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30th September, 2014

Mr. Alex White, T.D,
Minister for Communications, Energy
and Natural Resources,
29-31 Adelaide Road,
Dublin 2.

Re: Annual Review of Funding for Public Service Broadcasters (“PSBs”) 2013: RTÉ & TG4

Dear Minister,

I write further to the statutory requirement for the Authority to submit a report to you on the outcomes of any review conducted under section 124(2) of the Broadcasting Act, 2009 and, having conducted such a review, to make a recommendation under section 124(5) of the Act regarding any modification to be proposed in the public funding for RTÉ and TG4.

In respect of 2013, the Authority was assisted in its work by *Oliver & Ohlbaum Associates Ltd* (“O&O”) who were engaged in April of this year, following a public procurement process, to conduct annual performance reviews of RTÉ and TG4 for that year. As in previous years, the reviews encompass an assessment of the extent to which each corporation has fulfilled the commitments made in the previous year, and the adequacy or otherwise of public funding to enable the corporation to meet its public service objects.

The consultants' report for 2013, (*“Public Funding Review of Public Service Broadcasters: A Report for the Broadcasting Authority of Ireland prepared by Oliver & Ohlbaum Associates Limited - July 2014”*) is enclosed with this correspondence. You may wish to note that, in contrast to other recent years, reviews of both public service broadcasters are contained within a single report.

The terms of reference for the reviews included an assessment of:

- the extent to which each PSB has fulfilled its commitments in respect of its public service objects, as set out in its Annual Statement of Performance Commitments 2013;
- the extent to which each channel operated by a PSB utilises public funding efficiently and effectively, and the extent to which creativity is fostered and sustained;



- the extent to which each PSB has used its public funding in pursuit of its public service objects, (as opposed to its object to exploit commercial opportunities), with a view to assessing whether any overcompensation has occurred;
- the extent to which each PSB provides value for money and the adequacy, or otherwise, of public funding for each PSB to enable it to meet its public service objects; and
- the extent to which each PSB has complied with EC policy in respect of the maintenance of surpluses.

In conducting the reviews, O&O addressed the following key areas and presented its findings on each:

- audience performance, including reach and share;
- level and nature of output content produced;
- value for money being delivered;
- roles played in supporting creativity in Ireland;
- contribution towards the vitality of the Irish language and culture in Ireland.

Having undertaken the reviews, the consultants also expressed their considered views on whether:

- there should be any modification to the annual television licence fee in respect of RTÉ;
- an adjustment to TG4's public funding was desirable or necessary; and
- the amount of any modification and/or adjustment to be made.

I shall return to these issues later in this note.

The consultants were also asked to propose improvements in the annual review process and recommendations in this regard are contained in Section 7 of the Report.

O&O presented its findings on the public service broadcasters, RTÉ and TG4, to the Authority at its meeting in July 2014. The report was considered by the Authority at that meeting and again at its meeting on September 15th last.

As you are aware, the Authority owes a duty to each public service broadcaster, further to the provisions of section 32(10) of the Broadcasting Act, not to disclose commercially sensitive information. As part of the process of review, commercially sensitive information necessary for the report was gathered by O&O and considered by the Authority. A further process was required involving consultation with the broadcasters over the past month to ensure that the content of the report which is submitted to you and subsequently laid before the Houses of the Oireachtas, does not contravene the Authority's obligations to each PSB pursuant to section 32(10).



This letter constitutes the report required by section 124(4) of the Act and, together with the consultants' review, is submitted for your consideration.

This is the final report under section 124(4) which will be submitted in the term of the current members of the Authority and the first to be submitted during your period as Minister. It is appropriate, on that account, to reflect in a little greater length than usual on the issues that arise in this report and on the issues and trends that have appeared significant to the Authority since its establishment by the 2009 Act.

Observations

1. Audience Performance, including Share and Reach

The Authority considers TG4's success in reaching wider audiences (the Irish diaspora in particular) through its online streams as a very positive development. While TG4's audience reach has stabilised over recent years, the Authority is concerned that its viewership has become older and notes the decline in its younger audience reach. While considering reach to be, in many respects, a more relevant measure than share and while recognising the achievements of TG4, there is a concern that the channel's share is low and that the growing competition in the Irish television environment will pose further challenges.

