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28th November 2013

Mr. Pat Rabbitte 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") 2012: 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 an annual licence fee modification in respect of RTÉ and the amount of any payment to be made to TG4.

The Authority was assisted in its work by Indecon Economic Consultants ('Indecon') who, as you may recall, were engaged in June 2011, following a public procurement process, to conduct annual performance reviews of RTÉ and TG4 for the two years 2011 and 2012. 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' reports for 2012, in respect of each public service broadcaster (RTÉ and TG4), are enclosed with this correspondence.

The terms of reference for this review 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 2012;
- the extent to which creativity is fostered and sustained by the PSB;
- the extent to which each PSB operates efficiently and effectively and provides value for money;
- the adequacy, or otherwise, of public funding for each PSB to enable it to meet its public service objects;



- the extent to which each PSB 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.
- the extent to which each PSB has complied with EC policy in respect of the maintenance of surpluses.

In addition, having undertaken the above review, the consultants were asked to express an opinion to the BAI as to whether:

- there should be any modification to the annual television licence fee in respect of RTÉ;
- an adjustment to public funding is desirable or necessary and to express an opinion as to the amount of any adjustment to be made.

The consultants were asked to propose process improvements.

Indecon's reports on both RTÉ and TG4 were considered by the Authority last month. As you will be 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, a considerable body of commercially sensitive information, necessary for the review, was gathered by Indecon and considered by the Authority. Following the October meeting, a further process was required involving consultation with the broadcasters over the past month to ensure that the content of the reports which is submitted to you and subsequently laid before the Houses of the Oireachtas, does not contravene the Authority's obligations to each PSB under section 32(10).

These reports are now submitted, in accordance with section 124(4) of the Act, for your consideration. The Authority wishes to make the following observations and recommendations in respect of the reports for each PSB:

Observations and Recommendations in respect of RTÉ

The Authority noted that while RTE met the majority of targets set for 2012, in some cases targets set were less than those actually achieved in 2011, a function, perhaps, of the revenue reductions experienced. Areas where targets were not met included some audience performance measures, commercial revenue and the number of complaints upheld. While RTÉ 2 television showed an increase in channel share, this contrasted with the broadcaster's 2FM radio service which has been experiencing a noticeable decrease in weekly reach from 31% in 2008 to 23% in 2012.



Reductions in revenue meant a reduction in funds available for investment in programme making. However, the authority noted the much greater proportional reduction in independently commissioned programmes than in in-house production. The level of spending, while in line with statutory requirements, was significantly below expenditure on independent commissions in 2011. Members expressed concern at the effect of this on opportunities for creativity and for the strength of the sector generally.

Members noted the considerable progress made in reducing operating costs. The continued downward trend in operational and personnel related costs for the year was seen as a considerable improvement on previous years. The broadcaster's failure to reach targets set for commercial revenue was noted but Members agreed that this had to be seen in the context of the ongoing depression in the domestic market and its effect on the potential to rebuild advertising revenues.

While RTÉ succeeded in reducing its deficit and stated it was on target to clearing it in 2013, the Authority remained strongly of the view that any continuing operational deficit was not sustainable. It will closely monitor the broadcaster's commitment to eliminate the deficit and break even in 2013.

The Authority considered the adequacy of public funding for RTÉ and, seeing no reason to depart from the analysis and conclusions contained in its report on five-year funding, concurred with Indecon that there should be no increase in public funding at present in respect of existing services. On the matter of further cost efficiencies, the Indecon conclusions echo the position already contained in our report to you earlier this year. Potential areas in which such efficiencies could be achieved include continuing with work practice reforms and introducing further savings in the cost of acquisitions and sports rights. With regard to external commissions, the analysis of the comparative cost of independent and in-house production is being currently looked at within the context of the 5-Year Review outcomes.

Observations and Recommendations in respect of TG4

Commitments set by TG4 demonstrated some measure of challenge and the Authority was satisfied that TG4 had broadly achieved the commitments set for 2012. However, the Authority was disappointed with the non achievement of targets in a number of key areas including new Irish-language programming. Authority members expressed particular concern with the decline in audience share to 1.85% and regarded this as a matter of significant consequence. It is the Authority's view that TG4 needs to identify a range of strategic options on how it will address the steady decline in audience reach and share, as its Board undoubtedly appreciates. This will remain a considerable challenge for the broadcaster and the implications of any further decline in its market share needs to be considered in a broader policy context.



Members welcomed the increase in commissioning hours and the positive effect this has had on creativity but this is somewhat offset by the reduction in the success rate of TG4 supported programmes seeking funding from the *Sound&Vision* scheme. Although the outcomes of the scheme's funding rounds are beyond the control or influence of the broadcasters, these outcomes have had a strong effect on the range of original Irish-language programming which the broadcaster believes is paramount in growing its share.

Taking account of all the evidence of the review, the Authority was satisfied that the broadcaster had broadly achieved its targets and endorsed the view expressed by Indecon that no reduction in public funding be recommended.

Summary

The review of 2012 is somewhat exceptional in that the entire area of future funding has been so comprehensively dealt with in our report on the five-year funding requirements and plans. Many of the recommendations made by the consultants in this review have been anticipated in the Authority's report and some crucial issues are already the subject of further consideration by New Era. Two areas of particular concern for the Authority continue to be TG4's decline in audience share and RTÉ's decline in commercial revenue and its ongoing operational deficit.

In addition to the above, the Authority endorses the view expressed by Indecon that RTÉ implement additional cost reduction measures and that detailed analysis of capital expenditure in various divisions is undertaken as part of future annual reviews. It further endorses the consultant's view that future annual reviews of TG4 include detailed analysis of capital expenditure.

On a more general level, the budget decisions in respect of RTÉ's licence revenue add complexity to an already difficult situation and cut across the statutory review process on which the Authority and the Minister are engaged. This is an issue that we have touched on in previous correspondence but it would be remiss not to note it again in the current context.

Finally, the Authority continues to reflect on how most effectively to discharge its statutory role in relation to public funding so that its work can align with the timeframe for the development of public policy. The five-year review has identified a number of principles and ideas which are in line with the Authority's own views on how best to realise the purpose of the statute in the annual review of commitments. A revised framework has been developed to match these recommendations and much agreement has been reached with the two broadcasters. We envisage that, without hindering the broadcasters in communicating their plans to their audiences, a new approach to commitments for the statutory review will link clearly to the five-year plans, will reflect genuine challenge for each broadcaster and will more effectively reflect performance in crucial areas.



I am, as ever, available should you wish to discuss any aspect of the annual review or of this letter.

Kind regards,

A handwritten signature in black ink, appearing to read 'Bob Collins', is written over a horizontal line. The signature is fluid and cursive, with a prominent initial 'B'.

**Bob Collins,
Chairperson**