

# **Public Funding Review of Public Service Broadcasters**

Submitted to

**Broadcasting Authority of Ireland**

Prepared by

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## Executive Summary

### Introduction and Background to Review

The background to this review is that public service broadcasting involves public sector funding of television, radio and other types of electronic communications media. The rationale for public funding of PSBs is that they are ‘public goods’. That is, a PSB can inform and enrich society by providing high quality, objective programming, which may be disseminated at a cost lower than the original cost of production. In Ireland, RTÉ’s and TG4’s statutory mandates are defined in the Broadcasting Act 2009 under section (3)(a) of Articles 114 and 118, respectively. The Act specifically outlines that programme schedules should ‘entertain, inform and educate’.

Both PSBs are in receipt of public funding. TG4 is funded primarily through state provision as well as a small licence fee contribution. RTÉ also receives funding via the TV licence fee. Both broadcasters also attract commercial funding through the sales of advertising, sponsorships, and other means. Given the importance of public funding for PSBs, there is a need for the PSBs to be accountable and transparent, and to ensure cost efficiency and effective operating procedures are in place with the ultimate aim of delivering value for money to the public. Section 102 of the Broadcasting Act 2009 requires each PSB to prepare an annual statement of performance commitments in accordance with its five-year statement of strategy and its public service statement. The BAI is required under Section 124, subsection (2) of the Broadcasting Act 2009 to review the extent to which the each PSB has fulfilled its stated performance commitments for each year in respect of its public service objects, as well as the adequacy or otherwise of public funding to enable each PSB to meet its public service objects. Six annual reviews have been completed.

### Trends in Irish Economy and Broadcasting Sector

#### Irish Economy

The Irish economic landscape has improved significantly since 2011, and in 2015 saw strong growth in a number of key metrics. General economic improvement will have knock-on effects for PSBs through advertising revenues and other impacts. This, however, is a period of great uncertainty given the Brexit developments.

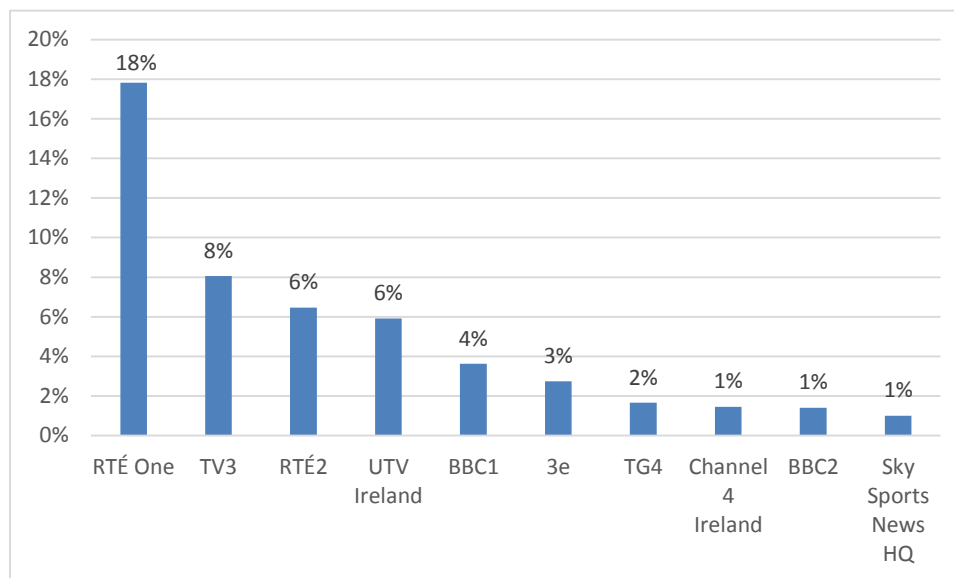
National Per Capita Income Statistics					
	2011	2012	2013	2014	2015
GDP at constant prices, € (Seasonally Adjusted)	38,602	38,569	39,059	40,948	43,909
GNP at constant prices, € (Seasonally Adjusted)	31,243	31,684	33,090	35,244	37,066
Source: CSO Quarterly National Accounts & Population Estimates					

The percentage of the Irish labour force in unemployment fell in 2015 and has seen consistent marked improvement over the previous three years. This has the potential to enhance enforcement of the licence fee collection system. Levels of inflation, as measured by the Consumer Price Index (CPI), have been low or negative. This would inter alia suggest potential low costs of borrowing and has implications for a CPI-X type adjustment to the licence fee.

## Media Landscape

Television remains the main entertainment medium in Ireland where approximately 1.6m homes own a television. This indicates a high level of market penetration. The market is becoming more fragmented, however, due to an increased number of competitors entering the Irish market. These entrants have been relatively successful at gaining market share, thus implying a reduction in the market position held by the PSBs. The all-day share of viewing by channel is presented below and reflects the competitive landscape of television.

**All-Day Share of Viewing by Channel, 2015**



Source: TAM Ireland Ltd / Nielsen TAM, National / Consolidated / Individuals All Day (03:00 – 26:59)

Note: RTÉ One does not include data from RTÉ One + 1 (share of 0.57% in 2015)

Radio is another popular method of media consumption in Ireland and currently has very high levels of average listenership. Radio has not been faced with the same level of changes in competitive pressure as the television market, however competition in the radio sector is also very strong.

**Average Weekday Yesterday Listenership 2013 - 2015, Adults 15+**

	2013	2014	2015	% change 13/14	% change 14/15
Listened at all *	83%	84%	83%	1.2%	-1.2%
Any National	45%	46%	46%	2.2%	0.0%
Any RTÉ Radio	34%	34%	35%	0.0%	2.9%
Any RTÉ Radio 1/ RTÉ 2FM /RTÉ Lyric FM	34%	33%	34%	-2.9%	3.0%
RTÉ Radio 1	24%	23%	25%	-4.2%	8.7%
RTÉ 2FM	11%	10%	10%	-9.1%	0.0%
RTÉ Lyric FM	4%	4%	4%	0.0%	0.0%
Today FM	13%	13%	12%	0.0%	-7.7%
Newstalk	9%	11%	11%	22.2%	0.0%
Any Regional/Local/M-City/D-C#	56%	58%	58%	3.6%	0.0%

Source: Ipsos MRBI/JNLR 2015/4, 2014/4 and 2013/4

The competitive landscape for radio is more defined geographically. Regional broadcasters command a high weekday listenership of 58%. There is strong competition in Irish cities and surrounding areas, for example FM104 has an 18% listenership in Co. Dublin, while Cork 96FM/C103 had an average listenership of 39% in Co. Cork.

Competition from internet-enabled devices has added significant competitive pressures to traditional media broadcasters, facilitated by the growing popularity of smartphones and tablets, alongside higher broadband penetration rates (at faster speeds). An indication of the changes in this area can be seen by examining the growth in smartphone usage. The growth in popularity of online media has been reflected in regulatory and market adjustments, for example, the EU's proposed Audiovisual Media Services Directive (AVMSD) may cover online video sites such as YouTube.

Smartphone Usage in Ireland, Q4 2015 and Q4 2014		
	Q4 2015	Q4 2014
Mobile voice and data subscribers using 3G and 4G networks*, '000s	4,093.5	3,337.1
All mobile subscriptions (excl. M2M and mobile broadband), '000s	4,912.6	4,902.0
Smartphone users as % of all mobile subscriptions	83%	68%
Source: ComReg Quarterly Key Data Report, Q4 2015		
*ComReg states that this measure is good indication of number of smartphone users accessing advanced data (internet, video, etc.)		

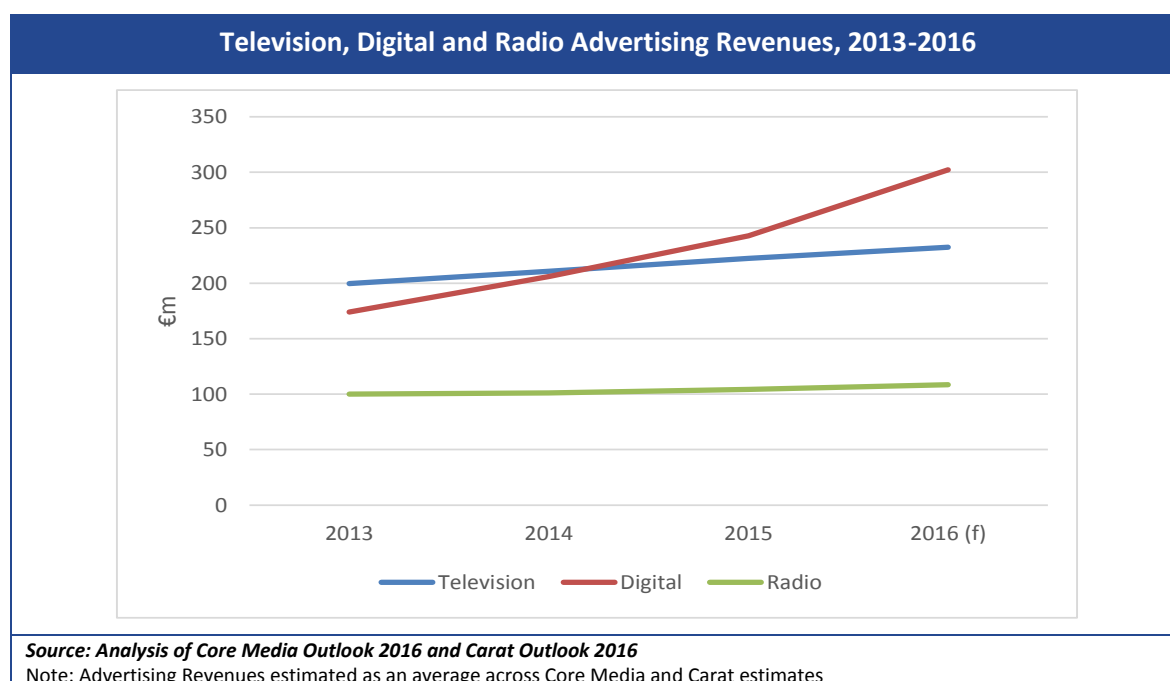
Home broadband can facilitate the consumption of a variety of online media, including social media, gaming and other interactive content. It represents an additional potential pressure for traditional TV as adoption becomes more widespread. **[Redacted]**.<sup>1</sup> Services such as Netflix and YouTube offer on-demand, multi-platform, exclusive and user-generated content. Payment plans are also varied and range from a monthly subscription to advertising-funded free-to-the-user models.

Fixed Broadband Penetration in Ireland vs EU Average, 2014 - 2015		
	Q4 2015	Q3 2015
Ireland	24.9%	27.3%
United Kingdom*	35.5%	37.5%
EU Average	27.3%	29.6%
Source: ComReg Quarterly Key Data Report, Q4 2015.		
Note: *UK % given as approximate value		

<sup>1</sup> **[Redacted]**

## Advertising Market

The advertising market has seen strong growth in recent years; however, this has been divergent across different forms of media. The biggest gainer has been the online advertising market that has undergone significant growth and now surpasses TV advertising in Europe in terms of market value.<sup>2</sup> Similar trends can be seen in Ireland specifically, as presented below. The increasingly significant position held by the online advertising market will add to the growing pressure on Irish PSBs to maintain current shares of commercial revenue.



## Public Funding Review of TG4

### Summary of TG4 Performance against Commitments 2015 - TG4

The table overleaf summarises TG4's performance against sixteen commitments in 2015 as agreed by the PSB and BAI. It should be noted that each of the sixteen commitments in the table below are made up of a selection of measurable indicators. While all high-level commitments were either fully or substantially met,<sup>3</sup> Indecon recommends that the relevant chapter is consulted in order to receive a thorough and accurate representation of the specific items under each commitment that were achieved or not achieved.

<sup>2</sup> AdEx Benchmark 2015, Interact Conference, 10<sup>th</sup> Edition, May 11<sup>th</sup> 2016

<sup>3</sup> If all specific items in a commitment are not met, the commitment is considered wholly not met. If more than half of the specific items within an individual commitment are only substantially met and/or any item is not met, the commitment is considered substantially met. If less than half of the items are substantially met and no items are not met, for the purposes of this summary we consider the commitment met.

Overview of TG4 Performance Against Commitments 2015				
Area	No. of Commitments	Commitment Not Met	Substantially / Almost Fully Met	Commitment Fully Met
Audiences: Impact & Reach	4	0	4	0
Content: High Quality & Distinctive	3	0	0	3
Irish Language: Promotion & Development	4	0	0	4
Transparency & Efficiency	3	0	1	2
Trust & Good Governance	2	0	0	2
<b>Total</b>	<b>16</b>	<b>0</b>	<b>5</b>	<b>11</b>
<i>Source: Indecon Analysis of TG4 Performance Against Commitments 2015</i>				

TG4's performance in the thematic area of 'Audiences: Impact & Reach' indicates that the four commitments under this theme were substantially or almost fully met. Specific missed targets within these four commitments that are of particular concern were the 11% audience daily reach (target: 13%), the underperformance of peak viewing period targets over four selected holidays (3 of 4 holidays below target), and the missed audience share target (1.7% vs 2% target). These reductions were due in part to increased competitive pressures from market entrants, and a decline in specific audience demographics.

The 'Content: High Quality & Distinctive' thematic area performed well in 2015. Two specific items under a commitment in this thematic area did not fully meet their target. Indecon notes that both items are within Indecon's 10% threshold<sup>4</sup> for substantial achievement and make up a minority of related items under this specific commitment. These two items are related to the number of awards won (89 vs. 90 target) and the number of brand new commissioned Irish language hours (80 hours vs. 87 hours target).

The 'Irish Language: Promotion & Development' theme achieved all four of its commitments under this heading. Two out of ten items under Commitment 8 were substantially met. These are within the 10% threshold and are a minority of the items under this heading. These items relate to the number of peak time Irish hours (860 hours vs 870 hours target) and the percentage of total hours broadcast in Irish (57.3% vs 59% target).<sup>5</sup>

There were three commitments under the theme of 'Transparency & Efficiency'. Two of these were considered fully met while the final commitment was substantially met. Within this substantially met commitment were two specific items of note. The first, related to the content cost per viewer hour, which was within the 10% threshold (0.32c vs. 0.30c target). The second item, which was not met, was in relation to a number of planned co-production initiatives that were postponed in 2015 and re-scheduled for 2016. The specific target for this item was for delivery in 2015.

Both commitments under the 'Trust & Good Governance' theme were met, with most specific items adequately addressed. TG4 substantially met its Access Rules target related to facilitating disability access to its content (45% vs 47% target).

#### Adequacy of 2015 Commitments – TG4

We evaluate TG4's performance against its public service objects, its Annual Statement of Performance Commitments (ASPC) in 2015, and its statement of strategy 2013-2017, which are summarised overleaf.

Indecon's analysis indicates two areas in which TG4 did not directly address its stated public service object, however through consultation with the PSB, satisfactory reasons were provided. TG4 no longer maintains

<sup>4</sup> Indecon considers quantitative performance items within 10% of targeted performance as substantially met.

<sup>5</sup> As absolute target Irish hours were met, we consider this achieved in subsequent analysis. Refer to relevant section for details.

teletext services and does not have an established performing group, although is supportive of them through musical commissioning, but otherwise all public service objects were addressed through the commitments or individual measures within the commitments in 2015.

TG4's public service statement was updated in 2015 and it is instructive to consider how the annual statement of performance commitments is aligned to the new public service statement. Indecon's analysis indicates a close alignment between TG4's public service statement and its ASPC 2015. There were a few high-level items not specifically addressed. However, due to their content we considered these met through TG4's commitment to comply with all relevant broadcasting codes and regulations (Commitment 16). One item not met was the aim of broadcasting six new hours of Irish language content per day. This was stated as a longer-term goal however, and as its target was increased in 2016 to 4.68 hours, Indecon considers this positive progress.

TG4's ASPC in 2015 is very closely aligned to its Statement of Strategy for 2013 – 2017. Two commitments under this five-year plan were not addressed specifically and relate to the development of TG4 resources and engagement with providers of Irish TV content in international markets. Through consultation with TG4 and following Indecon's analysis, these commitments were considered met due to initiatives undertaken by the PSB in 2015. This includes further development of TG4's online content offering and bundling.

Having considered TG4's public service objects, public service statement and statement of strategy 2013 – 2017, Indecon is of the opinion that TG4's commitments for 2015 are in general adequate in content and successfully address TG4's longer-term commitments. However, further work may be required to refine commitments for future years.

#### Adequacy of 2015 Funding – TG4

The adequacy of TG4's funding was evaluated by taking account of performance against commitments and analysing the potential impacts of an increase or a reduction in the PSB's public funding.

Indecon's analysis has revealed that TG4 largely achieved its performance commitments in 2015 and that these commitments were adequate for 2015. However, Indecon's analysis indicated that for subsequent reviews it would be important to monitor targets for audience figures, Irish language programming hours and commercial revenues to ensure that TG4 continues to stretch itself in these areas. These are important considerations for the adequacy of funding going forward.

TG4 provided estimates of the effects of a 10% reduction in its public funding allocation which forecasted significant impacts on audience reach, share, and visitors to its online content, among others effects. Indecon accepts that while a funding decrease of this magnitude is likely to have significant impacts on the independent production sector, and some impacts on the wider economy, TG4 estimates of the precise effects on audience numbers may however be overstated but this is an issue of judgement.

TG4 Estimated Impact of a 10% Reduction in TG4's Public Funding - Key Impact Metrics					
Key Economic Metrics:	2015	2016 (e)	2017 (e)	2018 (e)	2019 (e)
Employment Impact (jobs)	[Redacted: Data is commercially sensitive]				
Contribution to national income					
Key Audience Metrics - Broadcast:					
Reach – Daily (viewers, all audiences)	[Redacted: Data is commercially sensitive]				
Linear Share (all audiences)					
Reach (Irish language audiences)					
Key Audience Metrics - Online:					
Unique Visitors	[Redacted: Data is commercially sensitive]				
Player Hours Watched					
Source: TG4					

TG4 also provided the expected effects of a 10% increase in public funding on the wider economy and their content delivery and business performance. The PSB estimated a positive impact on employment and audience reach and share, among others. The reach among young people was also estimated to rise. Indecon considers most of these estimates as reasonable. However, the impact on young people may be difficult to achieve even given a public funding increase. Indecon believes the overall impact on TG4's linear share of an increase in funding is expected to be small.

TG4 Estimated Impact of a 10% Increase in TG4's Public Funding - Key Impact Metrics					
Key Economic Metrics:	2015	2016 (e)	2017 (e)	2018 (e)	2019 (e)
Employment Impact (jobs)	[Redacted: Data is commercially sensitive]				
Contribution to national income					
Key Audience Metrics - Broadcast:					
Reach – Daily (Children / Young People)	[Redacted: Data is commercially sensitive]				
Linear Share (Children / Young People)					
Reach - Weekly (Irish language audiences - Children / Young People)					
Key Audience Metrics - Online:					
Unique Visitors	[Redacted: Data is commercially sensitive]				
Player Hours Watched					
Source: TG4					

### Commercial Maximisation – TG4

The PSB saw worsening performance in 2015 with respect to commercial revenues, and faces a major challenge to maintain or increase its audience numbers and revenues. Indecon believes that while TG4 met its legislative requirement to maximise commercial revenue through its growing offering of online and mobile services, the organisation still faces significant competitive pressure from an increasing number of market entrants and established competitors.

TG4's obligation to maximise commercial revenues was met through its range of product and content offerings, especially across its online and mobile products. The organisation's website was redesigned in 2015 and emphasises easy video access. Optional subtitles and targeted products for children are also positive developments. TG4's mobile presence is evolving to meet the growing demands of a shifting marketplace. The organisation now offers an iPad app, an iPhone app, and a smart-TV app, alongside a selection of educational apps aimed at children. TG4's strategy for maximising commercial revenue on its mobile platform is therefore to improve further the quality, offerings, and targeted nature of its mobile services. Indecon's analysis of the market and TG4 position suggests however that TG4 faces major challenges in maintaining its audience numbers and in increasing commercial revenues. Indecon's opinion is that the potential for a significant increase in TG4 commercial revenues may be limited given its market share.

### Overcompensation Test – TG4

EU Competition Policy limits the size of state funding across various sectors, including in relation to public service broadcasters. The regulation of the broadcasting industry is based on EU legislation communicated to member states in 2009.<sup>6</sup> Specifically, the Commission limits the level of overcompensation, defined generally as a retention of funds above net costs of the public service, at 10%.<sup>7</sup> As TG4 ran a deficit in 2015, it is not in contravention of current EU state aid rules.

Evaluation of TG4 Compliance with EU Overcompensation of State Aid	
€'m	2015
Revenue	<i>[Redacted: Data is commercially sensitive]</i>
State Aid	
<b>Total Revenue</b>	
Expenditure*	
Surplus / Deficit	
<b>Surplus / Deficit as % Net Cost Public Service</b>	
Source: TG4 Annual Report 2015	
*Note: includes Cost of Goods Sold and Tax Liability	
NOTE: Not for publication. Confidential Data.	

### Commentary on 2016 ASPCs – TG4

TG4's commitments for 2016 as set out in the Annual Statement of Performance Commitments are broadly similar to those outlined in the 2015 ASPC. TG4 has outlined 17 commitments for 2016, an increase of one on 2015 commitments. A number of new commitments have been added, relating to the development of new resources (e.g., a Digital Archive and a "Learning Irish Resource) and particular content for 2016 including 1916 commemorative content, content marking TG4's 20<sup>th</sup> year and coverage of the 2016 General Election.

One commitment has been removed since 2015; namely the commitment to "Spend at least 70% of TG4's public funding on Irish language content and use our public funding for public service objects and duties only". However, it should be noted that one of the individual targets under transparency indicators is that all public funding will be limited to objects which are public service in nature and TG4 also commits to spending at least 70% of its public funding on the production of Irish language content. As such, although no longer specified as one of the 17 commitments, it is covered by underlying targets. Indecon is therefore of the opinion that the commitments are adequate for 2016, but that for future years more focus on stability and growth in market share would be appropriate.

### Conclusions – TG4

Based on the analysis presented in this Public Funding Review, Indecon believes TG4 largely achieved its performance commitments in 2015 but is facing a major challenge to maintain or increase its audience numbers and commercial revenues. TG4 is also heavily dependent on public funding.

<sup>6</sup> Communication from the Commission on the application of State aid rules to public service broadcasting, 2009/C 257/01

<sup>7</sup> Long term capital investment is excluded from this analysis



## Recommendations Concerning TG4

### 1. Indecon recommends an increase in funding for TG4 with certain conditions.

Indecon notes that the BAI recommended an increase in TG4's funding in line with inflation following the five-year review and the 2013 annual review. The 2014 review also recommended an increase in TG4's funding. Indecon recognises that TG4 is in receipt of a one-off supplement of €900k for 2016 through a special programme grant for Irish language 1916 programming. A key question for policymakers and for BAI is what role TG4 is to play in the Irish broadcasting market and in promoting the Irish language. Indecon believes that if TG4's current remit is to remain, an increase in funding is required if its audience share is not to continue on its downward trend. Changes to funding for TG4 should abide by the statutory requirements as outlined in the Broadcasting Act to enable the organisation to achieve its public service objectives. While this is a matter of judgement, our recommendation is that an adjustment of €0.5 million is the minimum necessary. We, however, believe that this should be conditional on achieving tight management of staff costs and a commitment by TG4 to provide additional funds to the independent sector to achieve specified additional outputs.

### 2. Future annual commitments for TG4 should include targets to maintain their market share and to increase investment in specified genres.

These targets reflect the importance of TG4 stemming the downward trend in its market position as we believe minimum audience numbers are required for TG4 to meet its remit. While this minimum level is a matter of judgement, any significant further declines in market share would be of concern. We believe that the allocation of investments in any genre should be a matter for TG4 but that the focus should be on targeting to maintain their market share.

## Public Funding Review of RTÉ

### Summary of RTÉ Performance against Commitments 2015 - RTÉ

A summary of RTÉ's performance against 21 high-level commitments in 2015 is presented below. It should be noted that specific items within each commitment may have only substantially met, or not met, their target. Indecon has applied a substantially achieved threshold level for performance within 10% of quantitative targets.<sup>8</sup>

Overview of RTÉ Performance Against Commitments 2015				
Area	No. of Commitments	Commitments Not Met	Substantially / Almost Fully Met	Commitments Fully Met
Audiences: Impact & Reach	2	0	2	0
Content: High Quality & Distinctive	8	0	4	4
Irish Language: Promotion & Development	1	0	0	1
Transparency & Efficiency	4	0	3	1
Trust & Good Governance	6	0	2	4
<b>Total</b>	<b>21</b>	<b>0</b>	<b>11</b>	<b>10</b>
<i>Source: Indecon Analysis of RTÉ Performance Against Commitments 2015</i>				

<sup>8</sup> If all specific items in a commitment are not met, the commitment is considered wholly not met. If more than half of the specific items within an individual commitment are only substantially met and/or any item is not met, the commitment is considered substantially met. If less than half of the items are substantially met and no items are not met, for the purposes of this summary we consider the commitment met.

RTÉ's performance under the thematic area of 'Audiences: Impact & Reach' shows that both commitments were substantially met. Monitoring of specific items is recommended, including average weekly reach of RTE.ie, RTÉ Player, and RTÉ Jr., which missed their target. Online and mobile targets were also missed, however Indecon notes the change in measurement methodology that may affect the accuracy of data for 2015. **[Redacted: Data is commercially sensitive].**

Four of the eight commitments under the theme of 'Content: High Quality & Distinctive' were fully met, while the remaining four were substantially met. Indecon has separated these commitments into specific business lines of Television, Radio, Digital/Online, and the remaining commitments that are considered as an individual commitment under the heading 'Other'. Television had three specific items considered not fully met, and include delivering a genre mix and schedule mix within a targeted percentage range. **[Redacted: Data is commercially sensitive].**

The commitment under the 'Irish Language: Promotion & Development' thematic area was met, with the public perception of RTÉ providing a comprehensive service for Irish speakers beating its target.

Three of the four commitments under the thematic area of 'Transparency & Efficiency' were considered substantially met, while the final commitment was fully met. Specific items that were not met include the publication of RTÉ's Fair Trading Policy (Feb 2016 vs. 2015 target), and **[Redacted: Data is commercially sensitive].**

Under the 'Trust & Good Governance' theme, four of the six commitments were considered fully met. The remaining commitments are considered substantially met. One item related to adhering to BAI's Code of Fairness, Impartiality, and Objectivity in News and Current Affairs. Indecon notes that three complaints were fully upheld, and two complaints being partially upheld. Another item that should be monitored is RTÉ's performance in relation to its Audio Description target under the BAI Access Rules. Finally, while not a specific target under the 'Trust & Good Governance theme', **[Redacted: Data is commercially sensitive].**

### Adequacy of 2015 Commitments – RTÉ

We evaluate RTÉ's commitments with reference to its public service objects, its public service statement and its five-year statement of strategy. We also consider the adequacy of targets set in RTÉ's ASPC 2015.

RTÉ's commitments align closely with its public service objects. However, several high-level commitments were not addressed specifically in the PSB's ASPC. These are considered to have been adequately covered by RTÉ's commitment to fulfil all legislative and regulatory requirements (Commitment 21). Indecon also considers RTÉ's ASPC to match closely with its Public Service Statement. While some items were not specifically outlined in the ASPC, these were addressed in RTÉ's Programme Content Standard and therefore are considered met under the commitment to the implementation of editorial standards, guidelines, and legislation (Commitment 20).

In 2015, RTÉ prepared a Statement of Strategy for 2015-2019. RTÉ's Annual Statement of Performance Commitments is very closely aligned with the Statement of Strategy. Only one item not explicitly mentioned in the 2015 ASPC relates to the development of an open media campus in Donnybrook. We note however that the Statement of Strategy was developed after the ASPC and it will therefore be important to consider this in subsequent years. Consultation with RTÉ indicates that progress is being made in the development of an open media campus in Donnybrook. Indecon identified the targets set for RTÉ One audience numbers as a potential area for improvement. While we acknowledge the effects on audience numbers that increased competition will have, this is still an important target to achieve in order to fulfil RTÉ's public service remit.

RTÉ One Audience Targets 2014-2016					
	2014 target	2015 target	2016 target	% change in targets 2014-2015	% change in targets 2015-2016
Peak TVR (35-54)	8	7.5	7.1	-6.3%	-5.3%
Weekly Reach (Individuals)	67%	65%	66%	-3.0%	1.5%
Adult 15+ Peak Time Share	28%	25%	25%	-10.7%	0.0%
Source: RTÉ Annual Statement of Performance Commitments 2014 & 2016, Performance Commitments Report 2015, TAM Ireland Ltd / Nielsen TAM					

Television programmes targets are considered by Indecon to be largely adequate; however, further monitoring of original and indigenous content is required. Targets for in-house and commissioned programmes in 2015 were lower than actual 2014 performance.

For 2015 commercial revenues, RTÉ targeted **[Redacted: Data is commercially sensitive]**. We believe that the commercial revenue targets for 2015 are largely adequate, but would highlight that the television commercial revenue target would seem to have been set at a low level, given the recovery in television advertising revenues nationally.<sup>9</sup>

#### Adequacy of 2015 Funding – RTÉ

Indecon's analysis of the adequacy of RTÉ's public funding in 2015 took account of the performance, the likely impact of a change in the level of public funding, and the deviation in financial performance relative to projections in the five-year strategy. We also considered the trends in costs within RTÉ.

RTÉ presented an assessment to Indecon of the impact of a 10% decrease in licence fee revenue in 2015 by analysing the effects of a similar reduction in funding that occurred from 2011 to 2015. The reduction in funding between 2011 and 2015 was associated with a reduction of 14% in the number of first-run indigenous hours broadcast on RTÉ One and RTÉ2 and **[Redacted: Data is commercially sensitive]**.

A 10% increase in funding was also considered by RTÉ who outline in their five-year strategy 2013-2017 areas of investment priority. Alongside other priority areas in the five-year strategy RTÉ have indicated that an increase in funding would enable an additional **[Redacted: Data is commercially sensitive]**.

<sup>9</sup> Advertising revenues account for a significant portion of total television commercial revenues for RTÉ (84% in 2015).

A 10% increase in funding would also facilitate **[Redacted: Data is commercially sensitive]**.

In terms of adequacy of funding, it is also instructive to consider the differences between the funding levels set out in the five-year strategy and actual funding for 2013 to 2015. We observe that RTÉ has performed well with regards to operating costs, which were lower than projected in the base case scenarios although the increase in 2015 in personnel and other operating costs at a rate faster than the growth in commercial revenues is a potential cause of concern. However, EBITDA is also lower than projected which means that net surplus after tax is lower than outlined in the Base Case scenarios.

Indecon's view is that in the short term the existing funding would enable RTÉ to meet its basic statutory objectives but this could result in further declines in market share and ongoing underinvestment in a range of areas including capital investment.

Difference between 5-Year Strategy Base Case and Actual Performance, 2013 - 2015				
	2013	2014	2015	Cumulative difference
	€m	€m	€m	€m
<b>[Redacted: Data is commercially sensitive]</b>				
Source: Indecon analysis of RTÉ data, RTÉ Strategy 2013 - 2017 & RTÉ Annual Report and Group Financial Statements 2015 & 2014 <b>Note: commercially sensitive and strictly confidential - not for publication.</b> Note: Totals may not sum exactly due to rounding				

#### Commercial Maximisation – RTÉ

RTÉ has a legislative requirement to maximise commercial revenue. **[Redacted: Data is commercially sensitive]**.

RTÉ's TV sales policy is **[Redacted: Data is commercially sensitive]**.

Indecon examined RTÉ's financial performance relative to historical performance and current macroeconomic trends. Noting that while overall commercial performance saw positive annual growth of 3.9% in 2015 (€155.4m 2015 vs. €149.6m 2014), this varied across business lines. While overall group performance was less than general growth in the economy, RTÉ identify their **[Redacted: Data is commercially sensitive]** as a potential reason for this. Indecon believes that RTÉ has met its legislative requirement to maximise revenues through the achievement of positive growth in revenue streams of both mature and, in particular, digital business lines. The growth in digital revenues is a positive development given that the media and broadcasting industry are increasingly dependent on digital technology and its commercial opportunities. There is however a need for RTÉ to continually review its pricing policies and to evaluate the price elasticity of demand for its advertising. Without such analysis it is difficult to be conclusive on whether RTÉ is maximising its commercial revenues.

In order to continue meeting this legislative requirement, RTÉ will need to adopt measures to maintain or enhance its market share and improve the relatively low investment currently undertaken in relation to digital technology. Achieving a leading position in the digital market will be a necessary requirement over time.

### Overcompensation Test - RTÉ

EU Competition Policy limits the size of state funding across various sectors, including in relation to public service broadcasters. The regulation of the broadcasting industry is based on EU legislation communicated to member states in 2009.<sup>10</sup> Specifically, the Commission limits the level of overcompensation, defined generally as a retention of funds above net costs of the public service, at 10%.<sup>11</sup> As RTÉ ran a deficit in 2015, it is not in contravention of current EU state aid rules.

Evaluation of RTÉ Compliance with EU Overcompensation of State Aid	
€'m	2015
Revenue	155.4
Licence Fee	178.9
Finance Income	0.1
<b>Total Revenue</b>	<b>334.4</b>
Expenditure*	337.2
Net Cost of Public Service Activities	181.2
Surplus / Deficit	(2.8)
<b>Surplus / Deficit as % Net Cost Public Service</b>	<b>-1.54%</b>
<i>Source: RTÉ Annual Report 2015</i>	
<i>*Notes: Includes finance expense, income tax, depreciation, less gains on asset disposal</i>	

### Commentary on 2016 ASPCs - RTÉ

RTÉ's commitments for 2016 bear a very close resemblance to the 2015 commitments. There are 22 commitments outlined for 2016, as in 2015, and only two of the high-level commitments differ across the years. In general, the change refers to a slight change in wording. Commitment 13 is changed from "RTÉ is

<sup>10</sup> Communication from the Commission on the application of State aid rules to public service broadcasting, 2009/C 257/01

<sup>11</sup> Long term capital investment is excluded from this analysis

committed to meeting budgetary targets as set out in RTÉ's Interim Budget 2015, including targeting positive Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)" to "RTÉ is committed to meeting budgetary targets as set out in RTÉ's Interim Budget 2016, including targeting a break-even/small surplus before the cost of special events", reflecting the cost of special events which can be expected to be particularly high in 2016. Commitment 15 is changed from "Optimise funding sources, by maximising the exploitation of all revenue streams both traditional and new" to "Operate RTÉ's commercial activities efficiently to maximise the net return for RTÉ's public service activities". Neither change is substantive. In terms of underlying targets, the target relating to statutory expenditure on commissioned programming is moved from Commitment 14 to Commitment 11, but this is only a small change.

Commitment 15 relates to commercial revenue targets. Commercial revenue targets are given for the RTÉ Group, rather than disaggregated by division. In addition, the introduction of the Fair Trading policy necessitates additional commitments. Indecon is of the view that RTÉ's commitments for 2016 are in general adequate. However, further work may be required to refine commitments for future years and to ensure a strong focus on internal cost containment.

### RTÉ Capital Assets Review

Indecon has not been in a position to fully assess what funds could be achieved by RTÉ as a result of capital asset disposals in the context of this year's review. We have not received a full copy of the internal RTÉ report, nor any assessment by the RTÉ board on the potential for disposal of assets. In view of this, we are not in a position to give an authoritative view of levels of funds that could be achieved from such a policy.

### Conclusions– RTÉ

Indecon's view is that the statutory objectives set for RTÉ have been largely met within the existing public funding support and that this has enabled the organisation to meet its broad strategic objectives namely to:

- Provide a comprehensive range of programmes in the Irish and English languages that reflect the cultural diversity of the whole island of Ireland;
- Cater for the expectations of the community generally, as well as members of the community with special or minority interests, and which respect human dignity; and,
- Provide news and current affairs programmes in the Irish and English languages, including for example, programmes covering the proceedings in the Houses of the Oireachtas and the European Parliament.

### Recommendations – RTÉ

1. Indecon recommends a conditional increase in public funding for RTÉ.

Our review of public funding for RTÉ highlights the need for additional resources in their digital offering as well as increase programme expenditures. While strict cost containment and growth in advertising revenue may be able to garner some additional levels of funding, the policy of freezing the licence fee in nominal terms which has occurred in recent years is not sustainable over the medium term without an impact on RTÉ's services. There may, however, be potential for additional revenues to be achieved from the existing licence fee. Indecon notes that the increase in the Irish population base may facilitate an expansion of this source of revenue, however in the long term the popularity of television may deteriorate due to the growing popularity of online media sources.

Indecon believes there is a case for supporting an increase in the revenue RTÉ secures from public funding. The Broadcasting Act specifies that the Licence Fee modification should be based on the change in CPI in the relevant year plus 1% less any adjustment for X recommended by the Authority. In general, Indecon interprets that such an adjustment should reflect any potential for efficiency gains and while this is not explicit

in the Act, it is standard in nearly all regulated CPI – X type adjustments. In the relevant year CPI declined by 0.3%, which would suggest an adjustment of 0.7% in the Licence Fee, less any additional reduction for X. In view of the decline in CPI, we believe that either X should be set at 0 so that the adjustment in the licence fee is 0.7%, or that other ways are pursued to ensure a similar adjustment in RTÉ's revenue base. Because of the potential wider impacts of implementing a very small Licence Fee adjustment, we believe there is a strong case this year in policymakers considering a combination of different ways to secure such an increase in funding for RTÉ, including changes to the efficiency of the Licence Fee collection scheme and/or an expansion of other funding from the BAI. Structural changes, such as an expansion of funding from the BAI will require a change in legislation and therefore can be considered a long-term option.

Any increase in public funding should, however, be conditional on RTÉ implementing strict cost control measures and in RTÉ completing an independent examination of the price elasticity of demand for its advertising services to demonstrate it is maximising commercial revenues.

## 2. Increased Investment in Digital Offering

Indecon recommends increased investment by RTÉ in its digital offering. Otherwise, there is a danger that RTÉ will lose out in this rapidly expanding sector. While some assets sales by RTÉ may in part fund this, we do not believe this would be sufficient and other sources of funding will be required.

### Recommendations on Process

1. Greater discretion should be given to external evaluators in specifying information requirements from PSBs.

Indecon is very supportive of minimising any unnecessary administrative burden on the broadcasters but believe that greater discretion should be given to seek information from PSBs outside the headings previously agreed between BAI and the broadcasters.

## 2. Some refinements to ASPCs in Future Years should be Considered

Indecon notes that in line with our recommendations in a previous report there has been a welcome reduction in the number of commitments. There remains, however, a wide mix of targets and there is merit in focusing on a smaller number of key issues. Indecon recommends targets to be retained should be judged according to their measurability, importance, and statutory requirements.

### Acknowledgements and Disclaimer

Indecon would like to acknowledge the valuable inputs of officials from the Broadcasting Authority of Ireland and from management and executives at RTÉ and TG4. Particular thanks are due to Celene Craig, Nuala Dormer, Diarmaid Breathnach and Rachel Casey of the BAI.

Indecon would also like to thank RTÉ and TG4 for their co-operation and inputs provided during the review process, including in particular Brian Dalton, Paul Doyle and Grace Berkery at RTÉ, and Pól Ó Gallcháoir, Mary Uí Chadhain and Dave Moore at TG4, in addition to other staff at RTÉ and TG4.

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 submitted to the Broadcasting Authority of Ireland (BAI) by Indecon International Economic Consultants ('Indecon'). The report concerns an independent Public Funding Review of Public Service Broadcasters ('PSBs').

## 1.2 Background to the Review

The background to this review is that public service broadcasting involves public sector funding of television, radio and other types of electronic communications media. The rationale for public funding of PSBs is that they are 'public goods'. That is, a PSB can inform and enrich society by providing high quality, objective programming, which may be disseminated at a cost lower than the original cost of production. In Ireland, RTÉ's and TG4's statutory mandates are defined in the Broadcasting Act 2009 under section (3)(a) of Articles 114 and 118, respectively. The Act specifically outlines that programme schedules should 'entertain, inform and educate'.

Given the importance of public funding for PSBs, there is a need for PSB organisations to be accountable to the public and to ensure these organisations are cost efficient and effective in the way they operate, with the ultimate aim of enhancing value for money. The quality of programming and the role of the broadcasters in fostering creativity are also of key importance.

The public service broadcasting mandate in Ireland is defined by the Broadcasting Act 2009. RTÉ and TG4 are public service broadcasters whose objects and functions are defined by the Broadcasting Act. Both broadcasters are in receipt of public funding. TG4 receives direct funding through the Exchequer and a small licence fee contribution, while RTÉ receives a contribution towards its funding via the television licence fee. Both broadcasters also derive commercial income from advertising and sponsorship.

The Act requires that both RTÉ and TG4 prepare a Public Service Statement that will explain to the wider public what is expected of them in return for the public funding they receive. Ireland's Public Service Broadcasters, RTÉ and TG4, are dual-funded broadcasters, which means that they supplement their public funding (licence fee income) with commercial income, the principal source of which tends to be the selling of on-air advertising.

Section 102 of the Broadcasting Act 2009 requires each PSB to prepare an annual statement of performance commitments in accordance with its public service objects, its five-year statement of strategy and its public service statement. The BAI is required under Section 124, subsection (2) of the Broadcasting Act 2009 to review the extent to which the each PSB has fulfilled its stated performance commitments for each year in respect of its public service objects, as well as the adequacy or otherwise of public funding to enable each PSB to meet its public service objects. Six annual reviews have been completed.



### 1.3 Terms of Reference for Review

The purpose of this review was to examine the annual operations of RTÉ and TG4 for 2015, with a view to assessing:

- ❑ The extent to which each of RTÉ and TG4 has fulfilled its stated performance commitments for the year across the five thematic areas set out in the annual returns framework, as well as the adequacy of the commitments; and
- ❑ The adequacy or otherwise of public funding to enable the corporation to meet its public service objects.

The review also assesses:

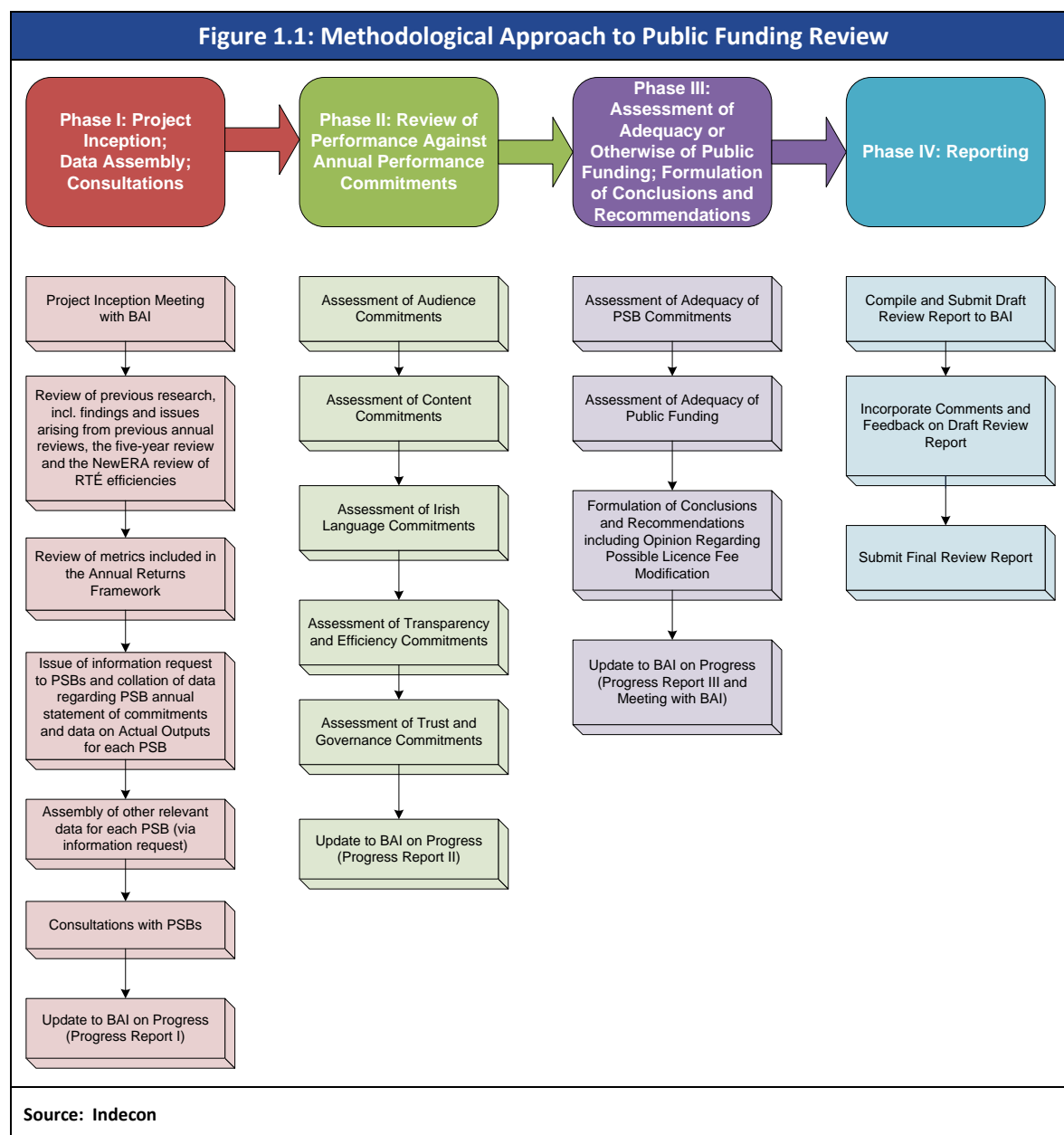
- ❑ The extent to which the broadcasters are responsive to the interests and concerns of their respective communities within the island of Ireland and, in particular, the cultural diversity within the island.
- ❑ The extent to which each PSB upholds the democratic values enshrined in the Constitution, especially those relating to rightful liberty of expression.
- ❑ The extent to which each PSB has regard to 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 Member States.
- ❑ 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 provides value for money.
- ❑ The extent to which each PSB has complied with the policy of the EC in respect of the maintenance of surpluses.
- ❑ The extent to which each PSB has used the public funding which it has received, in pursuit of its public service objects (rather than in pursuit of its objective to exploit commercial opportunities), 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 commercial activities undertaken by a broadcaster are operated in an efficient manner so as to maximise revenue and to subsidise its public service objects.
- ❑ The extent to which, in the year under review, a broadcaster has exploited commercial opportunities and maximised its revenue, in pursuit of its public service objects.
- ❑ The extent to which a broadcaster has implemented good practice in respect of fair trading generally.

The analysis and assessment of the above dimensions/aspects subsequently informs the development of an opinion to the BAI:

- ❑ In the case of RTÉ, as to whether a licence fee modification is desirable or necessary;
- ❑ In the case of TG4, whether an adjustment to its public funding is desirable or necessary; and
- ❑ The nature of any such modification or adjustment, in accordance with the formula provided in section 124 of the Broadcasting Act 2009.

## 1.4 Review Methodology

A four-phased methodology and work programme was applied by Indecon in completing this review, which is summarised in the schematic below. This was designed to independently and rigorously address each aspect of the terms of reference set out above and to deliver robust conclusions and policy recommendations to the BAI.



## 1.5 Structure of the Report

The remainder of this report is structured as follows:

- ❑ Section 2 presents a contextual overview of the Irish economy and the broadcasting sector.
- ❑ Section 3 focuses on TG4 and presents analysis on the performance against commitments for TG4 during 2015. This addresses TG4's commitments in terms of the five thematic areas. This section also examines the adequacy of such commitments in 2015, commentary on the 2016 ASPC, as well as the adequacy of funding for TG4.
- ❑ Section 4 focuses on RTÉ's performance against commitments during 2015. We compare performance across the five thematic areas, through analysis of RTÉ's *Performance Commitments Report* and other sources. Also addressed is the adequacy of RTÉ's commitments in 2015, commentary on the 2016 ASPCs, and the adequacy of its public funding.
- ❑ Section 5 outlines our key conclusions and recommendations.

## 1.6 Acknowledgements and Disclaimer

Indecon would like to acknowledge the valuable inputs of officials from the Broadcasting Authority of Ireland and from management and executives at RTÉ and TG4. Particular thanks are due to Celene Craig, Nuala Dormer, Diarmaid Breathnach and Rachel Casey of the BAI.

Indecon would also like to thank RTÉ and TG4 for their co-operation and inputs provided during the review process, including in particular Brian Dalton, Paul Doyle and Grace Berkery at RTÉ, and Pól Ó Gallchóir, Mary Uí Chadhain and Dave Moore at TG4, in addition to other staff at RTÉ and TG4.

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

## 2 Trends in Irish Economy and Broadcasting Sector

### 2.1 Introduction

This chapter provides an overview of the Irish economy and the broadcasting industry in Ireland. This will provide the reader with the economic and sectoral context within which RTÉ and TG4 operate and is a useful backdrop for the analysis of the Public Service Broadcasters' (PSBs) audience shares, financial performance, and other related data.

### 2.2 Economic Context

National income data on the Irish economy from 2011 – 2015 is presented in Table 2.1 below. The 2014 public funding review highlighted the significant improvement of the Irish economy in recent years. This trend continued in 2015, and is reflected in the significant increases in GDP and GNP year-on-year, which is seen as a more appropriate measure of Ireland's national income position, grew by 5.8% in 2015.

Table 2.1: Annual Percentage Change in National Income Statistics					
	2011	2012	2013	2014	2015
GDP at constant prices, €m (Seasonally Adjusted)	176,602	176,855	179,403	188,754	203,537
GNP at constant prices, €m (Seasonally Adjusted)	142,934	145,283	151,985	162,459	171,817
GDP at constant prices, Annual % Change	2.6%	0.1%	1.4%	5.2%	7.8%
GNP at constant prices, Annual % Change	-0.8%	1.6%	4.6%	6.9%	5.8%
Source: CSO Quarterly National Accounts					

It is important to consider trends in national income per capita alongside absolute values. Irish GDP per capita has grown steadily since 2012 and in 2015 reached a high of approximately €44,000 (constant prices). GNP per capita has seen similar levels of growth across of the previous five-year period. Upward trends in national income are positive developments for the Public Broadcasters as they open up the possibility of benefitting from the impacts on commercial revenue and other metrics.

Table 2.2: National Per Capita Income Statistics					
	2011	2012	2013	2014	2015
GDP at constant prices, € (Seasonally Adjusted)	38,602	38,569	39,059	40,948	43,909
GNP at constant prices, € (Seasonally Adjusted)	31,243	31,684	33,090	35,244	37,066
Source: CSO Quarterly National Accounts & Population Estimates					

Table 2.3 presents the five-year historical trend of hourly earnings and labour costs. Variations in earnings will affect the public's ability to fund the television licence fee and so is important to examine. Average hourly earnings were €21.9 in 2015, equalling 2011 levels. Labour costs followed a similar trend to earnings, with 2015 levels (€25.3) being marginally higher than in 2011 (€25.1), equalling a growth rate of less than 1%. This may have implications for the PSBs' funding in terms of constraints on the ability of many households to fund any potential significant increases in licence fees.

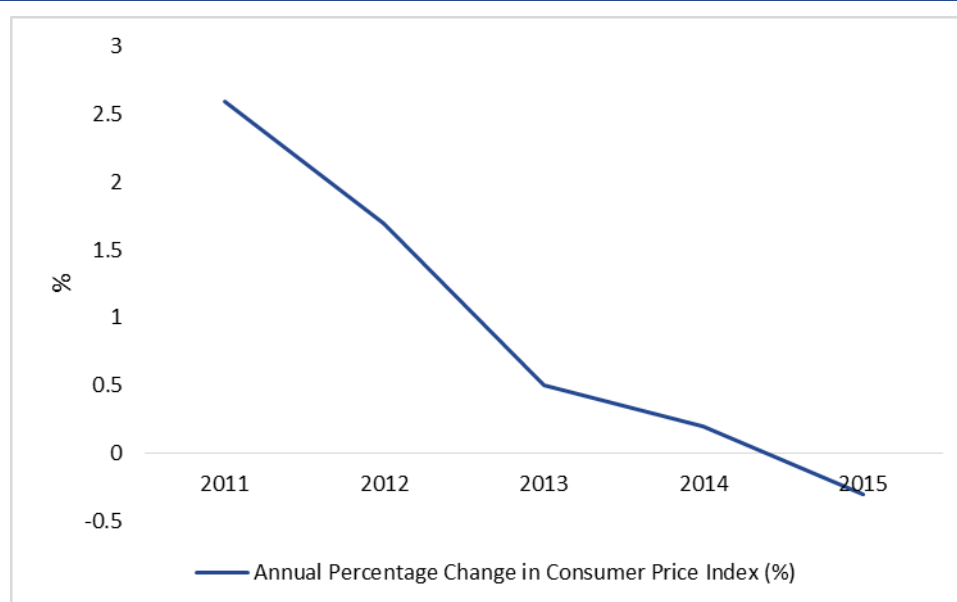
Table 2.3: Earnings and Labour Costs, 2011-2015					
	2011	2012	2013	2014	2015
Average Hourly Earnings, Euro	21.9	22.0	21.8	21.7	21.9
Average Hourly Total Labour Costs, Euro	25.1	25.3	25.2	25.0	25.3
Source: CSO Earnings and Employment Costs Quarterly Survey					

Table 2.4 presents the seasonally adjusted unemployment rate in Ireland from 2011 to 2015. The unemployment rate in Ireland has been decreasing consistently since 2011, and in 2015 was 9.4%. This represents a 5.3 percentage point fall in the unemployment rate over the five-year period. This downward trend continued in 2016, and in May reached a low of 7.8%.

Table 2.4: Unemployment Rate in Ireland, 2011 - 2015					
	2011	2012	2013	2014	2015
Unemployment Rate, Seasonally Adjusted, %	14.7	14.7	13.1	11.3	9.4
Source: CSO Quarterly National Household Survey					

Figure 2.1 overleaf presents the annual change in the consumer price index for Ireland from 2011 to 2015. The consumer price index measures changes in the price level of a basket of goods in an economy, and is used as a measure of inflation. This is of special relevance in the context of a public funding review as a CPI-X formula is applied during RTÉ's and TG4's review. This ensures that any revision to funding takes into account general changes in price levels (CPI), and efficiency gains (X).<sup>12</sup> Further, the BAI is required under this Act to recommend to the Minister for Communications, Climate Action, and Natural Resources such a modification of the licence fee taking into account the CPI-X formula above. CPI growth has been slowing since 2011 and entered negative growth in 2015. There has also been downward pressure on interest rates, with potentially reduced capital financing costs.

<sup>12</sup> Broadcasting Act 2009, Section 124: Recommendations as to changes of Public Funding

**Figure 2.1: Consumer Price Index, Annual % Change 2011-2015**

Source: CSO Consumer Prices Annual Series

The overall economic environment in Ireland has been improving for several years, and 2015 was no exception. Various measures of national income have seen strong positive growth, and Ireland is now the fastest growing economy in the EU in terms of GDP. There has also been a significant decline in the numbers of unemployed. There has also been persistent low or negative growth in consumer price levels. It should, however, be noted that the economic outlook is very uncertain at present with Brexit developments.