The Authority notes that RTÉ's services, in spite of having lost some reach and share, continue to attract substantial audiences and to engage successfully with audiences across age groupings. A concern of the BAI, however, is the broadcaster's consistent difficulty more fully to represent younger listeners, i.e. under 35 year olds, in the audiences of its radio services. RTÉ's services were widely availed of on the internet by audiences abroad, a positive contribution to Irish people and those with an interest in Ireland in other countries.

2. Level and Nature of Programming

The Authority notes positively that programmes were generally well enjoyed by TG4's audience and that, despite the absence of additional funding, the broadcaster increased its output of new Irish language hours. With regard to genre, however, the Authority is concerned with TG4's strong dependence on certain genres of programming, in particular sport and international film.

RTÉ also increased its television output, based largely on increases in news and current affairs programming. This increase was achieved against a background of reduced expenditure. The increased dependence on news and current affairs does not appear to have diminished the audience enjoyment scores recorded.



3. Value for Money being Delivered

The Authority notes that O&O's conclusion that TG4 delivers good value for money relative to its funding levels was consistent with previous public funding reviews undertaken by the Authority.

While RTÉ's commercial revenue continued to fall in 2013, in line with the experience of other broadcasters and reflecting European trends, the broadcaster succeeded in balancing income and expenditure for the first time in five years, a considerable achievement, and increased its digital commercial revenue. In addition, it was also able to reduce its cost per viewer/listener hour.

4. Roles Played in Supporting Creativity in Ireland

The Authority notes and shares the view of O&O that both RTÉ and TG4 make a valuable contribution to supporting creativity in Ireland in a variety of ways. The support by RTÉ of its own Performing Groups and of composers and performers from Ireland and abroad represents a substantial level of support for creativity in the music sector in Ireland.

Both broadcasters support writers, actors and performers across a wide range of genres in their output and offer platforms for emerging and established artists. Both also support the independent production sector and its associated creativity through sustained commissioning. However, the cumulative reduction in the level of commissioning by RTÉ is to be noted and will be referred to in a later section.

5. Contribution towards the Vitality of the Irish Language and Culture in Ireland

Both broadcasters continued actively to support and broadcast comprehensive ranges of programming in Irish, thus serving not only audiences in Ireland but audiences throughout the world through the internet. TG4 and Raidió na Gaeltachta represent important and dynamic services for their audiences and both RTÉ and TG4 have succeeded in sustaining them in difficult times. The Authority notes that in 2013 TG4 further increased its output of new Irish hours, without the benefit of additional funding.

RTÉ's expenditure on Irish language television and radio content decreased in line with overall programme spend but the broadcaster continued to provide a range of services in the language while continuing to honour its statutory obligation to deliver Irish language programme content to TG4.

I should note that in recent days RTÉ has announced important developments in relation to its Irish language output. This does not form part of the review of 2013 but it merits noting in this context.



Additional Observations

There are a number of further observations that the Authority wishes to make, some linked to the consultants' review but with a wider relevance to this report and to the development of policy on broadcasting, particularly as regards public broadcasters.

The first is that this report is set firmly against the background of the fundamental review of the funding of RTÉ and TG4, the first of what will be a series of five-yearly statutory reports that the Authority submitted to your predecessor last year. The Authority continues to be of the view that the making available of a comprehensive and culturally relevant service to the Irish audience in current and emerging contexts requires a greater level of public funding. It feels constrained, however, from making any recommendation in this report pending the publication of the studies that it recommended last year and which were subsequently initiated by your Department. The Authority looks forward to the opportunity of considering the outcome of these studies, which we understand to be completed, at an early date.

The second is to recall that I wrote to your predecessor some time ago to draw attention to the implications for this statutory process of budgetary interventions that have material impacts on the funding of the two public service broadcasters but which are not in any way related to the process set out in the 2009 Act for modifications of public funding. The Authority recognises the acute financial difficulties with which government has had to deal in recent years. But it is strongly of the view that the effectiveness of the section 124 provisions - a significant improvement on what pertained previously - will be impaired and its efficacy drawn into doubt if adjustments to the public funding are seen to be made by direct intervention rather than through observance of the arrangements introduced in the 2009 Act.

Related to this is the third point. The Authority notes that, despite its recommendation last year that there should be no further cuts to the funding of the public service broadcasters, RTÉ was subject to a €5m reduction in funding in licence receipts through the Department of Social Protection. The Authority welcomes and strongly endorses the view expressed by O&O that there should be no further cuts in RTÉ revenue from licence fee receipts.

