



TG4 Annual Public Funding Review 2011

**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:

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Contents

Page

Executive Summary	i
Introduction and Terms of Reference	i
Overview of Extent to which TG4 has Fulfilled its Commitments	i
Details of Fulfilment of New Irish Language Programming Commitments	ii
Details of Performance in Audience Share	iii
Assessment of TG4's Role in Supporting Creativity	iii
Assessment of TG4's Efficiency and Value for Money	v
EU Compliance	x
Recommendations	x
Acknowledgements	xii
1 Introduction and Background to Review	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 An Assessment of the Extent to which TG4 has met its Commitments for 2011	15
3.1 Introduction	15
3.2 TG4 Performance against Commitments 2011	15
3.3 Summary of Findings	45
4 An Assessment of TG4's Role in Supporting Creativity	47
4.1 Introduction	47
4.2 TG4 Creative Resources	47
4.3 Measures taken by TG4 to support the Creative sector	50
4.4 Summary of Findings	51
5 Analysis of TG4's Financial Performance and Outlook	53
5.1 Introduction	53
5.2 TG4 Group Financial Performance 2009-2011	53
5.3 Summary of Findings	67
6 Examination of TG4's Efficiency and Value for Money	68
6.1 Introduction	68
6.2 Commissioning Expenditure and Cost per Hour	69
6.5 TG4 Broadcasting Hours and Cost per Hour	71
6.6 Outturn versus Budget	73
6.7 Staff Costs and Human Resources	73
6.8 Absenteeism and Related Costs	78
6.9 TG4 Subcontracting	78
6.11 EU Compliance	79
6.12 Summary of Findings	80

Contents

Page

7	Conclusions & Recommendations	81
7.1	Summary of Key Conclusions	81
7.2	Recommendations	82

Tables, Figures & Boxes

Page

Table 2.1: Annual Percentage Change in National Income 2008-2011	5
Table 2.2: Total Domestic Demand 2008-2011	5
Table 2.3: Earnings and Labour Costs for 2008-2011	6
Table 2.4: Unemployment Rate in Ireland 2008-2011	6
Table 2.5: Channel Shares 2011 Vs 2010	10
Table 3.1: TG4 Performance in 2011 on its “Programming” Commitments	17
Table 3.2: TG4 Performance in 2011 on its “Programming” Commitments (Continued)	18
Table 3.3: TG4 Sample Audience Profile, Gaeltacht Area	32
Table 3.4: TG4 Performance in 2011 on its ‘Relations’ Commitments	33
Table 3.5: TG4 Performance in 2011 on its ‘Finance & Funding’ Commitments	34
Table 3.6: TG4 Performance in 2011 on its ‘Contribution to National Economy’ Commitments	35
Table 3.7: TG4 Performance in 2011 on its ‘Audience’ Commitments	36
Table 3.8: TG4 Performance in 2011 on its ‘Audience’ Commitments (Continued)	36
Table 3.9: Summary of TG4 Viewership, Reach and Share for all Programmes during Peak Time, 2010 & 2011	37
Table 3.10: TG4 Top 20 Programmes during Peak Time 2011 (Live Viewing Only)	38
Table 3.11: TG4 Top 20 Programmes – Highest Audience 2011	39
Table 3.13: TG4 Performance in 2011 on its ‘Organisational Development’ Commitments	42
Table 3.14: TG4 2011 Performance on its Public Service Statement	44
Table 3.15: TG4 2011 Performance on its Public Service Statement (Continued)	45
Table 4.1: TG4 Creative Resources 2011	49
Table 4.2: TG4 Awards / Nominations 2009-2011	50
Table 4.3: Programmes Highlighted by TG4 as Demonstrating Creativity in 2011	51
Table 5.1: Composition of TG4 Group Income 2009-2011	53
Table 5.2: TG4 Net Commercial Income 2009-2011	54
Table 5.3: Composition of TG4 Group Commercial Income 2009-2011	56
Table 5.5: Analysis of Principal Drivers of TG4 Operating Costs 2009-2012	62
Table 5.6: Cost Income Ratio for TG4 2009-2011	62
Table 5.7: Income and Expenditure Statement for TG4 2009-2011	63
Table 5.8: TG4 Balance Sheet 2009-2011	64
Table 5.9: TG4 Cash Flow 2009-2011	64
Table 5.10: TG4 Actual Vs Budget Income & Expenditure Summary 2011/2012	65
Table 5.11: Outlook for TG4 Operating Costs 2012	66
Table 6.1: TG4 Programme Expenses 2009- 2011	68
Table 6.2: Overview of TG4 Commissioning Budget 2011	69
Table 6.3: TG4 Commissioning Contracts Summary 2011	70
Table 6.9: TG4 Cost per Viewer Hour 2009-2011	72
Table 6.10: TG4 Individual Budget Line Maximum Rates.	72
Table 6.11: TG4 Programming Expenditure Actual Vs Budget	73

Tables, Figures & Boxes

Page

Table 6.13: TG4 Salary Cost per Employee 2011 Vs 2010	77
Table 6.14: TG4 Absenteeism Numbers, Hours and Cost 2011	78
Table 6.19: Evaluation of Overcompensation and Maintenance of Surplus	79
Table 7.1: Summary of Recommendations	82
Table 7.2: Composition of TG4 Group Income 2009-2011	83
Figure 2.1: Consumer Price Index, Annual Percentage Change 2008-2011	7
Figure 2.2: Number of TV Homes May 07–May 12	8
Figure 2.3: TV Homes by Reception Type May 10–May 12	9
Figure 2.4: Digital and Analogue TV Reception, May 10-May 12	9
Figure 2.5: Proportion of Digital TV Subscribers for Gaeltacht and Non-Gaeltacht Areas, 2009 & 2012	11
Figure 2.6: TG4 Share by Platform January 2007 – November 2011	12
Figure 2.7: Proportion of Viewing by Source for TG4 Versus RTÉ One in 2011	13
Figure 3.1: Total New Irish Language Programming Output TG4, 2011 Vs Prior Years	19
Figure 3.2: New Irish Language Programming, Average Hours per Day TG4, 2011 Vs Prior Years	19
Figure 3.3: TG4 New Irish Language Programming By Genre 2009-2011	20
Figure 3.4: TG4 New Irish Language Programming by Source 2011 Vs Prior Years and 2011 Targets	21
Figure 3.5: TG4 Target Vs Actual New Irish Language Programming by Source 2011	21
Figure 3.6: % Differential Actual Vs Target New Irish Programming by Source, TG4 2010/2011	22
Figure 3.7: Target Vs Actual New Irish Language Programming by Genre, TG4 2011	23
Figure 3.8: % Differential Target Vs Actual New Irish Language Programming by Genre, TG4 2010 & 2011	24
Figure 3.9: TG4 Total Broadcast Hours by Language 2010 & 2011	25
Figure 3.10: TG4 New Irish Language Broadcasting Hours by Source 2011 Vs 2010	25
Figure 3.11: TG4 New Vs Repeated Irish Language Broadcasting Hours 2010 & 2011	26
Figure 3.12: TG4 Irish Language Broadcast Hours by Genre 2010 & 2011	27
Figure 3.13: TG4 Non-Irish Language Broadcast Hours by Genre 2010 & 2011	28
Figure 3.14: TG4 Sports Programming Acquisitions 2011 Vs Prior Years	28
Figure 3.15: TG4 Main Schedule Acquisitions 2011 Vs Prior Years	29
Figure 3.16: Growth in TG4 Website Visitors and Player Streams 2009 – 2011	30
Figure 3.17: TG4 Target vs Actual Online Performance 2011	31
Figure 3.18: Average Audience Viewing Shares by Channel 2011 for TG4, RTÉ and TV3 2011	37
Figure 3.19: TG4 Audience Shares by Category, 2011 & 2010	40
Figure 4.1: Breakdown of Staff Supported by TG4 in the Creative Industry 2011	48
Figure 4.2: Staff Supported by TG4 in the Creative Industry by Genre 2011	49
Figure 5.1: Composition of TG4 Group Income 2009–2011 (% share)	54
Figure 5.2: Trend in TG4 Income 2009-2011	55
Figure 5.3: Trend in TG4 Income by Source 2011 Vs Prior Years	55

Tables, Figures & Boxes

Page

Figure 5.4: Trend in TG4 Commercial Income, TG4 Public Funding and Irish Gross National Product of Irish Economy 2009–2011	56
Figure 5.5: Trend in Production Funds Secured for TG4 Commissions 2009-2011	57
Figure 5.6: Production Funds Facilitated for the Independent Sector by TG4 by Source, 2011 Vs Prior Years	58
Figure 5.7: Production Funds Facilitated for the Independent Sector by TG4 by Genre, 2011 Vs Prior Years	58
Figure 5.8: Trend in TG4 Operating Costs 2009-2011	59
Figure 5.9: TG4 Operating Costs by Category, 2011 versus Prior Years	60
Figure 5.10: TG4 Operating Expenditure by Category, 2011 Vs Prior Years	60
Figure 6.1: TG4 Programming Expenditure by Source, 2011 Vs Prior Years	68
Figure 6.2: TG4 Commissioned Programming Expenditure Share of Exchequer Funding and Operating Expenditure, 2011 Vs Prior Years	69
Figure 6.9: TG4 Cost Per Broadcast Hour by Source 2011 Vs 2010	71
Figure 6.10: TG4 Cost Per Broadcast Hour Commissioned / In-house Irish Language Programming by Genre 2011 Vs 2010	72
Figure 6.13: TG4 Trend in Headcount of FTE Staff 2008-2011	73
Figure 6.14: TG4 Headcount of FTE Staff 2011 Vs Prior Years	74
Figure 6.15: TG4 Human Resources by Department 2011 Vs 2010	75
Figure 6.16: TG4 Staff Costs 2011 Vs Prior Years	75
Figure 6.17: TG4 Staff Costs 2011 vs Prior Years (before capitalisation of staff costs)	76
Figure 6.18: TG4 Salary Costs 2011 Vs Prior Years	76
Figure 6.19: TG4 Staff Costs and Wages Per Head Versus S4C, 2010 & 2011	77

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. In discussions with BAI we agreed to produce this separate report for TG4 rather than attempting to incorporate it with a review of RTÉ. Indecon believes this enables a more appropriate and focused examination of the specific issues relevant to TG4.

The terms of reference for the 2011 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 2011.
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.

Overview of Extent to which TG4 has Fulfilled its Commitments

Each year, TG4 is required to prepare an Annual Statement of Performance Commitments (ASPC hereafter) which outlines key TG4 targets inter alia with respect to programming hours, Irish language programming hours, value-for-money and audience share. TG4 is then required by the Broadcasting Act 2009 to submit a review of its performance against these commitments and to explain any differences that may have arisen.

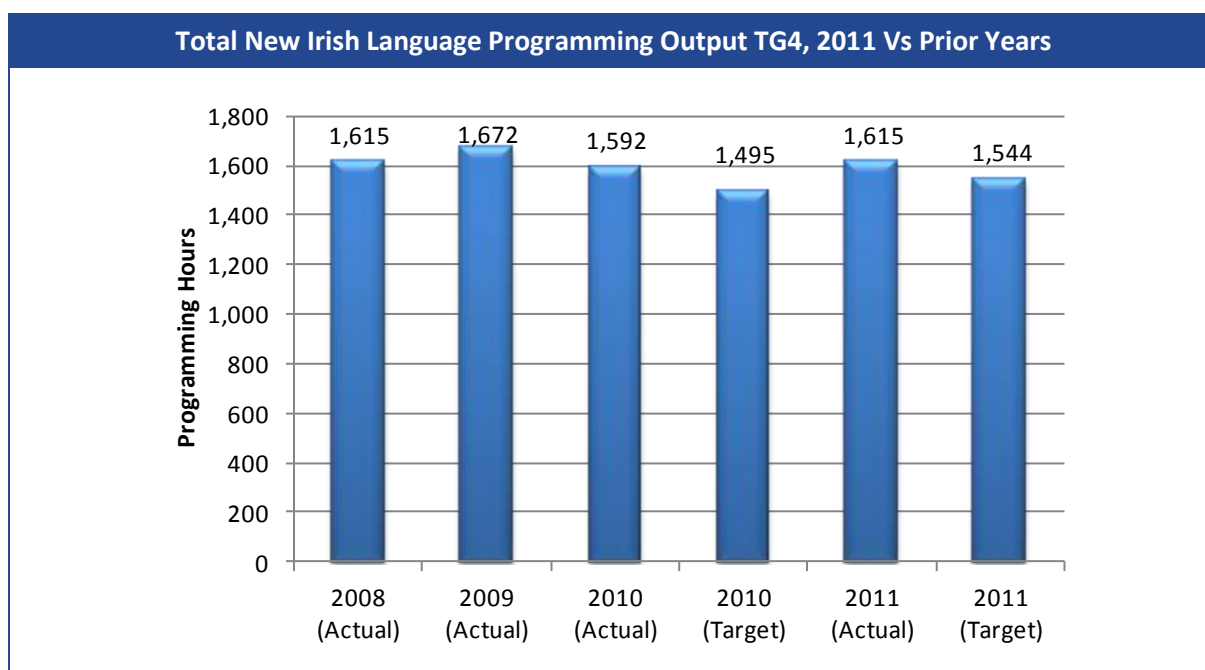
Our examination of TG4’s performance in relation to certain key commitments indicates the following:

- ❑ TG4 provided 1,615 total hours of new Irish language programming against a target of 1,544 hours. It also achieved an average of 4.42 hours of new Irish language programming per day against a target of 4.2 hours per day.
- ❑ TG4 did not achieve the 68% subtitling target due to funding reasons. 42% of TG4 programming in 2011 contained subtitles. TG4 provided 400 hours of new Irish language subtitling and a further 100 hours of English language subtitling.
- ❑ Average commissioning cost-per-hour increased from €26k to €28k in 2011 but remained below the target set in the ASPC.
- ❑ The TG4 website recorded 14,831,190 page impressions, 2,936,685 visits, 1,561,154 unique visitors and 2,800,000 Player streams in 2011; this represented an increase on 2010 figures in each category and also an increase on 2011 targets.
- ❑ TG4 commissioned 573 hours of new Irish language programming.

- ❑ TG4 continued to work on the rollout of Saorview in the Republic of Ireland and the establishment of MUX 7 in Northern Ireland in order to make TG4 available on an all-island basis.
- ❑ TG4 undertook initial work on the establishment of a HD channel and secured a Supplementary Budget from the Department of Communications, Energy and Natural Resources (DCENR) to cover the costs of creating this channel.
- ❑ The TG4 Archive project was not achieved in 2011 due to funding reasons; its introduction has been delayed until Q2 2012.
- ❑ There was a slight increase (1.55%) in the amount of public funding received by TG4 in 2011. Commercial revenue from advertising and sponsorship in 2011 declined by 10.35% and other commercial revenue declined by 11.2%.
- ❑ TG4 employed 83 full-time positions in 2011 and supported 273 full-time positions in the independent production sector (the 2011 targets were 100 and 300 FTE positions, respectively).
- ❑ TG4 national audience share fell from 2.09% in 2010 to 2.06% in 2011. This decline was also experienced by many other broadcasters with similar market shares.

Details of Fulfilment of New Irish Language Programming Commitments

The table below presents data on total hours of new Irish language programming from 2008 to 2011. Also provided are the targets for 2010 and 2011. Programming hours¹ increased in 2009 followed by a fall to 1,592 hours in 2010. New Irish language programming hours then increased slightly to 1,615 hours in 2011 and this exceeded TG4's target of 1,544 hours by 4.5%.



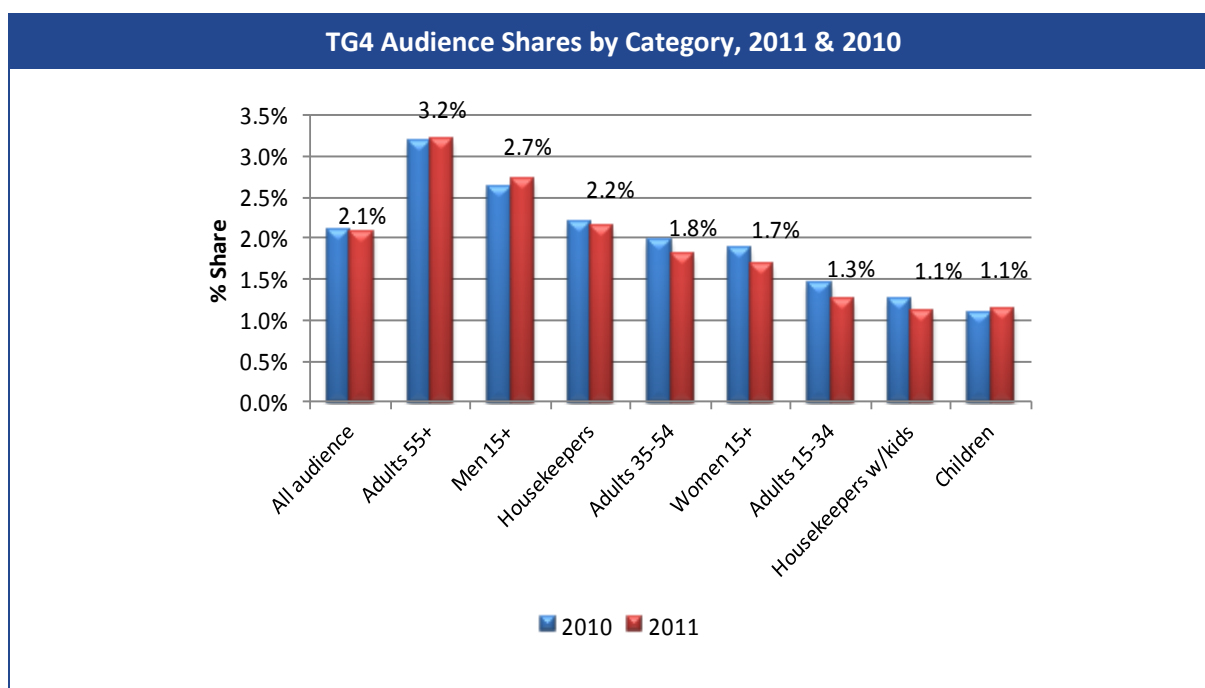
Note: Hours measured here are according to contracts.

Source: Indecon analysis of TG4 Review of 2011 Performance (March 2012) and TG4 Review of 2010 Performance (April 2011).

¹ The figure for 2007 was 1519. This is sourced from the TG4 Review of 2009 Performance (March 2010).

Details of Performance in Audience Share

TG4's target for maintaining market share was not met and as indicated above market share declined in 2011. The following figure displays TG4 audience shares disaggregated by demographic group. This figure demonstrates that TG4 increased its audience shares for adults over the age of 55, men and children. There were however falls in the audience share attributed to adults aged 15 to 54, and a decline was also evident in audience of women. Overall there was a decline in the TG4 audience share from 2.09% in 2010 to 2.06% in 2011.



Note: All figures reported are "Live" shares, referring to viewing at time of transmission. Data labels shown are for 2011 only.

Source: TG4 Review of 2011 Performance (March 2012) & TG4 Review of 2010 Performance (April 2011).

Assessment of TG4's Role in Supporting Creativity

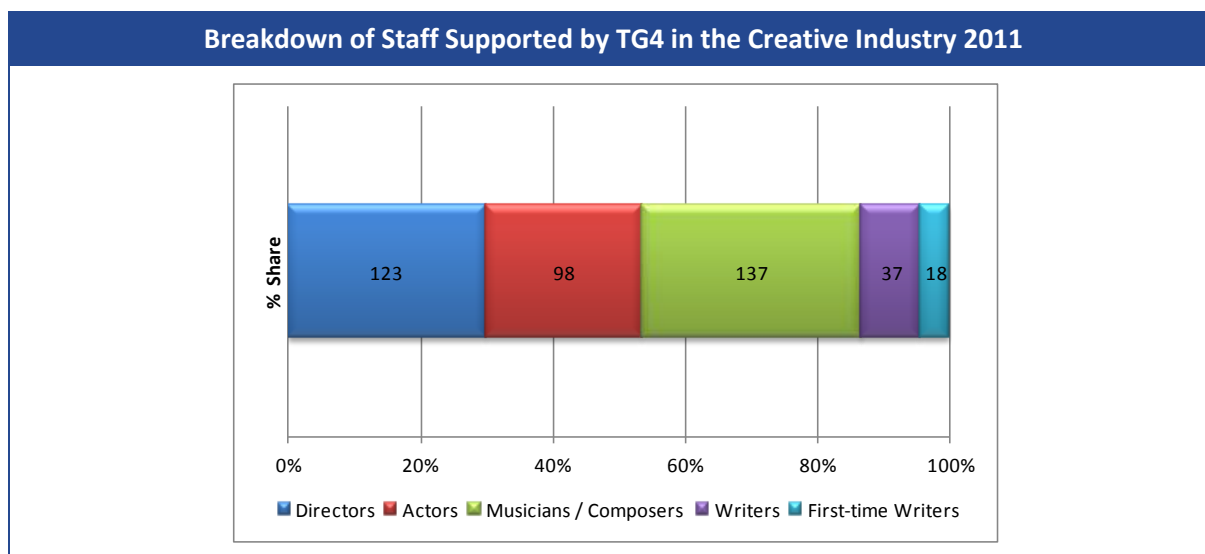
The Broadcasting Act 2009 sets out specific obligations for TG4 in its role as a public service broadcaster (PSB). One of these is to ensure that creativity and cultural expression are fostered within the broadcasting industry.

In 2011, 634 hours of new Irish language programming were commissioned or co-produced with the independent production sector. Of these, 438 hours represented pre-existing series, such as Ros na Rún. The remaining 196 hours were new, however, and TG4 believes these demonstrate originality and creativity in their programming.

TG4 also secured €9.5 million on behalf of the independent production sector from the BAI Sound & Vision II Fund and the ILBF. This funding went directly to independent producers and enabled the production of 36 Sound and Vision programming projects and 28 ILBF programming projects; an additional 4 programmes / series were produced in conjunction with Bord Scannán na hÉireann/the Irish Film Board.

One other measure of creativity is the number of creative staff supported by TG4. The numbers presented here represent an aspect of creative staff, and do not include producers, researchers or technical staff involved in the production of programmes. The figures should therefore be seen only as an indication of TG4's role in supporting wider creativity.

The figure below presents a breakdown of creative staff supported by TG4 in 2011. 413 creative staff were supported which represents a slight decrease on the 428 estimated for 2010. This figure demonstrates that musicians / composers make up the largest proportion of creative staff (33%) followed by directors (30%). Actors make up the next largest category of creative staff, followed by writers and first-time writers.



Source: TG4 Review of 2011 Performance (March 2012).

Another indicator of supporting creativity is the number of awards and nominations received by TG4. The types of nominations received demonstrate the variety in TG4 programming and their reception on both the national and international stage. Programming-related awards in particular demonstrate the creative talent supported by TG4 with awards/nominations received for writing skills, animation, art direction, use of Irish language and best drama series, among others. Marketing awards/nominations also highlight the creative talent among the TG4 staff with awards/nominations received for print ads and outdoor posters. Data on this is presented below. This is of course an imprecise measure due to differences in the type and relative significance of the awards. There was a slight decrease in the number of awards and nominations won but overall 75 awards or nominations were received in 2011.

TG4 Awards / Nominations 2009-2011			
Category	2009	2010	2011
Programming	23	49	45
Marketing / Branding	12	17	20
TG4 Personalities	6	16	10
Total	41	82	75

Note: In 2009 the total refers to all awards won.

Source: Indecon analysis of TG4 Review of 2011 Performance (March 2012), TG4 Review of 2010 Performance (April 2011) and TG4 Review of 2009 Performance (March 2010).

In the table below a list of programmes highlighted by TG4 as demonstrating creativity is presented. These programmes cover a range of genres.

Programmes Highlighted by TG4 as Demonstrating Creativity in 2011				
Title	Company	Genre	Funders	Awards & Nominations
Rásaí na Gaillimhe 2	Great Western Films	Drama	TG4/BAI	N/A
Ros na Rún	Eo Teilifís	Soap/Drama	TG4/S481	N/A
M'Athar Ray	Dearg Films	Documentary	TG4	Shortlisted IFTA
Pitch Perfect	Good Company Productions	Documentary/Music	TG4/BAI	N/A
An G-Team	Adare Productions	Entertainment	TG4/BAI	N/A

Source: TG4 Review of 2011 Performance (March 2012).

Overall, our analysis suggests that TG4 continues to support significant creativity particularly in the Irish language broadcasting sector. While specific targets to cover creativity have not been set, it is clear that TG4 continues to foster and sustain creativity.

Assessment of TG4's Efficiency and Value for Money

An analysis of TG4 expenditure is an essential part of our review of the cost efficiency and value for money of TG4. The table below presents the detailed components of TG4 operating expenditure each year from 2009 to 2011 and the picture for the year to date June 2012. Commissioned programming expenditure increased by 3% from 2010 to 2011 and accounted for almost 50% of total operating expenditure. Total staff costs increased by 5% in 2011 following a reduction in 2010. The compound annual change over the three-year period for this cost was -3.4%. Overall total operating costs after the amortisation of grants increased by 0.4% in 2011 while total expenditure fell over the three-year period. Any increase in costs is a potential cause of concern given the nature of the broadcasting market and the implications for TG4 cost to income ratio.

Analysis of Principal Drivers of TG4 Operating Costs 2009-2012						
Source	2009	2010	2011	Year to-date June 2012	% change 2010 - 2011	CAGR ² 09-11
	€000	€000	€000	€000	(%)	(%)
Total Staff Costs	5,738	4,916	5,166	2,632	5%	-3.4%
Commissioned Programmes Costs	18,132	17,034	17,541	11,028	3%	-1.1%
Acquired Programmes Costs	4,217	3,297	2,959	1,668	-10%	-11.1%
Dubbing & Other	3,086	2,399	2,499	1,356	4%	-6.8%
Board Costs	147	167	185	86	11%	8.0%
Overheads	1,338	1,821	1,985	833	9%	14.1%
Marketing & Research	1,513	1,679	1,554	646	-7%	0.9%
Transmission Costs	3,802	3,697	3,404	1,858	-8%	-3.6%
Depreciation	1,200	860	1,302	681	51%	2.8%
Amortisation of Grants	-912	-704	-1,273	-667	81%	11.8%
Total	38,261	35,166	35,322	20,121	0.4%	-2.6%

Note: CAGR = compound annual growth rate.

Source: TG4 Annual Report 2010 & 2011 (most recently published figures), TG4 data and Indecon analysis.

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

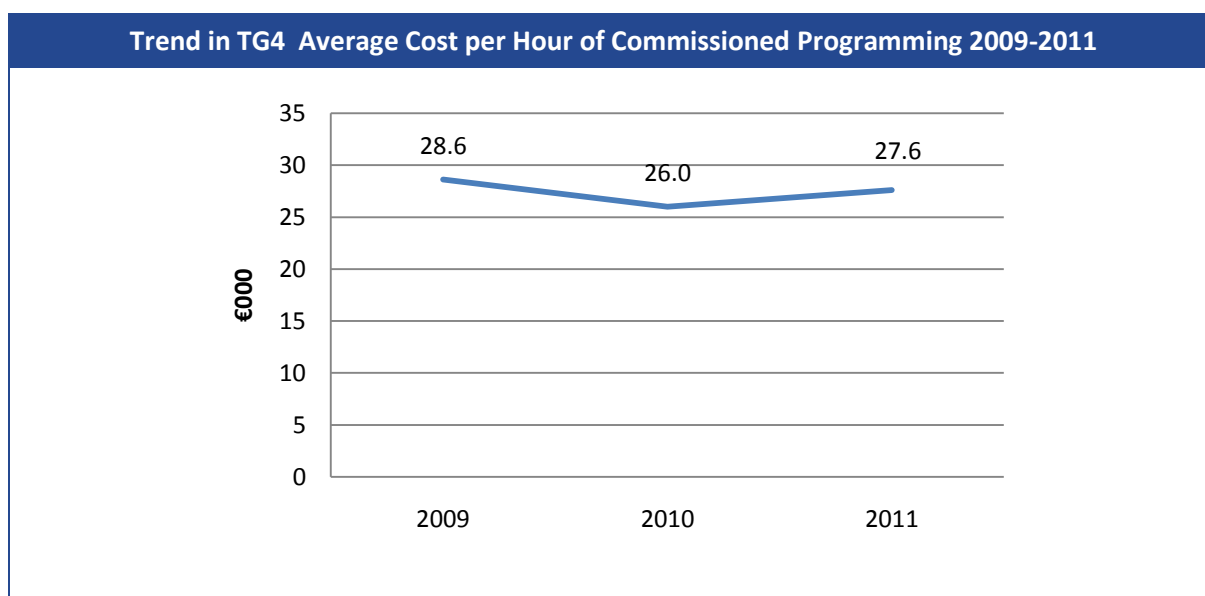
TG4's cost income ratio over the period to 2009 – 2011 is presented in the table below. The figures show that TG4's operating expenditure is very high compared to its total income. The ratio increased to 91.66% in 2011.

Cost Income Ratio for TG4 2009-2011			
Source	2009	2010	2011
	€000	€000	€000
Commercial Income	3,617	3,483	3,110
Interest Receivable & Similar Income	81	58	2
Public Funding	36,145	32,954	34,023
Total Income	39,843	36,495	37,135
Total Operating Expenditure	36,308	32,975	34,038
Cost-Income Ratio (%)	91.13%	90.35%	91.66%

Source: Indecon analysis of TG4 Annual Report 2009, 2010 & 2011 (most recently published figures).

It is also useful to consider TG4 expenditure against the budgets set. This is presented in the table below. Commissioning expenditure exceeded the budget by approximately €1.48 million. Staff costs, board costs and acquired, dubbing and other programming costs were less than budgeted levels.

It is interesting to consider commissioning expenditure in detail, given that it forms such an important component of total programming expenditure. The trend in average cost per hour of commissioned programming over the period from 2009 to 2011 is presented in the figure below. Cost per hour of commissioning programming fell from an average of €28.6k in 2009 to €26k in 2010 but increased in 2011 to an average of €27.6k. The costs per hour, however, vary by genre and by the nature of the programme and so aggregate figures are likely to mask such differences.



Note: Cost includes current net spend plus spend deferred from previous year coming into present year.

Source: Indecon analysis of TG4 Review of 2011 Performance (March 2012) & TG4 Review of 2010 Performance (April 2011).

The average cost per hour of TG4 acquisitions in 2011 is presented below.

Average Cost per Hour of Acquisitions by Genre 2011

*

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

Source: Indecon analysis of TG4 data

Another measure of the cost efficiency of TG4 programming is the cost per broadcast hour (or transmitted hour). An overall summary of TG4 broadcasting hours for 2011 compared with that of 2010 is presented in the next table.

TG4 Broadcast Summary 2011 & 2010			
	Broadcast Hours	Total Cost €000	Cost Per Hour €000
2011		2011	
Irish Language Commissions/ In-house	*	*	*
Irish Language Acquired / Dubbed	*	*	*
Total Irish Language	*	*	*
Non-Irish language	*	*	*
Total Broadcast	*	*	*
2010		2010	
Irish Language Commissions/ In-house	*	*	*
Irish Language Acquired / Dubbed	*	*	*
Total Irish Language	*	*	*
Non-Irish language	*	*	*
Total Broadcast	*	*	*

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

Source: Indecon analysis of TG4 data.

