



TG4 Annual Public Funding Review 2010

**A report submitted to the Minister for Communications, Energy
and Natural Resources further to section 124(4) of the
Broadcasting Act, 2009.**

Prepared for the Broadcasting Authority of Ireland by:

Indecon

www.indecon.ie

Contents

Page

Executive Summary	i
Introduction and Terms of Reference	i
Extent to which TG4 has Fulfilled its Commitments	i
Assessment of TG4's Role in Fostering and Sustaining Creativity	iii
Efficiency, Value for Money of TG4 and Adequacy of Funding	v
1 Introduction and Background	1
1.1 Introduction	1
1.2 Background to the Review	1
1.3 Methodology and Structure of the Report	2
1.4 Acknowledgements	4
2 Trends in the Irish Economy & Broadcasting Industry	5
2.1 Introduction	5
2.2 Irish Economy - Overview	5
2.3 Trends in the Irish Broadcasting Market	7
3 Examination of Extent to which Commitments Have Been Met	15
3.1 Introduction	15
3.2 TG4 Performance against Commitments 2010	15
3.3 Overall Conclusions on Commitments	42
4 Review of TG4's Role in Fostering Creativity	43
4.1 Introduction	43
4.2 TG4 Creative Resources	43
4.3 Measures taken by TG4 to support the Creative Sector	45
5 Analysis of TG4 Financial Performance	47
5.1 Introduction	47
5.2 Analysis of TG4 Group Financial Statements 2008 – 2010	47
5.3 Analysis of TG4 Actual Vs Projected Income & Expenditure 2010	58
5.4 Overview of TG4 Financial Performance	59
6 Efficiency Value for Money and Adequacy of Funding	60
6.1 Introduction	60
6.2 Cost of Programming	60
6.3 Programme Expenditure versus Budget	71
6.4 Ros na Rún	73
6.5 Staff Costs & Human Resources	75
6.6 TG4 Absenteeism Numbers and Cost	81
6.7 TG4's Operating Model	83
6.9 Adequacy of TG4 Funding	84
7 Conclusions	87
7.1 Summary of Key Conclusions	87
7.2 Opinion on Any Adjustment in Public Funding	88

Contents

Page

7.3 Opinion on Process Improvements	89
Annex 1	90

Tables, Figures & Boxes

Page

Table 2.1:	Annual Percentage Change in National Income 2005–2010	5
Table 2.2:	Total Domestic Demand 2006-2010	6
Table 2.3:	Earnings and Labour Costs for 2008-2010	6
Table 2.4:	Unemployment Rate in Ireland 2008-2010	6
Table 2.5:	Channel Shares 2010 Vs 2009	10
Table 3.1:	TG4 Performance in 2010 on its “Programming” commitments	17
Table 3.3:	TG4 Performance in 2010 on its ‘Relations’ commitments	31
Table 3.4:	TG4 Performance in 2010 on its ‘Finance & Funding’ commitments	33
Table 3.5:	TG4 Performance in 2010 on its ‘Contribution to National Economy’ commitments	34
Table 3.6:	TG4 Performance in 2010 on its ‘Audience’ commitments	34
Table 3.7:	Summary of TG4 Viewership, Reach and Share for all Programmes during Peak Time 2010	37
Table 3.8:	TG4 Top 20 Programmes during Peak Time 2010	38
Table 3.9:	TG4 Performance in 2010 on its ‘Organisational Development’ commitments	39
Table 3.10:	TG4 Performance on its Public Service Statement	40
Table 4.1:	TG4 Creative Resources 2010	44
Table 4.2:	TG4 Awards / Nominations 2008-2010	45
Table 5.1:	Composition of TG4 Income 2008-2010	47
Table 5.2:	Composition of TG4 Group Commercial Income 2008-2010	49
Table 5.4:	TG4 Components of Operating Costs (Average % Share 2008 -2010)	53
Table 5.5:	Analysis of Principal Drivers of TG4 Operating Costs 2008-2011	54
Table 5.6:	Cost Income Ratio for TG4 2008-2010	55
Table 5.7:	Income and Expenditure Statement for TG4 2008-2010	56
Table 5.8:	TG4 Balance Sheet 2008-2010	57
Table 5.9:	TG4 Cash Flow 2008-2010	57
Table 5.10:	TG4 Actual Vs Budget Income & Expenditure Summary 2010 / 2011	58
Table 6.1:	TG4 Programme Expenses 2008- 2010	61
Table 6.2:	TG4 Actual Vs Budget Programming Expenditure by Source 2010/2011	62
Table 6.3:	Overview of TG4 Commissioning Budget 2010	63
Table 6.4:	TG4 Commissioning Contracts Summary 2010	63
Table 6.5:	Summary of TG4 Internal Productions 2010	65
Table 6.6:	TG4 Broadcast Summary 2010 & 2009	66
Table 6.7:	Summary of TG4 Broadcasting Hours and Cost per Hour by Genre Versus S4C, 2009 & 2010	66
Table 6.8:	TG4 Viewing Rates versus S4C 2010	67
Table 6.9:	Individual Budget Line Maximum Rates, TG4 vs BBC and Channel 4	67
Table 6.10:	Average Cost per Broadcast Hour by Source, TG4 2009 & 2010	68
Table 6.11:	Acquisitions Programming Price Guide by Country 2010	69
Table 6.12:	TG4 Programming Expenditure Actual Vs Budget	71
Table 6.13:	TG4 Commissioning Expenditure Budget 2010	72
Table 6.14:	TG4 Cost per Viewer Hour 2007-2010	73

Tables, Figures & Boxes

Page

Table 6.15: Ros na Run viewing figures during peak viewing time 2010	73
Table 6.16: Budget for Ros na Rún drama	74
Table 6.17: TG4 Headcount Summary 2009 & 2010	75
Table 6.18: TG4 Salary Cost per Employee 2010 Vs 2009	79
Table 6.19: TG4 Quarterly Salary Costs 2009 & 2010	80
Table 6.20: TG4 Absenteeism Costs 2010 vs 2009	81
Table 6.21: TG4 Absenteeism Numbers and Hours 2010 vs 2009	82
Table 6.22: TG4 Sick Leave, Maternity Leave, Maternity/Sick Leave Cover, Holiday Leave and Associated Costs 2009 & 2010	82
Table 6.23: TG4 Privilege Days, Time in Lieu and Associated Costs 2009 & 2010	83
Table 6.24: TG4 Subcontracting 2010	83
Table 6.25: TG4 Income and Expenditure for 2011 to date 30/09/11 and TG4 Forecast for 2011	85
Figure 2.1: Consumer Price Index, Annual Percentage Change 2006-2010	7
Figure 2.2: TV Homes by Reception Type May 09–May 11	8
Figure 2.3: Digital and Analogue TV Reception, May 09-May 11	8
Figure 2.4: Ownership of Media Appliances 2008-2011	9
Figure 2.5: TG4 Share by Platform January 2007 – April 2010	11
Figure 3.1: Total New Irish Language Programming Output TG4, 2010 Vs Prior Years	18
Figure 3.2: New Irish Language Programming, Average Hours per Day TG4, 2010 Vs Prior Years	18
Figure 3.3: New Irish Language Programming By Genre 2008-2010	19
Figure 3.4: TG4 New Irish Language Programming by Source 2010 Vs Prior Years	20
Figure 3.5: Target Vs Actual New Irish Language Programming by Source 2010	20
Figure 3.6: % Differential Actual Vs Target New Irish Programming by Source 2009/2010	21
Figure 3.7: Target Vs Actual New Irish Language Programming by Genre 2010	22
Figure 3.8: % Differential Target Vs Actual New Irish Language Programming by Genre, 2009 & 2010	23
Figure 3.9: TG4 Total Broadcast Hours by Language 2009 & 2010	24
Figure 3.10: TG4 New Irish Language Broadcasting Hours by Source 2010 Vs 2009	24
Figure 3.11: TG4 New Vs Repeated Irish Language Broadcasting Hours 2009 & 2010	25
Figure 3.12: TG4 Irish Language Broadcast Hours by Genre 2009 & 2010	26
Figure 3.13: TG4 English Language Broadcast Hours by Genre 2009 & 2010	27
Figure 3.14: TG4 Other Language Broadcast Hours by Genre 2009 & 2010	27
Figure 3.16: TG4 Main Schedule Acquisitions 2010 Vs Prior Years	28
Figure 3.17: Growth in TG4 Website Visitors and WebTV Streams 2008 – 2010	29
Figure 3.18: TG4 Website Monthly Performance Indicators 2010	29
Figure 3.19: Streams on the TG4 Live Player 2010 Vs Prior Years	30
Figure 3.20: TV Market Shares 2002–2010	35
Figure 3.21: Monthly Audience Viewing Shares by Channel 2010	36
Figure 3.22: Average Audience Viewing Shares 2010 for TG4, RTÉ and TV3	36
Figure 4.1: Staff Employed by TG4 from the Creative Industry in 2010 (by Genre)	44

Tables, Figures & Boxes

Page

Figure 5.1: Composition of TG4 Group Income 2008–2010 (% share)	48
Figure 5.2: TG4 Income by Source 2010 Vs Prior Years	48
Figure 5.3: Trend in TG4 Commercial Income, TG4 Public Funding and Irish Gross Domestic Product 2008–2010	49
Figure 5.4: Production Funds Secured for TG4 Commissions by Source, 2010 Vs Prior Years	50
Figure 5.5: Production Funds Secured for TG4 Commissions by Genre, 2010 Vs Prior Years	51
Figure 5.6: TG4 Operating Costs by Category, 2010 versus Prior Years	52
Figure 5.7: TG4 Operating Expenditure by Category, 2010 Vs Prior Years	52
Figure 5.8: Trend in TG4 Operating Costs 2008 -2010	53
Figure 5.9: TG4 Operating Expenditure by Category, Actual Vs Budget 2010 (Disaggregated)	59
Figure 6.1: TG4 Programming Expenditure by Source, 2010 Vs Prior Years	61
Figure 6.2: TG4 Commissioned Programming Expenditure Share of Exchequer Funding and Operating Expenditure, 2010 Vs Prior Years	62
Figure 6.4: TG4 Total Cost of Commissioned Programmes by Genre 2008-2010	64
Figure 6.8: TG4 Cost Per Broadcast Hour Commissioned / In-house Irish Language Programming by Genre 2010 Vs 2009	70
Figure 6.9: TG4 Cost Per Broadcast Hour Acquired Irish Language Programming by Genre 2010 Vs 2009	70
Figure 6.10: TG4 Cost Per Broadcast Hour by Source 2010 Vs 2009	71
Figure 6.14: TG4 Headcount of FTE Staff 2010 Vs Prior Years	75
Figure 6.15: TG4 Headcount 2010 Vs 2009	76
Figure 6.16: TG4 Human Resources by Department 2010 Vs 2009	77
Figure 6.17: TG4 Staff Costs 2010 Vs Prior Years	78
Figure 6.18: TG4 Staff Costs 2010 vs Prior Years (before capitalisation of staff costs)	78
Figure 6.19: TG4 Salary Costs 2010 Vs Prior Years	79
Figure 6.20: TG4 Staff Costs and Wages Per Head Versus S4C, 2009 & 2010	80
Figure 6.21: TG4 Overtime Costs 2010 Vs 2009	81
Box 1: Competition Among Service Platforms – TG4 Audience Feedback	12
Box 2: TG4 Objects According to the Broadcasting Act 2009	16

Executive Summary

Introduction and Terms of Reference

This report was prepared by Indecon International Consultants on behalf of the Broadcasting Authority of Ireland (“BAI” hereafter) and concerns the BAI’s obligation to undertake Annual Public Funding Reviews in respect of the public service broadcasters, TG4 and RTÉ, further to Section 124(2) of the Broadcasting Act 2009. This report is concerned with the review of TG4. The terms of reference for the 2010 review in relation to TG4 are as follows:

1. Assess the extent to which TG4 has fulfilled its commitments in respect of its public service objects, as set out in its Annual Statement of Performance Commitments 2010.
2. Assess the extent to which creativity is fostered and sustained by TG4.
3. Assess the extent to which TG4 operates efficiently and effectively and provides value for money.
4. Assess the adequacy, or otherwise, of public funding to TG4 to enable it to meet its public service objects.
5. Assess the extent to which TG4 has used the public funding which it has received, in pursuit of its public service objects, with a view to assessing whether any overcompensation has occurred and if such overcompensation has occurred, the level of such overcompensation.
6. Assess the extent to which TG4 has complied with the policy of the EC in respect of the maintenance of surpluses.
7. Having undertaken the above review, to express an opinion to the BAI as to whether an adjustment in public funding to TG4 is desirable or necessary and to express an opinion as to the amount of any adjustment to be made.
8. Propose process improvements to the project for work to be undertaken in 2012.

Extent to which TG4 has Fulfilled its Commitments

As part of this review, we first assess the extent to which TG4 has fulfilled its commitments in respect of its public service objects, as set out in its Annual Statement of Performance Commitments 2010. TG4 is obliged by the Broadcasting Act 2009 to prepare, on an annual basis, a statement of performance commitments in accordance with its statutory objects, its statement of strategy and its public service statement. Specific actions and targets relating to the commitments are set out together with certain timeframes for delivery. The commitments are linked to individual key performance indicators by way of measuring TG4’s success or otherwise in fulfilling its requirements.

In this section we summarise TG4’s progress on some of the main commitments set for 2010. A detailed review of all of the commitments is presented in the main report.

- TG4 achieved each of the five programming related commitments set out for 2010 relating to programming output and investment in Irish language programming. TG4 exceeded its

target of 4.1 hours of Irish Language programming output per day by reaching an average of 4.36 hours per day in 2010.

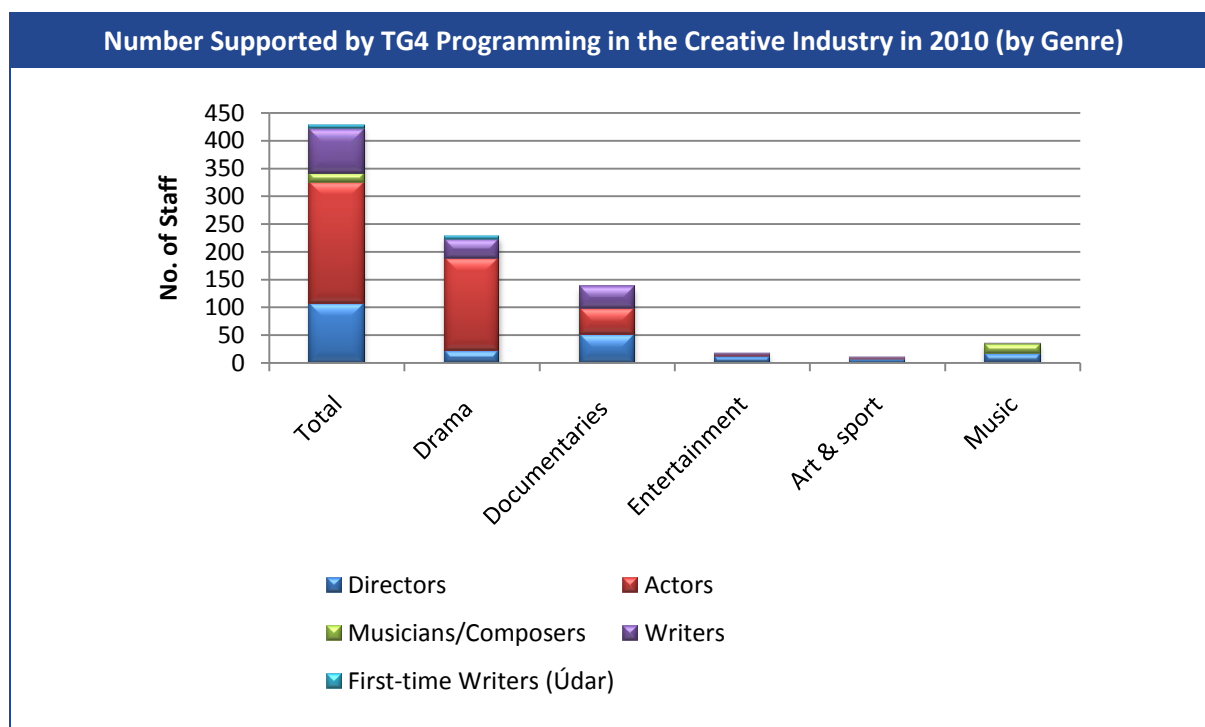
- TG4 exceeded the targets set for hours of commissioned programmes with the independent production sector. This is an important target and is a noteworthy achievement given the decline in overall public funding.
- In 2010, TG4 spent 70% of Exchequer funding on Irish language content. An analysis of spending suggests that TG4 utilised its public funding as per its public service objects.
- TG4 exceeded its target of commissioning at least 500 hours of new Irish language content by 81 hours in 2010.
- TG4 commissioned over €17m worth of Irish Language programming from the independent production sector which was slightly less than its target of €18.2m.
- TG4 set a target of supporting approximately 300 jobs in the independent sector in 2010 and it estimates that a total of 283 jobs were supported by TG4.
- TG4 achieved its commitments in relation to the establishment of the audience council and the availability of TG4 on an all-island basis.
- TG4 delivered on its commitments concerning the roll-out of Digital Terrestrial Television (DTT) and the implementation of 'phase 2' of the digital asset management system.
- TG4's commitment was to strive to broadcast at least six hours per day of new/original Irish language content by 2015. In 2010, TG4 broadcast an average of 4.3 hours of new Irish content per day.
- On audience commitments, TG4 fell short of its target of between 2.3% to 2.5% for a national audience share and its share was under 2.1% in 2010. Within this, the share of analogue homes was 3.8%, which was also less than the target of 4%. This reflects, in part, the challenging competitive market.

The evidence indicates that most of the main commitments set for TG4 have been met. Among the most significant targets set, TG4 performed very well in terms of targets for commissioning hours but it was not in a position to achieve the targets for market share. A long-term challenge for TG4 is how to maintain or grow its market share and how to attract a more diversified audience base including a greater percentage of women and young people. While the latter is not currently an explicit commitment, Indecon believes this may be important in maintaining its market share and requires further consideration.

Assessment of TG4's Role in Fostering and Sustaining Creativity

In this review, the extent to which TG4 fosters and sustains creativity is assessed through examining a range of indicators. These include the number and type of creative staff employed in TG4 programming, the individual measures taken by TG4 in 2010 to support creativity in the sector and the number of awards and/or nominations received by TG4 in 2010. Because of the importance of TG4's role in this area a more detailed examination of this has been completed compared to previous reviews.

We first review the number of creative individuals supported by TG4 in programming. The new evidence assembled for this study indicates that TG4 supports very significant numbers of creative individuals, particularly within the drama genre.



Source: Indecon analysis based on TG4 data.

The following table provides a detailed summary of the number of creative individuals supported by TG4 programmes in 2010 by type and genre. Taking into account directors, musicians, actors and writers, TG4 supported the employment of a total of 428 creative staff in 2010. TG4 estimate that the full-time equivalent level of these 428 creative staff is in excess of 340. Two hundred and eighteen actors were utilised mainly within the drama and documentaries genres. One hundred and six directors were used mainly in documentaries but also a significant number in music and drama. Eighty six writers were engaged in 2010, six of whom were first-time writers within the drama genre. There are of course a range of other key skills involved in the production of programming including producers, camera crew, researchers, presenters, and other skilled individuals. The above categories were examined separately in order to provide a broad indication of creativity.

TG4 Creative Resources 2010						
	All Genres	Drama	Documentaries	Entertainment	Art & Sport	Music
Directors	106	22	51	11	6	16
Actors	218	166	47	3	2	
Musicians /Composers	18					18
Writers	80	34	40	3	2	1
First-time Writers	6	6				
Total	428	228	138	17	10	35

Source: Indecon analysis of TG4 data.

The number of nominations and awards won by TG4 is another possible indicator of the extent to which the broadcasters support creativity in the sector although there are differences in the nature of the awards. In 2009 the number of awards were only 50% of the number secured in 2010. Indecon does not believe that a change in the number of awards alone provides a measure of creativity and caution should be exercised in attributing too much weight to this factor.

TG4 Awards / Nominations 2009-2010		
Category	2009	2010
Programming	23	49
Marketing / Branding	12	17
TG4 Personalities	6	16
Total	41	82

Source: Indecon analysis of TG4 Review of 2010 Performance (April 2011) and TG4 Review of 2009 Performance (March 2010).

The next table highlights those programmes broadcast by TG4 in 2010 which TG4 believes demonstrates exceptional creativity in terms of originality, experimentation, development of new talent, risks in creativity, high standards and quality. The production company, the genre, the funders and the number of awards or nominations received is reported for each programme. Four of the nine programmes listed by TG4 as demonstrating outstanding creativity won awards or nominations. 'Ráisáí na Gaillimhe' performed the best with a total of three awards won and twelve nominations. 'Seacht 4' received one award and two nominations, 'Na Cloigne' received one award and 'Garraí Glas' was nominated for one award.

Programmes Highlighted by TG4 as Demonstrating Creativity in 2010				
Title	Company	Genre	Funders	Awards & Nominations
Rásaí na Gaillimhe	Great Western Films	Drama	TG4 / BAI / BSÉ	3 Awards 12 Nominations
Seacht 4	Stirling Film & TV	Drama	TG4 / ILBF	2 Nominations 1 Award
Na Cloigne	Rosg Teo	Drama	TG4 / BAI	1 Award
Garraí Glas	Abu Media Teo	Entertainment	TG4	1 Nomination
Síol / Údar	Eo. Teilifís	Drama	TG4 / BAI	N/A
Ó Tholg go Tolg	Red Pepper Productions	Entertainment	TG4	N/A
Corp & Anam	Magamedia Teo	Drama	TG4 / BAI	N/A
Múide Éire SPLANC!	Ubderground Films	Documentaries	TG4 / An Comhairle Ealaíon / BAI	N/A
Cogar & Anamnocht	Various	Documentaries	TG4	N/A

Source: Indecon analysis of TG4 data.

Efficiency, Value for Money of TG4 and Adequacy of Funding

In order to provide a context for the evaluation of the efficiency and value for money of TG4 and the adequacy of funding, it is necessary to review the TG4 financial results for the period of 2008 to 2010. We also consider developments for the first nine months of 2011 and the prospects for the remainder of the year as this may have implications for whether an adjustment in public funding is appropriate. Rather than take a rigid mechanistic decision on confining the period under review to 2010, we believe this more dynamic and realistic approach is desirable.

Income

TG4, because of its statutory objects and its small market share, is heavily dependent on public funding. Income from public funding has accounted for approximately 90% of total income on average since 2008. In 2009, this amounted to nearly 91% and in 2010 public funding remained in excess of 90%. The balance of TG4 income comprises commercial income which accounted for nearly 10% of income in 2010. The evidence also shows that both public funding and commercial income declined in 2010. However, the more detailed financial accounts show a small increase in net sales of commercial income, i.e., after taking account of the cost of sales.

Composition of TG4 Group Income 2008-2010			
	2008	2009	2010
	€000	€000	€000
Public Funding (excluding amortisation of grants) ¹	35,473	35,233	32,250
Commercial Income	4,356	3,617	3,483
Total	39,829	38,850	35,733
% Income from Public funding	89.06%	90.69%	90.25%
% Income from commercial income	10.94%	9.31%	9.75%

Source: TG4 Annual Report 2008, 2009, 2010 (most recently published figures), Indecon analysis.

Expenditure

In assessing the efficiency and the adequacy of public funding to TG4 it is important to review how TG4 has responded to the decline in income in 2010 and also what are the changes evident in the current year to date (2011). The next table shows the principal drivers of TG4's operating costs from 2008 to 2010 and forecast figures for 2011. The compound annual change in TG4's total operating costs is calculated for the period of 2008-2010. TG4's operating costs fell at a compound annual rate (CAGR) of -4.7% per annum during the three-year period from the end of 2008 to the end of 2010. Overhead costs, while a small share of costs, increased over the period. 2009 legislation required the expansion of the board to 12 members from 9 which was implemented during the latter part of 2009 and in 2010. This expansion explains the increase in board costs in 2010 and the forecasted increase for 2011. Total staff costs, after capitalisation of some staff costs, fell at a CAGR of -10.29%. The response by TG4 in reducing staff costs in 2010 as presented in its financial accounts appears to have been marked with a very significant decline evident in 2010. However, these figures as indicated above have been adjusted due to capitalisation of certain staff costs arising from the DAM project. If the adjustment for this is excluded, the figures also indicate a decline in staff costs in 2010 but the reduction is less significant. Total unadjusted staff costs in 2010 were €5.469m compared to €5.815m in 2009. Total staff costs in 2011 are budgeted to increase, due in part to the payment of increments which were not paid in 2010. In terms of TG4's wider role in supporting creativity in Ireland, the expenditure figures encouragingly show that while there was a decline in 2010 in commissioning expenditures, the balance between commissioning and acquired programmes increased during the year. The number of hours commissioned from the independent sector was in excess of the targets set, as noted earlier.

¹ This does not include funding from the BAI (Sound and Vision) or ILBF as TG4 are not in receipt of this funding.

Analysis of Principal Drivers of TG4 Operating Costs 2008-2011							
	2008	2009	2010	Year to-date 30/09/11	Forecast 2011	% change 2009 - 2010	CAGR ² 08- 10
Source	€000	€000	€000	€000	€000	(%)	(%)
Total Staff Costs	6,109	5,738	4,916	*	*	-14.3%	-10.29%
Commissioned Programmes Costs	18,126	18,132	17,034	*	*	-6.1%	-3.06%
Acquired Programmes Costs	4,082	4,217	3,297	*	*	-21.8%	-10.13%
Dubbing Costs	2,077	2,247	2,399	*	*	6.8%	7.47%
Other Costs	1,146	839	-	N/A	N/A	-	-26.79%
Board Costs	168	147	167	*	*	13.6%	-0.30%
Overheads	1,375	1,338	1,821	N/A	N/A	36.1%	15.08%
Marketing + Research	1,865	1,513	1,679	N/A	N/A	11.0%	-5.12%
Overhead and Marketing Costs	3,240	2,851	3,500	*	*	22.8%	3.93%
Transmission Costs	3,598	3,802	3,697	*	*	-2.8%	1.37%
Depreciation	1,284	1,200	860	N/A	N/A	-28.3%	-18.16%
Amortisation of Grants	-1,075	-912	-704	N/A	N/A	-22.8%	-19.08%
Total	38,755	38,261	35,166	N/A	N/A	-8.1%	-4.74%

Note: CAGR = compound annual growth rate.

Source: TG4 Annual Report 2008, 2009, 2010 (most recently published figures) and TG4 review of 2010 performance, Indecon analysis. Figures provided to Indecon for 2011 are not printed here, as TG4's annual accounts for 2011 are not yet published.

Actual versus Budget Income and Expenditure

In examining financial management issues within TG4 it is also useful to review performance in any year compared to the budgeted level. This is relevant also in evaluating any forecasted figures and the adequacy of funding. Total commercial income of for 2010 exceeded the budget but was behind the levels achieved in 2009. It is clear that a prudent approach was taken to the budget figures for commercial income reflecting the uncertainty in the Irish advertising market. A sizeable reduction on the 2010 actual commercial income has been budgeted for 2011 and this may prove to be too pessimistic, although the figures to end September show that net income is less than budgeted. Total programming costs for 2010 reflected increased expenditure compared to the budget on commissioned programming and on acquired programmes. Staff costs remained within the budget for 2010.

— ² Compound Annual Growth Rate = $(V_{t_n} / V_{t_0})^{1/(t_n - t_0)} - 1$.

TG4 Actual vs Budget Income & Expenditure Summary 2010/2011			
	Actual 2010	Budget 2010	Budget 2011
Costs	€000	€000	€000
Staff Costs (before capitalisation of certain staff costs) ³	5,469	5,783	*
Staff costs after capitalisation of certain staff costs	4,916	N/A	N/A
Board Costs	167	176	*
Total Commissions	17,034	16,375	*
Total Acquired / Dubbed	5,696 ⁴	4,991	*
Other Programme Costs		836	*
Total Programme Costs	22,730	22,202	*
Total Transmission	3,697	3,853	*
Total Overheads (including marketing)	1,955	3,102	*
Total Commercial Income	(3,483)	(2,634)	*
Cost of Sales	588	385	*
Net Sales	(2,895)	(2,249)	*
Goods/Capital Equipment	-	1,184	*

Note: Budgetary figures are for the total budget – combined current and capital. Figures are rounded to the nearest thousand.

Source: Indecon analysis based on TG4 data and TG4 Annual Report 2010. Budget figures for 2011 are not printed here as the TG4 annual account for 2011 are not yet published.

An important element of this study is to consider the issue of the cost efficiency of TG4. If costs were higher than required, this would impact on the appropriate level of public funding. In this review, we examine cost efficiency of TG4 in terms of programming costs, staff costs, the TG4 operating model and the recent cost reducing measures implemented by TG4. New data on historical cost per hour of TG4 programming by source and genre is also reviewed.

Cost of Programming

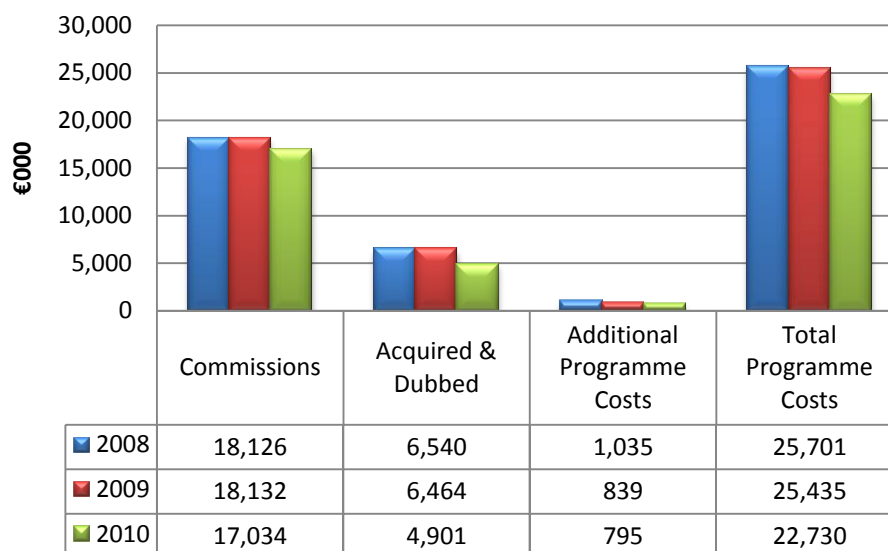
External programming costs represent the highest portion of TG4's total expenditure. This has facilitated TG4 in directly evaluating alternative value for money propositions for its programme and provides the organisation with the ability to assess competing offers to meet its scheduling requirements.

Over €17m was spent in commissioning programmes in 2010. This represents almost 75% of total programme expenditure. Spending on acquired programming in 2010 amounted to €4.9m. During 2010, TG4 reduced its overall programme expenditures and this was primarily reflected in a 24% reduction in spending on acquired and dubbed programming. In the same year, expenditure on commissioned programming declined by 6%.

³ Staff costs = 4,916,000 + 553,000.

⁴ This figure includes 'other programme costs'.

TG4 Programming Expenditure by Source, 2010 Vs Prior Years



Note: Additional programming costs include programming rights.

Source: TG4 Review of Performance (April 2010) & TG4 Review of 2009 Performance (March 2010)

A summary of TG4's broadcasting hours for 2010 and 2009 is presented below. TG4 broadcast 8,760 hours of programming in 2010. This was a slight reduction of less than 1% on 2009 hours. TG4 secured a total cost per hour reduction of 7%, from €2,900 per broadcast hour in 2009 to €2,700 in 2010. While Indecon believes that cost per broadcast hour is a very imprecise measure of either cost efficiency or value for money, it is noteworthy that average cost per hour declined in 2010.

TG4 Broadcast Summary 2010 & 2009			
	Broadcast Hours	Total Cost €000	Cost Per Hour €000
2010			
Irish Language Commissions/ In-house	1,790	17,034	9.5
Irish Language Acquired / Dubbed	1,709	2,686	1.6
Total Irish Language	3,499	19,720	5.6
Non-Irish language	4,576	1,982	0.4
Total Broadcast	8,760	21,702	2.7
2009			
Irish Language Commissions/ In-house	1,746	17,593	10.1
Irish Language Acquired / Dubbed	1,867	3,773	2.0
Total Irish Language	3,613	21,366	5.9
Non-Irish language	4,514	2,422	0.54
Total Broadcast	8,127	23,788	2.9

Note: RTÉ 365 hours not included.

Source: Indecon analysis of TG4 data.

It should also be noted that cost per hour varies by genre. Data on this was analysed by Indecon but is not published here due to its commercial sensitivity. The data shows that overall while cost per commissioned hour has declined, this varies by genre.

It is useful to look at the cost per viewer hour although this will be influenced by the nature of the programme and also by the size of the potential audience market. While this measure alone is not an adequate measure of efficiency given the public policy dimension related to the service, it does merit attention. Data on TG4 content cost per viewer hour is presented below. The cost per viewer hour of all TG4 broadcasted programming increased from €0.22 in 2009 to €0.24 in 2010. There was a reduction in the total cost of broadcasting in 2010 of approximately 9%⁵ compared to 2009. A closer look at the evidence revealed that the increase in the cost per viewer hour was due to a significant reduction in the number of viewers in 2010. TG4's cost per viewer hour of €0.24 for 2010 compares to that of the average of RTÉ One and RTÉ Two of approximately €0.17.

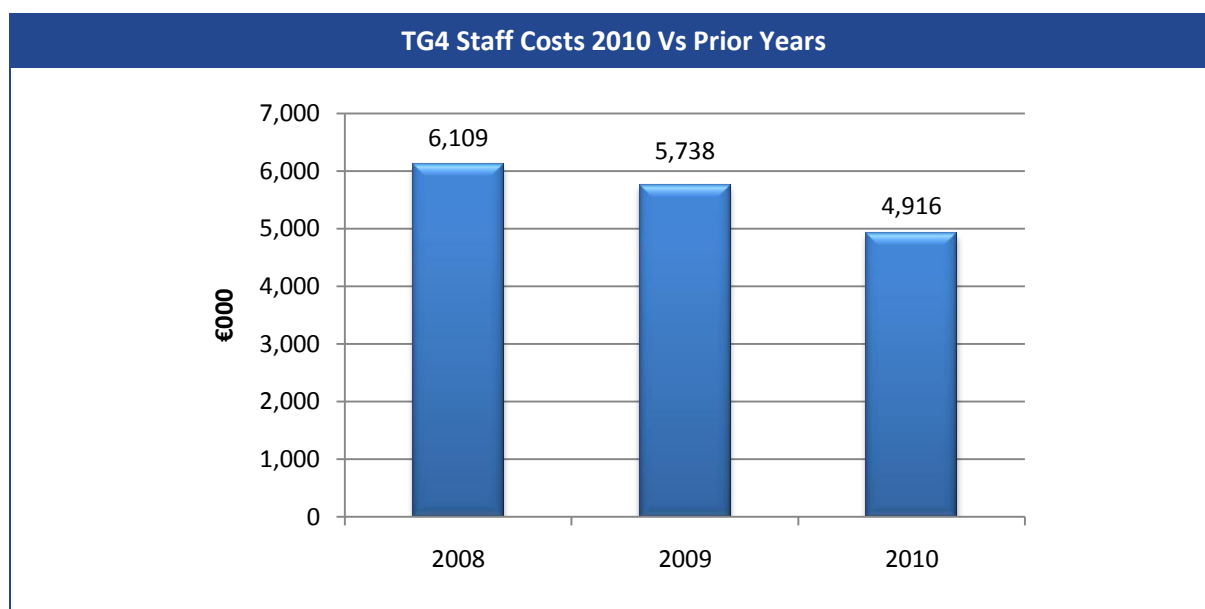
TG4 Cost per Viewer Hour 2009-2010		
	2009	2010
	€	€
Cost per viewer hour	0.22	0.24

Note: Cost per viewer hour excludes any cost of RTÉ provided hours and also the viewership of RTÉ provided hours.