## 2.3 Trends in the Irish Broadcasting Sector

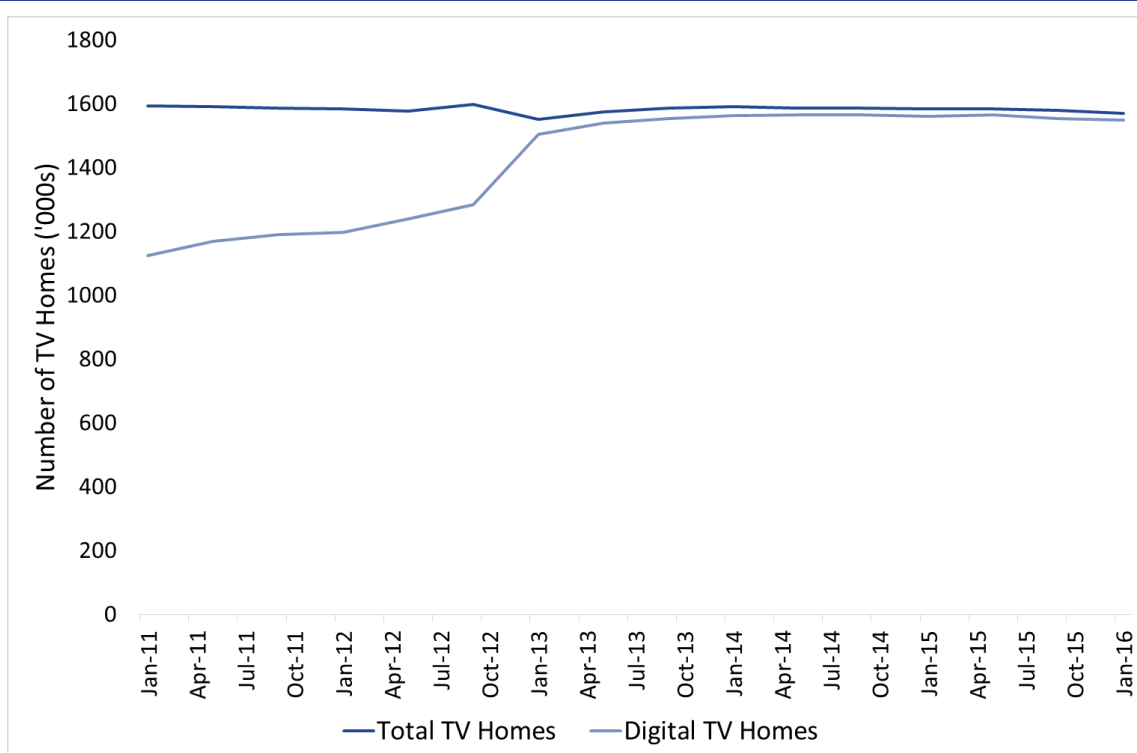
### 2.3.1 Television Broadcasting

The television market in Ireland is mature and has a very high penetration rate in Irish homes. Figure 2.2 presents the number of homes with a television in Ireland. While the total number of TVs has remained relatively static at 1.6m homes, there was strong growth in digital TV ownership in 2012 due to the digital switchover. This will impact the PSBs as DTT offers a minimal increase in channel choice in comparison to terrestrial TV. Cable and satellite TV<sup>13</sup> is popular in Ireland with over 88% of households having this reception type. These TV sources greatly increase the number of channels available to consumers. While this reception type fell by 2.5% in 2016, its high market saturation in Ireland facilitates market entry for current and potential competitors of the PSBs.<sup>14</sup>

<sup>13</sup> Cable/Satellite: Includes UK DTT / FTA Satellite, Cable, IPTV and SKY homes.

<sup>14</sup> ComReg Quarterly Key Data Report Q4 2015

Figure 2.2: Number of TV Homes, 2011 - 2015



Source: ComReg Quarterly Key Data Report Q4 2015

**[Redacted]**

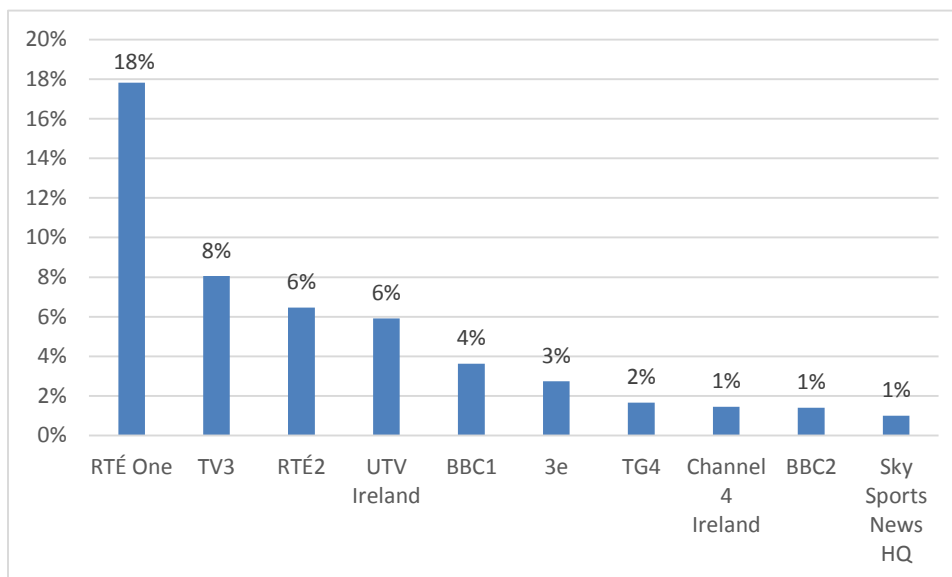
Table 2.5: Daily Republic of Ireland and Northern Ireland Viewing

%	Republic of Ireland	Northern Ireland
<b>[Redacted]</b>		
Source: BAI / B&A Audience Tracking Research – An Island of Ireland Survey, April 2016 *UTV Ireland and UTV N.I. are separate entities. Northern Ireland respondents asked on UTV. Republic of Ireland respondents asked on UTV Ireland.		

[Redacted]<sup>15</sup>

The share of viewing by channel in 2015 is presented in Figure 2.3. RTÉ1 and RTÉ2 have a combined share of all-day viewing of 24%.<sup>16</sup> TG4 holds a small share of all-day viewing at 2% in 2015. Both PSBs face competition from UK and Northern Ireland broadcasters who hold a combined 7% share of viewing,<sup>17</sup> and other Irish channels who hold a 17% share of viewing.<sup>18</sup>

**Figure 2.3: All-Day Share of Viewing by Channel, 2015**



Source: TAM Ireland Ltd / Nielsen TAM, National / Consolidated / Individuals All Day (03:00 – 26:59)

Note: RTÉ One does not include data from RTÉ One + 1 (share of 0.57% in 2015)

Figure 2.4 displays historical data on all-day shares of viewing by channel from 2011-2015. RTÉ's total share has declined over the period, while the big gainers have been Sky Media and the Other category.<sup>19</sup>

<sup>15</sup> BAI / B&A Audience Tracking Research – An Island of Ireland Survey, April 2016

<sup>16</sup> This data differs from Table 2.5 due to different sources. The BAI Audience Tracking Research is based on a survey design.

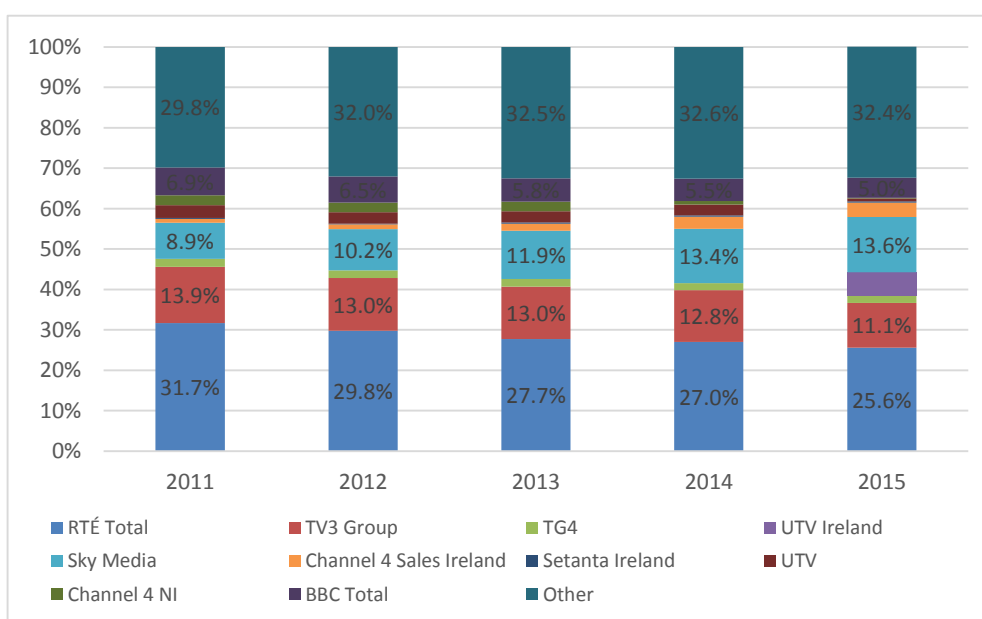
<sup>17</sup> Combination of BBC 1, Channel 4 Ireland, BBC2, Sky Sports News HQ.

<sup>18</sup> Combination of TV3, 3e, and UTV Ireland.

<sup>19</sup> While 'Other' is not defined within the Nielsen Report, Indecon interpret this as all other channels outside of closely defined list presented above.



Figure 2.4: All-Day Share of Viewing by Channel, 2011-2015



Source: TAM Ireland Ltd / Nielsen TAM, 2011-2015 Consolidated share of Viewing based on Mon-Sun 03:00 – 26:59, Individuals  
 \*Note: Other not defined in Nielsen TV Consumption Report. Interpreted as all other channels outside of defined.

In order to assess both RTÉ's and TG4's performance against commitments it is important to consider the context of the market in which the PSBs are operating. Before beginning an analysis of audience numbers in recent years, it is instructive to consider the context in which Irish PSB's are now placed. The European broadcasting market has undergone significant changes in how it operates. This has been driven primarily by technological change, however alterations to the regulatory framework have contributed also. Improvements in the level of broadband penetration has offered consumers across Europe greater options in terms of how they wish to consume media. Further, the increased adoption of mobile data services coupled with the popularity of on-demand video (and other forms of entertainment) have added significant pressure to traditional broadcasters that did not exist a decade ago.<sup>20</sup> On-demand services, and others, have led to market fragmentation in terms of exclusive-content that is only accessible through proprietary apps, and audience fragmentation that may occur due to the increasingly personalised and relationship-based business models. In response to the rapidly changing online media environment, the EU Commission has proposed a new Audiovisual Media Services Directive (AVMSD) in May 2016 which may be materially extended so as to include 'video-sharing' platforms such as Google's YouTube.<sup>21</sup> This forms part of the Digital Market Strategy for Europe, and is part of the drive to amend current regulatory frameworks so as to match the rapidly modernising marketplace.

<sup>20</sup> OECD Competition Issues in Television and Broadcasting

<sup>21</sup> Proposal for a Directive of the European Parliament and of the Council amending Directive 2010/13/EU on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services in view of changing market realities

Table 2.6 compares the average daily reach of channels from 2013 to 2015. RTÉ's strong position in the television market is evident; however, the combined daily reach of RTÉ One and RTÉ2 has decreased from 75.9% in 2013 to 68.5% in 2015. Similarly, TG4 fell from 12.8% to 11% over the same period. Competitive pressure from other channels is evident, with UTV Ireland successfully entering the Irish market and Channel 4 Ireland seeing strong growth since 2014. RTÉ and TG4 were not alone in experiencing a decrease in daily reach over the period examined, for example TV3 saw a reduction from 34% to 27.4% and BBC One fell from 17.5% to 15.3%.

**Table 2.6: Average Daily Reach, Main Channels in Ireland, 2013-2015**

	2013	2014	2015	% Change 2014-2015
RTÉ One	46.8	44.3	43.2	-2%
TV3	34	31.6	27.4	-13%
RTÉ2	29.1	27.8	25.3	-9%
UTV Ireland	n/a	n/a	21.4	n/a
3e	15.9	16	15.7	-2%
BBC One	17.5	16.4	15.3	-7%
TG4	12.8	11.8	11	-7%
BBC Two	11	10.1	9	-11%
Channel 4 Ireland*	n/a	4.7	7.8	66%
Sky 1	7.8	7	6	-14%
Sky News	6.6	6.2	5.5	-11%
E4	5.9	5.6	5.1	-9%
Comedy Central	5	4.4	4.2	-5%
UTV	11.1	10.5	3.7	-65%
Sky Living	4.4	4.1	3.5	-15%
Setanta Ireland	2.8	2.5	2.7	8%
Channel 4 NI*	12	6.3	2.3	-63%
<b>Source: TG4.</b>				
Note: Consolidated data. *Channel 4 N.I. changed to Channel 4 Ireland, which adopted an opt-out advertising structure in 2014.				

### 2.3.2 Radio Broadcasting

Radio broadcasting is a popular form of entertainment and information source in Ireland. Radio has not been faced with the same level of changes in competitive pressure as the television market; however, competition in the radio sector is also very strong. Table 2.7 presents the average weekday listenership from 2013 to 2015. General listenership has stayed static at 83% across the period, indicating a high level of penetration for the radio broadcasting market. RTÉ's various radio stations command a 34% average weekday listenership and are major broadcasters in the radio market. This has been steady across the time period. Regionally-focused radio broadcasters are even more popular and have a 58% weekday listenership in 2015. There is strong competition in Irish cities and surrounding areas, for example FM104 has an 18% listenership in Co. Dublin, while Cork 96FM/C103 had an average listenership of 39% in Co. Cork.

**Table 2.7: Average Weekday Yesterday Listenership 2013 - 2015, Adults 15+**

	2013	2014	2015	% change 13/14	% change 14/15
Listened at all *	83%	84%	83%	1.2%	-1.2%
Any National	45%	46%	46%	2.2%	0.0%
Any RTÉ Radio	34%	34%	35%	0.0%	2.9%
Any RTÉ Radio 1/ RTÉ 2FM /RTÉ Lyric FM	34%	33%	34%	-2.9%	3.0%
RTÉ Radio 1	24%	23%	25%	-4.2%	8.7%
RTÉ 2FM	11%	10%	10%	-9.1%	0.0%
RTÉ Lyric FM	4%	4%	4%	0.0%	0.0%
Today FM	13%	13%	12%	0.0%	-7.7%
Newstalk	9%	11%	11%	22.2%	0.0%
Any Regional/Local/M-City/D-C#	56%	58%	58%	3.6%	0.0%

*Source: Ipsos MRBI/JNLR 2015/4, 2014/4 and 2013/4*

### 2.3.3 Competition from Different Platforms

#### *Smartphones and Other Devices*

The popularity and accessibility of mobile internet access, especially in relation to smartphones and other related devices, have changed Irish peoples' media consumption patterns and interactions with broadcasters. This represents a shift from traditional broadcasting practices to a new internet-based, user-choice driven approach, and present challenges for the PSBs in adapting to a changing market place. These changes are illustrated by considering the trend in the use of smartphones.

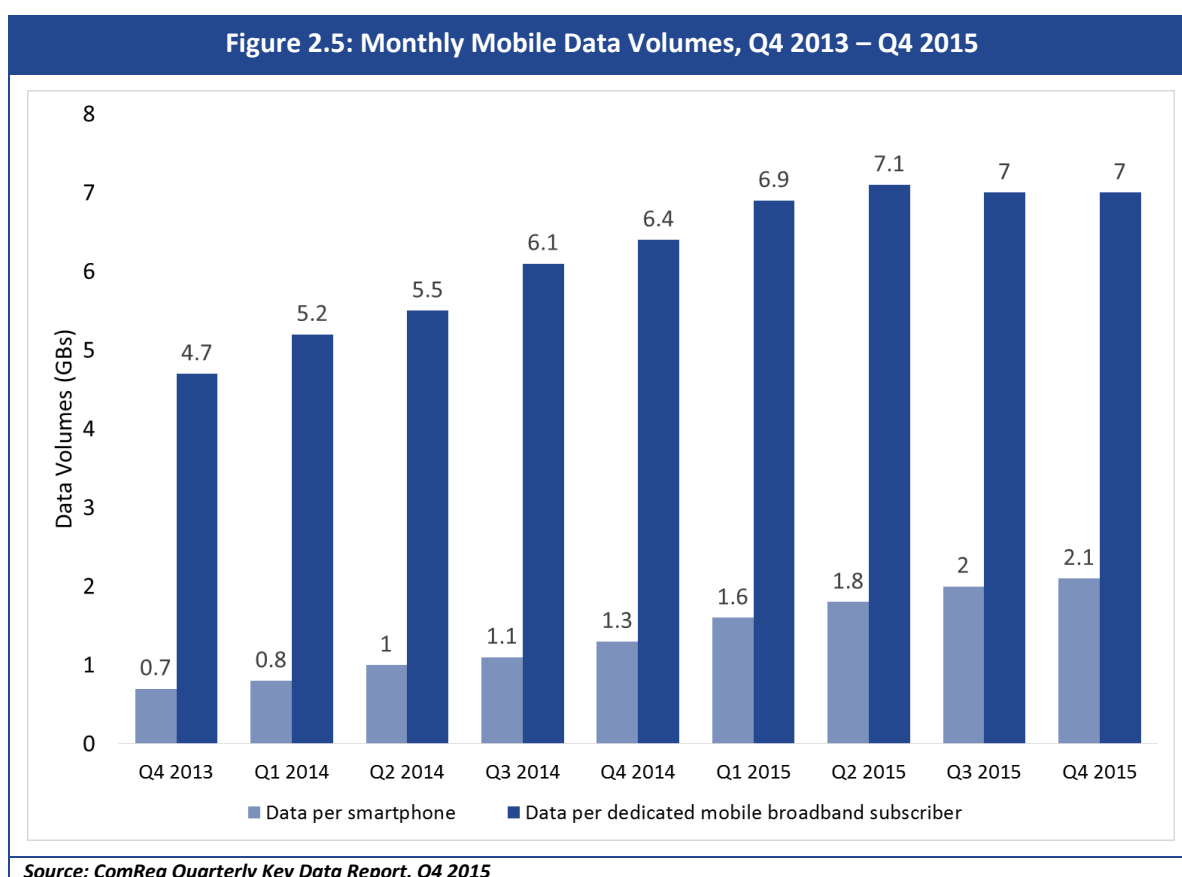
The growing popularity of smartphones can be seen in Table 2.8, which has seen strong growth from 2014 to 2015. Over 4m mobile voice and data subscribers accessed the internet using 3G and 4G networks which enable faster connections and facilitate video streaming and other data-intensive online services. This represented 83% of all mobile subscriptions in Q4 2015, a large increase over the Q4 2014 number of 68%. Also relevant are laptops and tablets but the growth in smartphones is indicative of the significant changes in how individuals access news, current affairs and other areas.

**Table 2.8: Smartphone Usage in Ireland, Q4 2015 and Q4 2014**

	Q4 2015	Q4 2014
Mobile voice and data subscribers using 3G and 4G networks*, '000s	4,093.5	3,337.1
All mobile subscriptions (excl. M2M and mobile broadband), '000s	4,912.6	4,902.0
Smartphone users as % of all mobile subscriptions	83%	68%

*Source: ComReg Quarterly Key Data Report, Q4 2015*  
 \*ComReg states that this measure is good indication of number of smartphone users accessing advanced data (internet, video, etc.)

Figure 2.5 presents monthly mobile data volumes related to accessing the internet on smartphones and other devices from Q4 2013 to Q4 2015. The rapid growth in the consumption of online content is evident over this period, with data per smartphone growing by 300% over two years from 0.7 GBs to 2.1 GBs. Data per mobile broadband subscriber grew to approximately 7 GBs however has remained at this level from all of 2015. It should however be noted that data usage is also related to services not in direct competition with the PSBs and includes web/internet content, gaming services, Video on Demand, and other advanced data services. The growing popularity of mobile on-demand services and the popularity of YouTube can add to the competitive pressures felt by traditional broadcasters as such services can also be watched in the home or streamed to a screen or TV. As many of these services are generally subscription based, and would be considered substitutes to traditional TV, audiences may migrate to more on-demand services going forward.



### Broadband

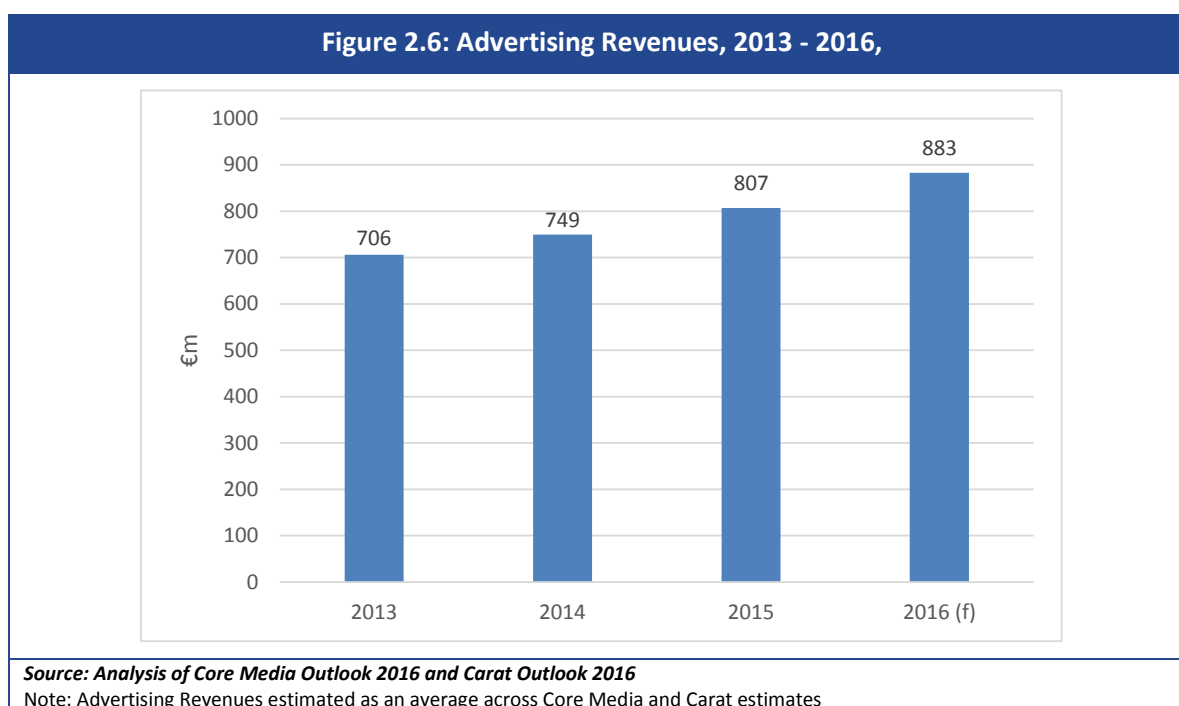
Access to fixed high speed internet increases the accessibility of internet-based on-demand services. These may add further competitive pressure to the Irish PSBs as broadband continues to become increasingly accessible to Irish consumers. Table 2.9 overleaf compares the fixed broadband per capita penetration rate for Ireland, the United Kingdom, and the EU average. Ireland has seen growth rate of 9.6% in this 9-month period. Ireland's penetration rate is still below the EU average; however, the gap is shrinking. The U.K. has been presented as an instructive indicator of the potential penetration rate for Ireland given similarities between the two countries.

Table 2.9: Fixed Broadband Penetration in Ireland vs EU Average, 2014 - 2015		
	Q4 2015	Q3 2015
Ireland	24.9%	27.3%
United Kingdom*	35.5%	37.5%
EU Average	27.3%	29.6%
Source: ComReg Quarterly Key Data Report, Q4 2015.		
Note: *UK % given as approximate value		

While broadband can facilitate the consumption of a variety of online media, including social media, gaming and other interactive content, it represents an additional potential pressure for traditional TV as adoption becomes more widespread. [Redacted].<sup>22</sup> Services such as Netflix and YouTube offer on-demand, multi-platform, exclusive and user-generated content, and with varying payment plans from monthly subscriptions to advertising funded free-to-the-user models. These services and others offer viewers an additional choice that were not competing with traditional TV broadcasters a decade ago.

### 2.3.4 Advertising

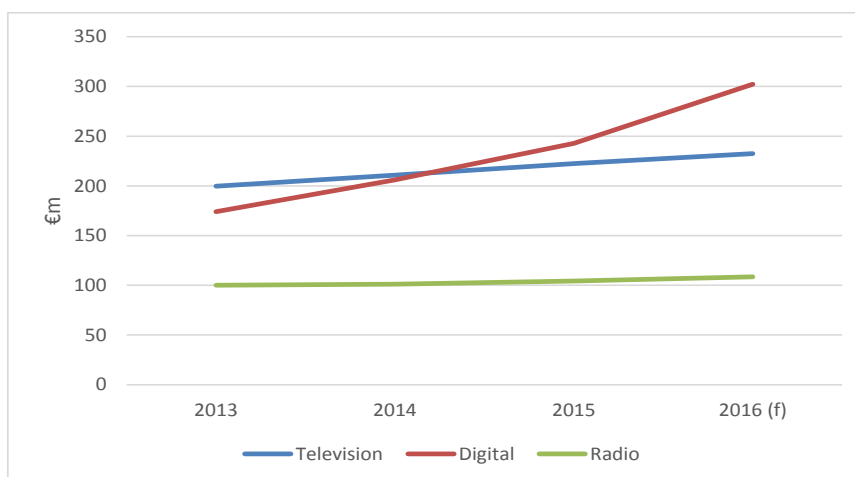
An analysis of advertising revenue in Ireland indicates a growing market. Figure 2.6 overleaf presents revenues in the advertising market for the years 2013 to 2016 inclusive. Advertising revenues were valued at €0.7bn in 2013. The forecasted value of the market is €0.88bn in 2016.



<sup>22</sup> BAI / B&A Audience Tracking Research – An Island of Ireland Survey, April 2016. Online Viewing includes: watching YouTube; Catch-up TV services; Watch other on-demand services; download, stream or watch a movie online; watch, or stream live sports or other events online.

An analysis of the sources of advertising revenue in Ireland over time reflects the changing landscape of entertainment and media. Of particular significance is the strong growth in online advertising<sup>23</sup> revenue. It should be noted that this trend can also be seen in Europe, where in 2015 the market value of online advertising surpassed TV advertising, and is now worth €36.2bn.<sup>24</sup>

**Figure 2.7: Television, Digital and Radio Advertising Revenues, 2013-2016**

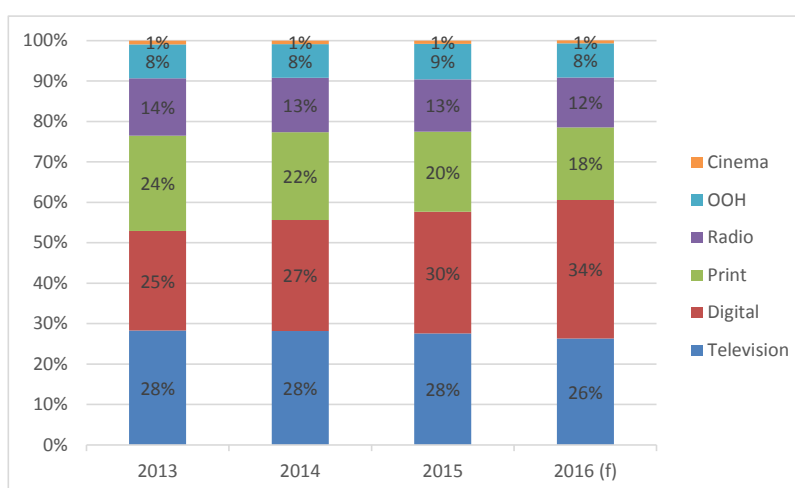


**Source: Analysis of Core Media Outlook 2016 and Carat Outlook 2016**

Note: Advertising Revenues estimated as an average across Core Media and Carat estimates

As can be seen in Figure 2.8, the traditional advertising revenue streams of television and radio make up a large, but decreasing, proportion of total advertising revenues. In 2013 these accounted for 42% of revenues, while in 2016 they are forecasted to have declined to 38%. The digital market has grown from 25% in 2013 to an expected 34% in 2016.

**Figure 2.8: Composition of Advertising Revenues, 2013 - 2016**



**Source: Analysis of Core Media Outlook 2016 and Carat Outlook 2016**

Note: Advertising Revenues estimated as an average across Core Media and Carat estimates

<sup>23</sup> Online advertising includes advertising spend on video-on-demand services and mobile services

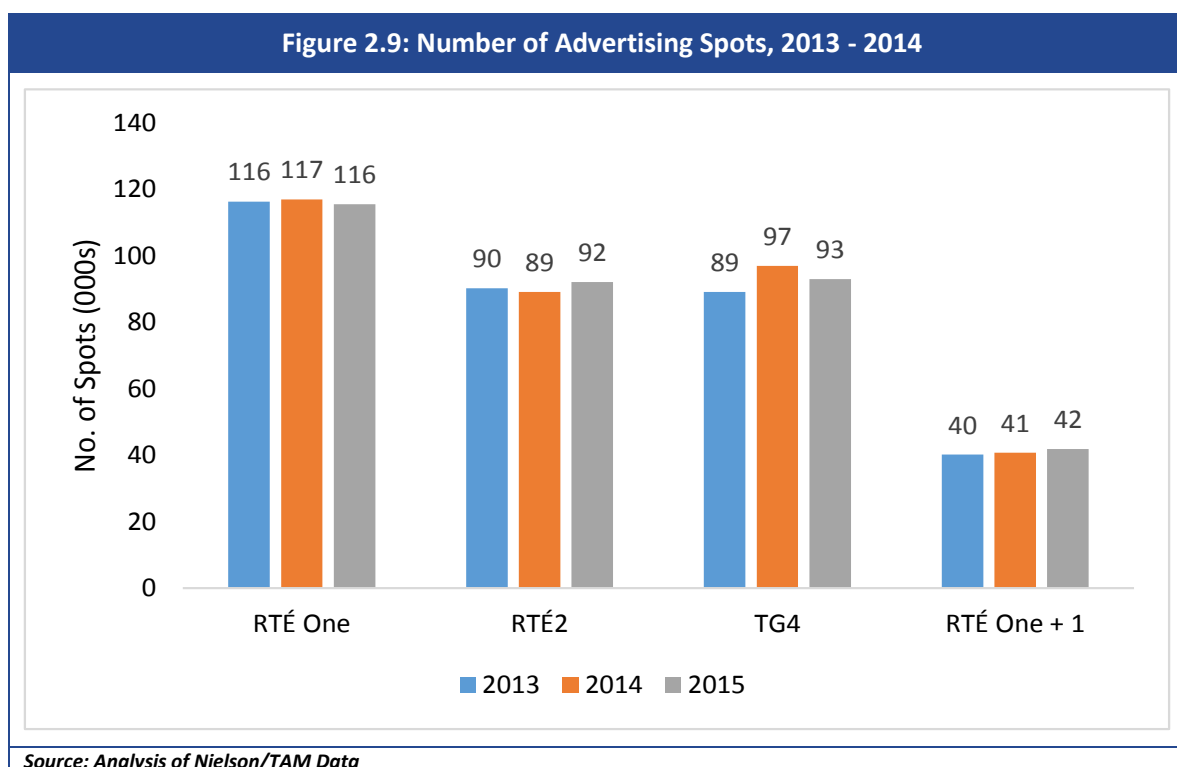
<sup>24</sup> AdEx Benchmark 2015, Interact Conference, 10<sup>th</sup> Edition, May 11<sup>th</sup> 2016

Table 2.10 presents annual percentage change across advertising sources and highlights the strong growth seen in the digital sector.

Table 2.10: Advertising Revenues by Source, % Change 2014-2015			
	Core Media	Carat	Indecon estimate
Television	5.1%	5.9%	5.5%
Online*	19.6%	16.1%	17.9%
Print	1.5%	-4.9%	-1.7%
Radio	2.2%	4.7%	3.3%
OOH*	5.0%	22.6%	13.7%
Cinema	5.6%	0.0%	3.1%
<b>Total</b>	<b>7.8%</b>	<b>7.6%</b>	<b>7.7%</b>

*Source: Analysis of Core Media Outlook 2016 and Carat Outlook 2016*  
 Note: Indecon estimates calculated as simply an average across Core Media and Carat estimates  
 \*OOH = Out of Home advertising, e.g. outdoors/public spaces. Online includes video-on-demand and mobile advertising.

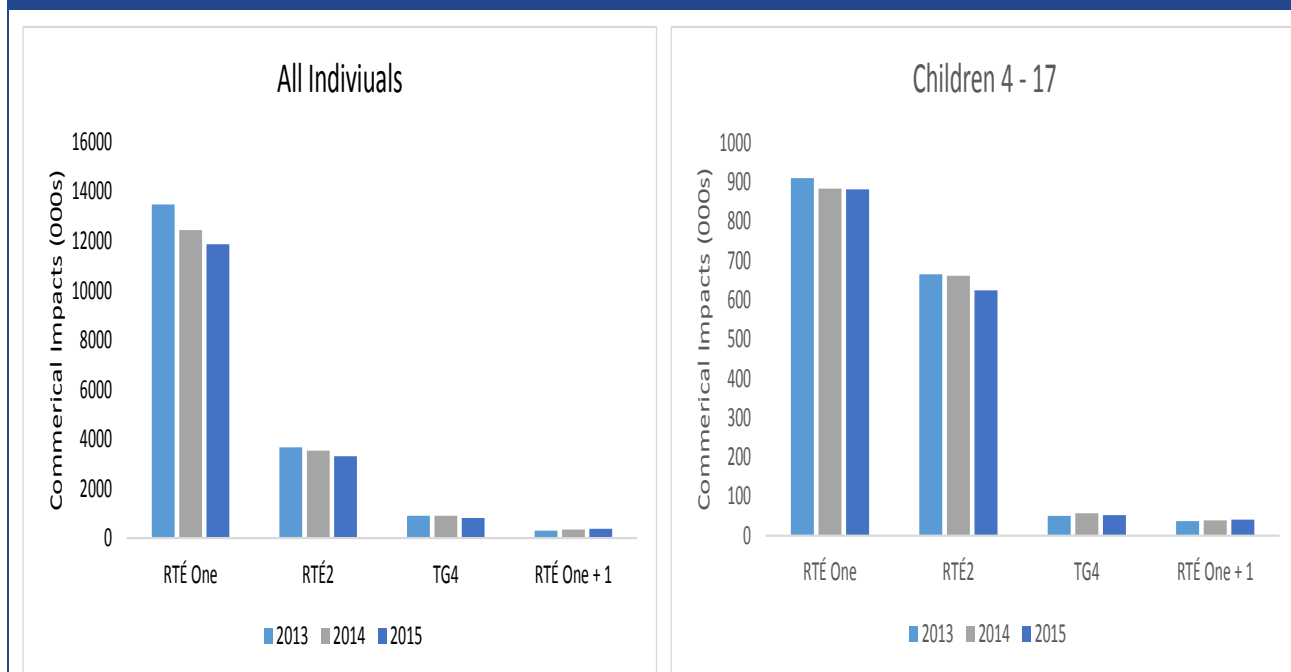
Figure 2.9 presents the number of advertising spots on the major channels broadcast by Irish PSBs over the 2013 – 2015 period. RTÉ's channels have seen relatively flat numbers of advertising spots, while TG4 has seen more volatility. RTÉ One has the highest number of spots at approximately 116,000. TG4 had 93,000 spots on average across these years. The number of spots available will influence the broadcasters' ability to raise advertising revenues, however other factors such as opt-out advertising<sup>25</sup> by international competitors with less statutory constraints should be noted.



<sup>25</sup> Opt out advertising involves the sale of advertising slots by international channels in localised areas.

Presented in Figure 2.10 are the commercial impacts (30-second equivalent)<sup>26</sup> of the four major PSB channels. Commercial impacts will influence advertising revenue as they represent the potential target audience for prospective marketers. The commercial impacts for all individuals as well as children have been gradually falling for both RTÉ One and RTÉ2 since 2013, although RTÉ One still retains the highest level of commercial impacts by a wide margin. TG4's commercial impacts for all individuals fell by 11%, while for children there was a marginal increase over the period.

**Figure 2.10: 30 Second Impacts, All Individuals and Children 4 – 17, 2013-2015**



Source: Analysis of Nielson/TAM Data

<sup>26</sup> 30 second equivalent impacts adjust commercial impacts of advertising spots to a standardised 30 second interval for comparative purposes



## 2.4 Implications for Irish Public Service Broadcasters

The Irish PSBs have been operating in an improving national macroeconomic environment, however are under increased competitive pressures from both new market entrants and shifting demand patterns. As dual-funded broadcasters (public and commercial funding), these pressures have implications on the financial performance and the ability to adequately meet performance targets going forward.

Analysis of headline macroeconomic indicators shows that Ireland's national income, as measured by the absolute and per capita levels of GDP and GNP, continued its strong positive growth in 2015. Rapidly falling unemployment levels in recent months highlight improving labour market conditions. These trends may have positive effects on the PSBs' financial performance the advertising market and commercial revenue. They are also likely to impact on the potential for greater collection of licence fees. The rapid growth in the online share of the advertising market is a particular challenge for traditional broadcasters. The improvements in cost competitiveness in the economy and the reduction in interest rates are also particularly beneficial for the broadcasters.

The television broadcasting market remains the main force in broadcasting, although market shifts are occurring and expected to continue into the future. RTÉ One commands a large share of all-day share of viewing in Ireland, while TG4 holds a modest percentage. Both RTÉ and TG4 have seen a small reduction in market share over the previous three years, with International broadcasters like Sky Media and others seeing improvements.

The proposed amendment of the European AVMSD regulatory framework highlights the growing importance of online services in the audiovisual industry. The increased usage of data on smartphones and other devices alongside ever-improving broadband penetration rates will offer the consumer greater choice in relation to how and what they consume in the audiovisual market. The market transition that is currently underway, while offering consumers greater choice, may also be contributing to a growing market fragmentation. On-demand services allow broadcasters and content-creators to offer exclusive content on proprietary apps, and facilitate audience fragmentation across demographics.

While the advertising industry in Ireland is growing in terms of revenue, the sources of these revenues are shifting away from traditional media sources. Online advertising revenue is now greater than TV in Ireland, which is also the case in the European market. Traditional viewing methods remain the dominant form of media consumption; however, digital consumption of video and other advanced data has steadily grown in recent years. Shifts in consumption patterns, market fragmentation, and increased competition has put downward pressure on the commercial impacts of both PSBs, and may negatively impact the broadcasters' ability to attract funding. It is therefore important for the Irish PSBs to continue to develop and offer digital content in order to maintain current audience shares. The market and technological developments discussed impact on PSBs market share and on their ability to secure revenues. While these require responses by the PSBs they also have implications for recommendations on future funding.

## 3 Public Funding Review of TG4

### 3.1 Introduction

This chapter presents analysis on the performance of TG4 during 2015 vis-à-vis its *Annual Statement of Performance Commitments 2015*. We address these commitments in terms of the five thematic areas as agreed between TG4 and BAI, and draw from a variety of data sources where appropriate. Also presented is the adequacy of such commitments in 2015 as well as the adequacy of funding for TG4.

### 3.2 Examination of Extent to Which Commitments were Met

#### 3.2.1 Audiences: Impact and Reach

TG4 outlined four commitments under the thematic area of audiences. TG4 reports that one of these commitments was almost fully achieved, with three commitments substantially achieved. For each of these commitments, a number of targets are set out and we examine performance against these targets by commitment in subsequent sections.

Table 3.1: TG4 Summary Performance Against Audience-Related Commitments		
	Number of Commitments	%
Commitments fully achieved	0	0%
Commitments almost / substantially achieved	4	100%
Commitments not achieved	0	0%
<b>Number of commitments</b>	<b>4</b>	<b>100%</b>
<i>Source: TG4 Review of 2015 Performance</i>		

#### **Commitment 1: Strengthen TG4's reach with all audiences**

TG4 reports in its Review of 2015 Performance that this commitment was substantially achieved. TG4 achieved targets for weekly reach among Irish language audience, maintained a Top 10 position (7<sup>th</sup>) of all television channels watched in Ireland, other Irish language audience targets and maintained 2014 audiences in Northern Ireland.

However, TG4 did not fully meet some key audience-related targets under this commitment, including daily reach, audience share, peak viewing targets and the number of programmes with a given audience reach. While some of these targets are less important than others, the decline in reach and audience share for TG4 is of concern and must be closely monitored. The impact of this decline if it continues, will be to put further pressure on TG4 finances and on its achievement of its objectives. This is particularly important for the next five-year review.

Table 3.2: TG4 Performance Against Audience-Related Commitments: Commitment 1 – ‘Strengthen TG4’s Reach with All Audiences’			
Measure	Target	Level of Achievement*	2015 Performance
Weekly reach Irish language audience	90%	Yes	92%
Daily reach	13%	No	11%
Maintain top 10 position of all television broadcast channels watched in Ireland	Top 10	Yes	7 <sup>th</sup>
Audience share	2%	No	1.7%
Other Irish Language Audience targets: TG4 Satisfaction Rating TG4 Player usage	7.5 40%	Yes Substantially	7.9 38%
Peak viewing period targets:** St Patrick’s Day Easter Sunday Ladies Football Finals Christmas Day	Share %: 6.0 6.0 7.0 3.5	No	Share %: 7.0 5.7 3.7 2.4
No. of programmes: with reach >70,000 with reach > 100k	1,200 800	No	965 573
Northern Ireland– maintain and improve 2014 audiences: Monthly Weekly Daily	8% 8% 3%	No Yes Yes	6% 12% 3%
Source: Indecon analysis of TG4 Review of 2015 Performance *Substantially Achieved relates to quantitative performance within 10% of target Target considered not met due to greater than half the peak viewing events not met			

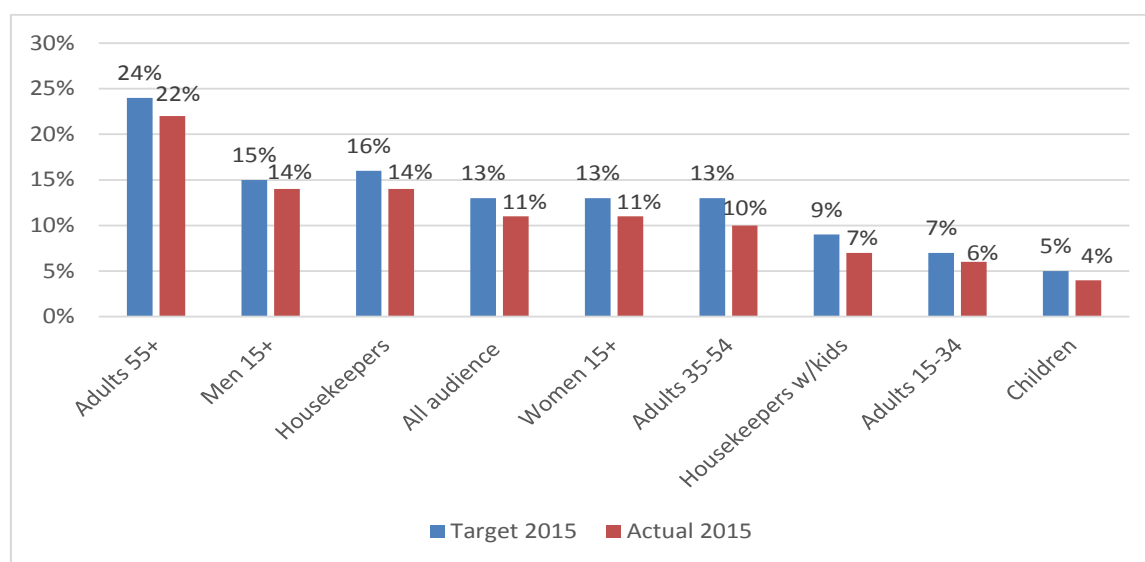
TG4 did not meet its targets for daily reach across demographic categories in 2015. However, it should be noted that almost every main channel in Ireland saw a decline in daily reach in 2015 (see Table 2.6). An increase in the number of channels has led to increased competition for television audiences.

Another important related issue is the number of programmes with a reach greater than 70,000 and 100,000. TG4 did not meet its targets for these two measures. The consistent downward trend in both metrics since 2012 is of concern, with the 100k metric falling from 867 in 2012 to 573 in 2015. A similar pattern for the 70k measure is also evident, with this metric falling by 37% over the four-year period. TG4 aimed to achieve these audience numbers through numerous content initiatives, some of which did not meet specific deadlines as set out in the PSB’s Annual Statement of Performance Commitments. For example, Éire Fián (Wild Ireland), a major four part factual series, had the goal of production and broadcast in 2015. This programme is noted to still be in production in 2016. Fir Bolg, a comedic drama series, also missed its target of broadcast and production in 2015 however is set for broadcast this year. Indecon notes that meeting content delivery timeframes can be influenced by external factors which are outside of TG4’s control. While an analysis of the factors

affecting individual programme production and broadcasting constraints is outside the remit of this report, Indecon recommends closer scrutiny into missed content-specific targets in future reviews.

TG4's performance concerning peak viewing targets over four specific holidays shows three of the four holidays underperformed relative to their target. Christmas Day, while it missed its target of 3.5% reach, saw an improved performance compared to 2014 (2.2% 2014 vs. 2.4% 2015).

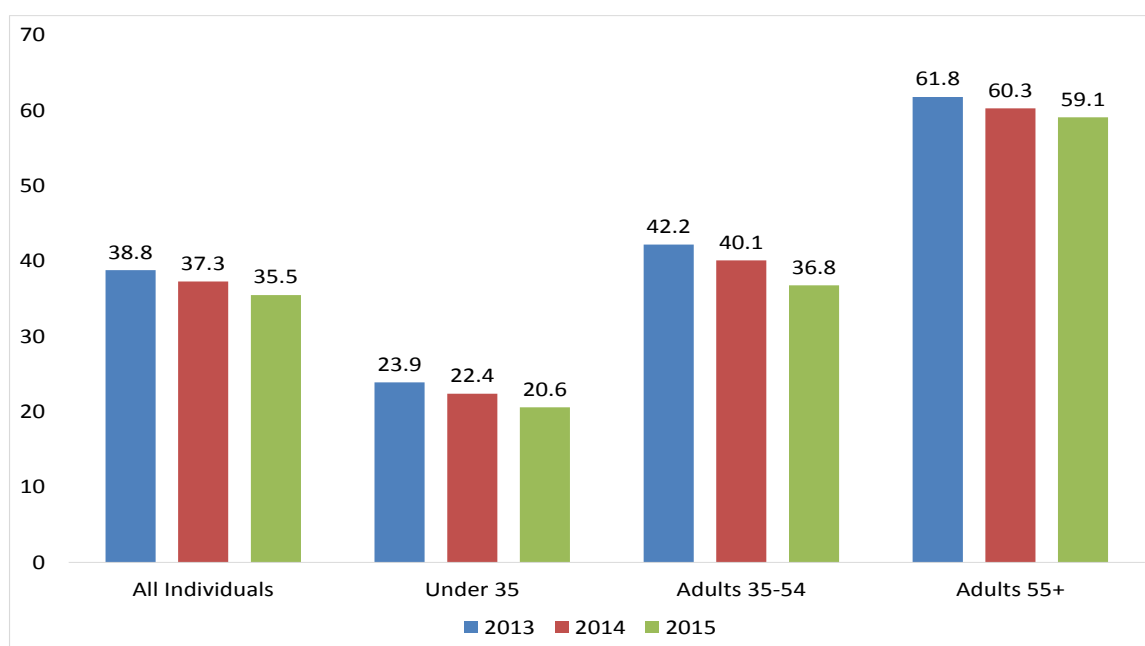
**Figure 3.1: TG4 Audience Daily Reach, Actual vs Target 2015**



Source: TAM Ireland/TG4

TG4 recorded a decline in weekly reach across demographic groups between 2013 and 2015.

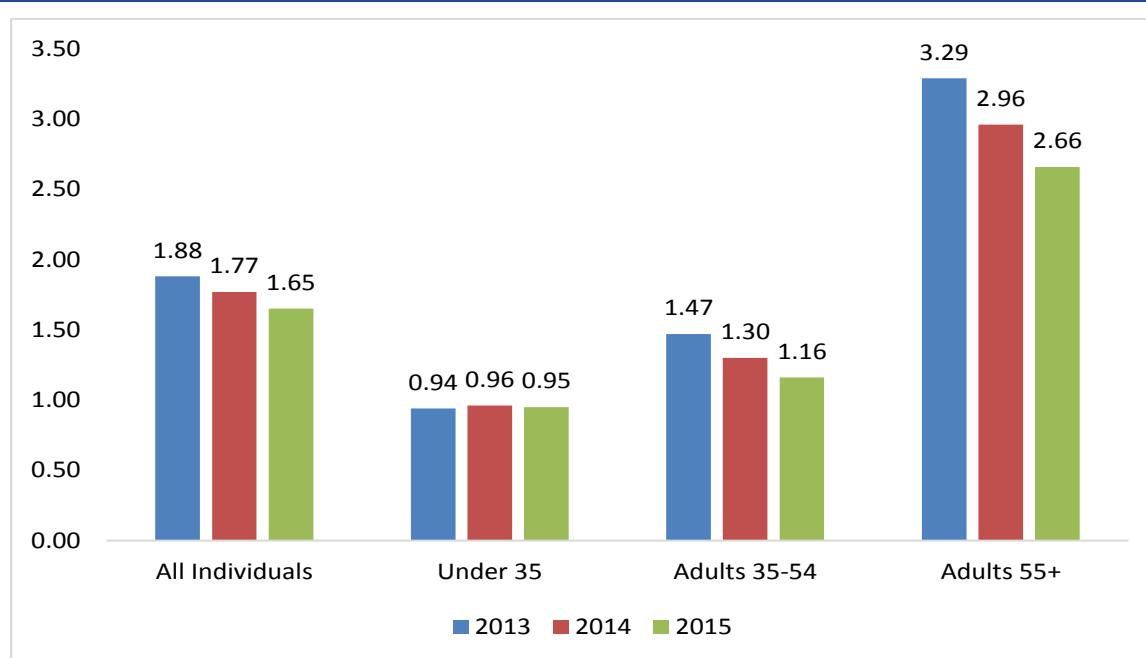
**Figure 3.2: TG4 Audience Weekly Reach, 2013-2015**



Source: TAM Ireland/TG4 Note: Data represents all-day daily reach, consolidated data.

TG4 maintained its position as the 7<sup>th</sup> most watched channel in Ireland (based on share, see Figure 2.3). However, TG4 saw a decline in its overall share across 2013 to 2015 and failed to meet its specific share target. This decline was driven by a decline in TG4's audience aged over 35. TG4 maintained its share for audiences under 35, but it should be noted that TG4 has a smaller share among this demographic than other demographics.

**Figure 3.3: TG4 Audience Share, 2013-2015**



Source: TAM Ireland/TG4 Note: Data represents all-day share, consolidated data.

**Commitment 2: Enhance our online content and services to deliver higher levels of audience connection with TG4 through our Player**

TG4 has indicated that this commitment has been substantially achieved in 2015. TG4 committed to a redesign of the TG4 website and this was achieved in 2015. New content was added to websites and new apps were created in 2015. TG4 remained ranked first in terms of world rankings of Irish language websites.<sup>27</sup> TG4 did not fully achieve a number of its commitments relating to audience of the website or Player and Indecon believes securing higher levels of audience connection is the critical measure of objective of this commitment. Indecon notes the change in methodology of online audience measurement, and also the TG4 website redesign as factors that may have contributed to these low numbers. Indecon believes that for future periods stretch targets should be set for the number of player streams. In this context stretch targets refers to ambitious targets the levels of which should be set taking account of market realities as well as the performance of other broadcasters in Ireland and internationally.

<sup>27</sup> Alexa world rankings.

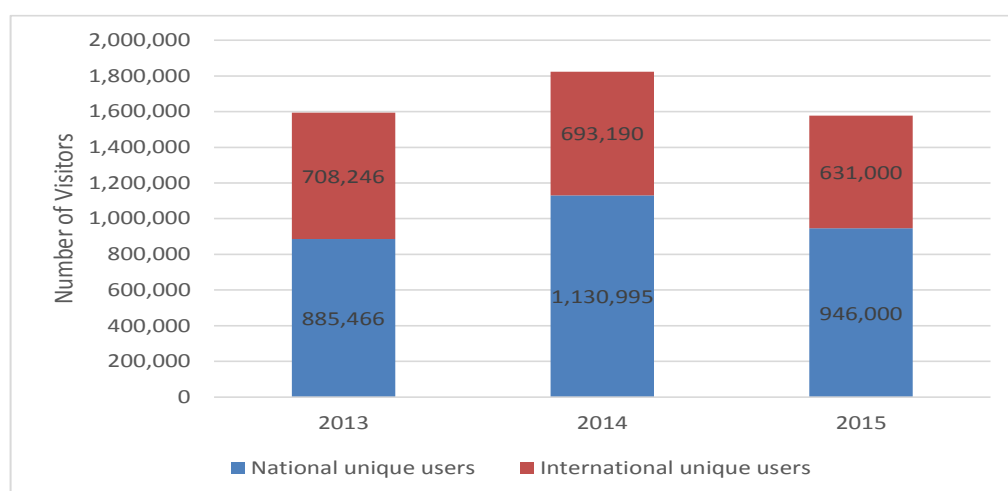
Table 3.3: TG4 Performance Against Audience-Related Commitments: Commitment 2 – ‘Enhance our online content and services to deliver higher levels of audience connection with TG4 through our Player, web and mobile services’			
Measure	Target	Level of Achievement*	2015 Performance
Redesign TG4 website	Redesign of the TG4 website, which now includes: Kids Channel Playlist Nuacht TG4 site Collections section giving access to content from TG4’s back catalogue		
Acquire and reversion three new interactive games for Cula 4 website		Mainly	
Create a Searchable facility for TG4 news packages on website	Began developing tech infrastructure to allow for a Searchable facility for TG4 News packages on the website		
New online content, e.g Sean Nós website, and associated or related initiatives	Yes		
No. of Unique Website Visitors**	1.9m	No	1.577m
No. of national unique users**	1.14m	No	0.946m
No. of international unique users**	760k	No	631k
No. of Player streams**	1.7m	No	1.526m
Player Hours Watched**	350k	Substantially	334k
Page Impressions <sup>28**</sup>	17m	No	9.749m
App Downloads	100k	Yes	113,303
Total No. of TG4 Apps Available	12	Yes	12
Website Position (Irish language sites worldwide)	1	Yes	1
<b>Source: Indecon analysis of TG4 Review of 2015 Performance</b> <b>*Substantially Achieved relates to quantitative performance within 10% of target</b> <b>**Web related statistics in 2015 based on since-updated measurement system which may affect accuracy.</b>			

The redesign of TG4 website amalgamated the Player and website into one. TG4’s Review of 2015 Performance indicates that it was recognised that this redesign would reduce page impressions initially but should lead to increases as users/visitors find it easier to access content as user engagement and familiarity improves. The Review of 2015 Performance indicates that results of this strategy were already being observed in late 2015 monthly audience data, however as Indecon could not analyse specific quantitative results, we recommend that future evaluations examine this progress closely. This aspect should be monitored in the 2016 annual review to determine whether this strategy has worked.

There was a decline in both national and international unique users of the website which led to an overall decrease in the number of visitors to the website and also led to missed targets on these aspects.

<sup>28</sup> Measured using Google Analytics

Figure 3.4: Unique Website Visitors, 2013-2015

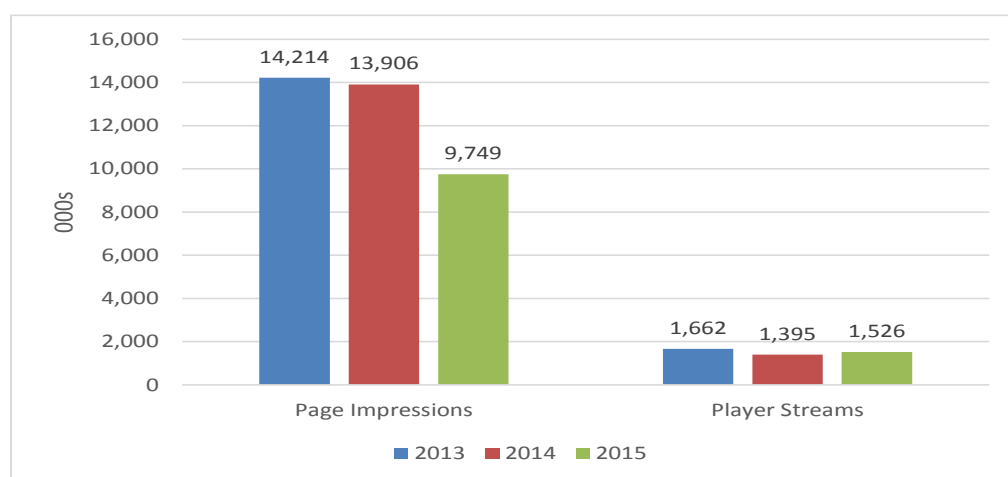


Source: TG4

\* Web related statistics in 2015 based on since-updated measurement system which may affect accuracy of comparisons across years.

There was a significant decline in the number of page impressions in 2015, but there was a slight increase in the number of Player streams. TG4 did not achieve its targets on either of these metrics.