Estimates of the cost of TG4 programming over time are presented below. TG4's cost per viewer hour is rising year-on-year.

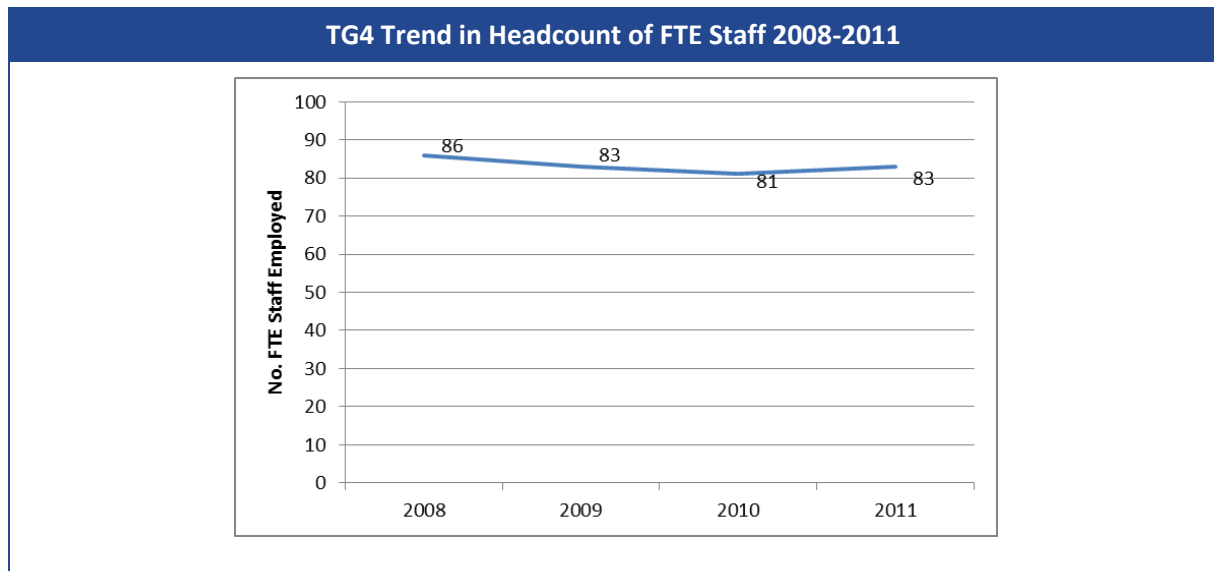
TG4 Cost per Viewer Hour 2009-2011			
	2009	2010	2011
	€	€	€
Cost per viewer hour	0.22	0.24	0.25

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

Source: TG4 Review of 2011 Performance (March 2012).

Staff Costs and Human Resources

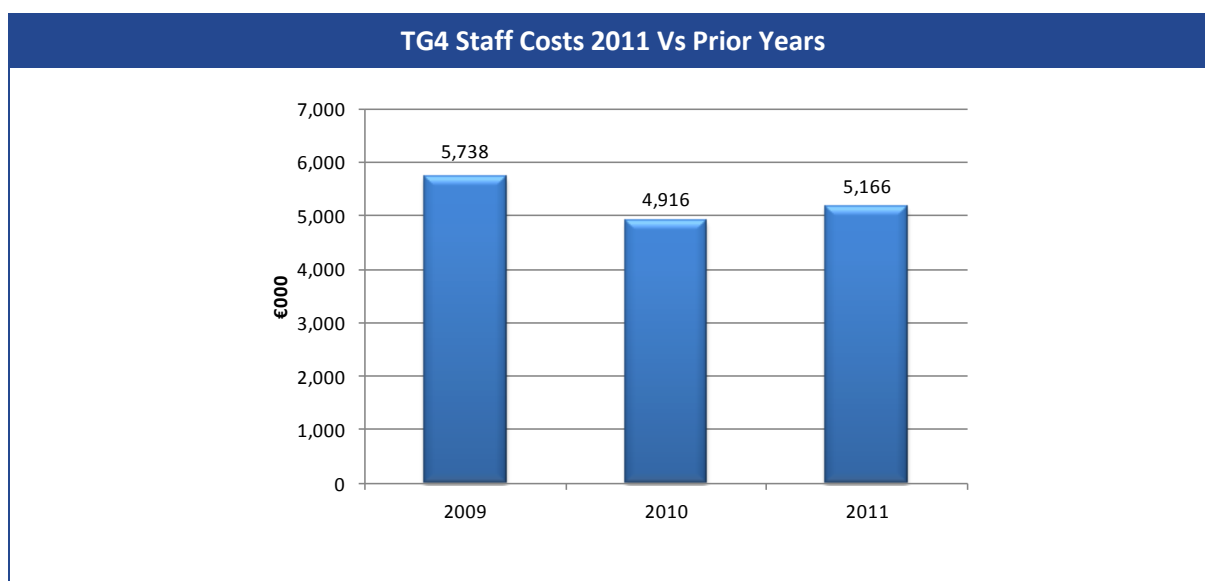
The trend in TG4's full-time equivalent headcount is displayed in the figure below, which demonstrates that the headcount has remained relatively stable over the period from 2008 to 2011. 83 full-time equivalent staff were employed by TG4 in 2011, which represents a slight increase after reductions in 2009 and 2010. Full-time permanent staff numbers declined by 1 during the year.



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

Source: Indecon analysis based on TG4 data.

Outside of programming cost, staff costs are TG4's most significant expense. The figure below shows that staff costs increased to €5.166m in 2011.



Note: TG4 labour costs were capitalised in 2009, 2010 and 2011. The gross cost before capitalisation for 2009, 2010 and 2011 was €5.815m, €5.469m and €5.584m respectively. Most recently published data used.

Source: TG4 Financial Statements from the Annual Report 2010 & 2011.

The salary cost per full-time permanent employee is presented below. The average cost per head of full-time permanent staff at TG4 was €59.5k in 2011.

TG4 Salary Cost per Employee 2011 Vs 2010						
	Total Salary Cost		Headcount		Cost per Head	
	2010	2011	2010	2011	2010	2011
	€000	€000	FTE	FTE	€000	€000
Full-time Perm	4,045	4,165	71	70	57.0	59.5

Source: Indecon analysis of TG4 data.

Overtime costs represented a minimal cost item at €5,747. Absenteeism and other leave-related costs also represented a very small amount of €7,679 in 2011.

A more significant cost item is holiday leave and other leave. TG4 sick leave, maternity leave, Maternity/sick leave cover and holiday leave are summarised for in the table below. The largest category is holiday leave and this represented €424,883 in 2011.

During 2011, TG4 introduced a number of cost efficiency measures. These included an agreement with Ros na Rún to deliver an additional two hours of programming at no additional cost, a 12.4% reduction in the cost of sports output was negotiated and a reduction of 19.3% in dubbing costs was achieved.

Our overall assessment is that the overall business model of TG4 which is primarily dependent on competitive tendering for programming is a cost efficient model. TG4 also has subcontracted a wide range of support services and operates with a very small number of non-programming staff. However, we are concerned about the increase in some costs in 2011 which although small has occurred in a period when commercial income fell and market share declined.

EU Compliance

According to EU requirements, broadcasters should retain no more than 10% of revenues. This requirement was met by TG4. In 2011, TG4's recorded a small deficit.

The key issue in relation to TG4 costs is however more the high costs per viewer hour rather than the efficiency of the organisation model. While these costs are low compared to S4C, nevertheless we believe that ongoing cost efficiency must continue to be prioritised as well as measures to maintain or increase audience numbers. Based on our analysis we outline overleaf a number of recommendations for consideration by the BAI.

Recommendations

A summary of our recommendations are presented in the table below and are discussed in subsequent paragraphs:

Summary of Recommendations
Adequacy of TG4 Funding and Recommendations on Adjustment in Public Funding <ol style="list-style-type: none">1. Indecon would not recommend any reductions in funding to TG4 at this time given the current public service objectives which have been set for TG4.
Cost Efficiency <ol style="list-style-type: none">2. Indecon recommends that TG4 should continue to pursue ongoing cost efficiencies and specific targets should be set for improvements in key cost elements.
Process Improvements and Revisions to Commitments <ol style="list-style-type: none">3. Indecon recommends that significant revisions to TG4 commitments should be made and much greater priority should be given to four key areas namely, Irish language programming, audience market share, cost efficiencies, and revenue generation.
Other Issues <ol style="list-style-type: none">4. The link between commercial revenue and acquired programme expenditure in TG4 should be reviewed as restricting acquired programming expenditure to levels of commercial revenue may hinder the expansion of market share.

Adequacy of TG4 Funding and Recommendations on Adjustment in Public Funding

The adequacy or otherwise of TG4 funding is crucial in terms of ensuring that the organisation can fulfil the requirements of its public service objects. The factors which determine the adequacy of funding include the extent to which TG4 is operating efficiently, and the financial performance of the organisation. It is also

influenced by the organisation's success in securing commercial revenue and thereby the extent of its dependence on public funding.

The table below indicates that TG4 remains very dependent on public funding. TG4 derived 91.33% of its income from public funding in 2011. TG4's income from Public Funding increased to €32.75 million in 2011 while commercial income to €3.11 million.

Composition of TG4 Income 2009-2011			
	2009	2010	2011
	€000s	€000s	€000s
Public Funding for Current Expenditure ³	35,233	32,250	32,750
Commercial Income	3,617	3,483	3,110
Total	38,850	35,733	35,860
% Income from Public Funding	90.69%	90.25%	91.33%
% Income from Commercial Income	9.31%	9.75%	8.67%

Source: TG4 Annual Report 2009, 2010 & 2011 (most recently published figures), Indecon analysis.

When considering any adjustments to public funding for TG4 it is also useful to recall that annual adjustments to the licence fee are linked to changes in the consumer price index and an 'X' factor which measures the performance of the broadcaster in relation to cost control, programming output and organisation improvements. The formula called the 'CPI-X' formula which determines the overall recommended adjustment to public funding taking these factors into consideration does not directly apply to TG4. However, it remains useful to consider the impact that this approach might have on TG4 funding if it applied directly. In 2011 TG4 broadly achieved their commitments, as set out in the annual statement. TG4 is however, facing a very competitive broadcasting market and has found it difficult to maintain share and is very dependent for financial survival on public funding. With these challenges in mind, coupled with a 1.6% increase in the Consumer price index in 2011, Indecon would not recommend any reduction in TG4 funding as this would impact on their ability to achieve the targets set for Irish language programme and to uphold standards and support commissioning in the independent sector. Any significant reduction in public funding would likely result in the need for TG4 to reduce its Irish language programming hours. It is outside the scope of our review to evaluate the overall objectives set for TG4.

Cost Efficiency

Indecon notes that while a reduction in public funding for TG4 is not recommended, we also believe that this decision should be associated with an ongoing priority by TG4 to pursue cost efficiencies and specific targets should be set for improvements in key cost elements. In particular, there should be a focus on two key cost areas, namely staff costs and costs per viewer hour.

The focus for TG4 must remain on maintaining or reducing the costs per hour and cost per viewer hour of programming in order to ensure a service that exhibits value for money. Although the increase in staff costs per head can in part be attributed to the capitalisation of staff costs in 2010. It also reflects salary increases and Indecon believes an ongoing focus on keeping staff and overheads costs down is essential. Indecon however, believes that the overall cost model implemented by TG4 is impressive, dependant as it is on external tendering for programmes and also on keeping low management overheads and the subcontracting of services.

³ This excludes the amortisation of grants and excludes funding from BAI (Sound and Vision) or ILBF as TG4 are not in receipt of this funding.

Opinion on Process Improvements and Revisions to Commitments

Our view on the need to revise both the quantity and nature of commitments set out by TG4 in their Annual Statement of Commitments persists in 2011. The commitments set out each year vary greatly in terms of their impact on the overall performance of the broadcaster. The commitments cover a wide range of factors including programming standards, finance, support for the independent sector, technological advancements and fulfilling its public service objects. In some instances Indecon believes that the commitments do not represent challenging targets or focus on areas which are not of critical importance to TG4's overall success. Indecon recommends that a fundamental review of the commitments process should be carried out as part of the five year review of public funding. Our views on what this review might include are outlined below.

Specifically, Indecon recommends that significant revisions to TG4 commitments should be made and much greater priority should be given to four key areas, namely the targets for number of Irish language programmes hours, the audience market share, cost efficiencies and revenue generation. While the first two concerning Irish language programmes and audience market share are currently included in the long list of commitments, a prioritisation of these over other current commitments should be considered. We also believe targets should be set for cost efficiencies and revenue generation. Due to the fact that TG4 has suffered a year-on-year reduction in commercial income Indecon believes that the broadcaster would benefit from placing greater emphasis on the exploitation of opportunities from commercial revenue by setting challenging targets which would form an important part of the review process in considering the adequacy of funding. A continuity with the existing process could be secured by retaining a significant number of the existing commitments but giving less weight to some of these compared to commitments under the four headings referred to above.

Indecon also believes there is a case for commitments to be either set out or agreed in advance with BAI rather than determined internally within TG4. While Indecon recognises TG4's statutory and editorial independence in this regard, it would seek differentiation between nature of commitments and to ensure some independent challenge to the setting of targets.

In addition, we believe it would be helpful for BAI to have greater visibility on all funding available to TG4 in their assessment of overall performance of the broadcaster. In particular we believe it is useful to consider the costs of RTÉ hours provided as part of RTÉ statutory obligation to provide programmes to TG4. In 2012 annual accounts RTÉ estimate these costs as amounting to €8.8m of which the largest category is costs associated with news and current affairs which are estimated by RTÉ to be €5.8m. In addition there are costs associated with Sound & Vision projects broadcast on TG4 which amounted to €6.9m in 2011.

Other Issues

Indecon believes that the link between commercial revenue secured by TG4 and the level of acquired programme expenditures should be reviewed. While we understand how initial thinking may have led to such a direct linkage, this may be damaging the ability of TG4 to design a programme schedule which would maintain or increase its market share. The changes in market share in turn impacts on the ability of TG4 to increase commercial revenue. As a result, a direct correlation between these two very separate areas may be damaging the long-term sustainability of TG4.

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, Celene Craig and Diarmaid Breathnach of the BAI. We also received valuable inputs from our discussions with the Chief Executive, Chairman and Authority of the BAI.

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 who responded to our information requests.

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

1 Introduction and Background to Review

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 objectives, as set out in its Annual Statement of Performance Commitments 2011.
- ☐ 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 objectives.
- ☐ Assess the extent to which TG4 has used the public funding which it has received, in pursuit of its public service objectives, 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 reviews of TG4 to be undertaken and in subsequent years.

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 RTÉ and TG4; and

- ❑ Consulting with the Minister and the Commission for Communications Regulation 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 their annual statements of performance commitments and to review the adequacy of public funding to allow the PSB organisation to meet its public service objectives. On the basis of the findings of the annual review, the Authority must then provide a report to the Minister with a recommendation for a modification to the annual licence fee and the amount of payment to be made to TG4. The Authority must within five years of the passing of the 2009 Act and every three years thereafter, carry out an overall review of the adequacy of public funding in enabling the PSBs to fulfil their public service objectives. 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 2011 and a separate review of RTÉ is underway.

1.3 Methodology and Structure of the Report

Our methodological approach taken in this review was agreed with BAI and involves a number of phases.

The key phases as follows:

1. Inception of the project, assembling of data and conduction of consultations.
2. Review of TG4 2011 commitments, utilisation of funding and their performance on their programming schedule for 2011.
3. Review of the value for money of the TG4 and formulation of key conclusions and recommendations.

Phase 1

The first phase of the work programme involved the collection of primary and secondary data from TG4. Subsequently, clarifications with senior personnel at TG4 were undertaken. A review of the data collected underpinned the analysis in 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. This also included 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 review their performance against their statement of commitments. Indecon also reviewed any relevant comparative benchmarking information.

At the data collection stage of the review, Indecon examined key data which reflected on the performance of TG4 and their actual programming output. Data on actual programming output by division, market share data 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 undertaken.

In considering the 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 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. Data was obtained on cost per hour by genre as well as detailed evidence on overtime, absenteeism and other cost factors.

Structure of the Report

Section 2 of this report provides an overview of trends in the Irish economy and in broadcasting. Section 3 contains our analysis of the commitments and performance of TG4 for 2011 in respect of its public service objectives. 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 and recommendations.

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, Celene Craig and Diarmaid Breathnach of the BAI. We also received valuable inputs from our discussions with the Chief Executive, Chairman and the BAI Authority.

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, Pól Ó Gallchóir and all of the staff who responded to our information requests.

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 section investigates recent trends in the Irish economy and the broadcasting market in order to place TG4's performance into context. First, the wider Irish economic situation is reviewed, with particular emphasis placed on changes in national income, domestic demand, unemployment rates and CPI over time.

The Irish broadcasting industry is then considered and in particular, the changing nature of the market. TG4's performance in terms of national audience share is examined and compared to other major channels.

2.2 Irish Economy – Overview

Table 2.1 presents data on the Irish economy for the period 2008 to 2011. GDP, GNP and Gross National Disposable Income all recorded contraction for the period 2008 to 2010. In 2011, GNP and Gross National Disposable Income declined further although GDP recorded a small increase. The overall prospects for the Irish economy in 2012 remain very challenging.

Table 2.1: Annual Percentage Change in National Income 2008-2011

	2008	2009	2010	2011
Source	%Change	%Change	%Change	%Change
Gross Domestic Product (GDP)	-5.2	-9.8	-3.0	1.6
GDP per capita	-7.0	-10.6	-3.2	1.3
Gross National Product (GNP)	-5.3	-13.4	-2.0	-2.4
Gross National Disposable Income	-5.5	-13.7	-2.1	-2.3

Note: All figures are measured at current market prices

Source: *Indecon analysis of data from the CSO National Income and Expenditure Annual Results for 2011.*

Table 2.2 presents the trend in the personal consumption of goods and services and in total domestic demand. This is an important consideration for a broadcaster such as TG4 as consumer spending can impact on commercial revenue. Both personal consumption of goods and services and total domestic demand declined in each of the years including 2011.

Table 2.2: Total Domestic Demand 2008-2011

	2008	2009	2010	2011
Source	% Change	% Change	% Change	% Change
Personal Consumption of Goods and Services	1.5	-11.7	-1.3	-0.9
Total Domestic Demand	-4.4	-16.6	-7.4	-2.7

Note: All figures measured at current market prices

Source: *Indecon analysis of data from the CSO Quarterly National Accounts, Q1 2012.*

Data on average hourly earnings and labour costs for 2008 to 2011 is presented in Table 2.3. Average earnings and labour costs have declined from their peak in 2009 and there was a small decrease in hourly labour costs in 2011.

Table 2.3: Earnings and Labour Costs for 2008-2011				
	2008	2009	2010	2011
Average Hourly Earnings (Euro)	21.6	22.2	21.9	21.9
Average Hourly Labour Costs (Euro)	25.1	25.8	25.2	25.1

Source: Indecon analysis of data from CSO principal statistics

Unemployment levels have continued to rise as evident from Table 2.4. This has led to dramatic negative changes in the financial circumstances of many individuals.

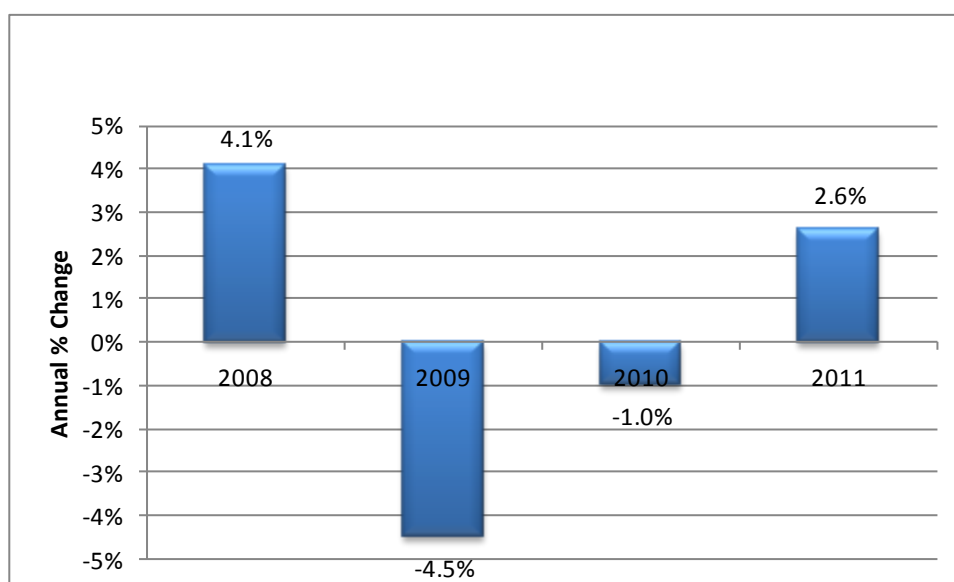
Table 2.4: Unemployment Rate in Ireland 2008-2011				
	2008	2009	2010	2011
Standardised Unemployment Rate (Annual Average)	6.3%	11.8%	13.6%	14.4%

Source: Indecon analysis of data from CSO principal statistics

The economic situation in Ireland and in the domestic market remains very difficult. The Government is also required under the terms of Ireland's agreement with IMF/EU to introduce further reductions in public expenditure, which is of importance given the dependence of TG4 on public funding.

As outlined in the Broadcasting Act 2009, changes in the licence fee for broadcasting is partially linked to the annual percentage change in the Consumer Price Index. Figure 2.1 presents the annual percentage change in the Consumer Price Index from 2008 to 2011. Consumer prices grew in 2008 and then fell in 2009 and 2010. However, consumer prices rose slightly in 2011 in part as a result of fuel price movements.

Figure 2.1: Consumer Price Index, Annual Percentage Change 2008-2011



Source: Indecon analysis of data from CSO principal statistics

2.3 Trends in the Irish Broadcasting Market

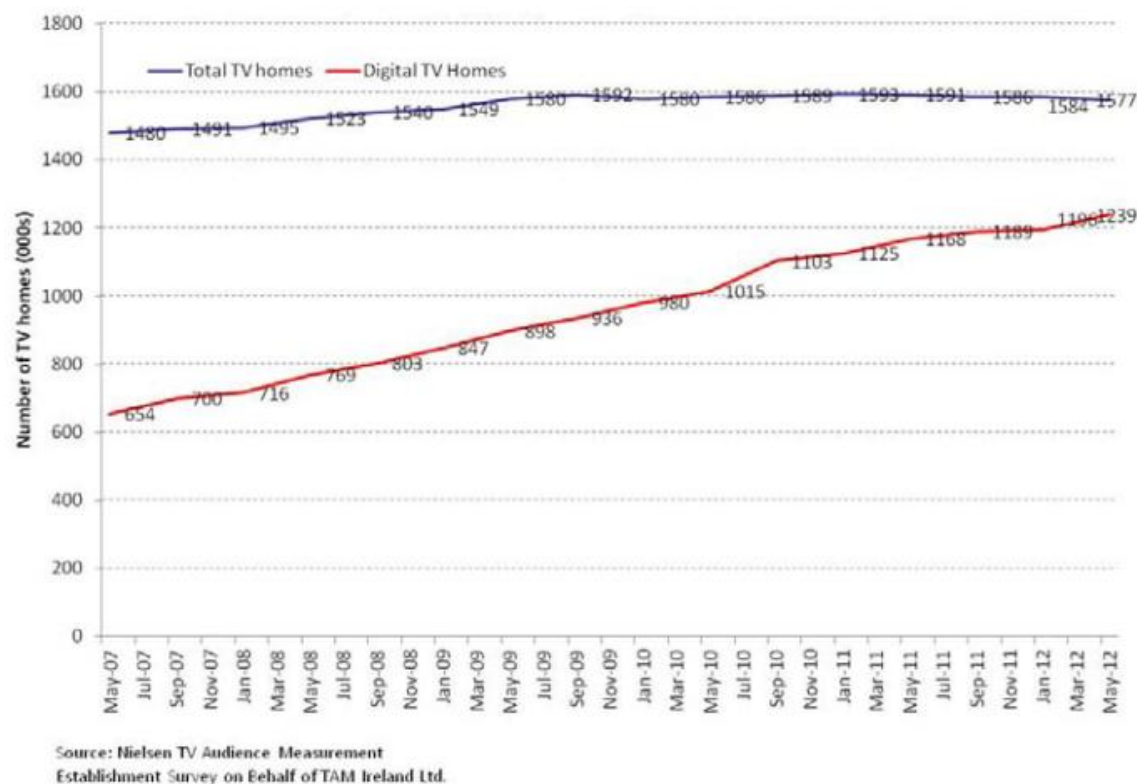
2.3.1 Television Broadcasting

It is useful to place this annual review of TG4 in the context of the overall trends in the television broadcasting market in Ireland. A feature of the Irish market is the high penetration of television. The Nielsen TV Audience Measurement Survey indicated that there were 1,577,000 TV homes in May 2012; this represents 96% of all homes in Ireland.⁴

Figure 2.2 presents the total number of TV homes in Ireland as well as the number of digital TV homes for the period May 2007 to May 2012. While the total number of TV homes has remained fairly steady over the time period in question (increasing by 6.6%), the proportion of TV homes that are subscribed to digital television is expanding rapidly. Digital homes increased by 89.4% over the five years.

⁴ Source: ComReg Quarterly Key Data Report Q1 2012.

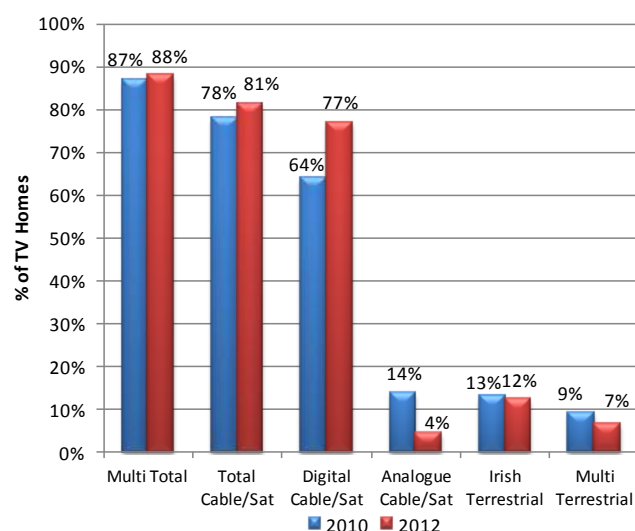
Figure 2.2: Number of TV Homes May 07–May 12



Source: ComReg Quarterly Key Data Report Q1 2012. (Nielsen TV Audience Measurement Establishment Survey on behalf of TAM Ireland)

Figure 2.3 presents Irish TV homes by reception type for May 2010 and May 2012. This diagram demonstrates that digital television subscribers are growing at the expense of analogue cable/satellite. Analogue cable / satellite subscribers fell from 14% of all TV homes in 2010 to just 4% in 2012. This was countered by an increase of 13 percentage points in the proportion of digital cable / satellite homes from 64% of all TV homes in 2010 to 77% of all TV homes in 2012. The proportion of TV homes which receive only the four Irish terrestrial channels fell very slightly from 13% in 2010 to 12% in 2012.

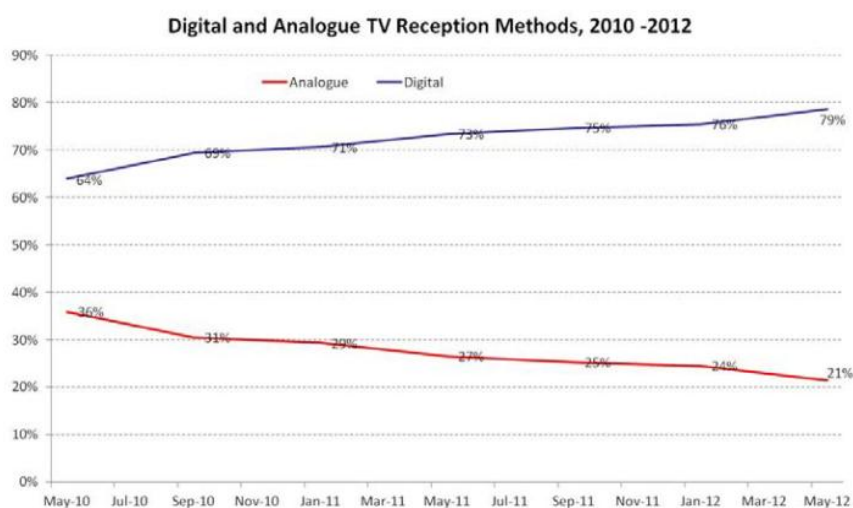
Figure 2.3: TV Homes by Reception Type May 10–May 12



Source: Indecon analysis of ComReg Quarterly Key Data Report Q1 2012. (Nielsen TV Audience Measurement Establishment Survey on behalf of TAM Ireland).

Figure 2.4 presents the trends in digital and analogue reception types from May 2010 to May 2012. This demonstrates a significant increase in the proportion of digital reception methods to 79% in May 2012. The proportion of analogue reception types has fallen correspondingly from 36% in May 2010 to 21% in May 2012.

Figure 2.4: Digital and Analogue TV Reception, May 10-May 12



Source: Nielsen TV Audience Measurement Establishment Survey on behalf of TAM Ireland Ltd.

Source: ComReg Quarterly Key Data Report Q1 2012. (Nielsen TV Audience Measurement Establishment Survey on behalf of TAM Ireland)

Television channel shares provide an indication of the shifts in competition in the television broadcasting market. The share level of each major channel in Ireland is outlined in Table 2.5

below. In 2011 TG4's share fell slightly to 2.06%. The largest percentage increase in channel share was achieved by 3e albeit from a very small base⁵. Of more significance is the fact that RTE One and TV3 increased their market share while many other channels experienced market share declines with the exception of Sky News and 3e.⁶ The continued decline of market share for TG4 represents a fundamental challenge for TG4.

Table 2.5: Channel Shares 2011 Vs 2010

Channel	2010	2011	% change
1. RTÉ One	23.16%	23.43%	1.2%
2. TV3	12.19%	12.35%	1.3%
3. RTÉ Two	10.18%	8.99%	-11.7%
4. BBC One	4.49%	4.18%	-6.9%
5. UTV	3.75%	3.30%	-12.0%
6. BBC Two	2.56%	2.49%	-2.7%
7. Channel 4	2.76%	2.29%	-17.1%
8. TG4	2.09%	2.06%	-1.5%
9. 3e	1.11%	1.30%	17.1%
10. Sky One	1.43%	1.25%	-12.6%
11. Sky News	0.86%	1.00%	16.3%
12. Sky Living	0.97%	0.80%	-17.5%
13. E4	1.01%	0.72%	-28.7%
14. Comedy Central	0.70%	0.57%	-18.6%
15. Setanta Ireland	0.42%	0.39%	-7.1%

Note: All figures reported are "Live" shares across all TV platforms, referring to viewing at time of transmission.