Source: TG4

TG4 Staff Costs

Another important aspect of the cost efficiency of TG4 is its control of staff costs. TG4 achieved a reduction in total staff costs from €6,109,000 in 2008 to €5,738,000 in 2009, and further declines to €4,916,000 in 2010 were achieved. However, these costs have been adjusted for capitalisation of certain costs and when this factor is excluded the reduction in staff costs has been less, as noted earlier.



Note: TG4 labour costs were capitalised in 2009 and 2010. The gross cost before capitalisation for 2009 and 2010 was €5.815m and €5.469m respectively. Most recently published data used.

Source: TG4 Financial Statements from the Annual Report 2009 & 2010.

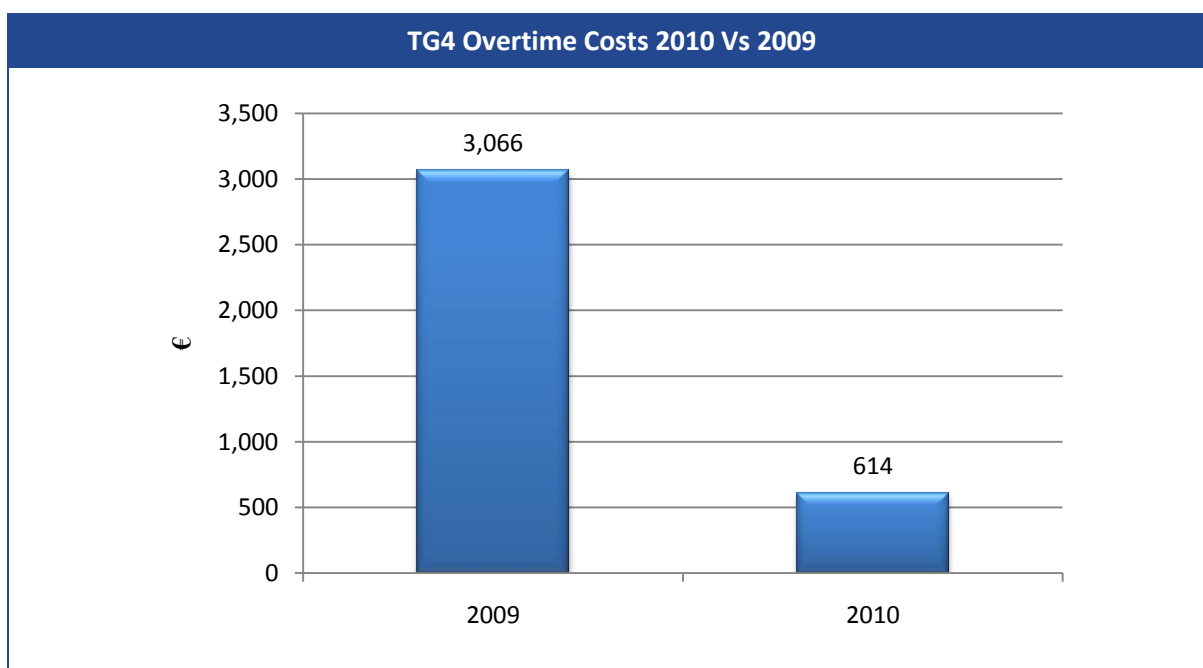
⁵ Total cost of broadcasting in 2010 was €21,702,000 compared to €23,788,000 in 2009.

New data are presented below summarising TG4 salary costs, associated FTE⁶ headcount and cost per head for all TG4 full-time permanent staff. The average salary cost of a full-time permanent staff member of TG4 in 2010 was €57,000. This represents a -1.2% reduction on the 2009 average cost of €57,700. The number of full time permanent employees declined in 2010 from 74 to 71. There were also some small decreases in average cost per head.

TG4 Salary Cost per Employee 2010 Vs 2009						
	Total Salary Cost		Headcount		Cost per Head	
	2009	2010	2009	2010	2009	2010
	€000	€000	FTE	FTE	€000	€000
Full-time Perm	4,267	4,045	74	71	57.7	57.0

Source: Indecon analysis of TG4 data.

A noteworthy development in costs in 2010 was the dramatic decline in overtime costs. This is highlighted in the table below. In our discussion with TG4 it appears this has been as a result of improvements in operational procedures and work practices and is, in our view, a significant development.



Source: Indecon Analysis based on TG4 data.

⁶ FTE= full time equivalent

As part of this study Indecon, for the first time in such reviews, examined detailed data on absenteeism. Absenteeism is measured as the number of hours or days lost in the year to absenteeism and the number of people involved. All organisations have some absenteeism but it is useful to examine the trend in absenteeism among TG4 staff and the associated costs. The figures for the cost of absenteeism amounted to only €4,303 in 2010 and so are not significant.

TG4 Absenteeism Costs 2010 vs 2009				
	2009		2010	
	Paid	Unpaid	Paid	Unpaid
Associated Costs	1,907	0	4,303	0

Source: Indecon Analysis based on TG4 data.

The above figures do not include costs due to sick leave, maternity leave or holiday leave. In addition to examining TG4 absenteeism issues, we therefore also undertook an analysis of sick leave, maternity leave, maternity/sick leave cover, holiday leave, privilege days and time in lieu of work done. The detailed components of absenteeism hours, people involved and associated costs are not presented due to confidential reasons concerning individuals. The total combined cost of Sick leave, maternity leave, maternity/sick leave cover and holiday leave fell to €684,986 in 2010 from €805,711 in 2009. This represents a reduction of 15%.

TG4 Sick Leave, Maternity Leave, Maternity/Sick Leave Cover, Holiday Leave and Associated Costs 2009 & 2010				
	2009		2010	
	Paid	Unpaid	Paid	Unpaid
Sick Leave				
No. of Days Lost	*	*	*	*
No. of Persons Involved	*	*	*	*
Associated Cost	*	-	*	-
Maternity Leave				
No. of Days Involved	*	*	*	*
No. of Persons Involved	*	*	*	*
Associated Cost	*	-	*	-
Maternity/Sick Leave cover				
No of Days involved	*	*	*	*
No of Persons Involved	*	*	*	*
Associated Cost	*	-	*	-
Holiday Leave				
No. of Days Involved	*	*	*	*
No. of Persons Involved	*	*	*	*
Associated Cost	*	-	*	-
Total Associated Cost	€805,711	-	€684,986	-

Note: *This information is not presented due to confidential reasons concerning individuals.

Source: Indecon analysis of TG4 data.

We also examined cost of TG4 privilege days and time in lieu which in 2010 was €69,770 which represents a small increase on the 2009 cost of €65,550, however, these costs are not significant in the context of TG4 budget.

TG4 Privilege Days, Time in Lieu and Associated Costs 2009 & 2010				
	2009		2010	
	Paid	Unpaid	Paid	Unpaid
Privilege Days (if any)				
No. of Days Involved	*	*	*	*
No. of Persons Involved	*	*	*	*
Associated Cost	*	-	*	-
Time Off in Lieu of Work Done				
No. of Days Involved	*	*	*	*
No. of Persons Involved	*	*	*	*
Associated Cost	*	-	*	-
Total Associated Cost	€65,550	-	€69,770	-

Note: *This information is not presented due to confidential reasons concerning individuals.

Source: Indecon analysis of TG4 data.

Overview of Cost Efficiency/Value for Money

Our analysis suggests that there is a strong focus on cost efficiencies in TG4 and in 2010 reductions were evident in key areas of unit costs including programming costs, overtime, and absenteeism costs. While the cost per viewer hour is high (relative to some larger broadcasters), reflecting the market size and market share, overall the evidence suggests that TG4 provides value for money. The issue of the adequacy of funding is discussed further at the end of this executive summary.

Control of Overcompensation/Surpluses

As part of our review we examined whether in 2010 the public funding for TG4 was in line with the EU requirement that broadcasters in receipt of public funding should be able to return no more than 10% of revenues as profit/net income. We also examined the use of funds and we believe that TG4 expenditure is in line with its public service objects.

In the table below, we show that if revenue is defined as excluding amortisation of grants and excluding any interest receivable, then TG4 had a small deficit in 2010 and so the issue of surpluses does not arise.

Evaluation of Overcompensation and Maintenance of Surpluses 2008-2010			
	2008	2009	2010
	€m	€m	€m
Revenue (excluding amortisation of grants)	39.506	38.851	35.733
Expenditure	39.762	39.013	35.754
Deficit	-0.256	-0.162	-0.021
Deficit as % of Revenues	-0.65%	-0.42%	-0.06%

Source: TG4

It is also useful for comparative purposes to look at the issues of surpluses or deficits on ordinary activities of TG4 before taxation as per the published financial accounts. This includes interest receivable and similar income and is adjusted for any surplus or disposal of fixed assets. The figure for public funding in the table below, and in the financial accounts, has not been adjusted to exclude amortisation of capital grants. This shows a small surplus in 2010 and this is well in line with EU requirements.

Surplus (Definition on Ordinary Activities Before Taxation as Per Financial Accounts) 2009-2010		
	2009	2010
	€000	€000
Net Sales	2,865	2,895
Public Funding	36,227	32,923
Surplus (Deficit on ordinary activities before taxation)	(82)	31

Source: TG4

Summary of Key Conclusions

1. TG4 in 2010 broadly fulfilled most of its commitments in respect of its public service objects as set out in its annual statement of performance commitments. The evidence indicates that most of the main commitments set for TG4 have been met. Among the most significant targets set, TG4 performed very well in terms of commissioning spend and hours but it was not in a position to achieve the targets set for audience market share. A long-term challenge for TG4 is how to maintain or grow its market share and how to attract a more diversified audience base, including a greater percentage of women and young people. While the latter is not currently an explicit commitment, Indecon believes this may be important in maintaining its market share and requires further consideration.
2. On the issue of the extent to which creativity is fostered and sustained, TG4 performs very strongly. In addition to supporting extensive Irish language and other commissioned programmes, new evidence presented in this report shows that TG4 programming supported 428 creative specialists including 106 directors, 218 actors and 80 writers.
3. The extent to which any broadcaster operates efficiently and effectively and provides value for money is difficult to measure. However, our assessment suggests that there is a strong focus on cost containment in TG4 and its operating model facilitates cost effectiveness. The analysis of data on the two key areas of programming costs and salary costs suggests a broadly efficient organisation providing value for money and some further improvements in these areas have been secured in 2010. Indecon would, however, support a strong ongoing focus on cost efficiencies but it is not evident that significant savings could be made without impacting on the level and quality of commissioned programmes.
4. The adequacy or otherwise of public funding to enable TG4 to meet its public service objects is a complex issue and is discussed further in the opinion outlined below on the appropriateness of any potential adjustment in public funding to TG4.
5. The assessment of the extent to which TG4 has used the public funding to pursue its public service objects indicates that this has been the case and there is no evidence that overcompensation has occurred.
6. On the maintenance of surpluses, TG4 recorded a small deficit in 2010 if revenue is defined as excluding amortisation of grants and any interest receivable, and so the issue of surpluses does not arise. It is also useful for comparative purposes to look at surpluses or deficits on ordinary activities of TG4 before taxation per the published financial accounts. This includes interest receivable and similar income and is adjusted for any surplus or disposal of fixed assets. This shows that TG4 recorded a small surplus in 2010 but this is well in line with EU requirements.

Opinion on any adjustment in Public Funding

7. The annual adjustments to the licence fee, as set out in the broadcasting legislation, are based on the price regulation formula known as the 'CPI-X' formula. The 'X' is an adjustment factor which relates to key factors such as cost control, programming/output performance and organisational improvements within RTÉ. The 'X' factor may be positive, negative or equal to zero depending on the performance indicators. The CPI is the Irish consumer price index and this declined in 2010 by 1%.

While this formula does not apply to changes in TG4 funding, it is useful to consider the impact if a similar approach was used in the case of TG4. If it was deemed that the level of 'X' measuring the efficiency and performance of TG4 was for example, in line with what could have been expected, this might suggest no adjustment for 'X' and that the only change should reflect the movements in CPI, namely a reduction of 1%. Indecon does not believe it would be appropriate on this occasion, to reduce TG4's public funding by this amount as given the margin of error in measuring prices applicable to broadcasters a 1% change in the CPI is not material. The impact of a reduction in the public funding for TG4 should also be considered in the context of the adequacy of funding and could impact on the ability of TG4 to meet its public service obligations.

Indecon was impressed with the operating model at TG4 and the fact that staff numbers, average salary costs, absenteeism and overtime were all reduced in 2010. During 2010, TG4 faced a very difficult funding environment with a reduction in public funding and a decline in commercial revenues. Despite this, TG4 managed to achieve most of its key commitments. However, given the nature of the focus of TG4 and the resultant small market share, this has implications for average cost per viewer of specific programmes.

The ongoing support for commissioned programming by TG4 is an important factor in considering adjustments in public funding. It is also necessary to consider whether TG4 has sufficient resources to maintain attractive programming in the context of increasing competition. Taking account of the above factors, we do not recommend any reduction in public funding to TG4 at this stage as we believe that a reduction could impact on TG4's ability to achieve its objectives given the very difficult broadcasting market. If TG4 wished to set more ambitious targets or commitments in terms of the scale and nature of its output or its market share or research, this would be likely to require additional funding. The targets and commitments are usually a matter for the broadcaster and policy is dictated by the broadcasting legislation.

Opinion on process Improvements

Indecon believes there is a need to review the nature of the commitments set by TG4 for subsequent periods. In some cases an issue arises as to whether specific commitments represent a forecast of likely future outcomes or whether they reflect challenging stretch targets. There is also an issue of the large number of commitments set, many of which are very different in terms of their relative significance. We also believe there is a need to have more clarity on how the annual funding review impacts on government funding and to ensure that it supports and incentivises ongoing efficiency measures. Critically, Indecon believes there is an urgent need for greater certainty for TG4, and the other public service broadcasters, on funding over at least a one or two-year period. Ensuring that the annual or multi-annual review process is taken into account in any Government decisions on public funding for broadcasters is, in our view, also essential for the credibility and usefulness of this review process.

1 Introduction and Background

1.1 Introduction

This report is prepared by Indecon International Consultants on behalf of the Broadcasting Authority of Ireland (“BAI” hereafter) and concerns the BAI’s obligation to undertake annual Public Funding Reviews in respect of the public service broadcaster TG4. The terms of reference for the study are as outlined below.

- Assess the extent to which TG4 has fulfilled its commitments in respect of its public service objects, as set out in its Annual Statement of Performance Commitments 2010.
- Assess the extent to which creativity is fostered and sustained by TG4.
- Assess the extent to which TG4 operates efficiently and effectively and provides value for money.
- Assess the adequacy or otherwise of public funding to TG4 to enable it to meet its public service objects.
- Assess the extent to which TG4 has used the public funding which it has received, in pursuit of its public service objects, with a view to assessing whether any overcompensation has occurred and if such overcompensation has occurred, the level of such overcompensation.
- Assess the extent to which TG4 has complied with the policy of the EC in respect of the maintenance of surpluses.
- Having undertaken the above review, to express an opinion to the BAI as to whether an adjustment in public funding to TG4 is desirable or necessary and to express an opinion as to the amount of any payment to be made.
- Propose process improvements to the project for work to be undertaken in 2012.

1.2 Background to the Review

Following the enactment of the Broadcasting Act 2009, the Broadcasting Authority of Ireland (BAI) was established in October 2009 as an independent regulator for radio and television broadcasters in Ireland. The principal objectives of the BAI include:

- Ensuring that broadcasting services serve the needs of the people of Ireland in terms of variety and diversity, taking into account language, traditions, culture and ethics;
- Ensuring that the democratic values enshrined in the constitution are upheld, with particular emphasis on rightful liberty of expression; and
- To accommodate open and pluralistic broadcasting services.

The primary functions of the BAI include:

- Developing a statement of strategy for the regulation of broadcasting;
- Establishing broadcasting codes and rules;
- Developing a ‘right of reply scheme’;
- Licensing broadcasting services;
- Providing guidance to RTE and TG4; and
- Consulting with the Commission for Communications Regulation and advising the Minister on a range of issues.

According to the Broadcasting Act 2009 (section 124) the BAI is required each year, to carry out a review of the extent to which the PSB organisations (RTÉ & TG4) have, during the previous financial year, fulfilled their commitments as stated in the annual statement of performance commitments and review the adequacy of public funding to allow the PSB organisation to meet its public service objects. On the basis of the findings of the annual review, the Authority must then provide a report to the Minister with a recommendation, if any, for a modification to the annual licence fee to RTÉ and the amount of payment to be made to TG4. The Authority must within three years of the passing of the 2009 Act and every five years thereafter, carry out an overall review of the adequacy of public funding in enabling the PSBs to fulfil their public service objects. In this review the Authority takes into account the outcome of the previous annual reviews. The Authority must also consider:

- The existing financial resources available to the PSBs;
- The existing level of funding (licence fee);
- The annual nature of the public funding requirements;
- The level of commercial funding available to the PSB (assuming it is exploiting its commercial opportunities); and
- Any international developments in public service broadcasting.

This current review by Indecon concerns the examination of TG4 for the year 2010. A separate review of RTÉ has been undertaken.

1.3 Methodology and Structure of the Report

In this section we outline the methodological approach taken in this review, how this method is implemented and the purpose of it. The structure of the remainder of the review is also outlined.

A four-phased approach is taken in this review. These four key phases are:

1. Inception of the project, assembling of data and conduction of consultations.
2. Review of the PSB's 2010 commitments, utilisation of funding and their performance on their programming schedule for 2010.
3. Review of the value for money of the PSB's programming service and formulation of key conclusions and recommendations.
4. Submission of report.

Phase 1

The first phase of the work programme involved the collection of primary and secondary data from TG4. Subsequently, consultations with senior personnel at TG4 were carried out. A review of the data collected guided the discussions at the consultations and underpinned the analysis in sections of the review.

A project inception meeting was held with the BAI with the purpose of understanding the views of the BAI and addressing any high level issues in relation to the current review including the adequacy of the TG4 performance framework for the purpose of fulfilling its statutory obligation to conduct public funding reviews under the current broadcasting legislation. A discussion of relevant data/research sources on public service broadcasters in Ireland and on the broadcasting market in general.

This phase of the project also involved reviewing any relevant previous research including the previous annual review of public funding for 2010 and any issues arising from this review. Other relevant research examined included documents such as the PSB's public service statements their performance against their statement of commitments. Indecon also reviewed any relevant comparative benchmarking data or information.

At the data collection stage of the review, Indecon examined key data which reflected on the performance of the PSB and their actual programming output. Data on actual programming output by division, market share data on the performance of TG4 and key financial data from the annual reports and programme level financial data were reviewed. A rigorous analysis of all data and underlying assumptions was also undertaken. The conclusions drawn from the review of this data underpins the analysis of the effectiveness, efficiency and value for money of the TG4 service which in-turn would be of significance when forming recommendations regarding the appropriate level of funding for 2011/2012.

In considering the important issue of the extent to which TG4 fosters and sustains creativity we reviewed data information on a wide range of factors. These included:

- Details of any measures taken by the broadcasters to support creativity in terms of their commissioning policies and in terms of support for wider creative sectors.
- Analysis of any programming or other awards achieved, although we know that care is needed in interpreting any such awards;
- Information on policies undertaken to support creativity within broadcasting staff and suppliers.
- New detailed data was also assembled for the first time on the number of creative personnel supported by TG4 programming.

Phase 2

Phase 2 concerned the review of the commitments, utilisation of funding and programme level commitments of TG4. This phase included an assessment of ability to fulfil stated commitments and other policy operations for TG4, an assessment of performance on multiple criteria and an assessment of ability to effectively utilise public funds. The review of the performance of the schedule of TG4 included an assessment of programming hours against their targets, a review of indigenous production and an assessment of repeat versus new/original programming.

Phase 3

Phase 3 was allocated to the value for money review and the formulation of the conclusions and recommendations. The following costs were examined in the value for money of the broadcasting service:

1. Personnel related costs
2. Commissioned programming costs
3. Acquired programming costs
4. Overhead costs and administrative costs
5. Non-programme related operating costs

6. Capital expenditure

The analysis involved a breakdown by sub categories, an examination of trends over time, an assessment of outturn vis a vis budgets and any comparable costs. New data was obtained on cost per hour by genre as well as detailed evidence on overtime, absenteeism and other cost factors.

Phase 4

Phase 4 concerns the development of the final report. After the first submission of the report and the implementation of any feedback received a final report was prepared for the BAI.

Structure of the Report

Section 2 of this report provides an overview of trends in the Irish Economy and Broadcasting. Section 3 contains our analysis of the commitments and performance of TG4 for 2010 in respect of its public service objects. Section 4 analyses the extent to which TG4 fosters and sustains creativity. Section 5 presents a review of the financial results of TG4. Section 6 examines the cost, efficiency and value for money of the TG4 service. Section 7 provides our overall conclusions.

1.4 Acknowledgements

Indecon would like to acknowledge the valuable inputs of officials from the Broadcasting Authority of Ireland and from management and executives in TG4. Particular thanks are due to Aoife Clabby and Celene Craig of the BAI. We also received valuable inputs on behalf of the Chairperson and Members of the Authority of the BAI which were outlined to us by the executive team. We also would like to thank one of the members of the Authority who met us during the study. We acknowledge the inputs of our specialist adviser Edward Mirzoeff.

Indecon also would like to thank TG4 for its open approach and co-operation and inputs provided during the study, in particular, Mary Uí Chadhain and Pól Ó Gallchóir and all of the staff in TG4 who we met on our visit to the station. Inputs were also received at meetings with Tyrone Productions and Eo Teilifís.

The usual disclaimer applies and the views and analyses contained in this document are the sole responsibility of Indecon.

2 Trends in the Irish Economy & Broadcasting Industry

2.1 Introduction

This chapter provides an overview of some relevant developments in the Irish economy which have impacted on TG4. This includes a review of trends in CPI which is a factor of relevance to any adjustments in public funding. The trends in the Irish broadcasting market are discussed and particular attention is paid to the competition from new platforms.

2.2 Irish Economy - Overview

In 2010 the Irish economy contracted for the third consecutive year. As shown in Table 2.1 below, GDP declined between 2007 and 2010. This fall in output has been in the context of a domestic financial crisis combined with European international instability. Ireland is currently dependent on IMF/EU support and an unsustainable deficit in the public finances is being addressed through public spending cuts and tax increases. The scale of adjustment required in the public finances inevitably has implications for all organisations in receipt of public funds.

Table 2.1: Annual Percentage Change in National Income 2005–2010						
	2005- 2010	2005- 2006	2006- 2007	2007- 2008	2008- 2009	2009- 2010
Source	%Change	% Change	%Change	%Change	% Change	% Change
Gross Domestic Product (GDP)	-0.9%	9.1%	6.5%	-5.2%	-10.8%	-2.9%
GDP per capita		9.1%	1.5%	-7%	-11.5%	-3.1%
Gross National Product (GNP)	-1.6%	11.4%	5.4%	-5.3%	-14.5%	-3.0%
Gross National Disposal Income	-1.9%	10.8%	5.1%	-5.5%	-14.7%	-3.1%

Note: All figures are measured at current market prices

Source: *Indecon analysis of data from the CSO National Income and Expenditure Annual Results for 2010.*

In 2010, the combination of a contractionary budget, wage cuts, higher taxes and rising unemployment has had a negative impact on the consumer's disposable income. As

Table 2.2 demonstrates, personal consumption and total domestic demand have fallen significantly as households face reductions in disposable income combined with the need to reduce their indebtedness. This has implications for the potential of TG4 to secure increased commercial incomes.

Table 2.2: Total Domestic Demand 2006-2010

	2006-2007	2007-2008	2008-2009	2009-2010
Source	% change	% change	% change	% change
Personal Consumption of Goods and Services	9.8	1.9	-10.9	-3.1
Total Domestic Demand	6.6	-4.3	-16.9	-7.8

Note: All figures measured at current market prices

Source: Indecon analysis of data from the CSO Quarterly National Accounts, Q1 2011.

Earnings and labour costs in the economy declined in 2010 and further reductions in labour costs are expected in many sectors. The trend in average hourly earnings and average hourly labour costs is presented in Table 2.3. In many companies and sectors, much steeper declines in labour costs have occurred as firms have attempted to survive the declines in domestic demand.

Table 2.3: Earnings and Labour Costs for 2008-2010

	2008	2009	2010
Average Hourly Earnings (Euro)	€21.6	€22.1	€21.8
Average Hourly Labour Costs	€25.1	€25.7	€24.9

Source: Indecon analysis of data from the CSO principle statistics

Unemployment levels have risen dramatically and those who were previously in full-time employment have faced dramatic declines in their incomes and family circumstances. The overall decline in incomes and the rise in unemployment have been accompanied by increases in taxation as governments have attempted to address the crisis in the public finances. This has an impact on the ability of individuals and households to afford the television licence fees.

Table 2.4: Unemployment Rate in Ireland 2008-2010

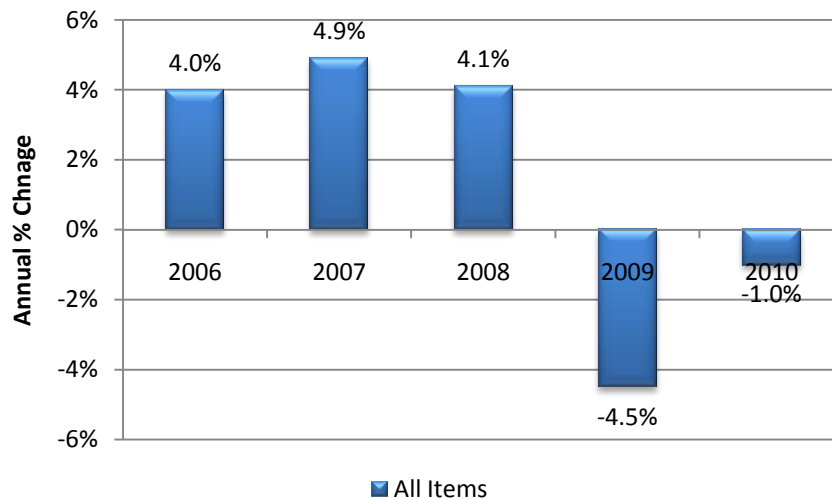
	2008	2009	2010
Standardised Unemployment Rate (Annual Average)	6.4%	11.8%	13.6%

Source: Indecon analysis of data from CSO principle statistics.

The crisis in the Irish economy which led to Ireland being dependent on IMF/EU support has resulted in severe pressure on public funding across all sectors. Public service broadcasting in Ireland is currently partially funded through television licence fees, and a very high percentage of TG4 incomes come from public funding. The BAI's obligation to undertake an annual review of the public funding of the public service broadcasters has been put sharply into focus within the current economic climate. This places new demands on TG4 to be cost efficient in order to provide a service which exhibits value for money. Today's challenging economic conditions have also driven a sharp reduction in commercial (particularly advertising) revenue.

Developments in the economy have also resulted in declines in consumer prices. As outlined in the Broadcasting Act 2009, changes in the public funding for broadcasting is partially linked to the annual percentage change in the Consumer Price Index. Figure 2.1 demonstrates that in 2009 the CPI declined and further declines occurred in 2010.

Figure 2.1: Consumer Price Index, Annual Percentage Change 2006-2010



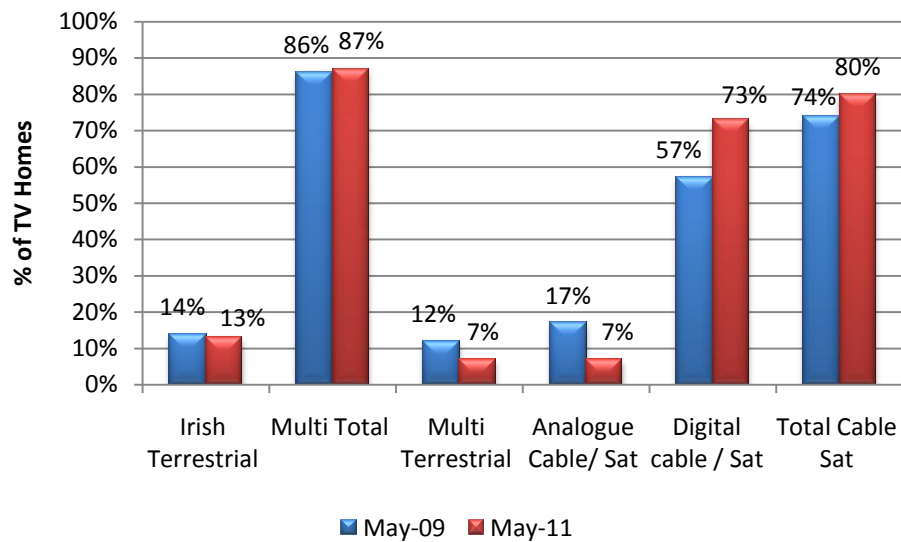
Source Indecon analysis of: principle CSO Statistics

2.3 Trends in the Irish Broadcasting Market

2.3.1 Television Broadcasting

TG4 is operating in a fast-changing and challenging broadcasting market. The number of homes subscribed to digital, cable, or satellite television has increased rapidly throughout the latter half of the last decade. Figure 2.2 below shows that from May 2009 to May 2011 the number of homes in Ireland receiving television by digital means increased from 57% to 73% of all TV homes. The number of homes receiving only the four Irish Terrestrial TV channels (RTÉ 1, RTÉ 2, TV3, & TG4) fell to 13% in May 2011.

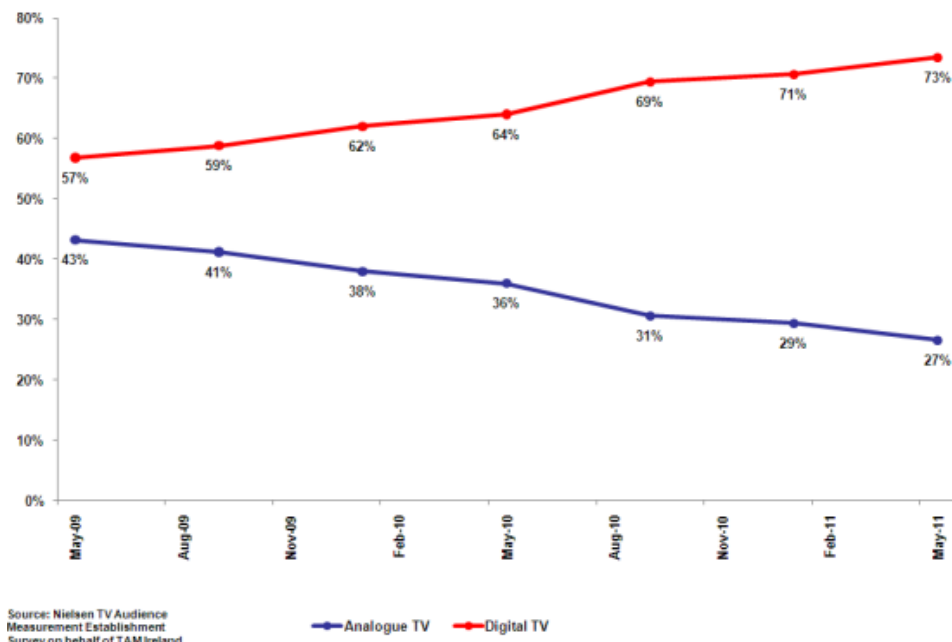
Figure 2.2: TV Homes by Reception Type May 09–May 11



Source: Indecon analysis of ComReg Quarterly Key Data Report (Nielsen TV Audience Measurement Establishment Survey on behalf of TAM Ireland).

Figure 2.3 measures the trend in TV reception method from May 2009 to May 2011. This graph clearly demonstrates the growing popularity of digital TV. The portion of TV owners who receive their TV reception from analogue platforms has declined from 43% in 2009 to 27% in 2011, while those who subscribe to digital television reached 73% in May of 2011. These changes make the environment for a small specialised PSB broadcaster such as TG4 more difficult.

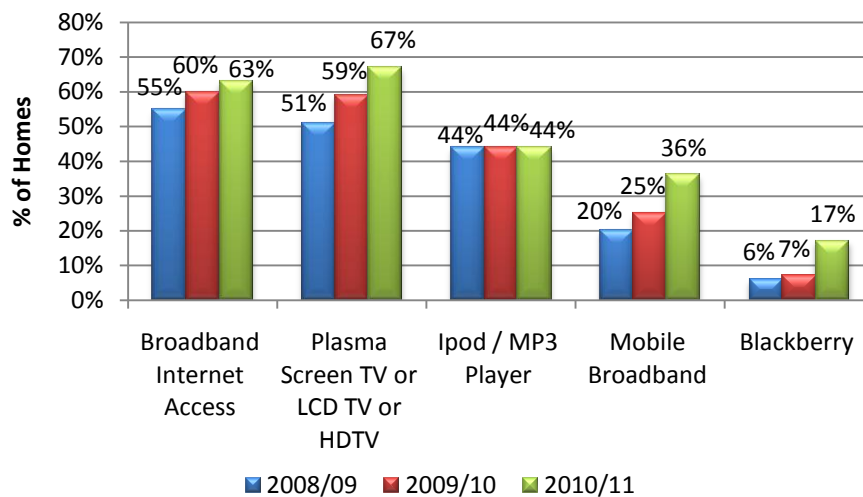
Figure 2.3: Digital and Analogue TV Reception, May 09-May 11



Source: ComReg Quarterly Key Data Report. (Nielsen TV Audience Measurement Establishment Survey on behalf of TAM Ireland)

Figure 2.4 shows the trend in the ownership of media appliances among consumers from 2008 to 2011. The number of consumers who have access to broadband internet, own a plasma screen, LCD or HD Television or own a blackberry phone has increased significantly during this period. The number of people with HD televisions and broadband internet access is of particular importance to the competition of which TG4 is facing from different platforms. Sixty three per cent of consumers have access to broadband internet in 2011 compared with 55% in 2008. The ownership of plasma screen, LCD or HD televisions reached 67% in 2011. The changing trend in the ownership of media appliances is has implications for TG4's response to these significant changes.

Figure 2.4: Ownership of Media Appliances 2008-2011



Source: Indecon analysis of JNLR SIGs Report July 2008 – June 2009, July 2009 – June 2010, July 2010 – June 2011.

Television channel shares provide an indication of the shifts in competition in the television broadcasting market. Table 2.5 provides an overview of the change in national viewing shares of fifteen television channels in the Irish market ranked according to the size of their share in 2010. In 2010, TG4 ranked 8th out of the 15 channels with a share of 2.09%. The channel that experienced the most significant growth in their market share was 3e, reaching 1.11% in 2010 from 0.84% in 2009. TG4's share fell from 2.56% in 2009 to 2.09% in 2010. This is discussed in more detail later in this report.