Figure 3.5: Page Impressions and Player Streams, 2013-2015

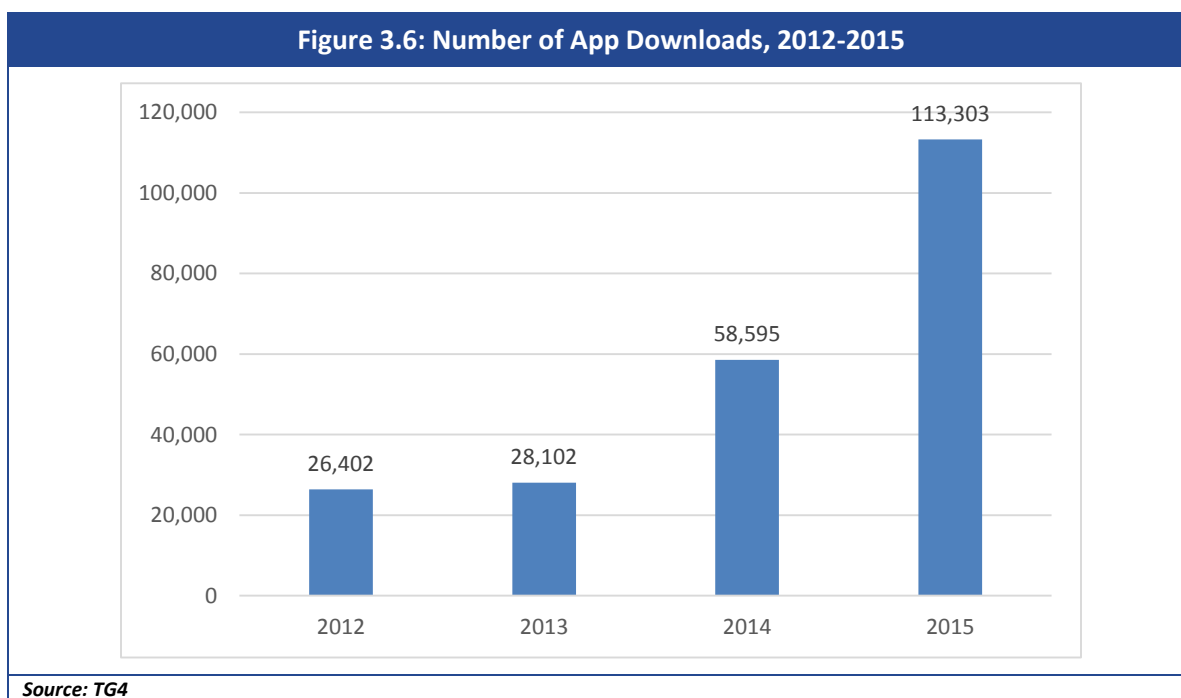


Source: TG4

\*Web related statistics in 2015 based on since-updated measurement system which may affect accuracy of comparisons across years.

TG4 exceeded its targets for the number of app downloads in 2015. The total number of apps downloaded impressively increased by 93% in 2015. This growth came after significant improvements in the TG4 App product line-up occurred during 2014 and 2015, with the introduction of an iPhone and Smart TV app. Expansion into these new media devices increases the target market for TG4's Apps. Indecon recommends that if feasible data on the number of App downloads by

device is provided as part of future evaluations so as to ascertain where this strong growth is occurring.



***Commitment 3: Strengthen TG4's engagement with younger audiences – develop our schedule and content services further to attract a greater level of younger viewers to TG4***

TG4 reports that this commitment was almost fully achieved. Children's and young people's web usage exceeded targets but TG4 did not achieve targets for children's player service streams, app downloads or daily/weekly broadcast reach. TG4 were successful in reversing the downward trend of children's online page views. TG4's success may be attributable to fully achieving its online initiatives in this area.

TG4 additionally committed to a number of content and service developments, which were fully achieved in 2015.

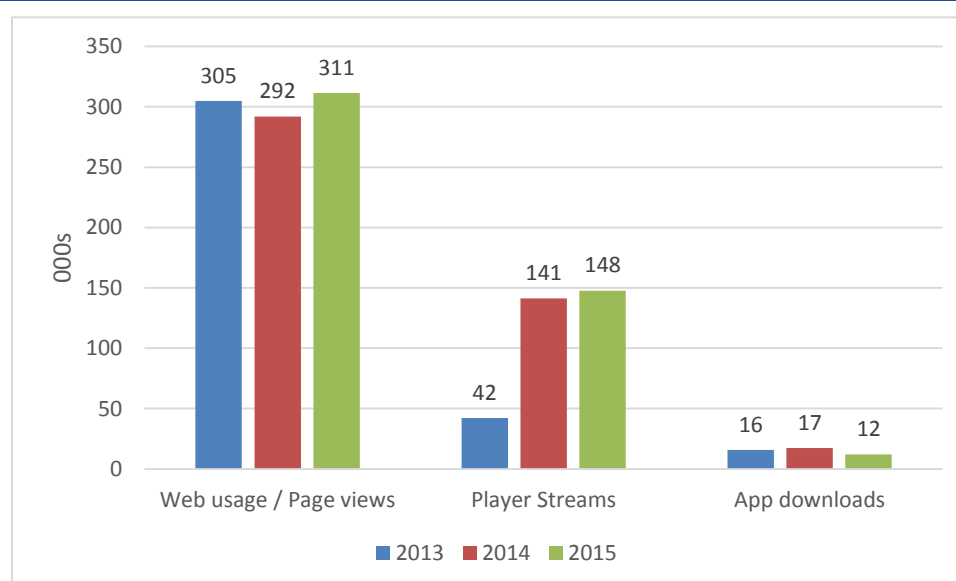


**Table 3.4: TG4 Performance Against Audience-Related Commitments: Commitment 3 – ‘Strengthen TG4’s engagement with younger audiences – develop our schedule and content services further to attract a greater level of younger viewers to TG4’**

Measure	Target	Level of Achievement*	2015 Performance
Children & Young People Web usage/page views	280k	Yes	311,413
Children’s Player Service Streams	190k	No	147,596
Children Apps Downloads	18k	No	12,065
Weekly Broadcast reach – Children / Young People	150k	No	124,800
Daily Broadcast Reach - Children	5%	No	4.1%
Children’s / Young People’s Broadcast service developments	TG4 reports that this was fully achieved		
Online Service Developments	TG4 reports that this was fully achieved		
Interactive Services & Apps Developments	TG4 reports that this was fully achieved		
Other Content & Service Developments	TG4 reports that this was fully achieved		
Source: Indecon analysis of TG4 Review of 2015 Performance			
*Substantially Achieved relates to quantitative performance within 10% of target			
Web related statistics in 2015 based on since-updated measurement system which may affect accuracy.			

While TG4 did not meet the targets on Player streams but TG4 achieved an increase in the number of Player streams between 2014 and 2015 as well as an increase in page views.

**Figure 3.7: Children and Youth Audiences Online Performance, 2013 - 2015**



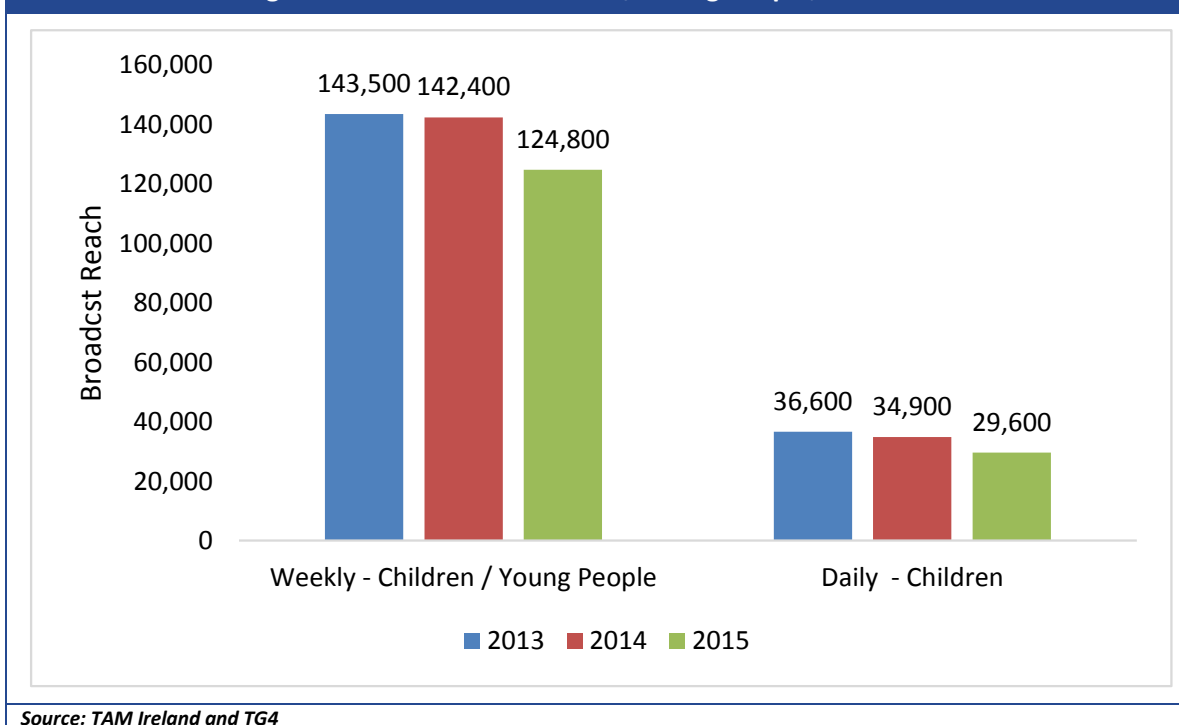
*Source: TG4*

*Rounding applied to app download numbers*

TG4’s weekly and daily broadcast reach with younger audiences declined in 2015. This should be further monitored in 2016 to ensure that audiences within this demographic are retained or

improved. TG4 notes that it “focuses on innovation, choice and interactivity for this audience segment as it is the most competitive television audience”. TG4 did not meet its target for daily reach in the younger adult audience group (15-34), as evidenced previously in Figure 3.1.

**Figure 3.8: TG4 Reach Children / Young People, 2013-2015**



TG4 identified a number of new interactive content and service targets for children and young people in 2015, and reports that these targets were fully achieved. These targets related to:

- ☐ Broadcast service, including commissioning and in-house production of programme content for children and young people;
- ☐ Online service, including development of a Virtual channel for kids, additional interactive games and development of a Cúla4 YouTube channel;
- ☐ Interactive services and apps; and,
- ☐ Other developments, including theatrical releases of movies in the Irish language, puppet show tour and development of an educational workbook.

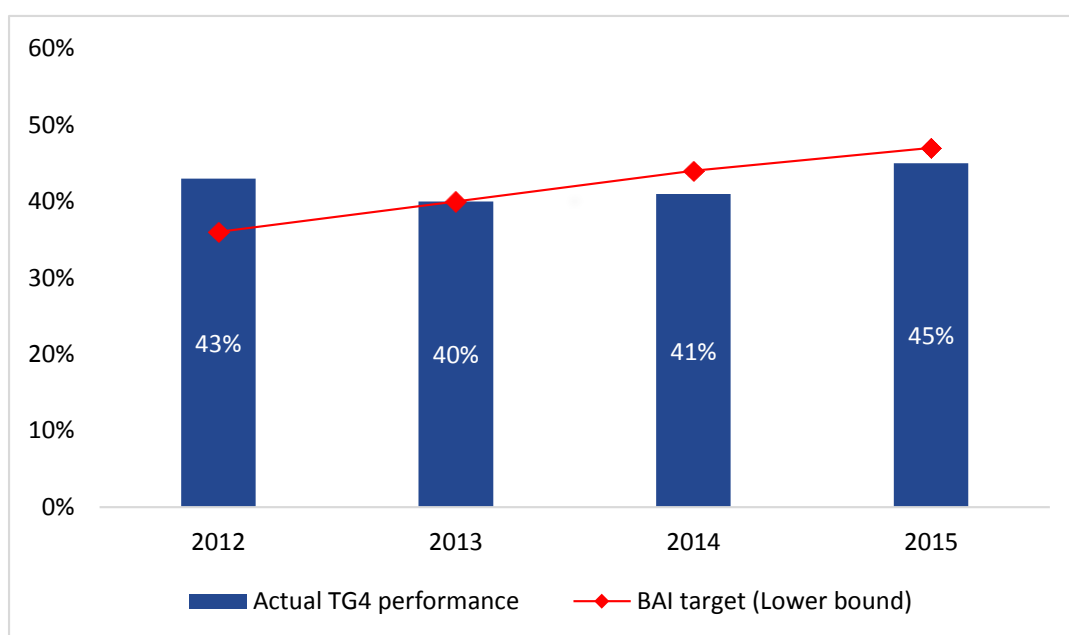
**Commitment 4: Increase accessibility of our content to audiences with physical, sensory or intellectual disability**

This commitment was substantially achieved in 2015. However, TG4 did not fully achieve its target for subtitling (by a small margin), as set out within the BAI Access Targets.

Table 3.5: TG4 Performance Against Audience-Related Commitments: Commitment 4 – ‘Increase accessibility of our content to audiences with physical, sensory or intellectual disability’			
Measure	Target	Level of Achievement*	2015 Performance
BAI Access Targets - subtitling	47-53%	Substantially	45%
Subtitle most of TG4’s Irish language content, increase number of live programmes offering subtitles and acquire English language subtitles where available	Yes		
Publicise the availability of subtitles on much of its output	Yes		
Report regularly to the BAI on subtitling requirements and performance	Yes		
Source: Indecon analysis of TG4 Review of 2015 Performance			
*Substantially Achieved relates to quantitative performance within 10% of target			

TG4’s subtitling performance increased in 2015 to 45% but did not reach the percentage required in the BAI Access Targets 2013 for a second year. TG4 indicates that this was due to funding constraints arising from challenging annual budgets. 410 hours of new/additional subtitles for Irish language programming were commissioned by TG4 in 2015.

Figure 3.9: TG4 Performance Against BAI Access Targets, 2012 - 2015



Source: TG4

### 3.2.2 Content: High Quality and Distinctive

Three commitments under this thematic area were fully achieved in 2015.

Table 3.6: TG4 Summary Performance Against Content-Related Commitments

	Number of Commitments	%
Commitments fully achieved	3	100%
Commitments almost / substantially achieved	0	0%
Commitments not achieved	0	0%
<b>Number of commitments</b>	<b>3</b>	<b>100%</b>

Source: TG4 Review of 2015 Performance

TG4 committed to extending the Irish language broadcast schedule and achieved all of its targets outlined under this commitment. New Irish language output was 1,751.5 hours in 2015. However, it should be noted that many of these targets were lower than actual performance in 2014. Consultation with TG4 indicates that this reflected TG4 funding pressures. TG4 also committed to ensuring creativity and met this through achievements of targets for commissioned and in-house content, creative resources supported and awards/nominations received. TG4 also committed to investment in content technology and systems.

Table 3.7: TG4 Performance Against Content-Related Commitments

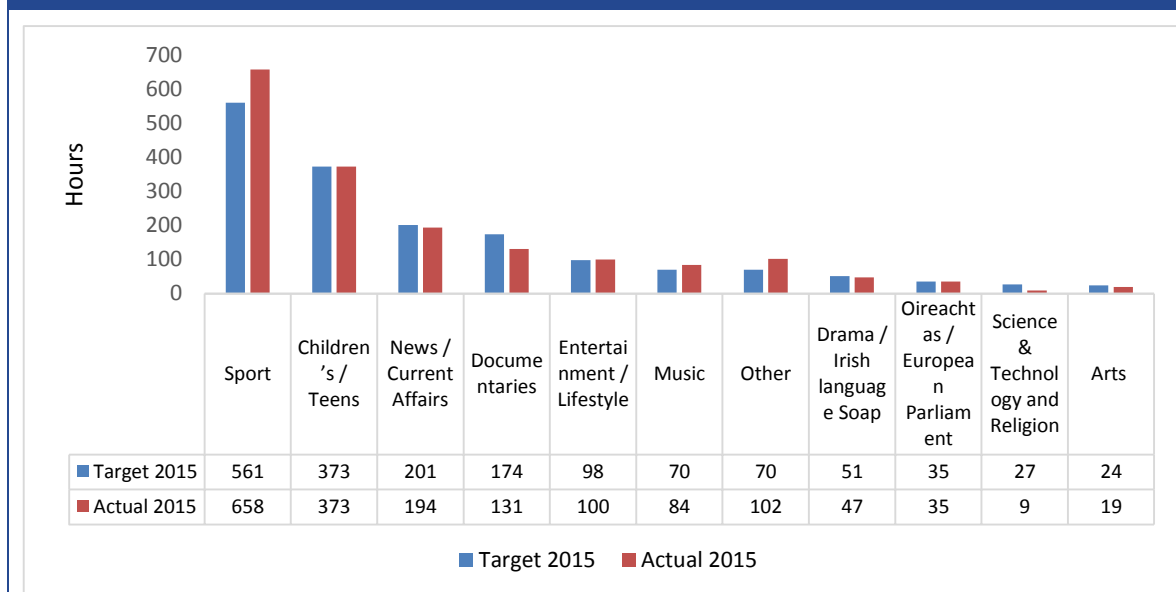
Commitment	Measure	Target	Level of Achievement*	2015 Performance
5. Continue to extend the Irish language broadcast schedule, delivering strong “must see” content for all audiences	Average Per Day New Irish Language Programming	4.61	Yes	4.8
	Total New Irish Language Hours	1,684	Yes	1,751.5
	Target hours of new Irish language programming by genre	See Figure 3.10	Yes	See Figure 3.10
	Target hours of new Irish language programming by source	See Figure 3.12	Yes	See Figure 3.12
	Target Irish language vs other language broadcast hours by genre	See Figure 3.15 & Figure 3.17	Yes	See Figure 3.15 & Figure 3.17
	Total Irish language broadcast hours by genre and source	See Figure 3.16	Yes	See Figure 3.16
	Programme acquisitions for main schedule:			
	Documentaries	56	No	36
	Entertainment	15	Yes	28
	Teenagers	22	No	16
	Children’s	205	Yes	211
6. Ensure the best of Irish creativity is delivered to TG4’s audiences and take measures to ensure creativity and innovation underpin our services	Core Schedule & Average Irish Language Programming per Day	34 weeks – 5 hours per day	Yes	34 weeks – 5.25 hours per day
	“Non-Core Schedule” & Average Irish Language Programming Per Day	18 weeks – 4 hours per day	Yes	18 weeks – 4 hours per day
	Commissioned new Irish Language hours	648	Yes	680
	Brand new hours	87	Substantially	80
	In-house hours	166	Yes	219
	Creative resources supported by TG4	438	Yes	473
7. Invest in content technology and systems to enhance our services and to increase their availability to audiences in Ireland and around the world	Content / service awards and nominations	90	Substantially	89
	New Irish language hours	1,684	Yes	1,751.5
	New vs repeat programming	34% new/66% repeat	Yes	36% new/64% repeat
	Content Technology & System Developments	See Table 3.9	Yes	See Table 3.9
	Actual performance against capital budget?	See Table 3.10	Yes	See Table 3.10
<b>Source: TG4 Review of 2015 Performance.</b> <b>*Substantially Achieved relates to quantitative performance within 10% of target</b> Note: *TG4 reports target to be fully achieved.				

**Commitment 5: Continue to extend the Irish language broadcast schedule, delivering strong “must see” content for all audiences**

This commitment is considered achieved however specific items under this heading were only substantially achieved. Of note is the number of programme acquisitions on the main (Irish) schedule. TG4 expected a decline in these numbers due to an overall reduction in funding and budgets for 2015.

Targets for new Irish language programming by genre were largely achieved in 2015. New Irish language sports hours significantly exceeded target, while TG4 did not achieve its target for documentaries. The growing significance of sporting in TG4’s new Irish language programming content should be noted, especially in relation to other genres that did not meet their target. TG4 consider sport a good attraction for non-Irish audiences and maintaining audience shares. The strong growth in sport is welcomed however consideration should be taken to ensure this growth is not at the expense of other genres. TG4 indicate that they aim to reverse this trend in 2016 given the focus on the 1916 commemoration and the funding increase.

**Figure 3.10: TG4 Target vs Actual New Irish Language Programming by Genre, 2015**

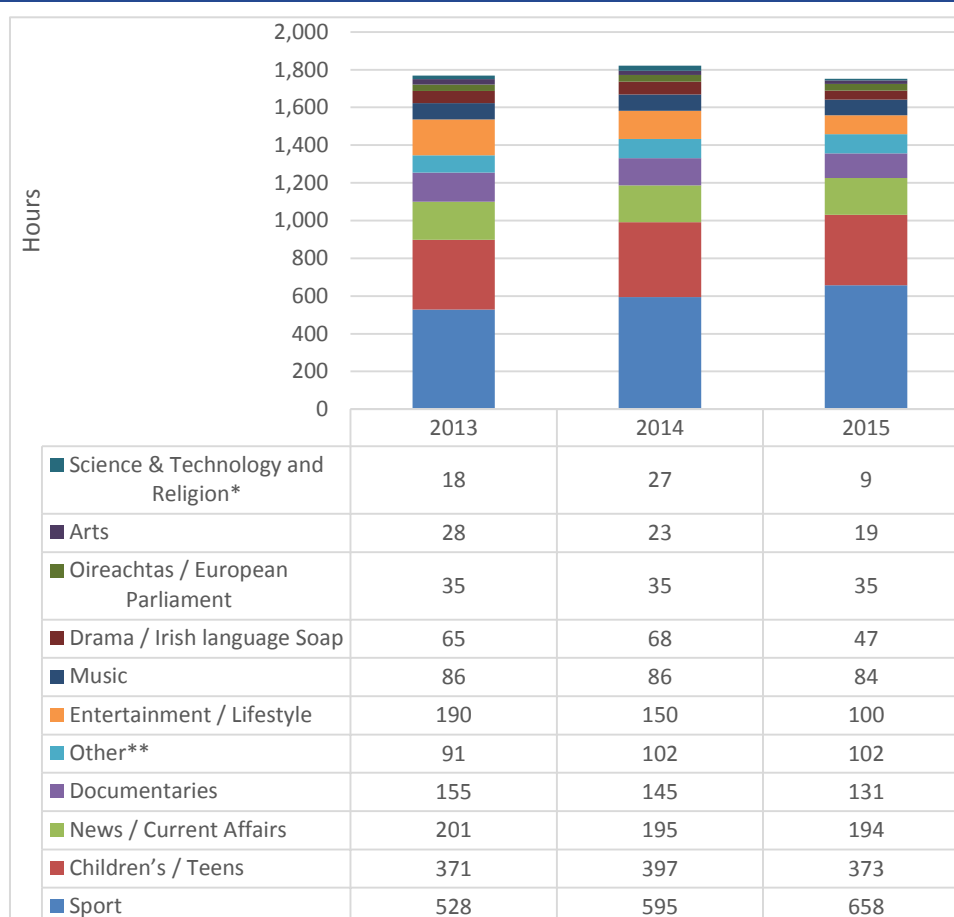


**Source: TG4**

Note: Target Religion Hours for 2015 was 4 hours and Science & Technology was 23 hours, a total of 27. Other includes internally produced hours of presentation, inserts, weather etc.

Total New Irish language programming hours declined slightly in 2015. There was an increase in new Irish language sports hours.

**Figure 3.11: TG4 New Irish Language Programming by Genre, 2013 - 2015**

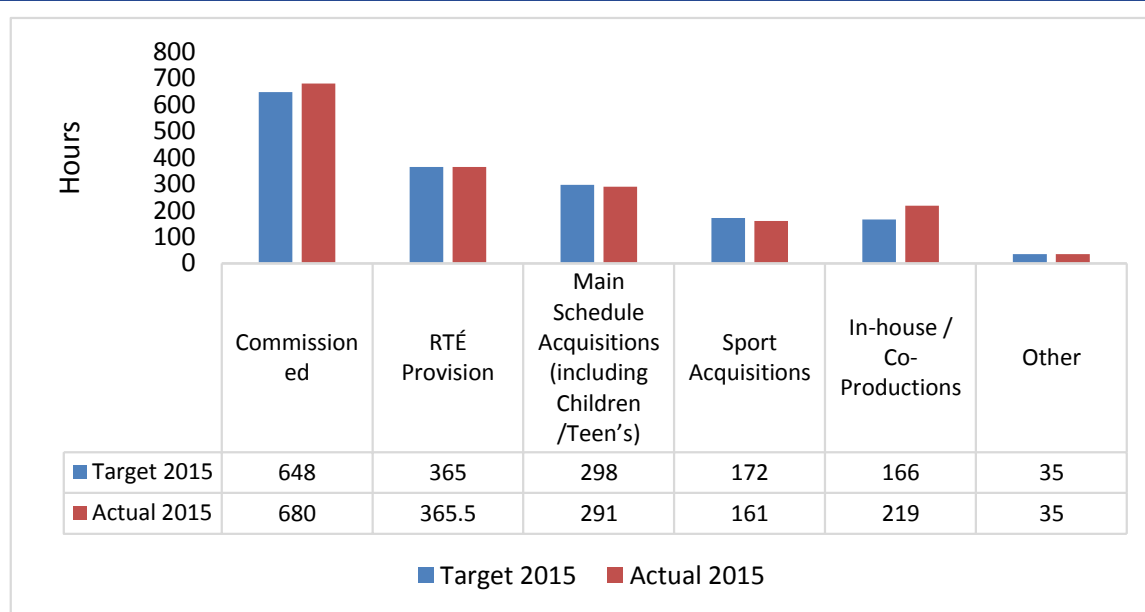


**Source: TG4**

Note: \*In 2014, Religion = 2 hours and Science & Technology = 25 hours. Target Religion Hours for 2015 was 4 hours and Science & Technology was 23 hours, a total of 27. \*\*Other includes internally produced hours of presentation, inserts, weather etc.

TG4 largely achieved its targets for new Irish language programming by source. TG4 exceeded targets for commissioned hours and significantly exceeded targets for in-house/co-productions.

Figure 3.12: TG4 Target vs Actual New Irish Language Programming by Source, 2015

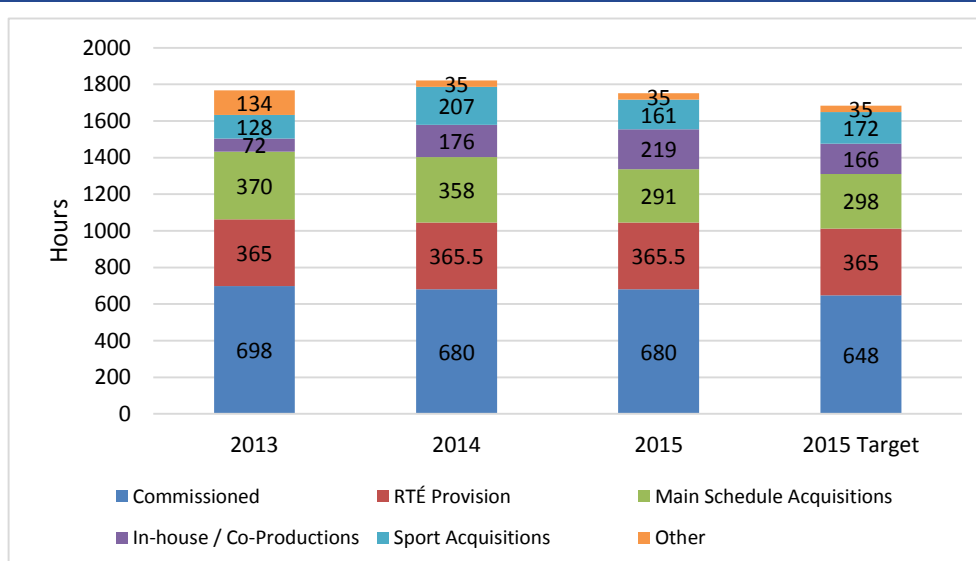


Source: TG4

Note: Other includes internally produced hours of presentation, inserts, weather etc.

There was an increase in commissioned programming and in-house/co-productions with a decrease in acquired content. Both of these sources were above target in 2015, while sport acquisition was below target. The larger contribution to the support and enhancement of the independent production sector through increased employment opportunities and the facilitation of creative ventures is of particular benefit arising from such activities.

Figure 3.13: New Irish Language Programming by Source, 2013-2015



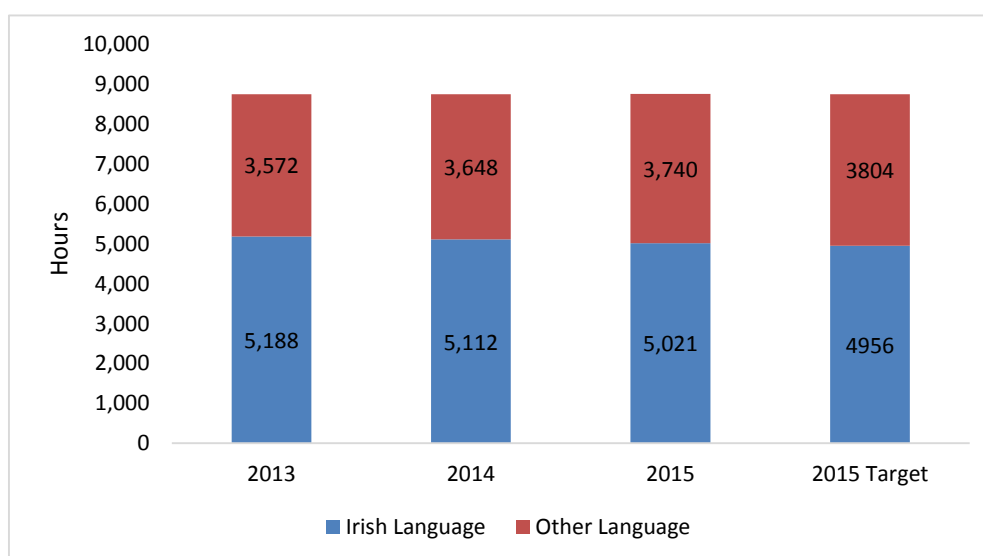
Source: TG4

Note: Other includes internally produced hours of presentation, inserts, weather etc. Main Schedule Acquisitions include Children / Teen's



57% of hours broadcast on TG4 in 2015 were in Irish. There has been a slight decrease in Irish language hours broadcast across 2013-2015.

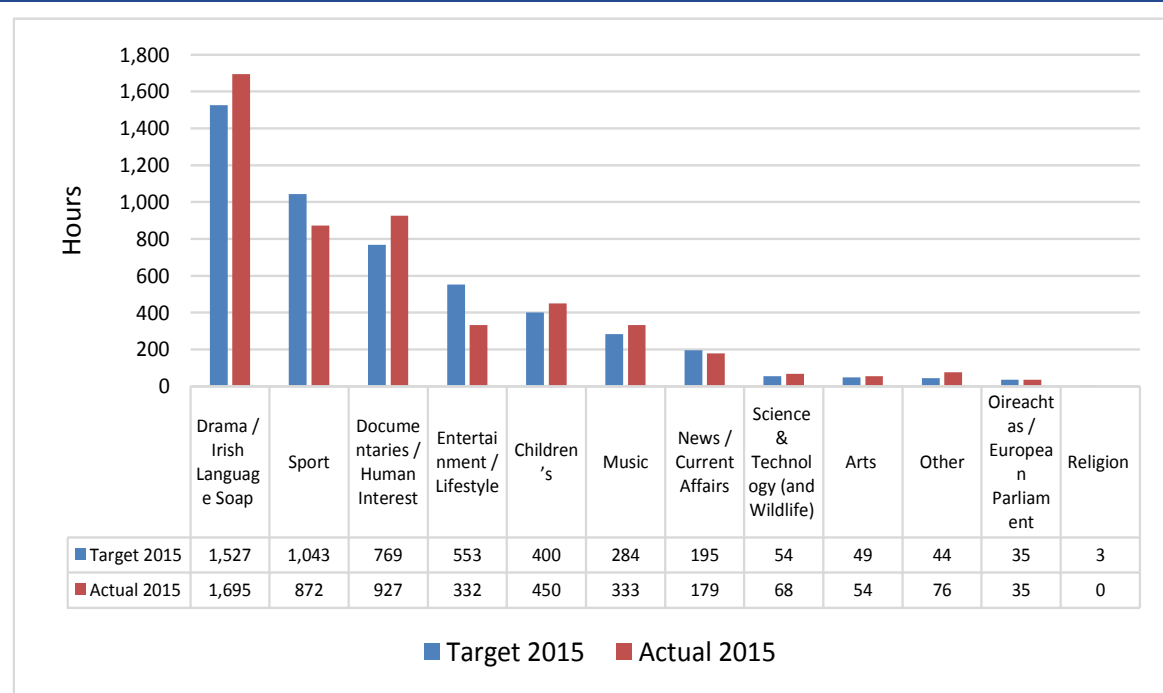
**Figure 3.14: TG4 Total Broadcast Hours by Language, 2013 - 2015**



Source: TG4

TG4 largely achieved its targets on Irish language hours broadcast by genre in 2015.

**Figure 3.15: Target vs Actual Irish Language Broadcast Hours by Genre, 2015**

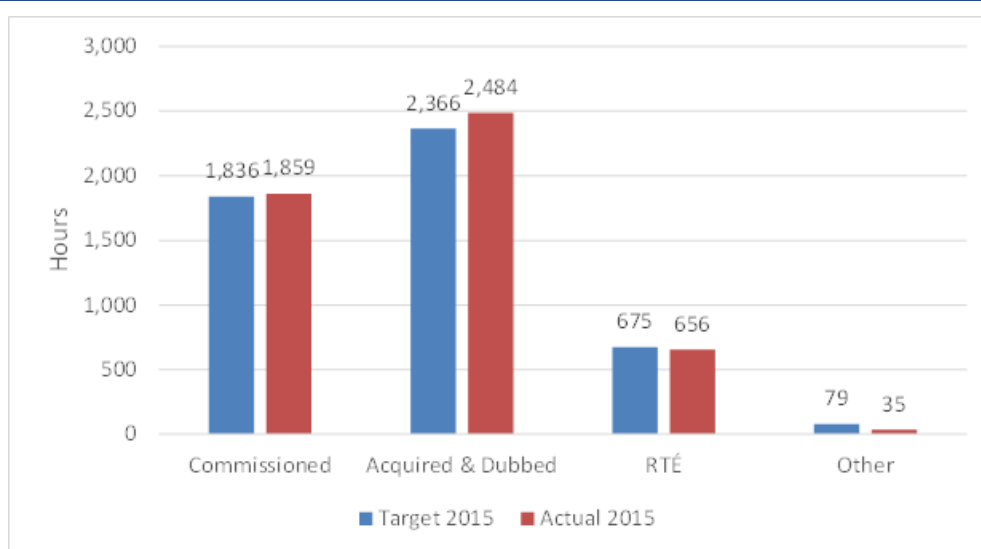


Source: TG4

Note: Other includes weather and presentation hours.

TG4 largely achieved its target for new Irish language hours broadcast by source, slightly exceeding targets for commissioned and acquired/dubbed programming.

**Figure 3.16: TG4 Target vs Actual Irish Language Broadcast Hours by Source, 2015**

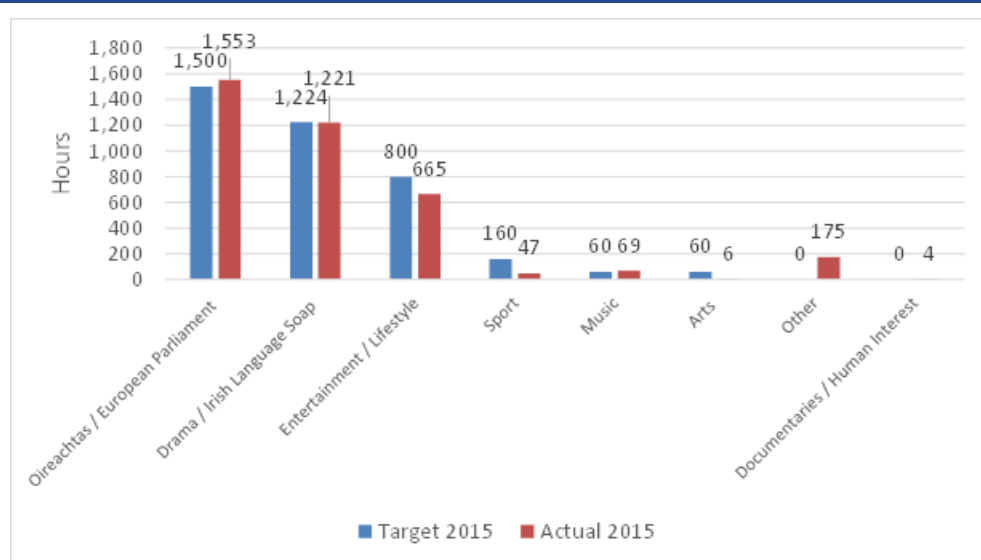


**Source:** TG4 Review of 2015 Performance & Annual Statement of Performance Commitments 2016

Note: In-house hours are included in commissioned hours

TG4 also largely achieved its targets for English/other broadcast hours by genre in 2015.

**Figure 3.17: Target vs Actual English / Other Language Broadcast Hours by Genre, 2015**



**Source:** TG4

Note: Other includes weather and presentation hours. Target for Documentaries / Human Interest blank in Review of Performance Commitments 2015.

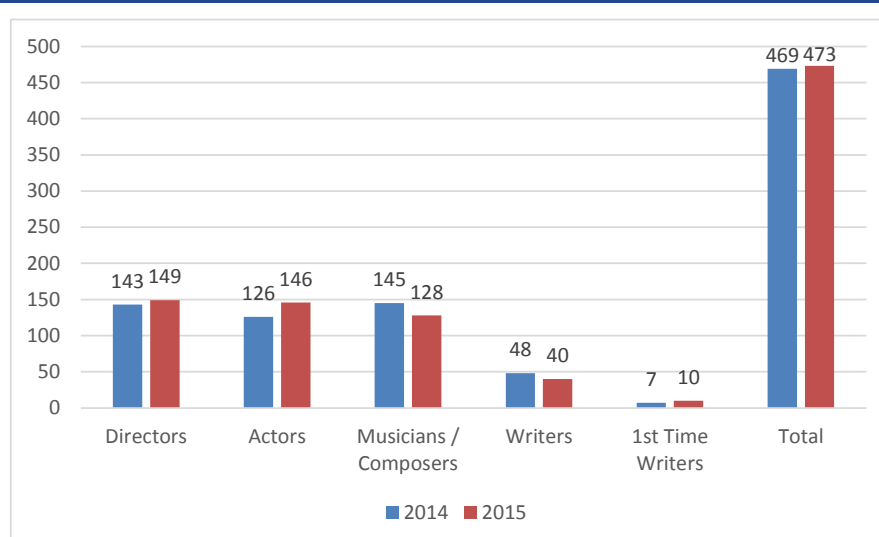
Our analysis indicates that TG4 generally achieved specific hourly targets in the Content thematic area.

### Commitment 6: Ensure the best of Irish creativity and innovation underpin our services

One of TG4's commitments relates specifically to ensuring creativity. There are a number of ways to measure creativity in public service broadcasting – including the number of hours commissioned from the independent production sector considered previously. Other measures include expenditure on content from the independent production sector, creative resources supported in the Irish economy and awards/nominations received. An analysis of spend on commissioning from the Independent production sector is also relevant to measuring the contribution to creativity and this is discussed further in our analysis of programme expenditures.

TG4 supported 473 creative staff in 2015, exceeding the 2014 performance (469 supported) and beating its objective of 438 as set out in the Statement of Performance Commitments 2015. There was an increase in the number of directors, actors and first-time writers supported by TG4, with a decrease in the number of musicians/composers and writers.

**Figure 3.18: TG4 Support for employment in Creative sector, 2014 & 2015**



Source: TG4

TG4 received 89 awards and nominations in 2015, compared to 97 in 2014 and 75 in 2013. As this is only marginally below target, Indecon considers this substantially achieved.

**Table 3.8: TG4 Awards and Nominations 2015**

	Actual 2015	Target 2015
Award	-	43
Nomination	-	46
<b>Total</b>	<b>90</b>	<b>89</b>

Source: TG4 data

Particular commendation is deserved for TG4's 'Amhrán na Mara' nomination for an Academy Award for Best Animated Feature at the Oscars in 2015. Other notable performances include nominations and awards at the Boston and Chicago Irish Film Festivals as well as strong turnouts at Irish and international events such as the Gradaim Chumarsáide an Oireachtas and the Celtic Media Festival.

**Commitment 7: Invest in content technology and systems to enhance our services and to increase their availability to audiences in Ireland and around the world**

TG4 also committed to investing in content technology and system developments in 2015.

Table 3.9: TG4 Content Technology and System Developments 2015		
Content Technology / System	Target	Performance Against Targets
Archive	Design and build digitising facility	Construction of facility completed in early 2015, Archiving and cataloguing underway
	Research and Commission Video Cataloguing system	
	Commence delivery of digital music and documentary archive	
Content distribution	Continue to roll out distribution to new platforms.	Content provided to existing platforms. Eircom and Vodafone not taking VOD material, TG4 in communication with Sky
Broadcast technologies	Further develop the disaster recovery system to safeguard TG4 transmission	New play out system currently under construction
	Screeners distribution project to facilitate the pre transmission distribution of promotional material for film festivals, journalists and reviewers	Completed and rolled out to journalists
	Network consolidation – restructure TG4’s broadcast and administration network to provide faster and more secure IT infrastructure	Phase One of Network consolidation carried out in 2016
	Virtualisation of selected servers to reduce power and heat output	Upgrade of accounts and its reporting system achieved
	Implement Video on Demand Management Module in Whatson to enable more streamlined management of TG4’s content on demand	Mediagenix Version 28 upgrade completed in November 2015 providing an improved VOD scheduling module
Other System Developments	Conclude the upgrade of the TG4 Finance system and commission a company-wide data reporting system	Upgrade of accounts and its reporting system achieved in September 2015
Development of Social Media / mobile for Irish sporting / music events	Change video streaming to a HLS stream and include a digital rights management security. Embed subtitles in streams	Redesign of TG4 website completed. HLS stream provides an enhanced viewer experience. TG4 planning to switch off burnt-in subtitles
	Rebuild website and integrate video player	
	Research and commission new metadata information distribution for search engines	Cloud based Data Discovery project launched
	Define & Strengthen TG4’s ‘Tone of Voice’ on Social Media Platforms. Run internal workshops & draft guidelines where appropriate	Social media used by presenters to promote and inform viewers of schedule. TG4 has identified that this is a key part of audience experience with TG4
	Use TG4 archives to create enticing, sharable content online	Archive clips from Oireachtas Sean Nós competitions used to promote Music archive
	Target promotional campaigns cross-media to entice new audiences to TG4 content from our various platforms, including longer programme tasters on YouTube	Programme promos released on YouTube

Source: TG4 2015 Performance Review

TG4 is considered to have achieved commitment 7, however specific items under this commitment were not fully met. In particular, TG4 has faced difficulty in reaching its goal of having its HD service available on all linear platforms. Both Vodafone and Eircom are not accepting TG4's video-on-demand material; however, the broadcaster is currently in contact with Sky in relation to this. Another area to note is TG4's progress in completing its network consolidation project. Phase 1 of this project was carried out in 2016. Future evaluations should monitor the progress of this investment accordingly.

TG4 capital allocation remained within overall budget for 2015, however actual capital allocation for specific items differed from budget in several areas.

Table 3.10: TG4 Summarised Capital Allocation Budget & Actual, 2015				
	Budget 2015, € 000s	Actual 2015, € 000s		
Archive	<b>[Redacted: Data is commercially sensitive]</b>			
Business Continuity				
Content distribution & integration				
Broadcast infrastructure				
<b>Major Projects</b>				
Roof renovations				
Chillers				
Lighting systems				
<b>Building</b>				
Landmark & Caria				
Mediagenix				
<b>IT Systems</b>				
<b>Finance &amp; Administration</b>				
IT & Engineering				
Graphics & Editing				
<b>Annual Upgrades</b>				
<b>Net Realisable Value</b>				
<b>BAI Funding*</b>				
<b>Total</b>				
Source: TG4				
*Additional budget relating to Archived project				
Note: Contains Commercially Sensitive Data. Not for publication				

Subtotals in the above capital allocation programs are under and over budgeted capital expenditure due to reallocations, delays, and supplementary funding. For example, **[Redacted: Data is commercially sensitive]**.

Generally, Indecon is satisfied with these allocations; however, items with significant over/underruns should be examined to ensure adequate capital planning and appraisal protocols are followed. This will reduce the risk of critical capital investment delays and the high costs of unplanned funding.

### 3.2.3 Irish Language – Promotion and Development

All four commitments for promotion and development of the Irish language were fully achieved in 2015. This thematic area is of particular importance for TG4 given TG4's vision, as set out in the Annual Report 2014, is to *"promote successfully Irish language and culture and ensure a central place for TG4 in Irish people's lives, both in Ireland and abroad"*.

TG4 aims to promote the Irish language and identity both in Ireland and internationally through providing a significant number of new Irish language programming hours in the schedule and at peak time in particular. In addition, TG4 targets to maintain a given percentage of Irish language broadcasting hours, to make Irish language content available to audiences at home and internationally with the TG4 website and Player, and to support the Irish language independent production sector. TG4's commitments also include initiatives aimed at supporting the Government's 20-year strategy for the Irish language. TG4 delivered on all of its targets under this thematic area for 2015, with the exception of new Irish language hours in peak-time, which fell very slightly short of target for 2015.

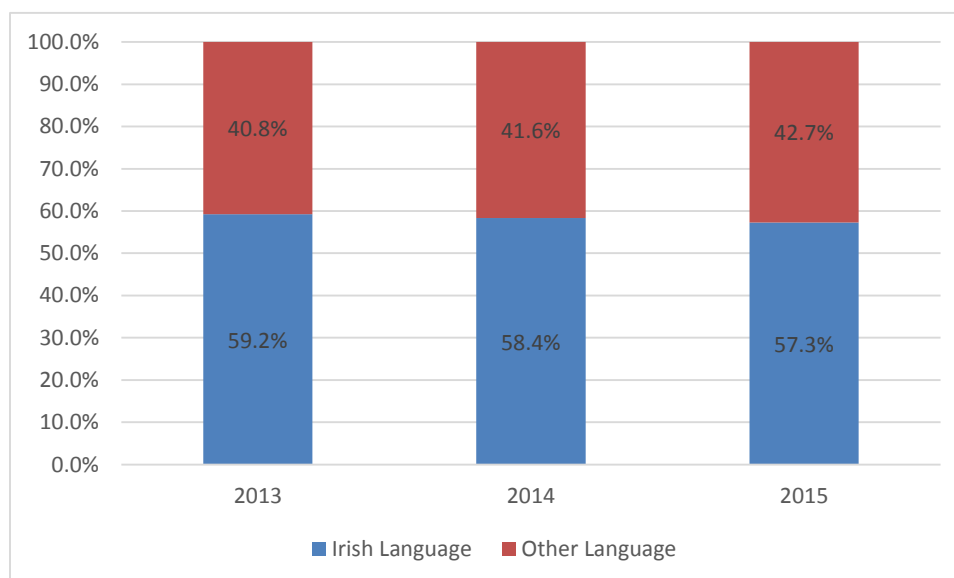
Table 3.11: TG4 Performance Against Irish Language Commitments, 2015

Commitment	Measure	Target	Level of Achievement*	2015 Performance
8. Further develop TG4's worldwide Irish language service to promote and celebrate the Irish language and identity	New Irish language hours	1,684	Yes	1,752
	New Irish language hours in peaktime	870	Substantially	860
	% broadcast in Irish language	59%	Substantially** (see Figure 3.19)	57.3%
	% broadcast in Irish Language (peak time)	70%	Yes	70%
	% of new Irish language hours celebrating Irish culture and identity	66%	Yes	66%
	International usage of TG4 website	40%	Yes	40% (see Figure 3.4)
	International usage of TG4 Player service	40%	Yes	40%
	Worldwide audience initiatives	Redesign of TG4 website including Kids Channel playlist available worldwide and collections section on website giving access to TG4's back catalogue		
	Nuacht coverage from Gaeltachtaí	Daily news updates and latest news bulletins provided on Nuacht TG4 website. Almost 180 hours (target:182) broadcast of new Irish language news with major focus on Gaeltacht issues and stories		
	Special event and specific Gaeltacht interests coverage	A number of programmes commissioned and/or broadcast in 2015, e.g. <i>Seacht Lá</i> and <i>Gradam Ceoil TG4</i>		
9. Continue to have a positive influence on the awareness and development of the Irish language and culture	Audience Research – Measure performance against 2014 baseline for TG4's impact on the development of the Irish language and culture	See Figure 3.20	Yes	See Figure 3.20
10. Deliver specific proposals to support the Government with successful delivery of the 20 Year Strategy for the Irish Language (2010-2030)	Targets to support the implementation of the 20 year strategy for the Irish language	See Table 3.13	Yes	See Table 3.13
11. Continue to grow TG4's investment in the Irish language independent production sector through our publisher broadcaster model. In doing so, enhance Ireland's capabilities in the knowledge-based creative sectors and make a strong contribution to jobs and earnings in the Irish economy	Commissioned Irish language hours by genre	See Figure 3.22	Yes	See Figure 3.22
	Commissioned hours in peak broadcasting hours	434	Yes	456
	Commissioned hours in off-peak broadcasting hours	214	Yes	224
	Irish language independent production sector re-voice hours	207	Yes	291
	Irish language independent production sector new subtitling hours	380	Yes	410
	Total expenditure on independent production sector	€20.52m	Yes	€21.2m
	Commissions from independent production sector	€18.12m	Yes	€18.239m
	Range of supports for Irish language independent production sector	Fully achieved		
	Maintain estimated economic direct, indirect and induced impact of TG4 to the wider Irish economy: Contribution to national earnings Employment impact	€66m 960	Yes	€66.4m 973
<b>Source: Indecon analysis of TG4 Review of 2015 Performance</b> <b>*Substantially Achieved relates to quantitative performance within 10% of target</b> <b>**Considered achieved in analysis due to contradiction between percentage and hourly target</b>				

**Commitment 8: Further develop TG4's worldwide Irish language service to promote and celebrate the Irish language and identity**

TG4 did not fully meet its target of 59% of broadcast hours to be in the Irish language, with this nearly achieved at 57.3% of broadcast hours in Irish. TG4 can thus be considered to have subsequently achieved its target Irish language broadcasting hours for 2015.

**Figure 3.19: TG4 Total Broadcast Hours by Language (%), 2013 - 2015**



Source: TG4

TG4 achieved the target of 66% of new Irish language hours celebrating Irish culture and identity. This target is equivalent to 1,109 hours of new Irish language cultural and identity programming. TG4 exceeded this target by a small number of hours, as indicated in the table below.

**Table 3.12: % of new Irish Language Programming Hours Celebrating Irish Culture and Identity, Target vs Actual**

	Target 2015	Actual 2015
Irish Culture & Identity Hours	1,109*	1,162*
Total new Irish language programming hours	1,684	1,751
% of new Irish language programming hours celebrating Irish culture and identity	66%	66%

Source: Indecon analysis of TG4 data.

\*Excludes Other, House of Oireachtas, and Acquired Programming

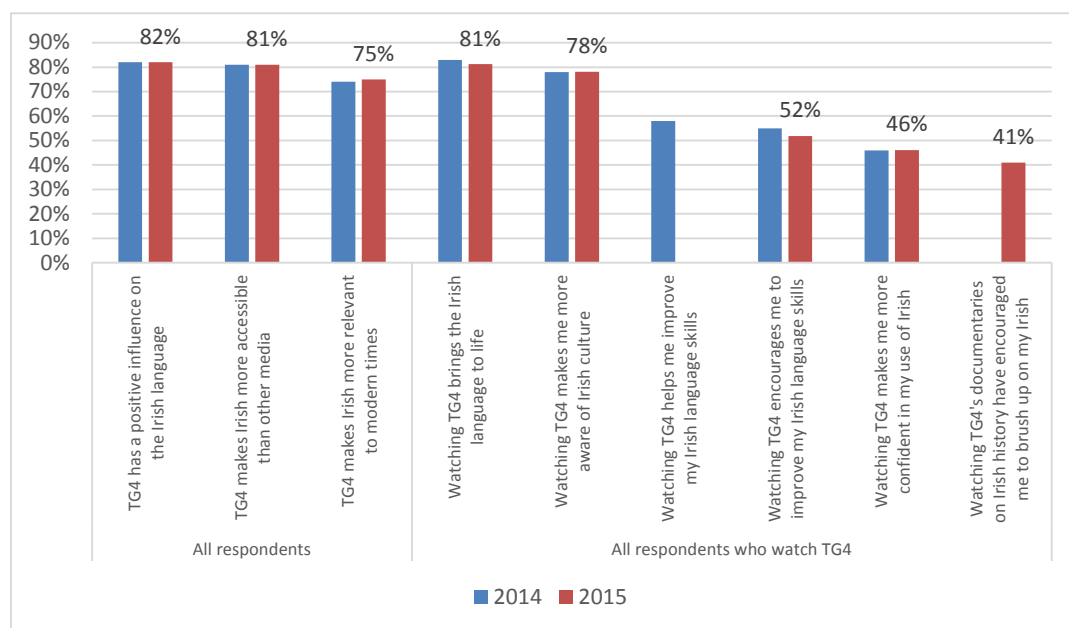
**Commitment 9: Continue to have a positive influence on the awareness and development of the Irish language and culture**

TG4 commissioned a survey in late 2013 with the aim of measuring TG4's influence on the awareness and development of the Irish language and culture. TG4 recorded the results of the 2014 survey in its 2015 ASPC and indicated that "TG4 will use this as a baseline measurement survey from which it will measure its performance against those results in subsequent surveys over the following years".



The sample size of the Ompoll was 1,000 respondents, giving a margin of error of +/-3% at an overall level. The results of the 2015 survey are very similar to those of the 2014 survey.

**Figure 3.20: TG4 Audience Research to Assess TG4's Impact on the Irish Language and Culture**



Source: TG4 Ompoll Research conducted by Ipsos MRBI

TG4's Fios Físe/NUIG Irish language user audience research can also be considered to provide some insight on TG4's influence on the development of the Irish language and culture through an analysis of the survey results. As indicated previously, TG4 largely achieved its stated targets for reach, satisfaction rating and TG4 Player usage. TG4 had a 92% weekly reach with Irish-speaking audiences, and had a satisfaction rating of 7.9 out of 10.

As the Fios Físe survey research is open to any fluent-Irish speakers, including those in Northern Ireland, it is instructive to consider the views of Irish language speakers in a Republic of Ireland context. *[Redacted]*.<sup>29</sup> This is *[Redacted]* than the Fios Físe survey, indicating a potential divergence between Republic of Ireland and All Irish speakers.

**Commitment 10: Deliver specific proposals to support the Government with successful delivery of the 20 Year Strategy for the Irish Language**

TG4 undertook a number of initiatives in 2015 which support the Government's 20-year strategy for the Irish language. The only target initiatives that were not achieved were third-party initiatives which did not take place. As such, TG4 can be considered to have achieved its targets under this commitment. On the issue of continuing dialogue with relevant stakeholders regarding selection of children's content, TG4 did not provide details on this but as this is a very general initiative we do not see this as a particular issue.

<sup>29</sup> BAI / B&A Audience Tracking Research – An Island of Ireland Survey, April 2016

**Table 3.13: TG4 Performance against Target Initiatives for Implementation of the 20-Year Strategy for the Irish Language**

Initiative Type	Specific Initiative	Performance
Strategy Initiatives	Develop a multi-platform Irish Language Learning resource by identifying funding and delivery partners	Discussions with NUIG reached conclusion in late 2015
	Participation in the high-level Implementation Oversight Committee for the 20 year strategy	Achieved
	Update the Cabinet Sub-Committee on the 20-year strategy and TG4's activities	Meeting with Broadcasting Sector not convened by the Sub-Committee
Development of TG4 website for children's Irish language content	Identify a range of broadcast content suitable for web and Player services. Post non-broadcast content on special zone of website allocated for children and Irish language learners	Range of apps developed and launched and content posted
	Continue dialogue with relevant stakeholder organisations regarding selection of children's content for re-versioning into the Irish language	TG4 does not give specific details on this aspect
Initiatives to support move to oral-skills approach in new post-primary curriculum	Extend dialogue with educators	TG4 does not give specific details on this aspect
	Identify range of broadcast content which is best suited for this new priority and post it onto dedicated zone of the TG4 website allocated to children and Irish language learners	Learning Irish Resource in development
	Make a presentation to "Tionól Teagaisc 2015" second level Irish teachers workshop on the best use of TG4 content	Conference not held
Partnerships with Irish language, cultural and sporting bodies	Extend scope and hours of Oireachtas na Gaeilge 2015	Achieved
	Consolidate broadcast coverage of matches and other events of Cumann Peil Gael na mBan	Achieved
	Continue dialogue with, and attend in person as appropriate, and events of Comhar na Naíonraí and Gaelscoileanna	TG4 does not give specific details on this aspect
	Provide feedback to staff of Focloir.ie relating to the latest terminology in Irish for broadcast and media use	Achieved

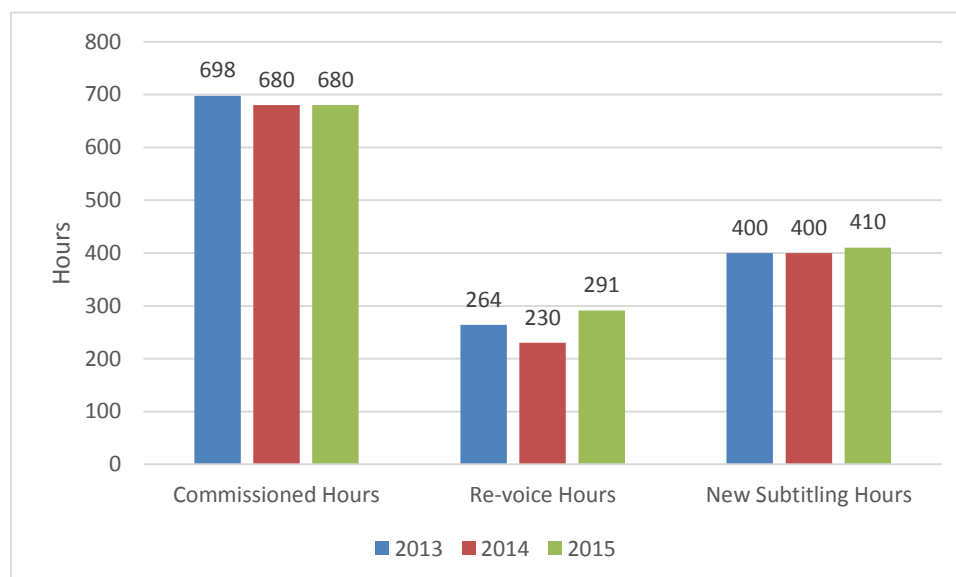
Source: Indecon analysis of TG4 Review of 2015 Performance

Note: Green = target achieved, red = target not achieved

**Commitment 11: Continue to grow TG4's investment in the Irish language independent production sector through our publisher broadcast model. In doing so, enhance Ireland's capabilities in the knowledge-based creative sectors and make strong contribution to jobs and earnings in the Irish economy**

Total Irish language hours from the independent production sector were maintained or increased across the three categories of commissioned, re-voiced and subtitling hours.