Source: *Indecon analysis of TG4 Review of 2011 Performance (March 2012)*.

2.3.2 Competition from Different Platforms

Broadcasting and media related services in Ireland are being offered from five distinct platforms. These are:

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

In the past few years, there has been a move to switch from terrestrial analogue to Digital Terrestrial Television (DTT), and terrestrial analogue will no longer be available from October 2012.⁷ Instead, television broadcasting services will either be provided through Saorview, the Irish Digital Terrestrial Television Service, or Saorsat, the alternative satellite service for those for whom Saorview is not available. In addition, satellite and cable services will continue to operate. Given the switchover to digital television, it is important to consider the reach of digital television throughout Ireland.

⁵Information sourced from the TG4 review of 2010 Performance (April 2011) revealed that 3e grew 32.14% from 0.84% in 2009 to 1.1% in 2010.

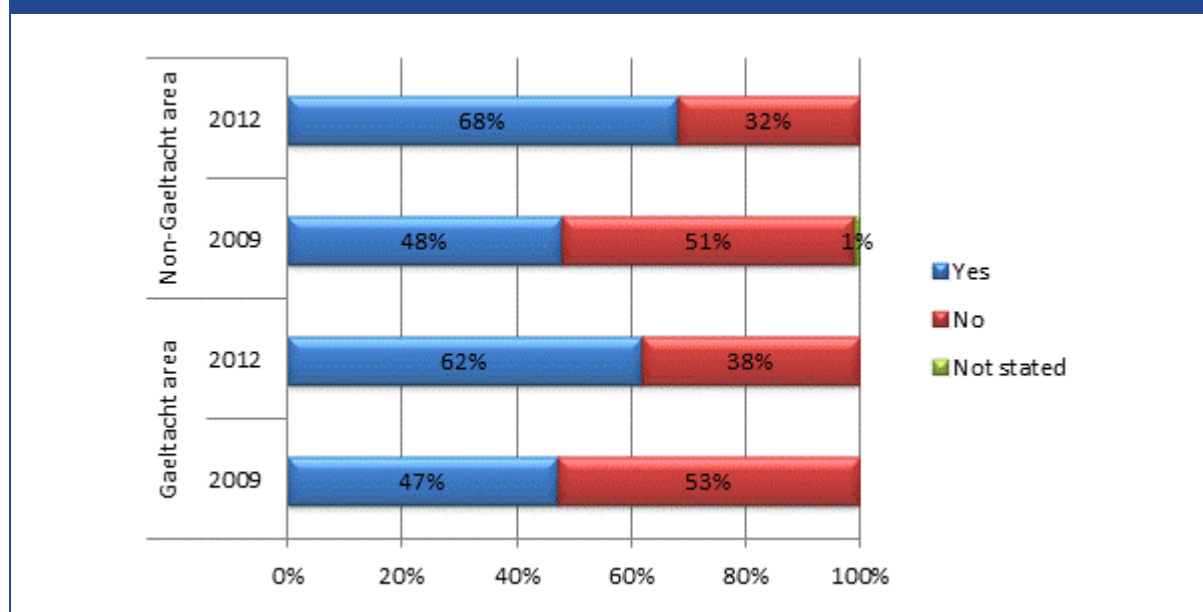
⁶ Source: TG4 review of 2010 Performance (April 2011).

⁷ Source: TG4 Review of 2011 Performance (March 2012).

The TG4 Audience Research Survey is a survey performed every three years with a view to determining attitudes towards TG4 programming and to TG4 as a broadcaster. 400 individuals aged 15 or over were interviewed in Gaeltacht areas and 150 individuals in non-Gaeltacht areas. Given the small sample size, the findings particularly from the 150 individuals interviewed in non-Gaeltacht areas should be treated with caution.

Figure 2.5 shows the percentage of respondents who subscribed to digital television for 2009 and 2012. This shows that significant increases in the penetration of digital reception types occurred in both Gaeltacht and non-Gaeltacht areas between 2009 and 2012. Indeed, the proportion of digital subscriptions increased by 15 percentage points to 62% in Gaeltacht areas, while a 20 percentage point increase to 68% was observed in non-Gaeltacht areas.

Figure 2.5: Proportion of Digital TV Subscribers for Gaeltacht and Non-Gaeltacht Areas, 2009 & 2012



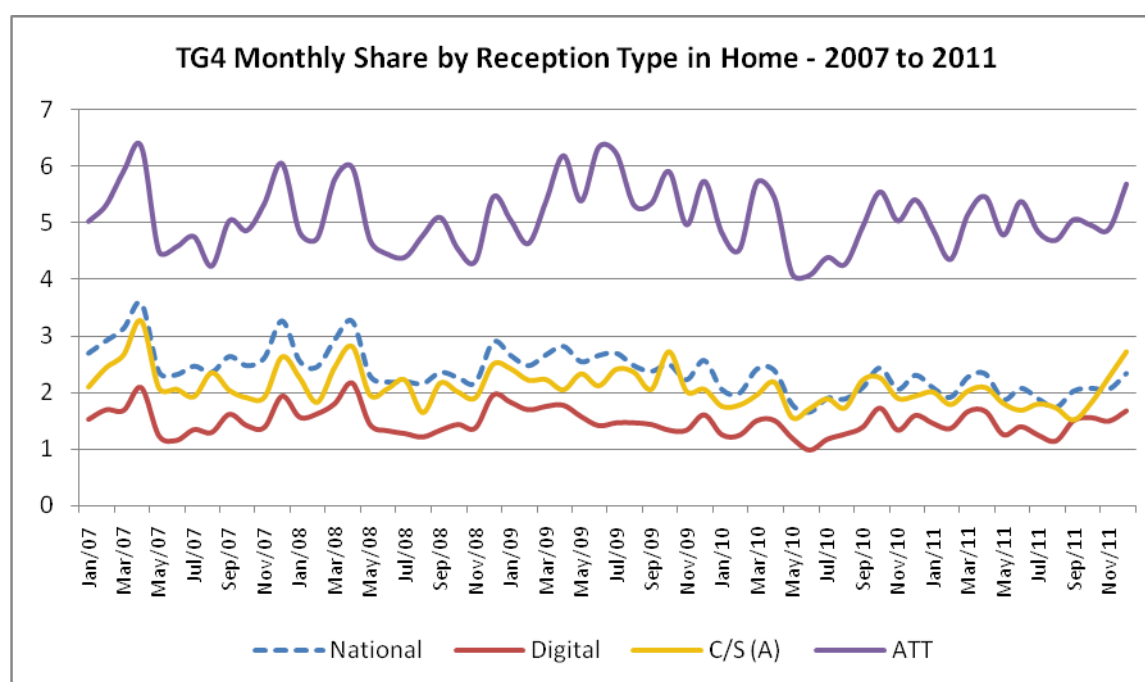
Source: TG4 Audience Research Survey, July 2012

Respondents were asked why they had originally chosen a digital subscription. 67% of the Gaeltacht area digital subscribers indicated that it was due to more channels, 55% because of a better quality picture and 17% because of sports channels; the figures for the non-Gaeltacht area respondents were 85%, 36% and 34%, respectively.

Figure 2.6 below presents TG4's market research estimates of monthly viewing share for digital, cable/satellite analogue and analogue terrestrial platforms compared with TG4's national share. This shows that TG4's share is highest in analogue terrestrial homes, followed by cable/satellite and then digital. The significance of the digital switch-over for the Public Service Broadcaster who maintains an audience who are largely from analogue terrestrial homes is clear from this evidence. The switchover will provide TG4 with opportunity to further enhance the quality of their programming especially to their existing analogue viewers and ensure they are participating in the ongoing technological advancements in the industry. However, it also re enforces the reality that TG4 are operating in an increasingly competitive broadcasting environment which is advancing at a

rapid rate. The switchover could possibly pose a threat of loss of viewers to TG4 with the imminent competition facing the broadcaster on these more advanced platforms.

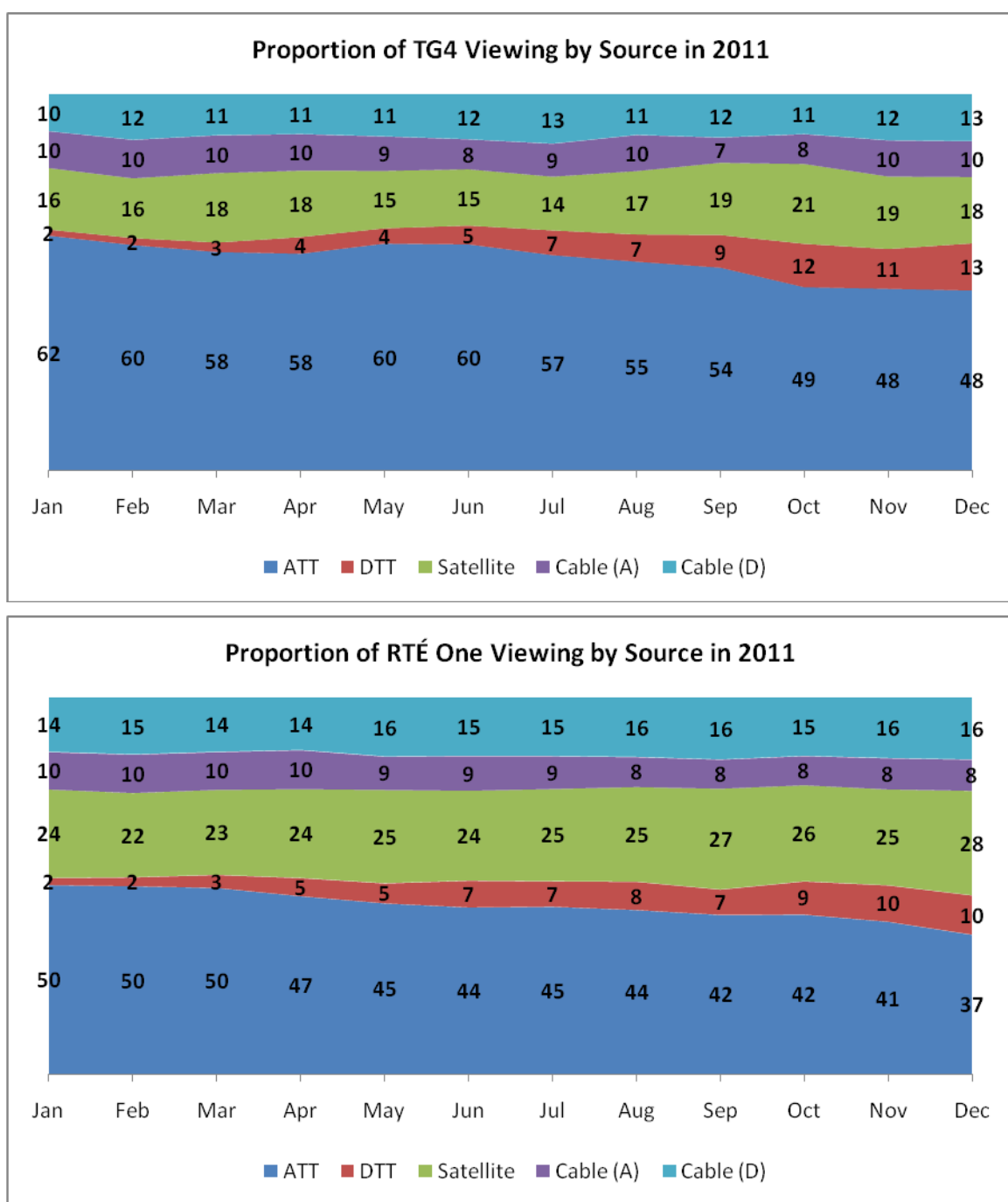
Figure 2.6: TG4 Share by Platform January 2007 – November 2011



Source: TG4 data.

Figure 2.7 shows the proportion of each digital platform for viewing of both TG4 and RTÉ One in 2011. It is clear that the TG4 share was much more reliant on analogue terrestrial transmission, although there has been a marked decline in this over the course of 2011. Nevertheless, analogue terrestrial transmission constituted 48% of TG4 viewing at the end of 2011. This can be compared with the RTÉ data, for which ATT viewing declined from 50% to 37% to the end of 2011. However, significant differences are not observed in the proportions of DTT or Cable for TG4 and RTÉ One viewing. Given the shift away from analogue terrestrial transmission the pressures on TG4 market share are likely to continue. The implications of these findings for audience migration have been discussed above.

Figure 2.7: Proportion of Viewing by Source for TG4 Versus RTÉ One in 2011



Source: TG4 data and analysis.

2.3.3 Importance of the Digital Broadcasting Sector and Technology for PSBs

New innovations and technology have an important role within the broadcasting industry. These developments have implications for all broadcasters including TG4.

Public service broadcasters are increasingly reliant on different media platforms; in particular, the Internet has become a key resource. This is highlighted in the EBU report on PSB news broadcasts,⁸ which notes that PSB news websites and social media have become the most important cross-media news sources. This has the advantage of addressing a younger audience and providing a broader range of information.

A separate report from the EBU notes that, “Today users have access to news and other information and entertainment through such non-traditional means as cable and satellite distribution, the Internet, digital transmissions and mobile telephones. These new means of distribution have segregated demand on the part of users. There is increased use of new technology by young people, which has resulted in an erosion of the audience of public service broadcasters for that category of viewers.”⁹

Given the age profile of TG4 views and the need to attract younger audiences, the importance for TG4 of developing alternative technological means of distribution is clear.

2.3.4 Implications of Trends in the Economy and Broadcasting for TG4

The decline in domestic consumer expenditure combined with wider cuts in public expenditure constitutes a challenging context for TG4. While policy makers need to reduce public expenditure, TG4 is becoming increasingly dependent on overall income from public funding and their commercial income is falling year-on-year. The increasing penetration of satellite and digital television has important potential implications for TG4 in growing or even maintaining market share. The struggle to maintain market share in turn has an impact on the broadcaster’s ability to earn commercial revenue. Overall, the overarching trends in the broadcasting industry and the wider economy present a significantly challenging operating environment for a public service broadcaster like TG4 who must strive to fulfil their public service objects in the context of a challenging financial environment together with an increasingly fragmented and competitive broadcasting market that is experiencing ongoing technological advancement.

In the next section of this review, where we examine the extent to which TG4 have performed against their commitments set out for 2011 and in subsequent sections, we pay close attention to the TG4 market share.

⁸ EUROPEAN BROADCASTING UNION (2011) “PSB TV News – Trends and Developments, Executive Summary”.

⁹ 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 Commission, OJ 2001 C 320/5) – EBU reply to the Commission’s Questionnaire” March 2008.

3 An Assessment of the Extent to which TG4 has met its Commitments for 2011

3.1 Introduction

This section examines the commitments set by TG4 for 2011 and the extent to which these commitments have been met. In particular, we examine the performance of TG4 with respect to its Public Service Objectives and its Public Service Statement.

3.2 TG4 Performance against Commitments 2011

3.2.1 Overview

Each year, TG4 is required to prepare an Annual Statement of Performance Commitments which outlines TG4's targets with relation to programming hours and expenditure, value-for-money, and audience share. By March 31st of the following year, TG4 is required to submit a report to the Minister for Communications, Energy and Natural Resources and to the Broadcasting Authority of Ireland which outlines TG4's performance against these targets.

3.2.2 TG4 delivery of its objectives

Box 3.1 below summarises the TG4 objectives as set out by the Broadcasting Act 2009. Our analysis suggests that TG4 broadly delivered on these objectives in 2011. Objectives (c) and (g) were not applicable in 2011, while the development of a TG4 archive was delayed until 2012 due to funding reasons. Highlights in 2011 include further work on the rollout of Saorview (Digital Terrestrial Television) across Ireland and the MUX 7 project which will make TG4 fully available in Northern Ireland, going live with the Digital Asset Management System (DAMS). This will involve TG4 operating a tapeless broadcasting system and further updates to the TG4 website which provides television broadcasting services to Irish communities worldwide.

Box 3.1: TG4 Objectives 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 objectives 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 examining the success or outcome of TG4 in meeting its programming commitments it should be noted that some of the commitments were set at levels below what was achieved in 2010. More significantly, as noted earlier, the nature of the commitments include a large number of factors some of which may not be central to the Irish language/cultural contribution of TG4 or to the financial and commercial sustainability of the broadcaster. In this section, we examine evidence of the extent to which TG4 fulfilled or did not fulfil its programming commitments in 2011. Specific commitments and summaries of TG4's performance with relation to these are provided in Table 3.1 and Table 3.2 below. TG4 broadly achieved its 16 programming-related commitments, although TG4 did not achieve the 68% target for subtitling. 42% of TG4 programming in 2011 contained subtitling. TG4 cites funding reasons for not achieving this target. By providing 1,615 hours of new Irish language content, TG4 exceeded its target of 1,544 hours by 4.5%. TG4 also exceeded its daily Irish programming target by broadcasting 4.42 hours of new Irish language content per day against its 2011 target of 4.2 hours per day. TG4 strengthened its Player service in 2011, achieving its highest ever number of programme streams.

Table 3.1: TG4 Performance in 2011 on its “Programming” Commitments

Commitment	Performance
“Commission and broadcast a minimum of 1544 hours of new high quality, innovative Irish language content across all programming genres, ensuring it as TG4’s distinctive “súil eile” perspective.”	1,615 hours of new Irish language programming. Exceeded target by 4.5%. Average output of new Irish Language programming increased by 1.4%.
“Remain committed to delivering new high-quality, entertaining, interactive and educational children’s and young people’s Irish language content and through it, continue to encourage a positive attitude to the Irish language.”	295 hours of new children’s and young people’s Irish language programming. 6-6.5 hours of children’s programming a day.
“Provide independent and in-depth coverage and analysis of, and an alternative viewpoint on, news and current affairs throughout the island of Ireland and the world.”	199 hours of new news and current affairs Irish language programming, 2 hours of European Parliament and 36 hours of Houses of Oireachtas programming, coverage of General Election including “Díospóireacht na gCeannair” (leaders debate) which drew an audience of 600,000, election results programme with 15 hours of live coverage and coverage of the presidential debate.
“Continue to reflect the vital role that sport, particularly Irish sports, holds in Irish life and culture. We will broadcast a number of major and live sporting events and overall, sport will continue to play a key role in our 2011 programming schedule.”	453 hours of new Irish language sport programming. Major live events broadcasted include 2011 Rugby World Cup, Wimbledon and Roland Garros.
“Continue to engage audiences (existing and new) with strong Irish language drama, documentary and entertainment / lifestyle programming including our flagship soap <i>Ros na Rún</i> .”	51 hours of new Irish language drama, 124 documentary hours, and 107 entertainment/lifestyle programming.
“Deliver programming which reflects the importance of music and the arts in Irish life and culture.”	108 hours of new Irish language music and 22 hours of arts programming (exceeded target by 16%).
“Feature programming which supports the learning and personal development of audiences, including religious and science and technology programming.”	4 hours of science, technology and religious programming broadcast.
“Deliver content mainly in the Irish language and strive to broadcast a minimum of 4.2 hours of <i>original / new</i> Irish language content every day.”	An average of 4.42 hours a day of original/new Irish language content (4.5%) above target. Over 56% of total broadcast hours were in the Irish language.
“Progress towards a 35 hour week core television programming schedule.”	TG4 increased a number of its programmes from 26 to 30+ weeks.
“Continue to strengthen our services for audiences in Ireland and abroad through maintaining the on-going development of our TG4 BEO service (TG4 Player), continually improving content, picture quality and download speeds.”	Player service achieved highest ever programme streams at 2.8 million.
“Provide sub-titling on TG4 programmes in accordance with Broadcasting Authority of Ireland codes and guidelines and take whatever measures we can to increase the accessibility of programming to audiences with physical, sensory or intellectual disability.”	TG4 did not achieve the 68% target set out by the Broadcasting Authority. TG4 report funding reasons for missing this target. 400 hours of new subtitles for Irish language programming was acquired. 100 hours of subtitles for English language programmes was also acquired.

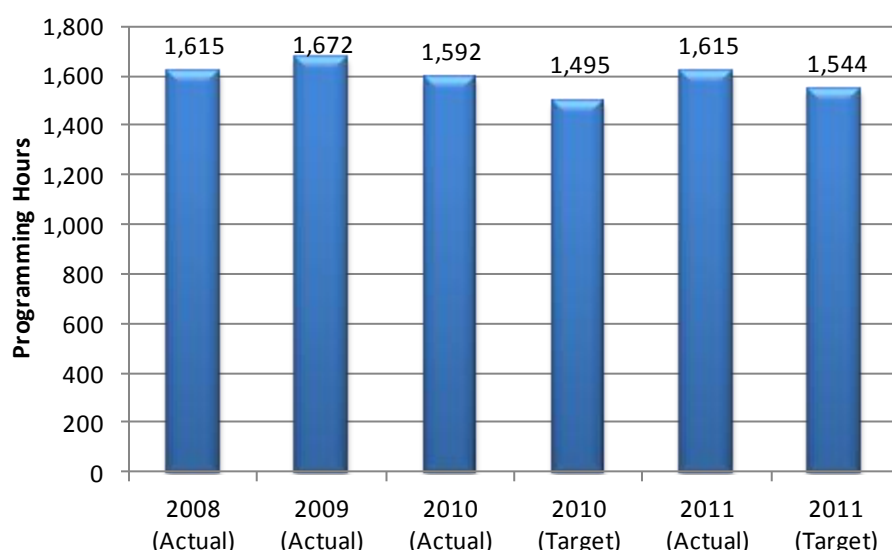
Source: Indecon analysis of TG4 data from the TG4 Review of 2011 Performance (March 2012).

Table 3.2: TG4 Performance in 2011 on its “Programming” Commitments (Continued)	
Commitment	Evidence
<p>“Deliver a high quality broadcast and content service that promotes and celebrates the Irish language and identity in an accessible and engaging manner,” and</p> <p>“Deliver programming primarily in the Irish language and provide a daily link for the Irish language to every household in the island of Ireland.”</p>	1,615 new Irish language content hours delivered. Over 55% of broadcasting hours were in the Irish language.
“Ensure that our programming reflects the culture of the people of the island of Ireland and in particular, those of the Gaeltachtaí. We will also ensure that our services reflect the requirements of the Gaeltacht communities and households whose daily language is Irish.”	News coverage from Gaeltachtaí. Broadcast 3 new Gaeltachtaí based series called “Bliain in Inis Oírr”, “Bean an Tí sa Chistín and Ó Bhearna go Carna.”
“Commission from the Irish language independent production sector, a minimum of 495 hours of new/original Irish language content. In addition, commission over 200 hours of re-voiced material and 400 hours of subtitling.”	Commissioning expenditure for 2011 was almost €17.5m and represented 76% of total programming expenditure. 573 hours of original Irish language content were commissioned, with a further 61 hours of in-hours/co-productions with the independent production sector. 500 hours of subtitling were commissioned and 267 hours re-voiced. In addition, 178 sport hours were reproduced with Irish language commentary.
“Commit a share of Irish language programming spend to Gaeltacht-based companies.”	Approximately 45% of TG4’s commissioning spend was allocated to Gaeltacht-based companies.

Source: Indecon analysis of TG4 data from the TG4 Review of 2011 Performance (March 2012).

As programming commitments form an integral part of TG4 commitments, it is useful to consider a number of these targets in closer detail. We first consider TG4 new Irish language programming hours and compare these with previous years. We also examine 2011 performance versus the targets set.

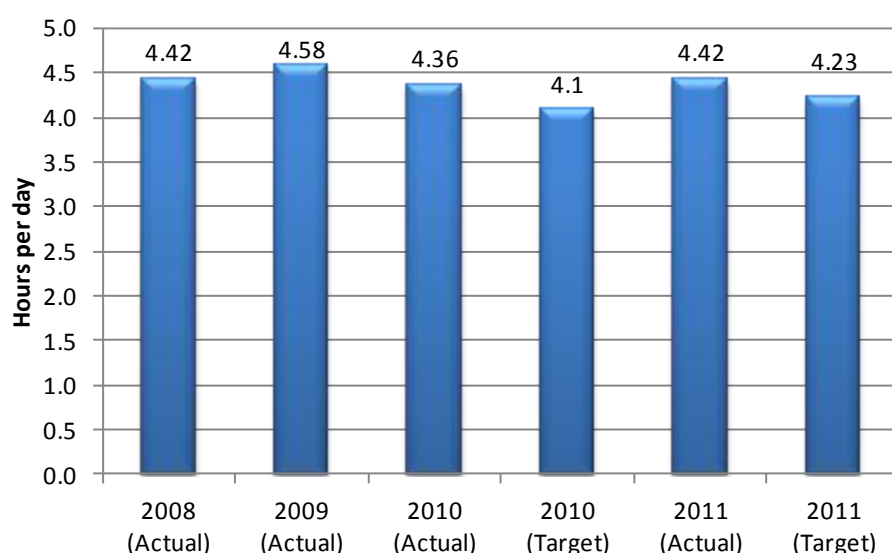
Figure 3.1 provides an indication of total programming hours of new Irish language content from 2008 to 2011. Targets for 2010 and 2011 are also included. Following a decline to 1,592 hours in 2010, new Irish language programming hours increased slightly to 1,615 hours in 2011. TG4 also performed well against its targets in both 2010 and 2011, exceeding its new Irish language programming target of 1,544 hours by 4.5% in 2011.

Figure 3.1: Total New Irish Language Programming Output TG4, 2011 Vs Prior Years


Note: Hours measured here are according to contracts.

Source: Indecon analysis of TG4 Review of 2011 Performance (March 2012) and TG4 Review of 2010 Performance (April 2011).

Figure 3.2 below presents average daily hours of new Irish language programming for the period 2008 to 2011. TG4 exceeded its daily targets for new Irish language programming during the year under review.

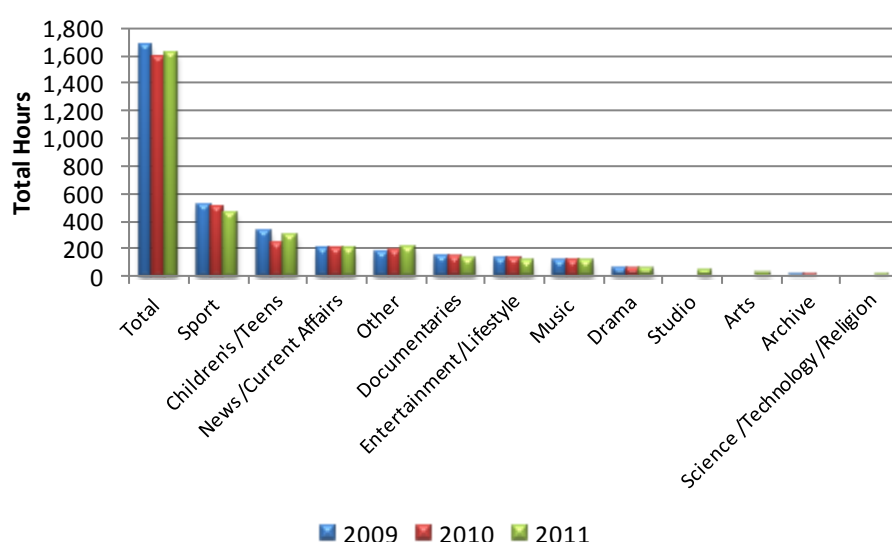
Figure 3.2: New Irish Language Programming, Average Hours per Day TG4, 2011 Vs Prior Years


Source: TG4 review of 2011 Performance (March 2012) and TG4 Review of 2010 Performance (April 2011), Indecon analysis.

In Figure 3.3 total hours of new Irish language programming are broken down by genre for the years 2009 to 2011. 1,626 hours of new Irish language programming were provided on average

over the course of these three years. Sport programming made up the largest portion of this total, accounting 30% of total new Irish programming, on average. This was followed by children's/ teen programming with an average of 18% over the three years. News/Current Affairs and Other programming accounted for 12% of total programming on average, while documentaries, entertainment/lifestyle, music, and drama all accounted for less than 10% of total new programming hours. A change in the categorisation of genres occurred between 2010 and 2011, with the removal of the Archive category and the introduction of three new categories; namely, Studio, Arts and Science and technology and Religion. The children's/teens' category demonstrated the largest increase from 2010 figures with an increase of 19.9%. The greatest fall occurred in the Entertainment/Lifestyle programming hours (-18.3%), but it is noted in the TG4 Review of 2011 Performance that this is in part due to the reclassification of genres.

Figure 3.3: TG4 New Irish Language Programming By Genre 2009-2011



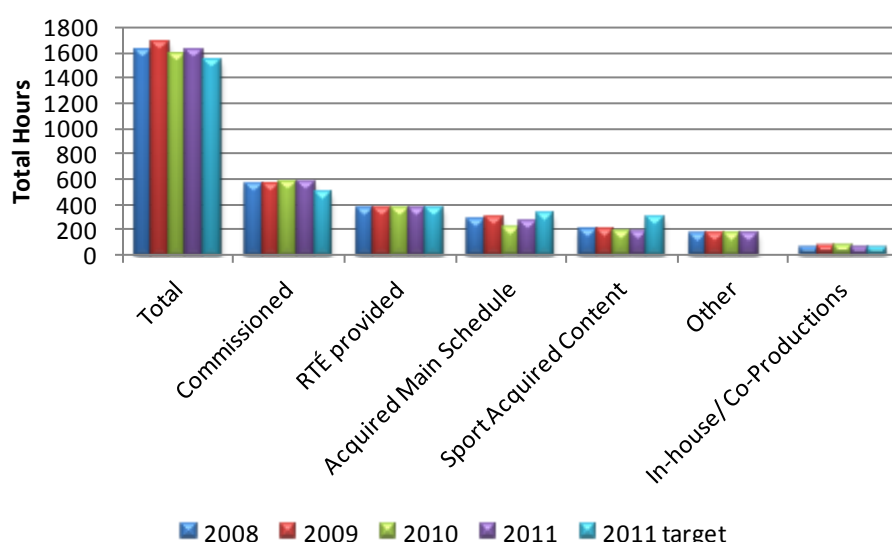
Note: A change occurred in the classification of genres between 2010 and 2011. This resulted in the addition of the Studio, Arts, and Science/technology and Religion categories, and in the removal of the Archive category.

Note: 'Other' consists of internally produced hours of presentation, inserts and weather in addition to 19 hours associated with the monetary contribution of Ros na Rún and 18 hours of archive material from RTÉ (first run across various genres).

Source: TG4 Review of 2011 Performance (March 2012) and TG4 Review of 2010 Performance (April 2011).

Figure 3.4 presents new Irish language programming hours broken down by source from 2008 to 2011, as well as the targets for 2011. Commissioned programmes comprise 35% of total new Irish language programming on average. This is followed by the 365 hours that RTÉ has committed to provide to TG4; these hours make up a further 22% of total new Irish language programming on average. The remainder of total new Irish language programming hours consists of acquired content, in-house/ co-productions and other programming content. TG4 exceeded its 2011 target for new Irish language programming overall, but fell short of targets for acquired main schedule and sport acquired content.