In the context of the two previous points, it is important to note that the test in section 124 is the "adequacy" of the public funding to meet the "public service objects". This is distinctly different from any consideration of the appropriateness of funding to meet the needs of current activities. The first of the five-yearly reports submitted last year was set firmly in the context of considering the public funding against the public service objects of each broadcaster. That is the approach that underlies this report also.

The fourth point is directly relevant to the first three and it is that the Authority does not share the view expressed by O&O in its report that the annual review should be reduced in scale and that the five-yearly review should be seen as the primary opportunity to review funding modification. The Authority



firmly believes that such an approach is inconsistent with the requirements of the statute which is clear in its articulation of the purpose of the annual review. Moreover, it would deprive the broadcasters of the opportunity to present their views on the discharge of the public service objects and related funding to the Authority with the frequency that the law envisages. Both sets of reviews are central elements in the European and national legal frameworks within which transparency is provided in the broadcasters' use of public funds.

The fifth point relates to independent production. The Authority notes the consultant's view, (see Figure 84, page 96), that RTÉ's expenditure on commissioning content from the independent production sector since 2010 has been 'somewhat reduced', from 25.8% in 2010 to 21.1% in 2013. The reality of the level of reduction over the period since the financial crisis emerged is, however, much greater. The Authority well understands the effect of the financial difficulties on RTÉ's capacity to commit resources to in-house or independent production and the cost reduction measures introduced by the broadcaster in recent years. It also acknowledges that RTÉ meets its statutory commitments in respect of expenditure on commissioning of independent programming. But the reduction in expenditure on independently commissioned programmes has been significantly greater than the reduction in expenditure on in-house programmes.

That is a source of concern for the Authority. Without for a moment intruding on the editorial independence of RTÉ, and while fully appreciating and supporting the importance of a strong programme-making core within RTÉ, the Authority is strongly of the view that the value to the schedule and to the audience of a finely-tuned balance between internal and independent production is a critical consideration, whatever the financial circumstances. The commissioning of independent production, as the broadcasters fully appreciate, is not simply about convenience, cost or the provision of commercial opportunities. It is a fundamental way to ensure that the schedules, through the appropriate balance between internal and independent production, contain the richness and variety that the entire creative community in Ireland can offer.

The sixth point is a brief comment on the reality that the economic downturn has had an impact on the texture of all broadcasters' schedules. The Authority has often commented on the achievements of broadcasters in sustaining schedules through very demanding times. But there are consequences. RTÉ's performance in 2013, as noted earlier, showed an increase in overall television production. But it was facilitated by increases in news and current affairs output and reflected in reductions on other areas of programming. In the last three or four years, first-run indigenous hours in genres such as drama, factual, education and arts, as well as in children's programming, have been notably reducing year on year. This is a concrete manifestation of the concern expressed by the Authority in its five-yearly report last year of the risk to a broad range of culturally relevant programming being a central and primary part of the output of the country's primary national television broadcaster. The narrowing of the range and depth of output can weaken the diversity and creativity available to Irish audiences.

The seventh and final additional observation is that the Authority continues to have reservations about the legislative framework in respect of the statement of commitments and funding reviews, among



other matters. These have been the subject of discussion with the Department and the Authority would welcome an early opportunity to engage with you on possible areas of amendment that might be introduced without undue difficulty.

Recommendations

The Act requires that the Authority make a formal recommendation to you in respect of any modification in the funding of RTÉ and TG4. Having given detailed and extensive consideration to the review undertaken for this purpose, the Authority shares the view of the consultants and, accordingly, recommends that the funding of both broadcasters be increased by the rate of inflation that obtained at the end of the year under review, 2013. This is to ensure that the capacity of both to offer comprehensive services to the audience is not further eroded by the impact of inflation.

The Authority looks forward, as I have said earlier, to receiving the reports that arose from last year's five-yearly review and to giving them the detailed consideration they require. That will enable the Authority to consider the extent to which they permit it to expand on the recommendations made in the five-yearly report.

Finally, consistent with the views expressed in this report, the Authority strongly reiterates the view that the public funding of RTÉ and TG4 should not be reduced from their present levels in the context of their present levels of service.

Kind regards,

A handwritten signature in black ink, appearing to read 'Bob Collins', is written over a horizontal line.

**Bob Collins,
Chairperson**