**Figure 3.21: TG4 Irish Language Independent Production Sector Hours, 2013-2015**



Source: TG4 data.

The targets for hours of commissioned Irish language programming were met across most genres and overall, but it should be noted that the targets for 2015 represent a decline on 2013 and 2014 performance. Indecon believes that the raising of targets for both commissioned and in-house Irish language programming is appropriate and warranted given 2015 performance. We note that TG4 had a reduction in public funding in 2015 which may have influenced the setting of targets.

**Figure 3.22: Actual vs Target Commissioned New Irish Language Programming Hours by Genre, 2015**

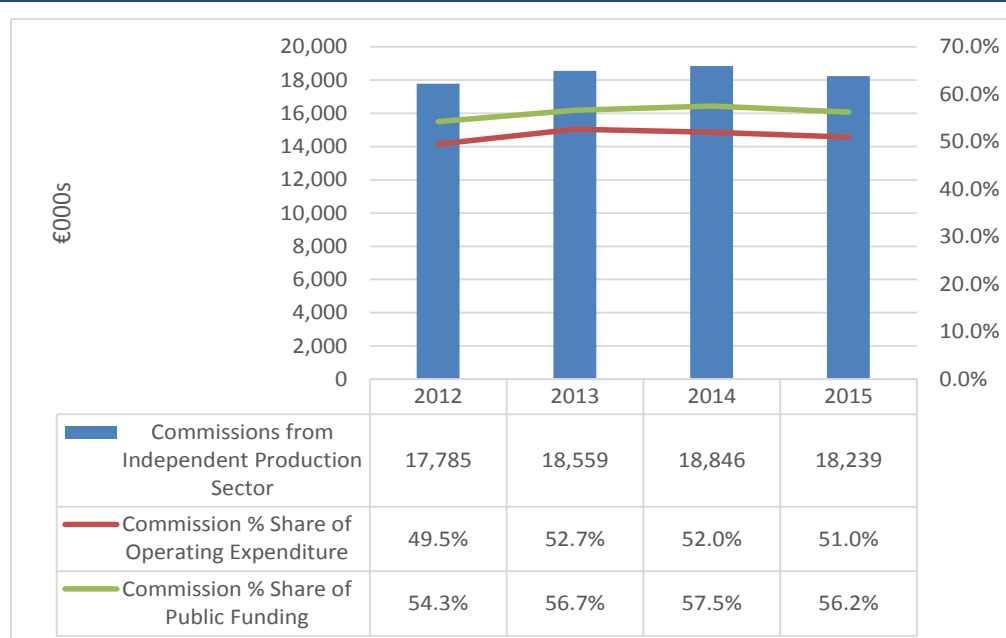
*[Redacted: Data is commercially sensitive]*

Source: TG4 data.

Note: Drama includes Irish language soaps.

Expenditure on commissions from the independent production sector declined slightly between 2014 and 2015, and furthermore declined slightly as a proportion of operating expenditure and public funding.

**Figure 3.23: Commissioned Programming Expenditure, 2012 - 2015**



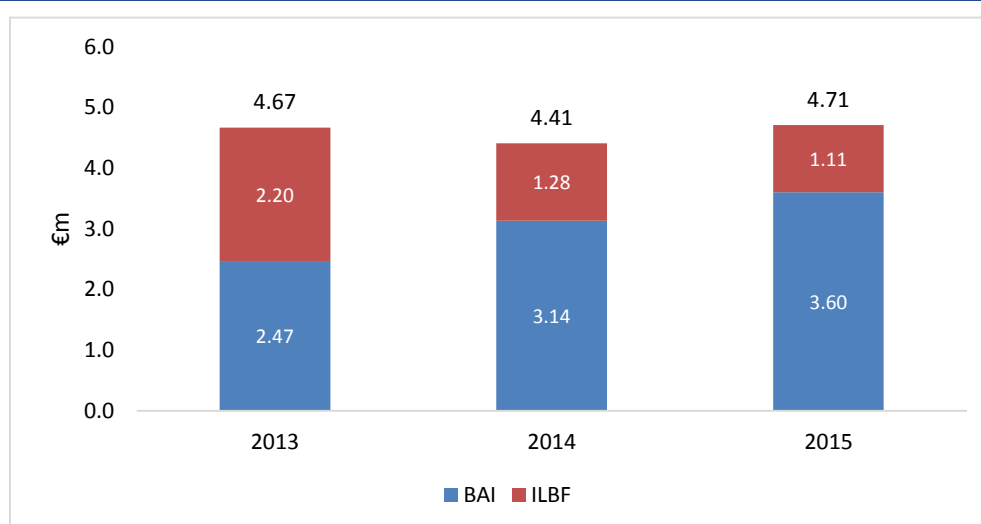
Source: TG4.

Note: Commissioning expenditure includes monies spent on acquiring other programme rights where required and in-house spend.

The independent production sector in Ireland is supported by TG4 through the facilitation of funds from the Sound and Vision Fund and the ILBF. While TG4 is not in direct receipt of this funding, this

represents another channel through which TG4 supports the independent production sector. Total production funds facilitated by TG4 for the independent production sector increased in 2015. The composition of these funds has changed significantly across 2013 to 2015, however, with a significant increase in funding from the BAI Sound and Vision Fund and a decrease in funding from the ILBF.

**Figure 3.24: Production Funds Facilitated for the Independent Production Sector by TG4 by Source, 2013 - 2015**



Source: TG4.

Note: TG4 does not receive this funding; it is received directly by the independent production sector. Rounding is applied.

### 3.2.4 Transparency and Efficiency

TG4 outlined three commitments under the thematic area of transparency and efficiency, relating to attribution of public funding, efficiency and value for money, and maximisation of commercial revenues. TG4 suggested that these three commitments were fully achieved in 2015.

TG4 exceeded 2015 targets on total income and total programming expenditure as well as attribution of public funding. TG4 also achieved its targets for costs per broadcast hour. TG4 did not achieve targets in 2015 for costs per viewer hour.

Table 3.14: TG4 Performance Against Transparency and Efficiency-Related Commitments, 2015

Commitment	Measure	Target	Level of Achievement*	2015 Performance
12. Spend at least 70% of TG4's public funding on Irish language content and use our public funding for public service objects and duties only	All public funding limited to TG4 public service objects and duties	Yes		
	Spend at least 70% of public funding on production of Irish language content and no more than 15% each on broadcast and overheads. In 2015, spend €22.77m on Irish language programming	€22.77m	Yes	€24.46m (75.4%)
	Commercial revenue only to be used for non-public service content as appropriate	Yes		
	Compliance with EU Commission State Aid Rules for Public Service Broadcasting	Yes		
	Maintain and further enhance (where required) of all internal controls, procurement and commissioning approaches etc. to support delivery of commitments	Yes		
	Total income	€35.5m	Yes	€35.7m
	Attribution of public funding vs budget	See Figure 3.26	Yes	See Figure 3.26
	New Irish language programming spend	€20.7m	Yes	€21.3m
13. Continued efficiency, maximising the value-for-money TG4 delivers	Programming expenditure by source	See Figure 3.25	Yes	See Figure 3.25
	Spend per Irish language content by genre	17 targets	Substantially	10 met, 7 not met
	Average cost per hour broadly in line with 2014 levels and below or at lower end of range of those of the BBC, S4C and RTÉ	2014 BBC/S4C/RTÉ	No Yes	5 of 14 met 2 of 3 met
	Cost per broadcast hour	See Figure 3.30	Yes	See Figure 3.30
	Content cost per viewer hour	€0.30	Substantially	€0.32
	WITBN Programming Exchange	TG4 exchanged 4 hours of programming for 48 hours from other members of the WITBN.		
	Co-productions	A number of initiatives planned for 2015 are in development for 2016		
	Other partnership initiatives	Fully achieved in 2015		
	Total FTEs	81	Yes	80
	Total Staff Costs	€5.9m	Yes	€5.9m
14. Increase our commercial revenues and develop new commercial opportunities for TG4	Commercial income targets	See Table 3.15	Yes	See Table 3.15

**Source: Indecon analysis of TG4 2015 Performance Review**  
**Note: Green = target achieved, red = target not achieved**  
**\*Substantially Achieved relates to quantitative performance within 10% of target**

**Commitment 12: Spend at least 70% of TG4's public funding on Irish language content and use our public funding for public service objects and duties only**

This commitment was achieved with 75.4% of public funding spending on the production of Irish language content, however It should be noted that this was a decrease on levels seen in 2014 (76%). In subsequent sections, we consider TG4 performance against targets/budgets for 2015 and consider trends in income, operating costs and programming expenditure in more detail.

*Analysis of Income*

TG4 marginally exceeded target for commercial income other than advertising and sponsorship and for the latter this was nearly achieved in 2015. For 2016, TG4 is targeting to maintain commercial income at 2015 levels and is targeting a small increase in public funding largely due to a special programmes grant of €900k.

Table 3.15: TG4 Income, Actual vs Budget 2015-2016			
	Target 2015	Actual 2015	Target 2016
	€000s	€000s	€000s
Grant-in-Aid/TV Licence Fee	32,240	32,429	33,440*
Commercial (advertising & sponsorship)	1,900	1,893	1,900
Other Commercial	1,400	1,417	1,400
<b>Total Income</b>	<b>35,540</b>	<b>35,739</b>	<b>36,740</b>
Source: Indecon analysis of TG4 2016 Annual Statement of Performance Commitments			
Note: *€32.54m current funding plus €900k special programme grant			

TG4's historical performance in attracting airtime and sponsorship sales saw gradual increases from 2012 to 2015 (€1.7m to €1.9m), however these sales fell in 2015. The performance of other income streams that make up total commercial income, like facilities charge-out and sundry income, were relatively flat over this period. It should be noted that this performance occurred against the background of a rapidly changing marketplace, as outlined in Section 2, and a static public funding base.

**Commitment 13: Continued Efficiency, maximising the value-for-money TG4 delivers**

This section addresses Commitment 13 in the subsequent sections through analysis of TG4's operating costs, programming expenditure and other relevant efficiencies.

*Analysis of Expenditures*

In 2015, TG4 slightly exceeded budget operating expenditure, due to higher than planned staff costs, commissioned programme costs, transmission costs and costs of marketing/research. The budget for 2016 envisages an increase in staff costs as well as increases in expenditure in commissioning.

Table 3.16: TG4 Operating Expenditure, Actual vs Budget 2015-2016

	Budget 2015	Actual 2015	Budget 2016
	€000s	€000s	€000s
Staff Costs	5,613	5,622	5,934
Board Costs	139	140	156
Programming Costs:			
Commissioning *, **	18,570	18,699	19,487*
Acquisitions / Dubbing *	4,349	4,340	4,083
Other Programme Costs *	1,041	1,026	933
Sub-Total Programming Costs	23,960	24,065	24,503
Transmission Costs	1,638	1,629	1,638
Marketing / Research *	1,637	1,693	1,347
Web & Digital Media			325
Overheads *	2,000	1,923	2,251
Operating Expenditure	34,987	35,072	36,156*
Source: Indecon analysis of TG4 Review of 2015 Performance and TG4 Annual Statement of Performance Commitments 2016			
Note: *Includes €900k from the special programme grant. Staff costs exclude staff costs allocated to archive project (which are included in dubbing and other costs), and capitalised staff costs. ** Commissioning includes commissioned programming and productions.			

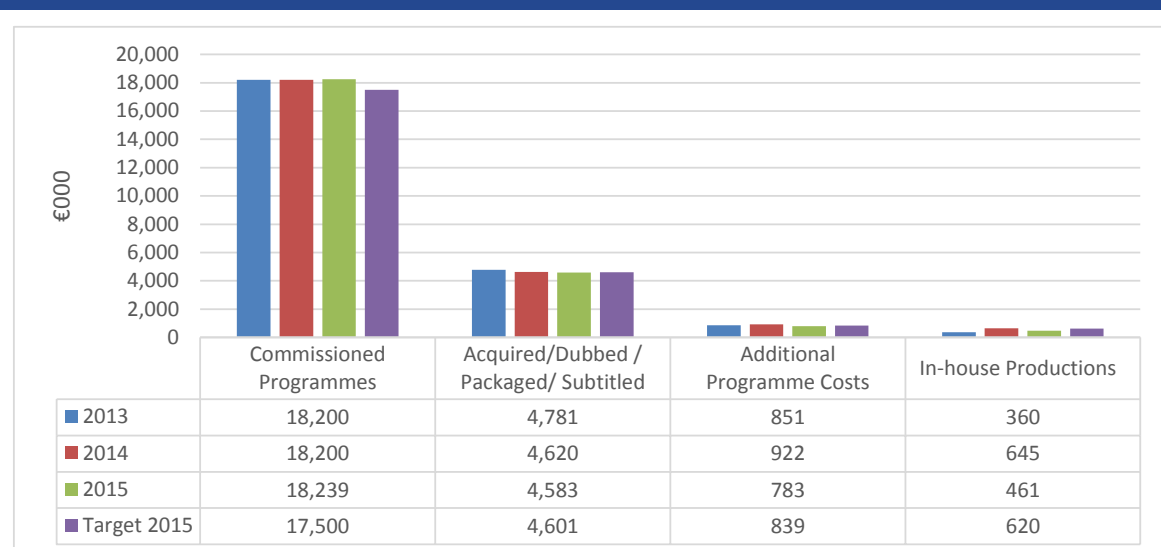
TG4 expenditure increased only marginally from €37.1m to €37.4m over the 2012 to 2015 period. In considering this, it is useful to review TG4's operating ratio. This financial ratio compares operating expenses to net sales. Applying this ratio to TG4 shows little movement in this measurement of operational efficiency between 2012 and 2014, with both years having a ratio of approximately 14.2, with 2015 being marginally lower.<sup>30</sup> This reflects the relatively low overhead base in TG4 and the fact the broadcaster outsources many of its programmes.

Programming expenditure targets for 2015 were largely achieved; in-house programming expenditure was lower than targeted. 2015 saw a decrease in Irish language programming expenditure when compared to 2014 driven primarily by underperformance in the drama/Irish soap and entertainment / lifestyle genres. These genres missed their internal targets and also saw a marked reduction compared to 2014. For example, expenditure on Entertainment / Lifestyle fell 35% while Drama / Irish Soap fell 8%. Expenditure on sport increased representing TG4's targeting of this genre. This should be closely monitored in subsequent reviews.

<sup>30</sup> Generally this ratio is less than 1, however given TG4's reliance on public funding this is larger. 2014: Net sales: €2,642, Expenditure: €37,416. 2015: net sales €2,606, expenditure: €37,089.



Figure 3.25: TG4 Programming Expenditure by Source, 2013-2015



Source: TG4 Review of 2015 Performance and TG4 Review of 2014 Performance

Note: Acquired/Dubbed/Packaged/Subtitled excludes spend on Acquired support schedule for comparison with target

TG4 largely achieved its Irish language programming expenditure targets by genre. **[Redacted: Data is commercially sensitive]**. As mentioned above, the growing significance of music and sport should be monitored to ensure positive gains are not at the detriment of other genres, however Indecon note that TG4 consider these genres important for attracting strong audience numbers and in particular non-fluent Irish speakers.

Figure 3.26: TG4 Trend in Spend on Irish Language Programming by Genre, 2013 - 2015

**[Redacted: Data is commercially sensitive]**

Source: TG4 Review of 2015 Performance and TG4 Review of 2014 Performance

As indicated previously, there was a decline in the overall expenditure on commissioned programming for TG4 in 2015, which was due to funding pressures. The decline in overall commissioned programming expenditure was driven by decreases in expenditure on **[Redacted: Data is commercially sensitive]** While a diversified genre mix is not a statutory requirement of TG4, in order to maintain audience shares TG4 should monitor its full programme suite subject to

budgetary considerations. Indecon note that TG4 consider specific genres, for example sport and music, to be key drivers of audience numbers.

**Figure 3.27: TG4 Trend in Spend on Commissioned Programmes by Genre, 2013 - 2015**

*[Redacted: Data is commercially sensitive]*

Source: TG4 Review of 2015 Performance and TG4 Review of 2014 Performance

As indicated previously, in-house productions account for only a small portion of total TG4 programming expenditure and are concentrated on a smaller number of genres. TG4 had targeted spend in a number of genres including *[Redacted: Data is commercially sensitive]*. In 2015, TG4's actual in-house programming expenditure was lower than targeted and concentrated in the *[Redacted: Data is commercially sensitive]*.

**Figure 3.28: TG4 Trend in Spend on In-House Produced Programmes by Genre, 2013 - 2015**

*[Redacted: Data is commercially sensitive]*

Source: TG4 Review of 2015 Performance and TG4 Review of 2014 Performance

Irish language acquired programming expenditure exceeded targets in 2015 and was largely concentrated in *[Redacted: Data is commercially sensitive]*.

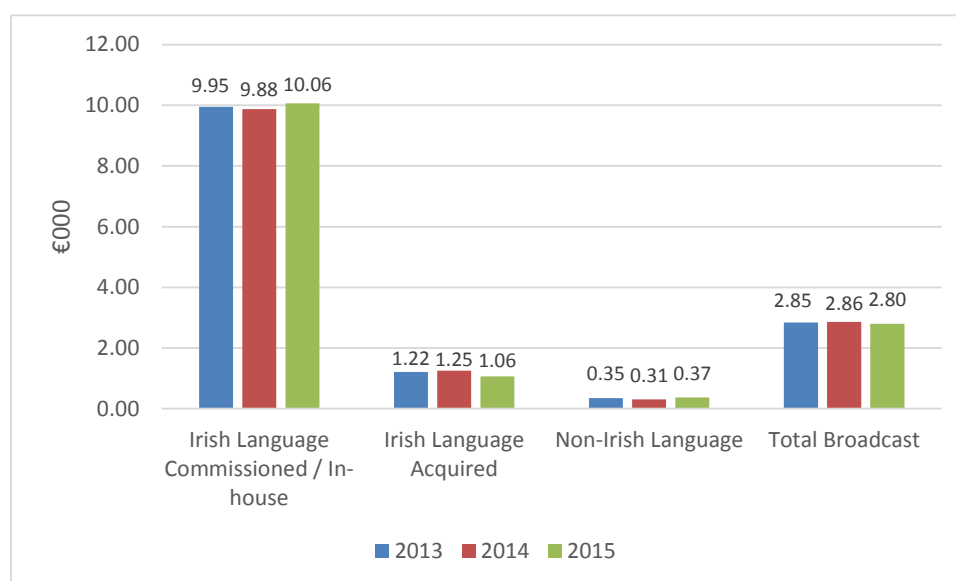
Figure 3.29: TG4 Trend in Cost of Irish Language Acquired Programmes by Genre, 2013 - 2015

*[Redacted: Data is commercially sensitive]*

Source: TG4 Review of 2015 Performance and TG4 Review of 2014 Performance

It is instructive to consider trends in cost per broadcast hour as a measure of TG4 efficiency and value for money. There was a slight decline in total cost per broadcast hour between 2014 and 2015, which was driven by a decline in cost per broadcast hour of Irish language acquired programming. Following a decline between 2013 and 2014, cost per broadcast hour of Irish language commissioned/in-house programming and non-Irish language programming increased slightly between 2014 and 2015. The overall cost of broadcast hours of acquired programme like other areas of programme expenditure is influenced by specific programme decisions and Indecon would caution again over interpreting these aggregate measures.

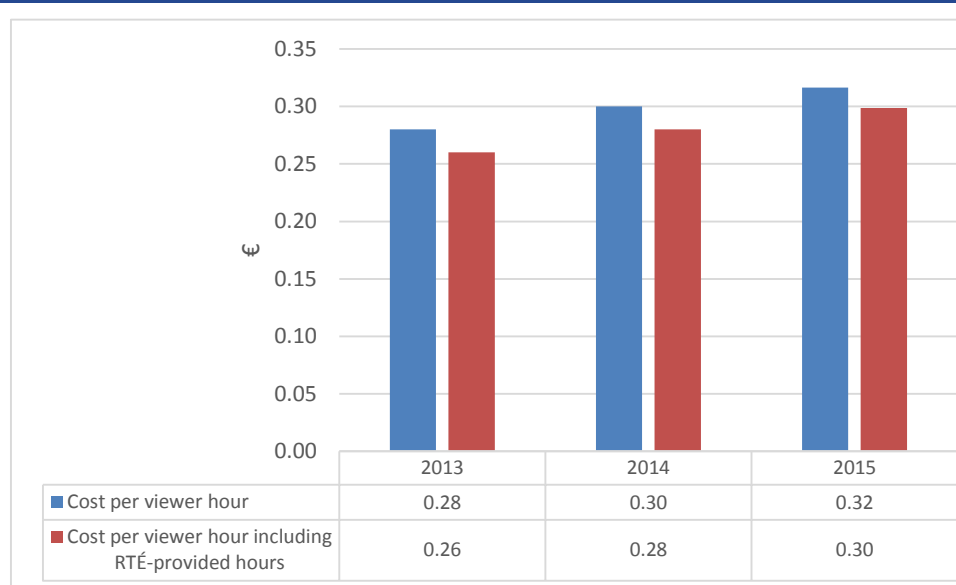
Figure 3.30: TG4 Cost Per Broadcast Hour by Source, 2013 - 2015



Source: TG4 Review of 2015 Performance and TG4 Review of 2014 Performance

During 2015 there was an increase in television cost-per-viewer hour. Fluctuations in this metric can be caused by movements in audience numbers (including amount of time spent watching TV) and the costs of production. As has been presented previously, TG4's daily and weekly reach both fell in 2015 (by 8% and 2.7% respectively), while total expenditure, alongside programme expenditure, also fell but to a lesser extent. This indicates that the increase in cost-per-viewer hour is due to the decline in audience numbers. TG4 indicates that this trend is seen generally across traditional broadcasters, and excludes the growing audiences who choose to watch TG4's online content. However, as outlined in Section 2, television is still the dominant form of media consumption with a large proportion of homes in Ireland owning a TV. Indecon recommends particular emphasis is placed on analysing the services provided by the increasing number of competitors in order to develop a plan to stem the fall in audience numbers and lessen the growth in cost per viewer hour.

**Figure 3.31: TG4 TV Cost per Viewer Hour, 2013 - 2015**

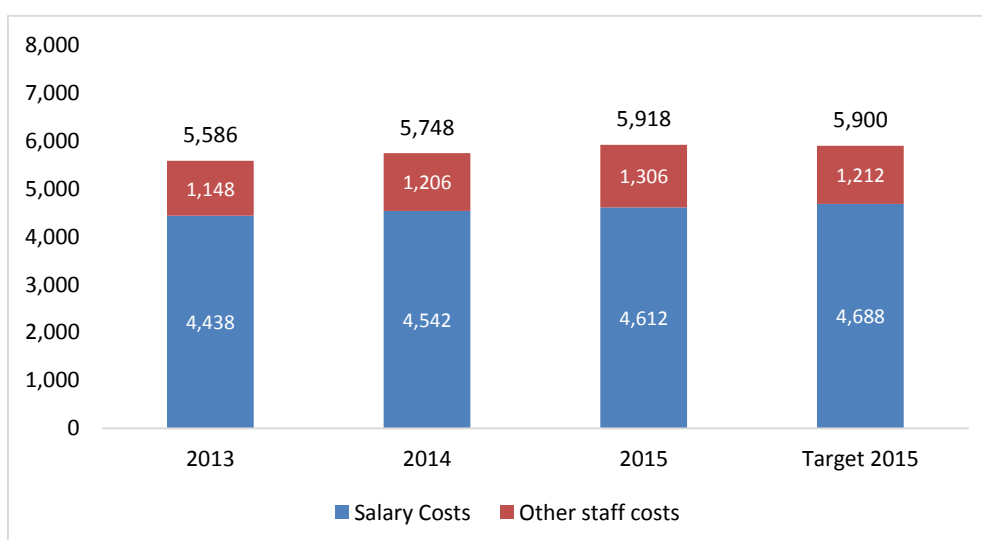


*Source: TG4 Review of 2015 Performance and TG4 Review of 2014 Performance*

*Note: Rounding has been applied to above values*

When considering efficiency and value for money it is also important to consider trends in staff costs and staff numbers. TG4's total staff costs increased in 2015 and slightly exceeded targets. Salary costs account for the majority of TG4 staff costs. Rising staff costs, from €5.5m in 2012 to €5.9m in 2015 is of concern especially as the average number of employees fell from 84 to 80 in the same period. This trend merits continued monitoring to ensure staff resources are efficiently managed.

Figure 3.32: TG4 Staff Costs, 2013 - 2015, €'000s



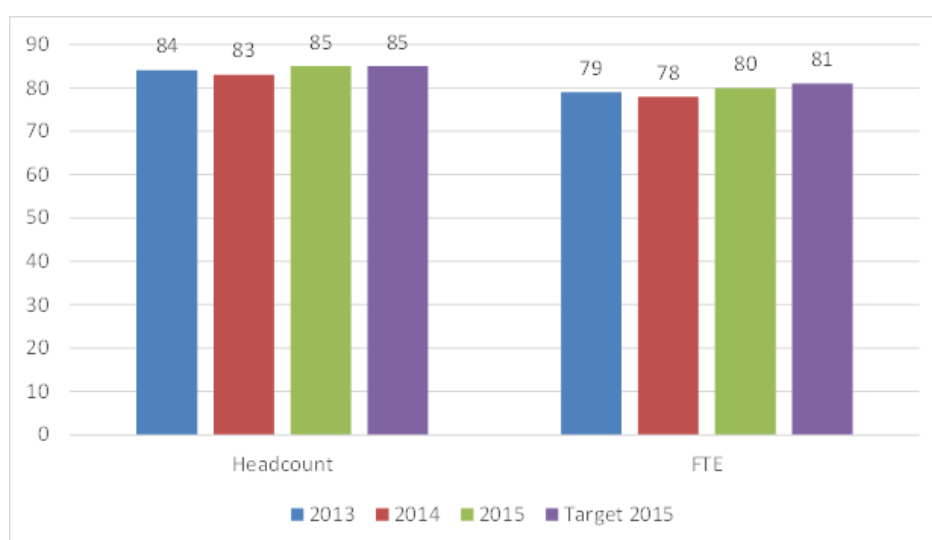
Source: Indecon analysis of TG4 Annual Report 2015 and TG4 Performance Review 2015.

Note: 2014 values differ minimally across sources. Review of Performance commitments staff costs – 5710, salary - 4498

Note: Other staff costs include social welfare costs, pension costs, travel and subsistence, training and other costs. Staff costs are before capitalisation of staff costs and do not include staff costs allocated to the archive project, which are included in dubbing and other costs.

2015 also saw an increase in the number of staff employed by TG4, in both headcount and FTE terms, although this was less than the target number for employees.

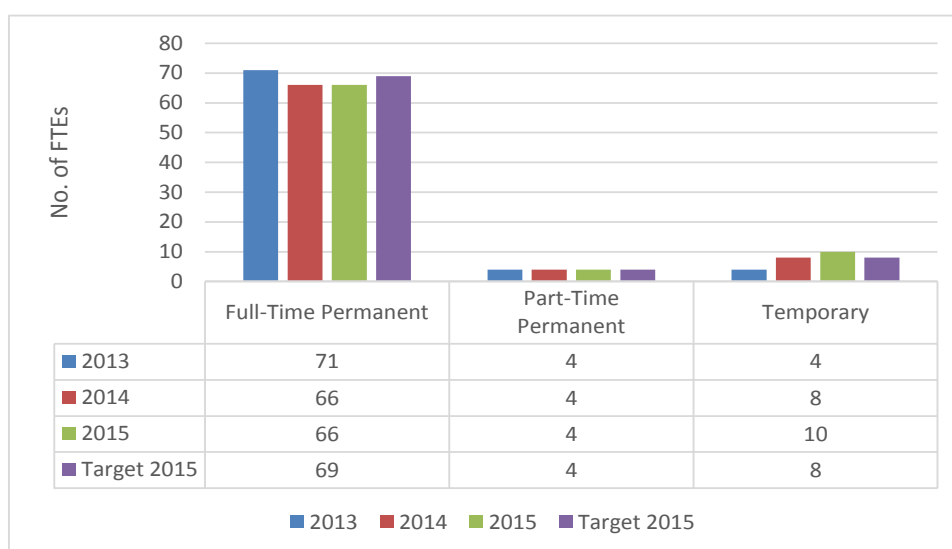
Figure 3.33: TG4 Employee Headcount and FTE, 2013-2015



Source: TG4 Review of 2015 Performance and TG4 Review of 2014 Performance

The majority of staff employed by TG4 is full-time permanent. TG4 had targeted an increase in the number of full-time permanent staff for 2015. However, the number of full-time permanent staff remained stable in 2015, with an increase observed in the number of temporary staff.

Figure 3.34: TG4 FTE Employment by Type, 2013-2015

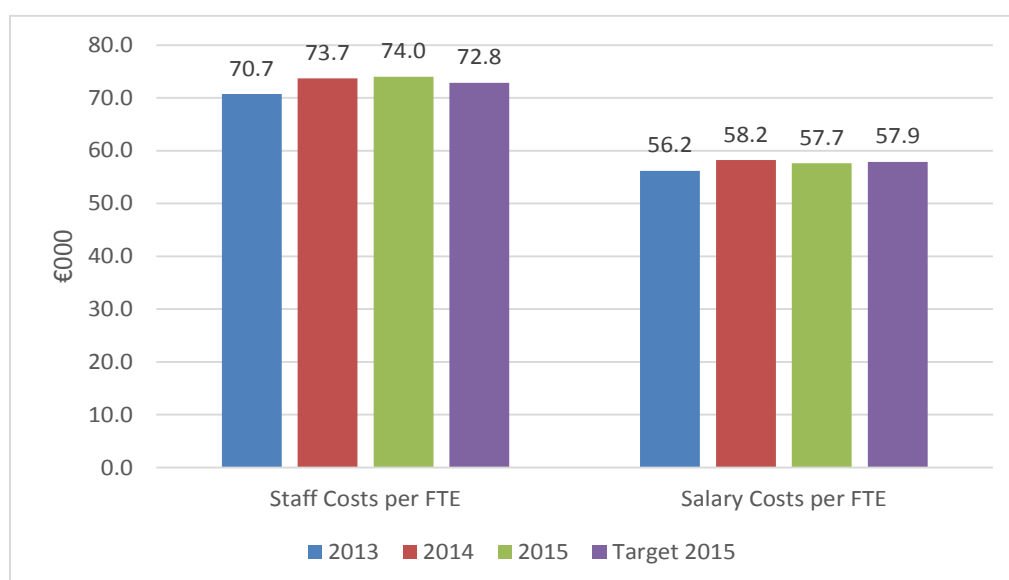


Source: TG4 Review of 2015 Performance and TG4 Review of 2014 Performance

It is also instructive to consider changes in costs per FTE staff. TG4 was targeting a slight decrease in both staff costs and salary costs per FTE. Staff costs per FTE slightly increased between 2014 and 2015. There is a business need for core staff to meet targets and deliver quality service. Given TG4's falling average staff numbers and TG4's commitment to undertaking staff cost controls in its Review of Performance Commitments 2015, the rising staff costs per FTE is of concern. This is especially crucial given a decrease in staff costs per FTE was forecast for this year.

While Indecon is of the opinion that TG4 in general operates with relatively small numbers of staff and depends heavily for programming from the independent sector, it will be important to ensure that staff costs are tightly managed particularly in the context of low audience numbers.

Figure 3.35: TG4 Costs per FTE, 2013-2015



Source: Indecon analysis of TG4 Annual Report 2015 and TG4 Performance Review 2015.

Note: 2014 values differ across sources. Review of Performance staff cost per FTE 2014 – 73.2, salary cost per FTE 2014 – 57.8

Note: Other staff costs include social welfare costs, pension costs, travel and subsistence, training and other costs. Staff costs are before capitalisation of staff costs and do not include staff costs allocated to the archive project, which are included in dubbing and other costs.

TG4 noted in the 2015 ASPC that TG4 studio output would be subcontracted to Irish language independent production companies to evaluate quality and value for money. An independent production company was commissioned to produce three of the five internally produced programmes<sup>31</sup> at a total additional cost of €86,000. Due to the high additional cost of production alongside budgetary restrictions, TG4 did not commission the production of the remaining two programmes. TG4's assessment of the commissioned programmes determined that while they were produced to a high standard and quality, the additional cost would not justify the continuation of this outsourcing model. In Indecon's view this requires continuing monitoring. The TG4 studio continues to be utilised by external production companies, for example, the new Bealoideas Beo programme was produced on-site at TG4.

#### **Commitment 14: Increase our commercial revenues and develop new commercial opportunities for TG4**

This commitment is addressed through analysis of TG4's historical and current levels of income from both public and commercial sources.

The majority of TG4's income is State funding, with State funding accounting for 90.7% of total TG4 income in 2015. There was a slight decline in State funding for TG4 in 2015, in addition to a slight decline in commercial income. Air-time advertising and sponsorship accounted for 57% of total commercial income in 2015, and declined by 3.6% between 2014 and 2015. It should however be noted that commercial income in 2015 remained above 2013 levels, which may in part reflect the improvements in the Irish economy.

<sup>31</sup> 7 Lá, Comhrá & Róisín were commissioned for production. I mBarr do Shláinte & Ó Cuisine were not outsourced.

Table 3.17: Composition of TG4 Income 2013 - 2015

	2013	2014	2015	% change 2014 - 2015
	€000s	€000s	€000s	%
<i>Airtime and sponsorship sales</i>	1,782	1,964	1,893	-3.6%
<i>Facilities charge-out</i>	580	581	579	-0.3%
<i>Sundry income</i>	731	854	838	-1.9%
Commercial Income	3,093	3,399	3,310	-2.6%
State Funding for Current Expenditure*	32,750	32,750	32,429	-1.0%
<b>Total</b>	<b>35,843</b>	<b>36,149</b>	<b>35,739</b>	<b>-1.1%</b>
% Income from State Funding	91.37%	90.60%	90.74%	
% Income from commercial income	8.63%	9.40%	9.26%	
Source: Indecon analysis of TG4 Annual Report 2015 and 2014. *Excludes the amortisation of grants and grants applied for capital purposes.				

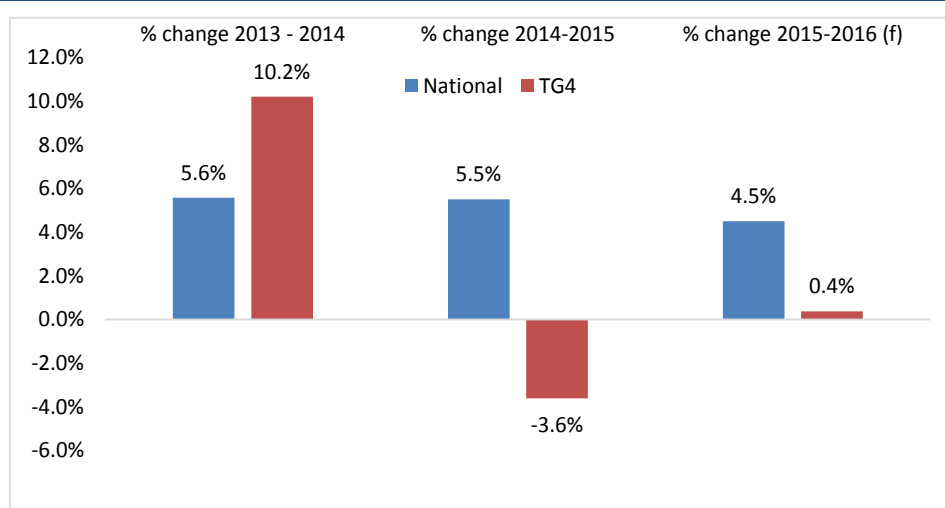
There was also a slight decline in net commercial income for TG4 in 2015.

Table 3.18: TG4 Net Commercial Income 2013-2015

	2013	2014	2015
	€000s	€000s	€000s
Commercial Income	3,093	3,399	3,310
Cost of Sales	-636	-716	-668
<b>Net Commercial Income (Net Sales)</b>	<b>2,457</b>	<b>2,683</b>	<b>2,642</b>
Source: TG4 Annual Report 2015 and 2014			

It is instructive to consider the change in TG4's advertising revenues in comparison to changes in the overall market for television advertising revenues. While the revenue growth of TG4 is not necessarily linked to market growth, such a comparison is useful as a suggestive sense-check of TG4's performance vis-a-vis average market trends. TG4's advertising revenues declined in 2015, compared to an overall increase in television advertising revenues, however Indecon note the potential difficulties in measuring overall market trends. TG4 indicates that the decrease in revenues is due to demographic pressures specifically related to under-44s and Housekeepers with children. Between 2013 and 2014 TG4's advertising revenues grew by more than 10% and significantly exceeded growth in overall television advertising revenues. It is, however, clear that TG4 has not increased its commercial revenue during 2015 or developed significant new commercial opportunities.



**Figure 3.36: % Change in Television Advertising Revenues, National vs TG4, 2013 – 2016**

*Source: Indecon analysis of TG4 Annual Statement of Performance Commitments & Annual Reports 2015 and 2014, Core Media Outlook 2016 and Carat Outlook 2016*

Note: Indecon national television estimates calculated as an average across Core Media and Carat estimates. Forecasted marketing revenues are subject to additional revision and confirmation by KPMG after request from TAM Ireland..

TG4 indicates that airtime prices were renegotiated in 2015 resulting in average increases of 10% across all clients and that brand count was increased. In addition, new sponsorship deals were agreed with a number of clients. TG4's out-turn CPT<sup>32</sup> in 2015 was **[Redacted: Data is commercially sensitive]** for adults.

### 3.2.5 Trust and Good Governance

TG4 identified two commitments under the thematic area of trust and good governance and reports that both commitments were fully achieved in 2015.

<sup>32</sup> CPT = Cost per Thousand, e.g. the cost per 1000 commercial impacts for a specific target audience. Often referred to as Average Station Prices.

**Table 3.19: TG4 Performance Against Trust and Good Governance Commitments, 2015**

Commitment	Measure	2015 Performance
15. Maintain best-practice governance and reporting systems	Board	2015 commitments achieved, including completion of a risk management review and three internal audits
	Minister/DCENR	Reporting requirements achieved in 2015, including statement of performance commitments for 2015, review of 2014 performance commitments and 2014 Annual Report. TG4 continued to engage with the Government on the 20 Year Strategy for the Irish Language.
	BAI	TG4 reports that it achieved all commitments in 2015. Access Rules not met.
16. Deliver our public service and statutory requirements, complying with all relevant broadcasting codes and regulations	Adherence to Statutory Requirements	TG4 reports that all targets and metrics were achieved in 2015. TG4 adhered Broadcasting Codes and Guidelines
	Independence, Impartiality & Reliability	No formal complaints about TG4 were made to the BAI. Regular meetings took place with RTÉ on the delivery of the Nuacht service.
	Industry/Stakeholder Consultation	TG4 reports all targets achieved in 2015.

*Source: Indecon analysis of TG4 data.*

#### **Commitment 15: Maintain best-practice governance and reporting systems**

TG4 achieved its commitment to maintaining best-practice governance and reporting systems through three separate measures relating to various TG4 stakeholders. In 2015, the Board completed a risk management review and conducted three internal audits. TG4 met its reporting requirements by publishing its statement of performance commitments 2015, review of performance commitments 2014, and its 2014 Annual Report. TG4 performance relative to BAI's Codes and Guidelines related to the accessibility of programming to audiences with disabilities and the results show a slightly lower outturn than targeted. 2015 (45% vs. 47% target). However, it should be noted that performance was above 2014 levels and within the 10% threshold to be considered substantially achieved by Indecon. TG4 cites funding constraints as the major barrier to achieving this objective.

#### **Commitment 16: Deliver our public service and statutory requirements complying with all relevant broadcasting codes and regulations**

The PSB also adhered to its statutory requirements in relation to achieving targets and meeting Broadcasting Code and Guidelines criteria. TG4 had no formal complaints lodged against it to the BAI and achieved their targets in relation to stakeholder consultation. Some specific items that do not appear to have been completed under this commitment, including a review by the Board of TG4 of the PSB's five-year strategy. TG4 indicates that such a review is planned in late 2016.

### **3.3 Adequacy of 2015 Commitments**

Section 102(1) of the Broadcasting Act 2009 requires that the annual statement of performance commitments be prepared by a corporation in accordance with its objects, any extant statement of strategy and any extant public service statement.

A determination of the adequacy of commitments therefore requires consideration of two separate aspects: firstly, whether the commitments are sufficient to cover the requirements placed on the

broadcaster by the documents outlined above. Secondly, it is also important to consider the targets set out within each commitment to determine whether they have been set as 'stretch' targets.

### 3.3.1 Broadcasting Act 2009

In addition to requiring that the annual statement of performance commitments be prepared in accordance with the objects, statement of strategy and public service of the corporation, section 102(2) of the Broadcasting Act requires that the annual statement of performance commitments addresses:

1. Original commissioned or in-house produced children's programming to be broadcast;
2. Irish language programming to be broadcast;
3. Science and technology programming to be broadcast;
4. Magazines and books to be prepared in pursuance of the corporation's public service objects; and
5. Recorded audio material to be distributed in pursuance of the corporation's public service objects.

TG4's commitments addressed these aspects in 2015 – with targets set for hours of children's programming, overall Irish language programming and science and technology programming under Commitment 5 of the ASPC. An educational workbook for children was targeted under Commitment 3 (children and young people), and this was published in 2015. TG4 also outlined total broadcasting hours by genre under Commitment 5 and identified a number of target programmes to be broadcast in 2015.

We start by considering whether the commitments are sufficient to meet TG4's objects and are aligned to TG4's statement of strategy and public service statement. Our opinion is that TG4's commitments in 2015 are adequate to address its public service objects. In addition, TG4 performed well against its public service objects in 2015. TG4 no longer maintains teletext services and does not have an established performing group, although is supportive of them through musical commissioning, but otherwise all public service objects were addressed through the commitments or individual measures within the commitments in 2015.

**Table 3.20: TG4 Public Service Objects Not Met**

Object -	Performance
The objects of TG4 are-	
<b>Section 114 of Act:</b> (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),	2 - Website redesigned, no teletext
<b>Section 114 of Act:</b> (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),	No performing groups. Supported through commissioning of music programmes and events.
<i>Source: Indecon analysis of Broadcasting Act 2009 &amp; TG4 Review of 2015 Performance</i>	

TG4's public service statement was updated in 2015 and it is instructive to consider how the annual statement of performance commitments is aligned to the new public service statement. The annual

statement of performance commitments is in our judgement very closely aligned to the public service statement, with many of the principles and actions in the public service statement explicitly outlined in the commitments or individual targets within the ASPC. There were a few high-level principles which are not explicitly stated within the ASPC – Indecon considers however that these are covered under TG4’s commitment 16, namely to deliver public service and statutory requirements complying with all relevant broadcasting codes and regulations. Indecon has identified only one action, namely to strive to broadcast six hours of new/original Irish language content per day, that was not met in 2015. It should be noted, however, that this is cited as a longer term objective and therefore may not be expected to be achieved in 2015. The 2015 ASPC targets 4.61 hours of new Irish language programming per day, which was a decrease compared to 2014 actual performance. TG4 has indicated in its 2016 ASPC that “(...) given the almost €6m reduction in TG4’s current funding since 2009, there continues to be a gap between current funding levels and what is required for TG4 to significantly develop its Irish language broadcast schedule”. Within this context, Indecon acknowledges that TG4 slightly increased its target for average new Irish language programming to 4.68 hours per day in 2016. However, this again represents a lower target than 2015 actual performance. As TG4 identifies six hours as the required level to properly develop and sustain the channel as a national Irish language broadcasters, progress towards this long term goal should be examined in future reviews. This is further emphasised due to the reduction in the number of new Irish language hours in 2015 after three years of sustained growth.

Table 3.21: TG4 2015 Performance Against Public Service Statement – Commitments Not Met	
	ASPC No.
In fulfilment of these principles, TG4 will:	
Deliver content mainly in the Irish language and strive to broadcast at least six hours per day of original/new Irish language content	5 – Target for 2015 was 4.61 hours per day
<i>Source: Indecon analysis of TG4 Public Service Statement &amp; TG4 Review of 2015 Performance</i>	

Prior to the five-year review published in 2013, TG4 devised a statement of strategy for 2013 – 2017 which assumed annual increases in the public funding received by TG4. TG4 was subsequently asked to revise the strategic plan based on 2012 revenue allocations. TG4 determined two additional scenarios, one assuming flat funding and the second incorporating some extra funding for specific initiatives. Given that TG4’s public funding was in fact slightly reduced in 2015, Indecon believes it is appropriate to compare the 2015 ASPC to the initiatives outlined under Scenario 1 of the revised Statement of Strategy.

TG4’s ASPC in 2015 is very closely aligned to its Statement of Strategy for 2013 – 2017. The target for average number of hours per day of the 32 week core schedule for 2015 was slightly below the target for the five-year strategy – however, 2015 performance exceeded this target and furthermore, the 2016 target under this commitment has been increased to 5.1 hours per day. There are two commitments under the strategic plan, which are not explicitly outlined in the 2015 ASPC, relating to development of TG4 resources and engagement with providers of Irish TV content in international markets. However, Indecon considers that these commitments are addressed by initiatives undertaken by TG4 in 2015, including creative resources supported and further development of TG4 online resources, including the redesign of the TG4 website.

**Table 3.22: TG4 2015 Performance Against Statement of Strategy 2013 – 2017 – Commitments Not Met**

5 year Commitment	ASPC No.
Ongoing organisational re-structuring and development of TG4 resources to ensure the complex balance of specialist technical and creative skills continue to be embedded within the organisation	Not mentioned in 2015 ASPC
Aim to engage with all viable providers of Irish TV content in international markets (particularly those in North America and Australia) to ensure TG4 programming is available in those territories to all those with an interest in Irish culture, music and language	Not mentioned in 2015 ASPC. TG4 consider this met via bundling of content
<i>Source: Indecon analysis of TG4 Statement of Strategy 2013 – 2017, Additional Scenarios &amp; TG4 Review of 2015 Performance</i>	

Having considered TG4's public service objects, public service statement and statement of strategy 2013 – 2017, Indecon is of the opinion that TG4's commitments for 2015 are adequate in content and successfully address TG4's longer-term commitments. We now consider whether the measurable targets have been set at appropriate levels for 2015.

### 3.3.2 Evaluation of Targets

For the most part, Indecon finds that targets have been set at appropriate levels taking into account previous targets and performance in previous years. There are a few metrics which merit closer inspection, however, due to their importance, including:

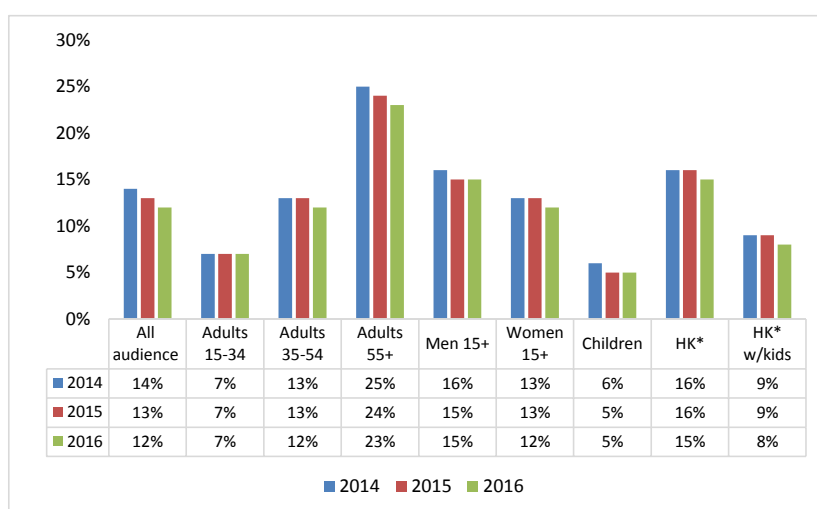
- ☐ Audience targets;
- ☐ New Irish language programming hours;
- ☐ Total broadcasting hours by source;
- ☐ Commercial income;
- ☐ Total programming costs; and
- ☐ Irish language programming costs.

We also consider 2016 targets under these headings.

#### **Audience**

TG4's daily reach targets have declined year-on-year across 2014 to 2016. This reflects the overall decline in daily reach observed across all of the major channels in Ireland (as demonstrated in Table 2.6 previously), reflecting increased competition due to an increased number of channels. However, it is important that TG4 continues to focus on audience targets and explores ways to enhance its market position including among younger audiences. The process of maintaining market position when funding is static will however prove more challenging. Maintaining strong audience figures is important for TG4 not only in achieving its vision of promoting the Irish language and culture but also in efficiency terms, as cost per viewer hour is an important measure of TG4's value for money. Declining audience numbers will have the impact of increasing cost per viewer hour unless programming expenditure declines accordingly, which would have a knock-on impact on programme quality. We find that targets for daily reach are adequate for 2015 and 2016, but believe that any further declines in target daily reach should be explained alongside detailed responses of the proposed and attempted strategies for addressing this decline.

Figure 3.37: Target Daily Reach by Demographic, 2014 - 2016



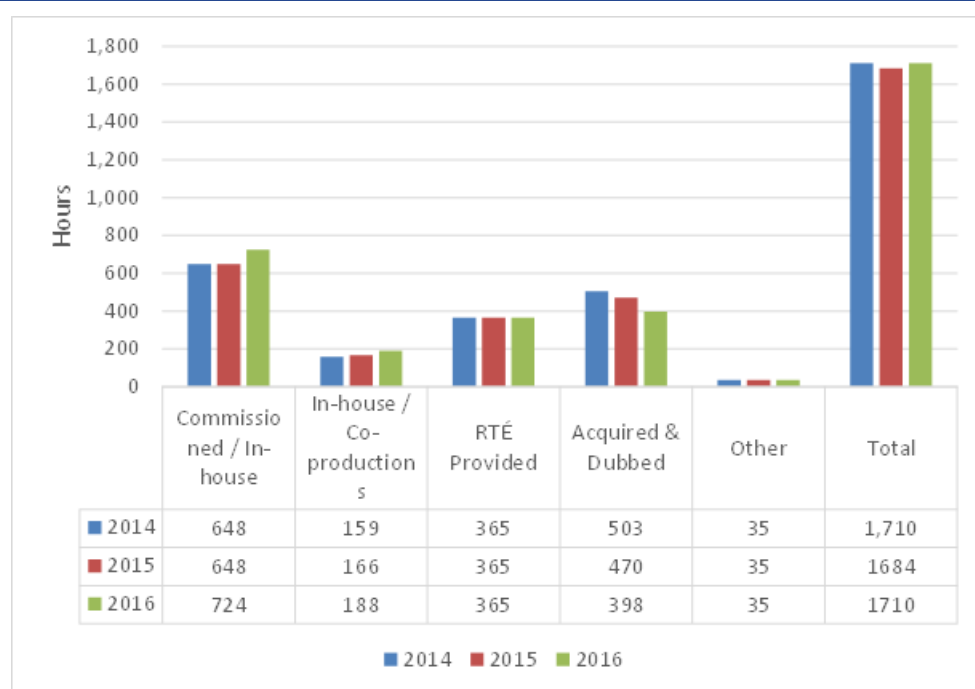
Source: TG4 Review of 2015 Performance, Review of 2014 Performance and 2016 Annual Statement of Performance Commitments  
 Note: \*HK = Housekeeper

### Programming Hours

There was a slight decline in the total number of target new Irish language hours between 2014 and 2015, driven by a decrease in the number of acquired/dubbed hours. TG4 notes in the 2015 ASPC that the decline in the target for 2015 was driven by the reduction in TG4's public funding levels. We recognise that the decline in public funding would have an impact on the number of Irish language programming hours and in this context, it is positive that the targeted decline in the number of Irish language hours did not impact the target number of hours commissioned from the independent production sector. However, TG4's target total income<sup>33</sup> for 2015 was 1.7% less than actual 2014 income whereas target Irish language hours were 7.5% less than actual 2014 hours. This indicates that there may be a significant impact of changes in its budget on Irish language hours, however other factors such as scheduling and availability of content will impact hours of content delivered.. Similarly, target hours for 2016 are 2.4% lower than actual 2015 hours, while total income is targeted to increase by 2.8%.

<sup>33</sup> Total income includes Grant-in Aid / TV Licence Fee, Commercial (advertising & sponsorship), and Other Commercial Income

Figure 3.38: Target New / Original Irish Language Hours, 2014 - 2016



Source: TG4 Review of 2015 Performance, Review of 2014 Performance and 2016 Annual Statement of Performance Commitments

TG4's target broadcasting hours for 2015 and 2016 are presented in Table 3.23. TG4 target hours for children increased dramatically in 2015 but were reduced for 2016. In its 2016 ASPC, we believe it has made a concerted effort to engage the teenage audience as different from children. This, however, is not reported separately in its target broadcasting hours.

Table 3.23: Target Broadcasting Hours by Genre, 2014 - 2016

	2014	2015	2016	% change 2014 - 2015	% change 2015 - 2016
Drama / Irish Language Soap*	3,360	2,751	3,318	-18%	21%
Houses of the Oireachtas / European Parliament	1,545	1,535	1,585	-1%	3%
Entertainment / Lifestyle	1,111	1,353	632	22%	-53%
Sport	995	1,203	944	21%	-22%
Documentaries / Human Interest	730	769	1,043	5%	36%
Children's*	220	400	317	82%*	-21%
Music	353	344	376	-3%	9%
News / Current Affairs	183	195	188	7%	-4%
Arts	105	109	78	4%	-28%
Science & Technology (and Wildlife)	95	54	51	-43%	-6%
Other	55	44	228	-20%	418%
Religion	8	3	0	-63%	-100%
<b>Total</b>	<b>8,760</b>	<b>8,760</b>	<b>8,761</b>	<b>0%</b>	<b>0%</b>

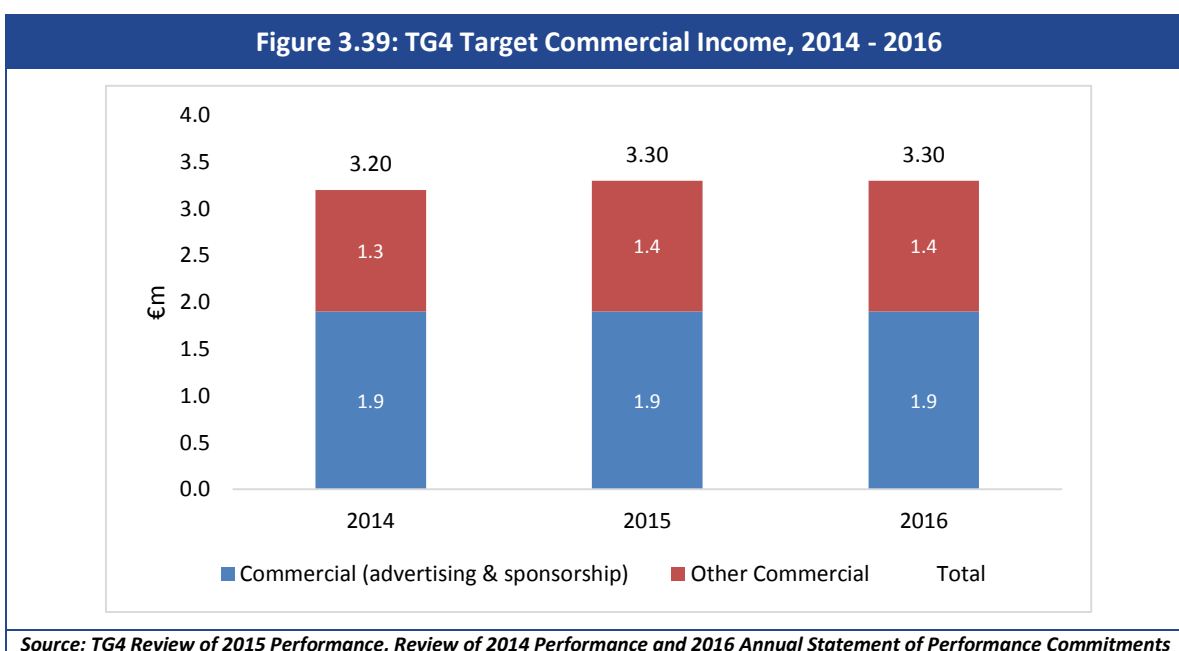
Source: Indecon analysis of TG4 Review of 2015 Performance, Review of 2014 Performance and 2016 Annual Statement of Performance Commitments

\*Children's increase primarily due to a reclassification of Kid's Dubbed from Drama to Children's.