Figure 3.4: TG4 New Irish Language Programming by Source 2011 Vs Prior Years and 2011 Targets

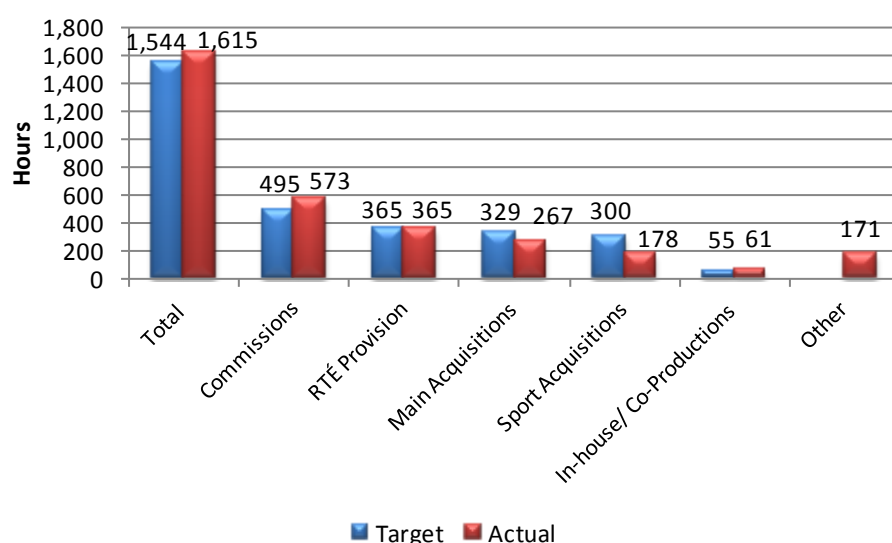


Note: 'Other' consists of internally produced hours of presentation, inserts and weather. Target for 'other' was not available in 2011.

Source: TG4 Review of 2011 Performance (March 2012) & TG4 Review of 2010 Performance (April 2011).

In Figure 3.5, TG4's hours of new Irish language programming are considered, relative to 2011 target hours. TG4 exceeded its commissioning target and its target for in-house productions. TG4 did not achieve its targets with regards to acquired programming. TG4 states in its Review of 2011 Performance that targets for main schedule acquired hours and sports acquired hours were not achieved due to budget reductions and reallocations to commissioning.

Figure 3.5: TG4 Target Vs Actual New Irish Language Programming by Source 2011

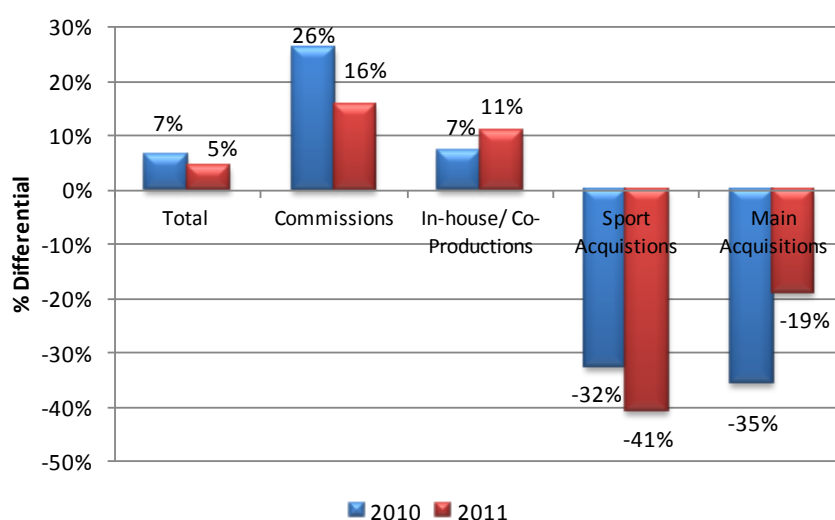


Note: 'Other' consists of internally produced hours of presentation, inserts and weather. Target for 'other' was not available in 2011.

Source: TG4 Review of 2011 Performance (March 2012).

In Figure 3.6 below, the percentage differential between actual and target new Irish language programming hours for 2010 and 2011 is presented. For both years, TG4 strongly exceeded its targets for commissioned and in-house programming content, while it fell short of targets for acquired content. RTÉ provided 365 hours in 2010 and 2011, which was in line with targets. We have not presented actual targets for 2011 in this chart although we do elsewhere as this chart is simply highlighting the percentage under or over-performance on the targets set in 2010 and 2011.

Figure 3.6: % Differential Actual Vs Target New Irish Programming by Source, TG4 2010/2011

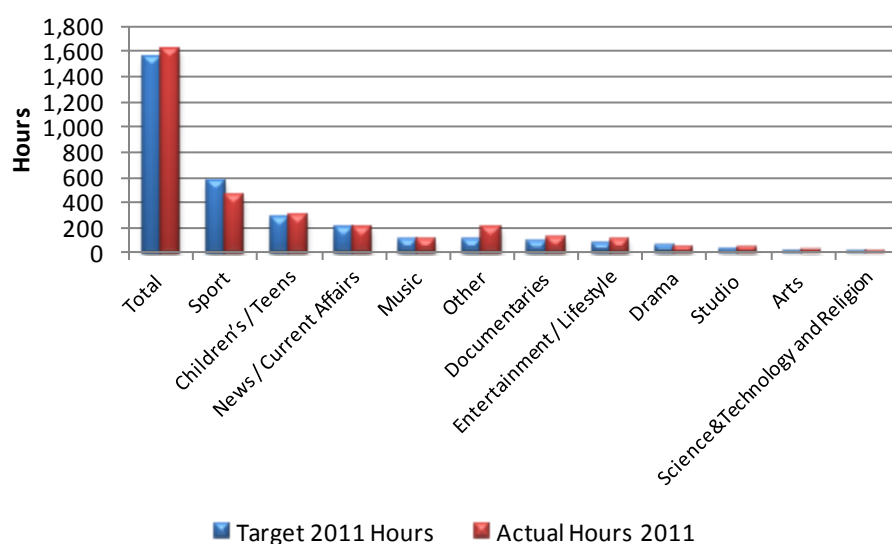


Note: The % differential for 'Other' was marked as N/A in 2010.

Source: TG4 Review of 2011 Performance (March 2012) & TG4 Review of 2010 Performance (April 2011).

Figure 3.7 presents TG4 target versus actual new Irish language programming hours by genre for 2011. TG4 exceeded its targets in relation to children's/teens' programming, as well as music, documentaries, entertainment/lifestyle, studio, arts and other programming content. TG4 met its targets for hours of news and current affairs. The target for hours of sport programming was not met, however, and neither were those for drama or for science/technology and religion.

Figure 3.7: Target Vs Actual New Irish Language Programming by Genre, TG4 2011

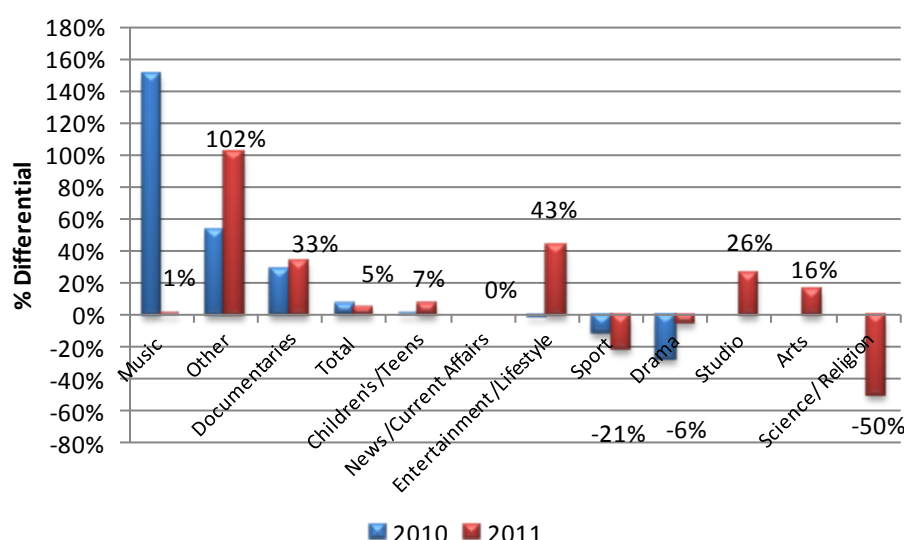


Note: Science & Religion includes Science, Technology & Religion.

Source: TG4 Review of 2011 Performance (March 2012).

Figure 3.8 presents the percentage differential between actual and target hours of new Irish language programming by genre for 2010 and 2011. TG4 notes in its Review of 2011 Performance that some of the documentaries related to Science and Technology. As mentioned above, 2011 also saw documentaries, total, children's/ teens', entertainment/lifestyle, studio and arts programming hours exceeding targets, while targets for sport and drama programming hours were not achieved.

Figure 3.8: % Differential Target Vs Actual New Irish Language Programming by Genre, TG4 2010 & 2011



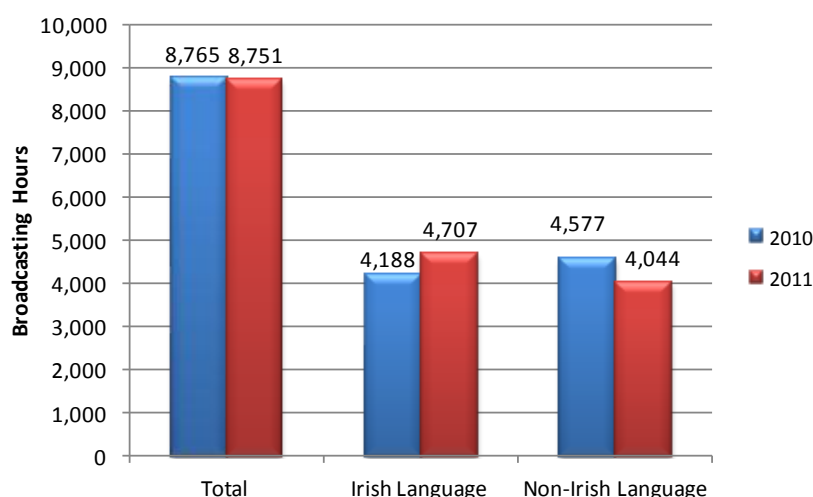
Note: Labels shown are for 2011 figures. 'Other' includes internally produced hours of presentation, inserts and weather in addition to 19 hours associated with the monetary contribution of Ros na Rún and 18 hours of archive material from RTÉ (first run across various genres).

Source: TG4 Review of 2011 Performance (March 2012) & TG4 Review of 2010 Performance (April 2011).

The commissioning process spans two broadcasting years and thus commissioned content may not necessarily be broadcast in the year of commissioning. As a result, it is also useful to consider broadcasting output and changes which may have occurred in 2011 relative to previous years when examining target achievement for new Irish language programming. Figure 3.9 below presents total broadcasting hours for 2010 and 2011 by language. There was a small decline in broadcasting hours from 8,765 hours in 2010 to 8,751 hours in 2011 (when RTÉ provided hours are included). However, there was a significant decline in the number of RTÉ provided hours that were broadcast from 689 in 2010 to 578 in 2011 and therefore when these hours are excluded, TG4 achieved a small increase in broadcast hours from 8,075 in 2010 to 8,173 in 2011. The composition of broadcasting hours also changed slightly between 2010 and 2011; in 2010, 4,188 broadcasting hours were in the Irish language, which amounted to 48% of total broadcasting hours, while 4,707 Irish language hours were broadcast in 2011 (54%¹⁰ of total broadcasting hours). To summarise, the number of Irish language hours broadcast increased between 2010 and 2011, while the number of non-Irish language hours broadcast declined.

¹⁰ This applies to live viewing only and includes RTÉ provided hours.

Figure 3.9: TG4 Total Broadcast Hours by Language 2010 & 2011

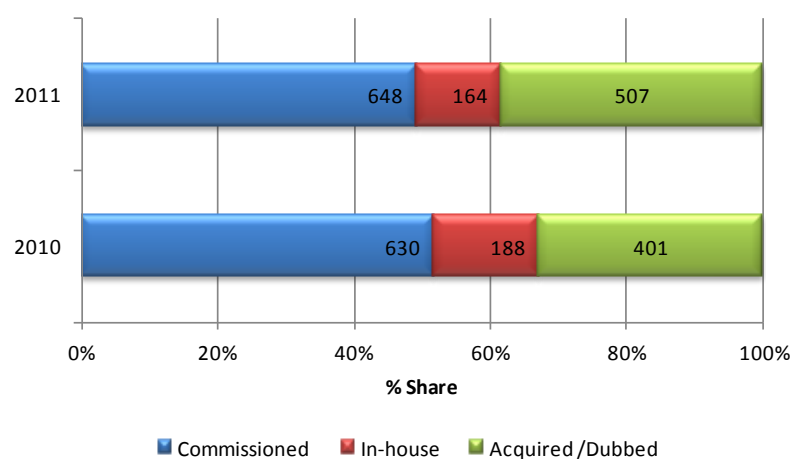


Note: The above hours are live viewing only and include RTÉ provided hours.

Source: Indecon analysis of TG4 data.

In Figure 3.10 below, new Irish language broadcasting hours are presented disaggregated by source. An increase in total new Irish language broadcasting hours was observed in 2011, with 1,319 new Irish language hours broadcast in 2011. This figure shows that the greatest percentage share of new Irish language broadcasting hours was commissioned programmes. A small decline in the percentage share of both commissioned and in-house new Irish language broadcasting was balanced by an increase in acquired new Irish language broadcasting, which accounted for 38% of total new Irish language broadcasting hours in 2011.

Figure 3.10: TG4 New Irish Language Broadcasting Hours by Source 2011 Vs 2010



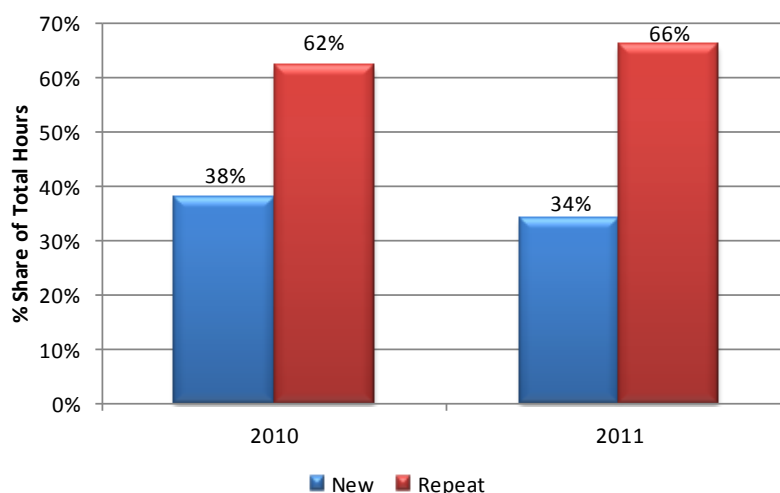
Note: The above new Irish language hours excludes RTÉ 365 hours. The labels inside the bars are total hours.

Source: Indecon analysis of TG4 data

The proportionate difference between new and repeat Irish language broadcasting hours for 2010 and 2011 is presented in Figure 3.11. New Irish language broadcasting made up a larger

percentage share of total Irish language broadcasting hours in 2010 (38%) than in 2011 (34%). This was counterbalanced by an increase in the share of repeated Irish language broadcasting hours from 62% to 66% over the same period.

Figure 3.11: TG4 New Vs Repeated Irish Language Broadcasting Hours 2010 & 2011

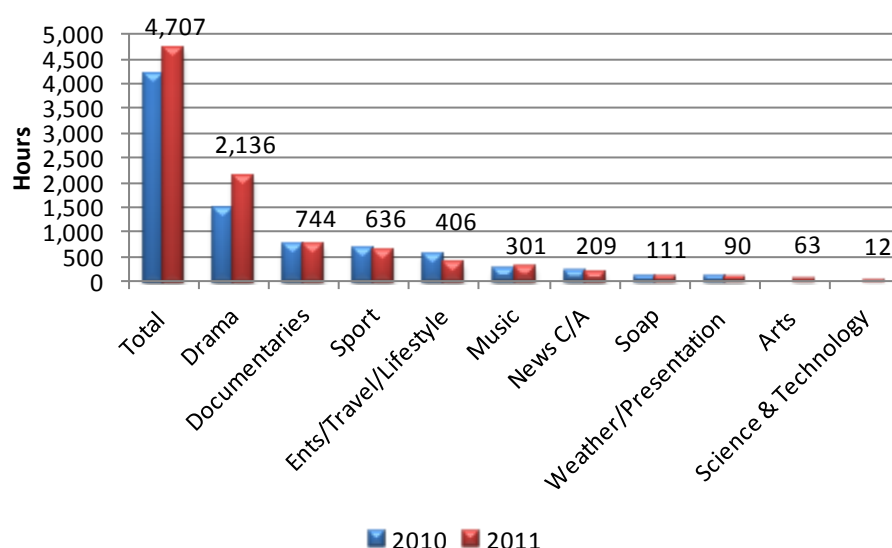


Note: The above includes RTE provided hours.

Source: Indecon analysis based on TG4 data.

Figure 3.12 below provides TG4 Irish language broadcasting hours by genre for 2010 and 2011. Total Irish language broadcasting hours increased by 12.4% from 4,188 hours in 2010 to 4,707 hours in 2011. Drama contributed the largest proportion of Irish language broadcasting hours in both years, with 35% in 2010 and 45% in 2011. Drama also saw the largest percentage increase over the two years. Documentaries and sport were the next largest genres, providing an average of 17% and 15% of total Irish broadcasting hours, respectively. Entertainment/lifestyle fell from a 13% share of total Irish broadcasting in 2010 to a 9% share in 2011, but this may be partly explained by the reclassification of genres discussed previously. The total number of hours broadcast for children/teens programming in 2011 was 2,250.

Figure 3.12: TG4 Irish Language Broadcast Hours by Genre 2010 & 2011

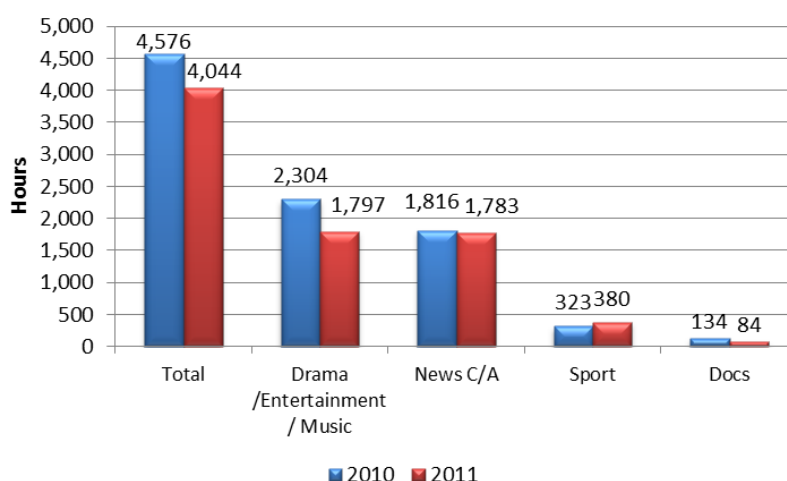


Note: Labels shown are for 2011 figures.

Source: Indecon analysis of TG4 data.

Figure 3.13 below presents TG4 non-Irish language broadcast hours by genre for 2010 and 2011. A difference in classification between Irish and non-Irish genres means that a direct comparison of the two is not possible. Nevertheless, the figure below demonstrates that the composition of non-Irish language broadcasting hours seems to differ from that of Irish language broadcasting hours. Drama, entertainment and music make up the largest proportion of non-Irish language broadcasting hours. This is followed by news and current affairs, which makes up 42% of non-Irish language broadcasting on average over the two years. In contrast, sport and documentaries make up a much smaller share of non-Irish language broadcasting hours, with 8% and 2%, respectively. Total non-Irish language broadcasting hours fell 11.6% from 4,576 hours in 2010 to 4,044 hours in 2011.

Figure 3.13: TG4 Non-Irish Language Broadcast Hours by Genre 2010 & 2011

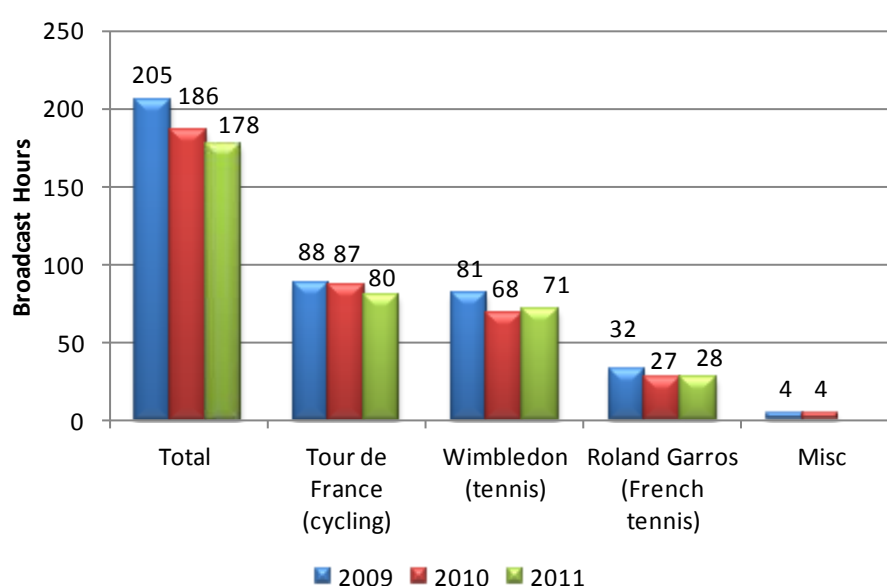


Note: Non-Irish language broadcast hours includes English language hours and other language hours.

Source: Indecon analysis of TG4 data.

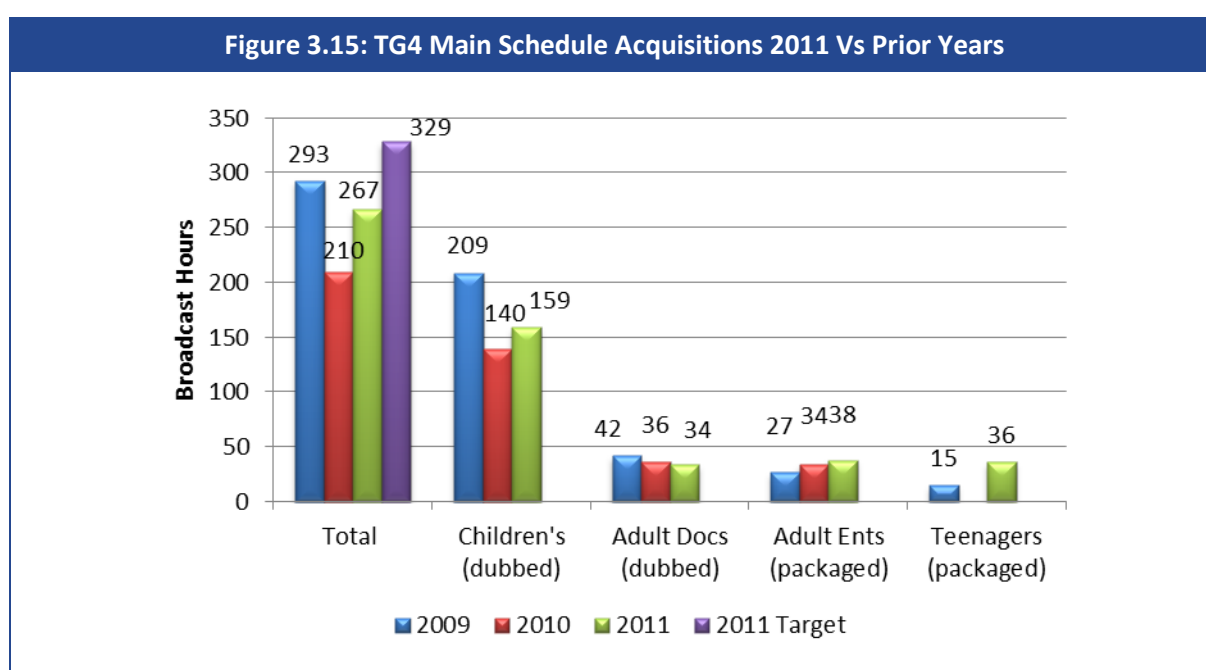
In Figure 3.14, sports programming acquisitions are presented for the period 2009 to 2011. Total sports programming acquisitions fell over the three-year period in question, from 205 broadcast hours in 2009 to 178 hours in 2011. The greatest proportion of these was Tour de France cycling (45% on average). Wimbledon tennis made up an average of 39% of total acquired sports programming, while on average 15% of acquired sports programming consisted of Roland-Garros tennis over the three years.

Figure 3.14: TG4 Sports Programming Acquisitions 2011 Vs Prior Years



Source: Indecon analysis of TG4 Review of 2011 Performance (March 2012) and TG4 Review of 2010 Performance (April 2011).

Figure 3.15 below presents a breakdown of TG4 main schedule acquisitions from 2009 to 2011. Total main schedule acquisitions fell from 293 broadcast hours in 2009 to 210 hours in 2010 (a fall of 28%). This was followed by an increase of 27% to 266.8 broadcast hours of main schedule acquired content in 2011. The largest portion of main schedule acquired content consisted of children's programming. In 2011, adult entertainment programming made up a larger proportion of main schedule acquired content than adult documentaries; the proportion of adult documentaries has seen a year-on-year decrease which has been counterbalanced by a year-on-year increase in the proportion of adult entertainment programming. There was also a higher proportion of teenage programming in 2011 than adult documentaries.



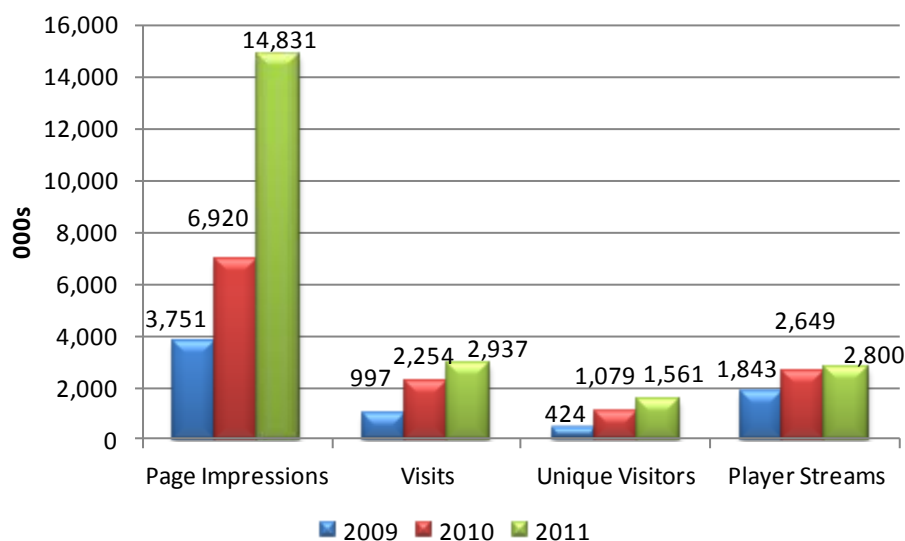
Source: Indecon analysis of TG4 Review of 2011 Performance (March 2012) and TG4 Review of 2010 Performance (April 2011).

3.2.4 TG4 Online Viewing Rates

TG4 continued to develop and strengthen its website and Player services throughout 2011. Particular focus was placed on the development of their services for children and young people in order to complement TG4's broadcast schedule with relation to this audience category and to promote the Irish language among young people and their parents. TG4 has striven to become the definitive source for Irish language content online.

Key outputs in relation to the TG4 website and online content are presented in Figure 3.16. Page impressions demonstrated a large increase between 2010 and 2011, but it should be noted that Player-related page impressions had not been included in the tally of total page impressions prior to 2011. Care should thus be taken when interpreting this increase. The number of visits, unique visitors and Player streams increased steadily from 2009 to 2011. The number of visits to the TG4 website increased by 195% from 2009 to 2011; this was composed of a 126% increase from 2009 to 2010 followed by a 30% increase from 2010 to 2011. The number of unique visitors to the TG4 website increased by 154% from 2009 to 2010 and by 45% from 2010 to 2011, which led to an overall increase of 268% in unique visitor numbers over the three-year period. The total number of Player streams increased by 52% from 2009 to 2011.

Figure 3.16: Growth in TG4 Website Visitors and Player Streams 2009 – 2011

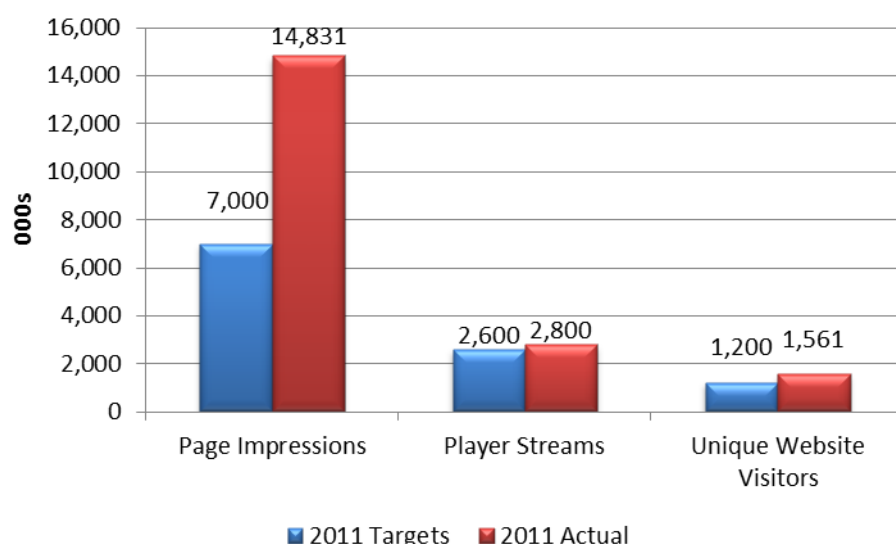


Note: The 2011 figure for the Player streams is derived from the TG4 Review of 2011 Performance and is thus approximate.

Source: Indecon analysis of TG4 data and TG4 Review of 2011 Performance (March 2012).

Figure 3.18 below provides TG4's actual performance against targeted commitments for page impressions, Player streams and unique website visitors. As stated above, Player-related page impressions had not been included in the tally of total page impressions prior to 2011 and thus targets for 2011 were constructed without the inclusion of these figures. TG4 exceeded its target for Player streams by 8% and exceeded its unique website visitors target by 30%. Indecon believes it may be useful for TG4 to consider other measures of online viewing and in particular what share of online TV market TG4 is achieving. This is something that could be considered as part of the 5-year review.

Figure 3.17: TG4 Target vs Actual Online Performance 2011



Note: The 2011 figure for the Player streams is derived from the TG4 Review of 2011 Performance and is thus approximate. A 2011 target was not provided for number of visits and thus actual performance for this measure is not included in this figure.
Source: Indecon analysis of TG4 data and TG4 Review of 2011 Performance (March 2012).