Table 2.5: Channel Shares 2010 Vs 2009

Channel	2009	2010	% change
1. RTÉ One	24.18	23.16	-4.22
2. TV3	11.85	12.19	2.87
3. RTÉ Two	10.2	10.18	-0.2
4. BBC One	5.06	4.49	-11.26
5. UTV	4.35	3.75	-13.79
6. Channel 4	3.6	2.76	-23.33
7. BBC Two	2.93	2.56	-12.63
8. TG4	2.56	2.09	-18.36
9. Sky One	2.15	1.43	-33.49
10. 3e	0.84	1.11	32.14
11. E4	1.19	1.01	-15.13
12. Living	1.16	0.97	-16.38
13. Sky News	1.11	0.86	-22.52
14. Comedy Central	1.03	0.7	-32.04
15. Setanta Ireland	0.87	0.42	-51.72

Source: Indecon analysis of TG4 Review of Performance (April 2010) & TG4 Review of 2009 Performance (March 2010).

2.3.2 Competition from Different Platforms

Broadcasting and media related services today are being offered from five distinct platforms between which viewers can choose when availing of services. These are:

- Digital Terrestrial Television (DTT);
- Terrestrial Analogue;
- Cable;
- Satellite; and
- Broadband Internet.

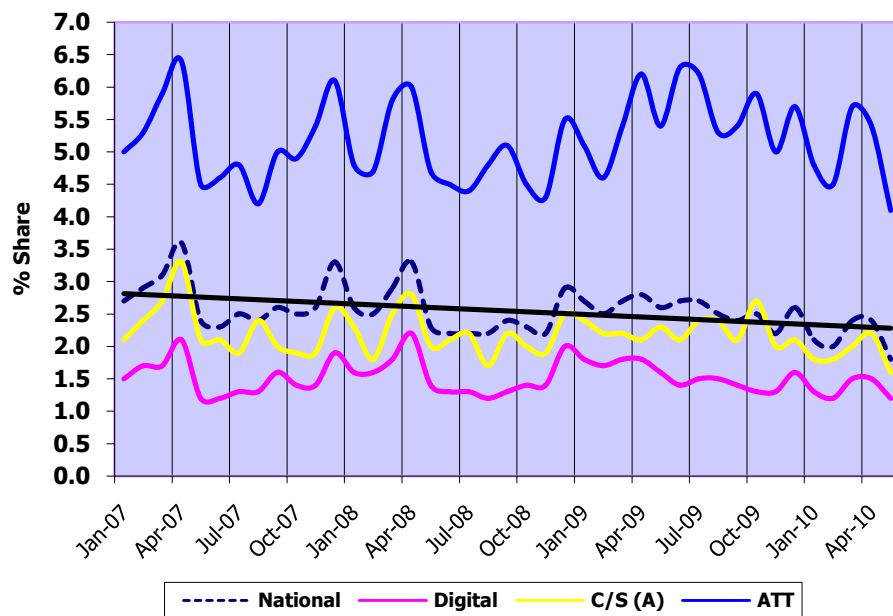
Digital Terrestrial Television (DTT) is replacing the terrestrial analogue service as the new platform. For free-to-air services, most paid services are available via cable and satellite systems and high-speed internet facilitates the internet protocol television (IPTV) and 'video on demand' services. It is believed by some that the encouragement of a distribution of competing platforms will help to ensure that the provision of broadcasting and media services is optimal.⁷ Regardless of this argument it is clear that broadcasters must focus on quality and cost effectiveness to withstand the competition. TG4's audience is no exception to this trend. Among a sample selected in 2009 of Irish speaking TG4 viewers living in the Gaeltacht area, 47% were subscribed to receive digital reception and 48% of viewers living in the Non Gaeltacht area received digital reception.⁸ An average of 70% and 45% of viewers stated 'more channels' and 'better quality', respectively, as reason for subscribing to digital. An average of 49% of all TG4 viewers in the sample said that saving money would be an incentive for them to switch from their existing digital TV subscriber to the Digital Terrestrial Television (DTT) service.

⁷ Athena Media (2010) "Irish Broadcasting Landscape: Economic & Environmental Review for the Broadcasting Authority of Ireland".

⁸ Source: TG4 Audience Research Survey 2010. A sample of 502 Irish speaking viewers living in the Gaeltacht region (8+ years old) and 200 Irish speaking viewers living outside the Gaeltacht region (8+ years old).

Figure 2.5 shows the TG4 monthly viewing share for the period from January 2007 to April 2010 for digital, cable/satellite analogue and terrestrial platforms compared to the TG4 nationwide share. TG4's share is highest in terrestrial homes. This followed by cable/satellite analogue. TG4's share is lowest on the digital platform due to the high level of competition. This figure also reveals that TG4's national share has been following a downward trend over the last three years. This can in part be attributed to the rising trend in the number of homes in Ireland with digital TV reception as demonstrated in Figure 2.3 above. The changing environment of the Irish television market is proving challenging for broadcasters and TG4 is no exception to this trend.

Figure 2.5: TG4 Share by Platform January 2007 – April 2010



Source: TG4 data.

Box 2.1 summarizes some of the key conclusions from the TG4 Audience Research Survey in relation to the trend in digital television. The audience feedback further supports the evidence of a trend towards digital television among the TG4 viewers.

Box 1: Competition Among Service Platforms – TG4 Audience Feedback

“A significant number of households with Irish speaking viewers in the Gaeltacht areas and outside the Gaeltacht areas continue to move towards satellite TV at the expense of roof top aerials in particular and cable and MMDS⁹ to a lesser extent”.

“The array of new channels that come with satellite TV is increasing the competition amongst stations for viewers tuning in time”.

“Another source of competition for TV stations is the number of homes with a PC or laptop, internet access and games consoles”.

Source: TG4 Audience Research Survey, January 2010.

2.3.3 Importance of the Digital Broadcasting Sector for PSBs

Digital technology has given consumers the ability to make many more choices in the market for telecommunications services. As stated by Picard (2003): “Consumers have increased communication choices, including how, when and where they receive the services, as well as the increasing desire to personalise and filter information they receive.”¹⁰ This means that potential consumers of each individual service are fewer as the range of available services increases. This presents a challenge for TG4. This challenge extends to the BAI as they must conduct performance assessments of PSBs in light of the increasingly complex technology of communications services. Types of performance measures include: market share, costs, and financial measures. “Assessment based on a balanced mix of these measures will help to ensure that the PSB is being evaluated fairly and appropriately in terms of both its public service obligations and its viability as a service provider in the competitive communications market.”¹¹

The European Broadcasting Union (hereafter ‘EBU’) reports indicate that throughout Europe the developments in digital broadcasting have resulted in declines in market share of large PSBs over a number of years (e.g. RAI, ARD&ZDF, France Television, BBC, and RVE). “The decreased market share is due in part to:

- Structural changes within the market;
- Increased use of digital broadcasting platforms and the Internet; and
- Advances made by new television channels.”¹²

There also appears to be a declining trend in those accessing Free-to-Air broadcasting while subscription to Pay-TV and access to online audio-visual content are increasing. Against this background it has been suggested that “Public service broadcasting organisations will need to adapt to the new technological environment and to citizens' new habits and requirements.”¹³

⁹ Multichannel Multipoint Distribution Service.

¹⁰ Picard, Robert, G., “Assessment of Public Service Broadcasting: Economic and Managerial Criteria,” *Javnost/The Public*, 10(3):29-44 (2003).

¹¹ Picard (2003).

¹² EUROPEAN BROADCASTING UNION, Legal and Public Affairs Department, “Review of the Communication from the Commission on the application of State aid rules to public service broadcasting (Broadcasting Communication, OJ 2001 C 320/5) - EBU reply to the Commission’s Questionnaire” March 2008.

¹³ EBU (2008).

According to the Digital Strategy Group of the EBU, public service media should be made available on all technology platforms in order to stay on target with its public service obligations. In order to do so, the PSB must promote digital inclusion and participate in all significant areas of available media. On a practical level, this means: “strong, recognizable brand development; supplementing traditional content with interactive and internet/mobile content; promoting digital media literacy and awareness; providing local and minority language content on all platforms; and promoting accessible technical standards.”¹⁴ As the communications market becomes increasingly diverse, PSBs such as TG4 will need to keep up with technological advances if they are to maintain or grow in terms of audiences and market shares.¹⁵ Because of the potential long-term importance of this issue as part of this review, we consider TG4’s progress in developing online and other channels, later in this report.

2.3.4 Rationale for Public Service Broadcasting and Support for TG4

Given the challenging developments in the economy and in the broadcasting market it is useful to consider aspects of the rationale for public service broadcasting. The importance of the public service broadcasting model is supported by the ongoing need to ensure that a broad range of programming services continue to be made available to consumers and that quality of service and innovation as standards are maintained.

A range of authors have highlighted the fact that broadcasting exhibits many of the characteristics of a public good. Broadcasting is a product that is freely available to consumers. Broadcasters also can exhibit positive externalities. O’Hagan & Jennings (2003)¹⁶ emphasise that PSBs are necessary in order to exploit these positive externalities; for example ensuring a programme which provides a shared sense of common culture is aired to a universal audience. O’Hagan & Jennings (2003) also identify diversity and equality as arguments behind the need for a public broadcasting service.

The importance of maintaining variety of service in the broadcasting industry has become more evident with the introduction of digital broadcasting which has provided consumers with a vast amount of choice in programming genres and content. Research carried out by Ofcom¹⁷ (the independent regulator and competition authority for the UK communications industries) revealed that audiences in the UK value having access to alternative perspectives and different voices. They believe that no single broadcaster can be equally good at meeting all of the audiences’ needs. It was also found that the audiences agree that competition among the providers drives up quality and encourages new approaches.

“In this new digital economy, immaterial value increasingly determines material value, as consumers are looking for new and enriching experiences. The ability to create social experiences and networking is now a factor of competitiveness” (European Commission, 2010).¹⁸

¹⁴ European Broadcasting Union (EBU), “Public Service Media in the Digital Age, “ 2006

¹⁵ EBU, (2006).

¹⁶ O’Hagan, J. &. (2003). Public Broadcasting in Europe: Rationale, Licence Fee and Other Issues . *Journal of Cultural Economics* , 27: 31-56 .

¹⁷ Ofcom (2008). Ofcom’s second public service broadcasting review.

¹⁸ European Commission (2010). Unlocking the Potential of cultural and Creative Industries. European Commission green paper, Brussels COM(2010) 183.

The rationale for public service broadcasting is also related to creativity. The European Commission highlights the potential within the cultural and creative industries to contribute to the creation of growth and jobs through the use of creative talent. In particular they emphasise the role that cultural content plays in fuelling investments in broadband services, in digital technologies and in new consumer electronics and telecommunications devices. Cultural and creative industries can play a significant role in equipping workers with the creative, entrepreneurial and intercultural skills needed to build a knowledge based society. Within the wider context of the creative industries, year-on-year more emphasis is being placed on the role that the broadcasting industry plays in fostering and sustaining creative talent.

It is important that any role which TG4 may play in supporting or developing creativity is assessed and not simply assumed, despite the difficulties in such evaluations.

2.3.5 Implications of Trends in Economy and Broadcasting for TG4

The crisis in the Irish economy has significant implications for the ability of the Exchequer or consumers to increase funding to TG4. This takes place against a background of declining consumer demand and living standards with the resultant impact on TG4's commercial income.

These developments have occurred at a time of increasing competition from other channels which is likely to accelerate with the introduction of digital broadcasting and other technological changes in the market.

There has also been some adjustment to overall costs in the Irish economy as reflected in the decline in average labour costs and in a reduction in prices which should help TG4 improve its cost base.

Overall, however, TG4 faces a much more challenging external environment which reinforces the need to offer quality programmes and develop audiences while continuing to improve cost efficiencies and investment in technology.

3 Examination of Extent to which Commitments Have Been Met

3.1 Introduction

As part of this review we assess the extent to which TG4 has fulfilled its commitments in respect of its public service objects, as set out in its Annual Statement of Performance Commitments 2010.

In particular, we examine the evidence to determine how well TG4 performed against its commitments according to its:

- Public Service Objects;
- Five-year Statement of Strategy; and
- Public Service Statement.

3.2 TG4 Performance against Commitments 2010

3.2.1 Overview

TG4 is obliged by the Broadcasting Act 2009 to prepare, on an annual basis, a statement of commitments. Specific actions and targets are set out within a certain timeframe of delivery. The commitments are linked to individual key performance indicators by way of measuring TG4's success or otherwise in fulfilling its requirements. By March 31st each year, TG4 must submit to the Department of Communications and the Broadcasting Authority of Ireland a report on their achievements and any gaps arising between their actual performance and the relevant target. This section reviews the TG4 performance against commitments for 2010.

3.2.2 TG4 delivery of its objects

In Box 3.1, we present TG4's objects, as set out in the Broadcasting Act 2009. With the exception of objects (c) and (g) which were not applicable in 2010, our analysis suggests that TG4 broadly delivered on its objects. Highlights in 2010 include progression towards the launch of "Saorview" the DTT platform in 2011, progression towards moving to a tapeless delivery system including the introduction of a digital asset management system and the expansion of the TG4 player service.

Box 2: TG4 Objects According to the Broadcasting Act 2009

- (a) to establish, maintain and operate a national television broadcasting service, which shall have the character of a public service, be a free-to-air service and be made available, in so far as it is reasonably practicable, to the whole community on the island of Ireland,
- (b) to establish and maintain a website and teletext services in connection with the services of TG4 under paragraphs (a), (c), (d), (e), (f), (g) and (h),
- (c) to establish and maintain choirs and other cultural performing groups in connection with the services of TG4 under paragraphs (a), (f), (g) and (h),
- (d) to assist and co-operate with the relevant public bodies in preparation for, and execution of, the dissemination of relevant information to the public in the event of a major emergency,
- (e) to establish and maintain archives and libraries containing materials relevant to the objects of TG4 under this subsection, 122,
- (f) to establish, maintain and operate, in so far as it is reasonably practicable, a television broadcasting service, which shall have the character of a public service, to be made available to Irish communities outside of the island of Ireland,
- (g) subject to the consent of the Minister, the Minister having consulted with the Authority, to establish, maintain and operate in so far as it is reasonably practicable, community, local, or regional broadcasting services, which shall have the character of a public service, and be available free-to-air,
- (h) subject to the consent of the Minister, the Minister having consulted with the Authority, to establish and maintain non-broadcast non-linear audio-visual media services, in so far as it is reasonably practicable, which shall have the character of a public broadcasting service (such consent not being required in respect of such services which are ancillary to a broadcasting service provided under paragraphs (a), (d), (f) and (g).

Source: Broadcasting Act 2009.

3.2.3 Programming Commitments

In this section we present the evidence of how TG4 performed in its efforts to meet its detailed programming commitments. The progress on these commitments is summarised in Table 3.1 and shows that TG4 achieved each of the five programming related commitments set out for 2010 relating to programming output and investment in Irish language programming. TG4 exceeded its target of 4.1 hours of Irish Language programming output per day by reaching an average of 4.36 hours per day in 2010.

Table 3.1: TG4 Performance in 2010 on its “Programming” commitments

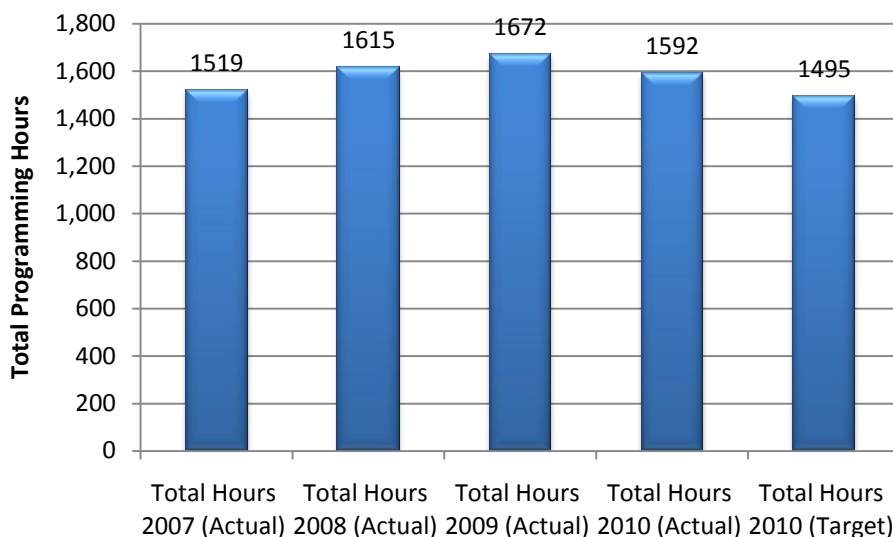
Commitment	Evidence
Commission and broadcast a wide range of new high quality, innovative Irish language content in 2010.	TG4 commissioned a total of 1,592 new hours in 2010. Its target was 1,495 hours.
Invest in new Irish language programme development across all genre ensuring a distinctive “súil eile” perspective.	TG4 commissioned, acquired and broadcast a broad variety of Irish language programming in 2010.
Progress towards a 35 week core schedule & broadcast 4.1 hours of Irish language content per day.	TG4 commissioned 4.36 new hours a day, exceeding its target of 4.1
Commit a share of Irish language programming spending to commissioning content from Gaeltacht-based companies.	Over 75% of TG4’s total programming expenditure was spent on commissioning content from the independent sector
Deliver a “world Irish language service” by further developing its web and WebTV services.	TG4 targeted 450k website visitors, 3.4m page impressions and 2m programme streams on TG4 BEO. They reached 962,395 visitors, 6,108,533 page impressions and 2.65m programme streams in 2010.

Source: Indecon analysis of TG4 data from the TG4 Review of 2010 Performance (April 2011) and TG4 Review of 2009 Performance (March 2010).

As programming commitments are a fundamental part of TG4 targets it is useful to examine some of the above targets in more detail.

Figure 3.1 overleaf present TG4’s total programming output hours of new Irish language content respectively for the period of 2007 to 2010. The number of hours increased year-on-year figure from 2007 to 2009 with an overall increase from 1,519 hours to 1,672 hours (in excess of 10%) for the three-year period. However, 2010 saw a fallback in progress to 1,592 hours (a reduction of 4.8%). Despite this, TG4 exceeded this target for 2010 of 1,495 total hours (or an average of 4.1 hours a day) by 6%. It should be noted that the target hours set out for 2010 were 10.5% lower than the actual hours achieved in 2009.

Figure 3.1: Total New Irish Language Programming Output TG4, 2010 Vs Prior Years

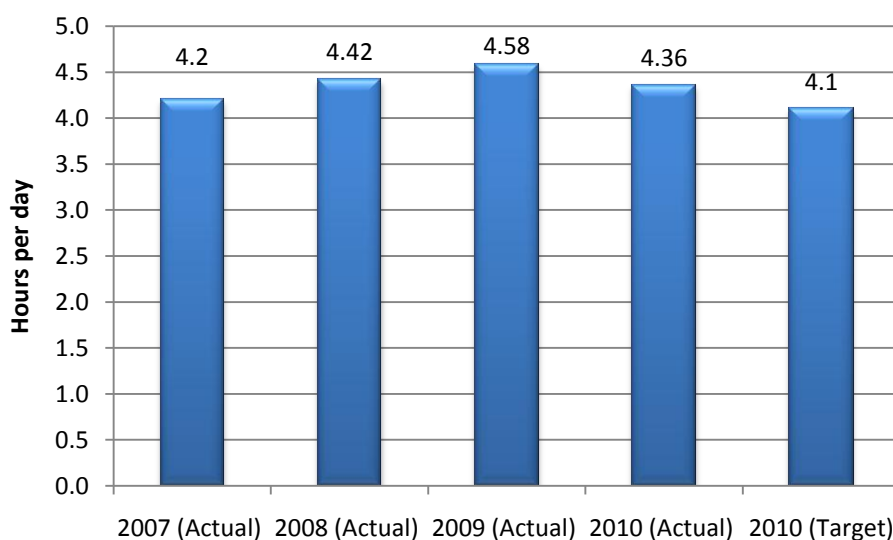


Note: Hours measured here are according to contracts.

Source: Indecon analysis of TG4 Review of 2010 Performance (April 2011) and TG4 Review of 2009 Performance (March 2010).

In Figure 3.2 the average hours of new Irish language programme are presented. This shows that TG4 exceeded this target in 2010.

Figure 3.2: New Irish Language Programming, Average Hours per Day TG4, 2010 Vs Prior Years

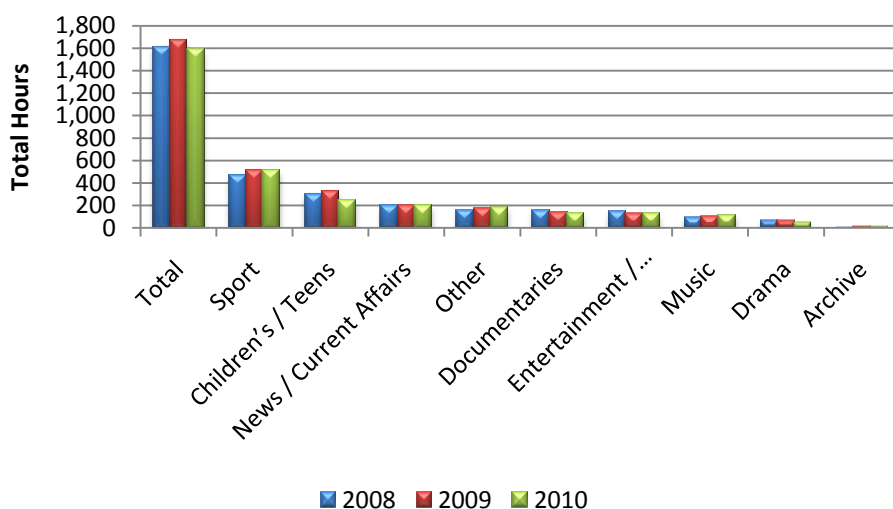


Source: TG4 Review of 2010 Performance (April 2011) and TG4 Review of 2009 Performance (March 2010), Indecon analysis.

Figure 3.3 presents the total number of new or original Irish language output hours by genre for the period of 2008 to 2010. Over these four years TG4 produced an average of 1,593 new or original Irish language hours. Sport accounts for the largest share of the year-on-year at approximately 30% of total hours on average. This genre was followed by children's / teens'

accounting for 17% of total hours on average and News and Current Affairs and other programming each amounting to 12.5%. Entertainment, music and drama each amounted to less than 10% of total output.

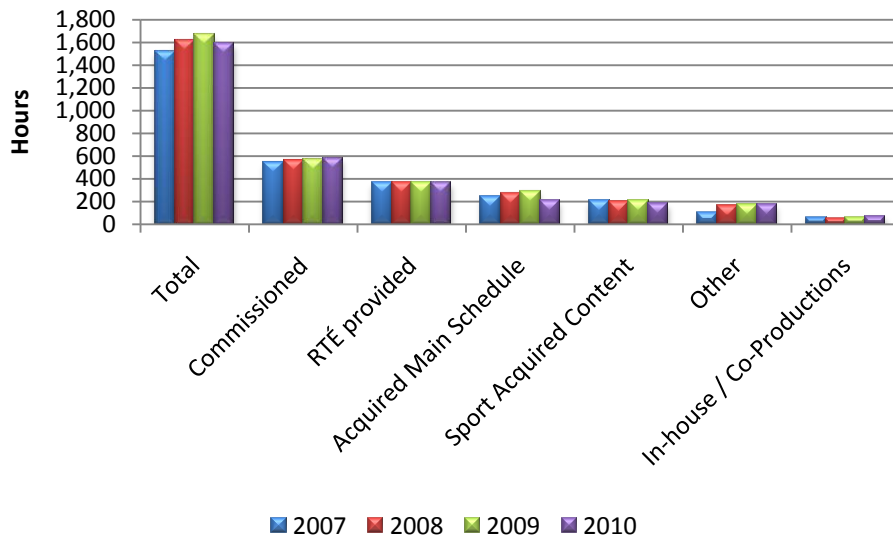
Figure 3.3: New Irish Language Programming By Genre 2008-2010



Source: TG4 Review of 2010 Performance (April 2011) & TG4 Review of 2009 Performance (March 2010)

Figure 3.4 highlights output hours of Irish language programming by source for the period of 2007 to 2010. Each year the largest share of output hours was sourced through commissioning (approximately 38% on average). RTE provide a set 365 hours of programming to TG4 which accounts for in the region of 25% of total hours each year. Acquired content, in-house productions and other programming content make up the remaining sources of new or original Irish language content.

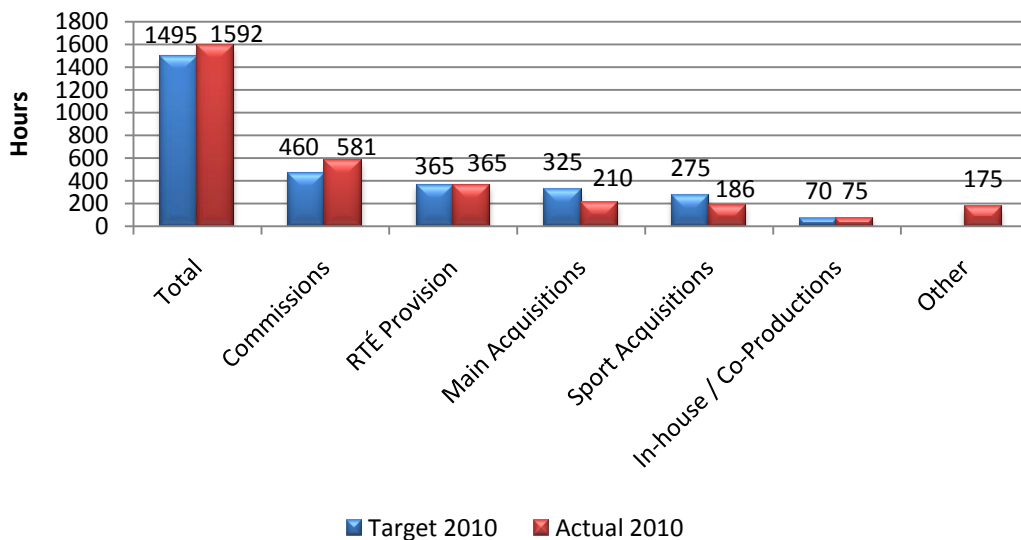
Figure 3.4: TG4 New Irish Language Programming by Source 2010 Vs Prior Years



Source: TG4 Review of 2010 Performance (April 2011) & TG4 Review of 2009 Performance (March 2010)

The actual versus target new Irish language output hours for 2010 are presented in Figure 3.5. In 2010, TG4 exceeded its total target output of new Irish language content. Actual commissioning content exceeded the target while acquisitions were below target. In-house productions exceeded the targeted levels.

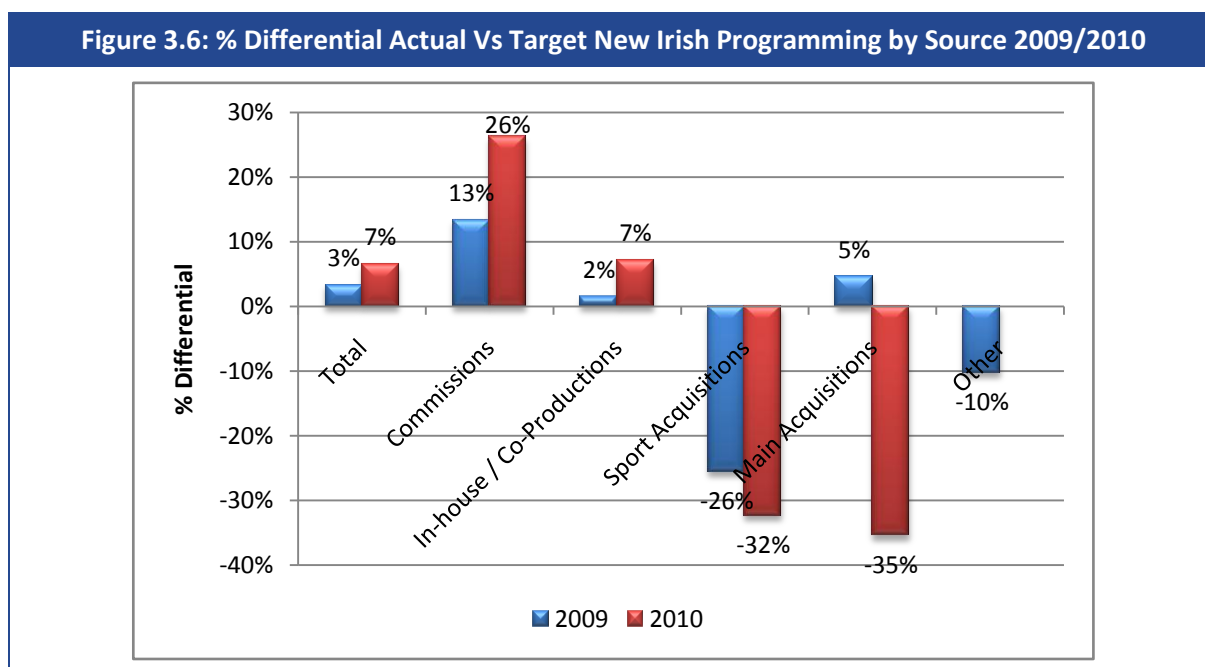
Figure 3.5: Target Vs Actual New Irish Language Programming by Source 2010



Note: Target for 'other' was not available in 2010.

Source: TG4 Review of 2010 Performance (April 2011) & TG4 Review of 2009 Performance (March 2010)

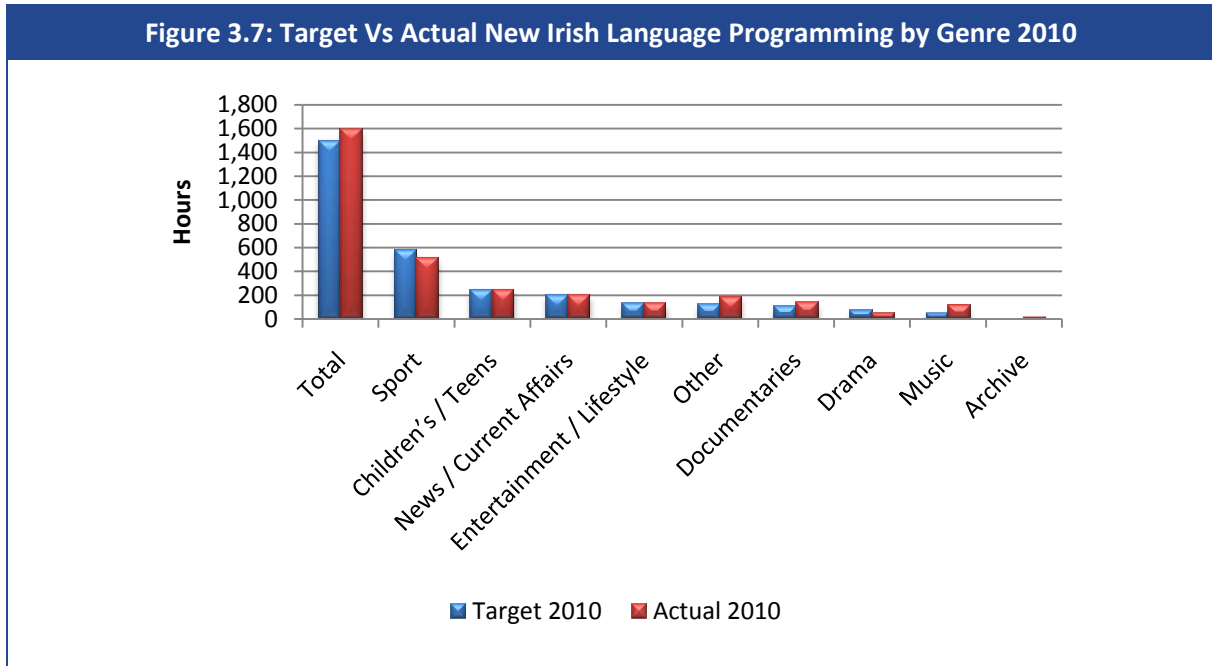
Figure 3.6 examines the percentage differential actual versus target output of new Irish language content for 2009 and 2010. TG4 exceeded its overall new Irish language programming output target for both 2009 and 2010 by 3% and 7%, respectively. This performance is driven by TG4 exceeding its target output for both commissions and in-house programming in 2009 and 2010. The 2010 target for commissions was set 19% below the actual output for 2009. For in-house productions, the target was increased by 6% on the 2009 actual output. TG4 did not succeed in fulfilling its targeted output for acquired sports programming in 2009 and 2010. The 2010 target was 11% above 2009 actual levels. RTÉ provided output hours to TG4 equal to the target each year. As mentioned above, in 2010 TG4 exceeded its total targeted new Irish language output hours according to source by 7%.



Note: There is no

Source: TG4 Review of 2010 Performance (April 2011) & TG4 Review of 2009 Performance (March 2010)

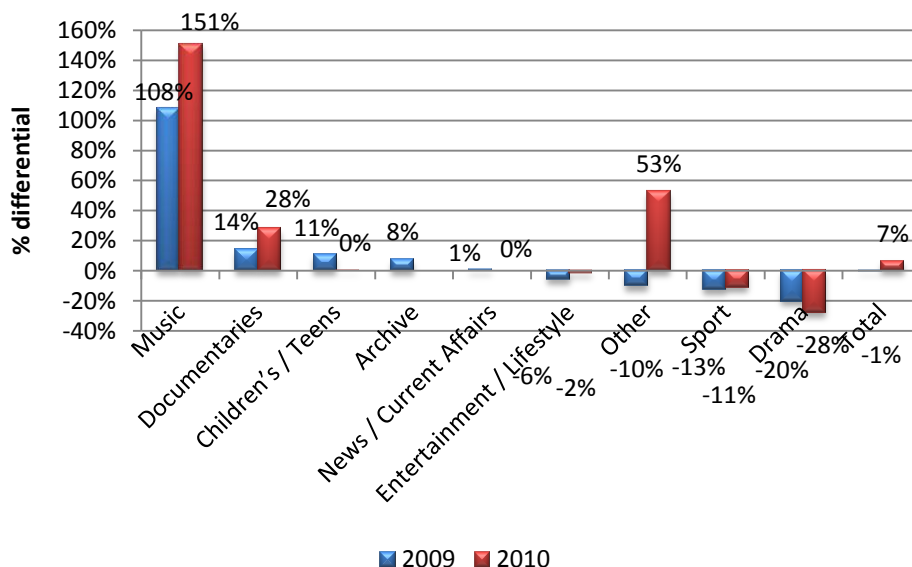
Figure 3.7 presents the TG4 actual versus target new Irish language output for 2010. Total output exceeded target for 2010. Sports output fell short of target again in 2010. Other output, documentaries and music exceeded target.



Source: TG4 Review of 2010 Performance (April 2011) & TG4 Review of 2009 Performance (March 2010)

In both 2009 and 2010, the music genre recorded the largest differential between actual and target hours, exceeding the target by 108% in 2009 and 151% in 2010 (see Figure 3.8 below). Actual documentary output also surpassed the target for 2009 and 2010 by 14% and 28% respectively. Drama was below target by -20% and -28% in 2009 and 2010. New Irish language sports content was less than target for 2009 and 2010.