### Commercial Revenues

TG4's target commercial revenues for the period 2014 to 2016 are presented in Figure 3.39 overleaf. TG4 did not target an increase in advertising and sponsorship revenue in 2015, but did target an increase in other commercial income. No increase in commercial income has been targeted for 2016. While the recession had a very significant effect on the advertising market, recent estimates of the size of the advertising market in Ireland suggest that there has been a recovery in television advertising revenues over the past few years. Forecasts suggest that television advertising revenues are likely to increase. Indecon recognises that advertising revenues that can be commanded by broadcasters are dependent on audience figures, among other factors, and TG4's audience has been declining. Other factors affecting TG4's commercial revenues include a greater number of international competitors and technology-based substitutes to the traditional media landscape. These will put downward pressure on TG4's commercial revenues due to reducing audience numbers, price pressures from opt-in advertising, and an increasingly important online media environment. TG4 has attempted to address these critical areas through increasing their offering of online content and expanding the number of devices on which TG4's content is offered.

In addition, Indecon recognises that TG4 undertook a number of initiatives in 2015 with the aim of maximising commercial revenues and targets for 2015 were just achieved. As such, we are of the opinion that the 2015 targets were adequate. However, in the context of growth in the advertising market, it may be worth considering increasing targets slightly in subsequent years but we believe there are marked constraints on what is feasible.



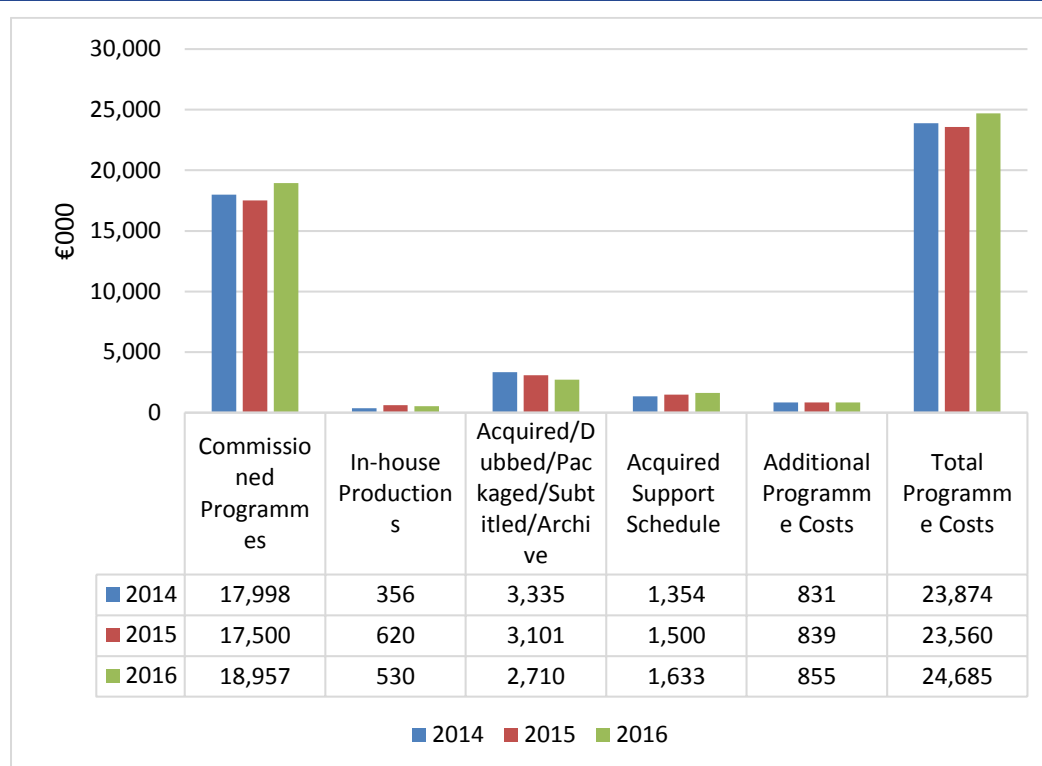
### Programming Costs

TG4 targeted a slight decrease in total programming costs for 2015, driven largely by a decrease in the cost of commissioned programming. TG4 noted that the decline in total programming costs was due to reduced funding and programming budgets. We note that TG4 has targeted an increase in



commissioned programming expenditure for 2016, leading to an overall increase in total programming costs. This reflects both the increase in public funding alongside a special grant for programmes commemorating 1916. Longer-term programming budgets should be monitored to establish the effect of the special grant supplement in 2016.

**Figure 3.40: TG4 Target Programming Expenditure by Source, 2014-2016**



Source: TG4 Review of 2015 Performance, Review of 2014 Performance and 2016 Annual Statement of Performance Commitments

Targets for Irish language programming costs by genre are presented in Table 3.24. 2015 targets are adequate.

Table 3.24: Target Irish Language Programming Expenditure by Genre, 2014 - 2016					
€000s	2014	2015	2016	% change 2014 - 2015	% change 2015 - 2016
Sport	<i>[Redacted: Data is commercially sensitive]</i>				
Drama / Irish Language Soap					
Documentaries / Human Interest					
Children’s					
Entertainment / Lifestyle					
Music					
Arts					
News / Current Affairs					
Science & Technology (& Wildlife)					
Religion					
Other					
Houses of the Oireachtas / European Parliament					
Total					
Source: Indecon analysis of TG4 Review of 2015 Performance, Review of 2014 Performance and 2016 Annual Statement of Performance Commitments					

### 3.3.3 Summary of Adequacy of Commitments

Indecon's analysis finds that TG4's commitments for 2015 were adequate in terms of content and quantitative targets. TG4 performed well against its public service objects in 2015, and adequately met its legislative objectives as outlined in its review of 2015 performance documents. This review indicates that TG4's statement of performance commitments is closely aligned with its public service statement.

Generally, targets were deemed adequate however this review highlighted potential areas requiring further consideration. For future reviews, it is important that TG4 continues to set 'stretch' or challenging targets for audience figures, Irish language programming hours and commercial revenues in order to ensure critical areas are targeted appropriately.

### 3.3.4 Public perceptions of TG4 as a PSB

**[Redacted]**

Table 3.25: Republic of Ireland Irish Speakers - Satisfaction of Experience with TG4	
Level of Satisfaction*	% of Respondents
<b>[Redacted]</b>	
Source: BAI / B&A Audience Tracking Research – An Island of Ireland Survey, April 2016 *Respondents gave a value of satisfaction from 1 - 10	

**[Redacted]**

Table 3.26: Republic of Ireland Irish Speakers - Two Year Change of Experience with TG4	
Level of Change	% of Respondents
<b>[Redacted]</b>	
Source: BAI / B&A Audience Tracking Research – An Island of Ireland Survey, April 2016	

**[Redacted]**

### 3.4 Adequacy of TG4 Funding in 2015

In order to determine whether TG4 funding was adequate for 2015, we take account of performance against commitments already considered and additionally consider scenarios for increases/decreases in public funding provided by TG4. Indecon's analysis has revealed that TG4 largely achieved its performance commitments in 2015 and that these commitments were adequate for 2015. However, Indecon's analysis indicated that for subsequent reviews it would be important to monitor targets for audience figures, Irish language programming hours and commercial revenues to ensure that TG4 continues to stretch itself in these areas. These are important considerations for the adequacy of funding going forward.

Following a request from Indecon, TG4 considered the impact of two funding scenarios: the first comprising a 10% increase in public funding, and the second comprising a 10% decrease in public funding.

#### **Funding Reduction Scenario**

TG4 has indicated that a 10% reduction in public funding would result in a decrease in programming spend, primarily in commissioning. A 10% reduction on 2016 levels of public funding (excluding the one-off supplement for 2016 of €900k) would reduce TG4's public funding by €3.254m to €29.286m in 2017. TG4 has indicated that based on a pro rata reduction, the impact of a 10% reduction in public funding would be an estimated 18% reduction in new Irish language hours. While Indecon believe that some reduction in new Irish language hours is a likely outcome of a reduction in funding,

the percentage fall indicated may not be accurate although we accept this is an area of great uncertainty.

TG4 has outlined its views on the likely options for how such a funding reduction would be applied, and the likely impact of each option. TG4 also outlines the likely impacts associated with all options. TG4 has indicated that each option would directly impact the Irish language independent production sector. TG4 indicates that a 10% decrease in public funding would have a negative impact on the number of creative jobs supported, the ability of independent producers to secure matching funding from the BAI and ILBF and reduce the funding available for co-productions with international partners and production companies.

Table 3.27: TG4 Options under a 10% reduction in Public Funding		
Option 1	Option 2	Option 3
Reduce new Irish language documentaries by 35%.	50% reduction in Irish language sports broadcasting, impacting TG4's broadcasting of <i>GAA Beo (Club, League, Under 21, Minor and Peil na mBan)</i> and <i>Rugbaí Pro 12</i>	Reduce new Irish language documentaries by 35%.
Eliminate TG4's Irish language soap, <i>Ros na Rún</i> .		Significantly reduce or eliminate new Irish language children's and young people's content
Likely Impact of Options		
Negative impact for Irish language audience and local economy in An Spidéal. Negative impact on TG4's reach with core Irish language audiences and other audiences. Negative impact on other production sector jobs and funding.	Direct impact on TG4's broadcasting of GAA. TG4 indicates that a reduction of 10% in public funding would put TG4 at a disadvantage compared to other content providers when bidding for the GAA rights in May 2017 and Pro 12 in May 2018. TG4 estimates that if GAA rights are lost, its linear broadcast audience share would drop by 32% to just over 1%. Negative impact on other production sector jobs and funding.	TG4 considers that this option would be damaging as it is important that TG4 secures future audiences. There would not be scope for additional budget to create dedicated attractive and entertaining digital content. Negative impact on other production sector jobs and funding.
Source: TG4		

TG4 has also identified its estimates of the likely impact on employment and broadcast/online audience metrics of a 10% decrease in funding. TG4 estimates that a reduction in 2017 funding would reduce TG4's employment impact and would reduce daily reach, share, reach with Irish language audiences and unique visitors to the TG4 website and Player hours watched. Indecon accepts TG4 estimates of the likely order of change in a reduction in funding on wider economic impacts but believes that TG4 may be over estimating the importance of a funding decrease on key audience numbers. Indecon however accepts that a funding decline would have some negative impact on audience numbers and we believe there could be a significant negative impact on the independent production sector arising from cuts in commissioning expenditures.

Table 3.28: TG4 Estimated Impact of a 10% Reduction in TG4's Public Funding - Key Impact Metrics					
Key Economic Metrics:	2015	2016 (e)	2017 (e)	2018 (e)	2019 (e)
Employment Impact (jobs)	<i>[Redacted: Data is commercially sensitive]</i>				
Contribution to national income					
Key Audience Metrics - Broadcast:					
Reach – Daily (viewers, all audiences)	<i>[Redacted: Data is commercially sensitive]</i>				
Linear Share (all audiences)					
Reach (Irish language audiences)					
Key Audience Metrics - Online:					
Unique Visitors	<i>[Redacted: Data is commercially sensitive]</i>				
Player Hours Watched					
Source: TG4					

### Funding Increase Scenario

TG4 also considered the likely impact of a 10% increase in public funding on 2016 levels (excluding the one-off supplement), which would increase funding by €3.2m to €35.794m. TG4 has identified two initiatives which it would undertake given a 10% increase in funding. Each initiative would be allocated 50% of the funding. TG4 would invest c. €1.6m on the commissioning of a new, high-quality Irish language drama to target teens/younger audiences and would invest the remaining €1.6m in a dedicated Irish language Player and online content. TG4 indicate that a drama with this budget would be forecast to **[Redacted: Data is commercially sensitive]**. This performance is based on TG4's experience with their 13-part drama series, *Aifric*. Other likely impacts of such initiatives would be to strengthen TG4's engagement with younger audiences, increase online and Player audiences, improve TG4's purchasing power for rights of children's and adult's entertainment content and additional benefits to the Irish economy through additional employment.

TG4 estimates that such an increase in public funding would increase TG4's employment impact and would lead to increases in TG4's daily reach and share among children/young people and weekly reach among Irish language audiences for children and young people. In addition TG4 estimates that the number of unique visitors to the website and Player hours watched would increase in such a scenario. Indecon believes that the impact on daily reach of young people would be hard to achieve but not an unreasonable estimate of the possible impact. This would, however, only have a small overall impact on TG4's linear share of all audiences.

Table 3.29: TG4 Estimated Impact of a 10% Increase in TG4's Public Funding - Key Impact Metrics					
Key Economic Metrics:	2015	2016 (e)	2017 (e)	2018 (e)	2019 (e)
Employment Impact (jobs)	<i>[Redacted: Data is commercially sensitive]</i>				
Contribution to national income					
Key Audience Metrics - Broadcast:					
Reach – Daily (Children / Young People)	<i>[Redacted: Data is commercially sensitive]</i>				
Linear Share (Children / Young People)					
Reach - Weekly (Irish language audiences - Children / Young People)					
Key Audience Metrics - Online:					
Unique Visitors	<i>[Redacted: Data is commercially sensitive]</i>				
Player Hours Watched					
Source: TG4					

TG4 has also considered initiatives which would be undertaken given an increase in public funding of more than 10%. In such a scenario, TG4 would invest further in extending its core Irish language schedule and would invest in the development of a Learning Irish resource.

### ***Difference to 5-year Strategy***

TG4 also indicated the difference between the three funding scenarios outlined under its statement of strategy for 2013-2017 to their actual funding levels.

Table 3.30: TG4 Funding Scenarios to Deliver 2013 - 2017 Strategy					
	2013	2014	2015	2016	2017
	€000	€000	€000	€000	€000
Original Strategy Requirement	32,750	33,382	34,766	39,708	44,889
Scenario 1 Current Funding Requirement	32,750	32,750	32,750	32,750	32,750
Scenario 2 Current Funding Requirement	32,750	34,050	34,545	35,032	35,388
Actual Current Funding	32,750	32,750	32,430	33,440	-
Source: TG4 data. Note: Actual current funding for 2016 includes €32.43m current funding plus €900k special programming grant.					

TG4's actual funding has fallen short of the three scenarios. However, cumulative funding for 2013 to 2015 is €320k short of TG4's scenario 1.

**Table 3.31: Difference between 5-year Strategy and Actual Funding, 2013 - 2015**

	2013	2014	2015	Cumulative difference
	€000	€000	€000	€000
Original Strategy Requirement	0	-632	-2,336	-2,968
Scenario 1 Current Funding Requirement	0	0	-320	-320
Scenario 2 Current Funding Requirement	0	-1,300	-2,115	-3,415

Source: Indecon analysis of TG4 data.

### 3.4.1 Commercial Revenue Maximisation

Both Irish public service broadcasters (PSBs) have a legislative requirement as specified in the Broadcasting Act 2009 to maximise commercial revenues and operate in an efficient manner.<sup>34</sup> Specifically, section 108 of the Act states as follows:

The commercial activities undertaken by a corporation in pursuance of its exploitation of commercial opportunities object shall—

1. Be operated in an efficient manner so as to maximise revenues, and
2. Be used to subsidise its public service objects.

TG4 is in the fourth year of its current five-year strategy, which sheds light on the organisation's strategy for maximizing commercial revenue so as to meet its legislative requirements over this period. Since its inception TG4 has evolved from a single-channel, linear, broadcaster into multi-platform provider with a growing content offering in the digital and mobile space. This shift was borne out of an evolving market and an evolution in audience demand from traditional media outlets to on-demand media.

#### **TG4 Business Sales Policy**

TG4's TV performance in 2015 was positive and held a 1.7% share of audiences as measured by TAM Ireland.<sup>35</sup> The channel's daily and weekly reach both declined by 8% and 2.7% respectively, primarily cited as being due to increased competition.<sup>36</sup> TG4 committed to extending its Irish language schedule and continues to focus on Irish-related content alongside the traditional English language content market. TG4 indicates this is an additional statutory requirement for the channel vis-à-vis its national and international competitors.

TG4's strategy for commercial maximisation within its online sphere includes continuous development and more specific targeting of its online content to audience demographics. TG4's diverse online presence began in 2003 with TG4 Beo. In 2010 this service was re-launched as TG4 Beo Player, which allows both live-streaming and playback of programmes up to 35 days after broadcasting. The organisation's website underwent a full redesign in 2015 and now includes greater segmentation for target audiences. Of particular note is the website's Kids Channel playlist,

<sup>34</sup> Broadcasting Act 2009, Number 18 of 2009

<sup>35</sup> This audience share excludes some deferred viewing.

<sup>36</sup> TG4 Review of Performance Commitments 2015

which allows 24-hour access to children's Irish language content worldwide. Optional subtitles, which allow viewers to switch off subtitles if desired, have also been a recent improvement in its online services.<sup>37</sup>

TG4's mobile presence is evolving to meet the growing demands of a shifting marketplace. The organisation now offers an iPad app, an iPhone app, and a smart-TV app, alongside a selection of educational apps aimed at children. TG4's strategy for maximising commercial revenue on its mobile platform is therefore to further improve the quality, offerings, and targeted nature of its mobile services.<sup>38</sup>

### **Analysis of TG4 Performance**

While the majority of TG4's funding comes from the State (90.7% in 2015), the PSB is still under legislative mandate to maximise commercial revenue. Overall commercial revenue decreased in 2015 from €3.4m to €3.3m, or -2.6%.<sup>39</sup> We note that TG4's performance in 2014 for airtime and sponsorship sales grew by over 10% which significantly exceeded growth in the overall television advertising market.<sup>40</sup> However, a different picture emerged in 2015 and airtime and sponsorship sales, which accounted for over 57% of total commercial income, fell by 3.6%. Other income streams, like facilities charge-out and sundry income also decreased, however at a lesser rate.

While the number of unique visitors to the TG4 website fell by 13.5% and the number of page impressions by over 30% in 2015, TG4 indicates that it is important to note the change in the measurement methodology in 2014 that may affect the comparability of website data.<sup>41</sup> Also to note is the expected drop in website views given the full website redesign, which TG4 expected initially to decrease numbers in the short-run, but ultimately to have a positive effect going forward. While Indecon is aware of these factors, further monitoring and analysis of TG4's online performance is recommended in future evaluations. Both TG4's Player service and number of App downloads both performed strongly in 2015 and highlight the growing demand for digital media.

The PSB saw worsening performance in 2015 with respect to commercial revenues, and still faces a major challenge to maintain or increase its audience numbers and revenues. Given the above, Indecon believes that while TG4 met its legislative requirement to maximise commercial revenue through its growing offering of online and mobile services, but notes that the organisation still faces significant competitive pressure from an increasing number of market entrants and established competitors. Indecon however believes that the potential for a significant increase in TG4 commercial revenues may be limited given its market share.

### **Overcompensation Test for TG4**

An analysis of the compliance of both PSBs to EU legislation on state aid is presented below. EU Competition Policy limits the size of state funding across various sectors, including in relation to public service broadcasters. The regulation of the broadcasting industry is based on EU legislation

<sup>37</sup> TG4 Statement of Strategy 2013 - 2017

<sup>38</sup> *ibid*

<sup>39</sup> TG4 Annual Report 2015

<sup>40</sup> TG4 Annual Report 2014

<sup>41</sup> TG4 Review of Performance Commitments 2015



communicated to member states in 2009.<sup>42</sup> Specifically, the Commission limits the level of overcompensation, defined generally as a retention of funds above net costs of the public service, at 10%.<sup>43</sup>

Presented in Table 3.32 is an analysis of TG4 financial data. As TG4 ran a deficit in 2015, it is not in contravention of current EU state aid rules.

Table 3.32: Evaluation of TG4 Compliance with EU Overcompensation of State Aid	
€'m	<i>[Redacted: Data is commercially sensitive]</i>
Revenue	
State Aid	
Total Revenue	
Expenditure*	
Surplus / Deficit	
Surplus / Deficit as % Net Cost Public Service	
Source: TG4 Annual Report 2015	
*Note: includes Cost of Goods Sold and Tax Liability	
NOTE: Not for publication. Confidential Data.	

### Commentary on TG4 2016 ASCPs

TG4's commitments for 2016 as set out in the Annual Statement of Performance Commitments are broadly similar to those outlined in the 2015 ASCP. TG4 has outlined 17 commitments for 2016, an increase of one on 2015 commitments. A number of new commitments have been added, relating to the development of new resources (e.g., a Digital Archive and a "Learning Irish Resource") and particular content for 2016 including 1916 commemorative content, content marking TG4's 20<sup>th</sup> year and coverage of 2016 General Election.

One commitment has been removed since 2015; namely the commitment to "Spend at least 70% of TG4's public funding on Irish language content and use our public funding for public service objects and duties only". However, it should be noted that one of the individual targets under transparency indicators is that all public funding will be limited to objects which are public service in nature and TG4 also commits to spending at least 70% of its public funding on the production of Irish language content. As such, although no longer specified as one of the 17 commitments, it is covered by underlying targets. Indecon is therefore of the opinion that the commitments are adequate for 2016 but that for future years more focus on stability and growth in market share would be appropriate.

### Conclusions

Based on the preceding analysis we believe TG4 largely achieved its performance commitments in 2015 but is facing a major challenge to maintain or increase its audience numbers and commercial revenues. TG4 is also heavily dependent on public funding. Indecon notes that the BAI recommended an increase in TG4's funding in line with inflation following the five-year review and the 2013 annual review. The 2014 review also recommended an increase in TG4's funding. Indecon recognises that TG4 is in receipt of a one-off supplement of €900k for 2016 through a special

<sup>42</sup> Communication from the Commission on the application of State aid rules to public service broadcasting, 2009/C 257/01

<sup>43</sup> Long term capital investment is excluded from this analysis

programme grant for Irish language 1916 programming. A key question for policymakers and for BAI is what role TG4 is to play in the Irish broadcasting market and in promoting the Irish language. Indecon believes that if its current remit is to remain, an increase in funding at least in line with inflation is required if its audience share is not to continue on its downward trend. Indecon however accepts that TG4's statutory role is clear and hence our recommendation for an increase in funding for TG4.

## 4 Public Funding Review of RTÉ

### 4.1 Introduction

RTÉ is Ireland's largest PSB and like all broadcasters is impacted by the wider public broadcasting market in Europe and internationally. The increase in competition from a greater number of commercial enterprises puts greater pressure on PSBs to deliver against their mandates, which encompass more than simply maximising profits. Understandably, given the public funding, policymakers have included additional objectives for the PSBs beyond profit maximisation as broadcasting is considered a public good. These include protecting and promoting art, culture, and language, amongst others. This adds to the challenges in maintaining market share against competitors who do not share the same common objectives but this is compensated for by public funding support, which is not available to competitors.

The broadcasting market has become increasingly fragmented due to technological change. European regulators have been proactive in addressing these changes; however, challenges remain. Market shifts have resulted in the increased importance of the digital or online space. Technological changes with multi-channel pay TV platforms have facilitated an increased number of broadcasting channels accessible to consumers. The use of streaming services and other online content providers highlights the diversity and choice available to media consumers.

RTÉ has recognised this market and technological shift and has taken positive steps to establish a digital presence. This trend is seen internationally as PSBs react to the popularity of online media. However as PSBs offer content on new platforms, questions remain surrounding the potential implications for competition and fair trading policy in the future, given the expansion of the European AVMSD into the digital space.

This chapter presents a review of RTÉ's performance against commitments during 2015. We compare performance across the five thematic areas, through analysis of RTÉ's *Performance Commitments Report* and other sources. Also addressed is the adequacy of RTÉ's commitments in 2015.

### 4.2 Examination of Extent to Which Commitments were Met

#### 4.2.1 Audiences: Impact and Reach

RTÉ reported performance against audience-related commitments in 2015. Targets for commitments for television and radio were largely met in 2015, with two exceptions. We examine the appropriateness of targets subsequently.

A number of audience-related targets for digital and online were fully met in 2015. RTÉ's Performance Commitments Report notes that: "Based on very positive audience trends in the earlier years of the strategy, RTÉ had again in 2015 ambitiously targeted growth in the digital. However, with on-going pressure on RTÉ's finances as a result of funding shortfalls, the level of investment made has been insufficient to keep pace with competitive media offerings and the consequent changes in audience expectations." RTÉ therefore indicates that there is a need to invest further in digital.

RTÉ maintained average weekly reach for all RTÉ services in 2015 for most demographic groups, with the exception of adults aged between 18 and 34. There was a decline in the percentage of adults who agree that RTÉ is trustworthy, which is of particular concern. Due to this continuing

decline in trustworthiness, RTÉ has launched an investigation with the aim of monitoring, identifying and rectifying this fall in public perception, and has made positive steps in this respect. Future reviews should place particular emphasis on monitoring RTÉ's progress in this area. The outcomes of the Diversity Working Group were not published in 2015.

Table 4.1: RTÉ Performance against Audience-Related Commitments

Commitment	Service	2015 (Year 3) ASPC Measure	Target	Level of Achievement*	2015 performance
RTÉ to provide a comprehensive portfolio of media services, which together reach across the spectrum of audience age groups to serve multiple needs	RTÉ One and RTÉ One +1 combined	Peak TVRs (35-54)	>7.5	Yes	7.5
		Weekly Reach (Individuals)	>65%	Yes	66%
		Peak Time Share (Adult 15+)	>25%	Yes	26%
	RTÉ2	Peak TVRs (15-34)	>2.1	Yes	2.1
		Weekly Reach (Individuals)	>48%	Yes	49%
		Peak Time Share (15-34)	>8.5%	Yes	8.7%
	RTÉjr	Weekly reach (4-7)	>17%	No	13%
	RTÉ Radio 1	Listened yesterday reach (35-54)	>23%	Yes	24%
		Weekly reach (Adults 15+)	>37%	Yes	38%
		Peak 7-7 share (adult 15+)	>22%	Yes	23%
	RTÉ 2fm	Listened yesterday reach (20-44)	>15%	Yes	15%
		Weekly reach (Adults 15+)	>23%	Substantially	22%
		Peak 7-7 share (20-44)	11%	Yes	11%
	RTÉ lyric fm	Listened yesterday reach (35-54)	>4%	Yes	4%
		Weekly reach (Adults 15+)	>8%	Yes	8%
		Peak 7-7 share (adult 15+)	>1.9%	Yes	2%
	RTÉ Raidió na Gaeltachta	Listened yesterday reach (35-54)	>1%	Yes	1%
		Weekly reach (Adults 15+)	>3%	Yes	3%
	RTÉ.ie	Average weekly reach	>33%	No	27%
	RTÉ Player	Average weekly reach	>30%	No	24%
	RTÉ News Now	Television weekly reach (Adults 15+)	>19%	No	17%
		Unique browsers (RTÉ news site and RNN mobile app)	>2.8m	Yes	2.9m
		Twitter followers (RTÉ news)	300k	Yes	365k
	RTÉ on Mobile and Online	RTÉ Apps average weekly reach	>13%	No	11%
		RTÉ's average weekly reach (mobile and online)	>53%	No	45%
		Average monthly streams	8m	No	6.3m <sup>44</sup>
		Average monthly Unique International Browsers	>2.4m	Substantially	2.2m
	RTÉ Aertel	Monitor usage, stabilise weekly reach	>20%	Yes	22%
	RTÉ Archives	Numbers ever using RTÉ Archives	>25%	No	19%
	RTÉ Orchestras, Quartet & Choirs	Audience	>180k	No	156k
RTÉ aims to connect with the lives of Irish people, to be trusted by them and accountable to them	RTÉ (all services)	Average Weekly Reach (Adults 18+)	>90%	Yes	92%
		Average weekly Reach (18-34s)	>90%	Substantially**	87%
		Average weekly Reach (35-54s)	>90%	Yes	92%
		Average weekly reach (55+)	>90%	Yes	97%
	RTÉ	Public perception - RTÉ is an important part of Irish life	>76%	Yes	83%
		Public perception - RTÉ is trustworthy	>70%	No	61%
		Publish - outcome of RTÉ Diversity Working Group	N/A	No	N/A

Source: RTÉ Performance Commitments Report 2015, \*Substantially Achieved relates to quantitative performance within 10% of target. \*\* RTÉ indicates that this commitment was largely achieved.

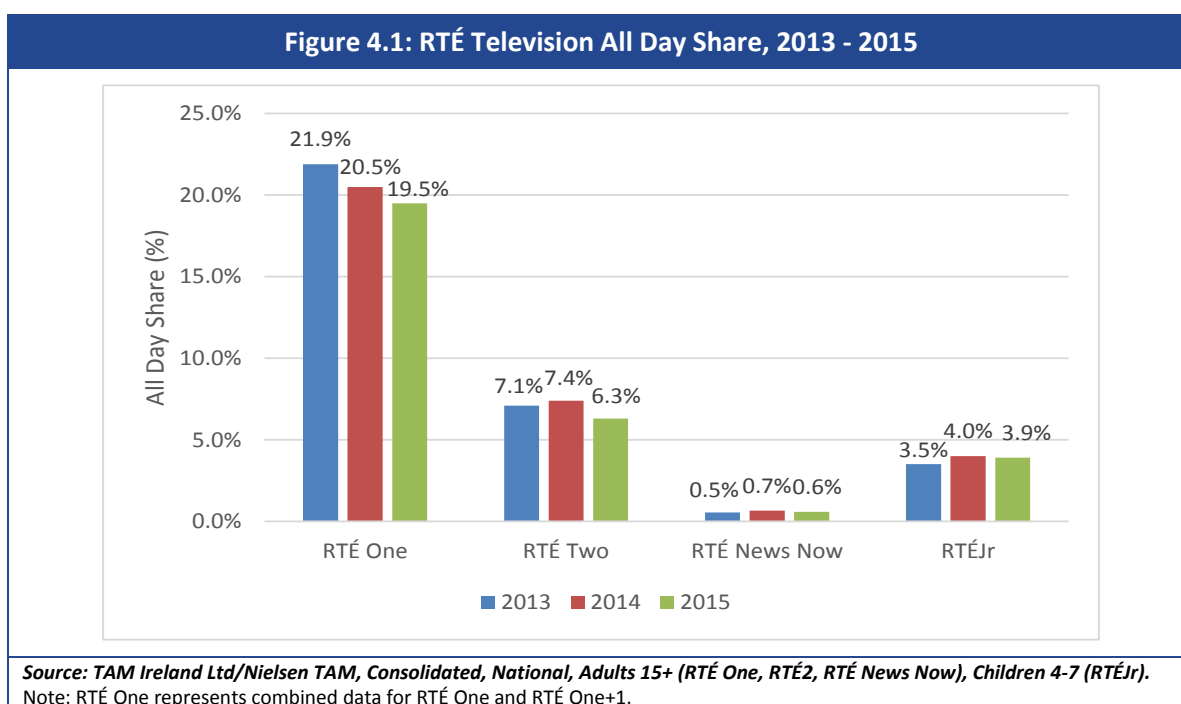
<sup>44</sup> Average of Apr-Dec 2015. Due to a new and improved analytics system that more accurately tracks consumption of online RTÉ content, RTÉ believe that while appropriate at the time of submitting its 2015 Commitments, this target is no longer valid.

In the following sections, we consider performance against audience-related targets in greater detail for television, radio, online/digital and other RTÉ services.

### Television

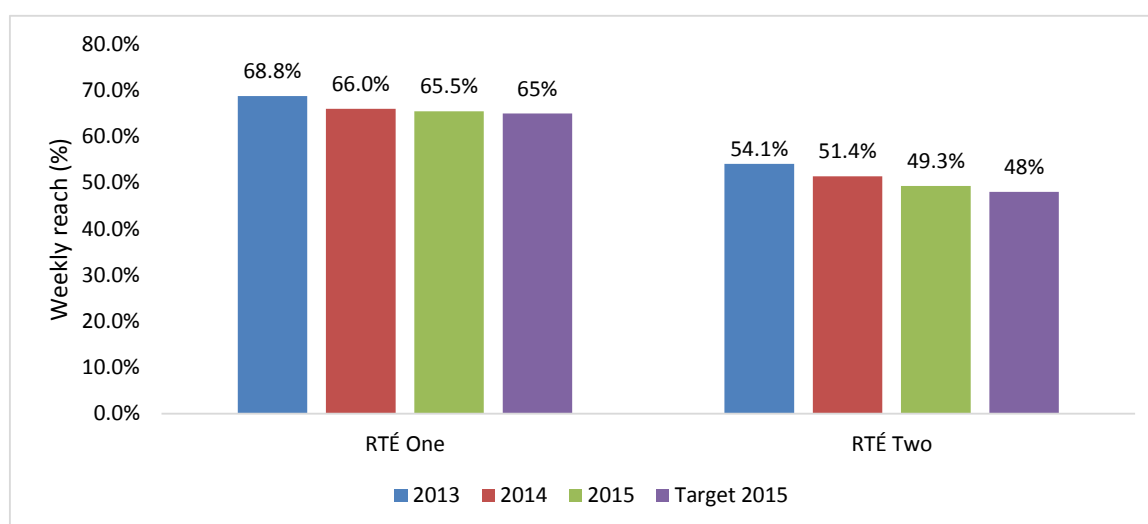
The 2014 Review noted that most of the targets for RTÉ One and RTÉ2 were not met. In contrast, all audience-related targets for RTÉ One and RTÉ2 were achieved in 2015. It should however be noted that targets were reduced in 2015 in comparison to 2014.

Ten television channels in 2015 had a share of greater than or equal to 1% (see Figure 2.3); RTÉ One maintained the highest share in 2015 with RTÉ2 achieving the third highest share. There was nonetheless a slight decline in share for each of RTÉ's television channels. This may be due to several factors particularly increased competitive pressures but may also in part be impacted by funding issues.



Similarly, a year-on-year decrease in weekly reach for RTÉ One and RTÉ2 is observed across 2013 to 2015.

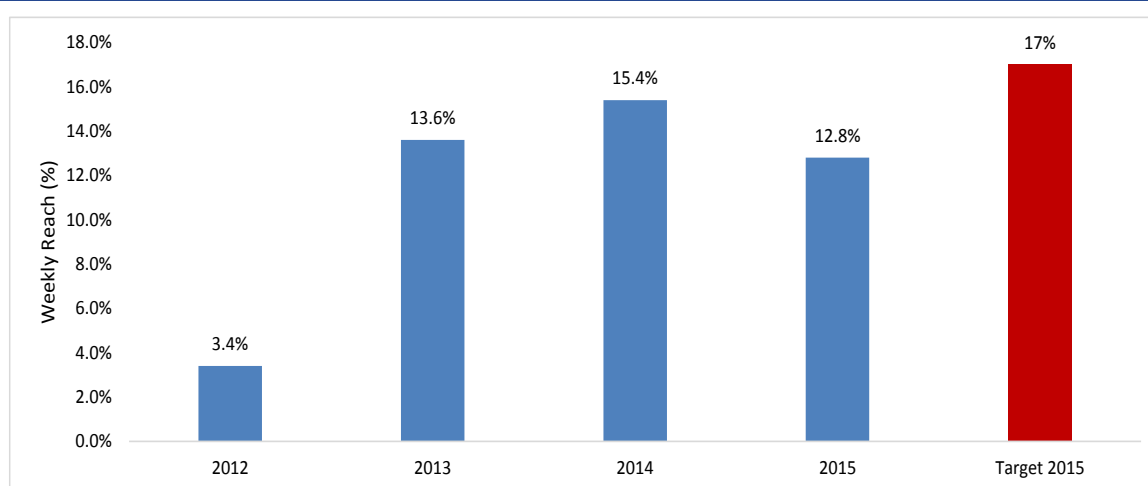
Figure 4.2: Weekly Reach, RTÉ One and RTÉ2, 2013 - 2015



Source: TAM Ireland Ltd/Nielsen TAM, Consolidated, National, Indiv 4+, 15min+ Non-Consecutive Weekly Reach

RTÉ reported two missed targets for television audience-related measures. RTÉ had targeted an increase in weekly reach for RTÉjr to 17%, but weekly reach declined to 12.8% in 2015. RTÉ's Performance Commitments report notes that "The increasing diversity of multi-media choices for children continues to create significant competition and challenges for a linear television channel". In addition, RTÉ notes that content for children is also provided across a range of platforms including television, radio, online and mobile. Indecon agrees with RTÉ's assessment that children are 'digital natives' and that in order to capture more of this market going forward, the PSBs online presence requires significant investment to meet the level of competition present in the children's viewing market.

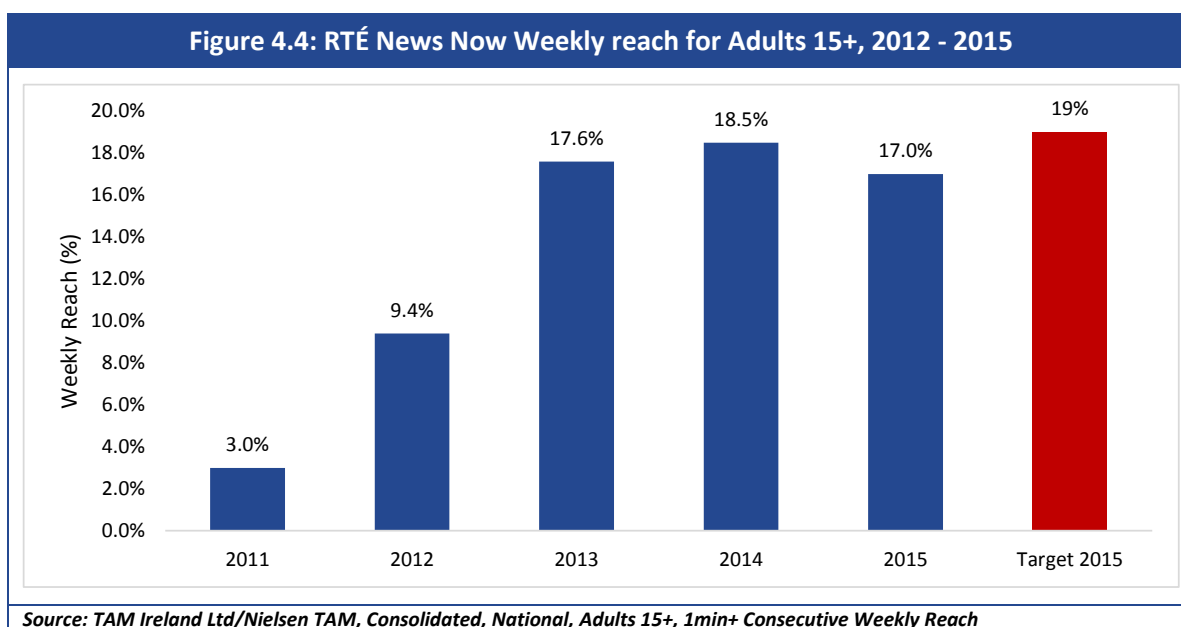
Figure 4.3: RTÉ Jr Weekly reach for Children 4-7, 2012 - 2015



Source: TAM Ireland Ltd/Nielsen TAM, Consolidated, National, Children 4 – 7 yrs 15min+ Non-Consecutive Weekly Reach

RTÉ also targeted an increase in weekly reach for RTÉ News Now that was not achieved in 2015 (2015: 17%, Target: >19%). RTÉ notes however that the "growth target was based on the channel being more widely available to viewers, and RNN has since launched on the SKY platform in January 2016". Given the strong performance in the weekly reach of RTÉ News Now from 2011 to 2014, the

decline in 2015 should be noted. The offering of RTÉ News Now on SKY is expected to boost weekly reach; however, the decline in audience reach on its 2015 platform offering should also be addressed if the decline below is to be reversed. This should be monitored in future reviews, as this is more significant than simply missing a target.

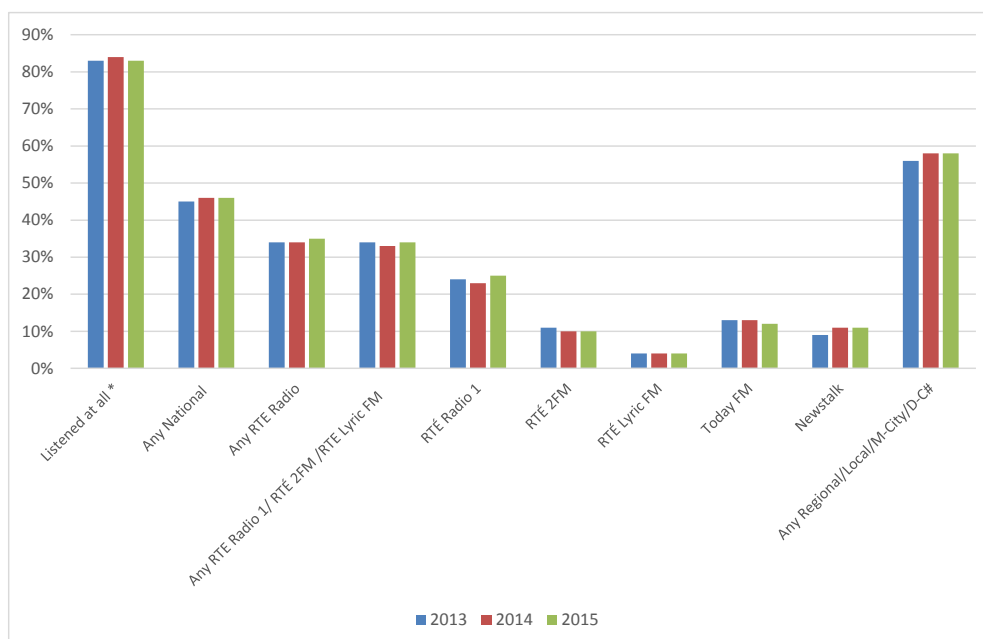


### Radio

RTÉ recorded one missed target on audience commitments for radio in 2015 (as demonstrated previously in Table 4.1). Operating in the context of a slight decline in daily listening of radio by adults, adults recorded a slight increase in listening to any RTÉ radio station, compared to a slight decline for Today FM. It is also clear from Figure 4.5 that a higher proportion of adults listen to regional or local stations than national stations.



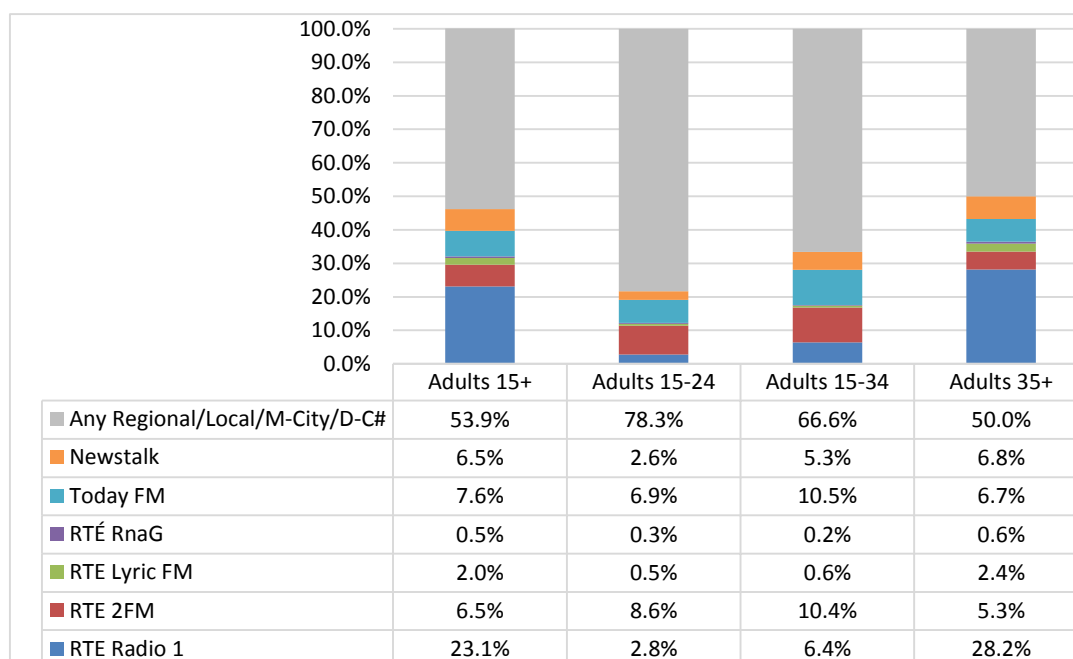
Figure 4.5: Average Weekday Yesterday Listenership 2013 - 2015, Adults 15+



Source: JNLR/Ipsos MRBI 2015/4, 2014/4, 2013/4

Considering peak (7am-7pm) share of listenership by demographic, we observe different patterns of listening by age. While RTÉ radio stations capture a 32% share of peak listening for all adults, they account for only 12% of peak listening for 15 to 24 year-olds. This pattern is mirrored by other national stations, with regional or local stations accounting for 78% of peak listening for individuals in this age group.

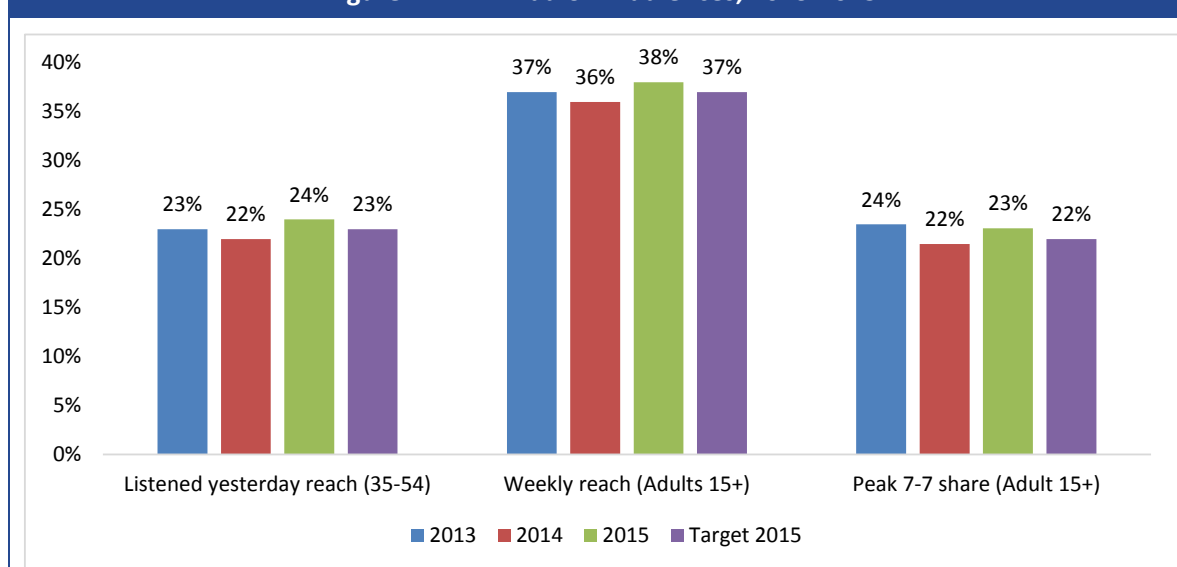
Figure 4.6: Share of Listening by Demographic, 2015



Source: JNLR/Ipsos MRBI 2015/4

RTÉ Radio 1 achieved all of its audience-related targets in 2015. The 2014 review noted that RTÉ Radio 1 underperformed in terms of audience performance in 2014. RTÉ Radio 1 demonstrated improvement on all audience-related metrics in 2015. The launch of two new radio shows<sup>45</sup> in 2015 is part of a targeted strategy to increase the channel's audience numbers of lower age demographics.

Figure 4.7: RTÉ Radio 1 Audiences, 2013-2015

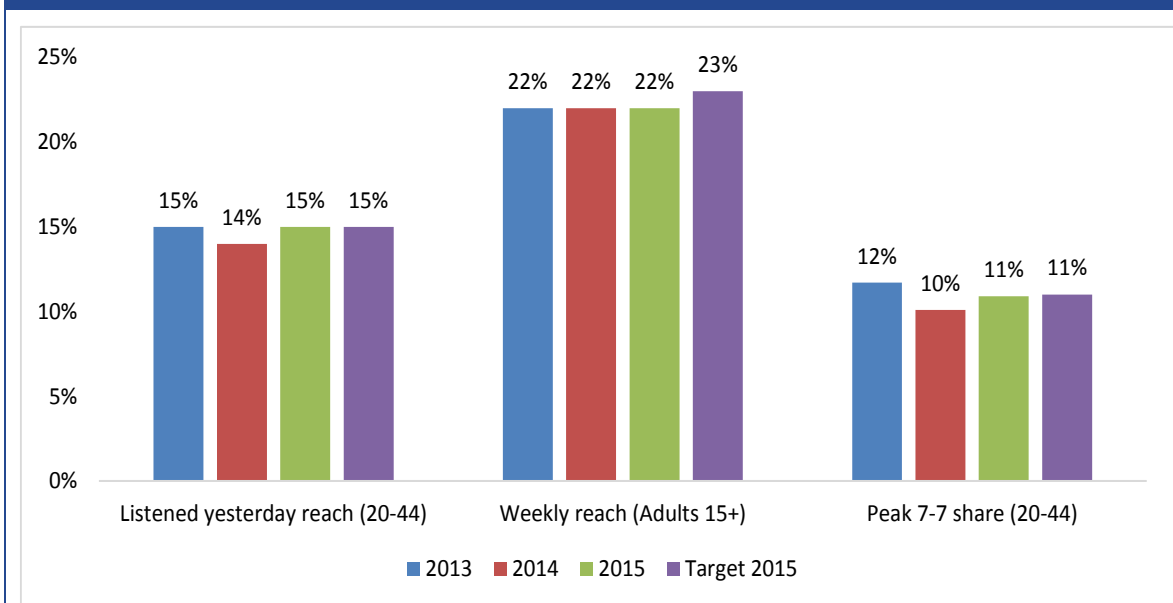


Source: JNLR/Ipsos MRBI 2015/4, 2014/4, 2013/4

Last year's review was completed in the context of changes for RTÉ 2fm aimed at increasing appeal to younger audiences aged 20-44. Listened yesterday reach and peak 7am-7pm share among its target audience showed some recovery in 2015 for all adults. It will be important to consider this further in subsequent reviews. RTÉ 2fm did not achieve its target for weekly reach, however, and demonstrated no change from 2013 and 2014 levels.

<sup>45</sup> The Ray D'Arcy Show and The Ryan Tubridy Show in 2015

Figure 4.8: RTÉ 2fm Audiences, 2013-2015



Source: JNLR/Ipsos MRBI 2015/4, 2014/4, 2013/4

It is also important to consider the setting of targets – 2015 targets were set equal to 2014 targets except for peak 7am-7pm share target, which was reduced by 2 percentage points. Similarly, 2016 targets have been set equal to 2015 targets, except for peak 7am-7pm share target, which has been increased by 1 percentage point. This increase in a key demographic peak target is welcomed, and coincides with a continuation of RTÉ’s daytime schedule being targeted at younger audiences. RTÉ anticipate that RTÉ 2fm will continue to attract a younger audience and is anticipating further growth into the future.

RTÉ lyric fm maintained stable audiences in 2015 and this is reflected in targets for both 2015 and 2016. Similarly RTÉ Raidió na Gaeltachta maintained stable audiences in 2015.

### Digital/Online

RTÉ did not achieve a number of its targets for digital<sup>46</sup> metrics and commitments. RTÉ recognises in the 2015 Performance Commitments Report that there is a further need to invest in digital. RTÉ undertook actions and activities in 2015 aimed at supporting digital services, including:

- ☐ Publishing Digital Priorities 2015-2016
- ☐ Appointment of Head of RTÉ.ie

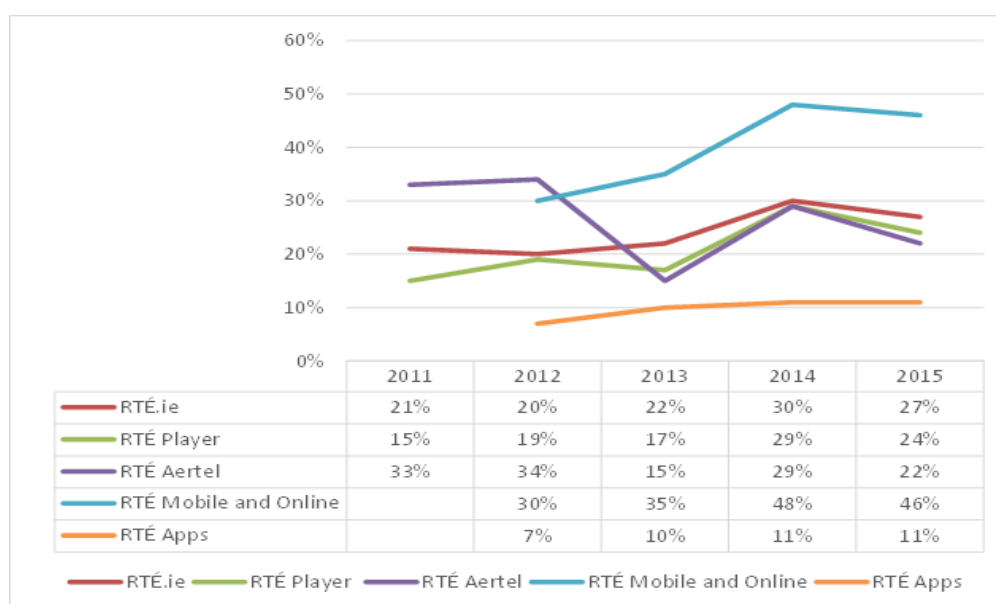
RTÉ has also indicated some steps to be undertaken in 2016 to enhance its digital services; these include extending the availability of the RTÉ Player and re-designing the service to better meet audience needs.

Weekly reach for most digital services declined in 2015, following increases in 2014. Indecon notes that a change in measurement methodology occurred in 2015 and as such, the decline in digital

<sup>46</sup> Digital in this context refers online or mobile commitments, i.e. related to the RTÉ website, mobile app, RTÉ Player, etc.

services statistics may be due to this change. Improvements in measurement methodologies are a positive step for evaluations in terms of accuracy, however can often distort historical comparisons. Digital metrics should be closely scrutinised in the 2016 review to identify whether this decline in digital reach is a continuing trend. There is an overall upward trend across 2011 for all services except RTÉ Aertel.

Figure 4.9: Digital Services, Weekly Reach, 2011 - 2015

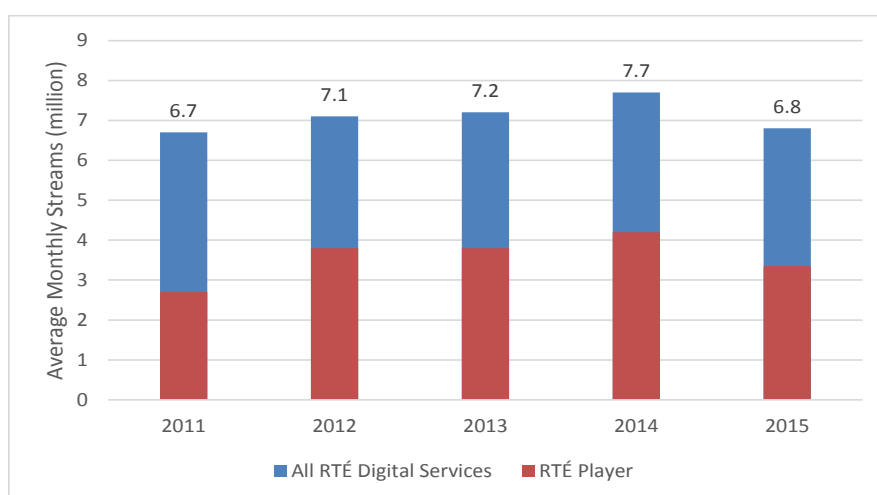


Source: RTÉ Brand Tracker conducted by Behaviour & Attitudes.