In order to examine the TG4 audience profile, it is useful to consider the Audience Research Survey for 2012. The TG4 Audience Research Survey is a survey performed every three years with a view to determining attitudes towards TG4 programming and to TG4 as a broadcaster. A sample of 400 Irish-speaking individuals aged 15 or over from Gaeltacht areas were interviewed in 2012, along with 150 Irish speakers aged 15 or over from non-Gaeltacht areas. Given the small sample size particularly for non-Gaeltacht Irish speakers, the results should be treated with caution. Table 3.3 below presents the profile of the survey respondents *from the Gaeltacht areas only* for 2002, 2005, 2009 and 2012. This table demonstrates that the gender profile of the TG4 audience in the market research is divided amongst men and women. The proportion of viewers over the age of 35 has remained fairly stable since 2002, increasing from 65% to 68% between 2009 and 2012. The proportion of viewers between the ages of 15 and 24 decreased steadily from 2002 to 2009, but increased to 18% in 2012. This is in the context of an overall decline in the share of the Irish population who are between the ages of 15 and 24 years from over 16% in 2002 to just over 12% in 2012.¹¹ Therefore TG4 achieved an increase in their audience of young adults despite the overall downward trend in this cohort of the general population. Sustaining and growing this cohort is essential considering they are the viewers who are most likely to choose the most technologically advanced mediums from which to view content. In contrast the proportion of viewers in the 25-34 age category fell to 14% in 2012. However, more relevant is data presented later in this report on audience market shares.

¹¹ CSO Statbank Population estimates.

Table 3.3: TG4 Sample Audience Profile, Gaeltacht Area				
	2002	2005	2009	2012
Gender				
Male	50%	52%	51%	50%
Female	50%	48%	49%	50%
Age Profile				
15-24	23%	18%	12%	18%
25-34	12%	17%	23%	14%
35+	65%	65%	65%	68%

Source: TG4 Audience Research Survey, July 2012.

3.2.5 Relations Commitments

Table 3.4 below demonstrates the extent to which TG4 achieved its commitments regarding the maintenance of its relations with regulators, government, other broadcasters, industry stakeholders and policy-makers. The evidence suggests that TG4 achieved its 2011 targets in this domain. Highlights include the securing of over €9.5 million in funding for the Irish independent production sector, the commissioning of 573 hours of new Irish language programming from the independent sector, and the production of 61 in-house hours. TG4 continued to work closely with the Broadcasting Authority of Ireland (BAI) and the Irish Language Broadcast Fund (ILBF) in 2011 and also maintained its connection with the World Indigenous Television Broadcaster Network (WITBN).

Table 3.4: TG4 Performance in 2011 on its 'Relations' Commitments

Commitment	Evidence
Position ourselves at the core of the Government's 20-year Strategy for the Irish language (2010-2030).	TG4 continues to contribute at corporate and programming level to the ongoing discussion about the implementation of the Strategy. Represented on the Coiste Téarmaíochta (Terminology Committee) and the Coiste Athbhreithnithe an Chaighdeáin (review of the Standard Irish Grammar).
Strengthen the Irish language production sector by ensuring that a minimum of €3m is secured by the sector from the BAI and €1.95m from the ILBF, for TG4 commissioned programming / content.	TG4 exceeded its target in this domain: securing over €9.5m in funding for the independent production sector, which represented a 103% increase on 2010 funding from these two sources. Circa €7m of this funding was provided by the BAI, while the remaining €2.5m was secured from the ILBF.
Play a pivotal role in supporting the Irish language independent production sector – in conjunction with other agencies, develop and implement initiatives to advance the talent and creative resources of the sector.	Commissioned 573 hours of new Irish language programming with the independent sector and produced 61 hours of new Irish language programming in-house – the majority of which was with the independent sector. These hours equated to almost €17.5m in programming expenditure. 36 Sound & Vision programme projects and 28 ILBF programming projects were co-funded with the independent sector.
Work with the ILBF to further develop the Irish language production sector in the North by targeting a small number of companies for joint programming project development.	TG4 continued to be the main supporter of ILBF-funded productions in Northern Ireland. It worked on an ongoing basis with 14 companies in the North on 28 projects in total.
Continue to proactively engage with the World Indigenous Television Broadcasters Network (WITBN) and with other indigenous broadcasters such as BBC Alba an S4C and on initiatives such as Circom and the Celtic Media Festival (CMF).	TG4 exchanged 4 hours of programming for 24 hours from the WITBN members and 12 news programmes through its exchange scheme. TG4 continued to work with colleagues from Celtic and other lesser-used language nations and engaged with the Celtic Media Festival and the European Broadcasting Union.
Work closely with our two key stakeholders, DCENR and BAI, to support broadcasting policy development and to deliver on all our governance and compliance requirements.	Regular meetings took place with the BAI concerning strategic and corporate affairs, Sound & Vision funding and on other broadcast issues such as the review of Public Funding for PSBs.
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.	TG4 engaged with a number of stakeholders on all aspects of broadcasting including compliance with broadcasting codes and regulations. Stakeholders included the BAI, DCENR, ComReg, Government, Ofcom, Broadcasters in Ireland Group (TBIG), IBEC's Audiovisual Federation and others.
Work closely with the TG4 Board to comply with all relevant and binding codes and regulations under which it functions.	TG4 management made regular reports to the TG4 Board, who adopted all policies suggested by TG4 management in 2011. The TG4 board also completed a checklist of all reporting, governance and compliance requirements for TG4 to ensure that it is fulfilling all requirements.

Source: Indecon analysis of TG4 data from the TG4 Review of 2011 Performance (March 2012).

3.2.6 Finance and Funding Commitments

This section presents TG4's performance in achieving its 2011 commitments in the area of finance and funding. TG4 derives its income primarily from public funding (or Grant-in-Aid), but also secures some commercial revenue resulting from advertising and sponsorship, and other commercial income. TG4 set out to maximise commercial revenues in 2011 but despite this they experienced a further drop of over 10%. There was a small increase in Public Funding (Exchequer) to a total of €32.75m resulted in an overall slight increase in total TG4 income in 2011. TG4 allocated its public funding as committed below between Irish language content, broadcasting and overheads.

TG4 exceeded its targets with respect to the securing of funding for the independent production sector. TG4 commissions secured a total of €9.5 million in funding for the independent sector. This consisted of €6.9 million from the BAI (ROI) and a further 2.56 million from the Irish Language Broadcast Fund which is operated by Northern Ireland Screen. TG4 set a target to maintain programming per hour costs as part of an overall effort to ensure value-for-money there was a small increase in average commissioning cost per hour recorded in 2011. TG4, however, indicates in its performance review that this was due to changes in the genre of programmes that were commissioned. A slight increase was observed in operating expenditure and as noted earlier there was a small increase in both staff costs and overheads.

Table 3.5: TG4 Performance in 2011 on its 'Finance & Funding' Commitments	
Commitment	Evidence
Leverage additional financial support for programme projects from external sources such as the Sound & Vision fund, the ILBF and Bord Scannán na hÉireann / the Irish Film Board, with the objective of further strengthening our programming quality and hours.	TG4 commissions secured over €9.5m in funding for the independent production sector from the BAI Sound & Vision fund and the ILBF in 2011, which amounted to circa €7m from BAI for 36 projects and €2.5m from ILBF for 28 projects. This represented a 103% increase on funding from these sources received in 2010. TG4 also secured funding for 4 projects from the Irish Film Board.
Maintain current programming per hour costs and ensure value-for-money.	An increase in average commissioning cost-per-hour from €26k to €28k was observed between 2010 and 2011 due to changes in genre mix. Nevertheless, this figure still remains below TG4's ASPC target of €32k per hour for 2011 although it exceeds TG4's detailed budget target of €27k per hour for 2011. Average commissioning cost-per-hour seemed ¹² to be more competitive than that of the BBC or S4C.
Spend at least 70% of current funding on Irish language content, a further 15% on its broadcast and 15% on overheads. We will limit our use of our public funding to the achievement of our public service objects and duties.	TG4 exceeded its target in this domain: 87% of public funding was spent on the production of Irish language programmes, and content and broadcasting costs, while the remaining 13% was spent on related overheads. All public funding was used for the achievement of TG4 public service objects and duties.
Maximise commercial revenues in 2011.	TG4's commercial income from advertising and sponsorship fell by 10.35%, while other commercial income fell by 11.2%. The 2011 performance review suggests that this was due to further deterioration in the economy, increased competition, and a decline in commercial viewing figures.
Continue to operate as cost effectively as possible.	TG4 implemented some cost efficiency measures but they indicated further extensive cost reductions were difficult to identify given cost reductions in previous years.

Source: Indecon analysis of TG4 data from the TG4 Review of 2011 Performance (March 2012).

3.2.7 Contribution to Economy Commitments

TG4 undertook two commitments in 2011 concerning its contribution to the economy; these are outlined in Table 3.6 below. 83 full-time equivalent jobs were provided directly by TG4 against a target of 100; another 279 full-time positions were provided within the independent production sector compared to TG4's target of approximately 300 jobs. Through the use of impact multipliers, TG4 estimated a contribution of €63.1 million to the national economy in 2011 and an associated employee impact of 938 jobs against a target of 1,000 jobs.

¹² It is difficult to perform a true comparison given differences in definitions of programme types, reporting structures etc.

Table 3.6: TG4 Performance in 2011 on its 'Contribution to National Economy' Commitments	
Commitment	Evidence
Provide some 100 jobs directly and support approximately 300 full-time jobs in the independent production sector, enhancing Ireland's capability in the knowledge-based creative sectors.	TG4 provided 83 full-time equivalent positions and was directly responsible for 279 full-time jobs in the independent production sector.
Build on previous year's contribution to the national economy by adding approximately €58m to national earnings and having an associated employment impact of some 1,000 additional jobs.	Using impact multipliers, TG4 estimates a total contribution to national earnings of circa €63.1m, with an associated employee impact of 938 jobs. TG4's 2011 performance review states that this employee impact is lower than that of 2010 primarily due to updates in multipliers used and a reduction in the employment effect multiplier resulting from the economic climate.

Source: Indecon analysis of TG4 data from the TG4 Review of 2011 Performance (March 2012).

3.2.8 Audience Commitments

A summary of TG4's performance in relation to its audience commitments is provided in Table 3.7 and Table 3.8. These were broadly achieved in 2011. TG4 continued to strengthen its online content, providing updates and new media to its website while exceeding its webpage-related targets; TG4 did not succeed in developing its Archive project in 2011 and there was a small decline in national audience share from 2.09% to 2.06¹³%.

¹³ Excludes player share, deferred viewing share, Northern Ireland share and viewing shares in pubs and clubs in the republic.

Table 3.7: TG4 Performance in 2011 on its 'Audience' Commitments

Commitment	Evidence
Deliver an Irish language service worldwide through our web and Player services, achieving 1.2m unique visitors and 7m page impressions online and 2.6m programme streams in 2011.	TG4 exceeded its targets in this domain, achieving 1.5m visitors, 14.8m page impressions and 2.8m programme streams. TG4 thus exceeded its visitor targets by 25%, page impression targets by 111% ¹⁴ and programme stream targets by almost 8%.
Endeavour to make TG4's website the definitive Irish language website and source for Irish language content online and in particular, for children's Irish language content.	TG4 has continued to develop its online and Player services in 2011 to ensure that it becomes the definitive source for Irish language content online, with particular focus on children's and young people's online services. Currently, TG4's website is ranked third in world rankings of Irish language websites, and aims to become #1 in world rankings by 2016.
Continue to make TG4 available on an all-island basis, by ensuring our availability across all broadcast platforms in the North.	TG4 provides a universal Free-to-Air and all-island Irish language TV service which continues to have a "must carry" and prominent position status on all broadcasting platforms in the State. It is widely available in the North through spill-over from analogue terrestrial transmitters, on satellite to Sky satellite subscribers, on cable through Virgin Media and through the analogue terrestrial transmitter. TG4 is broadcast on Digital Terrestrial Television (DTT) in the Republic through Saorview and will be broadcast on DTT in the North when launched in October 2012.
Deliver an archive to best-in-class industry standards to support the Irish language, culture and heritage.	TG4 did not achieve this commitment in 2011, citing a delay in the BAI securing European approval for its Archive Project scheme, which will help fund the TG4 Archive project. It is now envisaged that approval for the BAI scheme will be obtained and initiation of the TG4 Archive project will commence in Q2 2012. In addition, upgrades to the TG4 Player now allow for a "35 day archive" service.

Source: Indecon analysis of TG4 data from the TG4 Review of 2011 Performance (March 2012).

Table 3.8: TG4 Performance in 2011 on its 'Audience' Commitments (Continued)

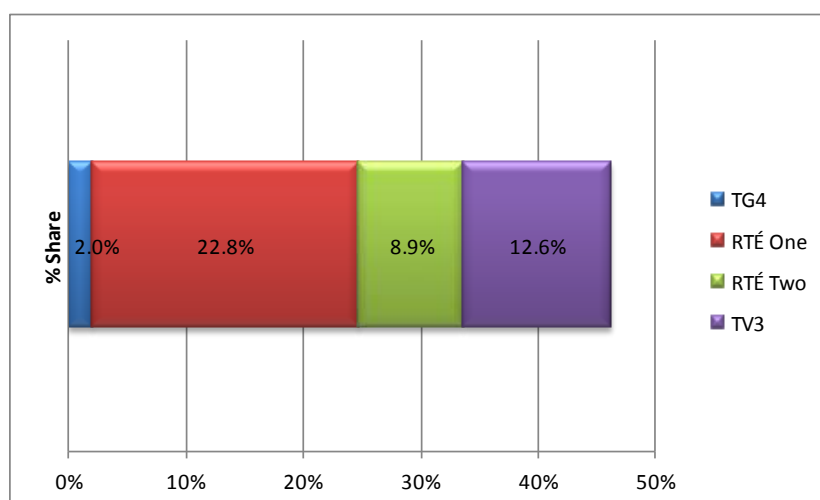
Commitment	Evidence
Maintain and if possible increase our national audience share taking account of all means of viewing the service across all digital platforms (traditional and deferred viewing, online etc) In addition, we will endeavour to improve TG4 shares where possible, in key targeted demographic sectors, including children, young adults and adults.	TG4's national audience share in 2011 declined slightly from 2.09% to 2.06% share. This share excludes TG4's Player share, Northern Ireland share, share in pubs and clubs in the republic, as well as TG4's deferred viewing share (i.e. where TG4 programmes are recorded on personal video recorders). In terms of key demographic sectors, TG4 increased its share of adult viewers over the age of 55, male viewers over the age of 15, and children/young people audiences. TG4's share of women over the age of 15 showed a marked decline of 10.6%. TG4 recognises the importance of this demographic sector, and of the necessity for appropriate content and marketing strategies.
Strengthen TG4 through delivery of strong marketing and branding campaigns.	Advertising campaigns were run across multiple media platforms including press, radio, digital (including social media) and billboards. 13 campaigns were implemented, 6 for specific programmes: major TG4 campaigns were implemented for "Ros na Rún", "Scéalta Átha Cliath" and Rugby, while a number of smaller campaigns were run for "Peil na mBan" (ladies football), "Gradam Ceoil" (TG4 Traditional Music Awards) and "Corps Anam". Total marketing expenditure amounted to €1.43m in 2011.

Source: Indecon analysis of TG4 data from the TG4 Review of 2011 Performance (March 2012).

¹⁴ Page impressions from the Player service were not incorporated in 2010, so there was a 143% increase in page impressions between 2010 and 2011. It seems likely that the 2011 target would have been constructed using 2010 data as a reference, so care must be taken when considering the page impression data.

Figure 3.18 below displays the average audience viewing shares for the four main terrestrial Irish channels. RTÉ One maintained the largest share of average audience viewing in 2011 at 22.76%, followed by TV3 with 12.6% and RTÉ Two with 8.9%. TG4 achieved an average audience viewing share of 2%.

Figure 3.18: Average Audience Viewing Shares by Channel 2011 for TG4, RTÉ and TV3 2011



Note: These figures are "Consolidated" shares, which include live viewing and also playback viewing up to 7 days after transmission.

Source: *Indecon analysis of TG4 data from the Review of 2011 Performance (March 2012)*.

3.2.9 TG4 Television Viewing Rates

Key figures concerning TG4 viewership during peak time throughout 2010 and 2011 are provided in Table 3.9 below. The average viewership is based on a target audience who have viewed a programme. Reach is expressed in thousands and is a measure of the total target audience who have viewed a programme for a defined period (e.g. at least one minute). Although TG4 did not set out specific targets for these measures TG4 set a target to maintain/increase its national audience share. The TG4 peak share measures the proportion of peak time viewing which is attributed to the TG4 channel. The average viewership in 2011 was 27,400, which represented an 8.1% decrease on the 2010 figure of 29,800. This decline in viewership might in part be explained by a shift in viewers from television viewing to viewing on the TG4 player which experienced an increase in streams (see Figure 3.16). Indecon do not however, think this was the key determinant. Total reach declined by 6.7% to 425,300 while peak share declined in 2011 to 2.12%.

Table 3.9: Summary of TG4 Viewership, Reach and Share for all Programmes during Peak Time, 2010 & 2011

	Average Viewership (000s)	Reach (000s)	Peak Share (%)
2010	29.8	455.6	2.25
2011	27.4	425.3	2.12

Note: figures are DayParts.

Source: *TG4 Review of 2011 Performance (March 2012)*.

The top 20 programmes on TG4 during peak time are detailed in Table 3.10, and are expressed in decreasing order of average viewership recorded in thousands. This table demonstrates that sport forms an important component of TG4 peak viewership; the top peak programme in 2011 was the Leinster vs. Munster rugby match which achieved an average viewership of 170,400 and a share of 11.94%, and five out of the top 20 programmes at peak time were rugby matches. The majority of the remaining peak time programmes were films or music programmes. TG4 also garnered a high peak time viewership from the Leader's Debate during the General Election and from the Presidential Debate.

Rank	Programme	Date	Time	Ave 000s	Peak 000s	Reach 000s	Share (%)
1.	Rugbaí Beo – Leinster v Munster	04-Nov	19:30	170.4	318.0	621.5	11.9%
2.	The Forgotten Maggies	20-Jul	21:32	139.8	179.9	353.8	10.5%
3.	Vóta 2011 – Díospóireacht	16-Feb	19:00	130.1	176.2	405.9	8.7%
4.	The Quiet Man	17-Mar	17:28	128.5	171.1	446.4	10.8%
5.	Áras 2011 – Díospóireacht	18-Oct	19:00	122.9	172.0	323.7	8.4%
6.	Glór Tíre	05-Oct	22:31	115.3	134.6	227.8	10.7%
7.	Rugbaí Beo – Munster v Connacht	26-Dec	19:15	114.6	166.3	504.0	7.6%
8.	Seo é Joe Dolan	17-Mar	23:05	114.2	145.6	268.3	14.4%
9.	The Ballroom of Romance	17-Mar	22:05	113.3	163.8	317.4	9.1%
10.	Pale Rider	08-Jul	21:32	111.7	154.0	389.4	9.3%
11.	Ceol Daniel	28-Dec	21:33	110.4	132.0	181.0	7.1%
12.	Corn Heineken – Munster v Northampton	12-Nov	22:06	108.8	169.2	329.5	8.3%
13.	Hour of the Gun	24-Jun	21:33	108.5	140.3	350.4	8.3%
14.	Rugbaí Beo – Munster v Edinburgh	18-Feb	19:30	104.8	212.3	431.0	7.2%
15.	Glór Tíre	23-Nov	22:31	101.2	120.6	218.4	9.5%
16.	Collateral Damage	25-Jul	21:31	98.7	146.9	374.0	7.9%
17.	The Good the Bad and the Ugly	17-Jun	21:32	97.3	141.7	460.9	9.1%
18.	Rugbaí Beo – Leinster v Ospreys	07-Jan	19:25	97.2	197.4	438.0	6.1%
19.	Ray McAnally – M'athair	26-Dec	22:00	97.2	114.1	208.8	7.2%
20.	The General	19-Dec	22:01	95.9	155.7	461.6	8.3%

Note: figures are DayParts. Peak time is from 19:00-24:00 and these figures are Live viewing only.

Source: TG4 data from the TG4 Review of 2011 Performance (March 2012).

Table 3.11 details the highest viewed programmes on TG4 for all individuals aged 4 or over in 2011. This table further demonstrates the importance of sporting programmes for TG4; 12 of the top 20 programmes were sporting programmes and the top 5 were all sporting programmes. The highest viewed programme in 2011 was the GAA Beo Hurling Final broadcast on the 1st of May 2011, which achieved an average viewership of 310,900, a reach of 620,300 and a share of 33.15%. It is also interesting to note that only seven of the top 20 programmes were shown during peak time, a possible indication of the importance of non-peak time viewing for TG4.

Table 3.11: TG4 Top 20 Programmes – Highest Audience 2011

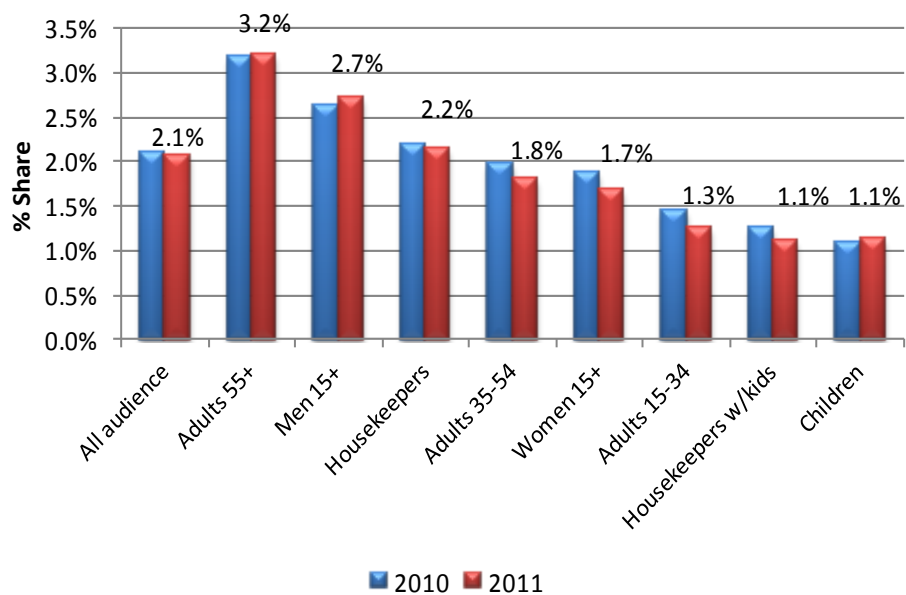
		Day	Date	Time	Ave 000s	Peak 000s	Reach 000s	Share (%)
1.	GAA Beo - Allianz League Hurling Final	Sun	01-May	15:52 - 17:59	310.9	430.5	620.3	33.2%
2.	GAA Beo - Allianz League Football Final	Sun	24-Apr	15:47 - 17:50	309.4	444.1	565.2	33.3%
3.	Peil na mBan Beo - TG4 Ladies Football Final	Sun	25-Sep	15:33 - 17:36	188.1	253.2	470.6	20.2%
4.	Rugbaí Beo - Leinster v Munster	Fri	04-Nov	19:30 - 22:16	183.2	337.8	635.7	11.3%
5.	GAA Beo - AIB Club Football Final	Thu	17-Mar	15:32 - 17:23	174.0	248.1	396.3	19.8%
6.	Magdalene Laundries - The Forgotten Maggies	Wed	20-Jul	21:32 - 22:29	151.2	192.5	366.3	10.2%
7.	GAA Beo - Mayo v Kerry	Sun	20-Feb	16:11 - 17:47	149.9	179.0	337.4	13.6%
8.	GAA Beo - Dublin v Galway	Sun	27-Mar	16:22 - 17:48	149.6	186.4	300.8	18.8%
9.	GAA Beo - Kilkenny v Cork	Sun	20-Feb	14:00 - 16:06	139.3	230.9	358.5	15.3%
10.	GAA Beo - Mayo v Cork	Sun	03-Apr	16:10 - 17:47	132.7	172.7	308.9	16.9%
11.	Vóta 2011 - Leader's Debate	Wed	16-Feb	19:00 - 19:57	131.8	176.2	407.9	8.3%
12.	The Quiet Man	Thu	17-Mar	17:28 - 19:38	129.6	171.1	446.4	10.3%
13.	GAA Beo - Galway v Tipperary	Sun	03-Apr	14:00 - 16:06	122.9	199.1	340.1	18.5%
14.	Arás 2011 - Presidential Candidates Debate	Tue	18-Oct	19:00 - 20:10	122.9	172.0	327.2	7.8%
15.	GAA Beo - Armagh v Kerry	Sun	20-Mar	16:13 - 17:51	120.4	156.1	317.8	12.6%
16.	Rugbaí Beo - Munster v Connacht	Mon	26-Dec	19:15 - 21:52	117.0	170.8	523.2	6.7%
17.	Seo é Joe Dolan	Thu	17-Mar	23:05 - 24:02	116.5	148.9	273.3	13.8%
18.	Tommy Fleming Voice of Hope	Sat	24-Dec	16:56 - 17:54	116.5	136.4	204.9	10.5%
19.	Glór Tíre	Wed	05-Oct	22:31 - 23:26	115.3	134.6	227.8	9.9%
20.	GAA Beo - AIB Club Hurling Final	Thu	17-Mar	13:30 - 15:27	114.6	196.0	341.9	14.8%

Note: figures are DayParts. Audience is all individuals aged 4+.

Source: TG4 data.

Figure 3.19 displays TG4 audience shares for 2010 and 2011, disaggregated by demographic group. This figure demonstrates that TG4 increased its audience share for adults over the age of 55, men over the age of 15 and children. There were however falls in the audience share attributed to the categories of housekeepers, adults aged 15 to 34 and adults aged 35 to 54, women over the age of 15 and housekeepers with kids, which led to an overall decline in the TG4 audience share from 2.09% in 2010 to 2.06% in 2011. Adults over the age of 55 commanded the highest audience share, followed by men over the age of 15 and housekeepers.

Figure 3.19: TG4 Audience Shares by Category, 2011 & 2010



Note: All figures reported are "Live" shares, referring to viewing at time of transmission. Data labels shown are for 2011 only.
 Source: TG4 Review of 2011 Performance (March 2012) & TG4 Review of 2010 Performance (April 2011).

3.2.10 Organisational Development Commitments

The performance of TG4 in relation to its organisational development commitments is outlined in Table 3.12 below. Our analysis finds that TG4 broadly achieved its 2011 commitments in this domain; the exception was the establishment of the archive, which was delayed until 2012 due to a delay in the DAMS project going live and for funding reasons. Highlights included the launch of an Irish language application for iPhone and iPad, going live with the DAMS project, continued work on the rollout of Saorview in the Republic and the establishment of MUX 7 in Northern Ireland and significant progress on the production of a HD TG4 channel, including the securing of a Supplementary Budget from the DCENR.

Table 3.12: TG4 Performance in 2011 on its 'Organisational Development' Commitments

Commitment	Evidence
Continue to embrace new content distribution technologies to extend and enhance TG4's presence across, not only broadcast and online platforms, but also mobile.	TG4 launched and developed a micro site for "Olivia", and progress was made on additional micro sites for children's programmes which will be launched in Spring 2012, along with the "Cúla4" micro site which has been redesigned to make it more attractive for children. TG4 also developed "Cúla Caint", an Irish language application for iPhone and iPad to help promote Irish vocabulary.
Continue to work on the roll-out of Digital Terrestrial Television (DTT) and Digital Satellite Television (DST). In particular, we will work with RTÉNL on the delivery of TG4 on MUX 1 on the RoI DTT network and with the UK authorities for the launch of TG4 on MUX 7 in the North. We will also continue with the process of migrating towards high definition TV (HDTV) by 2013.	TG4 exceeded its target in this domain. TG4 worked on the rollout of the DDT service Saorview in addition to RTE's satellite offering Saorsat, an alternative satellite service. TG4 sat on the group that oversees the technical aspects of DTT in the Republic and on DCENR's Digital Steering Group, which is overseeing all aspects of the digital switchover service. In Northern Ireland, TG4 was heavily involved in the establishment of the MUX7 project which will see TG4 being made available terrestrially in the six counties. TG4 sits on the Technical and Establishment committees and is one of the parties of the joint venture company which is being formed to manage the contracts for Transmission and Multiplexing in the North. TG4 engaged in extensive HDTV planning and implementation and secured a supplementary budget of almost €3m to deliver HD over the 2 year time frame.
Maintain a culture of continuous improvement through our ongoing investment in talent and HR management and development.	Performance reviews were completed in November 2010 which provided the background for a training needs analysis, training planning and personal development plans for all staff. Further performance reviews were carried out at the end of 2011 in order to inform the 2012 year. External training courses in a broad range of areas were also undertaken.
Go live with our Digital Asset Management (DAM) System, commence the development of DAMs Phase 3 (the archive). We will also continue to upgrade critical broadcasting and administrative systems and related processes/work practices.	DAMS went live in 2011 and the organisation is now operating completely tapeless broadcasting processes and systems, which has a significant productivity impact for TG4. There was a delay in the Archives project due to funding issues. It is now envisaged that the BAI Archive Project Scheme will secure European approval and that the TG4 Archive project will commence in Q2 2012. TG4 implemented a hardware upgrade to the management/administrative systems and reviewed key technical work practices.
Implement a number of major new service contracts specifically in dubbing and subtitling services, marketing services and catering.	*
Deliver all our statutory requirements as reflected in our objectives, broadcasting codes and regulations etc.	TG4 delivered statutory and other obligations as reflected in TG4's objects and in all broadcasting codes and regulations etc. TG4 adhered to the Code of Practice for Governance of State Bodies. TG4 also delivered and published all plans and reports as required by legislation, and all policies and charters as required by the Broadcasting Act.
Publish an updated Strategic Plan and as part of this, revise our funding plan to reflect the current economic realities. We will also continue to position the case with Government for a longer-term increase in funding and a multi-annual funding approach.	TG4 published an updated Statement of Strategy for 2011-2015 in March 2011. As part of this, the funding plan was revised and submitted to the DCENR. TG4 has been working on further updating this Statement of Strategy for 2012-2016, which will be submitted at the end of Q1 2012 to DCENR.
Deliver two Internal Audits and a Risk Management review of TG4.	3 internal audits were undertaken in 2011: a Review of Commercial Operations, a Review of IT Recommendations and a Review of Commissioning Recommendations. A detailed risk management review of TG4 was performed in conjunction with management by DHKN, TG4's internal audit service provider.

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

Source: Indecon analysis of TG4 data from the TG4 Review of 2011 Performance (March 2012) and data provide to Indecon by TG4.

3.2.11 TG4 Fulfilment of its Public Service Statement

The final section of TG4's commitments relates to its public service statement. These commitments, and TG4's performance in relation to them, are summarised in Table 3.13 and Table 3.14 below. 1,615 hours of new Irish language programming were provided in 2011 and 56.6% of TG4 broadcast content was in the Irish language; in addition, over 6 hours of children's/young people's programming was provided daily. TG4 provided 400 hours of subtitling through 2011, although this fell short of the 68% target set by the BAI. 42% of Tg4 programming in 2011 contained subtitling. TG4 also commissioned €17.5 million worth of programming from the independent production sector, and secured €9.5 million for projects co-funded with the independent production sector. Contact was maintained with other indigenous broadcasters worldwide through WITBN.