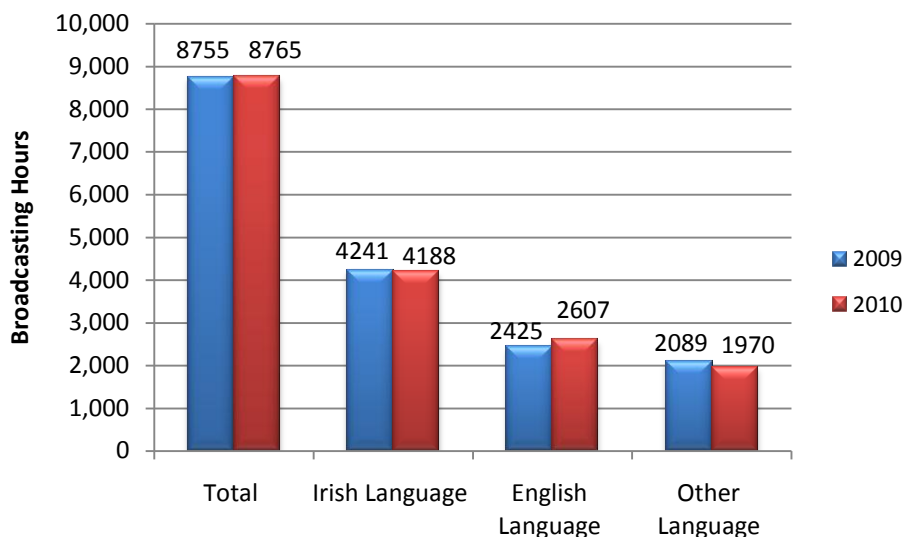
Figure 3.8: % Differential Target Vs Actual New Irish Language Programming by Genre, 2009 & 2010



Source: TG4 Review of 2010 Performance (April 2011) & TG4 Review of 2009 Performance (March 2010)

In examining the targets for new Irish language programming it is useful to also consider the overall broadcast output and to examine developments in 2010 in comparison with previous years. As noted elsewhere in this review, the commissioning process spans over two broadcasting years. Content commissioned in a particular year may not be broadcast in that same year. Figure 3.9 shows TG4 total broadcast hours for 2009 and 2010 disaggregated by language. TG4's total broadcast hours increased by 0.1%, i.e., from 8,755 hours in 2009 to 8,765 hours in 2010. Irish language broadcasting accounts for the largest share of total broadcast hours and the remainder comprises English language and other language broadcast hours. Irish language broadcast hours fell from 4,241 hours in 2009 to 4,188 hours in 2010 (1.2%). English language broadcast hours increased by 7.5% from 2009 to 2010 and other language broadcasting reduced by 5.6%.

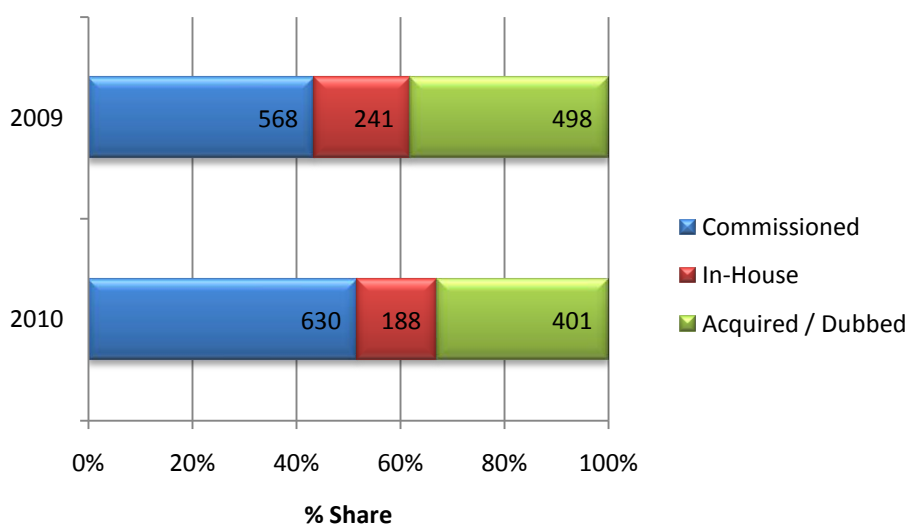
Figure 3.9: TG4 Total Broadcast Hours by Language 2009 & 2010



Source: Indecon analysis of TG4 data.

Figure 3.10 below presents the share of new Irish language broadcast hours originating from each of the three sources: commissions, acquisitions and in-house programming. From 2009 to 2010 the number of commissioned broadcast hours expanded at the expense of in-house and acquired broadcast hours. The number of commissioned broadcast hours increased from 568 in 2009 to 630 in 2010. Commissioned broadcast hours in 2010 accounted for approximately 51% in 2010 compared to that of 43% in 2009. From 2009 to 2010 the share of in-house and acquired / dubbed hours fell from 18% to 15% and from 38% to 32%, respectively.

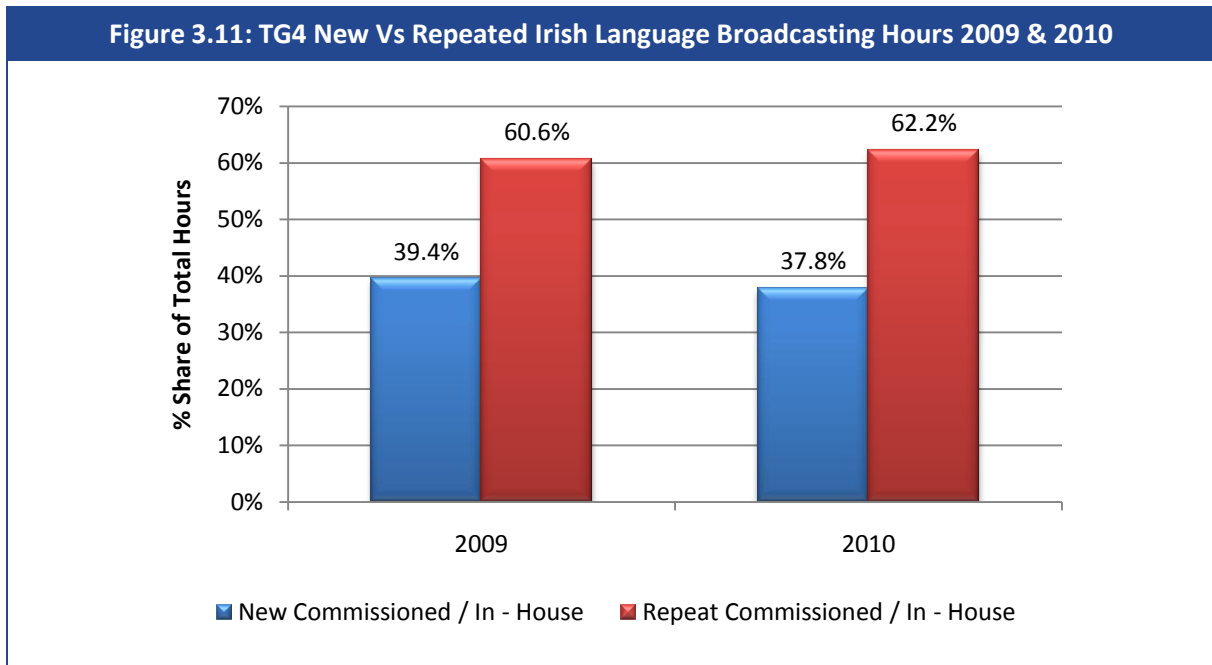
Figure 3.10: TG4 New Irish Language Broadcasting Hours by Source 2010 Vs 2009



Note: The labels inside the bars are total hours.

Source: Indecon analysis of TG4 data

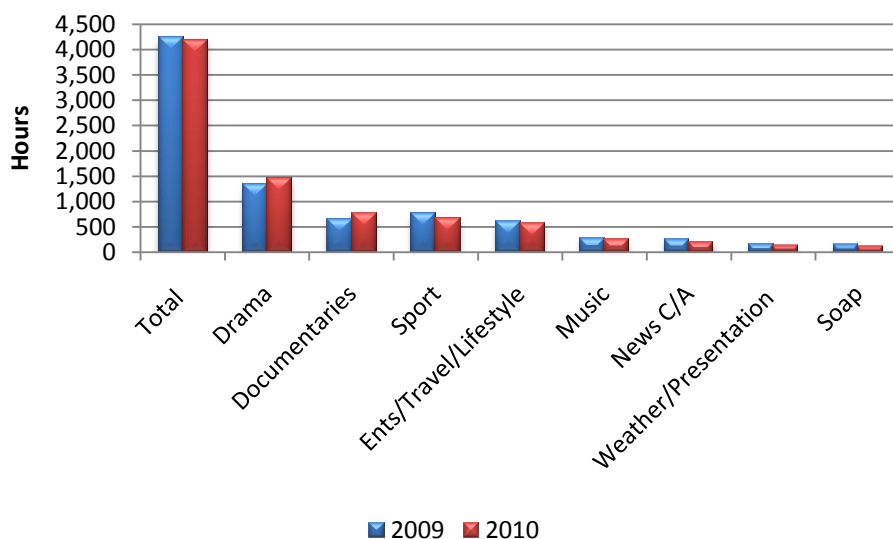
Figure 3.11 compares the number of new versus repeat commissioned and in-house broadcast hours for 2009 and 2010. On average over 2009 and 2010, for every broadcast hour of new in-house / commissioned programming, TG4 broadcast 1.6 hours of repeat programming. The number of new broadcast hours fell slightly from 2009 to 2010 and the number of repeats increased for the same period.



Source: Indecon analysis based on TG4 data.

Figure 3.12 demonstrates TG4's broadcast hours of Irish language programming by genre for 2009 and 2010. Hours of Irish language drama, documentaries and sport make up the largest amount of total Irish language hours broadcast for 2009 and 2010. On average, drama amounted to approximately 17%, documentaries accounted for 8% and sport accounted for 8.3% of total Irish language broadcast hours over the two years.

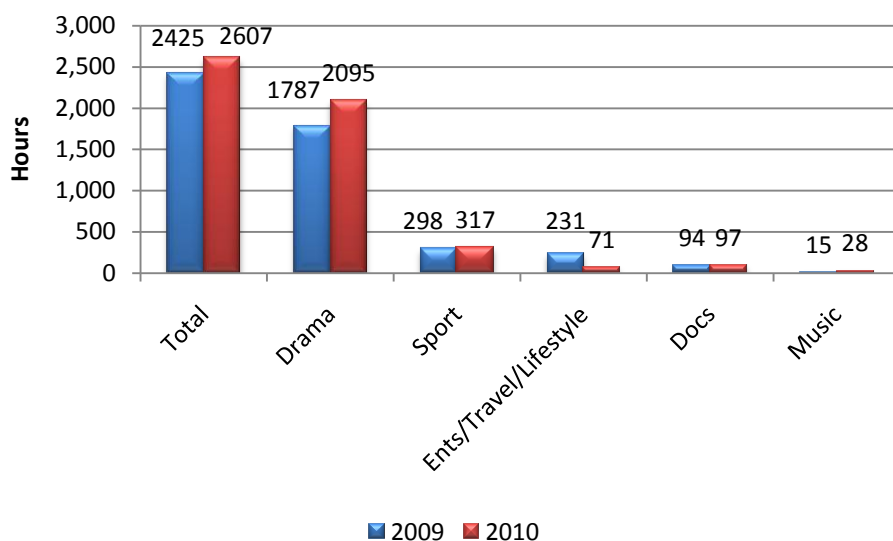
Figure 3.12: TG4 Irish Language Broadcast Hours by Genre 2009 & 2010



Source: Indecon analysis of TG4 data.

Figure 3.13 shows the number of English language broadcast hours according to genre for 2009 and 2010. TG4 broadcast a total of 2,607 hours of English language content in 2010. This was a 7.5% increase on 2009 hours. Drama accounts for the largest share of English language broadcast hours at a total of 1,787 hours in 2009 and 2,095 hours in 2010. The increase in drama broadcasting hours was proportionately larger than the overall increase in broadcasting hours for the two-year period.

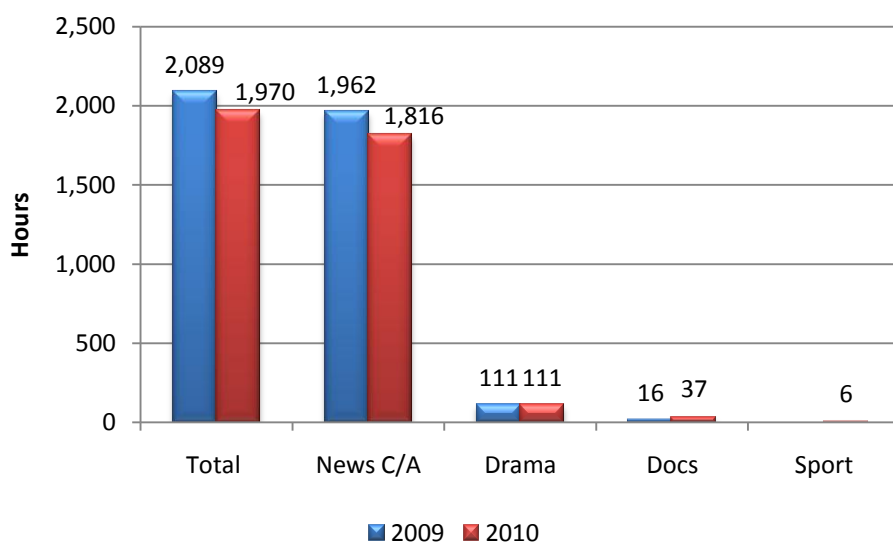
Figure 3.13: TG4 English Language Broadcast Hours by Genre 2009 & 2010



Source: Indecon analysis of TG4 data.

Figure 3.14 displays the total number of 'other language' broadcast hours broken down by genre for 2009 and 2010. The total hours reduced from 2,089 in 2009 to 1,970 in 2010. The majority of 'other language' broadcasting is news or current affairs. The remainder comprises drama, documentaries and sport.

Figure 3.14: TG4 Other Language Broadcast Hours by Genre 2009 & 2010

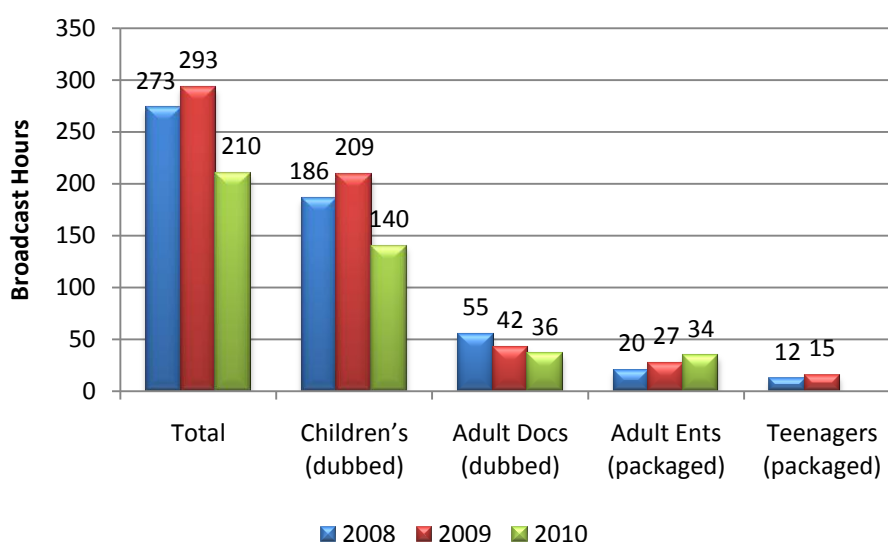


Source: Indecon analysis of TG4 data.

Source: Indecon analysis of TG4 Review of 2010 Performance (April 2011) & TG4 Review of 2009 Performance (March 2010)

Figure 3.15 displays the TG4 main schedule acquisitions (dubbed or packaged) for 2008 to 2010. Total acquired content increased from 273 to 293 hours from 2008 to 2009 and fell significantly to 210 in 2010. Children's programming forms the largest portion of the acquired content. Other acquired programming includes adult documentaries, adult entertainment and teenagers' programming. The number of hours of children's programming reflects the overall trend in total hours. Adult documentaries have fallen slightly each year and adult entertainment has increased by a similar proportion year-on-year. TG4 did not acquire any teenage programming for 2010.

Figure 3.15: TG4 Main Schedule Acquisitions 2010 Vs Prior Years

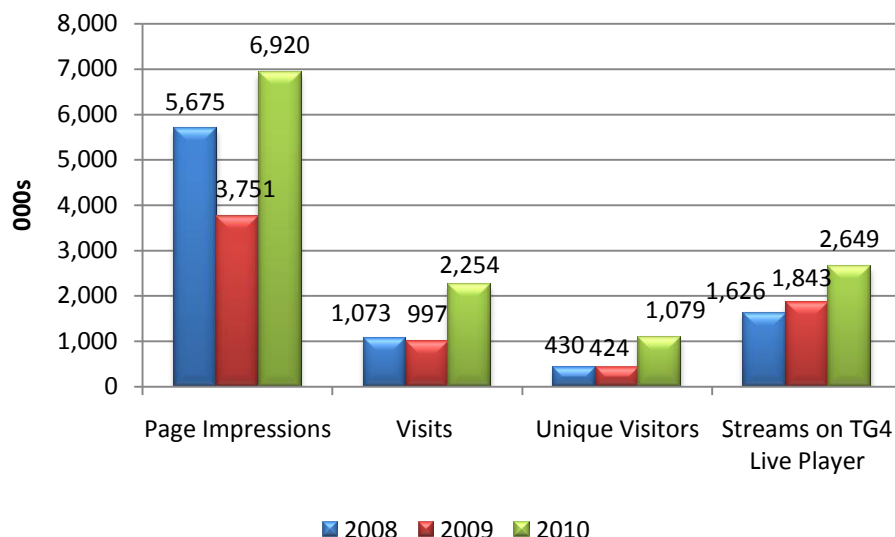


Source: Indecon analysis of TG4 Review of 2010 Performance (April 2011) & TG4 Review of 2009 Performance (March 2010)

3.2.4 TG4's Online Viewing Rates

On the target to develop its web and web TV services it is important to examine TG4's online viewing rates. Figure 3.16 shows the significant growth in visitors to the TG4 website for the period from 2008 to 2010. The number of unique visitors to the TG4 website increased significantly by 154% in 2010 after a slight decline in 2009. Visitors increased by 110% for the total period. The number of page impressions fell in 2009 by 34% but increased by 85% from 2009 to 2010 with an overall increase of 22% for the period. The number of WebTV programme streams increased year-on-year from 2008 to 2010 with an overall increase of 63%.

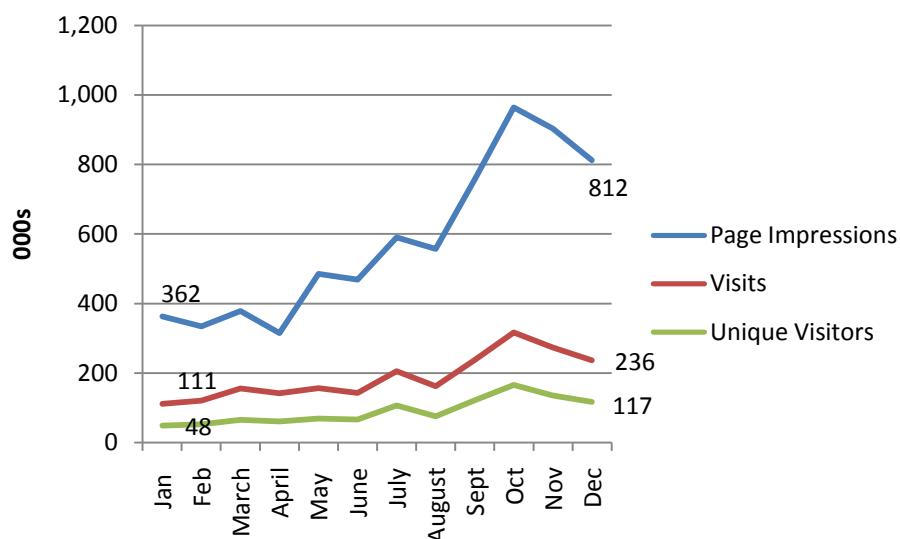
Figure 3.16: Growth in TG4 Website Visitors and WebTV Streams 2008 – 2010



Source: TG4 Review of 2010 Performance (April 2011) & TG4 Review of 2009 Performance (March 2010)

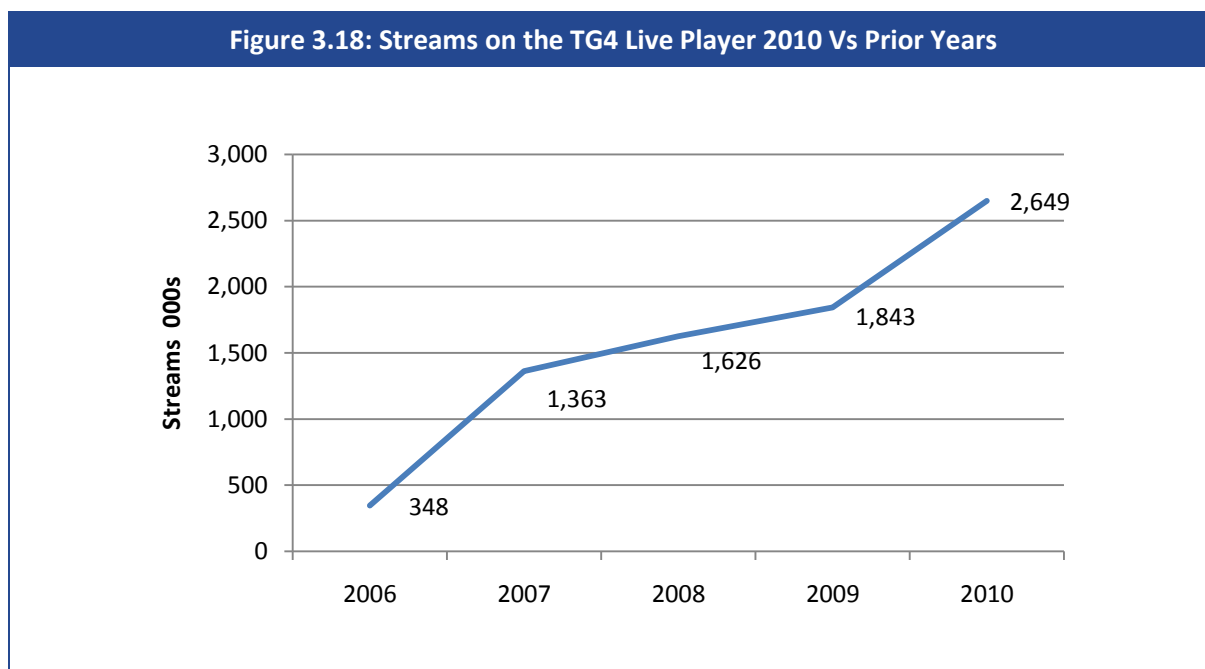
Figure 3.17 displays the trend in growth of TG4 website visitors and page impressions in 2010. In 2010 the average number of website visitors originating from Ireland was 39%. In January 2010 the number of website visitors was 111,154; this peaked at 235,731 in December, representing an increase of 112%. The number of unique visitors in December 2010 was 116,977 compared to 48,226 in January an increase of 142%.

Figure 3.17: TG4 Website Monthly Performance Indicators 2010



Source: Indecon analysis of TG4

Figure 3.18 displays the trend in the number of streams on the TG4 Live Player from 2006 to 2010. In 2010 the percentage of TG4 Live Player streams coming from Ireland was on average 46%. The number of streams on the TG4 Live Player increased from 347,550 in 2006 to 2,648,895 in 2010.



Source: Indecon analysis of TG4 data.

TG4 also provided Indecon with audience research data which enabled a more detailed analysis by Indecon of the profile of the TG4 audience. The TG4 Audience Research Survey was conducted at the end of 2009 and the results were compared with those of 2005 in order to see the trend in the profile of TG4 viewers. A larger proportion of TG4 viewers are over 35 years of age, while the proportion of TG4 viewers over 35 years old increased from 2005 to 2009. In the Gaeltacht areas more males than females watched TG4 both in 2005 and 2009, while the opposite was true for the non-Gaeltacht areas.

3.2.5 Relations Commitments

Table 3.2 below lists TG4's commitments regarding the maintenance of its relations with regulators, government, other broadcasters, industry stakeholders and policy-makers. The evidence suggests TG4 broadly achieved its 2010 commitments within this domain. Highlights include the partial funding of a script writing course for Irish speaking writers in Northern Ireland with a view to developing a new drama series from Northern Ireland and the exchange of programming hours with other indigenous broadcasters through the World Indigenous Television Broadcaster Network (WITBN).

Table 3.2: TG4 Performance in 2010 on its 'Relations' commitments

Commitment	Evidence
Continue to engage proactively with Government on the new 20 year Strategy for Irish.	TG4 made a presentation to the joint Oireachtas Committee on Rural, Community and Gaeltacht Affairs emphasising the importance of providing an attractive, entertaining and wide-ranging context for Irish in people's lives.
Work with the ILBF to further develop the Irish language production sector in the North by targeting a small number of companies for joint project development over 2010.	In 2010 TG4 projects attracted part-funding totalling €2.22m from the ILBF, resulting in the creation of 95 hours of Irish language content and sustaining an estimated 40 jobs in 15 companies in Northern Ireland.
Work closely with its two key stakeholders, DCENR and BAI, to support broadcasting policy development and to deliver on governance and compliance requirements.	In 2010 TG4 maintained detailed financial records, delivered its statement of commitments, performance review and annual report. TG4 assisted the BAI in the compilation of many codes and charters. TG4 provided responses to all relevant BAI consultations and participated in BAI workshops.
Engage in ongoing dialogue with key industry stakeholders, regulators, broadcasters, policy-makers and other key bodies on all aspects of broadcasting operations, codes and regulations.	In 2010 TG4 was an active member of key sector bodies such as TBIG, IBEC's Audiovisual Federation, European Broadcasting Union, and WIBTN.
Continue to proactively engage with the "World Indigenous Television Broadcasters Network" and other indigenous broadcasters and initiatives such as BBC Alba and the Celtic Media Festival etc.	In 2010 TG4 continued to participate in the WITBN Programme exchange scheme and new sharing initiative, the EBU programme exchange scheme and the Circom programme training scheme.
Work closely with the TG4 Board to comply with all relevant and binding codes and regulations under which its functions.	TG4 worked closely with the DCENR and the BAI to support broadcasting policy development and to deliver on all governance and compliance requirements.
Continue to support RTÉ in its establishment of the Irish Diaspora channel.	RTÉ has been unable to proceed with this due to its financial position. TG4 has indicated that it remains ready to assist should RTÉ go ahead with this.

Source: Indecon analysis of TG4 data from the TG4 Review of 2010 Performance (April 2011) and TG4 Review of 2009 Performance (March 2010).

3.2.6 Finance and Funding Commitments

TG4 also had commitments in relation to finance and funding and these proved challenging for TG4 in 2010. As outlined in Section 2, the contraction of the Irish Economy has affected the public service broadcaster's revenue. TG4 was allocated a reduction in funding due to a significant deterioration in government finances and also it experienced a fall in commercial revenue. TG4 exchequer funding for 2011 represented an 8.5% reduction on 2010 levels. TG4 committed to generating commercial revenue of €2.6m in 2010 but fell short at just over €2m in sales and sponsorship revenue. Taking into consideration the changed economic environment TG4 set out to deliver a revised funding plan to the government for longer term increases in funding and a new multi-annual funding approach. This plan was submitted in the first quarter of 2010.

On the targets for cost per hour of programming TG4 fulfilled its target of maintaining its cost per hour for commissioned and acquired programming. The issue of whether TG4 operated as cost effectively as possible is considered elsewhere in this report. Total operating revenue in terms of contracted output in 2010 was 1.5% in excess of budget. TG4 secured its overall target for funding from the Broadcasting Authority of Ireland (BAI) and the Irish Language Broadcast Fund (ILBF) for 2010 by February 2011. In 2010, TG4 secured €460K in co-funding from the Irish Film Board for three programme productions.

TG4 set out in its commitments (see Table 3.3 below) for 2010 to spend at least 70% of Exchequer current funding on Irish language content, a further 15% on broadcast and 15% on overheads. In 2010 TG4 spent 70% of Exchequer funding on Irish language content, 16% on broadcast and 14% on overheads. This would suggest that TG4 utilised its public funding as per its public service objects and most of its spending was on Irish language content.

Table 3.3: TG4 Performance in 2010 on its 'Finance & Funding' commitments

Commitment	Evidence
Revise TG4's Funding plan to position the case with Government for longer-term increases in funding and a multi-annual funding approach.	TG4 delivered a revised funding plan in Q1 of 2010 which presented its case for longer-term increases in funding and a multi-annual approach to funding.
Spend at least 70% of Exchequer current funding on Irish language content, a further 15% on its broadcast & 15% on overheads.	70% of TG4 Exchequer funding was spent on Irish language content in 2010. A further 16% was spent on broadcast and the remaining 14% on overheads.
Maintain current cost per hour and ensure value for-money.	TG4's average cost per hour of commissioned programming was €26k compared to its budget of €31k.
Strengthen the Irish language production sector by ensuring a minimum of €3.75m is secured by the sector from the BAI and £2m from the ILBF for TG4 commissioned content in 2010.	In 2010 TG4 secured €2.49m from the ILBF and €2.185m from the BAI. TG4 did not achieve its BAI (Sound & Vision) target before the end of 2010. In February 2011 €2.7m was committed.
Maximise additional financial support for programme projects from external sources including striving to secure co-funding from the Irish Film Board for two TG4 projects.	TG4 secured €460k in co-funding from the IFB. In 2010 12 Sound & Vision programmes and 29 ILBF programmes were co-funded by the sector. 33 hours of WIBTN programming was secured via the Programme & News Exchange Schemes.
Strive over 2010 to achieve an increase in Exchequer funding of €2.8m for 2011 as per TG4's 2010-2014 Corporate Strategic Plan.	TG4 experienced a 15% reduction in Exchequer funding from €38.01m at the beginning of 2009 to €32.25m in 2010.
Generate airtime sales and sponsorship revenue of €2.6m on a targeted audience share of 2.3-2.5% and evaluate the potential to raise additional revenue from other sources such as the TG4 website and new content distribution mechanisms.	TG4 suffered a severe decline in commercial income in 2010. Advertising and sponsorship income fell from €2.297m in 2009 to €2.009m in 2010.
Continue to operate as cost effectively as it has been and to maintain minimum levels of overhead costs across all TG4 Departments in 2010.	TG4 achieved a reduction in its overall programming costs in excess of 10% and an overall 8% reduction in operating costs. It reduced its average cost per hour of commissioned programmes from €28.6k to €26k in 2010.

Source: Indecon analysis of TG4 data from the TG4 Review of 2010 Performance (April 2011), TG4 Review of 2009 Performance (March 2010) and other TG4 data provided to Indecon.

3.2.7 Contribution to Economy Commitments

TG4 set out two key commitments in relation to its contribution to the economy for 2010 as outlined in Table 3.4 below. These relate to direct employment and supporting employment in the independent production sector. TG4 supported 80 full-time equivalent staff in 2010 which compares to its approximate target of 100 jobs. TG4 set a target of supporting approximately 300 jobs in the independent sector in 2010 and estimate that a total of 283 jobs were supported by TG4. In subsequent reviews Indecon believes it may be worthwhile examining the nature of such commitments in more detail and also how they are monitored and evaluated.

Table 3.4: TG4 Performance in 2010 on its 'Contribution to National Economy' commitments

Commitment	Evidence
Provide some 100 jobs directly and support approximately 300 jobs in the independent production sector, thereby enhancing Ireland's capability in the knowledge-based creative sectors.	In 2010, 283 jobs were supported by TG4 in the independent sector. There was a total of 80 FTE staff employed with TG4 in 2010.
Build on the previous year's contribution to the national economy by adding approximately €58m to national earnings and having an employment impact of some 1000 additional jobs.	TG4 reported in its 2010 performance review that it contributed €60.3m to national incomes in 2010. It also states that it had an impact of 1,036 jobs in 2010.

Source: Indecon analysis of TG4 data from the TG4 Review of 2010 Performance (April 2011), TG4 Review of 2009 Performance (March 2010) and other TG4 data provided to Indecon.

3.2.8 Audience Commitments

On audience commitments, TG4 fell short of its target of 2.3% - 2.5% for a national audience share and this share was under 2.1% (see Table 3.5 below). Within this the share accrued to analogue homes was 3.8%, which was also less than the target of 4%. TG4 achieved commitments in relation to the establishment of the audience council, the quality and distribution platform availability of TG4 content and the availability of TG4 on an all-island basis.

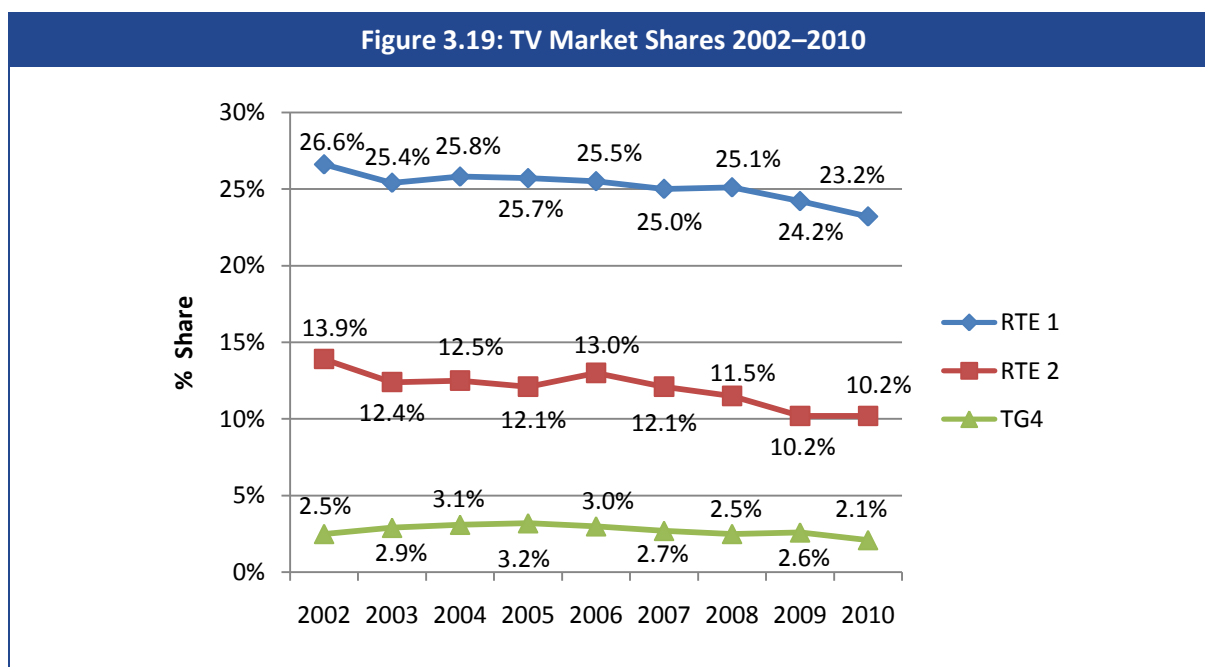
Table 3.5: TG4 Performance in 2010 on its 'Audience' commitments

Commitment	Evidence
Achieve overall national audience share of between 2.3-2.5% and improve TG4 shares if possible, in key targeted demographic sectors including kids, young adults and adults.	TG4's national audience share (according to their performance review) was almost 2.1% in 2010.
Continue to augment the quality and distribution platform availability of TG4 content.	2010 was TG4's strongest year to date in terms of the use of its website and player service (see Table 3.1). TG4 acquired the rights for 186 hours of new sports programmes, substantially produced in the Irish language.
Establish an Audience Council & deliver TG4's Customer Charter, Public Service Statement, Code of Fair Trading and Code of Practice for the Handling of Complaints.	An audience council was appointed in early 2010. The TG4 customer charter became effective from 1 January 2010. TG4 published its Customer Service Charter, Code of Practice for Handling Complaints and Public Service Statement. TG4 will prepare a Code of Fair Trading Practice when the relevant BAI stakeholders' consultation to assist the BAI in providing guidance to the PSBs is finalised.
Continue to make TG4 available on an all-island basis by ensuring availability of TG4 across all broadcast platforms in Northern Ireland and through this, developing a viable audience share in addition to exploring possible means to ensure it.	In 2010 TG4 was fully available in the Republic of Ireland via analogue terrestrial and cable TV through digital cable and satellite. It is widely available in Northern Ireland on all three platforms and on TG4 Player.

