable subscriptions in Austria, Ireland and the Netherlands, both analogue and digital

	Analogue & Digital				Digital				
<i>000 Eur</i>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	a
AT	1303	1322	1325	1343	104	158	205	440	a
IE	<b>576</b>	<b>595</b>	<b>585</b>	<b>537</b>	<b>199</b>	<b>269</b>	<b>291</b>	<b>316</b>	a
NL	6200	5900	5793	5697	361	1090	1549	1979	a
	Analogue & Digital				Digital				
<i>% change</i>		<b>05 to 06</b>	<b>06 to 07</b>	<b>07 to 08</b>		<b>05 to 06</b>	<b>06 to 07</b>	<b>07 to 08</b>	
AT		1.5%	0.2%	1.4%		51.9%	29.7%	114.6%	b
IE		3.3%	-1.7%	-8.2%		35.2%	8.2%	8.6%	b
NL		-4.8%	-1.8%	-1.7%		201.9%	42.1%	27.8%	b

(a) Source: European Audiovisual Observatory, 2009 Yearbook

(b) Source: calculated by the authors

### 11.2.5 Total Irish advertising media expenditure

	2007	2007	2008	2008	2009	2009	2010	2010	Grand Total	Grand Total
	Expenditure	Exp. % Vert	Expenditure	Exp. % Vert	Expenditure	Exp. % Vert	Expenditure	Exp. % Vert	Expenditure	Exp. % Vert
<b>Cinema</b>	11,571,021	0.74%	10,387,357	0.69%	7,995,407	0.62%	2,806,603	0.46%	32,760,388	0.66%
<b>Internet</b>	22,227,541	1.43%	20,784,685	1.38%	0	0.00%	0	0.00%	43,012,226	0.87%
<b>Outdoor</b>	124,925,869	8.02%	128,162,392	8.51%	115,065,309	8.97%	42,401,672	7.02%	410,555,242	8.30%
<b>Press</b>	871,713,413	55.99%	825,227,753	54.81%	759,289,840	59.20%	411,050,992	68.09%	2,867,281,998	57.94%
<b>Radio</b>	140,285,768	9.01%	149,715,975	9.94%	123,153,945	9.60%	48,869,785	8.10%	462,025,473	9.34%
<b>TV Excluding UTV,C4</b>	386,243,221	24.81%	371,308,554	24.66%	276,985,976	21.60%	98,527,632	16.32%	1,133,065,383	22.90%
<b>Grand Total</b>	1,556,966,833	100.00%	1,505,586,716	100.00%	1,282,490,477	100.00%	603,656,684	100.00%	4,948,700,710	100.00%

Source: Nielsen 2010