TG4 broadly fulfilled its commitments as per its Public Service Statement and there were a number of significant achievements such as the level of support for the independent sector through commissioning and facilitating the applications for funding and the exchange of programming through the WITBN. However, the nature of some of the commitments set out merits full review as mentioned previously.

Table 3.13: TG4 2011 Performance on its Public Service Statement

Statement	Evidence
Deliver programming primarily in the Irish language and provide a daily link for the Irish language to every household in the island of Ireland.	56.6% of TG4 broadcasting was in the Irish language in 2011. Universal free-to-air and all island Irish Language TV service provided. Will be broadcast on DTT in 2012.
Ensure that our programming reflects the varied elements which make up the culture of the people of the island of Ireland and have special regard for the elements which distinguish the culture and in particular, for the Gaeltachtaí.	TG4 broadcast 5 hours of programming from "Oireachtas na Gaeilge i gCill Airne". TG4 provided comprehensive Nuacht coverage from the Gaeltachtaí. TG4 broadcast new Gaeltacht based series: "Bliain in Inis Oírr", "Bean an Tí sa Chisitin" and "Ó Bhearna go Carna". Also produced a new series of "Comhrá". TG4 commissioned and broadcast the dancing and singing competitions "Steip" and "Corn Uí Riada."
Ensure that our services reflect the requirements of the Gaeltacht communities and households whose daily language is Irish.	56.6% of TG4 broadcasting was in the Irish language in 2011. TG4 provided comprehensive Nuacht coverage from the Gaeltachtaí.
Ensure that our programme reflects the democratic and social values of Irish society.	TG4 has stated in their performance commitments review that this commitment has been achieved. However no specific evidence was provided by TG4.
Feature programming across all genres that informs, entertains and educates audiences of all age groups within Irish society.	1615 hours of new Irish language programming was provided across the following range of genres: 3.1% Irish drama, 28% sport, 6.7% music, 6.6% entertainment/lifestyle, 7.7% Irish documentaries, 18.3% children's/teen programming and 12.3% news and current affairs.
Always strive to deliver and maintain the highest standards of editorial integrity and deliver a diverse range of high quality programming.	TG4 states in its performance review that all management and staff are aware of the responsibilities that go along with informing, educating and entertaining audiences and ensuring that the content they receive is fair, impartial, accurate and of the highest quality.
Show no editorial or programming bias in terms of gender, age, disability, race, sexual orientation, religion or membership of minority community.	TG4 has stated in their performance commitments review that this commitment has been achieved. However no specific evidence was provided by TG4.
Show no editorial bias in news and current affairs reporting being fair, impartial and objective.	As mentioned in point #7 above, the TG4 management and staff try to ensure that content broadcasted is fair, impartial, accurate and of the highest quality.
Ensure that our broadcasts do not cause harm or offence, do not incite crime or undermine the authority of the State.	TG4 has stated in their performance commitments review that this commitment has been achieved. However no specific evidence was provided by TG4.
Respect children in our programming and advertising broadcasts.	TG4 provides more than 6 hours of children and young people's programming a day, with shows including "Cúla4 na nÓg", "Cúla4" and "Ponc". TG4's daily service for children and young people is free of advertising, and all TG4 advertising respects children and young people.
Take into account the needs of those with physical, sensory and intellectual disability.	TG4 claims in its performance review that it aims to adhere to BAI codes and guidelines regarding accessibility of programming to audiences with physical, sensory or intellectual disabilities. TG4 did not meet the 68% target guideline for subtitling from the BAI. 400 hours of sub-titling were provided in 2011, and TG4 reports regularly on this requirement.
Respect individuals and ensure that the privacy of any individual is not unreasonably encroached upon.	TG4 has stated in their performance commitments review that this commitment has been achieved. However no specific evidence was provided by TG4.

Source: Indecon analysis of TG4 data from the TG4 Review of 2011 Performance (March 2012).

Table 3.14: TG4 2011 Performance on its Public Service Statement (Continued)

Statement	Evidence
Play a leading role in the development of Irish language television by encouraging high standards of programme quality in addition to supporting the talents and creative resources of the independent production sector in Ireland.	In 2011, TG4 commissioned almost €17.5m worth of programming from the independent production sector, which amounted to 573 hours of new Irish language programming and an additional 61 hours of programming produced in-house (the majority in conjunction with the independent production sector). TG4 also helped to secure €9.5m of funding from BAI Sound and Vision and ILBF for 36 Sound and Vision projects and 28 ILBF projects developed in conjunction with the independent production sector.
Be mindful of the need for understanding and peace within the whole island of Ireland.	TG4 has stated in their performance commitments review that this commitment has been achieved. However no specific evidence was provided by TG4.
Uphold the democratic values enshrined in the constitution, especially those relating to rightful liberty of expression.	TG4 has stated in their performance commitments review that this commitment has been achieved. However no specific evidence was provided by TG4.
Have regard for the need for the formation of public awareness and understanding of the values and traditions of countries other than the State, including in particular, those of other EU member states.	TG4 was a founding member of WITBN (the network of indigenous broadcasters which collaborate to help foster awareness and understanding of indigenous cultures and languages) and remains fully involved with the leadership of the organisation. TG4 exchanged 24 hours of programming for 24 hours through WITBN in addition to 12 news programmes. TG4 also continued to work with colleagues from Celtic or other lesser-used language nations/regions, as well as the Celtic Media Festival and the EBU.
Deliver audiences and stakeholders real value-for-money by successfully promoting the Irish language and culture through high quality broadcasts and content services and by operating as efficiently as possible.	Slight increase in operating expenditure in 2011 (0.36%), but this compared favourably with CPI increase of 2.6% reported by the CSO. Increase in total staff costs of 2.1% in 2011, which remains below CPI increase for 2011, despite 2 additional members of staff. Total Irish language programming expenditure increased from €13k to €13.4k resulting in an increase in average cost-per-hour.

Source: Indecon analysis of TG4 data from the TG4 Review of 2011 Performance (March 2012).

3.3 Summary of Findings

This section evaluated the performance of TG4 in relation to its Public Service Objectives and commitments. The evidence provided indicates that TG4 largely achieved its commitments and targets for 2011. TG4 exceeded its targets in terms of total new Irish programming content and average daily new Irish language programming. The TG4 website performed more strongly than outlined in the 2011 targets. In addition, TG4 succeeded in exceeding the targeted amount of funding acquired for the independent production sector. TG4 also secured a Supplementary Budget from the DCENR to cover the cost of introducing a new HD channel, planned for 2012-2013.

TG4 did not achieve the target of 68% subtitling and delayed the introduction of the Archive project until 2012; these commitments were not reached primarily due to funding reasons. TG4 was not able to maintain its national audience share at 2010 figures, recording a fall in Live viewing national audience share from 2.09% in 2010 to 2.06% in 2011. The economic situation and increased competition from other broadcasters also meant that TG4's commercial revenue fell in 2011.

Overall TG4 fulfil and its commitments for Irish language programming in terms of hours of new programming and overall support for the Irish independent sector. The key areas in which TG4 faces challenges are audience share and commercial revenues.

Although TG4 performed well in terms of the proportion of the commitments it met, an important issue is the nature of these commitments. In our view the commitments set need to prioritise the key challenges facing the broadcaster in the current environment such as increasing competition for market share and falling commercial revenues.

The key findings from the analysis in this section are as follows:

- ❑ TG4 provided 1,615 total hours of new Irish language programming and an average of 4.42 hours of new Irish language programming per day, which represented a 4.5% increase on 2011 targets for each respectively.
- ❑ TG4 did not achieve the 68% subtitling target due to funding reasons. TG4 provided 400 hours of new Irish language subtitling and a further 100 hours of English language subtitling.
- ❑ 573 commissioned hours were produced against a target of 495 hours. TG4 was also required to commission 200 hours of re-voiced material and 400 hours of subtitling; 500 hours of subtitling were commissioned, 267 hours re-voiced and 178 sports hours re-produced with Irish commentary.
- ❑ Sport makes up the largest proportion of new Irish language programming (30% on average from 2009 to 2011).
- ❑ TG4 did not achieve its targets in relation to hours of acquired programming.
- ❑ 2011 saw a small decline in the total hours broadcast by TG4, but an increase was observed in the number of Irish language hours broadcast. However, excluding RTÉ 365 hours, TG4 achieved a small increase in broadcast hours.
- ❑ The TG4 website recorded 14,831,190 page impressions, 2,936,685 visits, 1,561,154 unique visitors and 2,800,000 Player streams in 2011; this represented an increase on 2010 figures in each category and also an increase on 2011 targets.
- ❑ TG4 commissioning expenditure for 2011 was €17.5 million, which represented 76% of total programming expenditure for the year. TG4 also acquired €9.5 million from the BAI and ILBF for projects co-funded with the independent production sector.
- ❑ Average commissioning cost-per-hour increased from €26k to €28k in 2011.
- ❑ 87% of public funding was spent by TG4 on the production of Irish language programmes and content and broadcasting costs, the remaining 13% of public funding was allocated to related overheads.
- ❑ There was a slight nominal increase in the amount of public funding received by TG4 in 2011. Commercial revenue from advertising and sponsorship in 2011 declined by 10.35% from 2010 figures and other commercial revenue declined by 11.2%.
- ❑ TG4 provided 83 full-time positions in 2011 and was directly responsible for 273 full-time positions in the independent production sector (the 2011 targets were 100 and 300 FTE positions, respectively).
- ❑ TG4 continued to work on the rollout of Saorview in the Republic of Ireland and the establishment of MUX 7 in Northern Ireland in order to make TG4 available on an all-island basis.
- ❑ TG4 undertook initial work on the establishment of a HD channel and secured a Supplementary Budget from the DCENR to cover the costs of creating this channel.
- ❑ The TG4 Archive project was not achieved in 2011 due to funding reasons; its introduction has been delayed until Q2 2012.
- ❑ The TG4 national audience share fell from 2.09% in 2010 to 2.06% in 2011.
- ❑ TG4 average viewership, reach and peak share all showed declines in 2011.
- ❑ TG4 recorded a higher share than its overall national audience share within the categories of adults over the age of 55, men aged 15 or over, and housekeepers.

4 An Assessment of TG4's Role in Supporting Creativity

4.1 Introduction

In its role as a Public Service Broadcaster (PSB), TG4 must adhere to the Broadcasting Act 2009. This sets out broadcasting codes and legislation for all broadcasters in Ireland and dedicates specific sections to RTÉ and TG4. One of the key objects set out for TG4 is to “facilitate or assist contemporary cultural expression and encourage or promote innovation and experimentation in broadcasting.”¹⁵ It is thus clear that fostering creativity remains an important target for TG4.

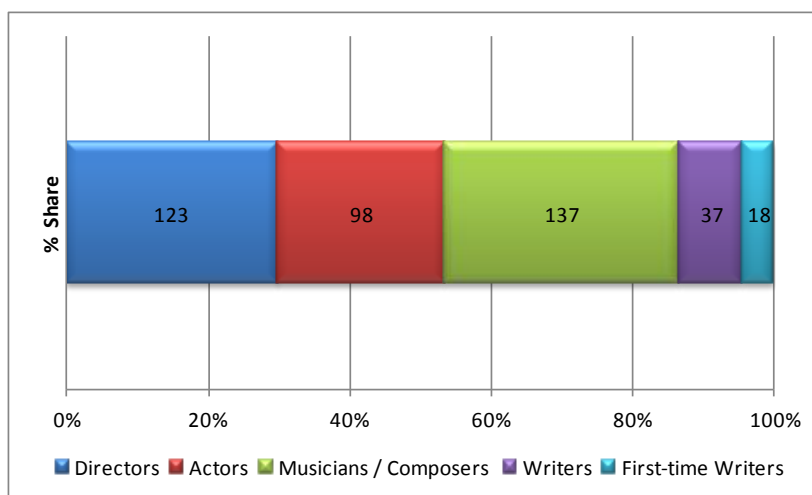
This section aims to identify TG4's impact on the creative sector in 2011. While creativeness is a concept that is difficult to measure definitely, our analysis seeks to present a variety of examples from the various avenues through which TG4 fosters and supports creativity in addition to highlighting the number and variety of staff employed directly by TG4 who possess creative skills and artistic talents. Adding to this the nature and number of awards/nominations received by TG4 in 2011 also provides evidence of their success in supporting the potential of their creative staff. Overall the combination of measures examined demonstrates a significant contribution of TG4 to support creativity.

4.2 TG4 Creative Resources

To measure the extent of TG4's creative resources, we look first at the numbers of staff supported by TG4 within the creative industry. Table 4.1 presents total creative staff supported by TG4 for 2011, disaggregated by type. This figure demonstrates that musicians/composers make up the largest proportion of creative staff (33%), followed by directors (30%). Music represents the third largest genre of commissioned programmes in the TG4 schedule. In addition, music is utilised across all other genres, particularly in drama, documentaries and entertainment. Each music programme utilised multiple musicians, singers and or dancers whilst other creative personnel would be limited in number. TG4 supported 98 actors in 2011 which comprised 24% of total creative staff; writers made up 9% of total creative staff while 4% of 2011 creative staff were first-time writers.

¹⁵ Accessed from <http://www.irishstatutebook.ie/2009/en/act/pub/0018/sec0118.html#sec118> on the 21/08/2012 at 15:47, section 3, part (d).

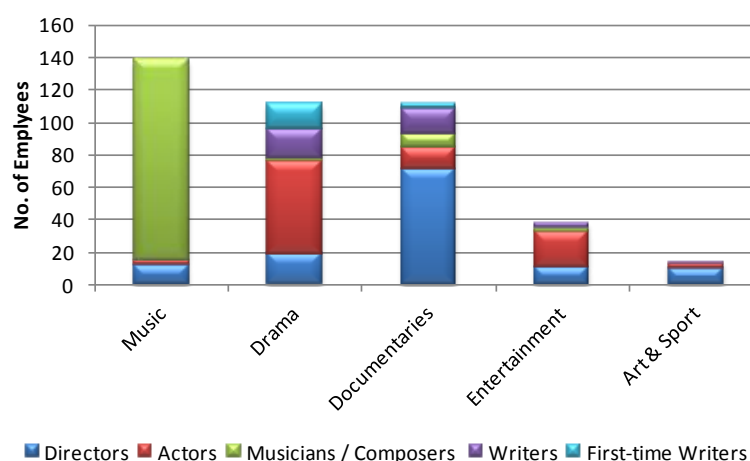
Figure 4.1: Breakdown of Staff Supported by TG4 in the Creative Industry 2011



Source: TG4 Review of 2011 Performance (March 2012).

Figure 4.2 presents TG4 staff numbers in the creative industry disaggregated by genre. The music genre is the largest employer of creative staff and is composed almost entirely of musicians/composers. This is followed by drama, which predominantly employs actors, and documentaries which account for a large number of directors. Entertainment and Art & Sport employ significantly less creative staff than other genres, accounting for just 13% of total creative staff combined.

Figure 4.2: Staff Supported by TG4 in the Creative Industry by Genre 2011



Source: TG4 Review of 2011 Performance (March 2012).

Table 4.1 presents the creative staff supported by TG4 in 2011 by type and genre. In total, 413 staff members were supported by TG4 in the creative industry in 2011; this was slightly less than the 428 creative staff supported by TG4 in 2010. TG4 notes that this figure excludes additional staff members involved in the production of programmes, such as producers, researchers and technical staff.

123 directors were supported by TG4 in 2011; the majority of these worked in the documentaries genre. 98 actors were utilised, of which 57 were employed in the drama genre. Musicians and composers formed the largest proportion of creative staff and 124 were used in the music genre, which represented 91% of all musicians. 37 writers were used in 2011 predominantly in the genres of drama and documentaries. 18 first-time writers were utilised in 2011 of which 15 were employed in the drama genre.

Table 4.1: TG4 Creative Resources 2011

	All Genres	Drama	Documentaries	Entertainment	Art & Sport	Music
Directors	123	19	71	11	10	12
Actors	98	57	13	22	3	3
Musicians/Composers	137	2	9	2	0	124
Writers	37	18	15	3	1	0
First-time Writers	18	15	3	0	0	0
Total	413	111	111	38	14	139

Source: TG4 Review of 2011 Performance (March 2012).

Table 4.2 demonstrates the number of awards and nominations received by TG4 in 2009, 2010 and 2011. This is included as a means to further identify TG4 attempts to foster creativity, but remains an imprecise measure due to differences in the type and relative significance of the awards in question. There was a slight decrease from the number of awards and nominations received in 2010; 75 awards or nominations received in 2011. 45 awards or nominations were received for TG4 programming; notable amongst programmes in 2011 was 'An Píopa' or 'The Pipe', a documentary which achieved two nominations and 11 awards from a number of awarding bodies both in Ireland and internationally. Other programmes of note included 'Na Cloigne' and '1916 Seachtar na Cásca'. 20 awards/nominations were received for marketing or branding and this represented an increase on the 2010 figure in this category. TG4 personalities received ten awards/nominations in 2011. The types of awards/nominations received demonstrate the variety in TG4 programming and their reception on both the national and international stage. Programming-related awards in particular demonstrate the creative talent supported by TG4 with awards/nominations received for writing skills, animation, art direction, use of Irish language and best drama series, among others. Marketing awards/nominations also highlight the creative talent among the TG4 staff with awards/nominations received for print ads and outdoor posters.

Table 4.2: TG4 Awards / Nominations 2009-2011

Category	2009	2010	2011
Programming	23	49	45
Marketing / Branding	12	17	20
TG4 Personalities	6	16	10
Total	41	82	75

Note: In 2009 the total refers to all awards won.

Source: Indecon analysis of TG4 Review of 2011 Performance (March 2012), 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

We now turn attention to the specific measures taken by TG4 in order to support the creative sector. Displayed in Table 4.3 below are programmes specifically designated by TG4 as demonstrating creativity as per the TG4 Review of 2011 Performance. These are programmes which TG4 believes "demonstrate outstanding creativity in terms of originality and innovation, experimentation, development of new talent, risks in creativity, high standards and quality."¹⁶ These five programmes highlighted below were funded or co-funded by TG4 and span a range of genres. *Rásaí na Gaillimhe* is a comedy drama series for which TG4 supported the development (scripting) and production. The creative concept of this series is based on one of the most popular festivals in Ireland with high production values. *Ros na Rún* is more akin to a drama series than a soap. Many of the creative personnel engaged in the independent sector, including writers, directors, and actors have come through a skills development programme in *Ros na Rún*. *M'Athair Ray* is a documentary of high calibre. It is about the actor Ray McNally and his contributions to the screen and stage. *Pitch perfect* is a choir music series which is creative in both concept and

¹⁶ TG4 Review of 2011 Performance.

production. Finally, G Team is a competition assessing the language and cultural activities and values of communities. This programme aims to create a positive image of the language and culture among communities whose first language is Irish.

Table 4.3: Programmes Highlighted by TG4 as Demonstrating Creativity in 2011

Title	Company	Genre	Funders	Awards & Nominations
Rásaí na Gaillimhe 2	Great Western Films	Drama	TG4/BAI	N/A
Ros na Rún	Eo Teilifís	Soap/Drama	TG4/S481	N/A
M'Athar Ray	Dearg Films	Documentary	TG4	Shortlisted IFTA
Pitch Perfect	Good Company Productions	Documentary/Music	TG4/BAI	N/A
An G-Team	Adare Productions	Entertainment	TG4/BAI	N/A

Source: TG4 Review of 2011 Performance (March 2012).

Programmes commissioned from the independent production sector represent another means through which TG4 can foster creativity. The commissioning process and 2011 achievements have already been discussed in some detail in Section 3. In 2011, TG4 commissioned 573 hours of new Irish language programming and produced a further 61 hours in-house. Of these 634 hours, 438 hours represented new hours of pre-existing series, such as Ros na Rún. The remaining 196 hours were new.

As discussed in Chapter 3, TG4 also secured €9.5 million on behalf of the independent production sector from the BAI Sound and Vision Fund and the ILBF. This funding went directly to independent producers and enabled the production of 36 Sound and Vision programming projects and 28 ILBF programming projects; an additional four programmes/series were produced in conjunction with the Irish Film Board.

In its Review of 2011 Performance, TG4 also highlighted a number of specific measures implemented in 2011 with the aim of promoting creativity. Several of these concerned programming or the development of Irish language products, such as:

- ❑ Smidiríní: a series of 36 four-minute shorts produced by newcomers to be broadcast as a 4-part series on TG4 in Spring 2012.
- ❑ The creation of ten webisodes of Ros na Rún for the TG4 website.
- ❑ The development and launch of the Irish language application Cúla Caint for iPhone and iPad.
- ❑ The production of two Irish language DVDs.
- ❑ TG4 was also responsible for a number of courses and information sessions; these included. Sceál: a two-year initiative in association with Eo Teilifís and the BAI to promote and develop new writers in the Irish language, resulting in 6 new scripts for production in 2012.
- ❑ Acting courses were also provided by Skillsnet in conjunction with Ros na Rún.

4.4 Summary of Findings

- ❑ TG4 supported 413 creative staff in 2011; this total was composed of 137 musicians/composers, 123 directors, 98 actors and 55 writers, of which 18 were first-time writers.
- ❑ TG4 received a total of 75 awards/nominations in 2011; 45 for programming, 20 for marketing and branding and 10 for TG4 personalities.

- ❑ Five programmes were specifically highlighted by TG4 as demonstrating creativity in 2011.
- ❑ 634 hours of new Irish language programming were commissioned or produced in-house; 196 of these hours represented new, original programming content.
- ❑ TG4 co-funded 36 BAI Sound and Vision programming projects, 28 ILBF programming projects and four programmes/series with the Irish Film Board.
- ❑ TG4 was responsible for a number of training courses/initiatives to benefit new writers, actors, producers and technical staff.

5 Analysis of TG4's Financial Performance and Outlook

5.1 Introduction

In this section we review the historical data on the financial performance of TG4. We also consider the trend for the first six months of 2012 and the outlook for the remainder of the year.

5.2 TG4 Group Financial Performance 2009-2011

5.2.1 TG4 Income

In 2011 TG4's income from public funding increased from approximately €32.25 million in 2010 to €32.75 million in 2011 while commercial income fell from €3.48 million to €3.11 million respectively. An even larger proportion (91.3%) of TG4 income is from public funding in 2011. Commercial income in 2011 accounts for less than 9% of total income.

Table 5.1: Composition of TG4 Group Income 2009-2011

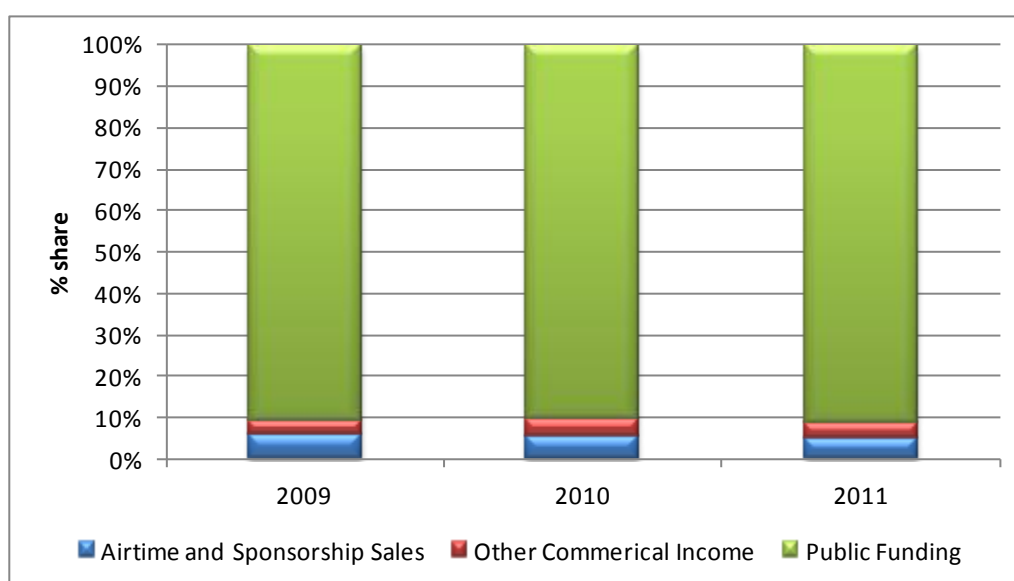
	2009	2010	2011
	€000s	€000s	€000s
Public Funding for Current Expenditure ¹⁷	35,233	32,250	32,750
Commercial Income	3,617	3,483	3,110
Total	38,850	35,733	35,860
% Income from Public Funding	90.69%	90.25%	91.33%
% Income from Commercial Income	9.31%	9.75%	8.67%

Source: TG4 Annual Report 2009, 2010 & 2011 (most recently published figures), Indecon analysis.

The composition of TG4 income from 2009 to 2011 is highlighted in Figure 5.1 below. This figure depicts the fact that TG4 continues to be largely dependent on income from public funding year-on-year. It also shows that the broadcaster's commercial income share has declined over the past three years. Commercial income comprises airtime sponsorship sales and 'other commercial income' which includes facilities charge-out and sundry income.

¹⁷ This excludes the amortisation of grants and excludes funding from BAI (Sound and Vision) or ILBF as TG4 are not in receipt of this funding.

Figure 5.1: Composition of TG4 Group Income 2009–2011 (% share)



Note: Other commercial income comprises facilities charge-out and sundry income.

Source: Indecon analysis of TG4 data from the TG4 Annual Report 2009, 2010 & 2011 (most recently published figures).

The decline in commercial income year on year has been accompanied by a reduction in costs of sales. In 2010, the reduction in cost of sales exceeded the reduction in commercial income and therefore net commercial income increased slightly. However, in 2011 commercial income dropped to a greater degree than cost of sales, resulting in an overall decline in net commercial income.

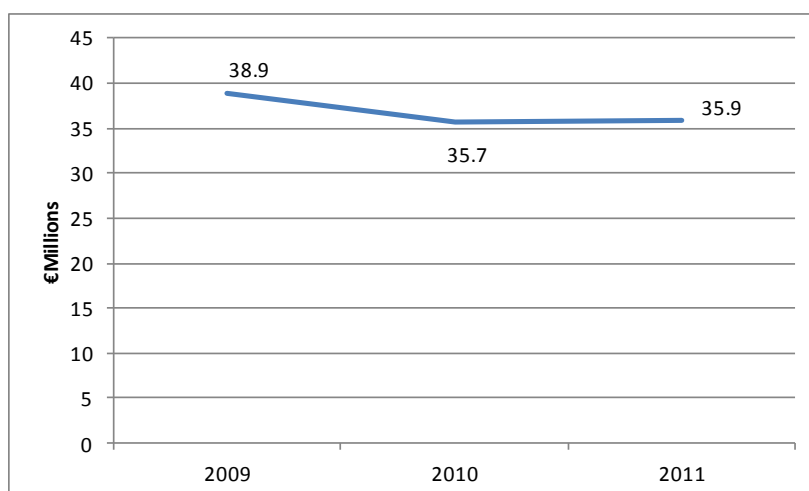
Table 5.2: TG4 Net Commercial Income 2009-2011

	2009	2010	2011
	€000s	€000s	€000s
Commercial Income	3,617	3,483	3,110
Cost of Sales	-752	-588	-553
Net Commercial Income (Net Sales)	2,865	2,895	2,557

Source: TG4 Annual Report 2010 & 2011 (most recently published figures), Indecon analysis.

The overall trend in total income for TG4 from 2009 to 2011 is shown in Figure 5.2. Total income in 2010 increased marginally in nominal terms by 0.5% to €35.9.

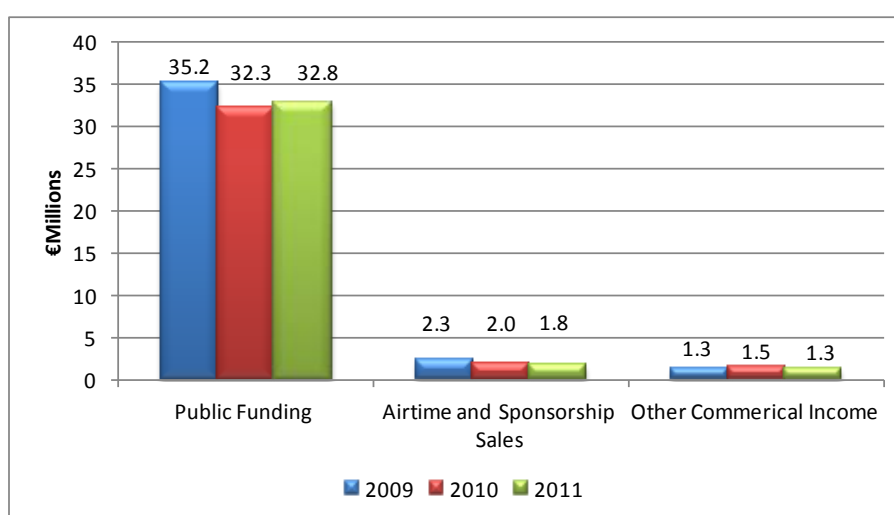
Figure 5.2: Trend in TG4 Income 2009-2011



Source: TG4 Financial Statements from the Annual Reports 2011, 2010 & 2009, Indecon Analysis.

Figure 5.3 shows the trend from 2009 to 2011 for each of the main components of TG4 income. As mentioned previously, public funding increased slightly in 2011. Airtime and sponsorship sales declined.

Figure 5.3: Trend in TG4 Income by Source 2011 Vs Prior Years



Source: TG4 Financial Statements from the Annual Reports 2011, 2010 & 2009, Indecon Analysis.

The breakdown of TG4 commercial income as per the TG4 income and expenditure accounts is shown for completeness in Table 5.3 below. Estimated total expenditure on TV advertisement amounted to €201 million suggesting TG4's share of approximately 1%. TG4's share of commercial TV advertising expenditure targeted at adults was 1.97%. The difference may be due to the focus of TG4's broadcasting schedule on children's programming where commercial revenue is limited.