Source: Indecon analysis of TG4 data from the TG4 Review of 2010 Performance (April 2011), TG4 Review of 2009 Performance (March 2010) and other TG4 data provided to Indecon.

In view of the importance of the market share target for the future viability of TG4 it is important to consider the trends in this share in more detail.

Figure 3.19 below shows the historical trend in the market shares of the Irish public service broadcasters RTÉ and TG4 from 2002 to 2010 according to the EBU Guides¹⁹. RTÉ One has the highest market share of the three channels, followed by RTÉ Two and TG4. TG4's market share increased year-on-year from 2002 to 2005 when it reached peak of approximately 3.2%. In 2006, the TG4 market share began to decline and continued to decline year-on-year reaching 2.1% in 2010. The overall trend in shrinking market shares of the PSBs may be a reflection of the increasing competition they face from new television viewing platforms and from competitors.

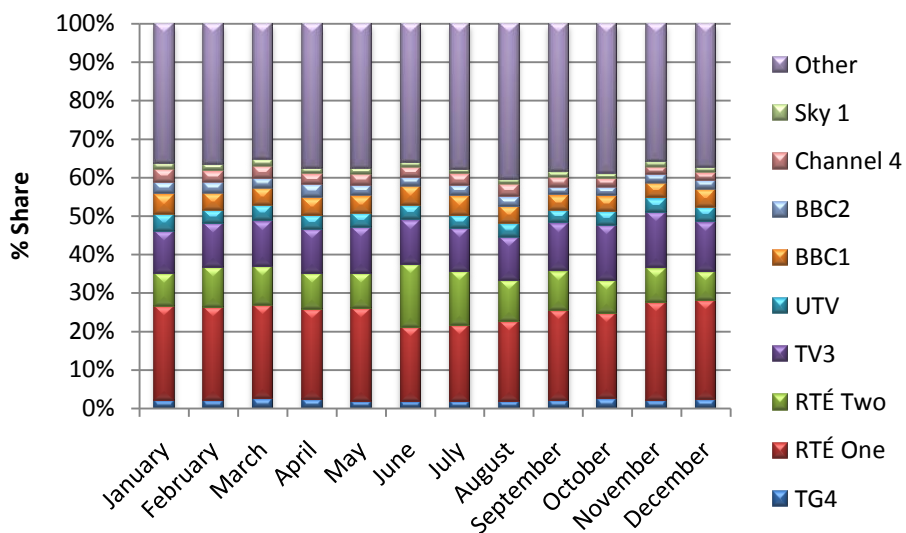


Source: Indecon analysis of data from the EBU Guides, Volume 2, July 2011

Figure 3.20 below displays the monthly audience viewing shares of the Irish market by channel. The share of 'other channels' grew from 36.2% to 37.3% in 2010 mainly at the expense of the core terrestrial channels. This trend reflects the fragmentation of the Irish market. Excluding the 'other channels' category, RTÉ One has the highest share each month. TV3 ranked second followed by RTÉ Two, BBC One, UTV, Channel 4, BBC Two, TG4 and Sky One, respectively. There were no major fluctuations in the monthly market share throughout 2010.

¹⁹ EBU Guides Volume 2, July 2011.

Figure 3.20: Monthly Audience Viewing Shares by Channel 2010

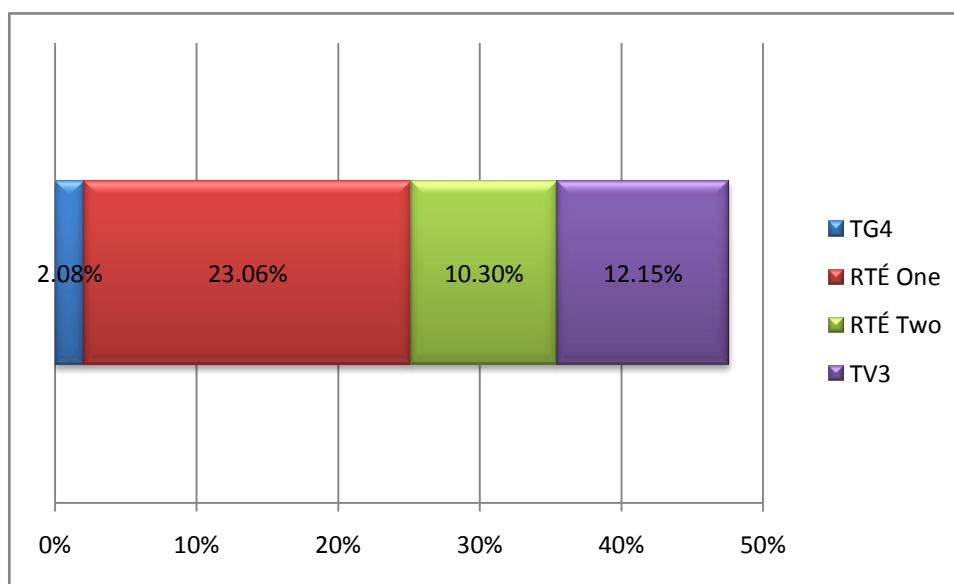


Note: These figures are daypart based on individuals aged 1-120 (national).

Source: Indecon analysis of TG4 data.

Figure 3.21 reveals the average viewing shares for different channels. TG4's average viewing share for 2010 was 2.1%.

Figure 3.21: Average Audience Viewing Shares 2010 for TG4, RTÉ and TV3



Note: These figures are daypart based on individuals aged 1-120 (national). The average share was calculated based on 12 months of the calendar year.

Source: Indecon analysis of TG4 data.

3.2.9 TG4 Television Viewing Rates

Table 3.6 below provides a summary of TG4 television viewing rates, reach and share during peak time for the year 2010. The average viewership is based on a target audience who have viewed a programme, and is expressed in thousands. The average TG4 Viewership for all programmes during peaktime (DayParts) for 2010 was 29,800. TG4 total reach expressed in thousands is a measure of total target audience who have viewed for a defined period (e.g. at least one minute). This reach was on average 455,600 for 2010. The TG4 share measures what proportion of those people who are watching television at a particular time are viewing the TG4 channel. TG4 estimated that they would achieve a share for 2010 of between 2.3% and 2.5%. The average share achieved by TG4 was 2.06%. The average share during peak time was 2.25% (see below).

Table 3.6: Summary of TG4 Viewership, Reach and Share for all Programmes during Peak Time 2010

	Average Viewership (000)s	Reach (000s)	Peak Share (%)
Average	29.8	455.6	2.25

Note: figures are DayParts.

Source: Indecon analysis of TG4 data

Table 3.7 presents the viewing rates of the top 20 TG4 programmes for 2010 during peak time. This table clearly demonstrates that sporting programmes (including GAA BEO, International Rules BEO, Rugbaí BEO and others) attract the greatest amount of viewers to the TG4 channel. "GAA BEO" on the 25th of April 2010 attracted the highest average viewership at 220,000 viewers, a reach of 401,000 and a share of 25.8%. "GAA BEO" formed seven of the top eleven TG4 programmes for 2010. Other non-sporting programmes in the top 20 include Ceol Daniel 1, Jeo Kidd and Glór Tíre7. All of the top 20 TG4 programmes are Irish language programming.

Table 3.7: TG4 Top 20 Programmes during Peak Time 2010

		Day	Date	Time
1.	GAA BEO	Sun	25-Apr	15:48 - 17:43
2.	International Rules BEO	Sat	23-Oct	18:32 - 20:55
3.	GAA BEO	Sun	2-May	18:52 - 20:47
4.	Rugbaí Beo	Sat	2-Oct	19:00 - 21:29
5.	GAA BEO	Wed	17-Mar	15:33 - 17:18
6.	International Rules BEO	Sat	30-Oct	18:19 - 21:03
7.	GAA BEO	Sun	14-Mar	16:17 - 17:40
8.	This is Joe Dolan	Sat	25-Dec	22:58 - 23:53
9.	GAA BEO	Sun	18-Apr	16:12 - 17:37
10.	GAA BEO	Sat	11-Sep	18:45 - 20:28
11.	GAA BEO	Sun	28-Mar	16:14 - 17:39
12.	Peil na mBan Beo	Sun	26-Sep	15:37 - 17:42
13.	Come all you Dreamers	Fri	31-Dec	20:46 - 22:37
14.	Glór Tíre 7	Wed	22-Sep	22:27 - 23:08
15.	Glór Tíre 7	Wed	10-Nov	22:31 - 23:13
16.	Ceol Daniel 1	Wed	18-Aug	22:32 - 22:58
17.	Ceol Daniel 1	Wed	4-Aug	22:29 - 22:56
18.	Glór Tíre 7	Wed	8-Dec	22:30 - 23:12
19.	Joe Kidd	Fri	16-Jul	21:02 - 22:33
20.	Glór Tíre 6 - Rogha	Wed	28-Jul	22:30 - 22:55

Note: figures are DayParts.

Source: Indecon analysis of TG4 data

As reported above in Table 3.6, TG4's average share for all television viewers was just above 2%. The groups within which TG4 has the largest share are adults over 55 years of age, men over 15 years of age and housekeepers. TG4's share for 2010 fell in all categories compared to 2009.

3.2.10 Organisation Development Commitments

As shown in Table 3.8, TG4 commissioned over €17m worth of Irish Language programming from the independent production sector which was slightly less than its target of €18.2m. TG4 however exceeded the targets set for hours of commissioned and acquired programming with the independent production sector. TG4 met its commitments in terms of developing a marketing and branding strategy for 2010. However, spending for marketing and research for 2010 was approximately 23% over budget. Other highlights in relation to these commitments include continued progress on the roll-out of Digital Terrestrial Television (DTT), and the implementation of 'phase 2' of the digital asset management system.

Table 3.8: TG4 Performance in 2010 on its 'Organisational Development' commitments	
Commitment	Evidence
In conjunction with Údarás na Gaeltachta and other relevant agencies, identify and deliver new production development initiatives to advance the creative talent within the sector.	TG4 invested €17m in Irish language programming supplied by the independent production sector against a target of €18.2m. TG4 exceeded its target of 460 hours of programming commissioned from the independent production sector with a total of 565 hours.
Continue to work with RTÉ NL to facilitate the distribution of TG4 on all MUXES on the RoI DTT network and with the relevant UK authorities to ensure TG4 is positioned on MUX 2 in advance of analogue switch-off in 2012.	TG4 has taken all necessary steps that will lead to the widest availability of the DTT transmissions and a smooth transition to DTT in the lead-up to analogue switch-off in 2012.
Develop TG4 strategies and initiatives to support the transition to DTT and to ensure availability of DTT for its audience base and throughout Ireland overall.	TG4 delivered all its 2010 targets in respect of the transition to DTT including negotiating HD format for all drama content and the development of a strategy for the Teletext service for DTT.
Persist in driving a culture of continuous improvement throughout TG4 by investing in talent and HR management and development.	HR initiatives in 2010 include personal performance reviews, training needs analysis, career path progress, multi-skilling cross training, up-skilling and training in health and safety.
Enhance critical TG4 systems and processes through completing the implementation of Phase 2 of the Digital Asset Management system and through ongoing development of the Finance, HR and key broadcast systems.	Phase 2 of the DAM system was fully implemented on-time. TG4 HR system customisations were implemented on-time and in full. Order management & invoice systems were extended as planned. Online edit suite up-grades were completed on-time.
Continue to further enhance the efficiency of TG4 work practices in conjunction with new system implementations.	TG4 achieved a reduction of -8.4% in total operating expenditure for 2010.
Develop a 2010 Marketing & Branding Plan to deliver four high quality, high impact campaigns across radio, TV and print, to retain existing audiences and attract new audiences to TG4.	TG4 undertook four marketing campaigns in 2010. TG4 received 17 awards and nomination for marketing in 2010.
Strengthen the TG4 brand across all its communications including delivery of two new Idents in 2010 and commence the development of brand strategies for the 2010 / 2011 year.	TG4 developed and broadcast 2 on-screen idents in 2010. In 2010 TG4 also initiated a social media presence through Facebook.
Deliver TG4's Five Year Strategic Plan for 2010-2014.	TG4's five year strategic plan was submitted in Q1 of 2010.
Deliver two Internal Audits and a Risk Management Review of TG4 2010.	TG4 undertook a full risk management review in 2010. Three internal audits in the areas of Health & Safety, Corporate Governance and Travel and Subsistence were carried out.

Source: Indecon analysis of TG4 data from the TG4 Review of 2010 Performance (April 2011), TG4 Review of 2009 Performance (March 2010) and other TG4 data provided to Indecon.

3.2.11 TG4 Fulfilment of its Public Service Statement

The final section of TG4's commitments relates to its public service statement (as outlined in Table 3.9 below). TG4's commitment was to strive to broadcast at least six hours a day of new/original Irish language content. In 2010, TG4 broadcasted an average of 4.3 hours of new Irish content per day, which was less than the targeted level. As noted earlier, TG4 achieved its commitment of spending at least 70% of exchequer funding on Irish language content. TG4 exceeded its target of commissioning at least 500 hours of new Irish language content by 81 hours in 2010.

Table 3.9: TG4 Performance on its Public Service Statement

Statement	Evidence
Deliver content mainly in the Irish language and strive to broadcast at least six hours per day of <i>original / new</i> Irish language content.	TG4 are working towards this commitment for 2015. 4.36 hours of Irish language content delivered per day in 2010.
Deliver a high quality broadcast and content service that promotes and celebrates the Irish language in an accessible and engaging manner.	In its observations on the 20 year strategy for the Irish language, the Oireachtas committee on Rural, Community and Gaeltacht Affairs highlighted TG4's achievement in making the Irish language achievable to all.
Encourage a broad audience viewership through delivery of innovative and attractive content.	TG4 has a target audience that includes adults, children, and teens, male and female. See Error! Reference source not found. and Error! Reference source not found. for an overview of the TG4 audience profile.
Ensure our outputs reflect the values of innovation and quality, and the celebration of the Irish identity and creativity as encapsulated in our motto " <i>súil eile</i> ".	TG4 state in its performance review that it ensures all its programming contains the " <i>Súil eile</i> " perspective.
Provide independent and in-depth coverage and analysis of, and an alternative viewpoint on, news and current affairs in Ireland – throughout the country – in addition to throughout the rest of the world.	13% (approx 207 hours) of the total number of new Irish language programming delivered by TG4 in 2010 was news and current affairs programming.
Deliver content across a wide range of genres including drama, documentary, entertainment, lifestyle, travel, music, sport, education, the arts, news and current affairs and the Houses of the Oireachtas.	TG4 delivered programming in a wider range of genres including sport, drama, music, entertainment, lifestyle, documentaries, news and current affairs and children and teens. See Figure 3.3.
Feature Irish and international programmes that provide for the informational, entertainment and educational needs of children and young people including broadcasting an average of 200 <i>original</i> hours of children's television programmes which feature drama, entertainment and studio-based programming and interactivity.	246 hours of TG4's total new Irish programming was children's and teens' programming in 2010.
Feature programming on Irish traditional music, striving to deliver a number of series on an annual basis.	118 hours of music programming was delivered in 2010.
Feature programming of an educational nature that supports learning and the personal development of Irish people, including programming that contributes towards science and technology education, striving to deliver at least one series per annum on average.	Garraí Glas, a series about growing your own food using traditional or organic methods, was broadcast on TG4 in 2010. All children's and teens' programming is considered educational due to the fact that it is dubbed into Irish language. Two other educational programmes, "Farraigí na hÉireann" and "Ag Dul in Éag" were commissioned in 2010 but broadcasting was deferred to 2011.
Feature programmes about Ireland's history, culture and current issues.	Relevant programmes include 1916 Seachtar na Cásca, "Muide Éire", "Gualainn le Gualainn" and "Ó Pheann an Phiarsaigh".
Deliver high-quality documentary and / or "human interest"	136 hours of documentary programming was delivered

programming focusing on other cultures, people and country / human interest issues, thereby fostering an understanding of these amongst Irish audiences.	in 2010. The programme “Fíor Sceál” (which accounted for 35 hours) covered social, political, scientific, environmental and human interest topics.
Reflect the role that sporting (particularly Irish sports) and other leisure interests such as music and the arts, play in Irish life and culture.	509 hours of sport was delivered in 2010.
Commission from the Irish independent production sector, a minimum of 500 hours of new / original Irish language content every year.	581 hours were commissioned from the independent production sector in 2010.
Invest 70% of public funding in Irish language content.	70% of TG4’s Exchequer funding was spent on Irish language content.
Deliver Irish language content which is supported by content in English and other languages.	Delivered.
Take measures to increase the accessibility of programming to audiences with physical, sensory or intellectual disability, particularly those who are deaf or hard of hearing.	Subtitles are provided for most of TG4’s Irish language content. In 2010 subtitles options were increased to include additional service for 888 Teletext sub-titles on some English programming, 888 Teletext Irish language subtitles on some children’s programming and both English and Irish sub-titles on key series.
Commit to providing sub-titling on TG4 programmes in accordance with Broadcasting Authority of Ireland guidelines.	Sub-titling levels were maintained in 2010 but not increased.
Continue to make the TG4 broadcast signal available on an all-island basis	TG4 is fully available in ROI via analogue terrestrial and cable TV & through digital and cable satellite. TG4 is also widely available in Northern Ireland on 3 platforms. TG4 is working to ensure the channel is widely available via DTT in the ROI and Northern Ireland post analogue switch-off.
Continue to provide services to the Irish community worldwide through developing the TG4 website and broadband webcast services to the highest standards.	See Table 3.5.
Maintain an archive to best-in-class industry standards to support Irish culture and heritage.	See Table 3.8.

Source: Indecon analysis of TG4 data from the TG4 Review of 2010 Performance (April 2011), TG4 Review of 2009 Performance (March 2010) and other TG4 data provided to Indecon.

A sample from the TG4 Audience Research Survey of viewer’s awareness of specific programmes was analysed by Indecon for the purposes of the funding review. Viewers were asked if they were aware of a specific programme on TG4 and if so, did they watch it regularly. Awareness of the various TG4 Programmes is higher in the Gaeltacht areas than the non-Gaeltacht areas for all programmes with the exception of Nuacht TG4. On average, 60% of viewers in the Gaeltacht areas were aware of certain TG4 programmes compared with 47% in the non-Gaeltacht areas. Viewers in the Gaeltacht areas reported more often that they watched TG4 programmes regularly than the viewers in the non-Gaeltacht areas. Thirty three per cent of viewers in the Gaeltacht areas said that they watched certain TG4 programmes regularly compared with 25% in the non-Gaeltacht areas. TG4’s soap Ros na Rún has been heard of most and watched most frequently by all viewers. This is closely followed by Nuacht TG4 and GAA BEO.

3.3 Overall Conclusions on Commitments

The evidence indicates that most of the commitments set for TG4 have been met. Indecon, however, believes there is a need to review the nature of the commitments for subsequent periods. In some cases, an issue arises as to whether specific commitments represent a forecast of likely future outcomes or whether they reflect challenging stretch targets. There is also an issue of the number of commitments set, many of which are very different in terms of their significance. Among the most significant targets set, TG4 performed very well in terms of commissioning spend but was not in a position to achieve the targets set for audience market share given the competitive landscape. A particular long-term challenge is how to attract a more diversified audience base including a greater percentage of women and young people.

4 Review of TG4's Role in Fostering Creativity

4.1 Introduction

One of the important contributions of PSBs such as TG4 concerns the extent to which creativity is supported.

Fostering and sustaining creativity among the TG4 staff, the independent productions sector and the wider creative sector is a key objective of TG4. It is, however, important to monitor and assess this contribution rather than simply assume it exists. This section examines new data and evidence in relation to this wider objective by looking at the creative resources supported directly through TG4 employment and those supported indirectly within the wider sector.

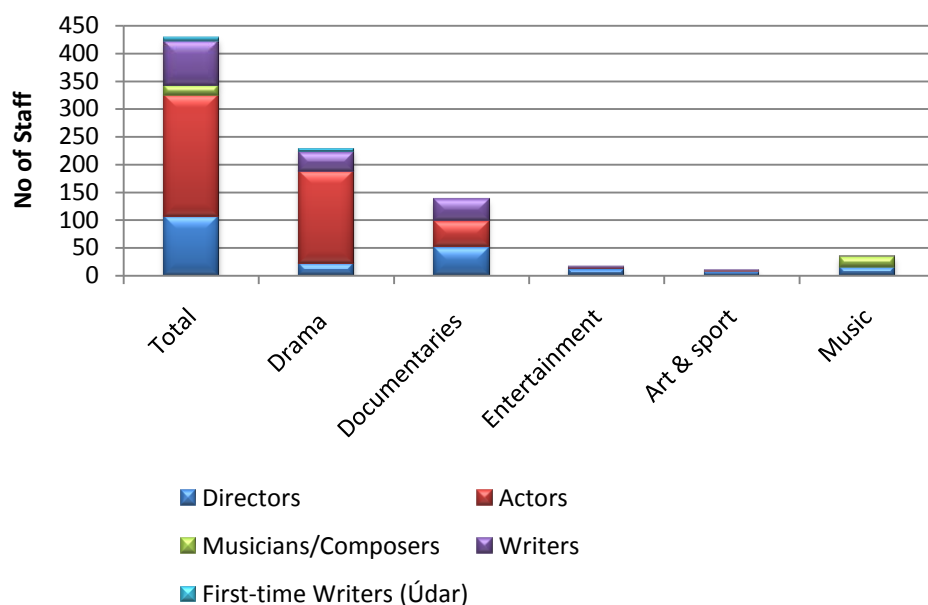
TG4 had an objective to provide some 100 jobs directly and support approximately 300 jobs in the independent production sector, thereby enhancing Ireland's capability in the knowledge-based creative sectors. It was also envisaged that in conjunction with Údarás na Gaeltachta and other relevant agencies, TG4 would identify and deliver new production development initiatives to advance the creative talent within the sector.

In this review, the extent to which TG4 fosters and sustains creativity is evaluated through a number of new innovative approaches. These include examining key indicators such as the number and type of creative staff employed by TG4, the individual measures taken by TG4 in 2010 to support creativity in the sector, and the number of awards and/or nominations received by TG4 in 2010. Attention is also paid to those individual programmes of which many demonstrate exceptional creativity in 2010 and the number of awards won (if any) by each of these particular programmes.

4.2 TG4 Creative Resources

Figure 4.1 provides an overview of the TG4 creative staff according to its creative resources and genre for 2010. TG4 employs the largest number of creative staff within the drama genre. Actors account for the largest share of creative staff and these are employed in the drama and documentaries genres. First-time writers also account for a significant share of the TG4 creative staff.

Figure 4.1: Staff Employed by TG4 from the Creative Industry in 2010 (by Genre)



Source: Indecon analysis based on TG4 data.

Table 4.1 provides a detailed summary of the number of creative staff employed by TG4 in 2010 by type and genre. Taking into account directors, musicians, actors and writers, TG4 employed a total of 428 creative staff in 2010. TG4 estimate that the full-time equivalent level of these 428 creative staff is in excess of 340. Two hundred and eighteen actors were employed mainly within the drama and documentaries genres. One hundred and six directors were employed mainly in documentaries but also a significant number in music and drama. Eighty six writers were employed in 2010, six of which were first-time writers within the drama genre. There are of course a range of other key skills involved in the production of programming including producers, camera crew, researchers, presenters, and other skilled individuals. The above categories were examined separately in order to provide a broad indication of creativity.

Table 4.1: TG4 Creative Resources 2010

	All Genres	Drama	Documentaries	Entertainment	Art & Sport	Music
Directors	106	22	51	11	6	16
Actors	218	166	47	3	2	
Musicians / Composers	18					18
Writers	80	34	40	3	2	1
First-time Writers	6	6				
Total	428	228	138	17	10	35

Source: Indecon analysis of TG4 data.

The number of nominations and awards won by TG4 is one indicator of the extent to which they support creativity in the sector. However this is an imprecise measure as there are various types of awards with different significance. Table 4.2 outlines the number of TG4 awards/nominations broken down by category year-on-year from 2008 to 2010. The total number of awards and

nominations achieved by TG4 fell from 45 in 2008 to 41 in 2009. Following this decline, in 2010 the number of awards and nominations increased to 82. The number of programming awards/nominations increased to 49. 2010 was an exceptionally good year for drama and comedy drama on TG4. Two series, *Rásaí na Gaillimhe* and *An Crisis* which went through a prolonged development period were finally broadcast. *Rásaí* garnered 6 awards and nominations. Both of these projects have been recipients of funding from the BAI Sound & Vision funding Scheme, which in turn assisted the production values and was reflected in the awards results. The TG4 presenters also received seven awards and nominations and this impacted on the results. Indecon does not believe that a change in the number of awards alone is a measure of creativity and caution should be exercised in attributing too much weight to this factor.

Table 4.2: TG4 Awards / Nominations 2008-2010

Category	2008	2009	2010
Programming	-	23	49
Marketing / Branding	-	12	17
TG4 Personalities	-	6	16
Total	45	41	82

Source: Indecon analysis of TG4 Review of 2010 Performance (April 2011) and TG4 Review of 2009 Performance (March 2010).

4.3 Measures taken by TG4 to support the Creative Sector

TG4 has indicated its opinion that maximizing the creative potential of the television sector, both in the independent sector and its own in-house production, has been a priority since the outset. TG4 also believes its commitment to the development of new drama in Irish is a very significant important contribution to Irish Language culture over the past 15 years.

TG4 has also outlined a number of measures undertaken by it in 2010 which were designed to foster and sustain creativity. These measures involve schemes for nurturing talent and include:

- Internally produced Ponc and commissioned Imeall work continually to highlight and promote new and up-and-coming music acts.
- *Cogar* and *Anamnocht*; emerging production talent as well as established producers are encouraged to create works which are aligned with the channel's motto *súil eile*.
- "*Lasair*" results in the production of up to 6 half-hour documentary films annually for first-time television documentary writer / directors.
- *Síol*, *Údar*, and *Scéal 3* are schemes that are funded through the BAI special schemes and match funding by first-time writer and drama directors.
- *Splanc!*, funded by TG4 and An Comhairle Ealaíon, investment in a series for the Arts. TG4 look for creativity in the storytelling and structure.

Further examples highlighted by TG4 are:

- TG4's active partnership with education courses in third level institutions in NUI Galway, NUI Maynooth, and Waterford IT, aimed at fostering and mentoring a new generation of content creators in Irish.

- The involvement of TG4 in international professional networks such as the Celtic Media Festival, Circom and the WIBTN which involves direct contact with leading creative professionals in other countries.
- TG4 development of new presenter talent which in 2010 involved new talent for the Teen and Sports genres.
- TG4 graphics and design department received acclaim and awards for its creativity, in particular for creation of on-air idents and promotional material relating to series such as *Seachtar na Cásca*.

Overview of Creative Impact of TG4

Our analysis suggests that TG4 has made a notable impact on fostering and sustaining creativity and supporting the Irish language. In particular, noteworthy features include the level of new programmes commissioned from the independent sector. The new evidence presented for the first time in this report which shows that TG4 employed 106 directors, 218 actors, 18 musicians/composers, and 80 writers of which six were first-time records, represents an important contribution to supporting creativity. This is combined with TG4's ongoing programme schedule of which includes many programmes that demonstrate exceptional creativity.

5 Analysis of TG4 Financial Performance

5.1 Introduction

This chapter provides a summary analysis of the key TG4 financial statements for the period of 2008 to 2010. We also consider developments for the first nine months of 2011 and the prospects for the remainder of the year. This is important in evaluating the cost and efficiency of TG4 and its value for money as well as the adequacy of funding.

5.2 Analysis of TG4 Group Financial Statements 2008 – 2010

5.2.1 TG4 Income

Table 5.1 below provides details of the composition of TG4 income for the period of 2008 to 2010 inclusive. The majority of TG4 income is from public funding. Income from public funding has accounted for approximately 90% of total income on average since 2008. In 2010, this portion remained very high at 90.25%. The balance of TG4 income comprises commercial income from sponsorship and advertisements, which accounted for 10% of total income on average.

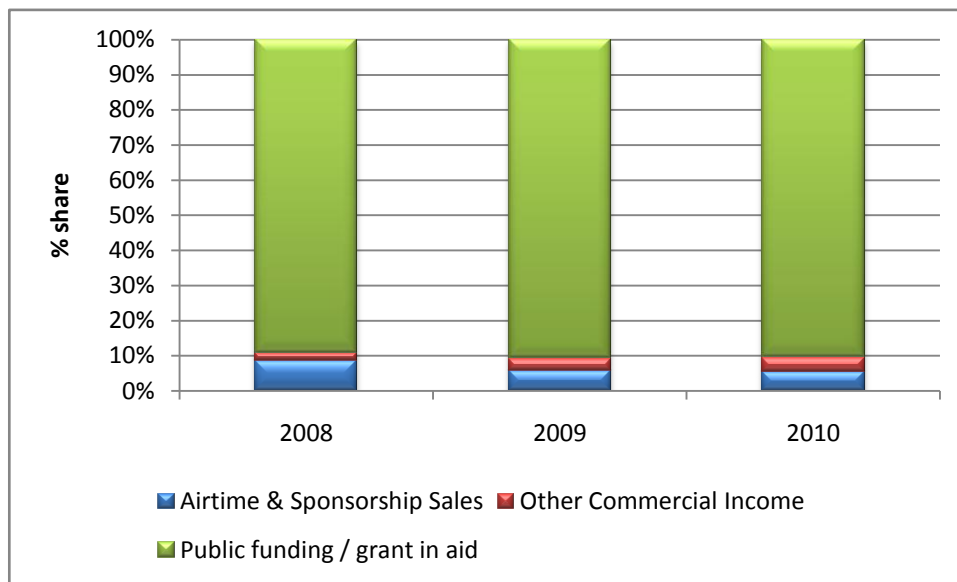
Table 5.1: Composition of TG4 Income 2008-2010			
	2008	2009	2010
Source	€000s	€000s	€000s
Public Funding (excluding amortisation of grants) ²⁰	35,473	35,233	32,250
Commercial Income	4,356	3,617	3,483
Total	39,829	38,850	35,733
% Income from public funding	89.06%	90.69%	90.25%
% Income from commercial income	10.94%	9.31%	9.75%

Source: TG4 Annual Report 2008, 2009, 2010 (most recently published figures), Indecon analysis.

The sources of income are highlighted in Figure 5.1. This shows in stark form the fact that TG4 is heavily dependent on public funding and that the organisation has not been in a position to develop significant commercial income. The figure also shows that commercial income has declined since 2008. The continued decline in commercial income in 2010, however, masks the fact that TG4 has managed to reduce the costs of sales and so net commercial income increased slightly.

²⁰ This does not include funding from the BAI (Sound and Vision) or ILBF as TG4 are not in receipt of this funding.

Figure 5.1: Composition of TG4 Group Income 2008–2010 (% share)

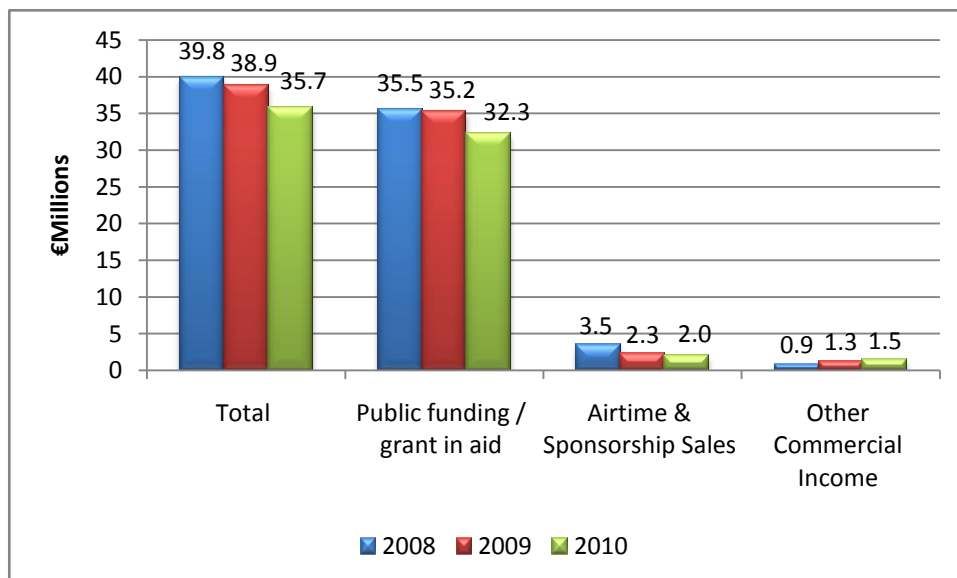


Note: In 2007 TG4 reported a nine month period ended the 31st of December 2007. Other commercial income comprises facilities charge-out and sundry income. Airtime & Sponsorship sales included programme sales of €11,000 in 2008 and €3,000 in 2010.

Source: Indecon analysis of TG4 data from the TG4 Annual Report 2008, 2009, 2010 (most recently published figures).

Figure 5.2 shows the components of TG4 income in millions of euros for the period of 2008 to 2010. The data shows that both TG4 public funding and TG4 total commercial income have been declining since 2008.