Note: 2013 data criteria for mobile and online was expanded to better reflect all of RTÉ's services on mobile and online. RTÉ Brand Tracker methodology changed to 18+ (previously 15+) in 2014 onwards and was conducted by Amárach Research previously.

Average monthly streams on RTÉ digital services declined in 2015 and did not achieve the target (2015: 6.8m, Target 2015: 8m) RTÉ reports however that this is in part due to a change in the measurement system for streams.

Figure 4.10: Digital Services, Average Monthly Streams, 2011 - 2015



**Source:** RTÉ data from comScore DAX and Urchin Analytics.

Note: In April 2015 RTÉ fully transitioned to a new and improved analytics system (ComScore) that more accurately measures consumption of RTÉ content online and via mobile. RTÉ had a monthly average of 6.3m streams during April to December 2015, which it considers a more robust measure than that previously available. In light of this measurement change it is RTÉ's view that while streaming figures prior to April 2015 was based on the best and most appropriate information available at the time, historical data are no longer valid comparators to current measures.

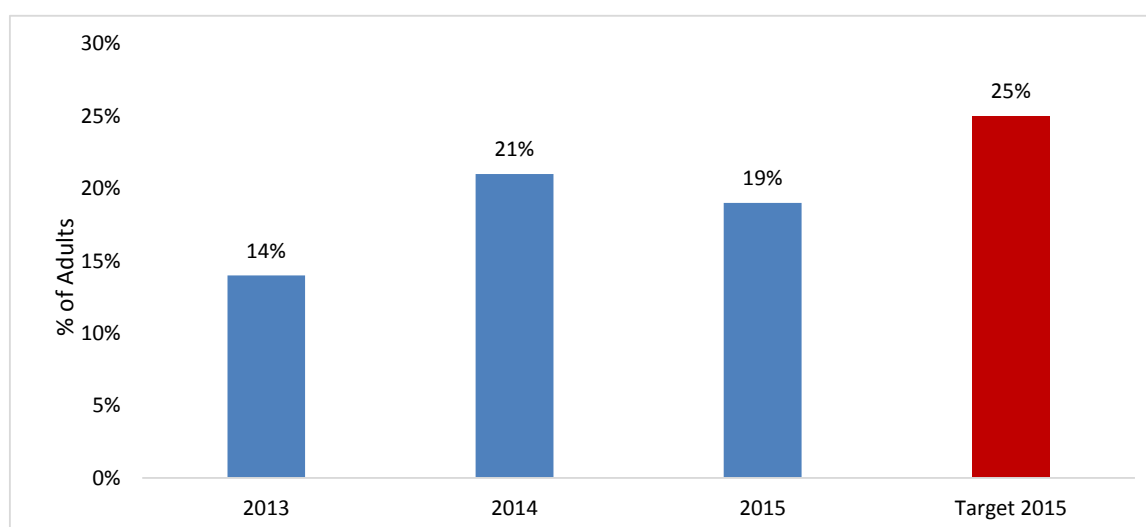
Average monthly International Unique Browsers remained at 2.2m in 2015, falling short of the 2.4m target.

### Other RTÉ Services

RTÉ also reported two further missed audience-related targets for RTÉ Archives and RTÉ Orchestras, Quartet and Choirs. There was a decrease in the reported number of people who claimed to have ever used the RTÉ Archives. RTÉ notes that the two-year upward trend still highlights progress, however Indecon highlights that performance was 6% below the target of 25%, however RTÉ consider this a stretch target. The strong upward trend in archival numbers coincides with a new mobile RTÉ archive offering in mid-2015 which facilitates greater access to the service. While the long-term trend is positive, the gap between actual numbers using the RTÉ Archive<sup>47</sup> and the target indicates that such performance was unexpected for the PSB. The PSB also consider current Archive performance positive as it is not formally advertised to the public. The impact of the service is also hard to quantify given its output being shared on other RTÉ services as well as other broadcasters. Performance of the Archive should be monitored going forward in relation to its reduced 2016 target of 22%.

<sup>47</sup> Includes Archive website

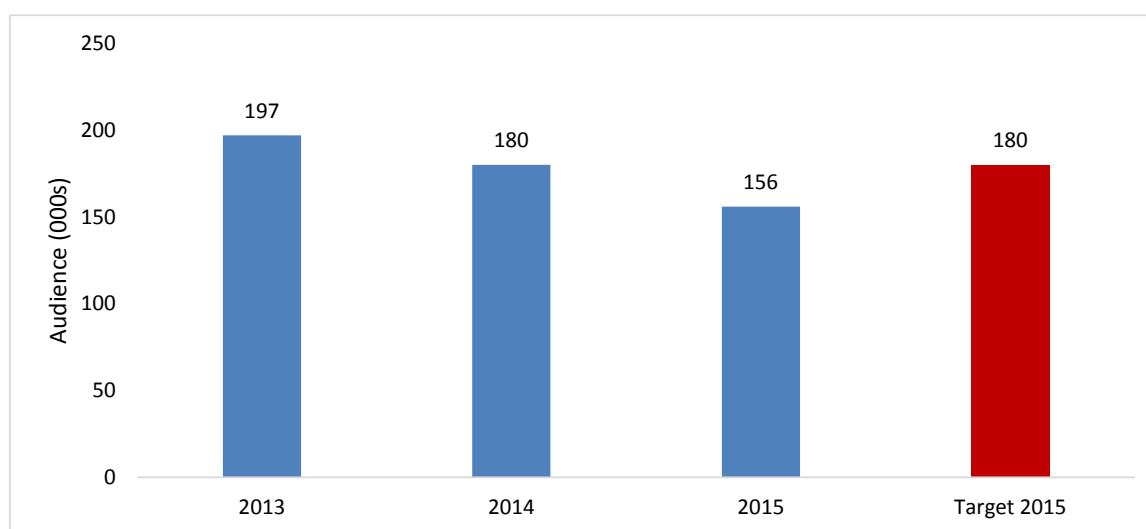
Figure 4.11: Numbers ever using RTÉ Archives, 2013 - 2015



Source: RTÉ Performance Review 2015

2015 also saw a decline in attendance numbers for RTÉ Orchestras, Quartet and Choirs, which is also a long-term trend since 2013. RTÉ has indicated that the decline in audience numbers is explained by a reduction in the number of public performances in 2015 (fewer external hires) as well as lower than anticipated ticket sales.

Figure 4.12: RTÉ Orchestras, Quartet and Choirs Audience Attendances, 2013 - 2015



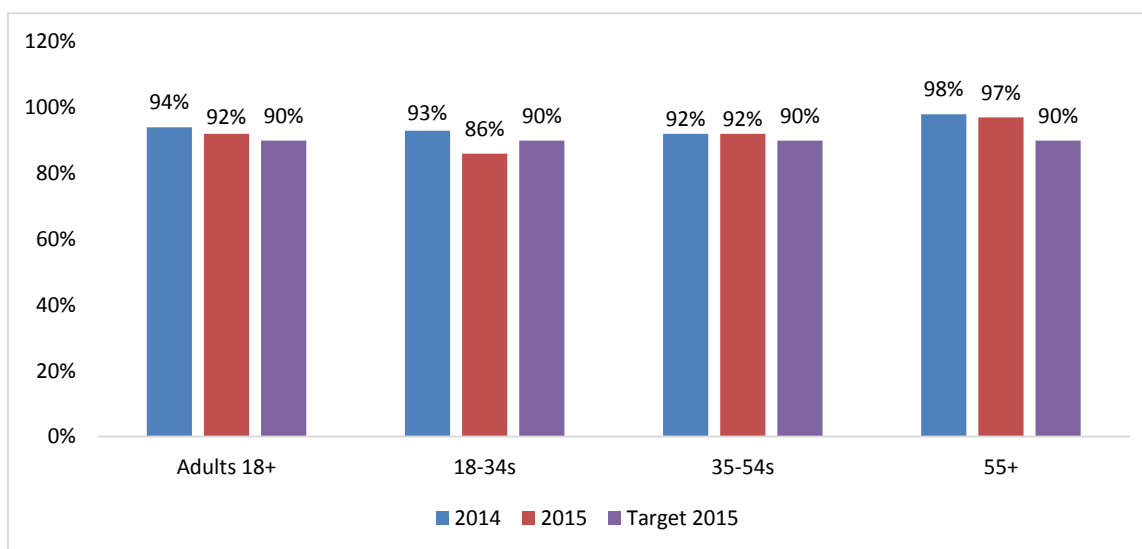
Source: RTÉ Performance Review 2015 and data provided by RTÉ

### All RTÉ

RTÉ achieved its average weekly reach targets for all RTÉ services for all demographics except the 18-34 age category (2015 target: 90%). However, there has been a slight decline in average weekly reach for all RTÉ services for most age categories. This decline is most evident in the 18-34 age category, with average weekly reach declining from 93% in 2014 to 86%. RTÉ has identified possible factors that may have influenced this decline, including the increasingly competitive media

environment, the general impact of diminished resources, and the growing preference of digital media for this particular demographic.

**Figure 4.13: Average Weekly Reach for all RTÉ Services, 2014 - 2015**



Source: RTÉ Performance Review 2015 and data provided by RTÉ

83% of the public perceived that RTÉ is an important part of Irish life, exceeding the target of 76%. 61% of the public perceived that RTÉ is trustworthy, missing the 70% target by 9 percentage points and representing a significant decline from 68% in 2014. The 2015 Performance Review indicates that RTÉ is conducting analysis to better understand the decline in public perceptions of trustworthiness. The preliminary outcomes of this analysis have highlighted the inherent difficulties in measuring trust, the impact of RTÉ's coverage of controversial issues, and the lower levels of expenditure on indigenous content as potential pressures on their brands trust and reputation, among others. RTÉ proposes to continue its Brand Tracker monitoring with particular emphasis on the demographic drivers behind the decline in trust, a revision of the survey methodology to potentially measure alternative or more specific trust metrics, and a further review of the research to date on the topic of trust and business. The outcomes of these initiatives should be monitored closely in future reviews.

RTÉ committed to publishing the outcome of the RTÉ Diversity Working Group in order to meet the key initiative of representing the diversity of the people of Ireland. RTÉ did not publish the outcomes of the Working Group in 2015. RTÉ has indicated that it will publish a Diversity Strategy in mid-2016 following a recommendation arising from the Diversity Policy and Practice Review which RTÉ completed in 2015.

#### 4.2.2 Content: High Quality and Distinctive

RTÉ recorded eight content-related commitments representing 41 targets in 2015. RTÉ fully achieved 66% of its content-related targets, and recorded a further seven targets (17%) as largely achieved.

Table 4.2: RTÉ Summary Performance against Content-Related Commitments		
	Number of Targets	%
Targets fully achieved	27	66%
Targets substantially achieved	7	17%
Targets not achieved	7	17%
Number of targets	41	100%
Source: <i>Indecon analysis of RTÉ Performance Commitments Report 2015</i>		
Note: Commitment classification varies from RTÉ's Performance Commitments Report and are based on Indecon's judgement.		

We consider content-related commitments and targets for television, radio, digital/online and other services in the subsequent sections. It should be noted that one of RTÉ's commitments relates to fostering and sustaining creativity and innovation and we examine this across the content-related commitments.

#### Television

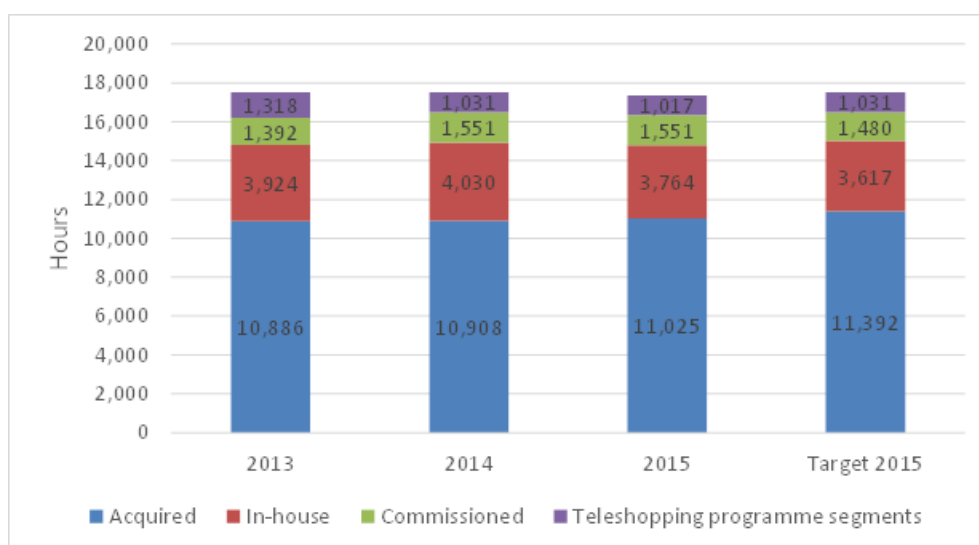
RTÉ reports that content-related targets were mainly achieved or largely achieved in 2015. The targets that were not achieved in 2015 relate to public perceptions of RTÉ One and RTÉ2. This is of concern, particularly for RTÉ2, and should be monitored closely in subsequent reviews. For example, **[Redacted: Data is commercially sensitive]**.



Table 4.3: RTÉ Performance against Content-Related Commitments - Television					
Commitment	Service	2015 (Year 3) ASPC Measure	Target	Level of Achievement*	2015 performance
RTÉ to reshape its television media services to best meet the changing needs of audiences with compelling content	RTÉ One	Deliver genre mix within % range	See Table 4.4	No**	See Table 4.4
		Audience Perception of Quality	>80	Yes	82.3
		[Redacted: Data is commercially sensitive]			
		[Redacted: Data is commercially sensitive]			
	RTÉ2	Deliver schedule mix within % range	See Table 4.4	No**	See Table 4.4
		Audience Perception of Quality	>80	Yes	82.7
		[Redacted: Data is commercially sensitive]			
		[Redacted: Data is commercially sensitive]			
RTÉ will utilise digital technology enhance the quality of its services and to make its content accessible to the widest possible audience	Television	Broadcast hours in HD	3.6k	Yes	6,392
RTÉ aims to support and promote innovation and creativity both internally and among both the Independent Production sector and wider creative community	RTÉ One	Indigenous hours as % of total peaktime hours	70%	Yes	75%
	Television	Broadcast format pilots on RTÉ television	4	Yes	6
Source: RTÉ Performance Commitments Report 2015, *Substantially Achieved relates to quantitative performance within 10% of target. ** RTÉ indicates that this commitment was largely achieved.					

The total number of hours broadcast on RTÉ television has remained fixed at 17,520 over the past three years. It is important to consider hours of in-house and commissioned programming when examining creativity in broadcasting. There has been an increase in the number of commissioned and acquired hours, with a corresponding decrease in the number of in-house hours and teleshopping programme segments. RTÉ exceeded total projected hours of in-house and commissioned programming in 2015.

Figure 4.14: Total TV Hours Broadcast by Source, 2013 – 2015

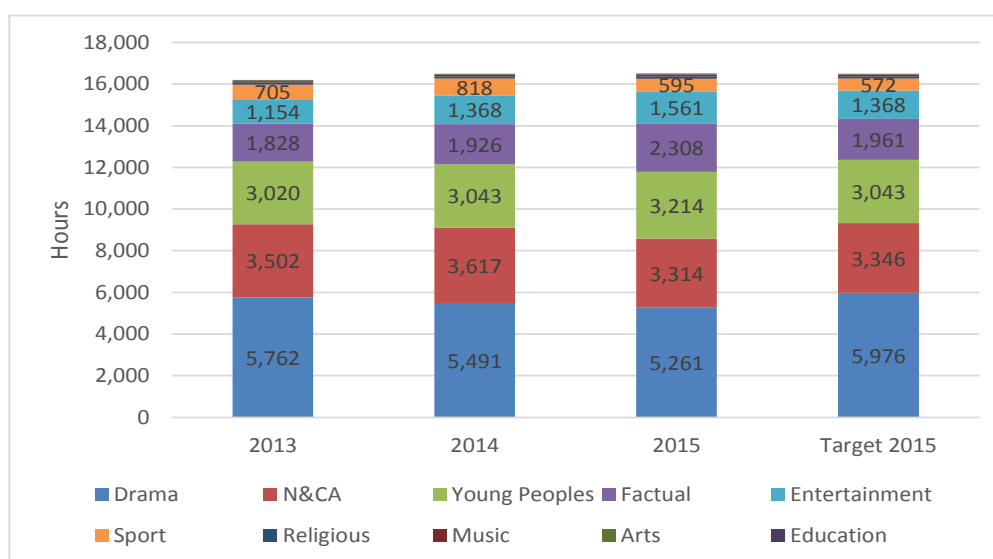


Source: Indecon analysis of RTÉ data.

Note: Represents RTÉ One and RTÉ2

There was a slight decrease in the number of Drama, News and Current Affairs (N&CA) and Sports broadcast hours, with an increase in Young People's, Factual and Entertainment programming. Actual broadcast hours for Drama and N&CA were below target in 2015, while Young Peoples and in particular, Factual performed strongly.

Figure 4.15: Total TV Hours Broadcast by Genre, 2013 – 2015



Source: Indecon analysis of RTÉ data.

Note: Represents RTÉ One and RTÉ2

RTÉ reports that the schedule mix commitments for RTÉ One and RTÉ2 were largely achieved. Factual and Entertainment hours were slightly higher than projected for RTÉ One, while acquired

Drama hours were lower than projected, but still within the defined hourly genre range. For RTÉ2, RTÉ indicates that acquired Drama hours were lower than projected with hours for Factual and Young People hours slightly exceeding projections. RTÉjr and RTÉ News Now fully achieved their genre targets.

**Table 4.4: 2015 Actual TV Genre Mix by Channel**

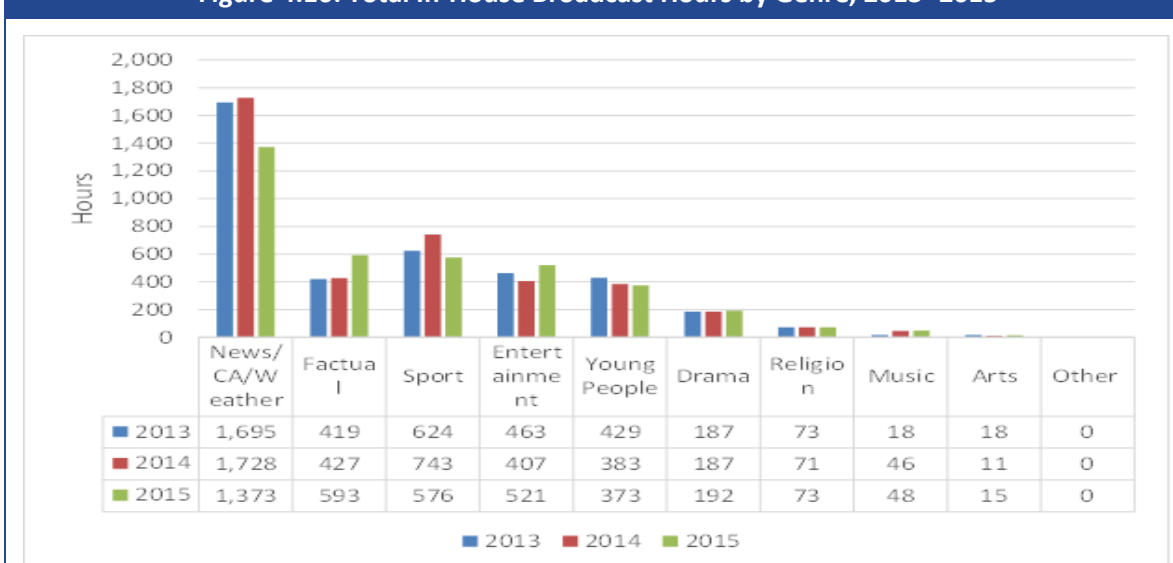
Genre	RTÉ One	RTÉ2	RTÉjr	RTÉ News Now
Factual	23%	6%	0%	0%
Drama	35%	29%	0%	0%
Entertainment	15.5%	4%	0%	1%
Music	1%	0%	0%	0%
N&CA	23%	18%	0%	99%
Sport	1%	6%	0%	0%
Young Peoples	1%	37%	100%	0%
Arts	0%	0%	0%	0%
Education	0%	0%	0%	0%
Religious	1%	0%	0%	0%
Total Hours	100%	100%	100%	100%

Source: Indecon analysis of RTÉ data

Note: Targets in this table are analysed against RTÉ's defined genre mix per channel, while analysis in Figure 4.15 is aggregated and presented against projected targets.

News and Current Affairs represents the highest proportion of total in-house hours broadcast on RTÉ One and RTÉ2, followed by, Factual, Sport and Entertainment programming. The fall in NC&A was due to the discontinuation of the *Morning Edition* programme which accounted for approx. 200 first-run live indigenous hours. This decision was made due to financial pressures. The NC&A programme offering should be examined going forward to identify if this trend will be reversed.

**Figure 4.16: Total In-House Broadcast Hours by Genre, 2013 -2015**

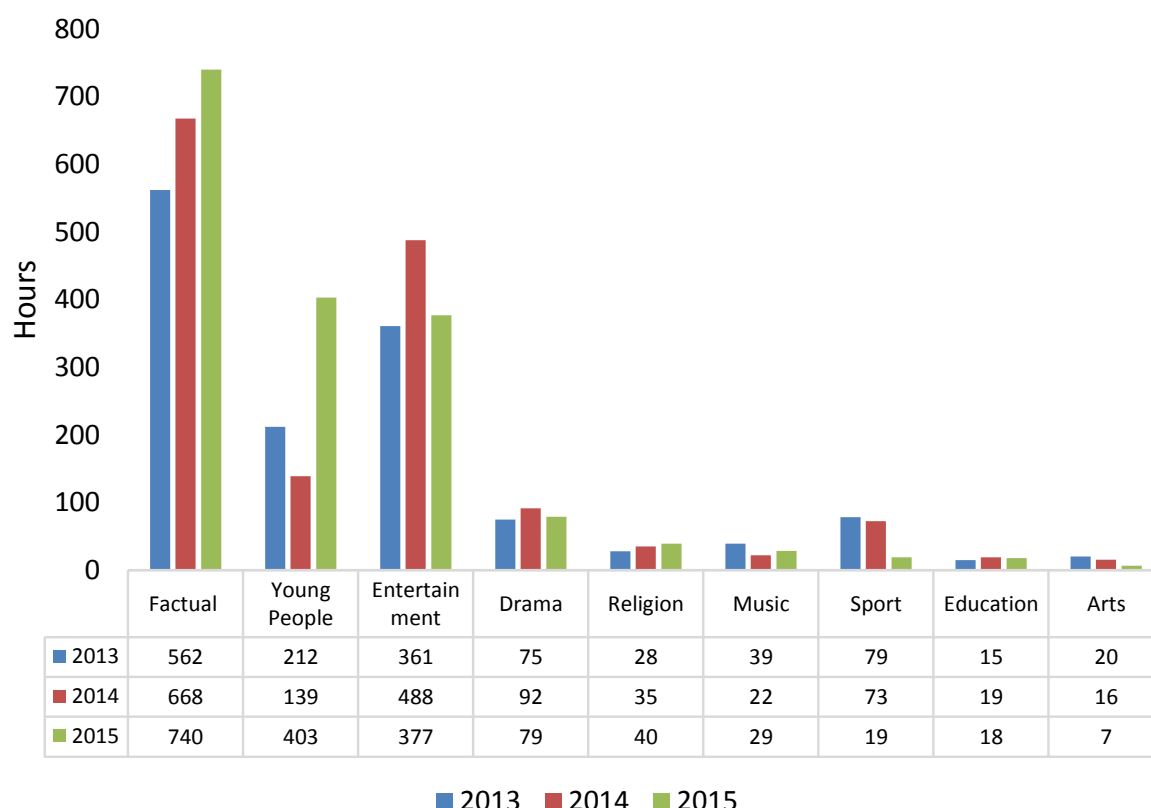


Source: Indecon analysis of RTÉ data.

Note: Represents RTÉ One and RTÉ2. Excludes Euronews.

Factual programming accounts for the highest proportion of commissioned broadcast hours on RTÉ television, followed by Young People and Entertainment.

Figure 4.17: Total Commissioned Broadcast Hours by Genre, 2013 -2015

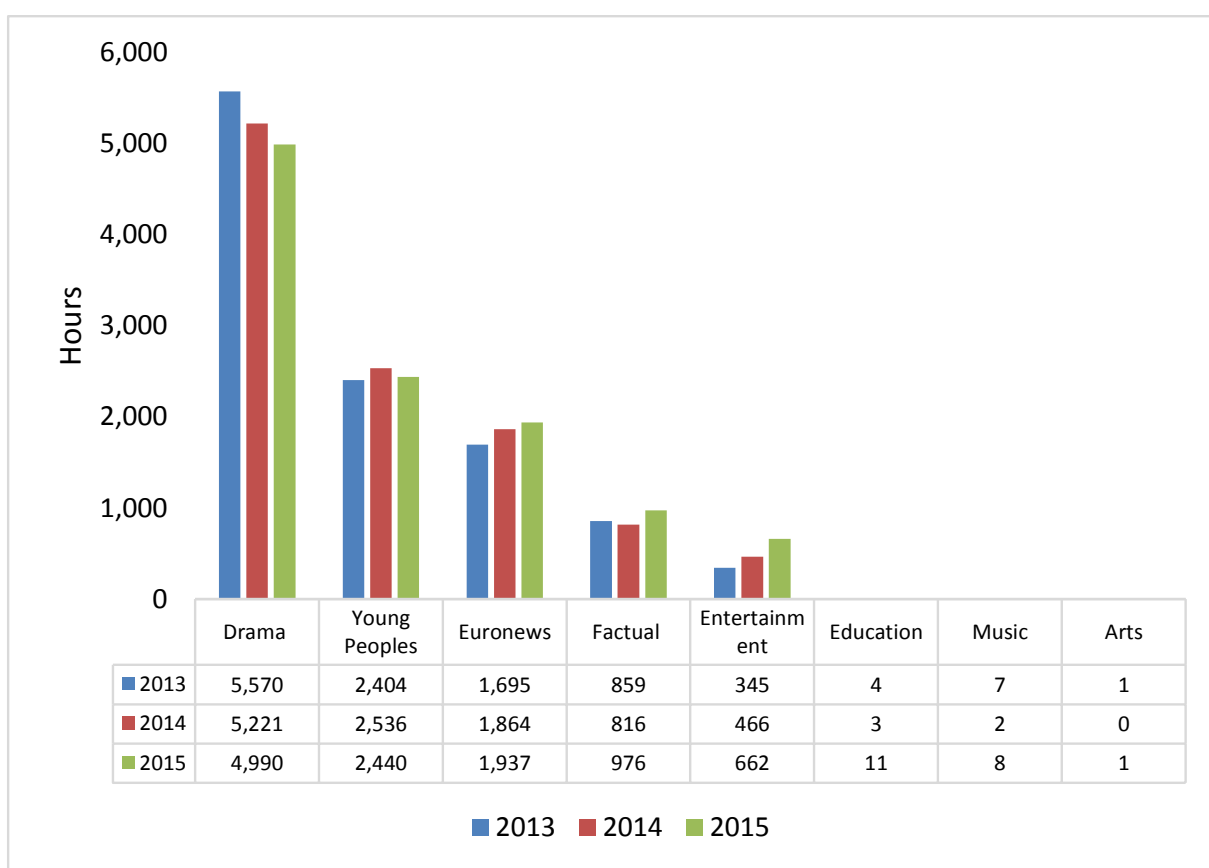


Source: Indecon analysis of RTÉ data.

Note: Represents RTÉ One and RTÉ2

Acquired programming is concentrated in the genres of Drama, Young People's programming, and News and Current Affairs. There has been a decrease in hours of acquired Drama and Young People's programming, with an increase in acquired News and Current Affairs, Factual and Entertainment programming.

Figure 4.18: Total Acquired Broadcast Hours by Genre, 2013-2015

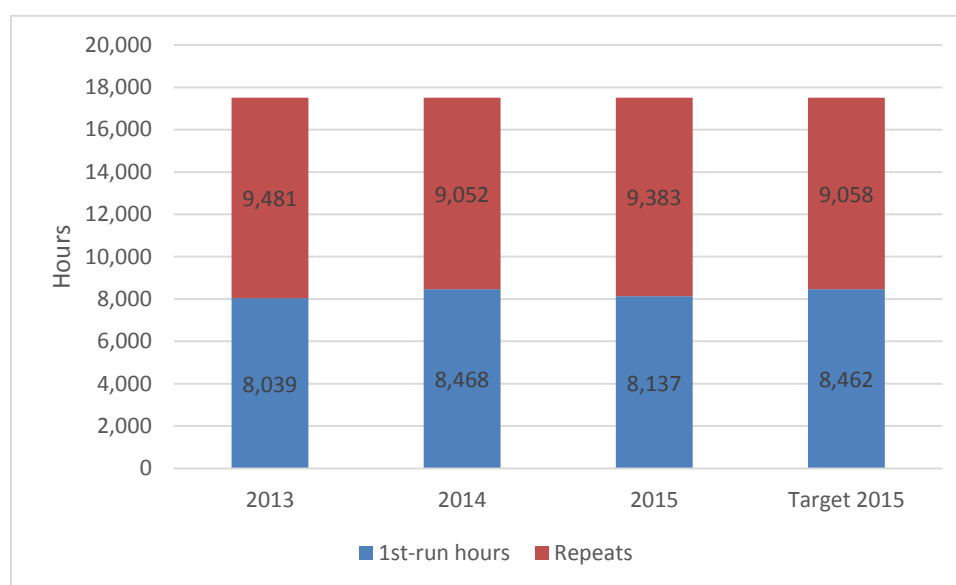


Source: Indecon analysis of RTÉ data.

Note: Represents RTÉ One and RTÉ2

It is also interesting to consider first-run hours versus repeats when considering creativity. More repeat programming implies less funding for creative endeavours to produce new and innovative programmes. First-run hours make up 46% of total hours broadcast on RTÉ television in 2015. This is a slight decline on 2014 percentages but represents an increase on 2013 performance. RTÉ did not achieve its projected total<sup>48</sup> first-run hours in 2015.

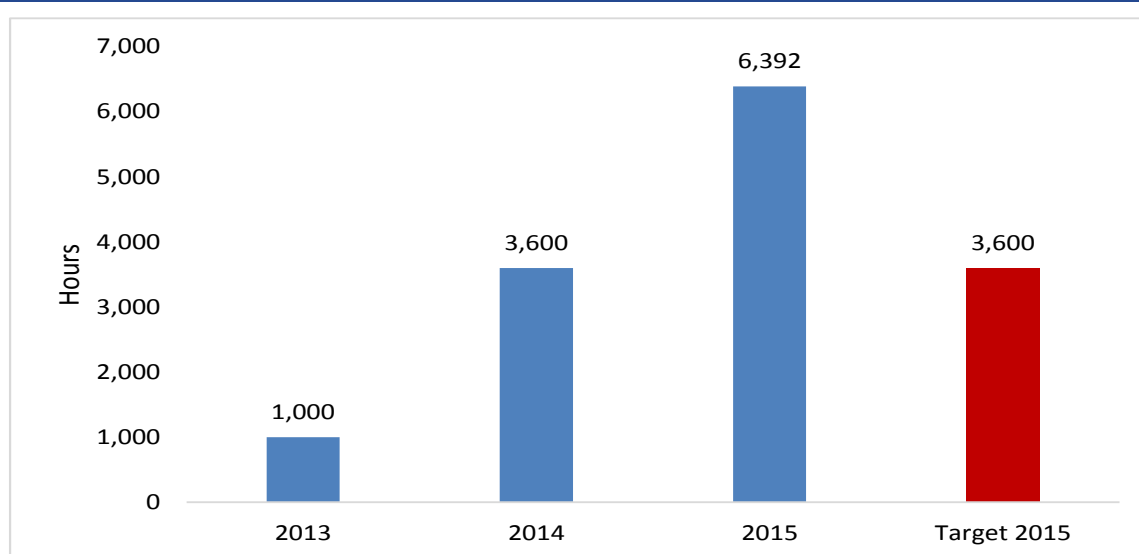
<sup>48</sup> Includes in-house, commissioned, acquired, and telesshopping programming segment hours.

**Figure 4.19: Total TV Hours Broadcast by First-Run and Repeats, 2013 – 2015**

Source: Indecon analysis of RTÉ data.

Note: Represents RTÉ One and RTÉ2

One of RTÉ's targets relates to improving the broadcast quality of content on RTÉ television and specifically to increasing the number of HD hours on RTÉ television. RTÉ was targeting 3,600 HD hours in 2015 and significantly exceeded this target in 2015. This positive step was achieved through the continued upgrade of the RTÉ studio and editing systems to better enable the production and post-production of HD content. Indecon recommends an increase in future targets.

**Figure 4.20: Number of Hours Broadcast in HD on RTÉ television, 2013 - 2015**

Source: RTÉ Performance Commitments Report 2015. \*2013 value quoted as "almost 1,000 hours".

Another measure of the creativity fostered by RTÉ television is the number of new formats developed and broadcast. In 2015, RTÉ television broadcast six pilots, four on RTÉ One<sup>49</sup> and two on RTÉ2<sup>50</sup>. There were also four new formats commissioned in 2015, which involve the creation of a new concept and branding of a TV programme. These were *Four Heads*, *Farmer in Charge*, *Would You Believe?*, and *Bishop Undercover*.

In November 2015, an internal Development Unit was created to develop new ideas for programmes including formats on RTÉ Television. This development unit will be headed by two senior Executives and is tasked with refreshing already existing programmes as well as developing new programme formats from idea to full commission.

### **Radio**

RTÉ's 2015 performance against content-related commitments for radio is presented in Table 4.5. RTÉ largely achieved its targets for radio, with the exception of public perceptions of RTÉ Radio 1 and RTÉ 2fm. **[Redacted: Data is commercially sensitive]**.

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<sup>49</sup> Sports Quiz of the Year, Tommy Tiernan Show, Four Heads (format pilot), Play it by Year (pilot series) on RTÉ One.

<sup>50</sup> Then Comes Marriage, and Money Can Buy You Love on RTÉ2.

Table 4.5: RTÉ Performance against Content-Related Commitments - Radio

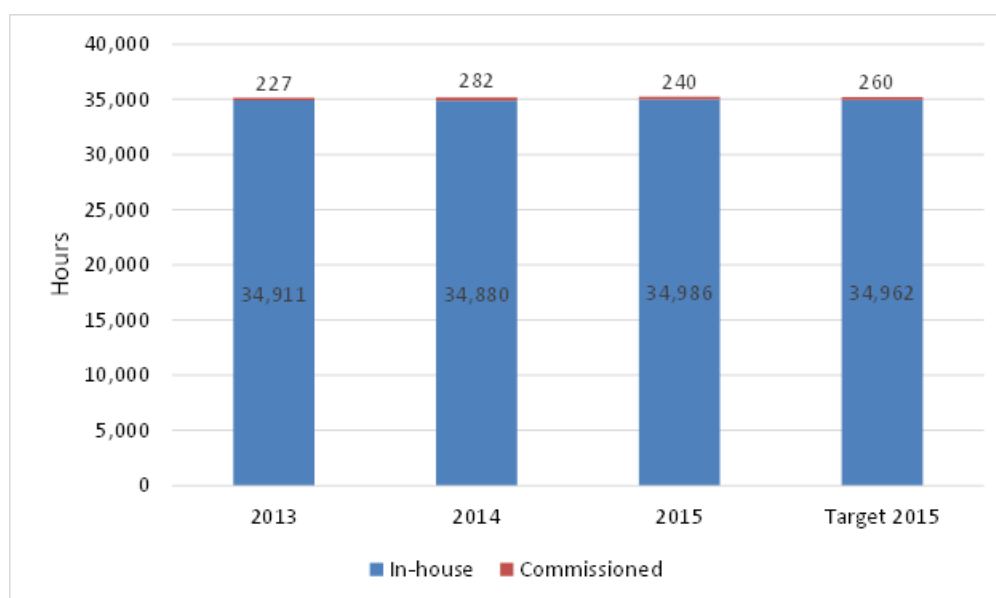
Commitment	Service	2015 (Year 3) ASPC Measure	Target	Level of Achievement*	2015 performance
RTÉ to reshape its radio media services to better meet the changing needs of audiences with compelling content	RTÉ Radio 1	Deliver diverse genre mix within % range	See Table 4.6	Yes	See Table 4.6
		Audience Perception of Quality	>80	Yes	84.8
		[Redacted: Data is commercially sensitive]			
		[Redacted: Data is commercially sensitive]			
	RTÉ 2fm	Deliver genre mix within % range	See Table 4.6	Yes	See Table 4.6
		Audience Perception of Quality	>80	Yes	80.8
		[Redacted: Data is commercially sensitive]			
		[Redacted: Data is commercially sensitive]			
	RTÉ Lyric fm	Deliver genre mix within % range	See Table 4.6	Yes	See Table 4.6
		Audience Perception of Quality	>80	Yes	87.3
		[Redacted: Data is commercially sensitive]			
	RTÉ Raidió na Gaeltachta	Deliver genre mix within % range	See Table 4.6	Yes	See Table 4.6
		Audience Perception of Quality	>80%	Yes	80.1
RTÉ aims to support and promote innovation and creativity both internally and among both the Independent Production sector and wider creative community	Radio	First-run indigenous content output on RTÉ Radio Fm services	>80%	Yes	86%
<b>Source: RTÉ Performance Commitments Report 2015</b> *Substantially Achieved relates to quantitative performance within 10% of target.					

The subsequent charts consider output for RTÉ Radio 1, RTÉ 2fm, RTÉ Lyric fm and RTÉ Raidió na Gaeltachta. It should be noted that 40,150 hours were additionally broadcast on RTÉ Digital Radio in 2015, including new programmes such as *The Feed*, and *Out of the Ordinary*.

In-house programming accounts for 99% of RTÉ radio broadcast hours in 2015. There was a slight decrease in commissioned hours in 2015 and a slight increase in in-house hours. RTÉ slightly exceeded projected in-house hours and fell slightly short of projected commissioned hours. RTÉ's 2015 Performance Commitments Report 2015 outlines that 2015 saw a restructure of Independent Radio Productions unit to adopt a 50:50 split between new commissions and recommissions. The stated intention of this restructuring is "to help identify the next generation of broadcasting talent, particularly for RTÉ Radio 1, and to bring a diverse range of voices, formats and views to air". As a result of this initiative, 2016 will see 15 commission briefs to the sector.



Figure 4.21: Total Radio Hours Broadcast by Source, 2013 – 2015

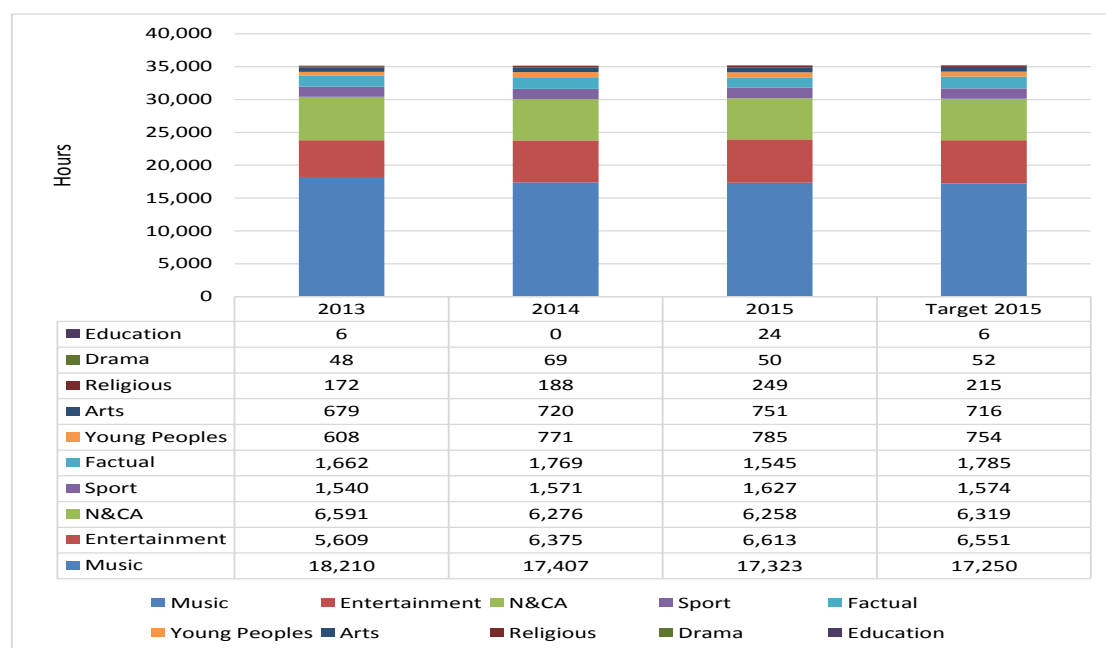


Source: Indecon analysis of RTÉ data.

Note: Represents RTÉ Radio 1, RTÉ 2fm, RTÉ lyric fm and RTÉ Raidió na Gaeltachta

Music accounts for almost 50% of total hours broadcast on RTÉ radio in 2015. Entertainment and N&CA also account for a significant portion of broadcast hours on RTÉ radio, followed by Sport and Factual programming. The genre mix on RTÉ radio has remained largely the same across the past three years.

Figure 4.22: Total Radio Hours Broadcast by Genre, 2013 - 2015



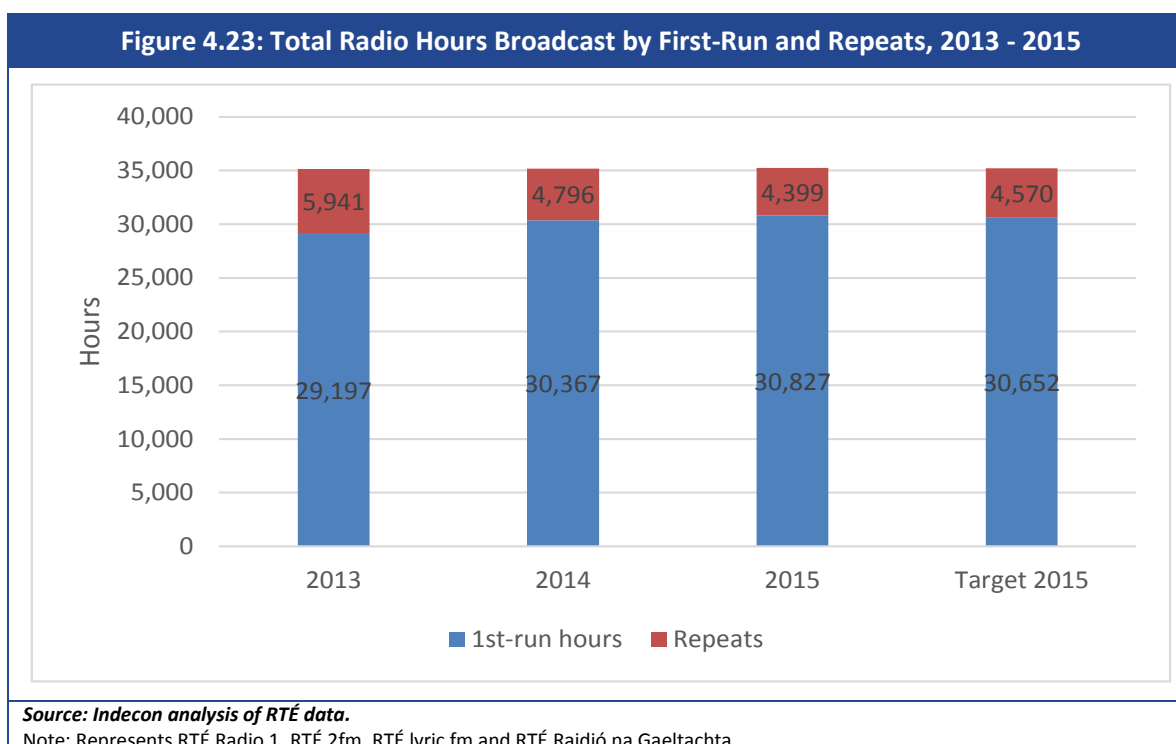
Source: Indecon analysis of RTÉ data.

Note: Represents RTÉ Radio 1, RTÉ 2fm, RTÉ lyric fm and RTÉ Raidió na Gaeltachta

RTÉ radio achieved its targets by genre for 2015.

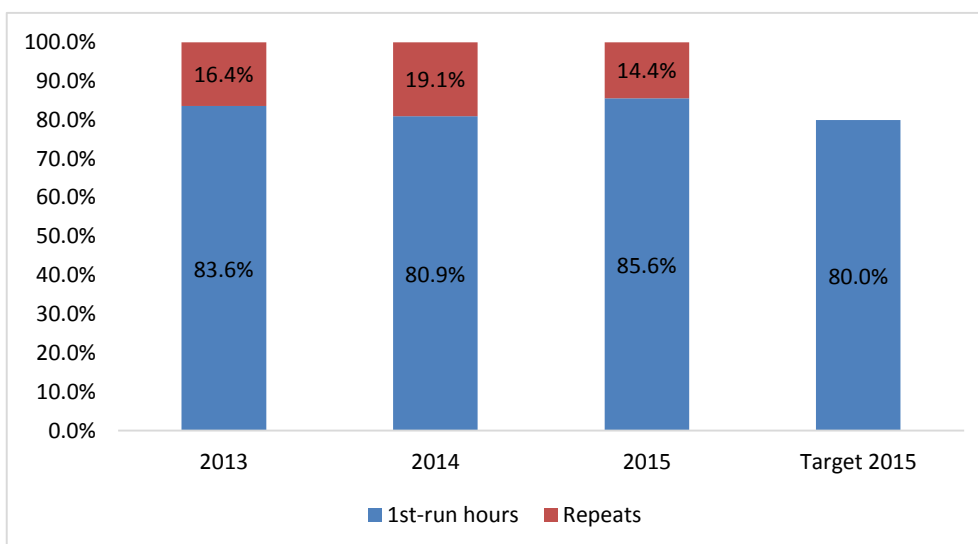
Table 4.6: 2015 Actual Radio Genre Mix by Channel				
Genre	Radio 1	2fm	RTÉ lyric fm	RTÉ RnaG
Factual	6%	0%	1%	11%
Drama	1%	0%	0%	0%
Entertainment	11%	42%	10%	13%
Music	28%	49%	84%	36%
N&CA	38%	5%	2%	26%
Sport	7%	4%	0%	7%
Young Peoples	0%	0%	1%	8%
Arts	6%	0%	2%	0%
Education	0%	0%	0%	0%
Religious	2%	0%	0%	1%
Total Hours	100%	100%	100%	100%
Source: Indecon analysis of RTÉ data				

First-run hours account for the majority of hours broadcast on RTÉ radio and have slightly increased across 2013-2015. RTÉ exceeded projected first-run hours for 2015, which is a positive development for creativity and innovation across RTÉ's Radio platform. This is especially true given the 'stretch' nature of the targets set.



One of RTÉ's targets relates specifically to the proportion of first-run indigenous content on RTÉ radio. As demonstrated previously, all broadcast hours on RTÉ's linear radio are indigenous content. There has been an increase in the proportion of first-run content offered across all radio stations.

**Figure 4.24: Total Radio Hours Broadcast by First-Run and Repeats including Digital Radio, 2013 - 2015**



Source: Indecon analysis of RTÉ data.

Note: Represents RTÉ Radio 1, RTÉ 2fm, RTÉ lyric fm, RTÉ Raidió na Gaeltachta and RTÉ Digital Radio

### Digital/Online

With regard to digital media services, RTÉ's targets are based on audience/public perceptions of the RTÉ Player and RTÉ.ie. RTÉ achieved two of its targets for the RTÉ Player but did not achieve any of its targets for RTÉ.ie.<sup>51</sup> **[Redacted: Data is commercially sensitive].**

RTÉ undertook a number of initiatives in 2015 with regard to improving audience perceptions of RTÉ.ie, including appointing a Head of RTÉ.ie, developing a new strategy and progressing work on a redesigned website to be launched in 2016.

RTÉ's digital offering should be monitored closely in subsequent reviews to see whether the initiatives have succeeded in improving perceptions of RTÉ.ie and the RTÉ Player.

<sup>51</sup> RTÉ Brand Tracker, ongoing research commissioned by RTÉ. It should be noted that RTÉ reports that the target for audience perception of Satisfaction was largely achieved.

**Table 4.7: RTÉ Performance against Content-Related Commitments – Digital/Online**

Commitment	Service	2015 (Year 3) ASPC Measure	Target	Level of Achievement*	2015 performance
RTÉ to develop its digital media services to best meet the changing needs of audiences with compelling content	RTÉ Player	Audience perception of Satisfaction with RTÉ Player	>80%	Yes	85%
		[Redacted: Data is commercially sensitive]			
		[Redacted: Data is commercially sensitive]			
	RTÉ.ie	Audience perception of Satisfaction with RTÉ.ie	>80%	Substantially	77%
		[Redacted: Data is commercially sensitive]			
		[Redacted: Data is commercially sensitive]			
RTÉ will utilise digital technology enhance the quality of its services and to make its content accessible to the widest possible audience**	RTÉ	Public perception that RTÉ programmes and services are easily accessible on a range of devices	78%	Yes	82%
<b>Source: RTÉ Performance Commitments Report 2015</b> <i>*Substantially Achieved relates to quantitative performance within 10% of target.</i> <i>** Refers to digital technology enhancing any RTÉ service, not exclusively digital / online.</i>					

RTÉ also made progress on making RTÉ content available on a range of platforms and devices. A long-term partnership was signed with SKY to increase the number of channels and ways that RTÉ's content can be seen on SKY's services in Ireland. RTÉ Television launched on eir Vision in October 2015. The RTÉ Archives website was launched in 2015.

With regard to creativity fostered and sustained by RTÉ digital media services, a sixth season of Storyland was announced. This commissioning project utilises Irish writing, directing, producing and acting talent. The fifth series of Storyland was also broadcast on the RTÉ Player during 2015. 2015 also saw the launch of a new series of Comedy Bites on RTÉ Player and RTÉ Player International, which provides mentoring to young Irish comedic talent and resulted in 16 comedy shorts.

### **Other RTÉ Commitments**

RTÉ includes a number of genre-specific commitments, relating to provision of News and Current Affairs content, Children's programming, Arts and Culture content and the broadcast of national events. It is to be noted that a cross-platform approach is applied to these genres, with television and radio programming supported by online content and applications. In addition, RTÉ orchestras, quartet and choirs provide live performances and educational outreach that support arts and culture in Ireland.

RTÉ achieved most all of its remaining content-related commitments in 2015, with the exception of the public perception that RTÉ provides trusted N&CA. While the achievement of the other targets is positive, the missing of this target is of concern, particularly when considered in conjunction with other missed public perception targets outlined previously.

With regards to fostering and sustaining creativity, 63% of adults in 2015 agreed with the statement that RTÉ is a creative organisation, compared to 59% in 2014 and 44% in 2013.

Table 4.8: RTÉ Performance against Content-Related Commitments - Other

Commitment	Service	2015 (Year 3) ASPC Measure	Target	Level of Achievement*	2015 performance
RTÉ to continue to be a trusted and strong modern Irish source of domestic and global News & Current Affairs, providing news coverage that is relevant to all, in both the English and Irish languages	RTÉ News	N&CA hours within % range RTÉ one, RTÉ Radio 1 and RTÉ news Now	See Table 4.4 & Table 4.6	Yes	See Table 4.4 & Table 4.6
		Public perception that RTÉ provides trusted N&CA	>75%	Yes	83%
	RTÉ News Now	Deliver schedule mix within % range	See Table 4.4	Yes	See Table 4.4
		[Redacted: Data is commercially sensitive]			
		Sustain % of live content	>40%	Yes	40%
RTÉ will continue to offer quality Irish content for children that explores and reflects their world via a multi-media offering across radio, television, online and mobile	RTÉ	Public perception that RTÉ offers a broad range of content and services for children	>47%	Yes	52%
Continue to deliver the big national events that bring the country together - whether they be the big entertainment events, news and political events or the big sporting occasions	RTÉ	Public perception that RTÉ enables me to connect with national events	72%	Yes	81%
RTÉ aims to support and promote innovation and creativity both internally and among both the Independent Production sector and wider creative community	RTÉ	Public perception that RTÉ is a creative organisation	52%	Yes	63%
RTÉ aims to deliver bigger, more ambitious and more inclusive Arts and Culture content	RTÉ	Public perception that RTÉ supports arts activities in Ireland	>66%	Yes	74%
<b>Source: RTÉ Performance Commitments Report 2015</b> <b>*Substantially Achieved relates to quantitative performance within 10% of target.</b> Note: * RTÉ indicates that this commitment was largely achieved.					

In terms of innovations in Children's programming, RTÉ committed in 2015 to increasing its baseline investment in animation commissions over the next three years to over €550,000 per annum and launched a new Animated Shorts for TV Scheme seeking up to five original shorts.

A range of arts and culture programming was broadcast on RTÉ Television and Radio in 2015. RTÉ Supporting the Arts scheme supported more than 100 events in 2015 and a television promotion was introduced to give arts organisations the opportunity to advertise on television.

RTÉ's Orchestra, Quartet and Choirs supported over 350 performers in RTÉ's music ensembles, including 130 full-time professional musicians. They provided 217 live performances and events in 2015 and more than 60 education-related performances, workshops and interviews. RTÉ missed its audience target for Orchestra, Quartet and Choirs in 2015 by a significant margin (actual: 156,000. Target: >180,000).

RTÉ also undertook a number of initiatives relating to digital innovation:

- RTÉ hosted RTÉ MojoCon in 2015, a conference dedicated to mobile journalism, filmmaking, photography and storytelling. RTÉ MojoCon2 will be hosted by RTÉ in April 2016
- RTÉ hosted EBU's Online Media Summit and Hacks/Hackers' Meet-up on Data-Driven Journalism
- Other partnerships included: Excited, Coder Dojo, Digital Youth Council

Other measures that demonstrate the creativity fostered and sustained by RTÉ relate to the number of awards and nominations received by RTÉ programmes and presenters and initiatives to foster creativity in its staff. RTÉ won 56 awards in 2015 and received a further 46 nominations.<sup>52</sup> The RTÉ Player was the award winner of the Native Mobile App at the British Interactive Media Association and Brian O'Connell's Report with Sean O'Rourke on RTÉ Radio 1 won Gold Vest Investigative Reporting Award at the New York Festival Radio Awards. Indecon believes it may be useful in future reviews to evaluate the significance of any awards won in more detail.

**Table 4.9: RTÉ Awards and Nominations 2015**

Nominations Received	46
Awards Won	56
<b>Total</b>	<b>102</b>
Source: Indecon analysis of RTÉ data	

To support creativity in RTÉ staff in 2015, RTÉ held the first public competition for a new panel of producers in radio for seven years, devised new training modules focussing on multimedia platforms and content distribution, and appointed a Head of Innovation Partnerships and Funding.

It should be noted that an important component of RTÉ's support for creativity is in its support for the independent production sector. While we have examined indigenous hours in this section, we consider programming spend in the subsequent section.

#### 4.2.3 Irish Language – Promotion and Development

RTÉ outlined one commitment incorporating one measurable target relating to the promotion and development of the Irish language in 2015. This target relates to public perceptions that RTÉ provides a comprehensive service for Irish speakers and was fully achieved in 2015.

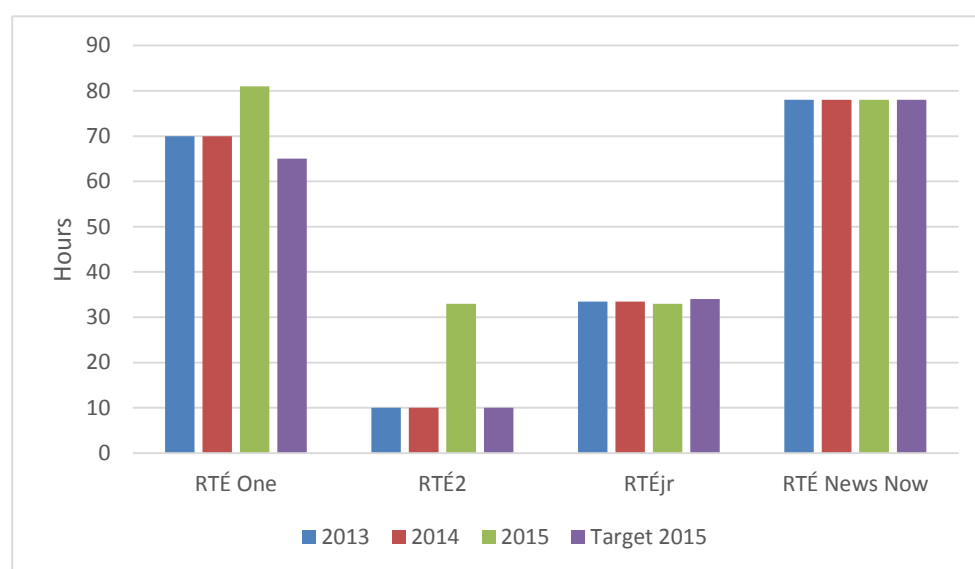
<sup>52</sup> 'Awards' refer to nominations that also won an award, while 'nominations' refer to those nominations that did not win any award.