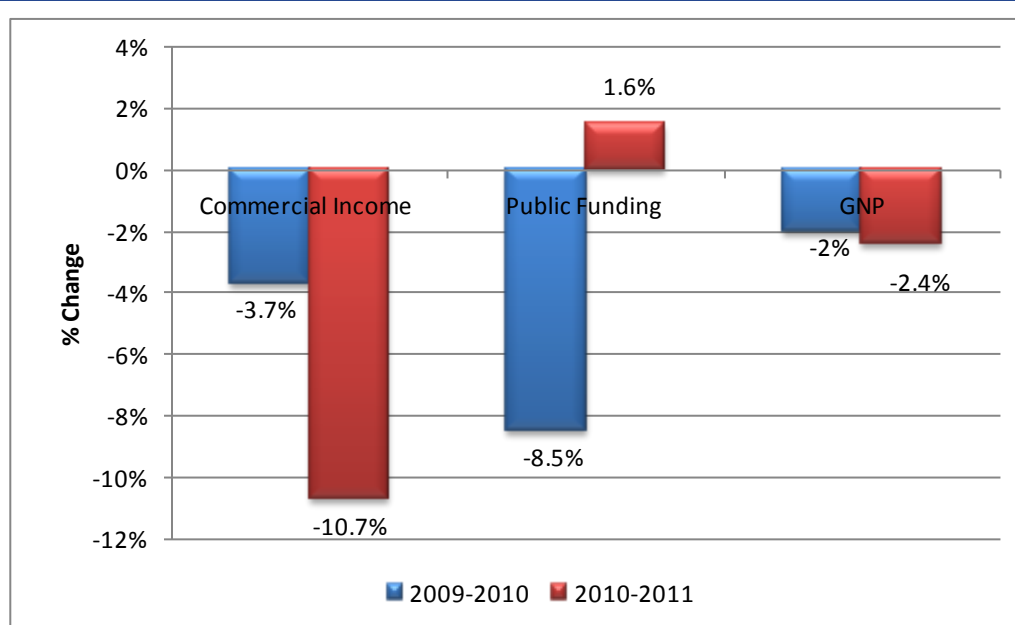
Table 5.3: Composition of TG4 Group Commercial Income 2009-2011

Source	2009	2010	2011
	€000s	€000s	€000s
Airtime and Sponsorship Sales	2,297	2,009	1,801
Facilities Charge-out	616	551	562
Sundry Income	704	923	747
Total Commercial Income	3,617	3,483	3,110

Source: TG4 Annual Report 2010 & 2011 (most recently published figures), Indecon analysis.

A glance at the trend in TG4 income versus Irish Gross National Product (GNP) allows us to put the performance of the broadcaster within the context of its wider operating environment. In 2010, Irish GNP dropped by 2% and continued to decline by a further 2.4% in 2011. The significant decline of almost 11% in TG4 commercial income in 2011 can in part be attributed to the overall declining trend in national income.

Figure 5.4: Trend in TG4 Commercial Income, TG4 Public Funding and Irish Gross National Product of Irish Economy 2009–2011

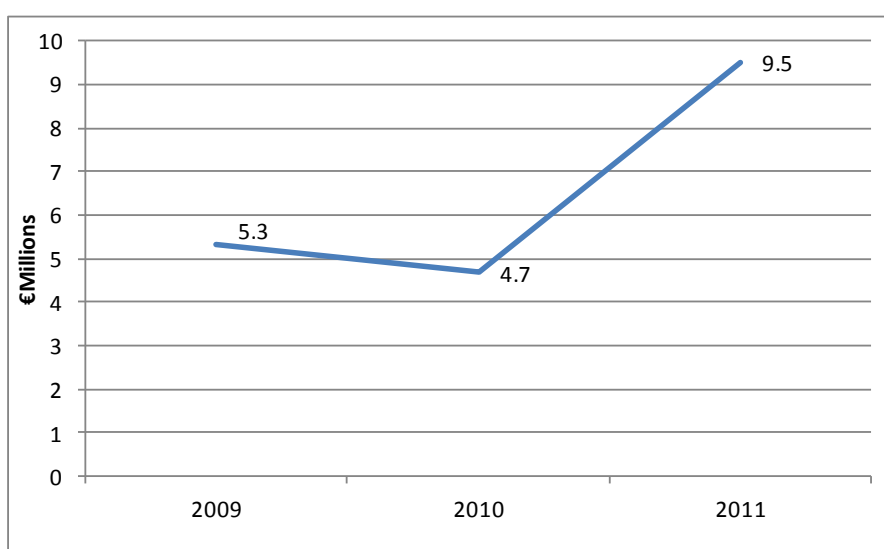


Note: GDP is measured at current prices.

Source: Indecon analysis of TG4 data and CSO national income and expenditure data for 2009-2011.

Although TG4 are not in direct receipt of funding for the production of commissioned programming, the broadcaster facilitates the applications available to the industry for specific productions. The source of this funding is the Broadcasting Authority of Ireland (BAI) Sound and Vision Initiative and also the Irish Language Broadcast Fund (ILBF). Total funding secured for TG4 commissions in 2011 increased significantly from €4.7 million in 2010 to a total of €9.5 million in 2011. €6.94 million of this was funding from the BAI Sound and Vision initiative which was a significant increase from the 2010 amount of approximately €2.18. The remaining €2.56 million in funding was sourced from the ILBF which also represented an increase from the 2010 amount of €2.49 million.

Figure 5.5: Trend in Production Funds Secured for TG4 Commissions 2009-2011

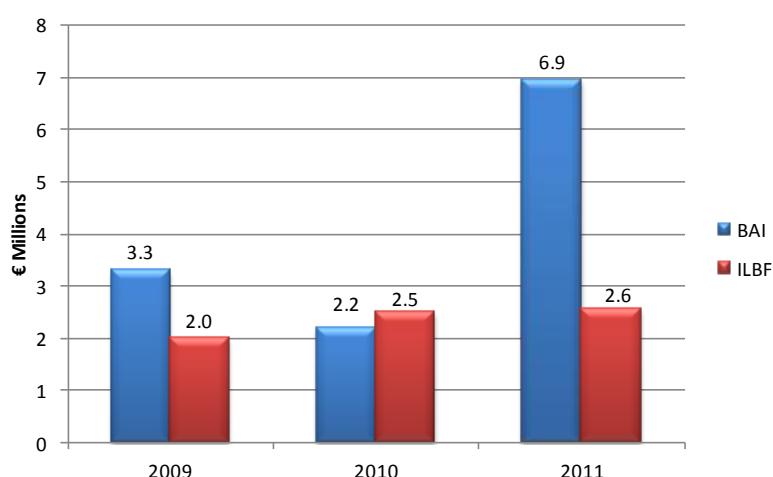


Note: TG4 is not in receipt of this funding.

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

Figure 5.6 presents the breakdown by source of this funding secured for commissions. In 2010 a slightly larger proportion of this funding was secured from the ILBF but the significant increase in overall funding secured in 2011 reflects the increase in funding from the BAI's Sound & Vision Scheme from €2.2 million in 2010 to €6.9 million in 2011.

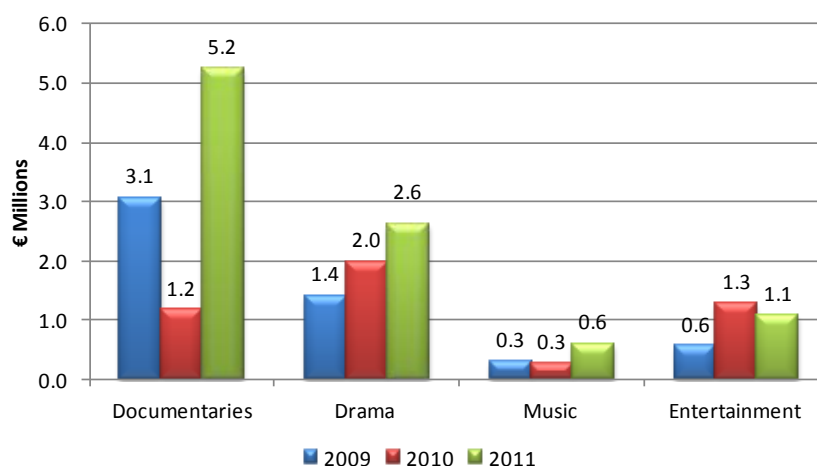
Figure 5.6: Production Funds Facilitated for the Independent Sector by TG4 by Source, 2011 Vs Prior Years



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 2011 Performance (April 2011), TG4 Review of Performance (April 2010) & TG4 Review of 2009 Performance (March 2010).

The trend in the funding secured by TG4 for the independent sector by genre is presented graphically in Figure 5.7. Funding allocated to all genres increased in 2011, with the exception of entertainment. The largest increase in funding allocated was recorded for documentaries which in 2011 amounted to €5.2 million. TG4 as a broadcaster also commissions and acquires a wide range of programming including sport and other genres but this chart only refers to TG4 indirect support for funding for the independent sector facilitated by TG4.

Figure 5.7: Production Funds Facilitated for the Independent Sector by TG4 by Genre, 2011 Vs Prior Years

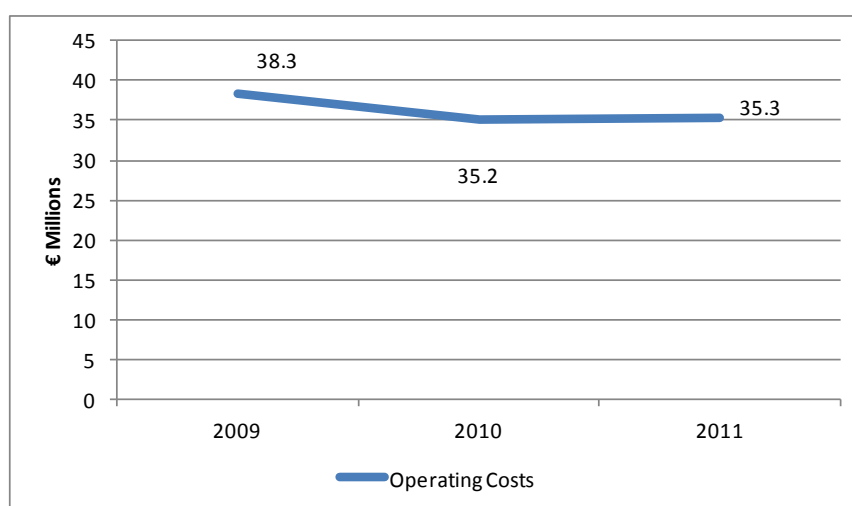


Source: TG4 Review of 2011 Performance (April 2011), TG4 Review of Performance (April 2010) & TG4 Review of 2009 Performance (March 2010) TG4 Expenditure.

5.2.2 TG4 Expenditure

An analysis of the components of and trend in TG4 expenditure was examined in detail as part of our assessment of overall efficiency and value for money. The overall trend in operating costs for TG4 from 2009 to 2011 is shown in Figure 5.8 below. TG4 operating expenditure increased slightly in 2011 to €35.3 million.

Figure 5.8: Trend in TG4 Operating Costs 2009-2011

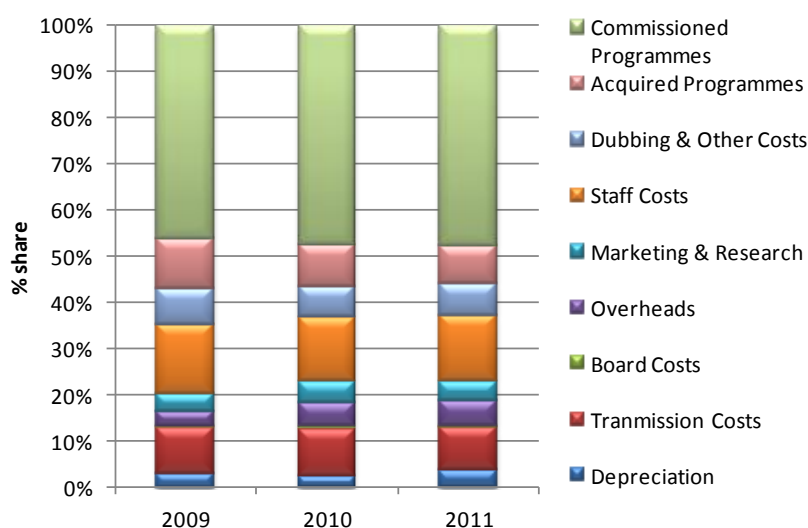


Note: The following figures compare with that of table 5.5 below.

Source: TG4 Financial Statements from the Annual Reports 2009, 2010 & 2011, Indecon Analysis

Figure 5.9 presents data on the principal drivers of TG4 operating cost. Commissioned programmes accounts for the largest share of TG4 operating costs. This share increased slightly in 2011 and accounted for almost 50% of total operating expenditure. After commissioning, staff costs account for the next largest share of expenditure, followed by transmission costs, acquired programmes and dubbing and other costs.

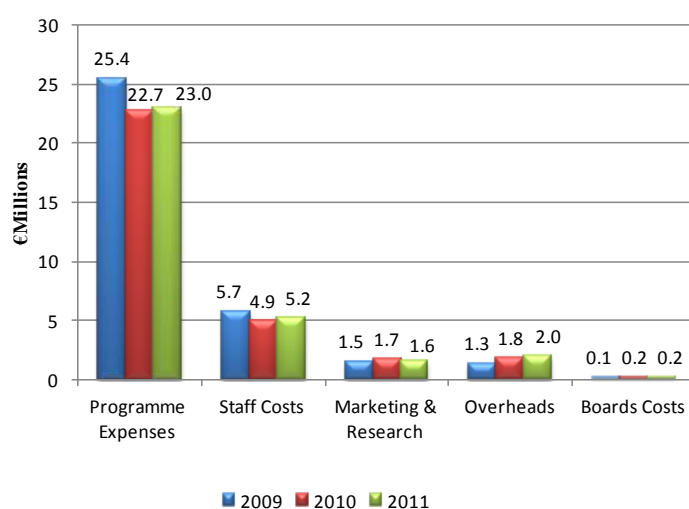
Figure 5.9: TG4 Operating Costs by Category, 2011 versus Prior Years



Source: Indecon analysis of TG4 Group Financial Statements

Trends in operating expenditure are presented in Figure 5.10 below. Total programme expenditure fell from €25.4 million in 2009 to €22.7 million in 2010 but increased slightly in 2011 to approximately €23 million. Staff costs and overheads increased marginally in 2011.

Figure 5.10: TG4 Operating Expenditure by Category, 2011 Vs Prior Years



Note: staff costs were capitalised in 2010.

Source: TG4 Financial Statements from the Annual Reports 2009, 2010 & 2011, Indecon Analysis

In Table 5.4 we outline data on the detailed components of TG4 operating expenditure. Commissioned programming expenditure increased by 3% in 2011. Total staff costs increased by 5% in 2011. However, it is important to take into consideration that in 2010 staff costs were adjusted significantly due to the capitalisation of certain staff costs arising from the Digital Asset Management System (DAMS) project. This means that the decline in staff costs in 2010 is less significant when this adjustment is excluded. This adjustment in part explains the 5% increase in programming costs in 2011. The compound annual percentage change over the three-year period for staff cost was -3.4%. Overall total operating costs after the amortisation of grants increased by 0.4% in 2011.

Table 5.4: Analysis of Principal Drivers of TG4 Operating Costs 2009-2012

Source	2009	2010	2011	Year to-date June 2012	% change 2010 - 2011	CAGR ¹⁸ 09-11
	€000	€000	€000	€000	(%)	(%)
Total Staff Costs	5,738	4,916	5,166	2,632	5%	-3.4%
Commissioned Programmes Costs	18,132	17,034	17,541	11,028	3%	-1.1%
Acquired Programmes Costs	4,217	3,297	2,959	1,668	-10%	-11.1%
Dubbing & Other	3,086	2,399	2,499	1,356	4%	-6.8%
Board Costs	147	167	185	86	11%	8.0%
Overheads	1,338	1,821	1,985	833	9%	14.1%
Marketing & Research	1,513	1,679	1,554	646	-7%	0.9%
Transmission Costs ¹⁹	3,802	3,697	3,404	1,858	-8%	-3.6%
Depreciation	1,200	860	1,302	681	51%	2.8%
Amortisation of Grants	-912	-704	-1,273	-667	81%	11.8%
Total	38,261	35,166	35,322	20,121	0.4%	-2.6%

Note: CAGR = compound annual growth rate.

Source: TG4 Annual Report 2010 & 2011 (most recently published figures), TG4 data and Indecon analysis.

TG4's cost income ratio from 2009 to 2011 allows us to examine movements in the gap between income and expenditure each year. As shown in Table 5.5 TG4's operating expenditure is less than its income each year from 2009 to 2011. The ratio declined from 91.13% in 2009 to 90.35% in 2010 due to cost reductions. Total operating expenditure increased slightly in 2011 and cost / income ratio was 91.66%.

Table 5.5: Cost Income Ratio for TG4 2009-2011

Source	2009	2010	2011
	€000	€000	€000
Commercial Income	3,617	3,483	3,110
Interest Receivable & Similar Income	81	58	2
Public Funding	36,145	32,954	34,023
Total Income	39,843	36,495	37,135
Total Operating Expenditure	36,308	32,975	34,038
Cost-Income Ratio (%)	91.13%	90.35%	91.66%

Source: Indecon analysis of TG4 Annual Report 2009, 2010 & 2011 (most recently published figures).

TG4's income and expenditure account from 2009 to 2011 is provided in Table 5.6. Net operating expenditure was over €34 million in 2011. TG4 recorded a small deficit of €25,000.

¹⁸ Compound Annual Growth Rate = $(V_{t_n} / V_{t_0})^{(1/t_n - t_0)} - 1$.

¹⁹ Transmission costs of €3.4 million relate to current annual charges for transmission. Exchequer funding for HD project was provided via capital allocation from the DCENR.

Table 5.6: Income and Expenditure Statement for TG4 2009-2011

Source	2009	2010	2011
	€000	€000	€000
Sales			
Commercial Income	3,617	3,483	3,110
Cost of Sales	<u>-752</u>	<u>-588</u>	<u>-553</u>
Net Sales	2,865	2,895	2,557
Expenditure			
Staff costs	5,738	4,916	5,166
Board members' fees and expenses	147	167	185
Programme expenditure	25,435	22,730	22,999
Transmission costs	3,802	3,697	3,404
Marketing & Research	1,513	1,679	1,554
Overheads	1,338	1,821	1,985
Depreciation	<u>1,200</u>	<u>860</u>	<u>1,302</u>
Total Expenditure	<u>39,173</u>	<u>35,870</u>	<u>36,595</u>
Net Operating Expenditure for the year	<u>-36,308</u>	<u>-32,975</u>	<u>-34,038</u>
Interest receivable and similar income	81	58	2
Surplus / Deficit on disposal of fixed assets	-	-6	-7
	-36,227	-32,923	-34,043
Public funding	<u>36,145</u>	<u>32,954</u>	<u>34,023</u>
Deficit / Surplus on ordinary activities before taxation	-82	31	-20
Taxation	<u>-38</u>	<u>-62</u>	<u>-5</u>
Retained deficit / surplus for the financial year	<u>-120</u>	<u>-31</u>	<u>-25</u>

Source: TG4 Annual Report 2009, 2010, 2011 (most recently published figures), Indecon analysis.

5.2.3 TG4 Balance Sheet

The assets and liabilities of TG4 from 2009 to 2011 inclusive are reported in TG4's balance sheet presented in Table 5.7 below. TG4's 'tangible fixed assets' increased by approximately €2.2 million to €11.6 million in 2011. This increase can be explained for the most part through additions to 'assets under construction' (which includes work completed on the HD project) and additions to 'equipment'. Net current liabilities increased from €154,000 in 2010 to €208,000 in 2011 leaving an overall increase in net assets of €2.2 million.

Table 5.7: TG4 Balance Sheet 2009-2011

Source	2009	2010	2011
	€000	€000	€000
Fixed Assets			
Tangible Assets	8,463	9,386	11,619
	8,463	9,386	11,619
Current Assets			
Debtors	1,369	1,522	1,553
Cash at bank and in hand	69	42	81
	1,438	1,564	1,634
Current liabilities			
Creditors –falling due after 1 year	-1,698	-1,718	-1,842
Net Current Liabilities	-260	-154	-208
Creditors – falling due after 1 year	-1		
Net assets Excluding pension assets	8,202	9,232	11,411
Pension asset	79	71	109
Net Assets Including Pension Asset	8,281	9,303	11,520
Capital and Reserves			
Capital grants	8,202	9,298	11,535
Pension reserve	17	71	109
Revenue reserves	62	-66	-124
	8,281	9,303	11,520

Source: TG4 Annual Report 2009, 2010 & 2011 (most recently published figures), Indecon analysis.

The TG4 cash flow statement below in Table 5.8 shows that the broadcaster recorded an operating surplus of €39,000 net of state grant in 2011.

Table 5.8: TG4 Cash Flow 2009-2011

Source	2009	2010	2011
	€000	€000	€000
Operating Activities – net cash (outflow)/inflow – (net of state grant)	-248	-22	74
Return on investment and servicing of finance			
Interest Received	65	46	2
Net Cash Inflow from Returns on Investment and Servicing of Finance	65	46	2
Taxation			
Tax Charge for the Year	-38	-62	-5
Net Cash Outflow from Taxation	-38	-62	-5
Capital Expenditure			
Payments to acquire tangible fixed assets	-1,282	-1,811	-3,542
Receipts from sale of fixed assets		22	
State Capital Grants	1,200	1,800	3,510
Net Cash Outflow from Capital Expenditure	-82	11	-32
Net Cash (Outflow)/Inflow	-303	-27	39

Source: TG4 Annual Report 2009, 2010 & 2011 (most recently published figures), Indecon analysis.

5.2.4 Actual Versus Budget Income and Expenditure

Programming costs were approximately €1 million higher than budget in 2011. This was due to commissioning expenditure exceeding budget and was in part offset by lower than budgeted staff costs, acquired programming and other programming costs.

The budget for 2012 is also presented in the table below. Programming costs are expected to be slightly lower in 2012. Staff costs and commissioning have been budgeted slightly higher for 2012.

Table 5.9: TG4 Actual Vs Budget Income & Expenditure Summary 2011/2012			
Source	Actual 2011	Budget 2011	Budget 2012
	€000	€000	€000
Staff Costs (before capitalisation of labour) ²⁰	5,584	5,798	*
Board Costs	185	189	*
Total Commissions	17,541	16,054	*
Acquired, Dubbing & Other	5,458	5,968	*
Total Programme Costs	22,999	22,022	*
Total Transmission	3,404	3,611	*
Total Overheads & Marketing	3,539	3,061	*
Net Income	-2,557	-1,860	*
Goods/Capital Equipment	-	728	*
Total Grants 2010	34,023	33,550	*

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

Source: Indecon analysis based on TG4 data and TG4 Annual Report 2011

²⁰ Staff costs = 5,166,000 + 418,000.

5.2.5 TG4 Financial Outlook

A summary of operating costs is shown in Table 5.10. Total operating costs for 2012 are forecast to be slightly less than in 2011 but increases in staff costs were included in the forecasts.

Table 5.10: Outlook for TG4 Operating Costs 2012			
Source	2011	Year to-date June 2012	Forecast 2012
	€000	€000	€000
Total Staff Costs	5,166	*	*
Commissioned Programmes Costs	17,541	*	*
Acquired Programmes Costs	2,959	*	*
Dubbing & Other	2,499	*	*
Board Costs	185	*	*
Overheads	1,985	*	*
Marketing & Research	1,554	*	*
Transmission Costs	3,404	*	*
Depreciation	1,302	*	*
Amortisation of Grants	-1,273	*	*
Total	35,322	*	*

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

Source: TG4 Annual Report 2010 & 2011 (most recently published figures), TG4 data and Indecon analysis.

5.3 Summary of Findings

- ❑ In 2011 TG4's income from public funding increased from approximately €32.25 million in 2010 to €32.75 million in 2011 while commercial income fell from €3.48 million to €3.11 million respectively.
- ❑ In 2011 TG4 received an increase in income from public funding of 1.6% despite a decline in national income of 2.4%. The significant decline of almost 11% in TG4 commercial income in 2011 is in part a reflection of wider developments in the Irish Economy but also reflects TG4 decline in market share. Total funding secured for TG4 commissions in 2011 increased significantly from €4.7 million in 2010 to a total of €9.5 million in 2011. This is more than double the amount in one year.
- ❑ TG4 achieved a reduction in their total operating expenditure from €38.3 million in 2009 to €35.2 million in 2010. 2011 saw a slight rise in expenditure again to €35.3 million.
- ❑ Actual programming costs were almost €1 million in excess of budget for 2011. This can be entirely accrued to commissioning expenditure which exceeded budget by approximately €1.48 million but was offset somewhat by savings in staff costs, board costs and acquired, dubbing and other programming costs.
- ❑ TG4 cost income ratio declined from 91.13% in 2009 to 90.35% in 2010 but increased again to 91.66% in 2011. The gap between income and expenditure is closing.
- ❑ TG4 recorded a small surplus for the financial year in 2010 before taxation but 2011 saw a deficit of €25,000.
- ❑ Overall increase in net assets of €2.2 million to a total of over €11.5 million in 2011.
- ❑ State grants exceeded expectations at over €34 million compared with a budget of €33.5. Overall, net income was lower than expected in 2011.
- ❑ Total operating costs for 2012 are expected to be less than that of actual expenditure in 2011.

6 Examination of TG4's Efficiency and Value for Money

6.1 Introduction

TG4 set a target in 2011 of spending a minimum of 70% of exchequer funding on the production of Irish language content and 15% on broadcasting. During the year 87% of public funding to TG4 is spent on Irish language content and broadcasting.

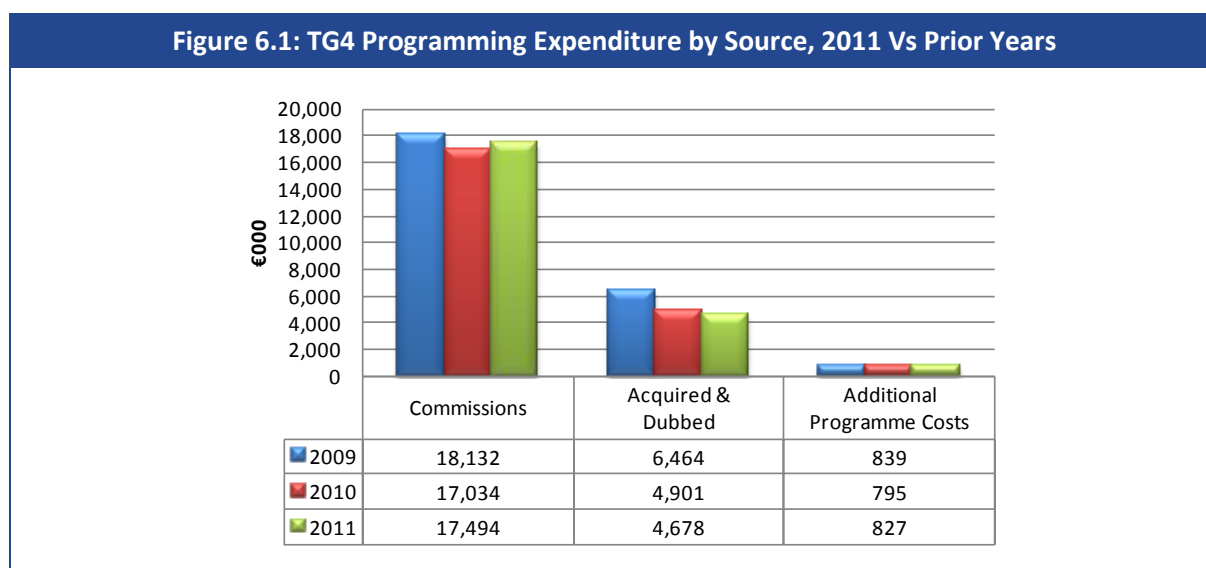
Table 6.1 presents data on expenditure on programming. Programming expenditure in 2011 increased marginally by 1.18%.

Table 6.1: TG4 Programme Expenses 2009- 2011		
Year	Programme Expenses	% change
	€000	
2009	25,435	-
2010	22,730	-10.6%
2011	22,999	1.18%

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

Source: Indecon analysis of TG4 Annual Financial Statements 2009, 2010 & 2011.

A graphical presentation of the trend in the various components of programming expenditure from 2009 to 2011 is presented in Figure 6.1.



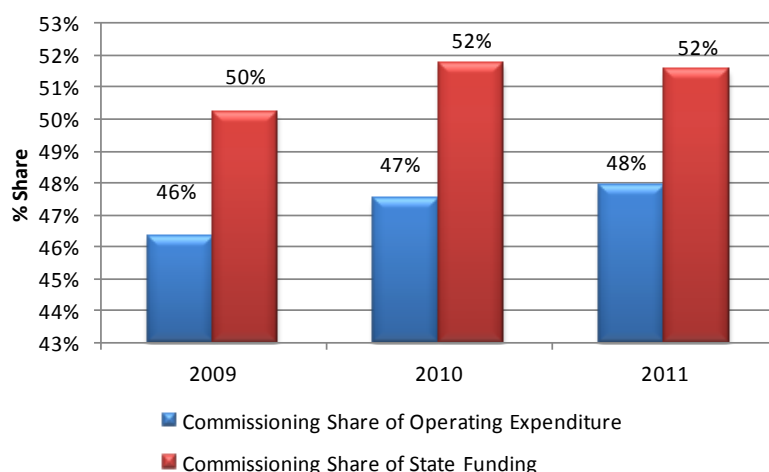
Note: Additional programme costs include programming rights.

Source: TG4 Review of 2011 Performance (March 2012).

6.2 Commissioning Expenditure and Cost per Hour

The proportion of state funding spent on commissioning and the proportion of operating expenditure accounted for by commissioning have remained relatively stable over the three-year period in question.

Figure 6.2: TG4 Commissioned Programming Expenditure Share of Exchequer Funding and Operating Expenditure, 2011 Vs Prior Years



Source: Indecon analysis of TG4 Financial Statements from the Annual Reports 2009, 2010 & 2011.

When examining the TG4 commissioning budget it is important to keep in mind that the TG4 commissioning process spans over two years and therefore programmes that were commissioned in 2011 may not necessarily be broadcast in 2011. This is evident from the analysis in Table 6.2 which shows the proportion of 2011 commissioning that is deferred to 2012 and what has been brought forward from 2010.

The budget for commissioning brought forward is €17.5 million in 2011. This reflects commissioning deferred to 2012 due to the fact that TG4 entered into three-year contract deals for sports output and GAA rights.

Table 6.2: Overview of TG4 Commissioning Budget 2011

	€m
Contracted in 2011	33.46
Deferred to 2012	-23.34
Contractual commitments brought forward from 2010	6.85
NRV	*
Commissioning Budget 2011	17.5

Note: The total amounts for contractual commitments in 2011 and deferred to 2012 are significantly larger than 2010 due to the fact that TG4 has entered into 3-year contract deals for sport output and GAA rights.

Source: Indecon analysis of TG4 data.

The number of programmes, hours of programming and cost per hour of commissioned programming in 2011 is presented by genre. In 2011, TG4 commissioned a total of 734 programmes at a total cost of €33.46 million in 2011 (including internal commissioning). Sport accounts for the greatest proportion of expenditure in 2011 but is less expensive in terms of costs per hour than most genres excluding music and dance, art and internal commissioning. Soaps, music and dance and entertainment genres each account for significant proportions of total contract expenditure.

Table 6.3: TG4 Commissioning Contracts Summary 2011

Genre	No.	Hours	Contract Cost €	Net Cost €*	Cost Per Hour €	Contract Cost Per Hour by Range (€)				
						<20	20-40	40-80	80-100	>100
Soaps	76	38								
Drama	8	7.1								
Schemes	4	2								
Human Interest	20	10								
Literature**	31	32.3								
Documentaries	115	63.4								
Music and Dance	192	159.6								
Entertainment	69	43.5								
Hobbies	25	6.5								
Art	47	23.5								
Sport	40	1,253.5								
Subtotal	627	1,632.9								
Internal Commissioning	107	53.5								
Total	734	1,692.9	*	*	*	*	*	*	*	*

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

Source: Indecon analysis of TG4 data.