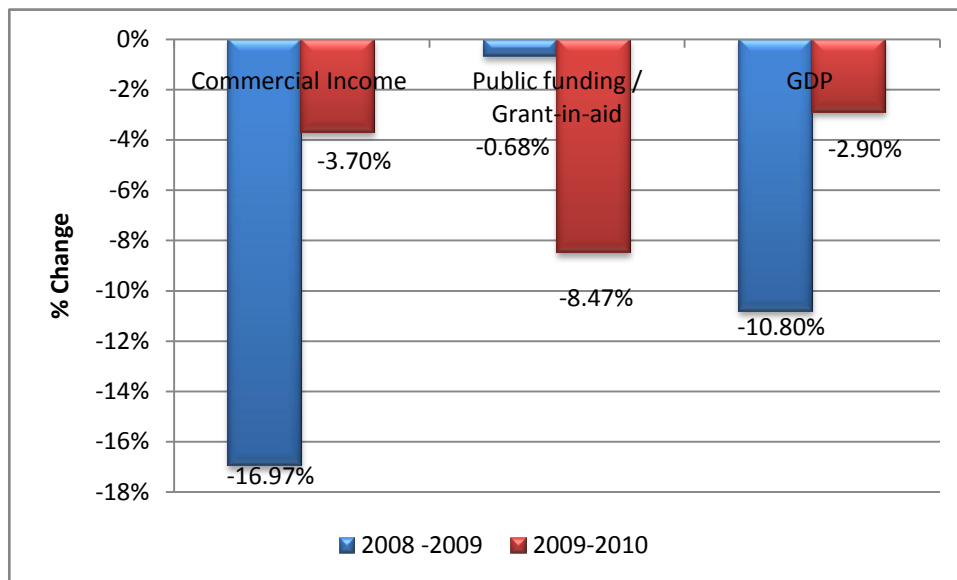
Figure 5.2: TG4 Income by Source 2010 Vs Prior Years



Source: TG4 Financial Statements from the Annual Reports 2010, 2009 & 2008, Indecon Analysis

Figure 5.3 compares the changes in TG4 incomes to that of the Irish Gross Domestic Product for 2008 to 2010 inclusive. The Irish economy contracted by 10.8% between 2008 and 2009. During this period TG4's commercial income fell by 16.97% and its public funding declined by 0.68%. GDP recorded a negative growth rate of 2.9% between 2009 and 2010. TG4 commercial income and TG4 public funding fell by 3.7% and 8.47% respectively during the same period.

Figure 5.3: Trend in TG4 Commercial Income, TG4 Public Funding and Irish Gross Domestic Product 2008–2010



Source: Indecon analysis of TG4 data.

The breakdown of TG4 commercial income which comprises airtime sales, sponsorship sales, programme sales, facilities charge-out and sundry income is shown in Table 5.2. All of the main sources of commercial income have reduced since 2008. One issue which may merit consideration in future annual reviews is the extent to which there is potential to increase programme sales once the DAM digitalisation programme is completed. This, however, is unlikely to be a major source of income for TG4.

Table 5.2: Composition of TG4 Group Commercial Income 2008-2010

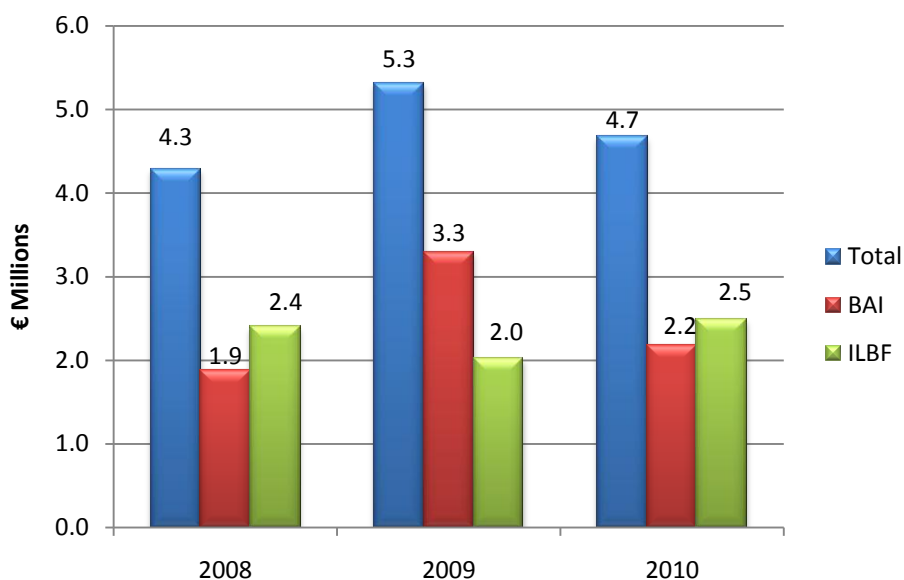
	2008	2009	2010
Source	€000s	€000s	€000s
Airtime Sales	3,225	-	-
Sponsorship Sales	215	-	-
Airtime & Sponsorship Sales	3,440	2,297	2,009
Programme Sales	11	-	-
Facilities Charge-out	764	616	551
Sundry Income	141	704	923
Total Commercial Income	4,356	3,617	3,483

Source: TG4 Annual Report 2008, 2009, 2010 (most recently published figures), Indecon analysis.

A breakdown of TG4 commercial revenues was provided for analysis to Indecon. It shows that TG4 received a fee for producing and presenting the European Lottery which accounted for less than 4% of total commercial income in both 2009 and 2010. TG4 also charge RTÉ in relation to its Service Level Agreement (SLA) for facilities and services, accounting for 17% and 26% of total commercial income in 2009 and 2010, respectively.

Figure 5.4 outlines the breakdown of TG4 production funds secured for commissions according to source. The overall level of funding secured increased over the period from €4.3m in 2008 to €4.7m in 2010. In 2009, funding increased by approximately 23% to €5.3m. In 2010, total funding amounted to €4.7m which represented an 11.3% reduction on 2009 levels.

Figure 5.4: Production Funds Secured for TG4 Commissions by Source, 2010 Vs Prior Years

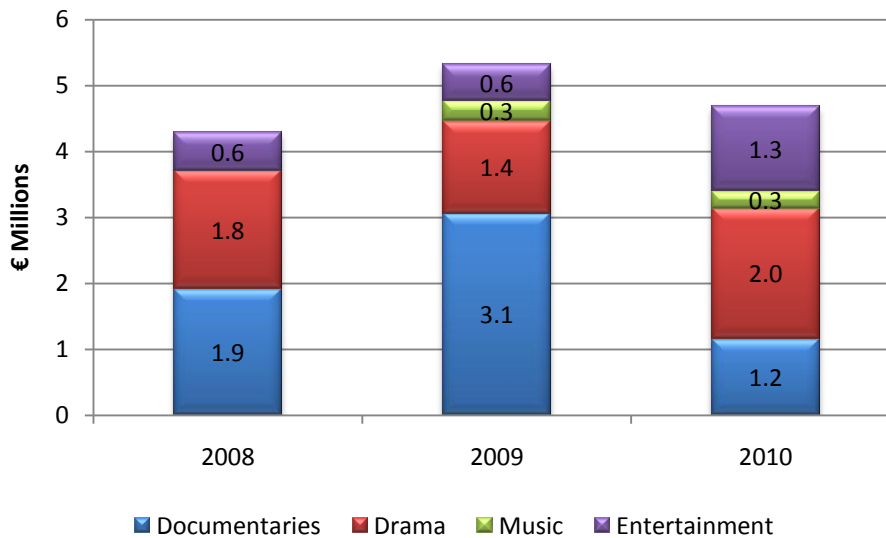


Note: TG4 facilitate the applications for funding available to the industry for specific productions. TG4 is not in receipt of this funding.

Source: TG4 Review of Performance (April 2010) & TG4 Review of 2009 Performance (March 2010)

The allocation of production funds secured for commissions by genre in 2008, 2009 and 2010 is presented in Figure 5.5. Funding for drama and entertainment has increased since 2008.

Figure 5.5: Production Funds Secured for TG4 Commissions by Genre, 2010 Vs Prior Years

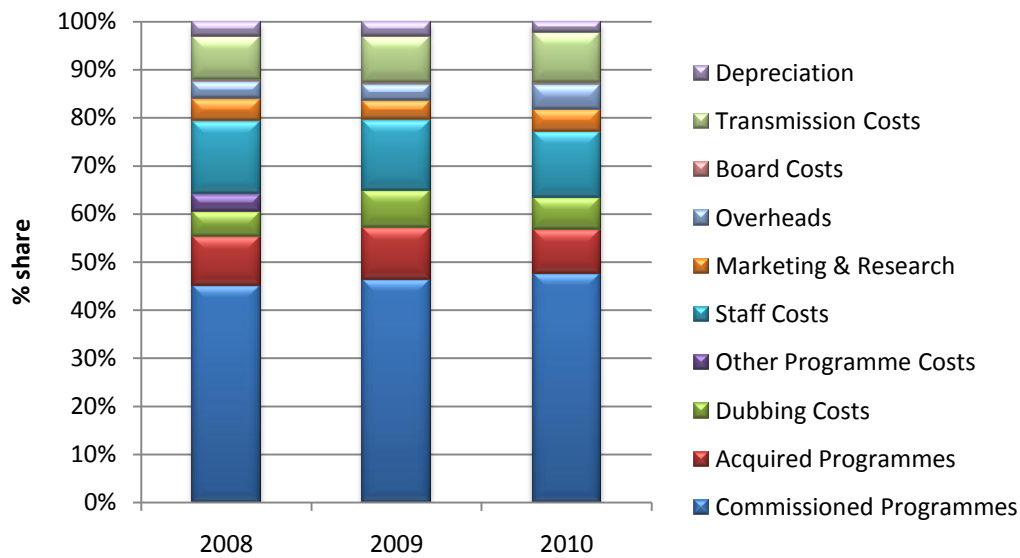


Source: TG4 Review of Performance (April 2010) & TG4 Review of 2009 Performance (March 2010)

5.2.2 TG4 Expenditure

An analysis of TG4 expenditure is critical to the background for a review of cost efficiency and value for money. The components of TG4 operating costs are displayed in Figure 5.6. The principal drivers of its operating costs are programme costs and staff related costs. The various shares of TG4 operating costs have remained reasonably constant with a slight year-on-year increase in commissioned programmes expenditure. Detail of the share of total cost that each portion accounts for on average over the three years is provided in the figure below. The figures suggest that despite the decline in income, TG4 has continued to invest significantly in commissioned programmes.

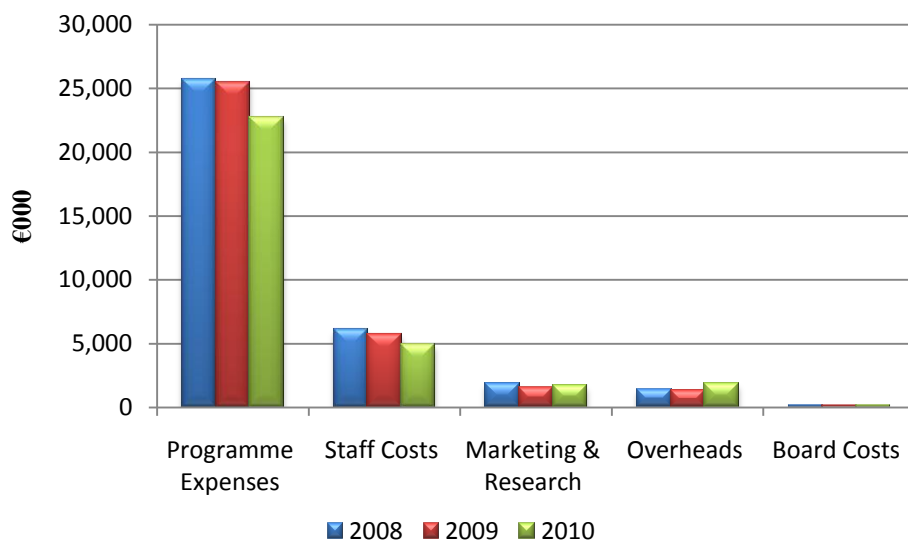
Figure 5.6: TG4 Operating Costs by Category, 2010 versus Prior Years



Source: Indecon analysis of TG4 Group Financial Statements

The trend in TG4 operating expenditure for 2008 to 2010 by category is presented in Figure 5.7. Total programming costs (which account for the largest share of total operating expenditure) were reduced year-on-year by approximately 1% in 2009 and a further 10% in 2010. Similarly, staff costs were reduced year-on-year. Marketing and research costs and overheads costs increased in 2010 although they remain a small share of overall costs.

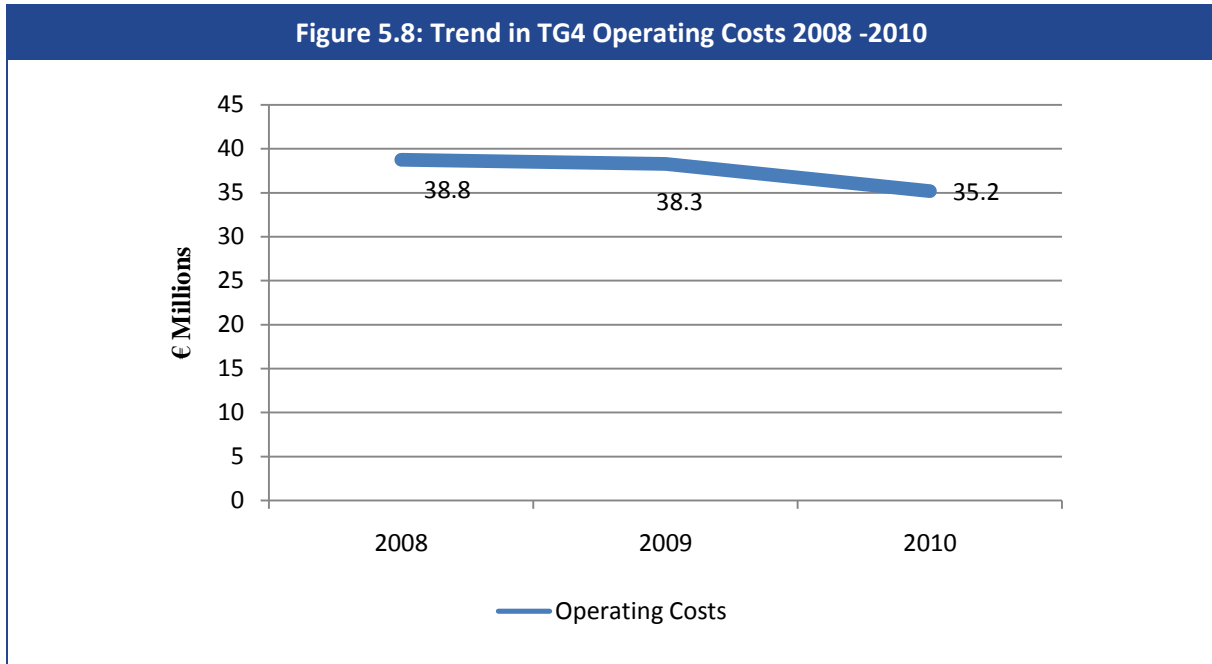
Figure 5.7: TG4 Operating Expenditure by Category, 2010 Vs Prior Years



Note: staff costs were capitalised in 2010.

Source: TG4 Financial Statements from the Annual Reports 2010, 2009 & 2008, Indecon Analysis

The trend in overall TG4 operating costs since 2008 is displayed in Figure 5.8. TG4 reduced its operating costs by 1.3% in 2009 and achieved a further reduction of 8% in 2010. The key factors underlying these trends are presented later in this report.



Note: The following figures compare with that of table 3.5 below.

Source: Indecon analysis of TG4 Group Financial Statements

The average % share of total TG4 operating costs accrued to the various components of total cost for the period from 2008 to 2010 is displayed in Table 5.3. Commissioning costs account for the largest share over the four years at just over 53%. Staff costs account for 16.66% of total operating expenditure on average over the four years and acquired programming accounts for 11.5%. Dubbing accounts for 6.7%, transmission costs account for almost 10%, and overheads costs account for less than 5% of total costs.

Source	Average % Share 2008 -2010
Staff Costs	16.66%
Commissioned Programming	53.11%
Acquired Programming	11.52%
Dubbing	6.73%
Overheads	2.87%
Marketing & Research	4.56%
Board Costs	0.48%
Transmission Costs	9.97%
Depreciation	2.97%
Other Costs	5.04%

Note: These components add to a total in excess of 100% due to the fact that they represent the average share over three years.

Source: Indecon analysis of TG4 Annual Report 2008, 2009, 2010 (most recently published figures).

Table 5.4 below shows the principal drivers of TG4's operating costs from 2008 to 2010. The compound annual growth of TG4's total operating costs is calculated for the period of 2008-2010. TG4's operating costs fell at a compound annual rate (CAGR) of 4.7% per annum during the three-year period from the end of 2008 to the end of 2010. Total staff costs fell at a CAGR of 10.29%. Overhead costs, while a small share of costs, increased over the period. 2009 legislation required the expansion of the board to 12 members from 9 which was implemented during the latter part of 2009 and in 2010. This expansion explains the increase in board costs in 2010 and the forecasted increase for 2011. The response by TG4 in reducing staff costs in 2010 appears to have been impressive with a very significant decline evident in 2010. However, these figures in the accounts have been adjusted due to capitalisation of certain staff costs arising from the Digital Asset Management System (DAMS) project. If the adjustment for this is excluded the figures also indicate a decline in staff costs in 2010 but less significant. Total unadjusted staff costs in 2010 were €5.469m compared to €5.815m in 2009. Total staff costs in 2011 are expected to increase due in part to the payment of increments which were not paid in 2010. In terms of its wider role in supporting creativity in Ireland, the figures encouragingly show that while there was a decline in 2010 in commissioning expenditures, the balance between commissioning and acquired programmes increased during the year. The number of hours commissioned from the independent sector was in excess of the targets set as noted earlier.

Table 5.4: Analysis of Principal Drivers of TG4 Operating Costs 2008-2011

	2008	2009	2010	Year to-date 30/09/11	Forecast 2011	% change 2009 - 2010	CAGR ²¹ 08-10
Source	€000	€000	€000	€000	€000	(%)	(%)
Total Staff Costs	6,109	5,738	4,916	*	*	-14.3%	-10.29%
Commissioned Programmes Costs	18,126	18,132	17,034	*	*	-6.1%	-3.06%
Acquired Programmes Costs	4,082	4,217	3,297	*	*	-21.8%	-10.13%
Dubbing Costs	2,077	2,247	2,399	*	*	6.8%	7.47%
Other Costs	1,146	839	-	N/A	N/A	-	-26.79%
Board Costs	168	147	167	*	*	13.6%	-0.30%
Overheads	1,375	1,338	1,821	N/A	N/A	36.1%	15.08%
Marketing & Research	1,865	1,513	1,679	N/A	N/A	11.0%	-5.12%
Overhead and Marketing Costs	3,240	2,851	3,500	*	*	22.8%	3.93%
Transmission Costs	3,598	3,802	3,697	*	*	-2.8%	1.37%
Depreciation	1,284	1,200	860	N/A	N/A	-28.3%	-18.16%
Amortisation of Grants	-1,075	-912	-704	N/A	N/A	-22.8%	-19.08%
Total	38,755	38,261	35,166	N/A	N/A	-8.1%	-4.74%

Note: CAGR = compound annual growth rate.

Source: TG4 Annual Report 2008, 2009, 2010 (most recently published figures) and TG4 review of 2010 performance, Indecon analysis. TG4's annual report for 2011 has not yet been published and therefore related figures are not disclosed here.

²¹ Compound Annual Growth Rate = $(V_{t_n} / V_{t_0})^{(1/t_n - t_0)} - 1$.

TG4's historical cost-income ratio is presented in Table 5.5. In the period from 2008 to 2010, TG4's operating expenditure was less than its total income. In 2009, the gap between income and expenditure was shrinking due to reductions in commercial income and reductions in public funding. However, in 2010, TG4 achieved a decline in its cost-income ratio to 90.35% due to cost reductions.

Table 5.5: Cost Income Ratio for TG4 2008-2010

	2008	2009	2010
Source	€000	€000	€000
Commercial Income	4,356	3,617	3,483
Interest Receivable & Similar Income	106	81	58
Public Funding	36,488	36,145	32,954
Total Income	40,950	39,843	36,495
Total Operating Expenditure	36,718	36,308	32,975
Cost-Income Ratio (%)	89.67%	91.13%	90.35%

Source: Indecon analysis of TG4 Annual Report 2008, 2009, 2010 (most recently published figures).

Table 5.6 provides the details of the TG4's income and expenditure statement for 2008 to 2010. TG4's commercial income, while small, increased in 2009. Total operating expenditure has been reduced year-on-year from €40,100,000 in 2008 to €39,173,000 (-2.3%) in 2009 and to €35,870,000 (-8.4%) in 2010. TG4's retained deficit for the financial year has reduced each year since 2008. TG4's retained deficit in was €31,000 in 2010, compared to €150,000 in 2008.

Table 5.6: Income and Expenditure Statement for TG4 2008-2010

	2008	2009	2010
Source	€000	€000	€000
Sales			
Commercial Income	4,356	3,617	3,483
Cost of Sales	<u>-974</u>	<u>-752</u>	<u>-588</u>
Net Sales	3,382	2,865	2,895
Expenditure			
Staff costs	6,109	5,738	4,916
Board members' fees and expenses	168	147	167
Programme expenditure	25,701	25,435	22,730
Transmission costs	3,598	3,802	3,697
Marketing & Research	1,865	1,513	1,679
Overheads	1,375	1,338	1,821
Depreciation	<u>1,284</u>	<u>1,200</u>	<u>860</u>
Total Expenditure	<u>40,100</u>	<u>39,173</u>	<u>35,870</u>
Net Operating Expenditure for the year	<u>36,718</u>	<u>-36,308</u>	<u>-32,975</u>
Interest receivable and similar income	106	81	58
Surplus / Deficit on disposal of fixed assets	<u>6</u>	-	-6
	36,606	-36,227	-32,923
Public funding	<u>36,488</u>	<u>36,145</u>	<u>32,954</u>
Deficit / Surplus on ordinary activities before taxation	-118	-82	31
Taxation	<u>-32</u>	<u>-38</u>	<u>-62</u>
Retained deficit / surplus for the financial year	<u>-150</u>	<u>-120</u>	<u>-31</u>

Source: TG4 Annual Report 2008, 2009, 2010 (most recently published figures), Indecon analysis.

Table 5.7 presents the TG4 balance sheet for 2008, 2009 and 2010. Net assets have increased from €8,092,000 in 2008 to €9,303,000 in 2010.

Table 5.7: TG4 Balance Sheet 2008-2010

	2008	2009	2010
Source	€000	€000	€000
Fixed Assets			
Tangible Assets	8,381	8,463	9,386
	<u>8,381</u>	<u>8,463</u>	<u>9,386</u>
Current Assets			
Debtors	2,095	1,369	1,522
Cash at bank and in hand	372	69	42
	<u>2,467</u>	<u>1,438</u>	<u>1,564</u>
Current liabilities			
Creditors –falling due after 1 year	2,774	-1,698	-1,718
Net Current Liabilities	<u>-307</u>	<u>-260</u>	<u>-154</u>
Creditors – falling due after 1 year	7	-1	
Net assets Excluding pension assets	<u>8,067</u>	<u>8,202</u>	<u>9,232</u>
Pension asset	25	79	71
Net Assets Including Pension Asset	8,092	8,281	9,303
Capital and Reserves			
Capital grants	7,914	8,202	9,298
Pension reserve	-4	17	71
Revenue reserves	182	62	-66
	<u>8,092</u>	<u>8,281</u>	<u>9,303</u>

Source: TG4 Annual Report 2008, 2009, 2010 (most recently published figures), Indecon analysis.

Table 5.8 presents the TG4 group cash flow statement. This shows that TG4 recorded an operating deficit net of state grant. The figures also show that state capital grants enabled TG4 to increase its investment on fixed assets.

Table 5.8: TG4 Cash Flow 2008-2010

	2008	2009	2010
Source	€000	€000	€000
Operating Activities – net cash (outflow)/inflow – (net of state grant)	331	-248	-22
Return on investment and servicing of finance			
Interest Received	85	65	46
Net Cash Inflow from Returns on Investment and Servicing of Finance	<u>85</u>	<u>65</u>	<u>46</u>
Taxation			
Tax Charge for the Year	-32	-38	-62
Net Cash Outflow from Taxation	-32	-38	-62
Capital Expenditure			
Payments to acquire tangible fixed assets	-671	-1,282	-1,811
Receipts from sale of fixed assets	6		22
State Capital Grants	617	1,200	1,800
Net Cash Outflow from Capital Expenditure	<u>-48</u>	<u>-82</u>	<u>11</u>
Net Cash (Outflow)/Inflow	<u>336</u>	<u>-303</u>	<u>-27</u>

Source: TG4 Annual Report 2008, 2009, 2010 (most recently published figures), Indecon analysis.

5.3 Analysis of TG4 Actual Vs Projected Income & Expenditure 2010

Table 5.9 presents the actual versus budget income and expenditure summary for TG4 in 2010 and the budgeted figures for 2011. Total commercial income of €3.48m for 2010 exceeded the budget but was less than in 2009. Total grants for 2010 of €33m were less than the budgeted €34m. Total programming costs for 2010 (€22.7m) exceeded the budget of €22.2m by 2.3%. This increase is due to higher spending on acquired programming of 12.4% and on a 3.8% increase on commissioned programmes. Staff costs in 2010 were less than the budget figure.

Table 5.9: TG4 Actual Vs Budget Income & Expenditure Summary 2010 / 2011			
	Actual 2010	Budget 2010	Budget 2011
Source	€000	€000	€000
Staff Costs (before capitalisation of labour) ²²	5,469	5,783	*
Board Costs	167	176	*
			*
Total Commissions	17,034	16,375	*
Total Acquired / Dubbed	5,696 ²³	4,991	*
Other Programme Costs		836	*
Total Programme Costs	22,730	22,202	*
Total Transmission	3,697	3,853	*
Total Overheads (including marketing)	1,955	3,102	*
Total Commercial Income	(3,483)	(2,634)	*
Cost of Sales	588	385	*
Net Sales	(2,895)	(2,249)	*
Goods/Capital Equipment	-	1,184	*
Total Grants 2010	32,954	34,131	*

Note: Budgetary figures are for the total budget – combined current and capital. Figures are rounded to the nearest thousand.

Source: Indecon analysis based on TG4 data and TG4 Annual Report 2010. TG4's accounts for 2011 are not yet in the public domain and therefore related figures are not published here.

The budget figures for 2011 originally envisaged an increase in state grants but a significant decline in commercial income.

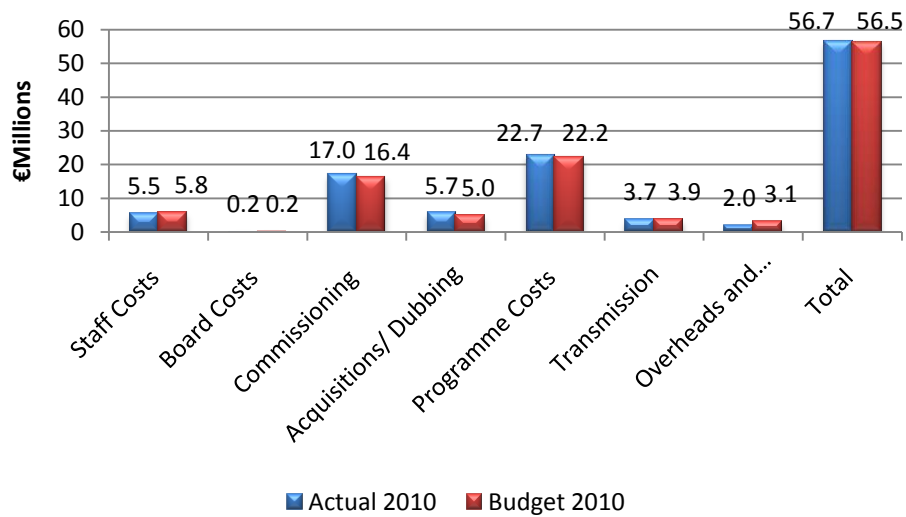
Programming costs were budgeted at the same level as 2010 but slightly less than actual spending in 2010. Salary costs were budgeted for 2011 to be higher than 2010 expenses.

Figure 5.9 presents data on the TG4 operating expenditure for 2010 versus budget disaggregated by category as per Table 5.9. The most notable differences between actual and budget expenditure were staff costs, which were less than budgeted for in 2010 while programme costs were slightly above budget levels.

²² Staff costs = 4,916,000 + 553,000.

²³ This figure includes 'other programme costs'.

Figure 5.9: TG4 Operating Expenditure by Category, Actual Vs Budget 2010 (Disaggregated)



Source: Indecon analysis of TG4 data and data from the Financial Statements of the TG4 Annual Report 2010

5.4 Overview of TG4 Financial Performance

The analysis of TG4 financial performance shows that in 2010 the broadcaster outturn was aligned with the overall budget. The results highlight the importance of external programming costs and salaries in determining TG4 expenditure. The percentage of revenue deriving from state funds was over 90%.

The figure shows that a small financial surplus as per the accounts was recorded in 2010. During the year there was a costs reduction in operation.

6 Efficiency Value for Money and Adequacy of Funding

6.1 Introduction

An important element of this study is to consider the issue of the cost efficiency and value for money of TG4. If any costs are higher than required this would impact on the appropriate level of public funding. This chapter examines the cost efficiency and value for money of TG4 in terms of programming costs, staff costs, the TG4 operating model and the recent cost reducing measures implemented by TG4. The historical cost per hour of TG4 programming by source and genre is reviewed along with the actual versus budgetary figures for 2010. Staff costs including salaries, are also considered. A detailed analysis of overtime and absenteeism costs is also undertaken. We also undertake a review of the adequacy of funding. This latter question of course depends on what statutory objects are set for the broadcaster.

6.2 Cost of Programming

6.2.1 Overview

With the objective of optimising its resources, TG4 set a yearly target of committing a minimum of 70% of exchequer funding to producing Irish Language content. In considering the allocation of funds within TG4 it is important to note that external programming costs represent the highest portion of TG4's total expenditure and commissioned programming forms 75% of the programme costs. TG4 has produced rates per hour for some programming genres such as documentaries and for other more diverse genres the contracts are individually negotiated. Given that commissioning forms such a dominant part of TG4 expenditure, it is important to consider commissioning rates as part of any review of cost efficiency. TG4 holds between five and eight commissioning rounds annually which together form an output of approximately 700 hours of Irish language content. Hours vary according to the availability of funds and schedule requirements. In the case of documentaries the budget is based on a set price followed by a review of individual line items such as camera crew and equipment or lighting and electrical crew. A more detailed negotiation process is carried out for more complex budgets such as drama and entertainment. Approximately 20% of programming expenditure is attributed to content which TG4 acquires exclusively. Content that is dubbed into the Irish language makes up the core of this acquired programming (approximately 60%) with remainder in English and other languages. The acquisition process involves TG4 making a separate offer for individual programmes based on a list provided by the distributors which combine to fulfil an agreed package price. TG4 sub-contracts the dubbing process.

Table 6.1 displays TG4's total programme expenses over the period of 2008 to 2010 according to its annual financial statements. TG4's total programming expenses declined by 1.03% in 2009 and had a further reduction of 10.6% in 2010. Overall TG4's programme expenses were approximately 11.6% lower in 2010 than in 2008.

Table 6.1: TG4 Programme Expenses 2008- 2010

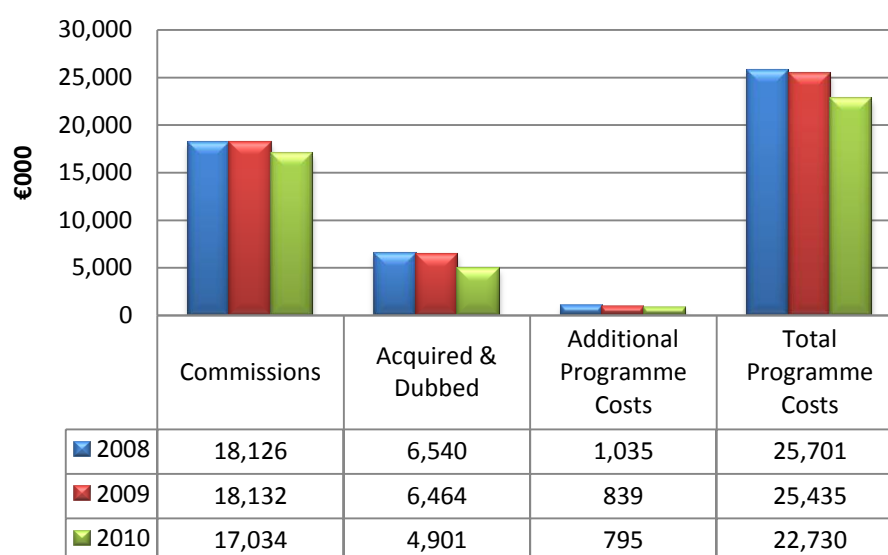
Year	Programme Expenses	% change 08-07
	€000	
2008	25,701	
2009	25,435	-1.03%
2010	22,730	-10.6%

Note: The most recently published figure is reported in each case.

Source: Indecon analysis of TG4 Annual Financial Statements 2008, 2009 & 2010.

Figure 6.1 demonstrates the trend and breakdown by source in TG4 programming expenditure for the period of 2008 to 2010. The largest share of programme costs is represented by commissions. Over €17m was spent commissioning programmes in 2010. This represents almost 75% of total programme expenditure. Spending on acquired programming in 2010 amounted to €4.9m. This accounts for 21.5% of total expenditure. The remaining 3.5% is spent on additional programming costs such as dubbing and other costs. The data shows that the overall reduction in programme expenditure for 2010 is largely attributed to a 24% reduction in spending on acquired and dubbed programming. Commissioned programming expenditure decreased by 6% in the same year.

Figure 6.1: TG4 Programming Expenditure by Source, 2010 Vs Prior Years



Note: Additional programme costs include programming rights.

Source: TG4 Review of Performance (April 2010) & TG4 Review of 2009 Performance (March 2010)

A comparison of TG4's programming expenditure performance in relation to the budget for 2010 is presented in Table 6.2 along with the projected budget for 2011. Total programming expenditure exceeded budget by 2.4% in 2010. Actual acquired and dubbed programming costs were below budget for 2010 while commissions and dubbing and other costs exceeded the assigned budget. A reduction of over 2% on actual 2010 programming expenditure was budgeted for 2011.

Table 6.2: TG4 Actual Vs Budget Programming Expenditure by Source 2010/2011

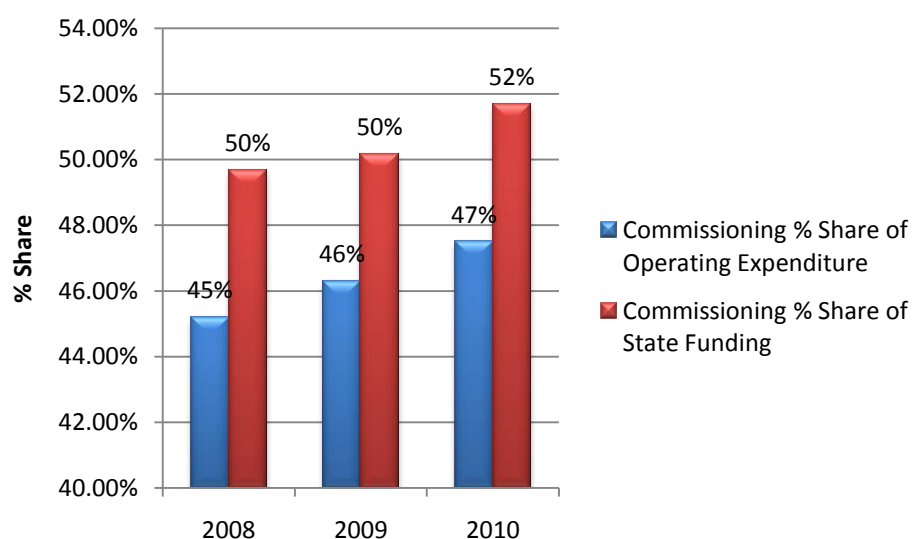
	Budget 2010	Actual 2010	Budget 2011
	€	€	€
Commissioned	16,375,000	17,034,000	*
Acquired & Dubbed	4,990,761	3,297,000	*
Additional Costs	836,414	2,399,000	*
Total	22,202,175	22,730,000	*

Note: Additional costs include dubbing and other costs.