Table 4.10: RTÉ Performance Against Irish Language Commitments 2015

Commitment	Service	2015 (Year 3) ASPC Measure	Target	Data?	Level of Achievement
RTÉ strives to reach out to all Irish language speakers at home and abroad in its provision of Irish language programming and services	RTÉ	Public perception that RTÉ provides a comprehensive service for Irish speakers	>47%	Yes	52%
<i>Source: RTÉ</i>					

In terms of promotion and development of the Irish language, it is instructive to consider the percentage of programming provided in the Irish language. There was an increase in the total percentage of Irish hours broadcast on RTÉ One and RTÉ2, however RTÉjr and RTÉ News Now saw a fall in Irish language broadcast hours. The strong performance for RTÉ One and RTÉ2 coincides with the implementation of the Irish-language action plan and also the launch of new Irish language programmes including *Bhí Mé Ann* on RTÉ One, and a *Two Tube* Irish language mini-drama on RTÉ2.

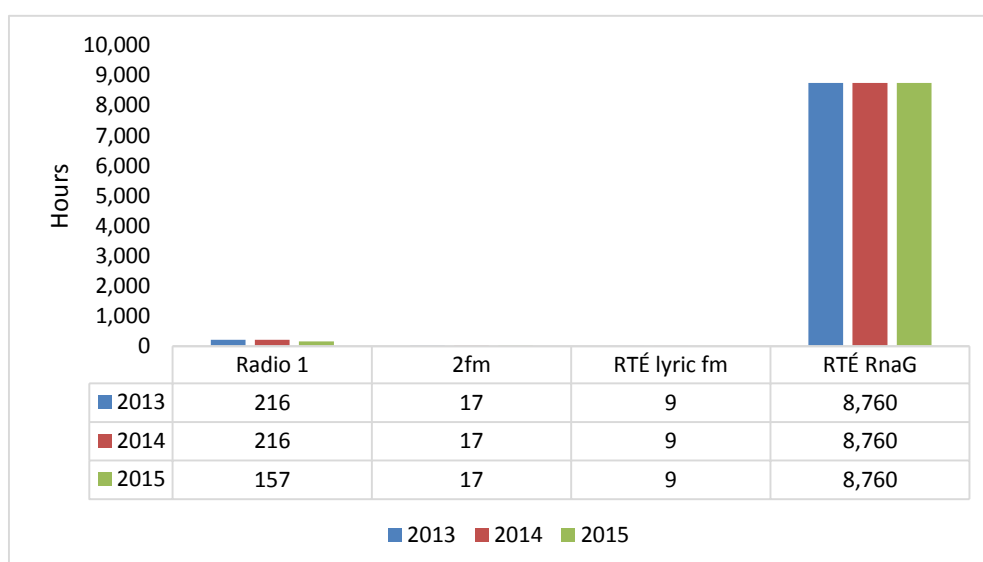
Figure 4.25: RTÉ TV Irish Language Broadcast Hours, 2013 - 2015



*Source: Indecon analysis of RTÉ data.*

There was a decrease in the number of Irish language hours broadcast on RTÉ Radio 1 in 2015. Hours for 2fm, RTÉ lyric fm and Raidió na Gaeltachta remained the same across 2013 to 2015.

Figure 4.26: RTÉ Radio Irish Language Broadcast Hours, 2013 - 2015



Source: Indecon analysis of RTÉ data.

RTÉ undertook a number of initiatives relating to the promotion and development of the Irish language in 2015, including:

- Launch of Meáin Ghaeilge Irish Language Action Plan 2015-2019 to sit alongside Language Scheme for RTÉ 2015-2018.
- Appointment of RTÉ Group Head, Irish Language and TV Genre Head of Cláracha Gaeilge.

The Meáin Ghaeilge Irish Language Action Plan outlines three goals:

1. Integrate the Irish language into everything we do in RTÉ
2. Become the home of innovation in Irish-language media
3. Create a dynamic environment for Irish-language content creation, making the best use of the talent, skills and creativity of Irish-language capable staff

Actions to be taken over the five years to 2019 include increasing the amount of Irish on RTÉ's television, radio, news and current affairs, and sports, embracing the Irish language as a strategic component of RTÉ's brand identity, revitalising RTÉ's approach to television, radio and digital content and building capacity in Irish language across RTÉ.



The Government's 20-year strategy for the Irish Language 2010-2030 outlines a number of areas for action, including media and technology. In particular, the strategy notes that *"Languages which were previously disadvantaged by their dispersed community base are now well-positioned to benefit from opportunities for innovation through new communications and media technologies"*.<sup>53</sup>

RTÉ undertook a number of initiatives in 2015 with respect to the specific actions set out in the 20-year strategy. These initiatives include the launch of an Irish-language radio app and the launch of a diaspora-specific strand on the RTÉ Player. In addition, a number of actions taken by RTÉ in 2015 can be aligned specifically to actions outlined under the 20-year Strategy.

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<sup>53</sup> 20 Year Strategy for the Irish Language 2010-2030, p. 26.

**Table 4.11: RTÉ Actions in 2015 – 20 Year Strategy for the Irish Language**

Action from the 20-year Strategy for Irish Language	RTÉ Action in 2015
Development of a literary promotion brief by RTÉ and TG4, with a key role in literary awards, book programmes, profiling of authors and contributing to their visibility and media status, and cultivation of stronger links between media and for book publication as “complementary” activities	<ul style="list-style-type: none"> <li>- Sponsored An tOireachtas Irish-language drama award</li> <li>- Weekly Irish-language book slot on RTÉ Raidió na Gaeltachta’s Údar Cainte</li> <li>- Book on One (RTÉ Radio 1) in Irish for Seachtain na Gaeilge</li> </ul>
Development of initiatives to encourage writing in Irish by young people in a range of media – journalism, blogging, creative writing, drama and film scripts	<ul style="list-style-type: none"> <li>- Commissioned new Irish-language radio drama</li> <li>- RTÉ Raidió na Gaeltachta radio programme competition in conjunction with Gael Linn, focussing on radio scripting and production for young people</li> </ul>
RTÉ, as the national public service broadcaster, will normalise the use of Irish and English in their broadcasts, building on the success of Irish Language Week (Seachtain na Gaeilge)	<ul style="list-style-type: none"> <li>- Increased use of Irish across all broadcasts in September 2015</li> <li>- Irish language commentary option for the All-Ireland football and hurling finals</li> </ul>
RTÉ will continue to support and develop Raidió na Gaeltachta so that a broad spectrum of high standard programmes will be delivered to those communities that listen to this service	<ul style="list-style-type: none"> <li>- RTÉ Group Head, Irish Language overseeing implementation of RTÉ Language Scheme 2015-2018</li> </ul>
A youth-focused radio to target young people will be developed using both the internet and conventional radio broadcasting	<ul style="list-style-type: none"> <li>- Raidió Rí-Rá provided with two-hour daily FM platform on RTÉ Raidió na Gaeltachta</li> <li>- Album launch by Raidió Rí-Rá in conjunction with RTÉ 2fm</li> </ul>
Continuation of a “free hour” of Irish language television from RTÉ to TG4	<ul style="list-style-type: none"> <li>- Continued in 2015</li> </ul>
Deepening RTÉ’s remit in relation to the Irish language	<ul style="list-style-type: none"> <li>- RTÉ reports that a significant commitment in relation to Irish-language broadcasting has been given as part of the Meáin Ghaeilge Action Plan</li> </ul>
All Irish language initiatives with a specific arts remit, to include drama and traditional arts, will be planned and developed as part of an integral arts strategy between the Department of Community, Equality and Gaeltacht Affairs and the Department of Tourism, Culture and Sport in tandem with the Arts Council	<ul style="list-style-type: none"> <li>- 1916-themed Irish language arts projects developed with the Department of Arts, Heritage and the Gaeltacht</li> </ul>
<b>Source: RTÉ</b>	

#### 4.2.4 Transparency and Efficiency

RTÉ outlined four commitments, representing 17 targets, in relation to transparency and efficiency in 2015. RTÉ’s Performance Commitments considers that 70% of these targets were fully achieved in 2015 with a further two targets (12%) largely achieved. Indecon’s analysis of RTÉ’s level of achievement is outlined in this chapter.

**Table 4.12: RTÉ Summary Performance against Transparency and Efficiency-Related Commitments**

	Number of Targets	%
Targets fully achieved	12	70%
Targets largely achieved	3	12%
Targets not achieved	2	18%
Number of targets	17	100%

*Source: Indecon analysis of RTÉ Performance Commitments Report 2015*

RTÉ achieved a number of important commitments including relating to meeting of budgets, public funding thresholds and statutory spend requirements for independent commissioning. As a dual-funded broadcaster, it is important that RTÉ maximises commercial opportunities across its various services. RTÉ significantly exceeded its commercial revenue targets for television and met its target for digital revenue. However, RTÉ did not meet its 2015 target for commercial revenue for radio. Also of interest is the public perception that RTÉ is good value for money. RTÉ considers that this target was largely achieved as 56% of respondents indicated that RTÉ is good value for money compared to a target of 58%. While this is within the margin of error (+/-3%), this is an important metric of which next year's review should monitor any changes closely.

RTÉ increased programming expenditure in 2015 and succeeded in reducing costs per broadcast hour for some segments. However, there was an increase in costs per viewer/listener hour across RTÉ's television channels and radio stations in 2015, largely due to decreasing audience numbers. RTÉ in our opinion should consider if there are ways of improving this important metric.

Table 4.13: RTÉ Performance against Transparency and Efficiency-Related Commitments

Commitment	2015 (Year 3) ASPC Measure	Target	Level of Achievement*	2015 performance
RTÉ is committed to meeting budgetary targets as set out in RTÉ's Interim Budget 2015, including targeting positive Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	Achieve agreed budget out-turn for the year including targeting positive EBITDA of in excess of €10 million and achieve a Break-even position prior to the €5 million reduction in Licence Fee Funding in Government Budget 2014	See Table 4.14	Yes	See Table 4.14
Deliver a value for money service by ensuring that best value is achieved in all areas of the business and by continuing to make best use of the Licence Fee income	Operating Cost budget and delivery of specified service targets achieved	See Table 4.14	Yes	See Table 4.14
	Threshold ranges of Public Funding Utilisation for 2015	See Table 4.17	Yes	See Table 4.17
	Public perception that RTÉ is good value for money	58%	Substantially	56%
	Statutory spend requirements for independent commissioning	€39.4m	Yes	€39.9****
	Personnel Related Operating Costs (PROC) Target for 2014 Budget	Max 56% of total operation costs	Yes	54%
	Learning and Development budget within best-practice range of PROC costs	[Redacted: commercially sensitive]	[Redacted: commercially sensitive]	[Redacted: commercially sensitive]
Optimise funding sources, by maximising the exploitation of all revenue streams both traditional and new	TV Commercial Revenue Target	[Redacted: Data is commercially sensitive]	€99.2m	
	Radio Commercial Revenue Target		€24m	
	2rn Commercial Revenue Target		€28.9m	
	RTÉ Digital Commercial Revenue Target		€11.1m	
Demonstrate on-going and enhanced transparency and accountability in RTÉ's use of public funds	Publish CPTH in Annual Report 2014	CPTH published in Annual Report		
	Publish Utilisation of Public Funding in Annual Report 2014	Utilisation of Public Funding published in Annual Report 2014 and projected utilisation for 2015 provided to BAI (see Table 4.17)		
	Projected utilisation for 2015 provided to BAI			
	Report on fulfilment or otherwise of RTÉ 2014 ASPC in Annual Report	2014 performance on the 2014 ASPC published in Annual Report 2014		
	Publish RTÉ 2015 ASPC	2015 ASPC published		
	Publish RTÉ Fair Trading policy	Not achieved in 2015. Policy published in February 2016.		
Source: RTÉ Performance Commitments Report 2015				
Note: Green = target achieved, red = target not achieved				
Note: *Substantially Achieved relates to quantitative performance within 10% of target.				
** RTÉ indicates that this commitment was largely achieved.				
*** RTÉ classifies this commitment as achieved as revenue generated was in excess of [Redacted: commercially sensitive] of target				
****Comprises statutory expenditure and additional expenditure on commissioned programmes				

### Budget 2015

RTÉ's income was slightly ahead of target in 2015, driven largely by higher-than-expected income from advertising. [Redacted: Data is commercially sensitive]. Personnel-related operating costs were also slightly higher than projected, driven by higher other personnel-related costs. This may reflect some reductions in the adjustments implemented in the recession. While this is understandable from a competitive perspective it is of particular concern. Non-personnel-related operating costs were slightly lower than projected, leading to total operating costs being almost exactly as budgeted. Coupled with higher income than projected, RTÉ achieved a higher EBITDA in 2015. RTÉ recorded a

small deficit of -€2.8m in 2015. The enhanced profitability and lower overall deficit compared to the budget level is an important result for RTÉ's financial position.

**Table 4.14: RTÉ Income and Expenditure Interim Budget 2015 - Actual 2015**

	Budget 2015 <i>[Redacted: commercially sensitive]</i>	Actual 2015	% Change <i>[Redacted: commercially sensitive]</i>
<i>Advertising</i>		110.0	
<i>Sponsorship</i>		9.1	
<i>Other Commercial Revenue</i>		36.3	
Commercial Income		155.4	
Licence Fee Income		178.9	
<b>Total Income</b>		<b>334.3</b>	
<i>Employee Costs</i>		141.6	
<i>Other personnel related costs (including contractors)</i>		32.9	
Personnel Related Operating Costs		174.5	
<i>Direct commissioned programme costs</i>		38.2	
<i>Direct acquired programme costs</i>		23.6	
<i>Sports and other copyrights</i>		14.5	
<i>Outside broadcast costs</i>		5.2	
<i>Communication circuits</i>		3.7	
<i>RTÉ Guide printing and related costs</i>		1.5	
<i>Network Electricity</i>		2.4	
<i>Music licences</i>		8.0	
<i>Insurance policies</i>		1.4	
<i>Other third party costs</i>		47.3	
Non-Personnel Related Operating Costs before depreciation and amortisation		145.8	
<b>Operating costs</b>		<b>320.3</b>	
<b>EBITDA</b>		<b>14.0</b>	
Depreciation / Amortisation		-14.2	
Gain / (Loss) on Disposal of Assets		0.6	
Investment in JV		-	
Interest (Payable) / Receivable		-2.4	
<b>Profit from Operating Activities</b>		<b>-2.0</b>	
Restructuring Provision credit		-	
Net DB Pension related finance income / (expense)		-0.3	
<b>Net Surplus/(Deficit) before tax</b>		<b>-2.3</b>	
Tax		-0.5	
<b>Net Surplus / (Deficit) after tax</b>		<b>-2.8</b>	

Source: RTÉ data, Annual Report & Group Financial Statements. **Note: commercially sensitive and strictly confidential - not for publication.** Note 2: Operating costs and EBITDA include cost of special events in Budget 2016. Note 3: Gain on the disposal of assets for 2015 included under amortisation / depreciation. Fair value losses on derivative financial instruments not designated as cash flow hedges included under interest (payable) / receivable. Note: Rounding may lead to errors in values.

*[Redacted: Data is commercially sensitive]*

**Table 4.15: RTÉ Income and Expenditure Interim Budget 2015 - Budget 2016****[Redacted: Data is commercially sensitive]****RTÉ Income**

Public funding accounts for 53.5% of total RTÉ income in 2015, with the remaining income derived from commercial income. This composition has changed slightly over the period 2013 to 2015, with commercial income accounting for a higher proportion of total income year-on-year. This is driven by an increase in commercial income and a slight overall decrease in public funding. Commercial income is examined in more detail subsequently, but it is interesting to note that advertising income accounts for 71% of total commercial income, followed by content, merchandising and related sales, transmission, mast and towers income and sponsorship income.

**Table 4.16: Composition of RTÉ Group Income 2013 - 2015**

	2013	2014	2015	% Change 2014-2015*
	€m	€m	€m	%
Advertising	101.6	104.9	110.0	4.8%
Sponsorship	8.1	9.3	9.1	-2.8%
Facilities income	3.5	2.8	2.9	4.6%
Circulation and event income	5.8	5.8	5.7	-1.8%
Transmission, mast and towers income	10.6	11.0	10.6	-3.9%
Content, merchandising and related sales	12.0	12.2	12.6	3.8%
Other commercial revenue**	3.6	3.6	4.5	26.3%
Public Funding (Licence Fee revenue)	182.4	178.6	178.9	0.2%
Total	327.6	328.2	334.3	1.9%
<b>% Income not from Public Funding</b>	<b>44.3%</b>	<b>45.6%</b>	<b>46.5%</b>	
<b>% of income from Public Funding</b>	<b>55.7%</b>	<b>54.4%</b>	<b>53.5%</b>	

Source: Indecon analysis of RTÉ Annual Report and Group Financial Statements 2014, 2015, RTÉ data  
 \*Percentage change calculated using non-rounded values.  
 \*\*Other Commercial income is all other income outside of the six previous income streams.

**Attribution of Public Funding**

RTÉ has committed to ensuring that public funding by service remains within specified thresholds. The public funding thresholds by service are determined by allocating the given level of public funding for the year as expressed in the interim budget across each service, taking account of commercial revenue risk, operating cost risk, unscheduled special events, broadcast risk and movement in actuarial valuation of defined benefit pension schemes. The base level of public funding by service is determined by estimating the gross cost of public service activities by service and the surplus on commercial activities (projected commercial revenues by service less the cost of non-public service activities). Combining these elements provides an estimate of the net cost of public service activities before the attribution of public funding.

In 2015, RTÉ allocated public funding to fully fund services such as RTÉ lyric fm, RTÉ RnaG, TG4 support, Orchestras, Corporate HQ, DTT related and other channels. The residual public funding was then allocated proportionally across RTÉ One, RTÉ2, RTÉ Radio 1, RTÉ 2fm and online services, leaving a small deficit across each service.

High and low scenarios from the base level of public funding are then estimated using scenarios for revenues, costs, broadcast risk and special events.

A number of the thresholds were slightly exceeded but for the most part, RTÉ remained within the public funding thresholds.

Table 4.17: Public Funding - Actual vs Thresholds 2015				
	High	Low	Expected	Actual 2015
	€m	€m	€m	€m
RTÉ One	[Redacted: Data is commercially sensitive]			58.0
RTÉ2				45.6
RTÉ Radio 1				18.5
RTÉ 2fm				5.3
RTÉ lyric fm				5.8
RTÉ Raidió na Gaeltachta				11.3
TG4 Support				7.2
RTÉ Orchestras				11.9
Corporate H.Q.				5.1
Finance Costs				0.7
DTT Related				0.7
Online Services				5.0
Other Channels				4.0
Source: RTÉ Performance Commitments Report and RTÉ data.				
Note: Green = target achieved, red = target not achieved. Achieved target is between high and low estimate. Rounding may occur.				
Note: commercially sensitive and strictly confidential - not for publication.				

Consideration of the specific method of attribution and the consistency between years would merit review in future annually, however Indecon notes that RTÉ's public funding attribution is externally audited and the organisation provides medium-term guidance on the methods by which it determines public funding use. This was outlined in RTÉ's five-year strategy 2013-2017. RTÉ's public funding model is based on assumptions for this period, including levels of commercial revenue, payroll inflation, programme plans, consumption pattern trends, and targeted efficiencies. Indecon are broadly satisfied with this approach and the application of such in the threshold computation model provided, however an in-depth analysis on the appropriateness of specific model variables may be warranted going forward.

### Licence Fee Evasion

TV Licence Fee evasion rates in Ireland are higher than other country comparators as identified by RTÉ.<sup>54</sup> RTÉ has suggested this issue as a potential area of efficiency improvement. Increasing the

<sup>54</sup> License Fee Collection Efficiency – RTÉ Presentation to DCENR, 2014

efficiency of licence fee collecting could boost RTÉ's income with minimal cost. Out of six countries analysed, Ireland has the highest evasion rate at 17%. The UK is second with a rate of 5-6%. In 1991 the UK began significantly altering the methods used in licence fee collection, reducing the evasion rate by 7%. This was achieved through the transfer of collection duties from the Home Office to the BBC; adoption of frequent, automatic and multi-sourced data sharing across public and private stakeholders; a strong legislative framework; and consistent enforcement of unpaid invoices. The BBC also hires external collection and enforcement agencies with targets, incentives, and performance measures in place. The above non-exhaustive list of measures could raise income for RTÉ through the reduction of evasion rates in Ireland. Indecon recommends that a separate independent evaluation of ways to enhance licence fee collection and the impacts of these should be undertaken by the BAI.

### Commercial Revenue

As indicated previously, advertising income accounts for the majority of total commercial revenue for RTÉ, followed by content, merchandising and related sales. With regard to such sales, RTÉ notes that 2015 saw:

**[Redacted: Data is commercially sensitive]**

Total commercial revenue has increased year-on-year across 2013 to 2015. This is likely to be a reflection of the improvement in the economy. The growth in TV commercial revenue was achieved against a backdrop of new market entrants and an increase in the number of international channels offering advertising slots in Ireland. Actual 2015 TV revenues outperformed Budget 2015 due to the weaker than anticipated revenue impacts of the above pressures. RTÉ's improved commercial revenue from radio activities in 2015 was driven by the performance of a re-focused RTÉ 2fm. Although positive growth was recorded, commercial revenues were less than Budget 2015 due to the impact of discounted prices on RTÉ Radio 1's core client group. In growth terms, RTÉ's digital commercial revenue performed particularly well, however on-going challenges in relation to downward digital pricing pressures due to the increased use of automated trading platforms are increasingly evident. Given the increasingly dominant role played by digital media, particular attention should be placed on this income stream in order to yield the forecasted future growth in this product segment. However, RTÉ's longer-term performance in digital is to be noted, as commercial revenues in 2015 are below 2013 levels.

The television division accounts for 64% of total commercial revenue in 2015, followed by 2rn (19%) and radio (15%). Despite not achieving revenue targets for radio, the Radio division saw higher-than-average growth in commercial revenue between 2014 and 2015. Targets were not met due to trading conditions and increased competitive pressure from consolidated packaging by other market participants. This is against a backdrop of a return to growth in this market as outlined in chapter 2.3.4.



Table 4.18: RTÉ Commercial Revenue by Division, 2013 - 2015

	2013	2014	2015	% Change 2014-2015
	€m	€m	€m	%
Television	86.972	98.304	99.209	0.9%
Radio	22.008	22.084	24.009	8.7%
2rn	26.316	28.829	28.893	0.2%
Digital	15.423	8.223	11.146	35.5%
Orchestras	2.856	2.885	2.558	-11.3%
All Other Segments	7.893	7.908	8.685	9.8%
Consolidation Adjustments	-16.254	-18.628	-19.097	2.5%
Group Total	145.214	149.605	155.403	3.9%

Source: Indecon analysis of RTÉ Annual Report and Group Financial Statements 2014, 2015.

It is also instructive to consider advertising revenue by division given that advertising revenue accounts for the majority of commercial revenue for RTÉ. There has been year-on-year growth in advertising revenue for television and digital across 2013 to 2015, while advertising revenues in radio declined between 2013 and 2014 but increased in 2015. Overall, strong growth in advertising revenues was achieved across the three major advertising divisions. This was driven by strong advertising growth in television as RTÉ achieved price increases for their product offerings. This was against a backdrop of underperformance by a new market entrant. Radio performance was also positive and was based on an improved and refocused RTÉ 2fm product offering.

Table 4.19: RTÉ Advertising Revenue by Division, 2013 - 2015

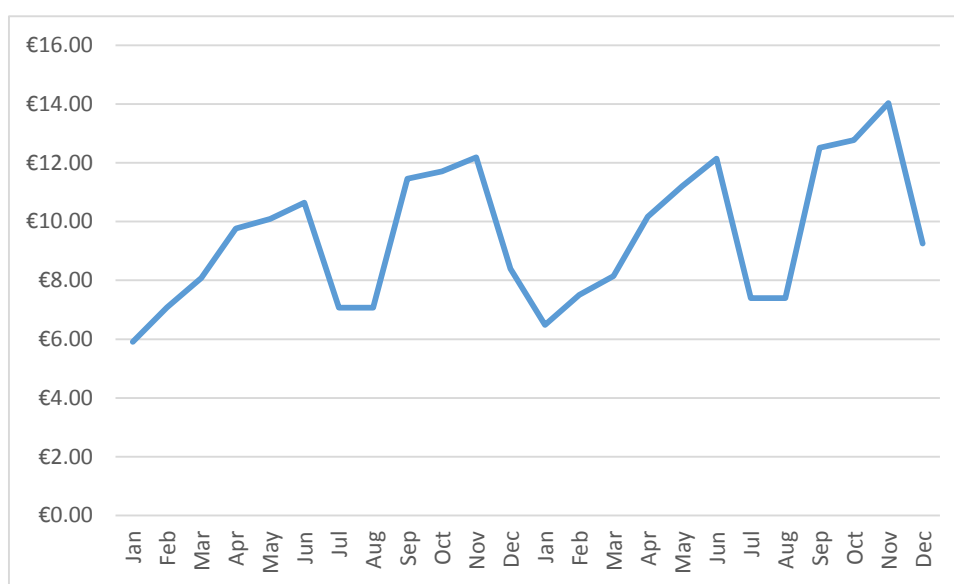
	2013	2014	2015	% Change 2014-2015
	€m	€m	€m	%
Television	77.017	80.507	83.098	3.2%
Radio	18.363	17.757	19.066	7.4%
Digital	5.597	6.318	7.47	18.2%
All Other Segments	1.015	0.995	0.913	-8.2%
Consolidation Adjustments	-0.362	-0.689	-0.595	
<b>Group Total</b>	<b>101.63</b>	<b>104.888</b>	<b>109.952</b>	<b>4.8%</b>

Source: Indecon analysis of RTÉ Annual Report and Group Financial Statements 2014, 2015.

Advertising is priced using cost per thousand. RTÉ's outturn CPT for television adults in 2015 was €8.25. It is also interesting to consider RTÉ's published fixed prices. RTÉ sets fixed prices in advance for 20 audience categories. RTÉ's television fixed prices for adults 15+ demonstrate seasonality and we observe an upward trend in the fixed prices over 2015 – 2016. This compares with average fixed

CPT of €8.51 for 2014 and €7.88 for 2013.<sup>55</sup> There was also large increase in CPT in 2016 above 2015 levels. This indicates that the upward trend evident is continuing.

**Figure 4.27: RTÉ Television Advertising Fixed Prices, Adults 15+, 2015 - 2016**



Source: Indecon analysis of RTÉ Media Sales Fixed Prices, January – December 2015 & January – December 2016

The growth in Ireland's national income, as outlined in Section 2.2, should have positive spill-over effects into RTÉ's revenues and other economic metrics. RTÉ's overall commercial revenue increased from €149.6m in 2014 to €155.4m in 2015, however individual revenue streams differed. TV advertising grew 3.2% to €83.1m while radio advertising grew 6.3% to €1.1m. These are explored in greater detail in Section 4.4.1 Commercial Maximisation.

RTÉ's legislative mandate as outlined in the Broadcasting Act 2009<sup>56</sup> is to maximise commercial revenue, and is achieved through the use of targets, economic forecasting, and a continuous drive to improve business performance. Revenue targets are drafted by the Commercial division of the organisation and are calculated using macroeconomic indices, industry projections, and projected demand for specific schedules. RTÉ varies its sales policy across product lines so as to maximise revenue. TV sales policy is set to support RTÉ's premium position in the market and aims to sell all available inventory subject to internal modelling and market analysis. Digital sales policy also aims to sell all available inventory. Radio sales policy adopts a bundling approach to maximise revenue from the sale of daytime peak audiences. Both digital and radio sales policy set prices early in the year so as to maintain yield. Other revenue streams including international sales and studio hire are managed passively and are demand driven.

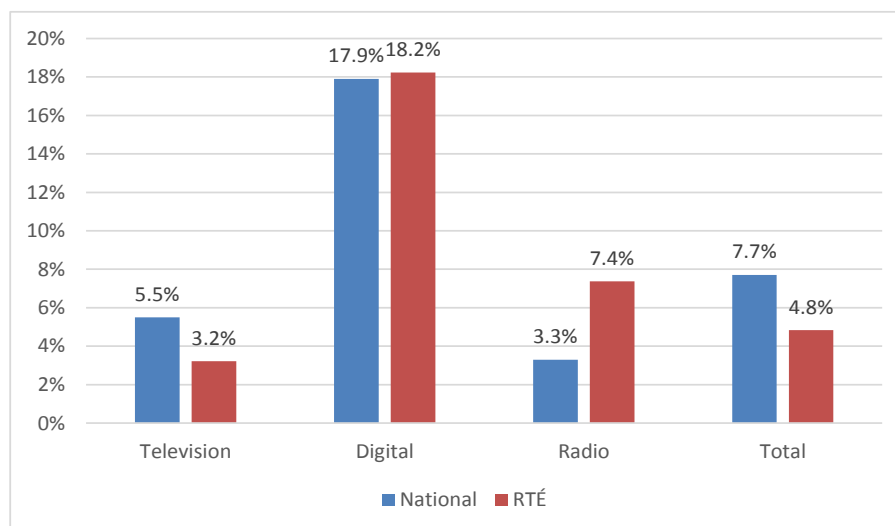
We consider changes in overall advertising revenues in Ireland compared to RTÉ divisions between 2014 and 2015. RTÉ's television advertising revenues did not grow to the same extent as television

<sup>55</sup> RTÉ TV Media Sales Archives. All Adults 15+ Advanced Booking. Mean across twelve months of year.

<sup>56</sup> Section 108 of the Broadcasting Act states: "The commercial activities undertaken by a corporation in pursuance of its exploitation of commercial opportunities object shall—be operated in an efficient manner so as to maximise revenues..."

advertising revenues nationally partly due to new market entrants and an increased use of opt-out advertising by Channel 4 in particular, but RTÉ digital and radio advertising revenues grew at a faster rate than national advertising revenues. The importance of television advertising revenues for RTÉ means that total advertising revenues grew less than the national total for television, radio and digital.

**Figure 4.28: Percentage Change in Advertising Revenues, 2014 - 2015**



Source: Indecon analysis of RTÉ Annual Report and Group Financial Statements 2014, 2015 and Core Media Outlook 2016, Carat Media Outlook 2016.

Note: National advertising revenues estimated as an average across Core Media and Carat estimates.

It is also instructive to consider in some further detail other aspects of RTÉ's commercial income. RTÉ programme sales to other broadcasters are an additional source of income for RTÉ and are illustrative of RTÉ's originality/creativity in programming. There has been an increase in the revenue obtained through programmes sales across 2013 to 2015. This was aided by international programme sales with more than *[Redacted: Data is commercially sensitive]*.

**Figure 4.29: RTÉ Programme Sales Revenue, 2013 - 2015**

	€'000
2013	<i>[Redacted: Data is commercially sensitive]</i>
2014	
2015	
Source: RTÉ data	
Note: commercially sensitive and strictly confidential - not for publication.	

Indecon also examined facilities income for RTÉ across division. There was an increase in facilities income between 2014 and 2015, driven largely by an increase in income from television facilities. The overall scale of revenues from this source are relatively limited so too much attention on yearly variances may not be of significance. There was a significant decrease in the revenue from orchestra. This trend in orchestra facilities income continued in 2016 and is due to a reduction in the level of facility hires secured.

**Figure 4.30: RTÉ Facilities Income by IBD, 2014 & 2015**

	2014	2015
	€'000	€'000
Television	2,270	2,587
Radio	142	148
Orchestra	524	362
Other		17
Total (after consolidation adjustment)	2,786	2,914
<b>Source: RTÉ Annual Report and Group Financial Statements 2015.</b>		
Note: television facilities include crewed studios, editing and other facilities, dry hire and production circuit capacity		

### Operating Costs

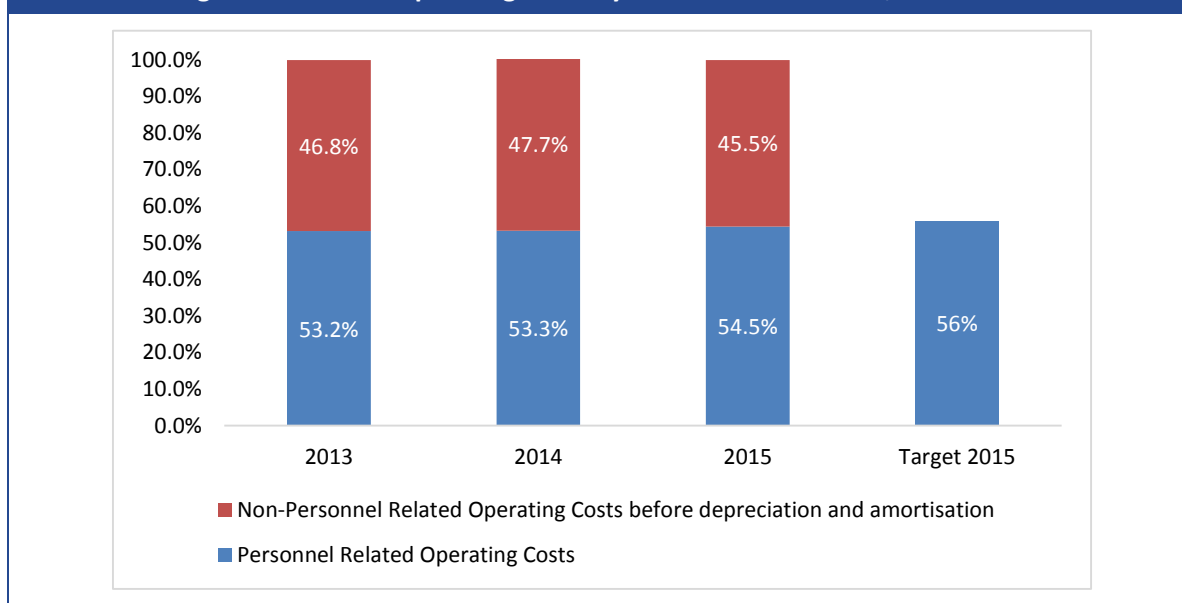
RTÉ reports that operating costs are below the projected level set out in the Base Case for RTÉ's strategy and have suggested that this compromises RTÉ's ability to maintain and deliver services in fulfilment of its public service objectives, including limiting RTÉ's ability to deliver enhancements to services and increase indigenous programme levels. Indecon however notes that personnel-related operating costs increased by 6.9% between 2014 and 2015. This was due to an increased number of employees and the reversal of some pay cuts. Non-personnel-related operating costs declined slightly between 2014 and 2015. There was a slight increase in direct commissioned programme costs but a significant decline in the cost of sports and other copyrights. This was due mainly to a reduction in copyright costs associated with World Cup 2014, and this decreased by 28%.

**Table 4.20: Composition of RTÉ Group Operating Costs, 2013 -2015**

	2013	2014	2015	% change 2014-2015
	€m	€m	€m	%
Employee Costs	132.707	132.564	141.585	6.8%
Other personnel related costs (including contractors)	30.491	30.61	32.862	7.4%
<b>Personnel Related Operating Costs</b>	<b>163.198</b>	<b>163.174</b>	<b>174.447</b>	<b>6.9%</b>
Direct commissioned programme costs	34.673	37.384	38.16	2.1%
Direct acquired programme costs	23.36	22.047	23.599	7.0%
Sports and other copyrights	18.101	20.247	14.539	-28.2%
Outside broadcast costs	5.666	5.156	5.246	1.7%
Communication circuits	3.454	3.517	3.706	5.4%
RTÉ Guide printing and related costs	1.556	1.592	1.535	-3.6%
Network Electricity	2.438	2.541	2.421	-4.7%
Music licences	7.428	7.388	8.04	8.8%
Insurance policies	1.467	1.379	1.394	1.1%
Other third party costs	45.578	47.469	47.175	-0.1%
<b>Non-Personnel Related Operating Costs before depreciation and amortisation</b>	<b>143.721</b>	<b>148.720</b>	<b>145.815</b>	<b>-2%</b>
<b>Total Operating Costs (before depreciation and amortisation)</b>	<b>306.919</b>	<b>311.894</b>	<b>320.262</b>	<b>2.7%</b>
<b>Source: Indecon analysis of RTÉ data.</b>				

RTÉ has targeted to keep personnel-related operating costs within a maximum of 56% of total operating costs. As indicated below, RTÉ has remained within this threshold for each of the past three years. Indecon believes that this is a useful target but that setting a target that relates Personnel related operating costs (PROC) to income may merit attention. This could be tracked year on year.

Figure 4.31: Total Operating Costs by PROC and Non-PROC, 2013-2015

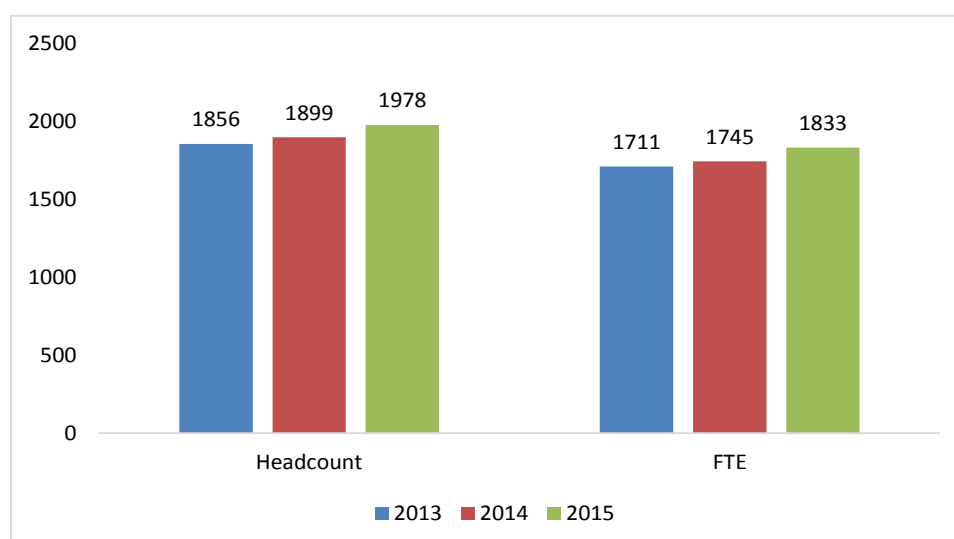


Source: Indecon analysis of RTÉ data.

One of RTÉ's targets relates to expenditure on learning and development of staff, which is one of RTÉ's commitments in its five-year strategy under the heading of a fit-for-purpose organisation. Learning and Development initiatives in 2015 were focussed on creativity, journalism and management training. RTÉ spent **[Redacted: Data is commercially sensitive]** on Learning and Development, representing **[Redacted: Data is commercially sensitive]** of total personnel-related operating costs. **[Redacted: Data is commercially sensitive]**.

It is also instructive to consider the number of employees within RTÉ in the context of personnel-related operating costs. There has been a year-on-year increase in the number of headcount and FTE employees within RTÉ over the past three years.

Figure 4.32: RTÉ Employee Headcount and FTE, 2013 - 2015



Source: Indecon analysis of RTÉ data.

There has been an increase in the number of full-time and part-time permanent staff, as well as full-time temporary staff. There was a decrease in the number of part-time and casual temporary staff between 2014 and 2015. Full-time permanent staff make up the majority of staff employed by RTÉ.

Figure 4.33: RTÉ Employee Headcount as at 31 December, 2013 - 2015

**[Redacted: Data is commercially sensitive]**

Source: Indecon analysis of RTÉ data.

Note: commercially sensitive and strictly confidential - not for publication.

There was an increase in the number of staff employed for each division between 2014 and 2015, with the exception of orchestras, which saw a slight decline in the number of employees. The television, radio and news and current affairs divisions account for the highest number of employees by division. The rise in N&CA staff is noteworthy given the fall in programming hours.

Figure 4.34: RTÉ Employee Headcount by IBD, 2014 &amp; 2015

*[Redacted: Data is commercially sensitive]*

Source: Indecon analysis of RTÉ Internal Management Accounts

Note: commercially sensitive and strictly confidential - not for publication.

*[Redacted: Data is commercially sensitive]*

Figure 4.35: RTÉ Employee Cost per FTE, 2013 - 2015

*[Redacted: Data is commercially sensitive]*

Source: Indecon analysis of RTÉ data.

Note: commercially sensitive and strictly confidential - not for publication.

A measure of the creativity fostered by a public service broadcaster is the number of creative staff employed within the organisation as well as creative staff employed through the commissioning process. Indecon requested data on the number of creative staff employed in 2015 including producers, directors, actors, musicians, composers, writers and first-time writers. RTÉ was not in a position to respond to a request by Indecon for the estimated number of creative staff employed, but instead provided Indecon with spend on creative talent in 2015. While creative spend is useful in terms analysing the distribution of resources across different creative employees, we believe that

this should be considered for future reviews. Indecon however note that this was not specified in the framework agreed previously by BAI and RTÉ.

RTÉ's spend on creative talent in 2015 was *[Redacted: Data is commercially sensitive]*. The areas of highest spend were producers and assistant producers, musicians and conductors and actors. 66% of RTÉ's spend on creative talent was on RTÉ employees, with the remaining 34% spent on contractors. It should be noted that this comprises direct RTÉ spend only and does not include amounts paid by independent producers working on RTÉ commissions.

**Figure 4.36: RTÉ Spend on Creative Talent, €000, 2015**

*[Redacted: Data is commercially sensitive]*

Source: Indecon analysis of RTÉ data.

### Programming Expenditure

RTÉ supports the independent production sector through commissioning expenditure and additionally fosters creativity in indigenous content through in-house production. The PSB has a legislative mandate under Section 116 of the Broadcasting Act to keep an independent programmes account that should be funded by the application of specific funding criteria year on year. This statutory requirement was met and was targeted at €39.4m in 2015. We examine programming expenditure for television and radio in this section.

RTÉ's Independent Productions report indicates that there were 1,778 hours of independently produced television programmes in 2015. Expenditure on new commissioning for television was €33m, resulting in 406 hours of programming. RTÉ One broadcast over 848 hours of independently produced programming. Independent Radio Productions commissioned 191 hours (26 hours for RTÉ lyric fm and 165 hours for RTÉ Radio 1). RTÉ's spend on the independent production sector has remained at statutory levels for many years. RTÉ suggest that this is having a negative impact on the independent production sector. Further, current levels of spend in this sector is close to €5m lower than projected in RTÉ's five year strategy.

RTÉ has planned to improve its independent radio production in 2016 through experimenting with a new specific commission in the summer months. *[Redacted: Data is commercially sensitive]*.



## TV

In television, the majority of programming expenditure is in-house programming costs, followed by commissioning expenditure. There was a small increase in commissioned programming expenditure across 2013 to 2015. Commissioning as a percentage of indigenous spend has marginally fallen since 2014, however spend has remained at its required statutory level. Between 2014 and 2015, there was an increase acquired programme costs and expenditure on in-house programme costs declined back to the 2013 level. This is unsurprising given the reduction in in-house hours down to close to 2013 levels. However the greater reliance on acquired programming should be noted.

**Figure 4.37: RTÉ Television Programming Costs by Source, 2013 - 2015**

**[Redacted: Data is commercially sensitive]**

*Source: Indecon analysis of RTÉ data.*

*Note: commercially sensitive and strictly confidential - not for publication.*

Data refers to RTÉ One and RTÉ2.

One of RTÉ's commitments is to publish cost per transmitted hour by channel in their Annual Report, which RTÉ achieved in 2015. It is however instructive to consider the cost per broadcast hour by source of programming. In-house and commissioned programming have higher costs per broadcast hour than acquired programming but this can be misleading as there are major differences in the nature of such programming. There has been a decrease in commissioned cost per broadcast hour but increases in in-house cost per broadcast hour and acquired cost per broadcast hour. If one excludes repeat hours, cost per hour of commissioned programming increases by 13.6%, while the in-house equivalent increases by 1.6%. As noted earlier the cost of acquired programmes may be influenced by exchange rate movements.

These cost per hour trends further highlights the potential implications for continuing the trend of increased reliance on both acquired and commissioned programming. In terms of cost efficiencies commissioned programming is improving if account is taken of both first run and repeats, however whether this continues remains to be seen. As noted earlier if one examines first-run commissioned programmes excluding repeats, the first-runs show an increase in commissioned costs.

Figure 4.38: RTÉ Television Programming Cost per Broadcast Hour by Source, 2013 - 2015

**[Redacted: Data is commercially sensitive]**

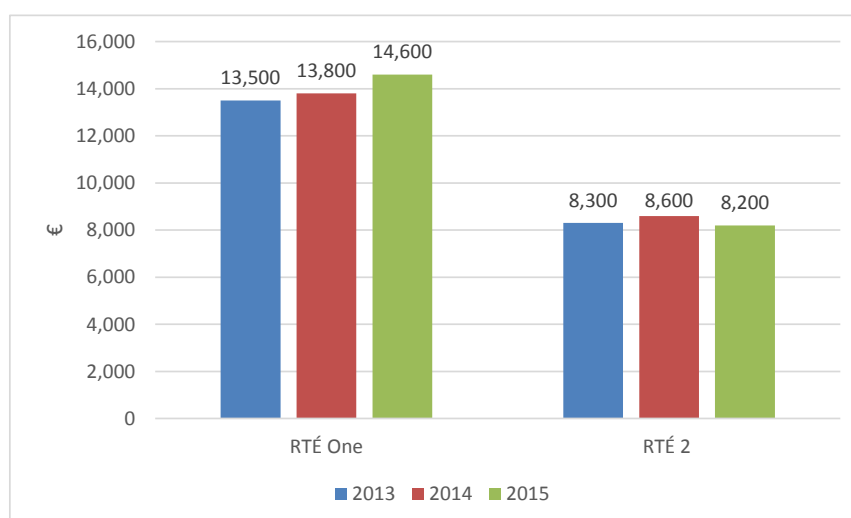
Source: Indecon analysis of RTÉ data.

Note: commercially sensitive and strictly confidential - not for publication.

Data refers to RTÉ One and RTÉ2. Data excludes Euronews.

RTÉ One has a higher cost per broadcast hour than RTÉ2, reflecting differences in the nature of the programming.

Figure 4.39: RTÉ Television Average Cost per Broadcast Hour, 2013 - 2015



Source: RTÉ data.

Costs include transmission charges

A more relevant measure of efficiency and value for money is cost per viewer hour, which additionally takes into account audiences. Once audience size is taken into account, it is clear that RTÉ One and RTÉ2 costs per viewer hour are very similar. There has been an increase in cost per viewer hour for both channels, driven largely by a decrease in audience sizes.

Figure 4.40: RTÉ Television Average Cost per Viewer Hour, 2013 - 2015

**[Redacted: Data is commercially sensitive]**

Source: RTÉ data and TAM Ireland/Nielsen TAM Average All Day (0300-2659), Viewers Reached Weekly per Average Hour, based on 15+ minute of consecutive viewing within the hour.

Note: commercially sensitive and strictly confidential - not for publication.

Note: Viewing Per Hour in 000s for All Individuals Aged 4+ during 2013 -2015 (Consolidated data). Costs exclude general broadcast and transmission expenses and transmission and power charges.

### In-House TV Programming

In-house television programming expenditure is largely directed to the genres of news/current affairs, sport, drama and entertainment.

Figure 4.41: RTÉ In-house Television Programming Costs by Genre, 2013 - 2015

**[Redacted: Data is commercially sensitive]**

Source: Indecon analysis of RTÉ data.

Note: commercially sensitive and strictly confidential.

Data refers to RTÉ One and RTÉ2.

There was a **[Redacted: Data is commercially sensitive]** in the costs per broadcast hour of in-house production on RTÉ One, but a **[Redacted: Data is commercially sensitive]** in the costs per broadcast hour of in-house production on RTÉ2. These were due to a range of factors, including the programme type and mix, the level of first transmission hours, and levels of co-funding if applicable. **[Redacted: Data is commercially sensitive].**

**Table 4.21: RTÉ In-house Production Costs and Cost per Broadcast Hour by Channel 2013 - 2015**

Channel	Hours	Total Costs €m	Cost per hour €000	Hours	Total Costs €m	Cost per hour €000	Hours	Total Costs €m	Cost per hour €000
	2013			2014			2015		
RTÉ One	[Redacted: Data is commercially sensitive]								
RTÉ2									
Total									
Source: Indecon analysis of RTÉ data. Note: commercially sensitive and strictly confidential. Hours and costs include RTÉ One, RTÉ2 & Euronews.									

In-house costs per broadcast hour are highest for **[Redacted: Data is commercially sensitive]**.

**Figure 4.42: RTÉ In-house Television Programming Cost per Broadcast Hour by Genre, 2013 - 2015**

**[Redacted: Data is commercially sensitive]**

**Source:** Indecon analysis of RTÉ data.

**Note:** commercially sensitive and strictly confidential.

Data refers to RTÉ One and RTÉ2. Excludes Euronews.

### Commissioned TV Programming

Commissioned TV programming expenditure is largely focused on **[Redacted: Data is commercially sensitive]**.

**Figure 4.43: RTÉ Commissioned Television Programming Costs by Genre, 2013 - 2015**

**[Redacted: Data is commercially sensitive]**

Source: Indecon analysis of RTÉ data.

Note: commercially sensitive and strictly confidential - not for publication.

Data refers to RTÉ One and RTÉ2.

**[Redacted: Data is commercially sensitive]**

**Table 4.22: RTÉ Commissioned Production Costs and Cost per Broadcast Hour by Channel 2013 - 2015**

Channel	Hours	Total Costs €m	Cost per hour €000	Hours	Total Costs €m	Cost per hour €000	Hours	Total Costs €m	Cost per hour €000
	2013			2014			2015		
RTÉ One	<i>[Redacted: Data is commercially sensitive]</i>								
RTÉ2									
Total									
Source: Indecon analysis of RTÉ data. <b>Note: commercially sensitive and strictly confidential.</b>									

Source: Indecon analysis of RTÉ data. Note: commercially sensitive and strictly confidential.

Commissioned costs per broadcast hour are highest for **[Redacted: Data is commercially sensitive]**.

**Figure 4.44: RTÉ Commissioned Television Programming Cost per Broadcast Hour by Genre, 2013 - 2015**

*[Redacted: Data is commercially sensitive]*

*Source: Indecon analysis of RTÉ data.*

*Note: commercially sensitive and strictly confidential - not for publication.*

Data refers to RTÉ One and RTÉ2.

### Acquired TV Programming

Indecon requested programming costs by genre and source (including acquired programming) for television and radio from 2013 to 2015. RTÉ indicated that acquired programming costs were not within the scope of the annual returns framework and that they would therefore not be provided to Indecon. While Indecon is keen to minimise any unnecessary administration burden on broadcasters we believe greater discretion should be given to independent evaluators to examine any information of relevance to our assessment.

Indecon subsequently asked for information on cost per broadcast hour of acquired Irish language television, which is included in the annual returns framework. Cost per broadcast hour for acquired Irish language programming declined between 2014 and 2015. RTÉ notes that Irish language acquired material consists of cartoons which are usually licensed in both Irish and English language versions.

Figure 4.45: RTÉ Cost per Broadcast Hour Acquired Irish Language TV, 2013-2015.

*[Redacted: Data is commercially sensitive]*

Source: RTÉ data.

### Radio

In-house programming expenditure accounts for *[Redacted: Data is commercially sensitive]* of total radio programming expenditure, with remaining expenditure composed of commissioned programming costs. *[Redacted: Data is commercially sensitive]*.

Figure 4.46: RTÉ Radio Programming Costs by Source, 2013 - 2015

*[Redacted: Data is commercially sensitive]*

Source: Indecon analysis of RTÉ data.

Note: commercially sensitive and strictly confidential - not for publication. (2015 confidential only until after publication of 2015 Annual Report.)

Data refers to RTÉ Radio 1, RTÉ 2fm, RTÉ lyric fm and RTÉ Raidió na Gaeltachta.

[Redacted: Data is commercially sensitive]

Figure 4.47: RTÉ Radio Programming Costs per Transmitted Hour by Source, 2013 - 2015

[Redacted: Data is commercially sensitive]

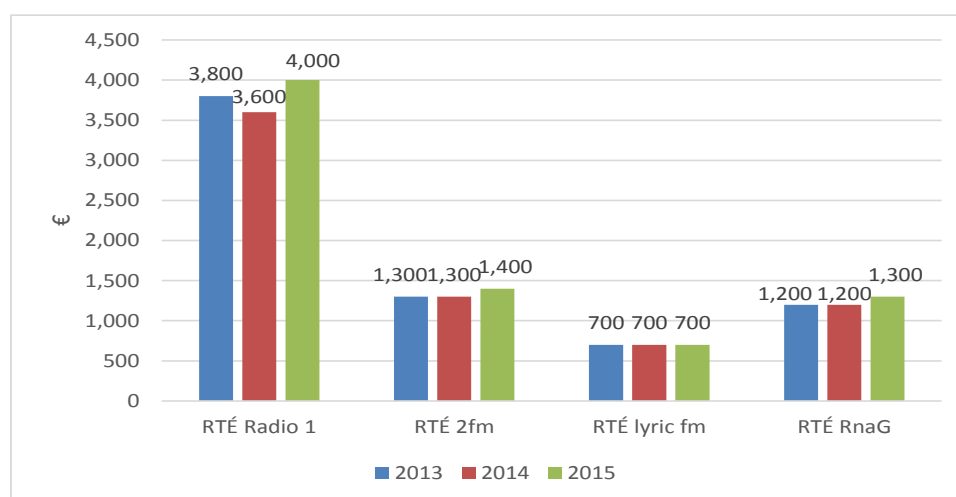
Source: Indecon analysis of RTÉ data.

Note: commercially sensitive and strictly confidential - not for publication.

Data refers to RTÉ Radio 1, RTÉ 2fm, RTÉ lyric fm and RTÉ Raidió na Gaeltachta.

There was an increase in costs per transmitted hour for each station in 2015, with the exception of RTÉ lyric fm, which maintained relatively stable costs per transmitted hour. This may in part be due to increases in personnel costs.

Figure 4.48: RTÉ Radio Average Cost per Transmitted Hour, 2013 - 2015



Source: RTÉ data.

Average cost per transmitted hour are rounded to nearest 100.

Costs include transmission charges. Data refers to RTÉ Radio 1, RTÉ 2fm, RTÉ lyric fm and RTÉ Raidió na Gaeltachta.

It is also instructive to consider cost per listener hour. [Redacted: Data is commercially sensitive]



Figure 4.49: RTÉ Radio Average Cost per Listener Hour, 2013 - 2015

**[Redacted: Data is commercially sensitive]**

Source: Indecon analysis of RTÉ data and Ipsos/MRBI, JNLR 2015/4, JNLR 2014/4, JNLR 2013/4, JNLR 2012/4, JNLR 2011/4, 2010/4 & 2009/4 Average Weekday Reach Per Hour in 000s for All Adults Aged 15+.

Note: commercially sensitive and strictly confidential - not for publication.

Costs exclude general broadcast and transmission expenses and transmission and power charges. Data refers to RTÉ Radio 1, RTÉ 2fm, RTÉ lyric fm and RTÉ Raidió na Gaeltachta.

### In-house Radio

The main genres for RTÉ radio in-house production expenditure are **[Redacted: Data is commercially sensitive]**

Figure 4.50: RTÉ Radio In-House Programming Costs by Genre, 2013 -2015

**[Redacted: Data is commercially sensitive]**

Source: Indecon analysis of RTÉ data.

Note: commercially sensitive and strictly confidential - not for publication.

refers to RTÉ Radio 1, RTÉ 2fm, RTÉ lyric fm and RTÉ Raidió na Gaeltachta.

In-house production costs per transmitted hour are **[Redacted: Data is commercially sensitive]**

**Figure 4.51: RTÉ Radio In-House Programming Cost per Transmitted Hour by Genre, 2013 -2015**

**[Redacted: Data is commercially sensitive]**

Source: Indecon analysis of RTÉ data.

Note: commercially sensitive and strictly confidential - not for publication.

refers to RTÉ Radio 1, RTÉ 2fm, RTÉ lyric fm and RTÉ Raidió na Gaeltachta.