Note: The number of programmes for sport reported is very low compared to the contract value. This is because TG4 does not usually note the number of programmes over the three-year contracts due to the fact that they can fluctuate. A TG4 estimate of the number of sports programmes under this contract is 622, bringing the total for sport to 666 and the overall total number of programmes to 1,360. Total net cost excludes internal commissioning.

***Expenditure adjusted for contracts brought forward from 2010 and inclusive of those deferred to 2012.**

****Literature genre also includes culture and history programmes.**

Source: Indecon analysis of TG4 data.

The average cost per hour of TG4 acquisitions in 2011 by language was analysed as part of the review. Irish language sports programming is more costly per hour than non-Irish sport. This is due to the fact that Irish language sport acquisitions include popular/main stream sports such as rugby and tennis while English language sports acquisitions tend to be lesser known sports bought at very competitive rates such as Aussie rules football and sailing. TG4 acquire a small amount of English language documentaries at a relatively similar price to Irish language documentaries. In the case of drama and entertainment Irish language acquisitions are of animation as oppose to live action and therefore are available at a lower cost.

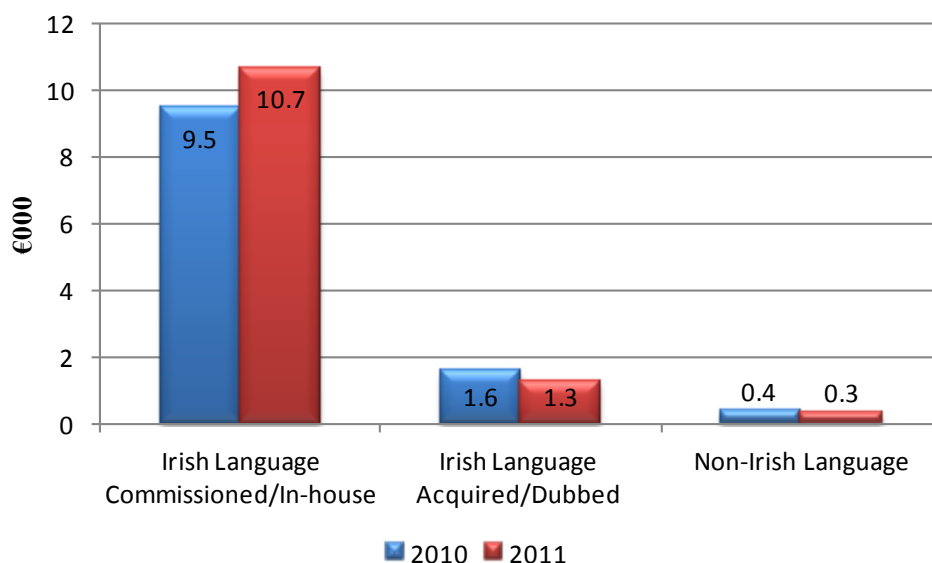
6.3 TG4 Broadcasting Hours and Cost per Hour

Another important measure of the cost efficiency of TG4 programming is the cost per broadcast hour (or transmitted hour).

A summary of TG4 broadcasting hours for 2011 compared with that of 2010 is presented below. The average cost per broadcast hour in 2011 (€2.9k) is higher than it was in 2010 (€2.7k). This rise in the average cost per broadcast hour is attributed to an increase in the cost per broadcast hour across all types of programming – Irish language commissioned/in-house, Irish language acquired/dubbed and non-Irish language programming.

A graphical presentation of the cost per broadcast hour of TG4 programming by source is shown below and highlights the range in cost per hour of programming across sources. The cost per hour of commissioned/in-house Irish language programming increased to €10.7k in 2011. Irish language acquired and non-Irish language programming fell slightly in terms of cost per hour.

Figure 6.3: TG4 Cost Per Broadcast Hour by Source 2011 Vs 2010



Note: Data excludes cost of RTÉ 365 hours.

Source: Indecon analysis of TG4 data.

In Figure 6.4 below we take a closer look at TG4 commissioned/in-house Irish language programming cost per broadcast hour by genre. This programming forms a large proportion of total programming expenditure for TG4 and therefore it is important to monitor the cost efficiency of this programming. Sport, documentaries and news/current affairs all increased in terms of cost per hour broadcast in 2011. Irish language commissioned/in-house soaps is significantly more costly than the other genres in this category of programming. However, reductions in the cost per hour of soaps as well as drama and music were achieved in 2011.

Figure 6.4: TG4 Cost Per Broadcast Hour Commissioned / In-house Irish Language Programming by Genre 2011 Vs 2010

*

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

Source: Indecon analysis of TG4 data.

An important measure is the cost of programming per viewer hour. This takes account of the trade off between trying to achieve low costs while maintaining audience numbers. As is evident from the table below, TG4's cost per viewer hour is rising year-on-year. This in part is a reflection of continued rising competition among channels in a fragmented Irish broadcasting market.

Table 6.4: TG4 Cost per Viewer Hour 2009-2011

	2009	2010	2011
	€	€	€
Cost per viewer hour	0.22	0.24	0.25

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

Source: TG4 Review of 2011 Performance (March 2012).

In an attempt to look closer at the cost of TG4 programming, Indecon also carried out an analysis of TG4 budget line maximum rates for specialists such as producers, directors, sound and camera. The rates increased in 2011.

Table 6.5: TG4 Individual Budget Line Maximum Rates.

	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.

6.4 Outturn versus Budget

It is useful to examine actual expenditure on programming versus budget. This can be viewed across programming sources in Table 6.6 below. Commissioned programming exceeded budget for 2011. Both acquisitions and dubbing costs were lower than budget levels.

Table 6.6: TG4 Programming Expenditure Actual Vs Budget			
	Actual 2011	Budget 2011	Budget 2012
	€000	€000	€000
Commissioning	17,541	16,053	16,716
Acquisitions	2,959	3,335	2,840
Dubbing & Other	2,499	2,633	2,462
Total	22,999	22,021	22,018

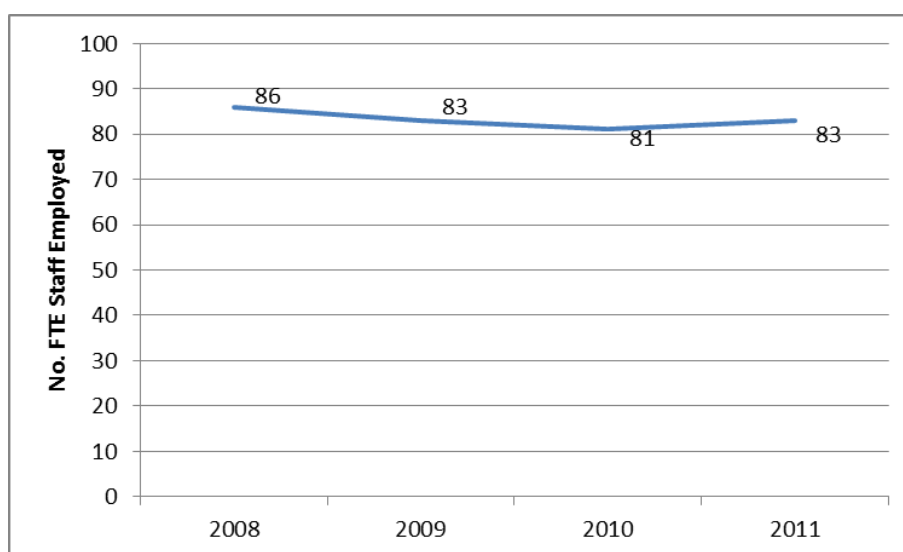
Source: Indecon analysis of TG4 Annual Financial Statements and Financial projections approved by the TG4 board.

The increase in commissioning costs compared to budget levels reflects contracts deferred and brought forward into the following year. Net expenditure on commissioning in 2011 amounted to €17.48 million.

6.5 Staff Costs and Human Resources

TG4's headcount has remained relatively stable over the period from 2008 to 2011. In 2011 83 full-time equivalent staff were employed by TG4. This represents a slight increase in 2011.

Figure 6.5: TG4 Trend in Headcount of FTE Staff 2008-2011

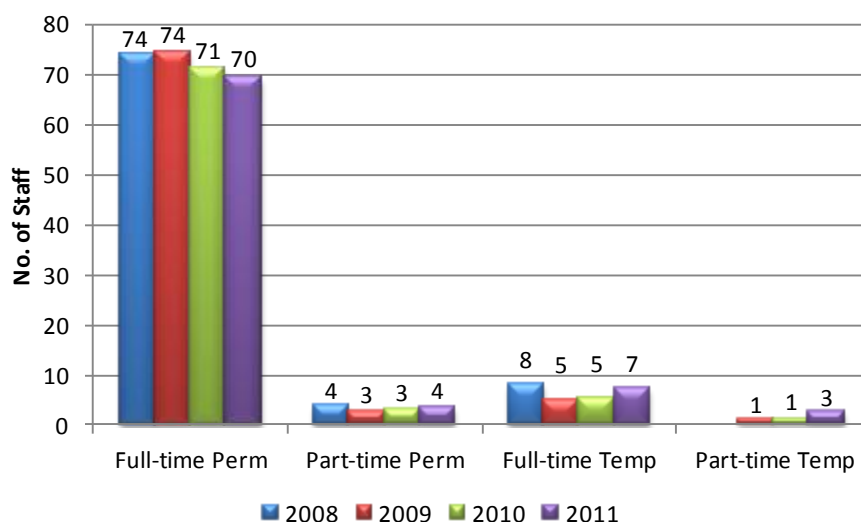


Note: Headcount is full time equivalent (FTE) numbers.

Source: Indecon analysis based on TG4 data.

The breakdown of all staff employed including full-time permanent, part-time permanent, full-time temporary and part-time temporary is presented in Figure 6.6 below. The number of full time permanent staff was reduced by one in 2011.

Figure 6.6: TG4 Headcount of FTE Staff 2011 Vs Prior Years

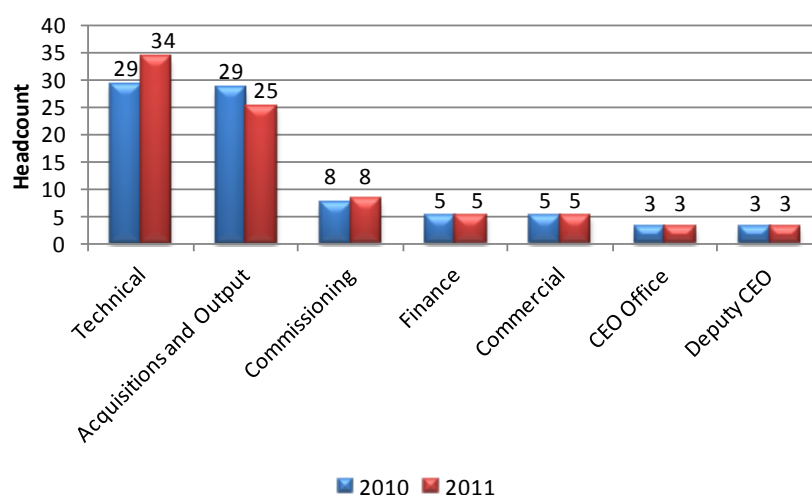


Note: Headcount is full time equivalent (FTE) numbers.

Source: Indecon analysis based on TG4 data.

Staff employed by department is shown in the figure below. The majority of TG4 staff are employed on technical and acquisitions and output-related roles. The next most significant department in terms of size is commissioning and the remaining departments comprise finance, commercial, CEO office and Deputy CEO office. This data shows that TG4 resources are focused on the production of programming output and commissioning with small numbers in general overhead areas.

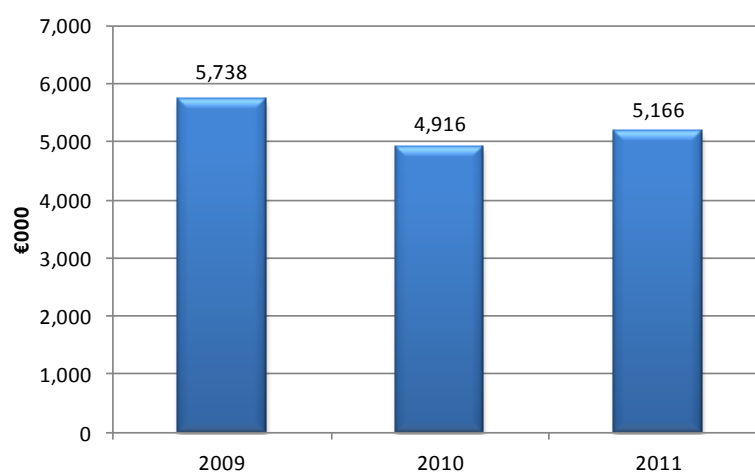
Figure 6.7: TG4 Human Resources by Department 2011 Vs 2010



Source: Indecon analysis of TG4 review of 2011 Performance (March 2012) and TG4 Review of 2010 Performance (April 2011).

Outside of programming cost, staff costs are TG4's most significant expense. The figure below shows that staff costs increased slightly in 2011 to €5.166m.

Figure 6.8: TG4 Staff Costs 2011 Vs Prior Years

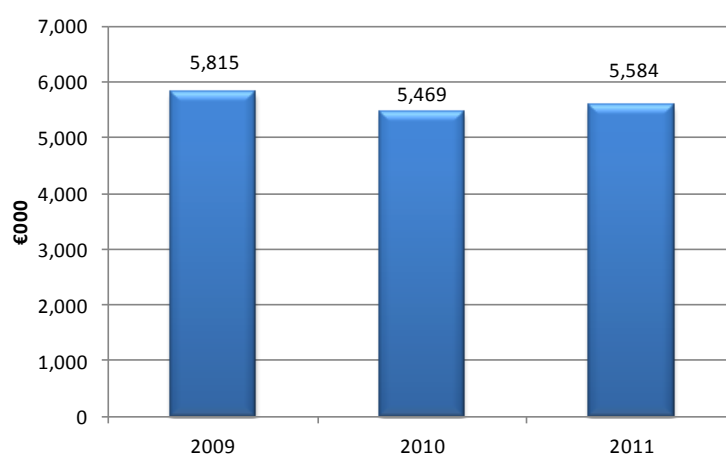


Note: TG4 labour costs were capitalised in 2009, 2010 and 2011. The gross cost before capitalisation for 2009, 2010 and 2011 was €5.815m, €5.469m and €5.584m respectively. Most recently published data used.

Source: TG4 Financial Statements from the Annual Report 2010 & 2011.

Staff costs before the capitalisation of labour also showed a small increase in 2011 (see Figure 6.9 below).

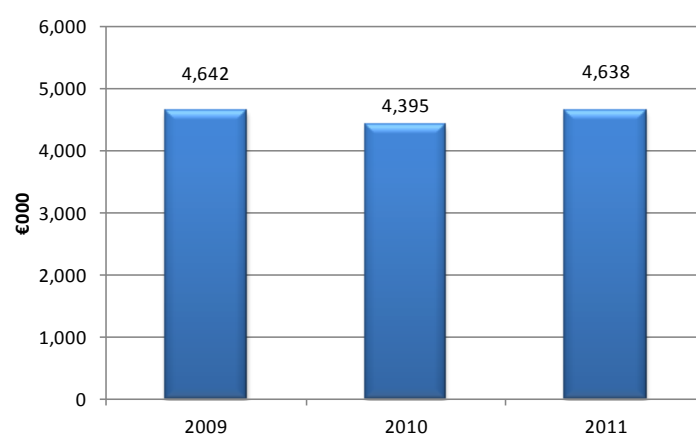
Figure 6.9: TG4 Staff Costs 2011 vs Prior Years (before capitalisation of staff costs)



Source: Indecon analysis of TG4 data and TG4 Financial Statements from the Annual Report 2010 & 2011.

TG4 salary costs increased from €4.395m in 2010 to €4.638m in 2011.

Figure 6.10: TG4 Salary Costs 2011 Vs Prior Years



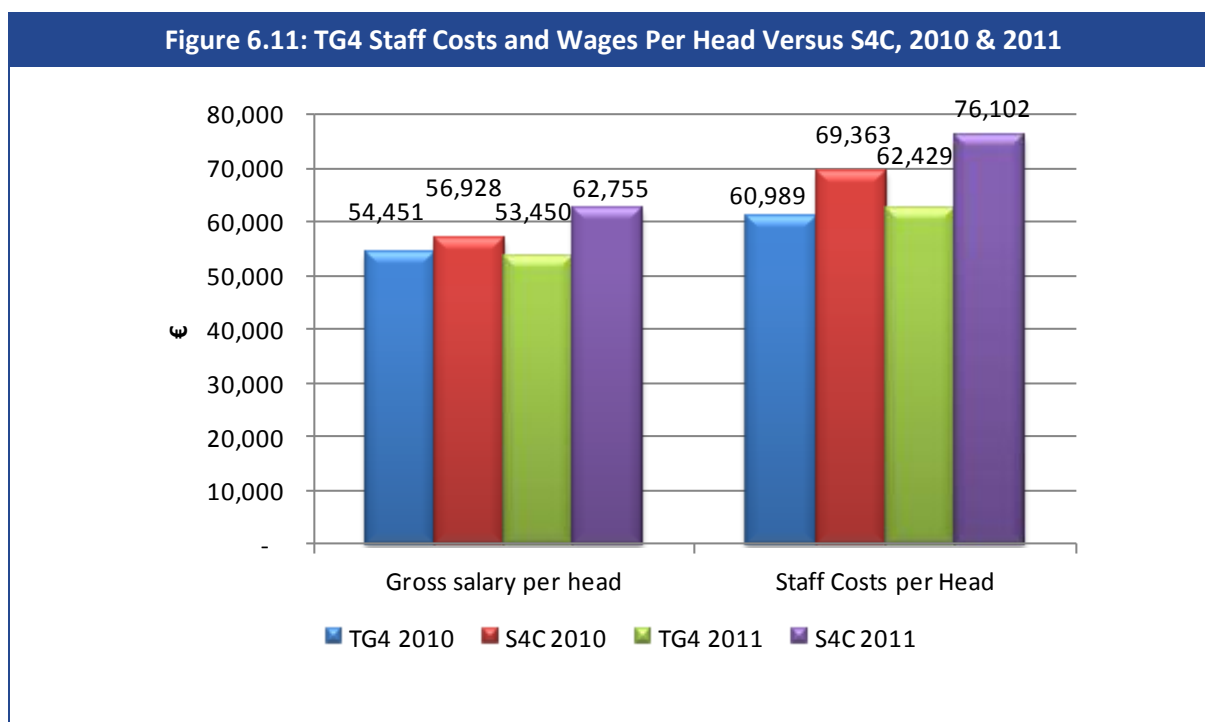
Source: Indecon analysis of TG4 data.

The salary cost per employee for full time permanent staff is presented below. The average cost of full-time permanent staff at TG4 increased slightly from €57.0k in 2010 to €59.5k in 2011.

Table 6.7: TG4 Salary Cost per Employee 2011 Vs 2010						
	Total Salary Cost		Headcount		Cost per Head	
	2010	2011	2010	2011	2010	2011
	€000	€000	FTE	FTE	€000	€000
Full-time Perm	4,045	4,165	71	70	57.0	59.5

Source: Indecon analysis of TG4 data.

A comparison of staff costs at TG4 versus S4C is presented below. The gross salary and staff cost per head for S4C exceeded that of TG4 in both 2010 and 2011.



Note: S4C salaries and staff costs have been converted from pounds to euro using Irish Times exchange rate as of 26/07/2012.

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

Overtime costs form another part of TG4 human resource costs and this cost increased however this cost element is very small and amounted to only €5,747 in 2011.

6.6 Absenteeism and Related Costs

The total associated cost of absenteeism only amounted to €7,679 in 2011.

Table 6.8: TG4 Absenteeism Numbers, Hours and Cost 2011

	2011		
	Force Majeure	Compassionate Leave	Total
No. of Hours	*	*	*
No. of Persons Involved	*	*	*
Associated Cost	*	*	*

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

Source: Indecon Analysis based on TG4 data.

TG4 sick leave, maternity leave, Maternity/sick leave cover and holiday leave were examined. The cost associated with holiday leave was €424,883 in 2011 and sick leave accounted for €85,761 in 2011. These however, are primarily statutory entitlements.

In addition to the leave-related costs mentioned above, TG4 costs include privilege days, bank holidays and time in lieu. The cost of Privilege days has been included in annual holiday leave above. Bank holiday costs amounted to €133.3k in 2011.

6.7 TG4 Subcontracting

In addition to extensive commissioning TG4 has pursued significant subcontracting of support services. TG4 subcontracts a range of services, including cleaning, security, canteen, airtime sales, weather services and HD transition project.

In addition to general subcontracting of services, TG4 subcontracts a range of programme related activities including camera operators, make-up, presenters/producers in studio, sound broadcasting technicians, riggers/light operators and commentators.

6.8 EU Compliance

According to EU requirements, broadcasters should retain no more than 10% of revenues. This requirement was met by TG4 once again in 2011. During the year TG4's recorded a small deficit.

Table 6.9: Evaluation of Overcompensation and Maintenance of Surplus			
	2009	2010	2011
	€Million	€Million	€Million
Revenue	38.851	35.733	35.860
Expenditure	39.173	35.870	36.595
Deficit	-0.322	-0.137	-0.735
Deficit as % of Revenues	-0.82%	-0.38%	2.05%

Source: Indecon Analysis of TG4 data.

6.9 Summary of Findings

This section examined TG4's performance in 2011 in relation to efficiency and value-for-money. The key evidence of interest is the cost per hour of TG4 programming and the cost per viewer hour of TG4 programming. Changes in staff costs and any other cost reducing measures implemented by TG4 were reviewed.

The focus for TG4 must remain on maintaining or reducing the costs per hour and cost per viewer hour of programming in order to ensure a service that exhibits value for money. Although the increase in staff costs per head can in part be attributed to the capitalisation of staff costs in 2010. It also reflects salary increases and Indecon believes an ongoing focus on keeping staff and overheads costs down is essential. Indecon however, believes that the overall cost model implemented by TG4 is impressive, dependant as it is on external tendering for programmes and also on keeping low management overheads and the subcontracting of services.

The specific cost reducing measures implemented by TG4 (as shown in **Error! Reference source not found.** above) represent an effort towards getting more value out of their programming contracts by negotiating more hours of programming for the same price but overall the actual monetary savings achieved as per the examples presented by TG4 are small in proportion to their overall expenditure.

A summary of the key findings from this chapter as is as follows:

- ❑ Total programming expenditure increased marginally by 1.18% to approximately €23 million.
- ❑ TG4's cost per viewer hour increased slightly to €0.25 in 2011.
- ❑ 83 full-time equivalent staff were employed by TG4 in 2011, which represents a slight increase.
- ❑ Staff costs increased to €5.166 in 2011.
- ❑ The average cost per head of staff at TG4 was €59.5k in 2011.
- ❑ Overtime costs were very small at €5,747.
- ❑ TG4 introduced a number of cost-reducing measures in 2011.

7 Conclusions & Recommendations

7.1 Summary of Key Conclusions

Our analysis suggests that TG4 largely achieved its commitments and targets for 2011 as set out in their Annual Statement of Performance Commitments. Total hours of new Irish programming content commissioned and broadcast on TG4 exceeded target by 4.5%. Sport continued to account for the largest proportion of new Irish language programming. TG4 produced 573 commissioned hours against a target of 495 hours. TG4 did not achieve the target of 68% subtitling and delayed the introduction of the Archive project until 2012, due to funding reasons.

2011 saw a small decline in the total hours broadcast by TG4, but an increase was observed in the number of Irish language hours broadcast.

The TG4 website performed above the 2011 targets. The TG4 website recorded 14,831,190 page impressions, 2,936,685 visits, 1,561,154 unique visitors and 2,800,000 Player streams in 2011.

In 2011 TG4's market share remains to be a key long-term challenge for the broadcaster. There was a decline in TG4's market share over the last three years from 2.56% in 2009 to 2.06% in 2011. TG4's cost per viewer hour increased in 2011 reflecting this decline in market share.

Highlights in relation to TG4's support for creativity include a significant increase in funding leveraged for the independent sector and the employment of 413 creative staff in 2011. This included 137 musicians / composers, 123 directors, 98 actors and 55 writers, of which 18 were first-time writers. TG4 received a total of 75 awards / nominations in 2011; 45 for programming, 20 for marketing and branding and ten for TG4 personalities.

The decline in TG4 commercial revenue persisted in 2011. TG4 commercial revenue amounted to €3.11m in 2011. TG4 continue to be heavily dependent on income from public funding which accounted for 91.33% of total income in 2011.

2011 saw a slight increase in operating expenditure to a total of €35.3 million. TG4 cost income ratio increased by 0.5% in 2011. In 2011 TG4 recorded a small deficit of €25,000 before taxation.

7.2 Recommendations

In the table overleaf a summary of our recommendations are presented and discussed in subsequent paragraphs.

Table 7.1: Summary of Recommendations

Adequacy of TG4 Funding and Recommendations on Adjustment in Public Funding

1. Indecon would not recommend any reductions in funding to TG4 at this time given the current public service objectives which have been set for TG4.

Cost Efficiency

2. Indecon recommends that TG4 should continue to pursue ongoing cost efficiencies and specific targets should be set for improvements in key cost elements.

Process Improvements and Revisions to Commitments

3. Indecon recommends that significant revisions to TG4 commitments should be made and much greater priority should be given to four key areas namely, Irish language programming, audience market share, cost efficiencies, and revenue generation.

Other Issues

4. The link between commercial revenue and acquired programme expenditure in TG4 should be reviewed as restricting acquired programming expenditure to levels of commercial revenue may hinder the expansion of market share.

Source: Indecon Analysis.

Adequacy of TG4 Funding and Recommendations on Adjustment in Public Funding

The adequacy or otherwise of TG4 funding is crucial in terms of ensuring that the organisation can fulfil the requirements of its public service objects. The factors which determine the adequacy of funding include the extent to which TG4 is operating efficiently, and the financial performance of the organisation. It is also influenced by the organisation's success in securing commercial revenue and thereby the extent of its dependence on public funding.

The table below indicates that TG4 remains very dependent on public funding. TG4 derived 91.33% of its income from public funding in 2011. TG4's income from public funding increased to €32.75 million in 2011 while commercial income fell to €3.11 million.

Table 7.2: Composition of TG4 Group Income 2009-2011

	2009	2010	2011
	€000s	€000s	€000s
Public Funding for Current Expenditure ²¹	35,233	32,250	32,750
Commercial Income	3,617	3,483	3,110
Total	38,850	35,733	35,860
% Income from Public Funding	90.69%	90.25%	91.33%
% Income from Commercial Income	9.31%	9.75%	8.67%

Source: TG4 Annual Report 2009, 2010 & 2011 (most recently published figures), Indecon analysis.

Total funding secured by TG4 for projects co-funded with the independent production sector increased significantly from €4.7 million in 2010 to a total of €9.5 million in 2011.

When considering any adjustments to public funding for TG4 it is also useful to recall that annual adjustments to the licence fee are linked to changes in the consumer price index and an 'X' factor which measures the performance of the broadcaster in relation to cost control, programming output and organisation improvements. The formula called the 'CPI-X' formula which determines the overall recommended adjustment to public funding taking these factors into consideration does not directly apply to TG4. However, it remains useful to consider the impact that this approach might have on TG4 funding if it applied directly. Findings from the 2010 review proved TG4's operating model cost efficient with reductions in staff costs and the broadcaster managed to broadly fulfil their commitments in the face of reduced revenues. In 2011 TG4 also managed to broadly achieve their commitments set out in their annual statement despite a further reduction in commercial revenue. TG4 operating costs increased marginally with an overall increase in salary costs per head. In addition TG4 implemented a major organisational development initiative with the Digital Asset Management System going live. The archive project had to be delayed in 2011 due to funding constraints. With these challenges in mind, coupled with a 1.6% increase in the CPI in 2011, Indecon would not recommend any reduction in TG4 funding as this would impact on their ability to achieve the targets set for Irish language programming and to uphold standards and support commissioning in the independent sector. Any significant reduction in licence fee would result in the need for TG4 to significantly reduce its Irish language programming hours. It is outside the scope of our review to evaluate the overall objectives set for TG4.

Cost Efficiency

Indecon notes that while a reduction in public funding for TG4 is not recommended, we also believe that this decision should be associated with an ongoing priority by TG4 to pursue cost efficiencies and specific targets should be set for improvements in key cost elements. In particular, there should be a focus on two key cost areas, namely staff costs and costs per viewer hour.

²¹ This excludes the amortisation of grants and excludes funding from BAI (Sound and Vision) or ILBF as TG4 are not in receipt of this funding.

Opinion on Process Improvements and Revisions to Commitments

The need to revise both the quantity and nature of commitments set out by TG4 in their Annual Statement of Commitments persists in 2011. The commitments set out each year vary greatly in terms of their impact on the overall performance of the broadcaster in relation to important factors as programming standards, finance, support for the independent sector, technological advancements and fulfilling its public service objects. In some instances Indecon believes that the commitments do not represent challenging targets which are of core relevance to the broadcaster. Indecon recommends that an overall review of the commitments process should be carried out as part of the five year review of public funding in which the appropriateness and quantity of commitments are examined. Our views on what this review might include are outlined below.

Specifically, Indecon recommends that significant revisions to TG4 commitments should be made and much greater priority should be given to four key areas, namely the targets for number of Irish language programmes, the audience market share and cost efficiencies and revenue generation. While the first two concerning Irish language programmes and audience market share are currently included in the long list of commitments, a prioritisation of these over other current commitments should be considered. We also believe targets should be set for cost efficiency and revenue generation. Due to the fact that TG4 has suffered a year-on-year reduction in commercial income Indecon believes that the broadcaster would benefit from placing greater emphasis on the exploitation of opportunities from commercial revenue by setting challenging targets which would form an important part of the review process in considering the adequacy of funding. A continuity with the existing process could be secured by retaining a significant number of the existing commitments but giving less weight to some of these compared to commitments under the four headings mentioned above.

Indecon also believes there is a case for commitment to be either set out or agreed in advance with BAI rather than determined internally within TG4. While Indecon recognises TG4's statutory and editorial independence in this regard, it would seek to differentiate between the nature of commitments and to ensure some independent challenge to the setting of targets.

Estimation of Total Public Funding

In addition, we believe it would be helpful for BAI to review all funding from the public licence fee which is allocated to TG4 in their assessment of overall performance of the broadcaster. In particular we believe it is useful to consider the costs of RTÉ hours provided as part of RTÉ statutory obligation to provide programmes to TG4. In 2012 annual accounts RTÉ estimate these costs as amounting to €8,805,000 of which the largest category is costs associated with news and current affairs which are estimated by RTÉ to be €5,829,000. In addition there are costs associated with sound and vision projects broadcast on TG4 which amounted to €6.9m in 2011.

Other Issues

Indecon believes that the link between commercial revenue secured by TG4 and the level of acquired programme expenditures should be reviewed.

While we understand how initial thinking may have led to such a direct linkage, this may be damaging the ability of TG4 to design a programme schedule which would maintain or increase its market share. The changes in market share in turn impacts on the ability of TG4 to increase commercial revenue. As a result, a direct correlation between these two very separate areas may be damaging the long-term sustainability of TG4.