Source: Indecon analysis of TG4 annual financial statements and TG4 financial projections approved by the TG4 board. TG4's accounts for 2011 are not yet in the public domain and therefore related figures are not published here.

6.2.2 Commissioning Expenditure

Figure 6.2 below shows TG4's total spending on commissioning as a share of total operating expenditure and share of public funding for the period from 2008 to 2010. The share of public funding spent on commissioning programmes has increased by 2%, from 50% in 2008 to 52% in 2010. Similarly the share of operating expenditure attributed to commissioning programmes has also increased by 2% from 45% in 2008 to 47% in 2010.

Figure 6.2: TG4 Commissioned Programming Expenditure Share of Exchequer Funding and Operating Expenditure, 2010 Vs Prior Years

Source: Indecon analysis of TG4 Financial Statements from the Annual Reports 2010, 2009 & 2008.

The TG4 commissioning process spans over two broadcasting years. Therefore the programmes that were commissioned in 2010 may not necessarily have been broadcast in 2010. Table 6.3 provides a summary of the 2010 commissioning budget revealing the amount that is contracted in 2010, brought forward from previous years and deferred for a later year.

Table 6.3: Overview of TG4 Commissioning Budget 2010

	€m
Contracted in 2010	10.8
Deferred to 2011	(4)
Contractual commitments brought forward	9.7
Commissioning Budget 2010	16.5

Source: Indecon analysis of TG4 data.

As part of this study, Indecon felt it was important to obtain very detailed data on commissioning costs by genre. This new material is presented in Table 6.4 below which provides a summary of TG4 commissioning contracts for 2010 with the associated costs broken down by genre. The table also shows the diversity in the range of contract hours by genre. The programmes included in Table 6.4 were contracted in 2010 but were not all broadcast in the same year. TG4 commissioned 467 programmes in 2010, 385 of which cost less than €80,000, and 73 of which cost in the range of €80,000 to €100,000 per hour and 9 of which cost in excess of €100,000 per hour. TG4 commissioned 89 programmes in the soaps and drama genre at a total cost of an average cost per hour of €176,485. Art programmes were the least expensive commissioned programmes in 2010 at an average cost per hour of just €14,023.

Table 6.4: TG4 Commissioning Contracts Summary 2010

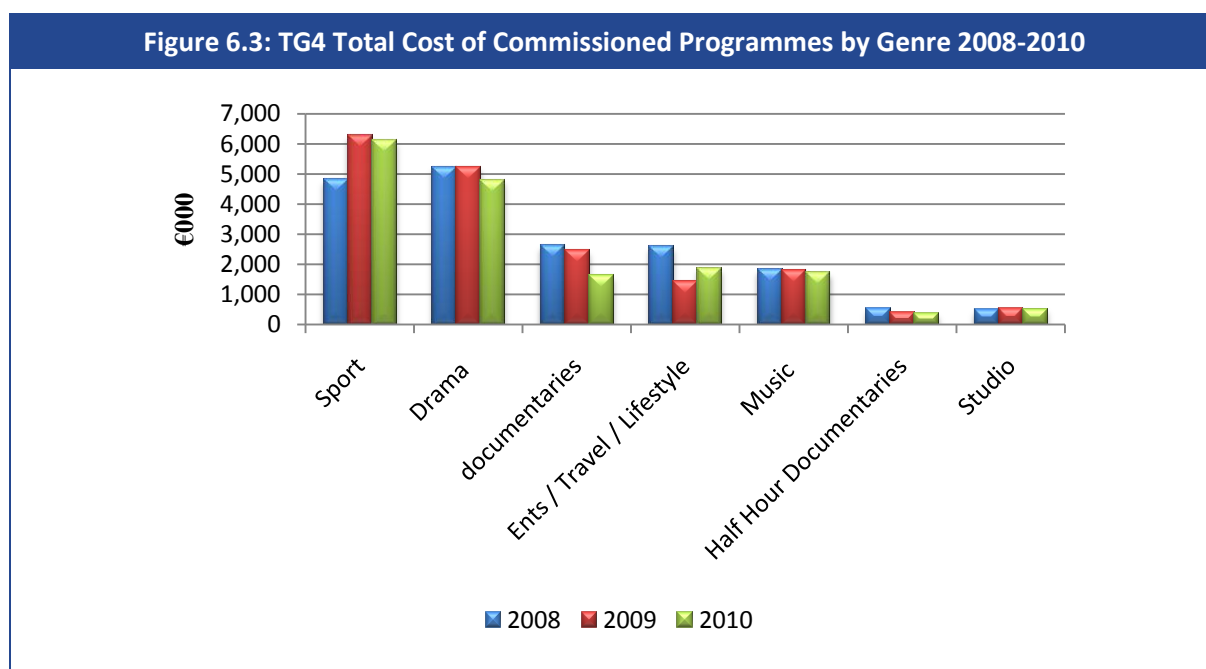
Genre	No. of Programmes	Hours	Contract Cost €	Cost Per Hour €	Contract Cost Per Hour by Range (€)				
					<20	20 - 40	40 - 80	80 - 100	>100
Soaps & Drama	89	48	*	*	*	*	*	*	*
Documentaries -half hour	17	8.5	*	*	*	*	*	*	*
Travel & Hobbies	31	15.5	*	*	*	*	*	*	*
Factual Documentary	102	56.5	*	*	*	*	*	*	*
Entertainment	64	36.7	*	*	*	*	*	*	*
Documentaries - hour	16	15.2	*	*	*	*	*	*	*
Music & Dance	100	66.8	*	*	*	*	*	*	*
Sport ²⁴	1	0.5	*	*	*	*	*	*	*
Art	47	23.5	*	*	*	*	*	*	*
Total	467	271.2	10,333,663	38,103	178	50	157	73	9

Note: This data is not presented due to confidential commercial reasons

Source: Indecon analysis of TG4 data.

²⁴ Total contractual costs for sport for 2010 were €237,969 which included the rights for the international rules and Peil na nBan.

Figure 6.3 illustrates TG4's total cost of commissioned programmes output yearly for the period from 2008 to 2010. The average cost per hour in these figures includes spending from 2010 plus spending on deferrals coming into 2010 from earlier years.



Source: Indecon analysis of TG4 Review of Performance (April 2010) & TG4 Review of 2009 Performance (March 2010)

The largest portion of spending is attributed to sport, on average 33% of total expenditure. Over the period from 2008 to 2010 an average of 29% of total commissioning expenditure was accrued to drama content. On average, 13% of the total commissioning budget was spent on documentaries and 10% was accounted for by music.

Sport ranks the third least expensive programming genre per hour. Given the dependence of TG4 programming on sport this impacts on the overall cost per hour of commissioned programmes. Drama has accounted for 29% of total commissioning expenditure on average over the period of 2008 to 2010 and is consistently the most expensive programming genre per hour at an average of over the three years. Documentaries have accounted for approximately 13% on average of total cost of commissioning costs for the period from 2008 to 2010. Documentaries are the fourth most expensive commissioning genre.

With regard to the trends in the cost per hour of TG4 commissioned programming over the period of 2008 to 2010, analysis revealed that the average cost per hour of all TG4 commissioning programming was reduced by 2.7% from 2008 to 2009 and a further 9% from 2009 to 2010. Overall the unit cost of TG4's commissioned programming output was 11.5% lower in 2010 than it was in 2008.

6.2.3 Cost of Internal Productions

Table 6.5 provides a summary of TG4's internal productions for 2010 including hours of output, contract cost and cost per hour. TG4 internally produced five programmes which represents a total of 59 hours for 2010. Indecon carried out a detailed analysis of the contract cost and cost per hour of TG4 internal productions. This information, however, has been omitted from the review due to confidential commercial reasons. However, our analysis shows that the cost of internal productions is on average lower than commissioned programmes but this reflects the differences in the type of programming produced.

Table 6.5: Summary of TG4 Internal Productions 2010			
Programme	Hours	Contract Cost €	Cost per Hour €
Comhrá	17.5	*	*
7 Lá	17.5	*	*
Siar an Bóthar	6.5	*	*
Amhran is Ansa Liom	10	*	*
Bean an Tí sa Cistin	7.5	*	*
Total	59	*	*

Note: *Information is not presented due to confidential commercial reasons.

Source: Indecon analysis of TG4 data

6.2.4 Cost of Programming per Broadcast Hour

A summary of TG4's broadcasting hours for 2010 and 2009 by source is presented in Table 6.6. TG4 broadcasted 8,075 hours of programming in 2010. This was a slight reduction of less than 1% on 2009 hours. TG4 experienced a total cost per hour reduction of 7% from €2,900 per broadcast hour in 2009 to €2,700 in 2010. Commissioned programmes have the highest cost per hour for 2009 and 2010 at €10.1k and €9.5k, respectively.

Table 6.6: TG4 Broadcast Summary 2010 & 2009

	Broadcast Hours	Total Cost €000	Cost Per Hour €000
2010			
Irish Language Commissions/ In-house	1,790	17,034	9.5
Irish Language Acquired / Dubbed	1,709	2,686	1.6
Total Irish Language	3,499	19,720	5.6
Non-Irish language	4,576	1,982	0.4
Total Broadcast	8,075	21,702	2.7
2009			
Irish Language Commissions/ In-house	1,746	17,593	10.1
Irish Language Acquired / Dubbed	1,867	3,773	2.0
Total Irish Language	3,613	21,366	5.9
Non-Irish language	4,514	2,422	0.54
Total Broadcast	8,127	23,788	2.9

Note: RTÉ 365 hours not included.

Source: Indecon analysis of TG4 data.

While comparisons between broadcasters are always difficult it is useful to consider how TG4 costs compared to the Welsh language broadcaster S4C. A summary of broadcasting hours and cost per hour by genre for TG4 versus S4C is presented in Table 6.7. This shows the difference in cost per genre.

Table 6.7: Summary of TG4 Broadcasting Hours and Cost per Hour by Genre Versus S4C, 2009 & 2010

	Hours				Cost per Hour €			
	2009		2010		2009		2010	
	TG4	S4C	TG4	S4C	TG4	S4C	TG4	S4C
Sports	468	168	473	261	13,410	69,354	12,825	55,862
Music / Entertainment	203	117	259	178	8,665	86,176	8,121	64,427
Drama	180	81	153	69	8,300	236,676	8,806	225,017
General Factual	434	517	523	635	6,472	42,112	3,891	38,450
Music & Arts	281	128	241	151	6,470	44,311	7,324	43,530
Current Affairs	38	76	36	81	3,079	40,264	3,482	43,405

Source: Indecon analysis of TG4 data and data from the S4C Annual Report 2010/11.

Note: The cost per hour for S4C has been converted to euro from sterling for comparison purposes using the Irish times exchange rate as of 12/10/2011.

In considering cost per hour between S4C and TG4 it is useful also to compare the viewing rates of TG4 with that of S4C. This is presented in Table 6.8 below. The average number of viewers watching TG4 during peak viewing hours in 2010 was 29,800. Similarly, S4C reports an average number of viewers during peak time for 2010 of 28,000 viewers. In 2010, the programme that attracted the largest number of viewers to the TG4 channel was a GAA BEO programme and it attracted a total of 220,100 viewers. Comparatively, S4C's most viewed programme in 2010 was an

FA Cup match 'Bristol v Cardiff' which attracted a total of 459,000 viewers. Finally, in 2010, TG4 reported a total of 279 programmes which recorded a reach in excess of 100,000 viewers. In the same year, S4C reported 84 such programmes.

Table 6.8: TG4 Viewing Rates versus S4C 2010

	TG4	S4C
Average number of viewers peak time	29,800	28,000
Programme attracting the highest number of viewers	220,100	459,000
Number of programmes with a reach exceeding 100,000 viewers	279	84

Source: Indecon analysis of TG4 data and data from the S4C Annual Report 2010/11.

Given that TG4 commission a significant proportion of its programmes, it is useful to review the maximum rates permitted in budgets for different specialists. Indecon carried out an analysis of the individual budget line rates of TG4. This information, however, is not presented in this review due to confidential commercial reasons. However, analysis suggests that the rates permitted are reasonable in the Irish context.

Table 6.9: Individual Budget Line Maximum Rates, TG4 vs BBC and Channel 4

	TG4 Dublin Rates (max)	TG4 Rates Outside Dublin (max)	Average TG4 Rate (max)
	€	€	€
Producer	*	*	*
Director	*	*	*
Sound	*	*	*
Camera	*	*	*

*Note: *Information is not presented due to confidential commercial reasons.*

Source: Indecon analysis of TG4 data.

An analysis of the cost per broadcast hour for TG4 in 2009 and 2010 shows a decline in 2010 in the cost per hour for both commissioned and acquired programmes. The difference in the average costs for commissioned and acquired programmes demonstrates the dangers, however, of simply looking at an aggregate cost per hour number to measure value for money. Such an average figure which is sometimes used (and in Indecon's view inappropriately) to measure overall efficiency or value for money, takes no account of the nature or quality of the programme. It also does not reflect difference in the ability of individual programmes to attract audiences or differences in genre. The trend in costs is, however, of interest if there has been no significant change in the mix of programmes between acquired and commissioned or difference in genre. Table 6.10 below presents average cost per broadcast hour for TG4 for acquired and commissioned programmes in 2009 and 2010.

Table 6.10: Average Cost per Broadcast Hour by Source, TG4 2009 & 2010

	2009		2010	
	TG4		TG4	
	Hours	Cost Per Hour €	Hours	Cost Per Hour €
Irish Language Commissioned	1,746	€10,076	1,790	€9,516
Irish Language Acquired	1,867	€2,021	1,709	€1,572

Note: commissioned hours and cost per hour for TG4 covers commissioned and in-house hours TG4 acquired hours includes dubbing. Hours and cost for TG4 do not include hours provided by RTÉ.

Source: Indecon analysis of TG4 data.

In reviewing TG4's acquisition rates it is useful to compare this to national guidelines for acquisition. Table 6.11 displays guideline prices for acquisitions for those European Broadcasting Union (EBU) member countries for which data was available. The countries are grouped by market size and location according to the EBU guides. Ireland's broadcasting market is grouped as a medium/small Western European market along with Austria, Portugal and Switzerland. Ireland's rates are, on average, lower than Austria and Portugal but higher than Switzerland. This material is provided simply for contextual purposes in reviewing the TG4 costs presented above.

Table 6.11: Acquisitions Programming Price Guide by Country 2010

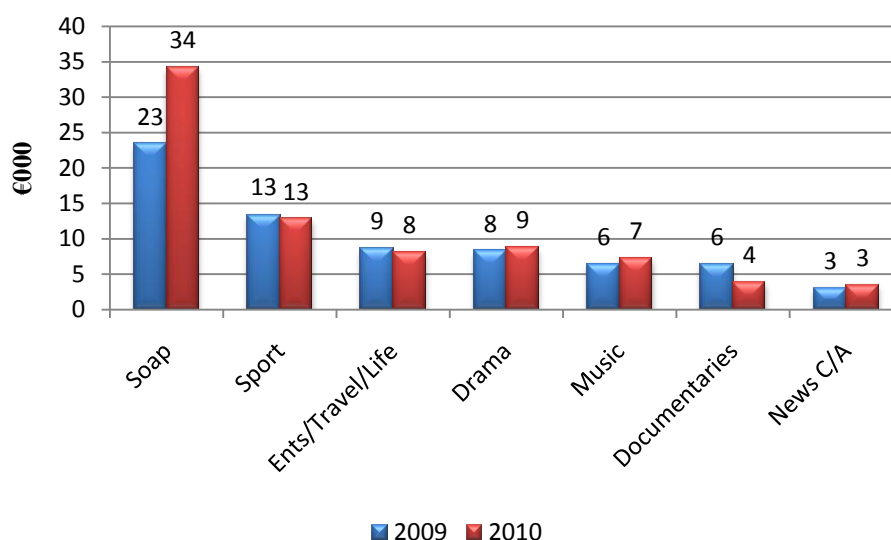
	Children's		Animations		Drama		Factual	
	Acquisition Price per Half Hour €		Acquisition Price per Half Hour €		Acquisition Price per Half Hour €		Acquisition Price per Half Hour €	
	Min	Max	Min	Max	Min	Max	Min	Max
Western European Medium/Small Markets								
Austria	377	1,884	754	2,942	3,768	18,390	2,575	3,678
Ireland	754	1,130	377	1,103	754	2,207	736	1,471
Portugal	1,507	1,507	754	2,207	1,884	1,839	736	3,678
Switzerland					1,507	2,942	1,692	2,575
Western European Large Markets								
France	3,768	10,550	3,768	14,712	2,261	735,600	1,471	29,424
Germany	1,507	30,144	2,261	14,712	3,768	147,120	3,678	36,780
Italy	1,130	18,840	1,507	14,712	1,507	73,560	1,471	36,780
Spain	754	11,304	754	7,356	11,304	44,136	2,942	9,563
UK	3,768	30,144	1,507	25,010	7,536	88,272	1,839	14,712
Nordic / Scandinavian Market								
Denmark	1,130	1,130	1,507	2,575	-	-	-	-
Finland	754	-	1,206	2,207	-	-	-	-
Norway	1,507	2,261	1,130	2,207	-	-	-	-
Central / Eastern Markets								
Bulgaria	151	151	-	-	-	-	-	-
Croatia	377	-	301	588	377	184	368	809
Czech Republic	188	1,130	301	883	377	883	441	1,103
Hungary	377	1,130	377	1,103	829	2,942	441	1,471
Poland	754	1,507	452	1,177	754	7,356	736	1,839
Romania	188	565	226	441	452	1,103	368	883
Russia	188	754	377	1,103	1,884	18,390	662	4,414
Slovakia	151	603	452	574	603	736	294	588
Slovenia	151	151	452	574	452	736	441	662

Note: Indecon converted prices from Dollar to Euro using the exchange rate on 06/10/11 from the Irish times exchange rates; www.irishtimes.com.

Source: Indecon analysis of Television Business International (TBI) Price Guide 2010 from www.TBIvision.com.

Figure 6.4 below displays the combined cost per broadcast hour of commissioned Irish language programming and in-house Irish language productions by genre for 2009 and 2010. TG4 Irish language soaps are the most expensive genre in terms of cost per hour. The cost of TG4 soaps increased from €23,000 per broadcast hour in 2009 to €34,000 in 2010. This represents a 34% increase. The cost per broadcast hour remained relatively unchanged for sport and news genres. The cost per broadcast hour for documentaries fell by a third and the entertainment travel and lifestyle genre fell by approximately 11%. Cost per broadcast hour of both the drama and music genres increased by 11% and 17%, respectively.

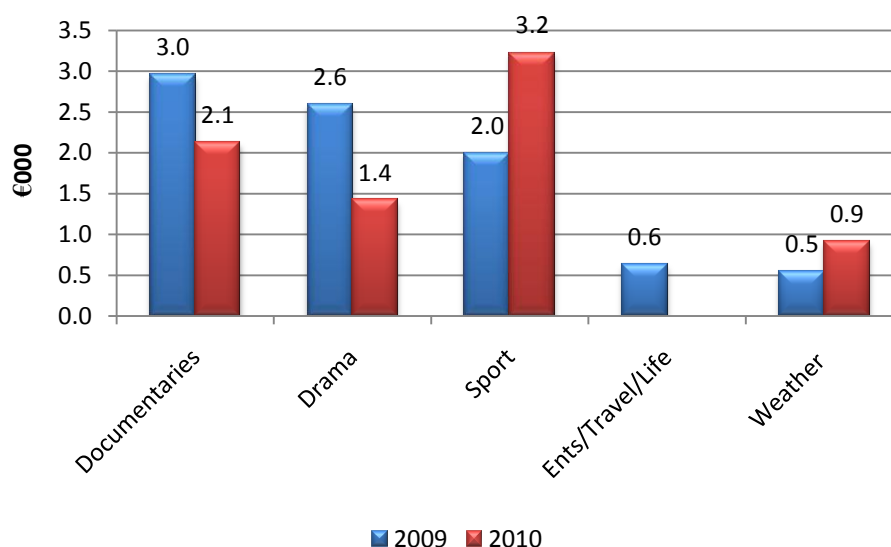
Figure 6.4: TG4 Cost Per Broadcast Hour Commissioned / In-house Irish Language Programming by Genre 2010 Vs 2009



Source: Indecon analysis of TG4 data.

Figure 6.5 provides a breakdown of the cost per broadcast hour of acquired Irish language programming by genre for 2000 and 2010. Both documentaries and drama experienced a reduction in cost per hour broadcast of 30% and 46%, respectively, in 2010. Sports acquired content and acquired weather content both increased in unit cost. The former increased by 38% and the latter increased by 80%.

Figure 6.5: TG4 Cost Per Broadcast Hour Acquired Irish Language Programming by Genre 2010 Vs 2009

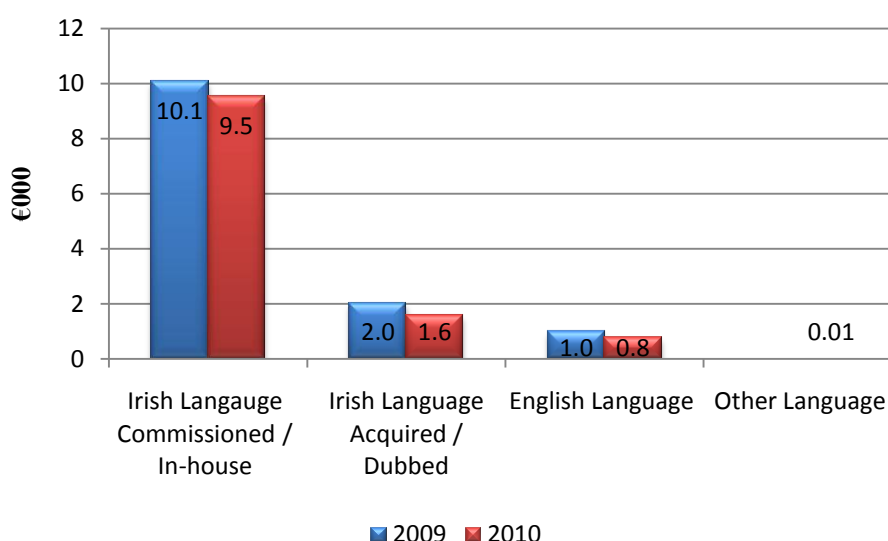


Note: Cost data was not available for the entertainment genre in 2010.

Source: Indecon analysis of TG4 data.

The cost per broadcast hour of TG4 programming by source is displayed in Figure 6.6 for the years 2009 and 2010. Irish language commissioned and in-house programmes are the most expensive sources of programming per broadcast hour for TG4. However, TG4 experienced a reduction from €10,100 in 2009 to €9,500 (6%) in 2010 in the unit cost of this programming. The unit cost of English language programming also fell from €1,000 per broadcast hour in 2009 to €800 in 2010 (20%).

Figure 6.6: TG4 Cost Per Broadcast Hour by Source 2010 Vs 2009



Note: Data excludes cost of RTÉ 365 hours.

Source: Indecon analysis of TG4 data.

6.3 Programme Expenditure versus Budget

An overview of the TG4 programming budget versus actual expenditure is provided in Table 6.12. The total programming costs were projected to be in the region of €22,202,000 for 2010. The actual expenditure amounted to €22,730,000 exceeding the budget slightly by 2.4%.

Table 6.12: TG4 Programming Expenditure Actual Vs Budget

	Budget 2010	Actual 2010	Budget 2011
	€000	€000	€000
Commissioned	16,375	17,034	*
Acquired	4,991	3,297	*
Additional Programme Costs	836	2,399	*
Total Programme Costs	22,202	22,730	*

Source: Indecon analysis of TG4 Annual Financial Statements and Financial projections approved by the TG4 board. TG4's accounts for 2011 are not yet in the public domain and therefore related figures are not published here.

We also undertook a detailed analysis of the commissioning contracts part of the programming budget for 2010. The largest portion of total commissioning contracts expenditure projected for 2010 was sports programming. This genre was the third least expensive genre of a total of 10 genres. TG4 soaps were budgeted to be the most expensive programming contracts for 2010. The detailed costs are not presented in the review due to confidential commercial reasons. TG4's commissioning expenditure budget included a total of 566 hours of programming in 2010. The total commissioning expenditure budget for 2010 was €16,460,000 which equates to an average cost per hour of €29,081.

Table 6.13: TG4 Commissioning Expenditure Budget 2010

Genre	Budget €	Contracted Hours	Cost Per Hour € (Budgeted)
Sports	*	306	*
Soaps	*	36	*
Drama	*	39	*
Music and Dance	*	37	*
Factual Documentary	*	54	*
Light Entertainment	*	21	*
Lifestyle / Hobbies	*	38	*
Literature / Language / History	*	9	*
½ Hour Documentaries	*	8	*
Arts	*	18	*
Total	16,460,000	566	29,081
Summary			
			Total Cost €m
Contracted in 2010			10.8
Deferred to 2011 from above			(-4)
Contractual commitments (including output deals) brought forward			9.7
Total			16.5

Source: Indecon analysis of TG4 data.

*Note: The commissioning process generally spans over 2 broadcasting years. Therefore programmes commissioned in any one year may not be broadcast in that same year. *This information is not presented due to confidential commercial reasons.*

Note: The average cost per hour includes spend from 2010 plus spend on deferrals coming into 2010 from earlier years.

Source: TG4 Review of 2010 Performance (April 2011) & TG4 Review of 2009 Performance (March 2010)

Average cost per hour of commissioned programming versus budget for 2010 was also analysed by Indecon. Although TG4 achieved a saving of 14% on the budgeted average cost per hour for drama in 2009, it exceeded budget for this genre by 30.5% in 2010. Half-hour documentaries and entertainment also exceeded budget by 8.5% and 11.4% respectively. Average cost per hour for the remaining genres was below budget with significant savings of 49% in music.

The percentage differential between actual and budget average cost per hour for both 2009 and 2010 was also reviewed. In 2009, sport and entertainment exceeded budget. Half-hour documentaries, drama and entertainment exceeded budget in 2010. Actual spending on music for 2009 and 2010 was significantly below budget (approximately 50%). Spending on studio and documentaries was also below budget for 2009 and 2010.

Note: The average cost per hour includes spend from 2010 plus spend on deferrals coming in to 2010 from earlier years.

It is useful to look at the cost per viewer hour although this will be influenced by the nature of the programme and also by the size of the potential audience market. Data on TG4 content cost per viewer hour is presented below. The cost per viewer hour of all TG4 broadcasted programming increased from €0.22 in 2009 to €0.24 in 2010. There was a reduction in the total cost of broadcasting in 2010 of approximately 9%²⁵ compared to 2009. A closer look at the evidence revealed that the increase in the cost per viewer hour was due to a significant reduction in the number of viewers in 2010. TG4's cost per viewer hour of €0.24 for 2010 compares to that of the average of RTÉ One and RTÉ Two which is approximately €0.17.

Table 6.14: TG4 Cost per Viewer Hour 2007-2010		
	2009	2010
	€	€
Cost per viewer hour	0.22	0.24

Note: Cost per viewer hour excludes the cost of RTÉ provided hours and the viewership of RTÉ provided hours.

Source: TG4

Indecon believes it would be useful in next year's review to monitor in more detail the cost per viewer hour by individual programmes. Some indications of this issue can be seen by looking at the budget and viewership numbers for the *Ros na Rún* as a case study. Indecon would however expect significant variation in the cost per viewer hour for less watched programmes and we believe this merits further examination.

6.4 Ros na Rún

6.4.1 Overview

Ros na Rún is TG4's Irish language soap opera. *Ros na Rún* began its fifteenth season in 2010. It is broadcasted for 35 weeks of the year, airing two episodes per week. A glance at the average viewing figures for *Ros Na Rún* during peak viewing time on TG4 below in Table 6.15, reveals that *Ros na Rún* average viewership during peak time of 32,600 exceeds that of the average peak time viewing of all TG4 programme of 26,388.

Table 6.15: Ros na Run viewing figures during peak viewing time 2010			
Programme	Average Viewership	Average Reach	Average Share
Ros na Rún	32,600	84,000	2.4%

Note: Figures are DayPart.

Source: Indecon analysis of TG4 data.

²⁵ Total cost of broadcasting in 2010 was €21,702,000 compared to €23,788,000 in 2009.

6.4.2 Budget

Indecon undertook a detailed analysis of the components of the Ros na Rún budget. However, the detailed components of the budget are not presented due to confidential commercial reasons. Overall our evaluation of the specific this budget confirms the general focus of TG4 on securing cost efficiencies.

Table 6.16: Budget for Ros na Rún drama

Category Description	Total Cost €
Executive Producers	*
Producers	*
Directors	*
Script	*
Actors	*
Production Team	*
Camera & Equipment Team	*
Sound Team & Equipment	*
Lighting & electro Team	*
Fittings & Studio Design	*
Furnishings Design Work & Matter	*
Mounting & Fittings	*
Team Uniforms & Matter	*
Makeup & Hair Team & ABH	*
Travel & Subsistence Costs	*
Seven studio facilities & OBs	*
Costs on site	*
Line Editing	*
Sound Mixing	*
Failure Costs	*
Graphics	*
Other Production Costs	*
Team Of PAYE	*
PCAS	*
Subtotal	*
overheads	*
Insurance	*
Health & Safety	*
legal	*
finance	*
Production Fee	*
Grand Total	*

Note: *This information is not presented due to confidential commercial reasons.

Source: Indecon analysis of data provided by the Ros na Rún production team.

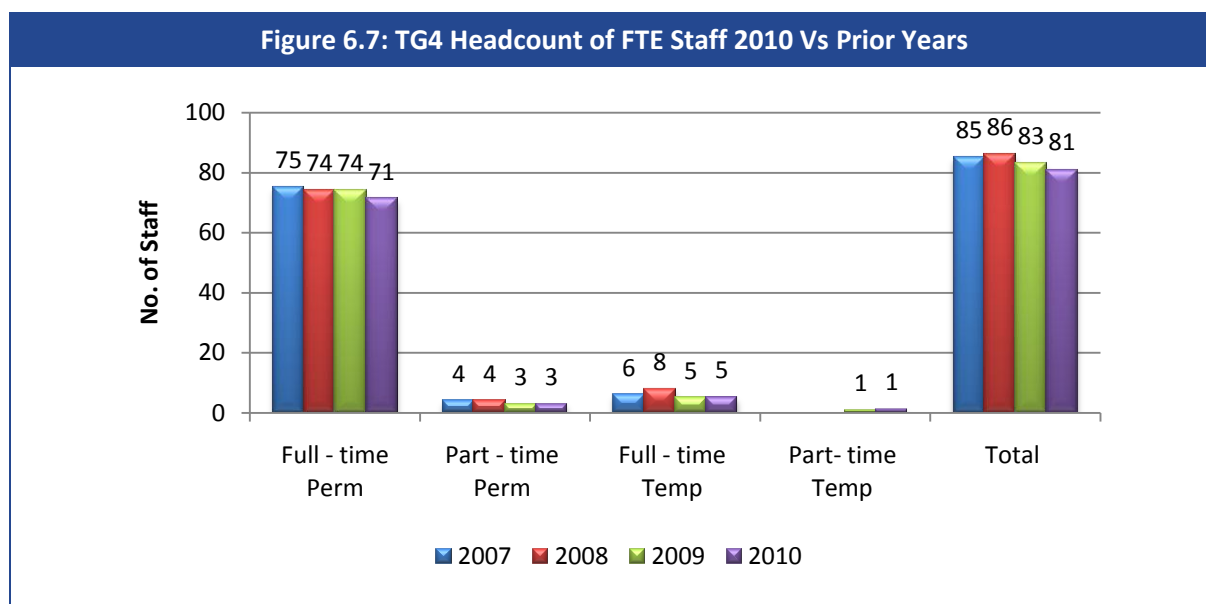
6.4.3 Efficiency gains

In 2010, TG4 commissioned an independent report on the production of Ros na Rún in which potential efficiency gains were highlighted. TG4 subsequently negotiated an increase in the number of episodes over the period 2011-2014.

6.5 Staff Costs & Human Resources

6.5.1 TG4 Staff Headcount

Figure 6.7 provides an historic overview of the TG4 full-time equivalent (FTE) staff headcount from 2007 to 2010. Total FTE staff headcount has reduced from 85 to 81 (by 5%) since 2007. The majority of this reduction related to a decline in the number of full-time permanent staff.



Note: Headcount is full time equivalent (FTE) numbers.

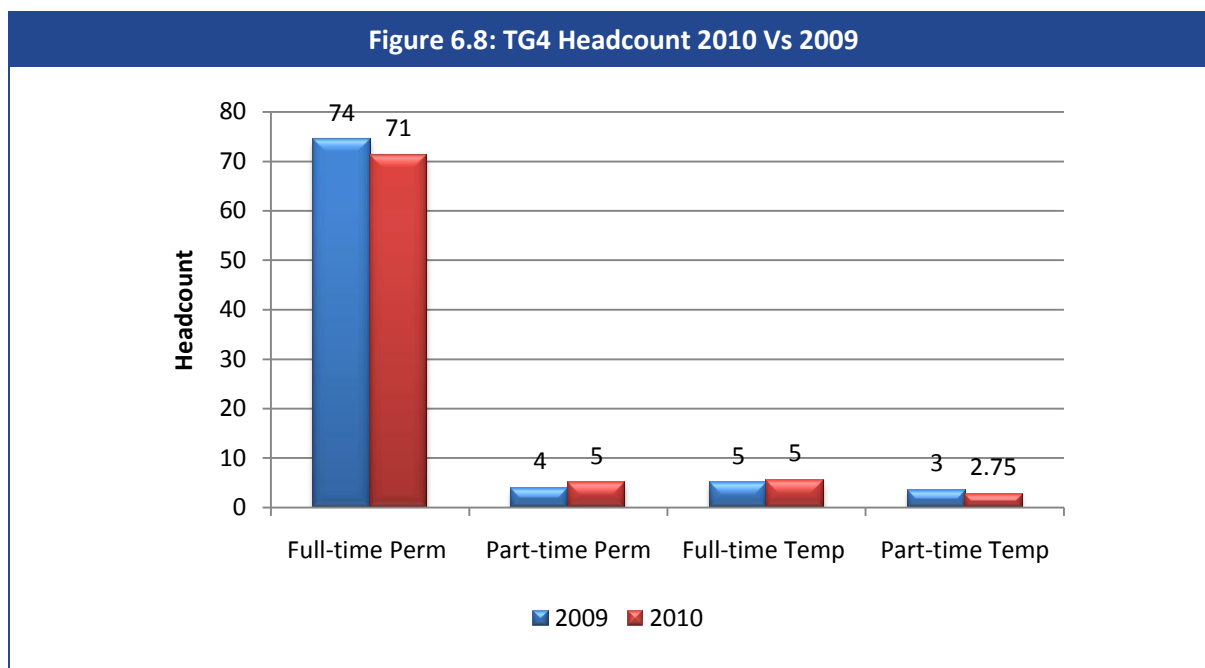
Source: Indecon analysis based on TG4 data, TG4 Review of 2010 Performance (April 2011) and TG4 Review of 2009 Performance (March 2010)

Table 6.17 provides a summary of both the FTE headcount and the actual headcount of TG4 staff for 2009 and 2010. A total of 84 staff members were employed in TG4 in 2010 compared to 86 in 2009. Seventy four of the 86 employed in 2010 were full-time permanent staff, four were part-time permanent and the remainder were temporary (see Table 6.17 below).

Table 6.17: TG4 Headcount Summary 2009 & 2010				
	2009		2010	
	Actual	FTE	Actual	FTE
Full Time Perm	74	74	71	71
Part Time Perm	4	3	5	3
Full Time Temp	5	5	5	5
Part Time Temp	3	1	3	1
Total Staff	86	83	84	80

Source: Indecon analysis of TG4 data.

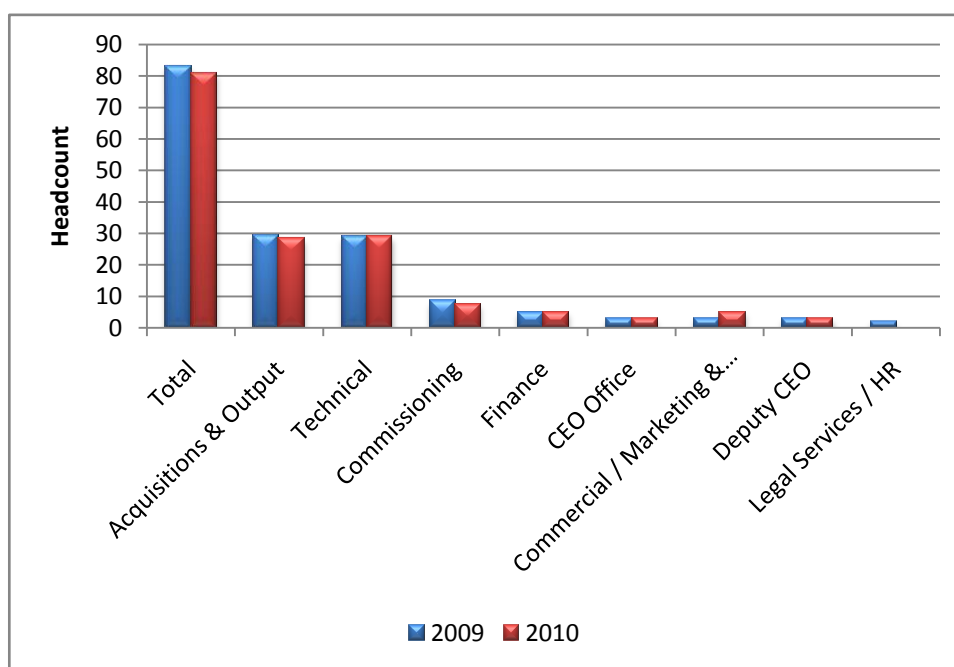
The trend in the staff headcount of TG4 for 2009 and 2010 is summarised in Figure 6.8. A 2% reduction in staff was realised for 2010. This was accounted for by a reduction in the number of full-time permanent staff by three and an increase in part-time permanent staff by one.



Source: Indecon analysis of TG4 data.

Figure 6.9 provides a breakdown of the TG4 staff by division for 2009 and 2010. The spread of staff to each division remained consistent over the two-year period. The divisions which employ the most staff are 'technical' and 'acquisitions and output'.

Figure 6.9: TG4 Human Resources by Department 2010 Vs 2009

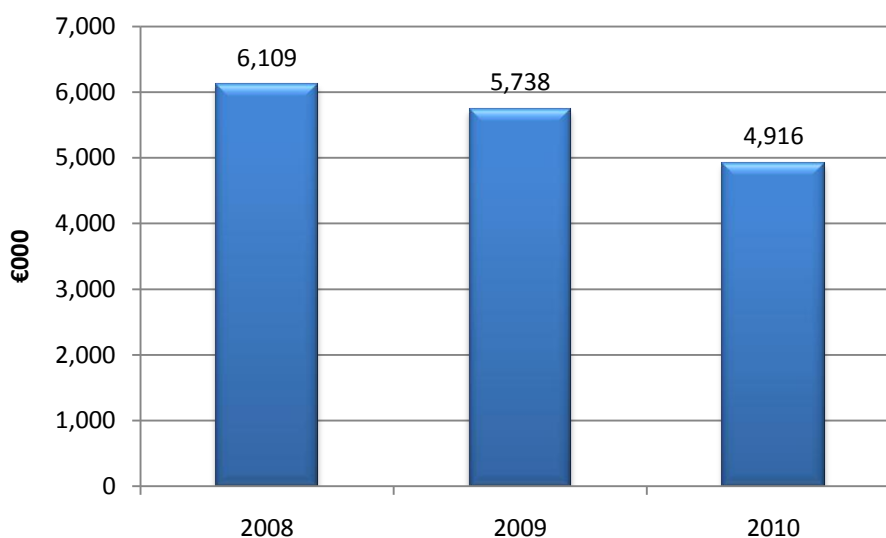


Source: Indecon analysis of TG4 Review of 2010 Performance (April 2011) and TG4 Review of 2009 Performance (March 2010).

6.5.2 TG4 Staff Costs

Figure 6.10 examines the trend in total TG4 staff costs from 2008 to 2010. TG4 achieved a reduction in total staff costs from €6,109,000 in 2008 to €5,738,000 in 2009 and further to €4,916,000 in 2010.

Figure 6.10: TG4 Staff Costs 2010 Vs Prior Years

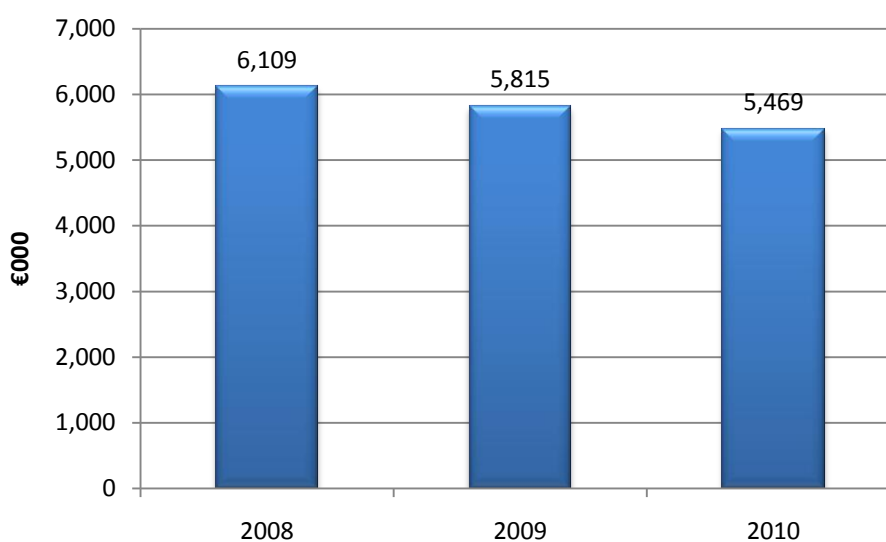


Note: TG4 labour costs were capitalised in 2009 and 2010. The gross cost before capitalisation for 2009 and 2010 was €5.815m and €5.469m respectively. Most recently published data used.

Source: TG4 Financial Statements from the Annual Report 2009 & 2010.

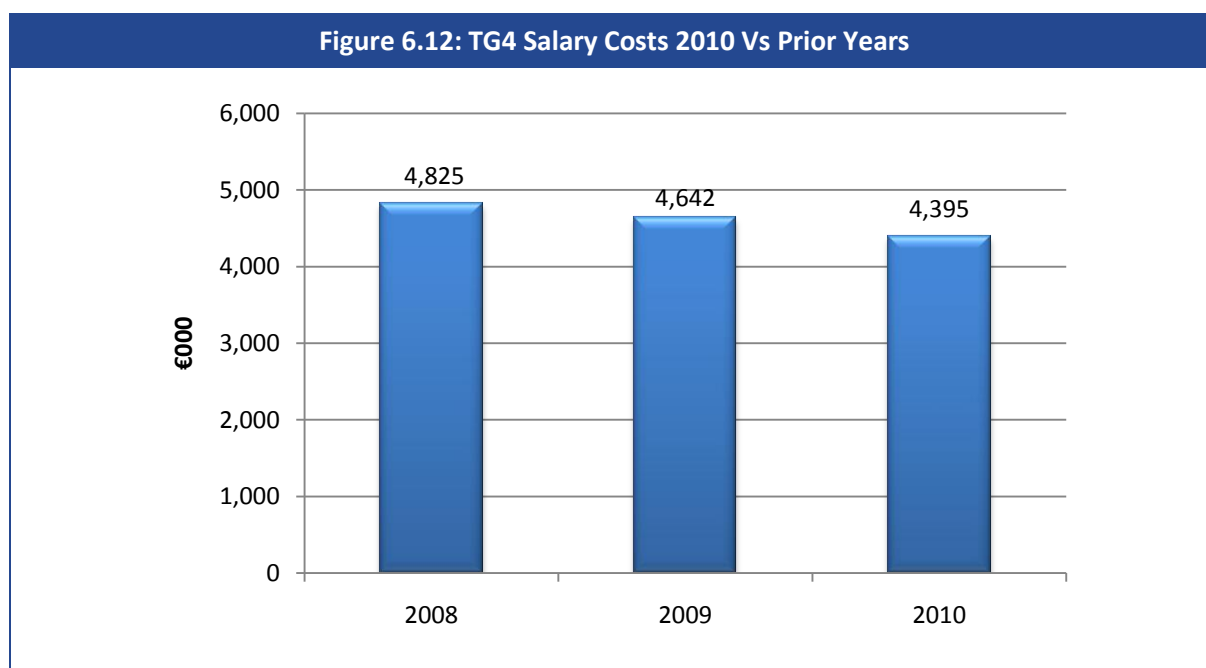
In 2009 and 2010 TG4 total staff costs were adjusted due to capitalisation of certain staff costs arising from the DAM project. In order to take account of this, in the historical trend of TG4's cost control, an analysis of costs before the capitalisation of staff costs is presented in Figure 6.11 below. Staff costs in 2009 and 2010 before capitalisation were €5.815k and €5.469k, respectively.

Figure 6.11: TG4 Staff Costs 2010 vs Prior Years (before capitalisation of staff costs)



Source: Indecon analysis of TG4 data and TG4 Annual Report 2010 and 2009.

The figure below presents data on salary costs vis a vis prior years in TG4.



Note: Figures for 2009 and 2010 were supplied by TG4. Figures for 2007 and 2008 were sourced from the TG4 financial statements in its annual reports of 2009 and 2008.

Source: Indecon analysis of TG4 data and TG4 Financial Statements from the Annual Reports of 2008 & 2009.

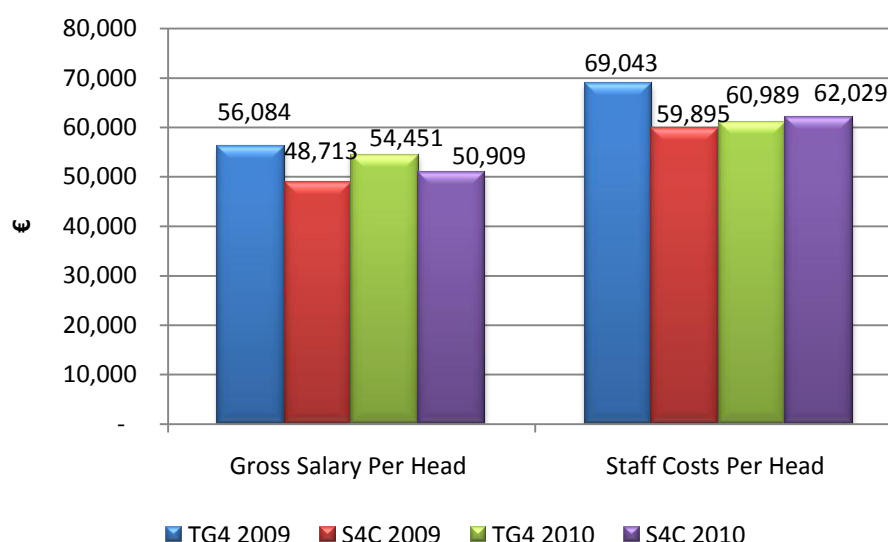
A summary of TG4 salary costs, associated FTE headcount and derived cost per head is provided in Table 6.18 below. The average salary cost of a full-time permanent staff member of TG4 in 2010 was €57,000. This represents a 1.2% reduction on the 2009 average cost of €57,700.

Table 6.18: TG4 Salary Cost per Employee 2010 Vs 2009						
	Total Salary Cost		Headcount		Cost per Head	
	2009	2010	2009	2010	2009	2010
	€000	€000	FTE	FTE	€000	€000
Full-time Perm	4,267	4,045	74	71	57.7	57.0

Source: Indecon analysis of TG4 data.

Figure 6.13 compares the gross salary paid per head to TG4 staff and the total TG4 staff costs per head with that of S4C for 2009 and 2010. The gross salary paid per head by TG4 exceeds that of S4C both in 2009 and 2010. The TG4 gross salary per head was 15% higher than S4C in 2009 and 7% higher in 2010. TG4 achieved a reduction in its gross salaries paid in 2010 while S4C experienced an increase. Staff costs per head in 2009 were 15% higher in TG4 than S4C but in 2010 TG4 achieved a reduction in staff costs which resulted in its staff costs per head being lower than that of S4C.

Figure 6.13: TG4 Staff Costs and Wages Per Head Versus S4C, 2009 & 2010



Note: S4C salaries and staff costs have been converted from pounds to euro using Irish Times exchange rate as of 12/10/2011.

Source: Indecon analysis of data from TG4 annual report and S4C annual report.

Table 6.19 provides a quarterly breakdown of TG4 total salary costs for 2009 and 2010. Salary costs are highest in the third quarter for both 2009 and 2010. On average, total monthly salary costs are approximately €900,000 per month in 2009 and €1,098,000 per month in 2010.

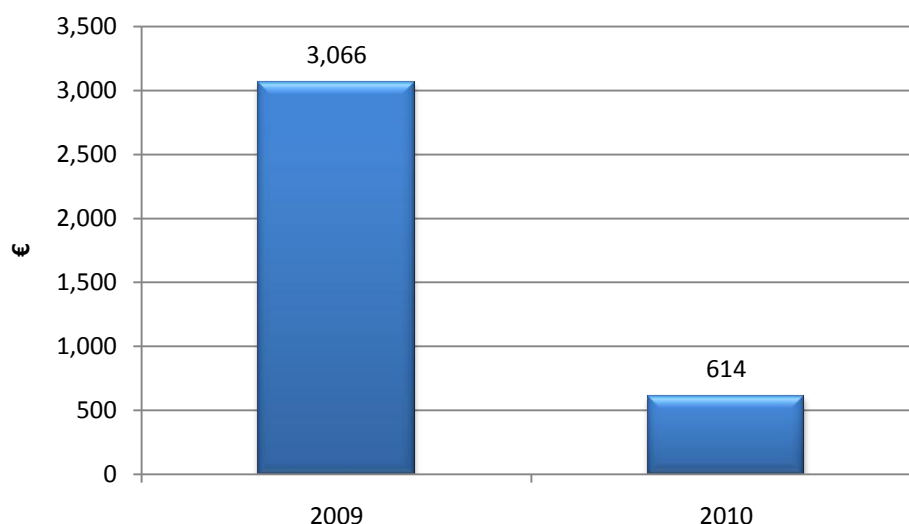
Table 6.19: TG4 Quarterly Salary Costs 2009 & 2010

	2009					2010				
€000										
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Full-time Perm	992	992	1,309	973	4,267	936	944	1,233	932	4,045
Part-Time Perm	44	43	48	35	170	35	36	44	35	150
Full-time Temp	58	41	44	25	169	38	32	41	31	142
Part-time Temp	13	5	12	7	36	7	10	20	21	58
Total	1.107	1.081	1.413	1.040	4.642	1.016	1.022	1.338	1.018	4.395

Source: Indecon analysis of TG4 data.

Figure 6.14 shows that total TG4 overtime costs amounted to €3,066 in 2009. In 2010 TG4 achieved a reduction of €2,452 (almost 80%) in overtime costs.

Figure 6.14: TG4 Overtime Costs 2010 Vs 2009



Source: Indecon Analysis based on TG4 data.

6.6 TG4 Absenteeism Numbers and Cost

In addition to considering overall staff costs, Indecon has examined new information on absenteeism numbers and costs. TG4's absenteeism numbers and associated cost is reviewed in this report as part of the overall analysis of the cost efficiency of the PSB TG4.

As part of this study Indecon, for the first time in such reviews, examined detailed data on absenteeism. Absenteeism is measured as the number of hours or days lost in the year to absenteeism and the number of people involved. All organisations have some absenteeism but it is useful to examine the trend in absenteeism among TG4 staff and the associated costs. The figures for the cost of absenteeism amounted to only €4,303 in 2010 and so are not significant.

Table 6.20: TG4 Absenteeism Costs 2010 vs 2009

	2009		2010	
	Paid	Unpaid	Paid	Unpaid
Associated Costs	1,907	0	4,303	0

Source: Indecon Analysis based on TG4 data.

The above figures do not include costs due to sick leave, maternity leave or holiday leave. In addition to examining TG4 absenteeism issues, we therefore also undertook an analysis of sick leave, maternity leave, maternity/sick leave cover, holiday leave, privilege days and time in lieu of work done. The detailed components of absenteeism hours, people involved and associated costs are not presented due to confidential reasons concerning individuals. The total combined cost of

Sick leave, maternity leave, maternity/sick leave cover and holiday leave fell to €684,986 in 2010 from €805,711 in 2009. This represents a reduction of 15%.

Table 6.21: TG4 Absenteeism Numbers and Hours 2010 vs 2009

	2009			2010		
	Paid Leave	Unpaid Leave	Total	Paid Leave	Unpaid Leave	Total
Total Hours	2,689	1,231	3,920	2,886	2,132	5,018
Total No. of People	58	5	63	54	5	59

Source: Indecon Analysis based on TG4 data.

We undertook a detailed analysis of TG4 absenteeism and the associated cost for 2009 and 2010. TG4 sick leave equates to approximately 1% of total working hours.²⁶ Cost estimates are based on the average gross annual salary including employers PSRI. Included in the total cost is absenteeism, sick leave, maternity leave, maternity / sick leave cover, holiday leave, privilege days and time in lieu of work done. The detailed components of absenteeism hours, people involved and associated costs are not presented due to confidential reasons concerning individuals. Sick leave, maternity leave, maternity/sick leave cover and holiday leave combine to form the principal drivers of TG4 absenteeism costs. The total combined cost of these sources fell to €684,986 in 2010 from €805,711 in 2009. This represents a reduction of 15%.

Table 6.22: TG4 Sick Leave, Maternity Leave, Maternity/Sick Leave Cover, Holiday Leave and Associated Costs 2009 & 2010

	2009		2010	
	Paid	Unpaid	Paid	Unpaid
Sick Leave				
No. of Days Lost	*	*	*	*
No. of Persons Involved	*	*	*	*
Associated Cost	*	-	*	-
Maternity Leave				
No. of Days Lost	*	*	*	*
No. of Persons Involved	*	*	*	*
Associated Cost	*	-	*	-
Sick / Maternity Leave Cover				
No. of Days Lost	*	*	*	*
No. of Persons Involved	*	*	*	*
Associated Cost	*	-	*	-
Holiday Leave				
No. of Days Lost	*	*	*	*
No. of Persons Involved	*	*	*	*
Associated Cost	*	-	*	-
Total Associated Costs	€805,711	-	€684,986	-

Note: *This information is not presented due to confidential reasons concerning individuals.

Source: Indecon analysis of TG4 data.

- ²⁶ As reported by TG4.

We also examined cost of TG4 privilege days and time in lieu which in 2010 was €69,770 which represents a small increase on the 2009 cost of €65,550, however, these costs are not significant in the context of TG4 budget.

Table 6.23: TG4 Privilege Days, Time in Lieu and Associated Costs 2009 & 2010				
	2009		2010	
	Paid	Unpaid	Paid	Unpaid
Privilege Days (if any)				
No. of Days Involved	*	*	*	*
No. of Persons Involved	*	*	*	*
Associated Cost	*	-	*	-
Time Off in Lieu of Work Done				
No. of Days Involved	*	*	*	*
No. of Persons Involved	*	*	*	*
Associated Cost	*	-	*	-
Total Associated Cost	€65,550	-	€69,770	-

Note: *This information is not presented due to confidential reasons concerning individuals.

Source: Indecon analysis of TG4 data.

6.7 TG4's Operating Model

In 2010, almost 50% of TG4 broadcasting hours were commissioned programming (see Figure 3.10). This provides some flexibility within TG4 in reducing total costs when necessary. For example, in 2009 TG4 responded to the reduction in exchequer funding by rescheduling content and re-negotiating rates in order to reduce expenditure accordingly. Table 6.24 lists the various services which TG4 sub-contracted in 2010. This subcontracting allows for flexibility in making year-on-year adjustments and where the service is tendered allows comparisons of cost efficiency.

Table 6.24: TG4 Subcontracting 2010			
Good / Service	Start Date	Completion Date	Contract
Cleaning	3/6/2009	3/20/2012	3 Years
Security	3/6/2009	3/20/2012	3 Years
Billings Service	10/1/2009	9/30/2012	3 Years
Broadband Services	11/27/2009	11/26/2011	2 Years
Airtime Sales	1/1/2010	12/31/2012	3 Years
Internal Audit	4/1/2010	3/31/2013	3 Years
Weather Services	5/13/2010	2/13/2013	3 Years
Marketing	2/1/2011	1/31/2014	3 Years
Canteen Services	2/1/2011	1/31/2014	3 Years
Cúla 4 Merchandise	8/10/2011	8/9/2012	1 Year

Source: Indecon analysis of TG4 data.

6.8 Adequacy of TG4 Funding

The issue of the adequacy of TG4 funding is influenced by what the broadcaster is expected to achieve. Some insights on this can be obtained from the review of the extent to which commitments have been met. It is also critically influenced by the extent to which existing funding will enable the broadcaster to remain financially solvent. In order to explore this latter issue we decided to review the financial performance of TG4 in the year to date, i.e., to 30 September 2011 and the forecasts for the remainder of the year.

The ongoing support for commissioned programming by TG4 is an important factor in considering adjustments in public funding. It is also necessary to consider whether TG4 has sufficient resources to maintain attractive programming in a context of increasing competition. Taking account of the above factors we do not recommend any reduction in public funding to TG4 at this stage as we believe that a reduction could impact on TG4's ability to achieve its objectives given the very difficult broadcasting market. If TG4 wished to set more ambitious targets or commitments in terms of the scale and nature of its output or its market share or research, this would be likely to require additional funding. The targets and commitments are usually a matter for the broadcaster and policy is dictated by the broadcasting legislation.

The assessment of the extent to which TG4 has used the public funding to pursue its public service objects indicates that this has been the case and there is no evidence that overcompensation has occurred.

A summary of the elements of income and expenditure for the first nine months of 2011, total year budget and the TG4 projections for total expenditure for the end of 2011 is provided in Table 6.25.

Table 6.25: TG4 Income and Expenditure for 2011 to date 30/09/11 and TG4 Forecast for 2011

Description	Total Budget 31/12/2011	Figure year to date 30.09.11	Budget Year to Date- September 2011	Year to Date-diff Sept 2011	Forecast 2011
	€000	€000	€000	€000	€000
Staff Costs	5,726	4,036	*	*	*
Boards cost	189	142	*	*	*
Programmes					
<i>Commissions</i>	16,139	15,464	*	*	*
<i>Dubbing</i>	1,594	1,138	*	*	*
<i>Acquired Irish language</i>	1,485	1,550	*	*	*
<i>Acquired English language</i>	1,765	1,028	*	*	*
<i>Subtitling</i>	290	147	*	*	*
<i>And Other Rights</i>	748	623	*	*	*
Total Programmes	22,022	19,950	*	*	*
Transmission Cost	3,611	2,598	*	*	*
Overheads	3,061	2,589	*	*	*
Net Commercial Income	-1,860	-1,170	*	*	*
				*	*
Total Budget	32,750	28,145	*	*	*

Source: TG4 data. TG4's accounts for 2011 are not yet in the public domain and therefore related figures are not published here.

The figures suggest that staff costs will again this year be less than budget figures although in excess of 2010 levels. Higher spending is expected on commissions and acquired Irish language programmes. Transmission costs are expected to be less than budgeted but an increase in overheads is projected. Net commercial income is also projected to be less than budgeted.

Commissioning expenditure is expected to exceed the budget for 2011 by approximately €400,000 or 2.5%. Due to funding reductions and reductions in commercial income, TG4 has deferred the delivery of commissioned programmes year-on-year in order to stay within budget although it has continued to invest significantly in commissioned programmes. Total programming expenditure for 2011 is expected to exceed budget by 1%. If these figures were to represent the outcome, then TG4 would experience a budget shortfall in net income for 2011. However, if expenditure on commissions was kept to the budget level, then the budget would show total expenditure excluding net of commercial income of €32.35m. In order to stay within existing public funding, TG4 would, under these projections, have to secure savings in staff and overhead costs. Both of these items in the figures are in excess of actual levels in 2010.

In assessing the extent to which TG4 has used its public funding in pursuit of its public service objects, with a view to assessing whether any overcompensation has occurred and if such overcompensation has occurred, the level of such overcompensation, it is important to examine what the funds were spent on and the levels involved.

Overview of Cost Efficiency

TG4 has an operating model whereby significant programme and other services are sourced externally. This facilitates ongoing measurement of cost efficiency and our analysis suggests that the broadcaster cost base is in line with what could be expected.

The other significant cost relates to staff costs. TG4 in 2010 responded to the need to reduce these costs by agreeing that staff increments would not be paid and by significantly reducing overtime. There are, however, issues which need ongoing focus including the prevention of any upward drift in staff costs given the difficult market environment and also the need for ongoing effective management of absenteeism.

Measuring the value for money of TG4 or any broadcaster and assessing the extent to which the broadcaster operates efficiently and effectively is a very difficult task. However, an indication on this can be captured by an analysis of indicators such as the number of hours broadcast, unit cost or cost per hour of programming according to source and genre, commissioning rates and acquisitions rates.

7 Conclusions

7.1 Summary of Key Conclusions

TG4 in 2010 broadly fulfilled most of its commitments in respect of its public service objects as set out in its annual statement of performance commitments. The evidence indicates that most of the main commitments set for TG4 have been met. Among the most significant targets set, TG4 performed very well in terms of commissioning spend and hours but it was not in a position to achieve the targets set for audience market share. TG4 experienced a further drop in its television viewing market share from 2.6% to 2.1% in 2010. This result reflects the growing competition faced by the public service broadcaster from other television viewing platforms.

A long-term challenge for TG4 is how to maintain or grow its market share and how to attract a more diversified audience base including a greater percentage of women and young people. While the latter is not currently an explicit commitment, Indecon believes this may be important in maintaining its market share and requires further consideration.

2010 was a positive year for developments in the TG4 website and the TG4 Live Player. The number of website visitors, web TV programme streams, and web page impressions increased significantly in 2010. In November 2010, the number of website visitors reached 272,791 compared to 102,842 in the same month in 2009. The number of visitors to the TG4 Live Player has increased steadily since 2006. In 2010 TG4 experienced a 41% increase in the number of visitors to the Live Player from November 2009 to November 2010.

Highlights relating to its programming commitments included 1,592 hours of new Irish language commissions, exceeding its target of 1,495 hours. In terms of its finance and funding commitments, TG4 met its targets by spending 70% of exchequer funding on Irish language content, 16% on broadcasts and the remaining 14% on overheads. In 2010, TG4 did not meet its Sound & Vision Scheme target of €2m but in February of 2011, €2.7m was committed. Key highlights in terms of organisational development within TG4 in 2010 included delivering its 2010 targets in relation to the transition to Digital Terrestrial Television, the negotiation of HD format for all drama content and the full and timely implementation of phase 2 of the DAM system.

TG4 achieved a reduction of over 10% in its programming costs in 2010 and subsequently reduced its cost per hour of commissioned programming. TG4 achieved a reduction of 8.4% in total operating expenditure for 2010.

On the issue of the extent to which creativity is fostered and sustained, TG4 performs very strongly. In addition to supporting extensive Irish language and other commissioned programmes, new evidence presented in this report shows that TG4 programming supported 428 creative specialists including 106 directors, 218 actors and 80 writers. While the specific target for jobs supported in the Independent sector was not met, TG4 estimates it supported 283 jobs in the sector.

The extent to which any broadcaster operates efficiently and effectively and provides value for money is difficult to measure. However, our assessment suggests that there is a strong focus on cost containment in TG4 and its operating model facilitates cost effectiveness. The analysis of data on the two key areas of programming costs and salary costs suggests a broadly efficient organisation providing value for money and some further improvements in these areas have been secured in 2010. Indecon would, however, support a strong ongoing focus on cost efficiencies but it is not evident that significant savings could be made without impacting on the level and quality of commissioned programmes.

The adequacy or otherwise of public funding to enable TG4 to meet its public service objects is a complex issue and is discussed further in the opinion outlined below on the appropriateness of any potential adjustment in public funding to TG4.

The assessment of the extent to which TG4 has used the public funding to pursue its public service objects indicates that this has been the case and there is no evidence that overcompensation has occurred.

On the maintenance of surpluses TG4 recorded a small deficit in 2010 if revenue is defined as excluding amortisation of grants and any interest receivable and so the issue of surpluses does not arise. It is also useful for comparative purposes to look at surpluses or deficits on ordinary activities of TG4 before taxation as per the published financial accounts. This includes interest receivable and similar income and is adjusted for any surplus or disposal of fixed assets. This shows that TG4 recorded a small surplus in 2010 but this is well in line with EU requirements.

7.2 Opinion on Any Adjustment in Public Funding

The annual adjustments to the licence fee, as set out in the broadcasting legislation, are based on the price regulation formula known as the 'CPI-X' formula. The 'X' is an adjustment factor which relates to key factors such as cost control, programming/output performance and organisational improvements within the PSB. The 'X' factor may be positive, negative or equal to zero depending on the performance indicators. The CPI is the Irish consumer price index and this declined in 2010 by 1%.

While this formula does not apply to changes in TG4's funding, it is useful to consider the impact if a similar approach was used in the case of TG4. If it was deemed that the level of 'X' measuring the efficiency and performance of TG4 was for example, in line with what could have been expected, this might suggest no adjustment for 'X' and that the only change should reflect the movements in CPI, namely a reduction of 1%. Indecon does not believe it would be appropriate on this occasion, to reduce TG4's public funding by this amount as the given margin of error in measuring prices applicable to broadcasters a 1% change in CPI is not material. The impact of a

reduction in the public funding for TG4 should also be considered in the context of the adequacy of funding and could impact on the ability of TG4 to meet its public service obligations.

Indecon was impressed with the operating model at TG4 and the fact that staff numbers, average salary costs, absenteeism and overtime (with the exception of privilege days and time in lieu) were reduced in 2010. During 2010, TG4 faced a very difficult funding environment with a reduction in public funding and a decline in commercial revenues. Despite this, TG4 managed to achieve most of its key commitments. However, given the nature of the focus of TG4 and the resultant small market share, this has implications for average cost per viewer of specific programmes.

The ongoing support for commissioned programming by TG4 is an important factor in considering adjustments in public funding. It is also necessary to consider whether TG4 has sufficient resources to maintain attractive programming in the context of increasing competition. Taking account of the above factors, we do not recommend any reduction in public funding to TG4 at this stage as we believe that a reduction could impact on TG4's ability to achieve its objectives given the very difficult broadcasting market. If policymakers wished to set more ambitious targets or commitments for TG4 in terms of the scale and nature of its output or its market share or research, this would be likely to require additional funding.

7.3 Opinion on Process Improvements

Indecon believes there is a need to review the nature of the commitments set by TG4 for subsequent periods. In some cases an issue arises as whether specific commitments represent a forecast of likely future outcomes or whether they reflect challenging stretch targets. There is also an issue of the large number of commitments set, many of which are very different in terms of their relative significance.

We also believe there is a need to have more clarity on how the annual funding review impacts on funding and to ensure that it supports and incentivises ongoing efficiency measures. Critically, Indecon believes there is an urgent need for greater certainty for TG4 and the other service broadcasters on funding over at least a two- or three-year period. Ensuring that the annual or multi-annual review process is taken into account in any government decisions on public funding for broadcasters is in our view also essential for the credibility and usefulness of this review process.

Annex 1

TG4 Programmes Demonstrating Exceptional Creativity			
Title	Genre	Description	Awards & Nominations
Corp & Anam	Drama	Set in contemporary Ireland, Corp & Anam tell the story of a TV crime correspondent who prides himself on pursuing the story behind the story. He pursues health service neglect, internet paedophilia, boy-racer recklessness and police corruption. He is too busy chasing the stories to notice the world of crime is coming closer to home everyday.	N/A
Ráisaí na Gaillimhe	Drama	Ráisaí na Gaillimhe follows the fortunes of a disparate yet intricately connected group of characters through an exciting race week in the city of tribes. Each episode of the series will be based on the seven deadly sins and their relevance to modern life in Ireland.	3 Awards ICAD Print Advert and ICAD Radio Advert. Shark Advertising Awards; Best Promo Print Silver, 12 Nominations IFTA; Best Irish Language ²⁷ , Drama Series, Best Director, Best Script, Best Leading Actress, Single Drama and Drama Series. Oireachtas na Gaeilge; TV Drama. TV Now Awards; Best Drama. Shark Advertising; Best Irish Radio, Best Irish Print, Best Irish Ambient Free Space.
Siol / Údar	Drama	The Siol initiative has given 6 writers and 6 directors from the Gaeltacht or those fluent in Irish the opportunity to write, develop and product a television script. Údar is a scheme to televise 20 th century Irish literature classics.	N/A
Seacht 4	Drama	A drama series following the lives of 7 college students at the Arts Department at Queens University in Belfast.	2 Nominations: IFTA; Best Children's Programme and Best Irish Language. 1 Award: Celtic Media Festival; Best Young People's
Na Cloigne	Drama	A supernatural thriller that tells the story of a young couple who become caught up in the gruesome murder of too young children.	1 Award: Oireachtas na Gaeilge; TV Drama.
Ó Tholg go Tolg	Entertainment	Two Irish Speaking girls jet off around Europe to begin their couch surfing adventure. They stay with 20 hosts in 20 destinations where they get personalised tours from hosts including a magician, a street performer, a dumpster driver and a human hair sculptor.	N/A
Garraí Glas	Entertainment	A 13 part series dedicated to Organic Gardening. Sile Nic Chonaonaigh journeys around Ireland meeting people who are gardening without chemicals and learning from those who are mostly self-sufficient.	1 Nomination: Oireachtas na Gaeilge; TV Drama.
Múide É ire SPLANC!	Documentaries	The SPLANC! Scheme supports the creative exploration of the arts in Ireland via the funding of a chosen documentary or series.	N/A
Cogar & Anamnocht	Documentaries	The Cogar series broadcasts programmes which concentrate on people rather than issues. Participants tell their own story allowing the hidden side of Irish Life to be visually captured.	N/A

Source: TG4 data.

²⁷ TG4 did not specify in its review if “Best Irish Language” for *Ráisaí na Gaillimhe* was an award or a nomination. Indecon assumes this is a nomination.