### Commissioned Programming

As indicated previously, commissioned programming is **[Redacted: Data is commercially sensitive]**. As such, the composition of expenditure changes quite significantly across the three years considered. In 2015, commissioned programming expenditure was **[Redacted: Data is commercially sensitive]**.

**Figure 4.52: RTÉ Radio Commissioned Programming Costs by Genre, 2013 -2015**

**[Redacted: Data is commercially sensitive]**

Source: Indecon analysis of RTÉ data.

Note: commercially sensitive and strictly confidential - not for publication.

refers to RTÉ Radio 1, RTÉ 2fm, RTÉ lyric fm and RTÉ Raidió na Gaeltachta.

### 4.2.5 Use of Public Funds

RTÉ fulfilled its reporting requirements in 2015, with the ASPC, Statement of Strategy and Public Service Statement submitted in 2015 and published on RTÉ.ie.

## Fair Trading Policy – Competition

RTÉ did not publish its Fair Trading Policy in 2015 as outlined in the 2015 ASPC. The Fair Trading Policy was published in February 2016. The Fair Trading Policy and Procedures was approved by the RTÉ Board in 2015 and a RTÉ Board Fair Trading Committee was established. The Committee appointed a Fair Trading Officer in January 2016. Indecon believes it will be important for RTÉ to report on the work of this Committee and the Fair Trading Officer.

RTÉ's Fair Trading Policy operates within the framework of EU Legislation aimed at ensuring the common principles of fair trading is practised by member states' PSBs. National legislation reflects these goals with specific fair trading practices being referenced in section 108 of the Broadcasting Act 2009.

RTÉ's Fair Trading Policy is framed by three main principles, as follows:

- Arm's Length Principle
- Fair Competition
- Transparency and Accountability

### Arm's Length Principle

RTÉ aims to ensure that its public service activities are separated and at arms-length from its commercial activities and have enacted various organisational rules to this effect. For example, transactions involving trade between the public service and commercial activities must occur at arm's length, a functional separation must be present, and financial statements must be presented separately. Our analysis has noted that such financial statements have been produced. To this end, RTÉ's functional separation took effect in January 2016 in acknowledgement of the Arm's Length Principle. This is necessary to provide assurance that public funds are not used in the pursuit of commercial activities and needs ongoing monitoring.

### Fair Competition

All of RTÉ's trading activities have an objective to abide by the principles of Fair Competition, including ensuring that any trade shall be at a price reflecting current market conditions, all sector-specific regulation is appropriately met, and staff are briefed on the requirements of fair trading under EU and national legislation.

Further, EU legislation sets out a requirement for a procedure to assess the impact of the introduction on a new service onto the competitive marketplace. Nationally, this is reflected in the requirement of an ex ante evaluation of public value. RTÉ meets this statutory requirement by conducting comprehensive reviews of its portfolio, including among others, a consideration of the impact of offered services on the wider market. Indecon understands that a new service must be assessed by senior management to ascertain the potential competitive impacts in the broadcasting market. Ministerial reviews may also be needed if sufficient evidence of fair competition is not available.

### Transparency and Accountability

RTÉ implemented a variety of measures and procedures to ensure the principle of transparency and accountability is adequately met. As part of the PSB's internal oversight of Fair Trading policy, a Fair Trading Committee was established which consists of three members and held one meeting in

2015.<sup>57</sup> Outcomes of this initial meeting included a recommendation to the Board of RTÉ for the establishment of an independent appeals procedure as part of the fair trading complaints process. Non-compliance with any Fair Trading policy may be subject to disciplinary procedures and is now enshrined in the organisation's Code of Conduct for all employees.

The Committee shall also periodically review the current Fair Trade framework formally at least every three years. These formal reviews shall address the effectiveness and compliance of the current framework, alongside evolving best practice within other PSBs or sectors.

The BAI were informally consulted on the procedures and some suggestions made but not all of BAI's suggested changes were adopted. These are presented in the PSB's Annual Report, which is laid before the Oireachtas.

### **Fair Trading Practices – Commissioning**

An additional aspect of Fair Trading policy concerns the procedures and codes of conduct in relation to the commissioning of programme or related material by a PSB from an independent producer. Both the BAI and PSBs are under legislative mandate as outlined in the Broadcasting Act 2009 to comply with these Fair Trading policies.

A wider issue is the role of RTÉ in the advertising market. The extent of fair competition in this area has previously been reviewed by the Competition and Consumer Protection Commission, and the European Commission. The CCPC is the relevant statutory body to examine this issue as required.

The BAI, however, must produce a guidance document to ensure the broadcasters' Code of Fair Trading Practices adequately address the salient issues surrounding fair trading in the particular area of commissioned programmes. Using this guidance, a PSB must produce a comprehensive document outlining their approaches to the commissioning of programmes and ensure all legislative requirements are met. This was produced by RTÉ and an analysis of the robustness of this guide is provided below.

A summary of the BAI Guidance on a Code of Fair Trading Practices (related to Commissioning) alongside the relevant sections of RTÉ's Code of Fair Trading Practices is presented in Table 4.23. Indecon's analysis indicates that RTÉ's Code generally complies with the legislative requirements as set out in the Broadcasting Act 2009. A single item was identified as being partially addressed. This item indicated that RTÉ shall specify the mechanism for cooperation with producers in the marketing of the broadcasting outside of the State. While RTÉ indicates that such marketing will occur, no such specific mechanism is outlined. All other items are addressed within specific or multiple subsections.

<sup>57</sup> The RTÉ Fair Trading Committee was established mid-2015.

Table 4.23: RTÉ Fair Trading Practice Compliance with BAI Guidance

BAI Code of Fair Trading Practice		RTÉ TV Code of Fair Trading Practice
Headline	Guidance Note: PSB Codes shall: -*	RTÉ Code Sections
Category of Rights	contain clear statement of rights categories (Primary, Secondary, etc.)	5.2
Primary Rights	provide for the acquisition of all platform transmission rights in Ireland for a set period of time	5.8
	provide additional reasonable rights so as to serve Irish communities abroad	5.14
	grant primary rights for five years	5.6.1
	allow for the extension of the primary rights period	5.6.2, 5.13
Other Rights	allow for the negotiation of separate rights	5.4
	not allow bundling of rights across categories	5.2
Production Funding	set out principles on the negotiation of production funding	Section 3
	allow a production fee	3.3
Commercial Exploitation and RTÉ Cooperation	provide for profit sharing between parties	5.10, 5.15, 7.3
	specify the mechanism for cooperation in marketing outside of Ireland	Partially Addressed in 5.5
Archiving	allow the PSB to meet its Archival obligations	5.6.3
Usage	grant the PSB allowance to broadcast short extracts of the programme	5.6.1.1
	allow for the content to be used in a separately-produced programme	5.6.4
Multi-annual Commissioning	set out principles underpinning multi-annual commissioning	3.6, 5.6.1
Timetable for Contractual Negotiations	specify its terms of business surrounding the acceptance procedure for commissioning	1.2 - 1.5
	ensure contractual duties are completed at least one month prior to commencement	1.6
Dispute Resolution	set out resolution procedures in the matter of disputes	6.1, 6.2
	ensure minimal costs in dispute resolution processes	6.3
Amendments to a PSB Code of Fair Trading Practice	allow the Minister to review any amendments to PSB Codes	Introductory Passage states Code written with acknowledgement of legislation
Report to the Minister on compliance by a PSB with a code	ensure PSB's cooperate with BAI Compliance Committee regarding information requests	

Source: RTÉ Code of Fair Trading Practice for Commissioning & BAI Code of Fair Trading Practice: Guidance for PSBs

\*Guidance Notes are paraphrased. For full text see source material.

The publication of RTÉ's enhanced overarching Fair Trading Policy document was a critical step in ensuring that the PSB is operating within the limits of National and European Competition law. This is of paramount importance due to the significant amount of public funding provided to the organisation and the implications from potential contravention of competition law. There may be legal implications of how any fair trading policy is implemented. There is therefore a need for clarity surrounding the respective roles of the CCPC, the BAI, and RTÉ as this policy is implemented in practice.

Due to the short period since the Fair Trading Policy's publication (February 2016) it is too early to provide an in-depth conclusion on the document's impact and effectiveness, however this should be an important area of analysis in future performance reviews, especially as we approach the next five-year review.

#### 4.2.6 Trust and Good Governance

Indecon considers that 15 of RTÉ's targets are related to trust and good governance. Of these 15 targets, 13 were fully achieved in 2015 and the remaining two were reported to be largely achieved by RTÉ. Online content sharing as outlined in RTÉ's five-year strategy was continued in 2015 and partnerships with various organisations further developed. RTÉ also reports that it fully met all legislative and reporting requirements in 2015. RTÉ achieved its targets for perceptions of impartiality and fairness of RTÉ News: Nine O'clock and Morning Ireland. The two missed targets relate to the BAI access rules and to a number of complaints against RTÉ programmes upheld by the BAI in 2015. Also while not a specific target under Trust and Good Governance, the public perceptions of RTÉ trustworthiness should be noted, as outlined in the Audience Theme Section.

**Table 4.24: RTÉ Performance against Trust and Good Governance-Related Commitments**

Commitment	2015 (Year 3) ASPC Measure	2015 performance
RTÉ aims to be more open, to share its publicly funded resources with other Irish media, by sharing news coverage with other media outlets	Audiovisual online content sharing with national newspapers	Audiovisual online content sharing took place with the Irish Independent, Irish Times, Irish Examiner, Journal.ie, NewsTalk and Breakingnews.ie, including edits of RTÉ Six One and RTÉ Nine O'clock News and state events.
Develop key strategic and creative partnerships in order for RTÉ to continue to innovate in terms of programming, content & technology and to develop its capabilities and work practices	Report on development of at least five key partnerships projects in 2015	Partnership projects advanced in 2015 include the RTÉ All-Ireland Drama Festival, Irish Radioplayer App (with the Independent Broadcasters of Ireland (IBI)), RTÉ Archives (NUIG and Digital Repository Ireland), Cork Film Festival and a pilot initiative to develop science, technology, engineering and maths (STEM) television programming for prime-time viewing on RTÉ One (with Science Foundation Ireland).
RTÉ aims to understand Irish audiences through research initiatives that assess their needs, expectations and views of RTÉ content and services	Research surveys for audience perception of its content and services	Audience Reaction Panel and RTÉ Brand Tracker surveys continued in 2015.
Demonstrate leadership in access services by exceeding minimum standards and providing new / innovative services where possible, to facilitate access to TV for those with sensory disabilities	BAI access rules	RTÉ reports this commitment as largely achieved. Subtitling and Irish Sign Language targets achieved. Audio Description targets not met.
Implement the highest editorial standards, reviewing editorial guidelines in the context of legislation and codes of practice and minimising legal/regulatory corrective actions	Compliance with BAI Code of Programme Standards	RTÉ reports that this commitment was achieved in 2015
	Compliance with BAI Code of Fairness, Impartiality and Objectivity in News & Current Affairs	RTÉ reports this commitment as largely achieved. Indecon considers missed due to three complaints being upheld in full and two upheld in part.
	Maintain audience perceptions of "fairness and impartiality" of RTÉ News: Nine o'clock – 90%	RTÉ reports that this commitment is achieved. RTÉ News: Nine O'clock achieved a score of 94.8%
	Maintain audience perceptions of "fairness and impartiality" of Morning Ireland – 90%	RTÉ reports that this commitment is achieved. Morning Ireland achieved a score of 92%
	BAI complaints dealt with within mandatory timeframes	RTÉ reports that 100% of complaints were dealt with within the mandatory timeframes
Fulfil all legislative and regulatory requirements and maintain best practice governance and reporting systems	Maintain high standard of RTÉ Annual Report and Group Financial Statements (Annual Report) and publish in accordance with S.110 of the Broadcasting Act 2009	RTÉ reports that this commitment was achieved in 2015.
	Comply with Code of Practice for Governance of State Bodies and report to Audit and Risk Committee	RTÉ reports that this commitment was achieved in 2015.
	Compliance of any commercial activities with S.108 of the Broadcasting Act 2009	RTÉ reports that this commitment was achieved in 2015.
	Compliance with BAI, ComReg, ODAS and ASAI Commercial Communications Codes	RTÉ reports that this commitment was achieved in 2015.
	Compliance and quarterly FOI stats to DCENR/Dept of Finance	RTÉ reports that this commitment was achieved in 2015.
	Identify and implement further enhancements to RTÉ's Risk Management and Framework	On-going operation of a risk management process was undertaken in 2015
<b>Source: RTÉ Performance Commitments Report 2015</b> <b>Note: Green = target achieved, red = target not achieved</b>		

RTÉ did not meet its Audio Description targets for RTÉjr in 2015. The Performance Commitments Report 2015 indicates that RTÉ cannot at present deliver Audio Description on the RTÉjr channel as the functionality has not been included in the channel specification. RTÉ further indicates that a technical upgrade of the transmission chain has been scheduled for 2017, and that this upgrade will include Audio Description functionality. Indecon would note that this means that RTÉ will not be able to meet its Audio Description targets for 2016.

Table 4.25: RTÉ Performance against BAI Access Targets 2015		
	2015 Target	2015 Performance
<b>Subtitling</b>		
RTÉ One	84-89%	86%
RTÉ2	63-69%	65%
RTÉ plus One	84-89%	88%
RTÉ News Now	15-18%	No information supplied
RTÉjr	36-40%	42%
<b>Audio Description</b>		
RTÉ One RTÉ2	1.75%	3.2%
RTÉjr	2%	None
RTÉ Plus One	Any audio description carried on the main RTÉ One television service will be made available on this service	Carry through requirement met
<b>Irish Sign Language</b>		
RTÉ One RTÉ2	1.75%	2%
RTÉjr	0.75%	1.1%
RTÉ News Now	Broadcasts which had Irish Sign Language when broadcast on the main channels will be made available on this service	Details of performance against this specific target not included in RTÉ performance review
RTÉ Plus One	Broadcasts which had Irish Sign Language when broadcast on the main RTÉ One television service will be made available on this time shifted service	Details of performance against this specific target not included in RTÉ performance review
Source: BAI Note: Green = target achieved, red = target not achieved		



RTÉ's 2015 commitments targeted the maintenance of audience perceptions of "fairness and impartiality" of RTÉ News: Nine O'clock and Morning Ireland. There was a very slight decline in perceptions of "fairness and impartiality" between 2014 and 2015. Indecon considers that these measures were achieved in 2015, but it will be important in future reviews to ensure that there is no further decline. **[Redacted: Data is commercially sensitive].**

**Figure 4.53: Audience Perceptions of Fairness and Impartiality, 2014, 2015 and Target 2016**

**[Redacted: Data is commercially sensitive].**

*Source: RTÉ Audience Opinion, RTÉ Annual Statement of Performance Commitments 2016*

### 4.3 Adequacy of 2015 Commitments

As indicated previously, we evaluate RTÉ's commitments with reference to its public service objects, its public service statement and its five-year statement of strategy. In addition, we subsequently consider the adequacy of the measurable targets included in the annual statement of performance commitments.

#### 4.3.1 Broadcasting Act 2009

RTÉ's commitments in 2015 are closely aligned to its public service objects. There are a couple of public service objects which are not referenced directly in the annual statement of performance commitments – Indecon however considers that these are covered under RTÉ's Commitment 21, namely to fulfil all legislative and regulatory requirements and maintain best practice governance and reporting systems.

RTÉ's Annual Statement of Performance Commitments is closely aligned to its Public Service Statement. Some of the actions are not expressly outlined in the ASPC but are dealt with separately in RTÉ's Programme Content Standards; as such, Indecon considers that these are addressed under Commitment 20. One action is not mentioned in the ASPC, relating to encouraging and enabling audience contributions to and feedback on RTÉ programmes.

In 2015, RTÉ prepared a Statement of Strategy for 2015-2019. RTÉ's Annual Statement of Performance Commitments is very closely aligned with the Statement of Strategy, with only one action not explicitly mentioned within the 2015 ASPC. This action relates to the development of an open media campus in Donnybrook. We note however that the Statement of Strategy was developed after the ASPC and it will therefore be important to consider whether ASPCs in subsequent years make provisions for these aspects. Consultation with RTÉ has adequately addressed the potential gap and supplementary documents have shown that sufficient progress has

been made in the development of an open media campus in Donnybrook. Therefore this strategic commitment is considered met.

Table 4.26: RTÉ 2015 Performance Against Statement of Strategy 2015 – 2019	
Open Organisation: Become a more open organisation that shares its resources, collaborates with partners and makes investments that broaden and deepen RTÉ's support for Ireland's creative and digital economies	
Develop an open media campus in Donnybrook that supports and encourages collaboration and innovation	Addressed in RTÉ consultation
<i>Source: Indecon analysis of RTÉ Statement of Strategy 2015 – 2019, RTÉ Annual Statement of Performance Commitments 2015 &amp; RTÉ Performance Commitments Report 2015</i>	

Indecon also reviewed RTÉ's five-year strategy in the context of the adequacy of RTÉ's commitments for 2015. RTÉ's ASPC for 2015 largely addresses the commitments set out in the five-year strategy, with a few specific targeted initiatives not mentioned. These include:

- Exploration of the use of new production models and user-generated content (UGC) on RTÉ2;
- Increase percentage of Irish music on peak time on RTÉ 2fm;
- Grow revenue from digital sources using new commercial models, including Subscription Video on Demand (SVOD) and Transactional Video on Demand (TVOD);
- Explore the potential to produce a regular technology show for RTÉ News Now;
- Continue engagement with VOD content aggregators such as Netflix and Hulu to deliver RTÉ content in international markets and leverage segmentation of output for distribution in specific territories; and
- On-Air Diversity: Develop Contributor Tracking System.

Overall, however, Indecon believes that RTÉ's commitments as set out in the 2015 ASPC are adequate to meet its public service objects and to address the commitments outlined in the Public Service Statement and Statement of Strategy.

### 4.3.2 Evaluation of Targets

We consider targets set out under the various commitments for RTÉ to see whether they are adequate. In this context, we consider audience targets, targets for hours of programming, public perception and commercial revenue targets. We compare to 2014 targets or actual performance to see whether the targets represent 'stretch' targets.

#### **Audience Targets**

RTÉ One achieved its audience-related targets in 2015, as demonstrated previously. However, RTÉ One failed to achieve a number of its audience related targets in 2014 and, as demonstrated overleaf, these targets were reduced in 2015. As indicated previously, we recognise that the market is changing and audiences are therefore decreasing for many channels as choice increases. However, in order to fulfil its public service remit, it is important for RTÉ to reach as wide an audience as possible. Indecon however recognises that the target for weekly reach in 2016 has been increased

and the target for peak time share has been stabilised. As such, Indecon considers these targets to be adequate. Achieving 'stretch' targets for audience shares is of ongoing importance in justifying public funding.

**Table 4.27: RTÉ One Audience Targets 2014-2016**

	2014 target	2015 target	2016 target	% change in targets 2014-2015	% change in targets 2015-2016
Peak TVR (35-54)	8	7.5	7.1	-6.3%	-5.3%
Weekly Reach (Individuals)	67%	65%	66%	-3.0%	1.5%
Adult 15+ Peak Time Share	28%	25%	25%	-10.7%	0.0%
Source: RTÉ Annual Statement of Performance Commitments 2014 & 2016, Performance Commitments Report 2015, TAM Ireland Ltd / Nielsen TAM					

Similarly, RTÉ2 did not achieve a number of audience-related targets in 2014, but achieved all audience-related targets in 2015. As above, 2015 targets were reduced significantly from 2014 targets. However, all of RTÉ2's targets have been increased for 2016 and, as such, Indecon considers that these targets are adequate.

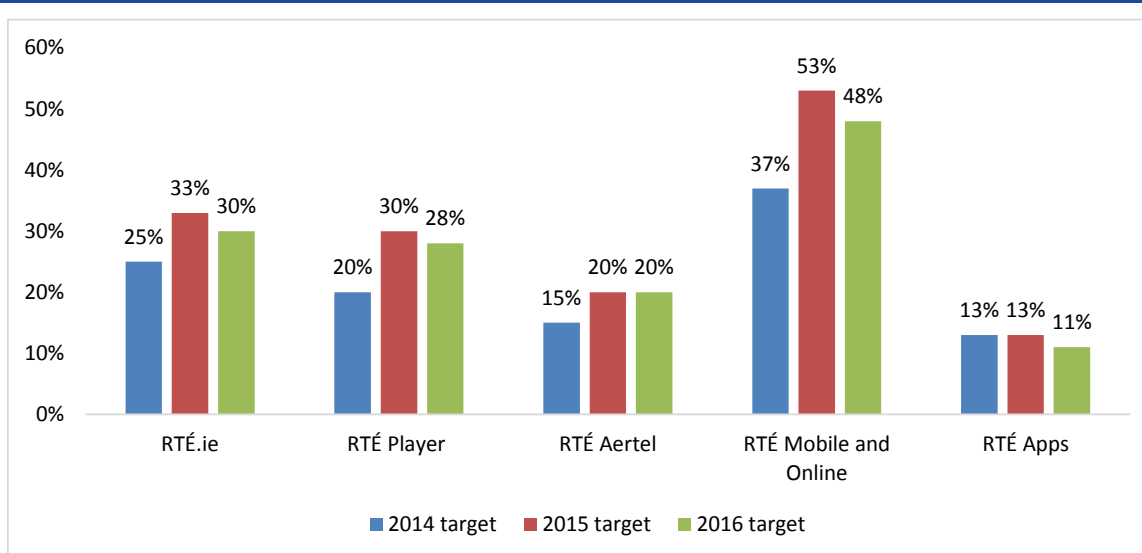
**Table 4.28: RTÉ2 Audience Targets 2014 - 2016**

	2014 target	2015 target	2016 target	% change in targets 2014-2015	% change in targets 2015-2016
Peak TVR (15-34)	2.5	2.1	2.2	-16.0%	4.8%
Weekly Reach (Individuals)	52%	48%	51%	-7.7%	6.3%
15-34s Peak Time Share	9.0%	8.5%	9.2%	-5.6%	8.2%
Source: RTÉ Annual Statement of Performance Commitments 2014 & 2016, Performance Commitments Report 2015, TAM Ireland Ltd / Nielsen TAM					

RTÉ radio targets were largely maintained for 2015 and have again been maintained for 2016. As indicated previously, there has been a slight decline in the percentage of individuals listening to the radio in 2015, and Indecon therefore considers that it is appropriate to target stable audience-related metrics for radio. Radio targets are adequate for 2015 and 2016.

RTÉ had significant increases in targets for RTÉ.ie, RTÉ Player, RTÉ Aertel and RTÉ Mobile and Online for 2015. We have previously seen that RTÉ did not achieve a number of its audience-related targets for digital services. RTÉ has recognised in its Performance Commitments Report 2015 that there is a need to invest further in digital. As such, it is not surprising that a number of these targets were decreased in 2016 and it should be noted that targets for RTÉ.ie, RTÉ Player and RTÉ Mobile and Online for 2016 represent increases on 2015 actual performance. We consider the digital audience-related targets to be adequate for 2015 and 2016.

Figure 4.54: RTÉ Digital Services, Weekly Reach, Targets 2014-2016

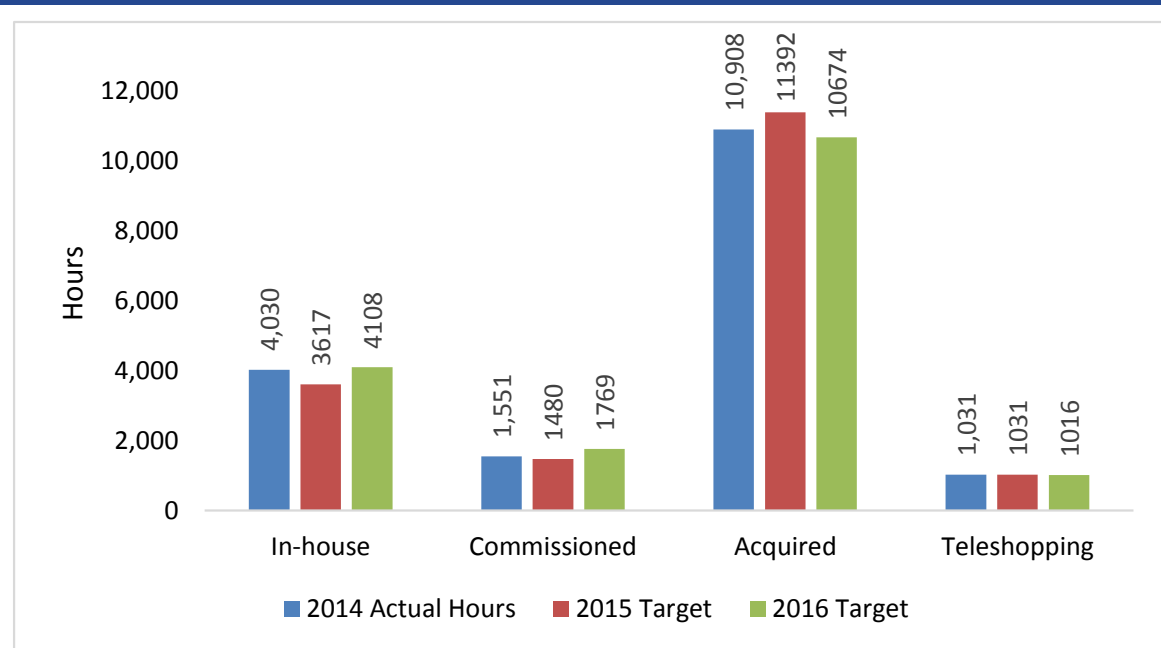


Source: Indecon analysis of RTÉ data.

### Content-Related Targets

RTÉ's in-house and commissioned programming targets for 2015 represented decreases on 2014 actual performance, with an increase in acquired programming hours. Targets for 2016 show an increase for in-house and commissioned programming hours and a decrease for acquired programming hours. Target first-run programming hours for 2015 were almost exactly the same as actual first-run hours in 2014. However, targets for 2016 reveal a slight decrease in first-run programming hours, with a corresponding increase in repeat hours. Television programming targets are adequate but should be closely monitored to ensure that a good proportion of original and indigenous content continues to be broadcast on RTÉ.

Figure 4.55: RTÉ Target Television Broadcast Hours by Source, 2014 - 2016



Source: Indecon analysis of RTÉ data.

Note: Data refers to RTÉ One and RTÉ2.

The target for the percentage of live content on RTÉ News Now was reduced from 45% in 2013 and 2014 to 40% in 2015 and 2016. This target reduction coincides with the cancellation of a live morning show, *Morning Edition*, due to financial pressures. This would, however, seem to be contrary to the aim of moving towards an 18/24-hour news cycle generated by the RTÉ newsroom outlined in the five-year strategy. Indecon notes that the five-year strategy did not set specific targets by year for the percentage of live content and that 40% represents a significant increase on the percentage of live content at the time that the strategy was devised (20-30%). However, a reduced target would seem to be moving in the wrong direction.

RTÉ radio programming targets are adequate for 2015 and 2016, and have remained very stable compared to 2014 actual performance.

RTÉ has also performed well against its public perception targets – and has increased targets for 2015 and 2016 across most categories, as outlined below. It is of some concern however that there is a decline in the targets for RTÉ is trustworthy and RTÉ is good value for money in 2016. Overall, however, the targets are adequate for 2015 and 2016.

Table 4.29: RTÉ Public Perception Actual Performance and Targets 2014 - 2016

	Targets			Actual	
	2014	2015	2016	2014	2015
RTÉ is an important part of Irish life	67%	76%	80%	84%	83%
RTÉ is trustworthy	70%	70%	65%	68%	61%
<b>[Redacted: Data is commercially sensitive].</b>					
It is easy to find what you're looking for on RTÉ.ie		45%	42%	51%	41%
RTÉ provides trusted N&CA	72%	75%	80%	87%	83%
<b>[Redacted: Data is commercially sensitive].</b>					
RTÉ provides a comprehensive service for Irish speakers	40%	47%	50%	53%	52%
RTÉ enables me to connect with national events	61%	72%	80%	83%	81%
RTÉ programmes and services are easily accessible on a range of devices	72%	78%	80%	83%	82%
RTÉ is a creative organisation	44%	52%	60%	59%	63%
RTÉ supports arts activities in Ireland	56%	66%	70%	75%	74%
RTÉ is good value for money	58%	58%	56%	58%	56%
RTÉ provides a comprehensive service for Irish speakers	40%	47%	50%	53%	52%
Source: Indecon analysis of RTÉ Performance Commitments Report, Annual Statement of Performance Commitments 2014-2016					

### Commercial Revenues

For 2015 commercial revenues, RTÉ targeted an increase on 2014 forecasts for radio and digital, with a slight decrease for television and 2rn. We believe that the commercial revenue targets would seem to have been set at a low a level, given the recovery in television advertising revenues nationally.<sup>58</sup>

<sup>58</sup> Advertising revenues account for a significant portion of total television commercial revenues for RTÉ (84% in 2015).

For 2016, commercial revenue targets have not been split by division as part of RTÉ's ASPC, however commercial revenue is budgeted across divisions in the organisations Draft Budget 2016. Total commercial revenue is targeted to increase by 6.5%, which would seem to be appropriate increase in light of the overall growth in advertising revenues nationally. Along with advertising revenues, RTÉ also generates commercial revenues through sponsorship, facilities, transmissions, mast and towers etc., and it is likely that commercial revenues from some of these sources might be less responsive to external economic factors. Overall we find the commercial revenue targets for 2016 to be adequate.

### 4.3.3 Summary of Adequacy of Commitments

RTÉ's commitments for 2015 are closely aligned to their public service objects, public service statement and statement of strategy. In addition, targets for 2015 and 2016 have been set at appropriate levels for the most part. Audience targets for 2015 were set at lower levels than in 2014 but 2016 targets have been increased. The target for hours of live content on RTÉ News Now was decreased for 2015 and 2016, which would seem to be contrary to the target as set out in the five-year strategy. Commercial revenue targets were adequate for 2015, although the television target was set lower than 2014 forecasts despite growth in television advertising revenue nationally.

### 4.3.4 Public perceptions of RTÉ as a PSB

[Redacted]

Table 4.30: Republic of Ireland - Satisfaction of Experience with RTÉ	
Level of Satisfaction*	% of Respondents
[Redacted]	
Source: BAI / B&A Audience Tracking Research – An Island of Ireland Survey, April 2016 *Respondents gave a value of satisfaction from 1 - 10	

[Redacted]

Table 4.31: Republic of Ireland - Two Year Change of Experience with RTÉ

Level of Change	% of Respondents
<b>[Redacted]</b>	
Source: BAI / B&A Audience Tracking Research – An Island of Ireland Survey, April 2016	

**[Redacted]**

#### 4.4 Adequacy of RTÉ Funding in 2015

Having considered RTÉ's performance against its commitments in 2015, it is important to consider whether funding is adequate for RTÉ to meet its public service objects. As indicated previously, we consider that the commitments outlined in the 2015 ASPC are adequate with respect to RTÉ's public service objects, public service statement and statement of strategy.

To determine whether funding is adequate for RTÉ to meet its public service objects, we need to consider a number of aspects; namely the nature of missed targets in 2015, the likely impact of an increase or decrease in public funding and the deviation in RTÉ's 2015 income and expenditure from the projected income and expenditure for 2015 outlined in the five-year strategy.

The preceding analysis has identified that RTÉ achieved a significant number of its targets and commitments in 2015. RTÉ did not achieve a number of its commitments, chiefly with regard to its digital services. RTÉ has indicated that it recognises a need to invest further in digital and this may be indicative that current funding may not be adequate.

Indecon asked RTÉ to consider scenarios on its public funding in order to examine the impact on RTÉ's services of a decrease or increase in public funding.

##### **Funding Reduction Scenario**

RTÉ has considered the impact of a 10% decrease in licence fee revenue, i.e., a decrease of €18m from licence fee revenue of €179m in 2015. RTÉ investigated the impact of this decline by retrospectively considering the impact of a €17m reduction in funding between 2011 and 2015. The reduction in funding between 2011 and 2015 was associated with a reduction of 14% in the number of first-run indigenous hours broadcast on RTÉ One and RTÉ2 **[Redacted: Data is commercially sensitive]**. RTÉ suggests that the reduction in funding for output has contributed to a decrease in television peak-time share and weekly reach. In response to funding decreases, RTÉ also reduced headcount by 5.5% between December 2011 and December 2015.

**[Redacted: Data is commercially sensitive]**



**Funding Increase Scenario**

RTÉ's five-year strategy for 2013-2017 outlined areas of priority for investment should an additional €15million per annum in funding be made available. RTÉ has indicated to Indecon that these areas remain RTÉ's priorities for additional investment, but that other priorities not referred to in the Strategy would also have additional funds directed towards them.

Given an increase in funding, RTÉ have indicated that they would increase investment in the following areas, as outlined in the five-year strategy:

**[Redacted: Data is commercially sensitive]**

**Difference to Five-year Strategy**

In terms of adequacy of funding, it is also instructive to consider the differences between the funding levels set out in the five year strategy and actual funding for 2013 to 2015.

RTÉ indicates that by the end of 2015 (Year 3 of the five-year strategy), the funding shortfall compared to the five-year strategy is **[Redacted: Data is commercially sensitive]**. Furthermore, RTÉ is projecting a funding shortfall in excess of **[Redacted: Data is commercially sensitive]** for 2016. RTÉ has indicated that *"The lack of licence fee reform now represents the most significant risk to RTÉ's, and the indigenous independent production sector's long-term sustainability and growth potential"*.

RTÉ's base case as set out in the five-year strategy is presented in the table below. The five-year review indicated that:

*"We believe there is sufficient scope both for additional commercial revenue and further efficiency savings to implement, and possibly exceed, the reinvestment in services it anticipates, without calling on increased public funds (i.e. without any increase in the licence fee, and without any further revenues arising from reduced licence fee evasion). However, this plan will sustain RTÉ rather than secure it against the competitive threats it will face. The lack of investment in digital services, and the lack of investment in digital distribution infrastructure and development, risks weakening RTÉ's position over the five-year period, and is unlikely to equip it to meet its public remit effectively in the longer term."*<sup>59</sup>

Table 4.32: 5-year Indicative Financial Projections for BAI MAR Base Case, 5 Year Strategy					
	2013	2014	2015	2016	2017
	€m	€m	€m	€m	€m
<b>[Redacted: Data is commercially sensitive]</b>					
Source: RTÉ Strategy 2013 - 2017, p249 <b>Note: commercially sensitive and strictly confidential - not for publication.</b>					

RTÉ's actual income and expenditure for 2013 to 2015 is outlined in the table below.

<sup>59</sup> Crowe Horwath, Review of Funding for Public Service Broadcasters, 23<sup>rd</sup> May 2013, p10.

Table 4.33: RTÉ Summary Income Statement, 2013 - 2015

	2013	2014	2015
	€m	€m	€m
Commercial Revenue	145	150	155
Licence Income	182	179	179
Total Revenue	328	328	334
Personnel Related Operating Costs (PROCs)	-163	-163	-174
Non Personnel Related Costs	-144	-148	-146
Total Operating Costs	-307	-312	-320
EBITDA	21	16	14
Amortisation / Depreciation/Interest/Tax/Net Defined Benefit Pension Cost	-20	-16	-17
Net Surplus	1	0	-3
Source: Indecon analysis of RTÉ data, RTÉ Annual Report and Group Financial Statements 2015 & 2014			
Note: Totals may not sum exactly due to rounding			

Table 4.34 below presents the difference between the Base Case and actual performance for 2013 to 2015 by year, as well as the cumulative difference. Note the cumulative funding shortfall of €43 million when compared to the base case across 2013 to 2015. It should be noted that **[Redacted: Data is commercially sensitive]** of this shortfall is due to a shortfall in commercial revenue. This is an important consideration when considering the adequacy of licence fee funding and for understanding the reasons of revenue performance. We observe that RTÉ has performed well with regards to operating costs, which were lower than projected in the base case scenarios although the increase in 2015 in personnel and other operating costs at a rate faster than the growth in commercial revenues is a cause of concern. However EBITDA is also lower than projected which means that net surplus after tax is lower than outlined in the Base Case scenarios.

Table 4.34: Difference between 5-Year Strategy Base Case and Actual Performance, 2013 - 2015

	2013	2014	2015	Cumulative difference
	€m	€m	€m	€m
<b>[Redacted: Data is commercially sensitive]</b>				
Source: Indecon analysis of RTÉ data, RTÉ Strategy 2013 - 2017 & RTÉ Annual Report and Group Financial Statements 2015 & 2014				
Note: commercially sensitive and strictly confidential - not for publication.				
Note: Totals may not sum exactly due to rounding				

**RTÉ Capital Asset Review**

**[Redacted: Data is commercially sensitive]**

**4.4.1 Commercial Revenue Maximisation**

Both Irish public service broadcasters (PSBs) have a legislative requirement as specified in the Broadcasting Act 2009 to maximise commercial revenues and operate in an efficient manner.<sup>60</sup> Specifically, section 108 of the act states as follows:

The commercial activities undertaken by a corporation in pursuance of its exploitation of commercial opportunities object shall—

- Be operated in an efficient manner so as to maximise revenues, and
- Be used to subsidise its public service objects.

An analysis of the methods by which both RTÉ achieves this legislative requirement are outlined below. **[Redacted: Data is commercially sensitive]**

**IBD Sales Policy<sup>61</sup>**

**[Redacted: Data is commercially sensitive]**

**Analysis of RTÉ 2015 Performance**

RTÉ compares overall group and individual division performance to historical performance and external macroeconomic trends. RTÉ's market position indicates that it performs well in Ireland relative to other market participants, including TG4 and new market entrant UTV Ireland, and continues to hold significant market share. Noting that while overall commercial performance saw positive annual growth of 3.9% in 2015 (€155.4m 2015 vs. €149.6m 2014), this varied across business lines. RTÉ's most developed revenue stream of TV advertising saw growth of 3.2%, from €80.5m to €83.1m.<sup>62</sup> Radio advertising saw stronger growth, from €17.8m to €19.1m, representing an annual growth rate of 7.3%.<sup>63</sup> Revenue from digital advertising and sponsorship, which is becoming increasingly important due to the rise in popularity of digital media consumption, grew from €6.5m to €7.7m or 18%.<sup>64</sup>

Indecon believes that RTÉ has met its legislative requirement to maximise revenues through the achievement of positive growth in revenue streams of both mature and, in particular, digital business lines. The growth in digital revenues is a positive development given that the media and broadcasting industry are increasingly dependent on digital technology and its commercial opportunities. There is however a need for RTÉ to continually review its pricing policies and to

<sup>60</sup> Broadcasting Act 2009, Number 18 of 2009

<sup>61</sup> RTÉ Internally produced document on Commercial Effectiveness, provided to Indecon.

<sup>62</sup> RTÉ Annual Report 2015. Advertising revenue only.

<sup>63</sup> RTÉ Annual Report 2015.

<sup>64</sup> *ibid*

evaluate the price elasticity of demand for its advertising. We believe that with the expected growth in the market and with growing consumer expenditure there may be potential over time for a significant uplift in commercial revenues. Whether this will be impacted by Brexit and other factors including the changing media landscape and Irish broadcasting market is however uncertain at this stage. The maximisation of commercial revenues by RTÉ will also require measures to maintain or enhance its market share and the relatively low investment in digital technology is of concern. Indecon believes that maximising commercial revenues will over time require that RTE develops a leading position in the digital market.

### Overcompensation Test for RTÉ

Presented in Table 4.35 is an analysis of RTÉ financial data. As RTÉ ran a deficit in 2015, it is not in contravention of current EU state aid rules.

Table 4.35: Evaluation of RTÉ Compliance with EU Overcompensation of State Aid	
€'m	2015
Revenue	155.4
Licence Fee	178.9
Finance Income	0.1
<b>Total Revenue</b>	<b>334.4</b>
Expenditure*	337.2
Net Cost of Public Service Activities	181.2
Surplus / Deficit	(2.8)
<b>Surplus / Deficit as % of Net Cost Public Service</b>	<b>-1.54%</b>
<i>Source: RTÉ Annual Report 2015</i>	
<i>*Notes: Includes finance expense, income tax, depreciation, less gains on asset disposal</i>	

### Commentary on RTÉ 2016 ASPCs

RTÉ's commitments for 2016 bear a very close resemblance to the 2015 commitments. There are 22 commitments outlined for 2016, as in 2015, and only two of the high-level commitments differ across the years. In general, the change refers to a slight change in wording. Commitment 13 is changed from "RTÉ is committed to meeting budgetary targets as set out in RTÉ's Interim Budget 2015, including targeting positive Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)" to "RTÉ is committed to meeting budgetary targets as set out in RTÉ's Interim Budget 2016, including targeting a break-even/small surplus before the cost of special events", reflecting the cost of special events which can be expected to be particularly high in 2016. Commitment 15 is changed from "Optimise funding sources, by maximising the exploitation of all revenue streams both traditional and new" to "Operate RTÉ's commercial activities efficiently to maximise the net return for RTÉ's public service activities". Neither change is substantive. In terms of underlying targets, the target relating to statutory expenditure on commissioned programming is moved from Commitment 14 to Commitment 11, but this is only a small change.

Commitment 15 relates to commercial revenue targets. Commercial revenue targets are given for the RTÉ Group, rather than disaggregated by division. In addition, the introduction of the Fair Trading policy necessitates additional commitments. Indecon is of the view that RTÉ's commitments

for 2016 are in general adequate. However, further work may be required to refine constraints for future years and to ensure a strong focus on internal cost containment.

### **Conclusions**

Indecon's analysis shows that RTÉ's funding has fallen short of the funding envisaged in the base case of their five-year strategy. RTÉ has suggested that a decrease in funding would likely lead to a reduction in staff numbers and RTÉ produced content. RTÉ has indicated to Indecon that an increase in funding would allow RTÉ to invest further in developing and commissioning new content and would also allow for further development of RTÉ's digital services. In considering the issue of the adequacy of funding it is necessary to consider both Licence Fee and commercial revenue as well as the cost base within RTÉ.

Indecon's view is that the statutory objectives set for RTÉ have been largely met within the existing public funding support and that this arguably enabled the organisation to meet its broad strategic objectives namely to:

- Provide a comprehensive range of programmes in the Irish and English languages that reflect the cultural diversity of the whole island of Ireland;
- Cater for the expectations of the community generally, as well as members of the community with special or minority interests, and which respect human dignity; and,
- Provide news and current affairs programmes in the Irish and English languages, including for example, programmes covering the proceedings in the Houses of the Oireachtas and the European Parliament.

We have concerns about the adequacy of the total resources available to RTÉ to invest in the development of their digital offering and the absence of increases in the levels of continuing programme expenditures. We believe that some additional resources to achieve this could be obtained by strict cost containment within RTÉ and by the expected growth in advertising revenues. However, we believe that a policy of freezing the licence fee in nominal terms which has occurred in recent years is not sustainable over the medium term without an impact on RTÉ's services.

Indecon therefore believes that there is a case for supporting an increase in the revenue RTÉ secures from public funding. A combination of different ways to secure this should be considered by policymakers including changes to the efficiency of the licence fee collection schemes, an increase in the licence fee and an expansion of other funding from the BAI, for example an increase in the BAI Sound & Vision fund.

## 5 Conclusions and Recommendations

### 5.1 Conclusions on TG4

Based on the analysis presented in this Public Funding Review, Indecon believes TG4 largely achieved its performance commitments in 2015 but is facing a major challenge to maintain or increase its audience numbers and commercial revenues. TG4 is also heavily dependent on public funding.

EU Competition Policy limits the size of state funding across various sectors, including in relation to public service broadcasters. The regulation of the broadcasting industry is based on EU legislation communicated to member states in 2009. Specifically, the Commission limits the level of overcompensation, defined generally as a retention of funds above net costs of the public service, at 10%. As TG4 ran a deficit in 2015, it is not in contravention with current EU state aid rules.

Indecon is of the opinion that TG4 commitments are adequate for 2016, but that for future years more focus on stability and growth in market share would be appropriate.

### 5.2 Recommendations Concerning TG4

1. Indecon recommends an increase in funding for TG4 with certain conditions.

Indecon notes that the BAI recommended an increase in TG4's funding in line with inflation following the five-year review and the 2013 annual review. The 2014 review also recommended an increase in TG4's funding. Indecon recognises that TG4 is in receipt of a one-off supplement of €900k for 2016 through a special programme grant for Irish language 1916 programming. A key question for policymakers and for BAI is what role TG4 is to play in the Irish broadcasting market and in promoting the Irish language. Indecon believes that if TG4's current remit is to remain, an increase in funding is required if its audience share is not to continue on its downward trend. Changes to funding for TG4 should abide by the statutory requirements as outlined in the Broadcasting Act to enable the organisation to achieve its public service objectives. While this is a matter of judgement, our recommendation is that an adjustment of €0.5 million is the minimum necessary. We, however, believe that this should be conditional on achieving tight management of staff costs and a commitment by TG4 to provide additional funds to the independent sector to achieve specified additional outputs.

2. Future annual commitments for TG4 should include targets to maintain their market share and to increase investment in specified genres.

These targets reflect the importance of TG4 stemming the downward trend in its market position as we believe minimum audience numbers are required for TG4 to meet its remit. While this minimum level is a matter of judgement, any significant further declines in market share would be of concern. We believe that the allocation of investments in any genre should be a matter for TG4 but that the focus should be on targeting to maintain their market share.

### 5.3 Conclusions on RTÉ

Indecon's view is that the statutory objectives set for RTÉ have been largely met within the existing public funding support and that this has enabled the organisation to meet its broad strategic objectives namely to:

- Provide a comprehensive range of programmes in the Irish and English languages that reflect the cultural diversity of the whole island of Ireland;
- Cater for the expectations of the community generally, as well as members of the community with special or minority interests, and which respect human dignity; and,
- Provide news and current affairs programmes in the Irish and English languages, including for example, programmes covering the proceedings in the Houses of the Oireachtas and the European Parliament.

EU Competition Policy limits the size of state funding across various sectors, including in relation to public service broadcasters. The regulation of the broadcasting industry is based on EU legislation communicated to member states in 2009. Specifically, the Commission limits the level of overcompensation, defined generally as a retention of funds above net costs of the public service, at 10%. As RTÉ ran a deficit in 2015, it is not in contravention with current EU state aid rules.

Indecon is of the view that RTÉ's commitments for 2016 are in general adequate. However, further work may be required to refine commitments for future years and to ensure a strong focus on internal cost containment.

#### RTÉ Capital Assets Review

Indecon has not been in a position to fully assess what funds could be achieved by RTÉ as a result of capital asset disposals in the context of this year's review. We have not received a full copy of the internal RTÉ report, nor any assessment by the RTÉ board on the potential for disposal of assets. In view of this, we are not in a position to give an authoritative view of levels of funds that could be achieved from such a policy.

### 5.4 Recommendations Concerning RTÉ

#### 1. Indecon recommends a conditional increase in public funding for RTÉ.

Our review of public funding for RTÉ highlights the need for additional resources in their digital offering as well as increase programme expenditures. While strict cost containment and growth in advertising revenue may be able to garner some additional levels of funding, the policy of freezing the licence fee in nominal terms which has occurred in recent years is not sustainable over the medium term without an impact on RTÉ's services. There may, however, be potential for additional revenues to be achieved from the existing licence fee. Indecon notes that the increase in the Irish population base may facilitate an expansion of this source of revenue, however in the long term the popularity of television may deteriorate due to the growing popularity of online media sources.

Indecon believes there is a case for supporting an increase in the revenue RTÉ secures from public funding. The Broadcasting Act specifies that the Licence Fee modification should be based on the change in CPI in the relevant year plus 1% less any adjustment for X recommended by the Authority. In general Indecon interprets that such an adjustment should reflect any potential for efficiency gains and while this is not explicit in the Act, it is standard in nearly all regulated CPI – X



type adjustments. In the relevant year CPI declined by 0.3%, which would suggest an adjustment of 0.7% in the Licence Fee, less any additional reduction for X. In view of the decline in CPI, we believe that either X should be set at 0 so that the adjustment in the licence fee is 0.7%, or that other ways are pursued to ensure a similar adjustment in RTÉ's revenue base. Because of the potential wider impacts of implementing a very small Licence Fee adjustment, we believe there is a strong case this year in policymakers considering a combination of different ways to secure such an increase in funding for RTÉ, including changes to the efficiency of the Licence Fee collection scheme and/or an expansion of other funding from the BAI, for example an increase in the BAI Sound & Vision fund.

Structural changes, such as an expansion of funding from the BAI will require a change in legislation and therefore can be considered a long-term option. Any increase in public funding should, however, be conditional on RTÉ implementing strict cost control measures and in RTÉ completing an independent examination of the price elasticity of demand for its advertising services to demonstrate it is maximising commercial revenues.

## 2. Increased Investment in Digital Offering

Indecon recommends increased investment by RTÉ in its digital offering. Otherwise, there is a danger that RTÉ will lose out in this rapidly expanding sector. While some assets sales by RTÉ may in part fund this, we do not believe this would be sufficient and other sources of funding will be required.

## 5.5 Recommendations on Process

### 1. Greater Discretion should be given to external evaluators in specifying information requirements from PSBs.

Indecon is very supportive of minimising any unnecessary administrative burden on the broadcasters but believes that greater discretion should be given to seek information from PSBs outside the headings previously agreed between BAI and the broadcasters.

### 2. Some refinements to ASPCs in Future Years should be Considered

Indecon notes that in line with our recommendations in a previous report there has been a welcome reduction in the number of ASPCs. There remains, however, a wide mix of targets and there is merit in focusing on a smaller number of key issues. Indecon recommends targets to be retained should be judged according to their measurability, importance, and statutory requirements.

## Annex 1 2016 ASPCs

Table A1.1 TG4 Performance Commitments 2016	
2016 Commitment	Comparator 2015 Commitment
<b>(I) Audiences - Impact &amp; Reach</b>	
1. Strengthen TG4's reach with all audiences through our broadcast, Player, web and mobile services.	1
2. Continue to focus on attracting greater levels of younger audiences to TG4 with high quality, entertaining Irish language content and services.	3
3. Maintain the level of sub-titling on TG4, to ensure accessibility for audiences with physical, sensory or intellectual disabilities.	4
<b>(II) Content - High Quality &amp; Distinctive</b>	
4. Continue to develop TG4's Irish language broadcast schedule to entertain and draw strong audience levels.	5
5. Deliver unique commemorative Irish language 1916 content to mark one of Ireland's most significant historical events, along with special programmes to celebrate 20 years of TG4 and comprehensive coverage of the General Election in 2016.	NEW
6. Further develop TG4's Player, online and mobile services to best meet changing audience needs.	2/7
7. Drive further innovation and creativity in TG4's content and services.	6
8. Continue the project to establish TG4's Digital Archive which will comprise the most extensive and significant bodies of digital Irish language audiovisual material ever created.	NEW
<b>(III) Promotion &amp; Development of the Irish Language &amp; Culture</b>	
9. Extend TG4's High Definition and Player services to other platforms subject to satisfactory commercial arrangements.	NEW
10. Deliver the first step in the creation of a "Learning Irish Resource" to support the development of Irish linguistic skills for children, young and adult learners.	NEW
11. Continue to have a positive influence on the awareness and development of the Irish language and culture, reaching out to all those with an interest in these, both in Ireland and abroad.	9
12. Maintain our support for the implementation of the Government's 20 Year Strategy for the Irish Language (2010-2030).	10
13. Sustain TG4's investment in the Irish language independent production sector both North and South, making a strong contribution to jobs and earnings in the Irish economy.	11
<b>(IV) Transparency &amp; Efficiency</b>	
14. Continued efficiency and value-for-money, making the best use of our public funding.	13
15. Strive to maintain TG4's commercial revenues despite increased competition and less public funding.	14
<b>(V) Trust &amp; Good Governance</b>	
16. Maintain best-practice governance and reporting systems.	15
17. Deliver our public service and statutory requirements, complying with all relevant broadcasting codes and regulations and exceeding minimum standards wherever possible.	16
<i>Source: Indecon analysis of TG4 Annual Statement of Performance Commitments 2016 &amp; Annual Statement of Performance Commitments 2015</i>	

Table A1.2: RTÉ Performance against Audience-Related Commitments

Commitment	Service	2015 (Year 3) ASPC Measure	Target	2016 (Year 4) ASPC Measure	Target
RTÉ to provide a comprehensive portfolio of media services, which together reach across the spectrum of audience age groups to serve multiple needs	RTÉ One and RTÉ One +1 combined	Peak TVRs (35-54)	>7.5	Peak TVRs (35-54)	>7.1
		Weekly Reach (Individuals)	>65%	Weekly Reach (Individuals)	>66%
		Peak Time Share (Adult 15+)	>25%	Peak Time Share (Adult 15+)	>25%
	RTÉ2	Peak TVRs (15-34)	>2.1	Peak TVRs (15-34)	>2.2
		Weekly Reach (Individuals)	>48%	Weekly Reach (Individuals)	>51%
		Peak Time Share (15-34)	>8.5%	Peak Time Share (15-34)	>9.2%
	RTÉjr	Weekly reach (4-7)	>17%	Weekly reach (4-7)	>13%
	RTÉ Radio 1	Listened yesterday reach (35-54)	>23%	Listened yesterday reach (35-54)	>24%
		Weekly reach (Adults 15+)	>37%	Weekly reach (Adults 15+)	>38%
		Peak 7-7 share (adult 15+)	>22%	Peak 7-7 share (adult 15+)	>23%
	RTÉ 2fm	Listened yesterday reach (20-44)	>15%	Listened yesterday reach (20-44)	>15%
		Weekly reach (Adults 15+)	>23%	Weekly reach (Adults 15+)	>22%
		Peak 7-7 share (20-44)	>11%	Peak 7-7 share (20-44)	>12%
	RTÉ lyric fm	Listened yesterday reach (35-54)	>4%	Listened yesterday reach (35-54)	>4%
		Weekly reach (Adults 15+)	>8%	Weekly reach (Adults 15+)	>8%
		Peak 7-7 share (adult 15+)	>1.9%	Peak 7-7 share (adult 15+)	>2%
	RTÉ Raidió na Gaeltachta	Listened yesterday reach (35-54)	>1%	Listened yesterday reach (35-54)	>1%
		Weekly reach (Adults 15+)	>3%	Weekly reach (Adults 15+)	>3%
	RTÉ.ie	Average weekly reach	>33%	Average weekly reach	>30%
	RTÉ Player	Average weekly reach	>30%	Average weekly reach	>28%
	RTÉ News Now	Television weekly reach (Adults 15+)	>19%	Television weekly reach (Adults 15+)	>20%
		Unique browsers (RTÉ news site and RNN mobile app)	>2.8m	Unique browsers (RTÉ news site and RNN mobile app)	>3m
		Twitter followers (RTÉ news)	300k	Twitter followers (RTÉ news)	>450k
	RTÉ On Mobile and Online	RTÉ Apps average weekly reach	>13%	RTÉ Apps average weekly reach	>11%
		RTÉ's average weekly reach (mobile and online)	>53%	RTÉ's average weekly reach (mobile and online)	>48%
		Average monthly streams	8m	Average monthly streams	>6.5m
		Average monthly Unique International Browsers	>2.4m	Average monthly Unique International Browsers	>2.4m
	RTÉ Aertel	Monitor usage, stabilise weekly reach	>20%	Monitor usage, stabilise weekly reach	>20%
	RTÉ Archives	Numbers ever using RTÉ Archives	>25%	Numbers ever using RTÉ Archives	>22%
	RTÉ Orchestras, Quartet & Choirs	Audience	>180,000	Audience	>164k

Source: RTÉ Performance Commitments Report 2015 and RTÉ Statement of Performance Commitments 2016

Table A1.3: RTÉ Performance against Audience-Related Commitments – Continued					
Commitment	Service	2015 (Year 3) ASPC Measure	Target	2016 (Year 4) ASPC Measure	Target
RTÉ aims to connect with the lives of Irish people, to be trusted by them and accountable to them	RTÉ (all services)	Average Weekly Reach (Adults 18+)	>90%	Average Weekly Reach (Adults 18+)	>90%
		Average weekly Reach (18-34s)	>90%	Average weekly Reach (18-34s)	>90%
		Average weekly Reach (35-54s)	>90%	Average weekly Reach (35-54s)	>90%
		Average weekly reach (55+)	>90%	Average weekly reach (55+)	>90%
	RTÉ	Public perception - RTÉ is an important part of Irish life	>76%	Public perception - RTÉ is an important part of Irish life	>80%
		Public perception - RTÉ is trustworthy	>70%	Public perception - RTÉ is trustworthy	>65%
		Publish - outcome of RTÉ Diversity Working Group		Publish - outcome of RTÉ Diversity Working Group	Publish
Source: RTÉ Performance Commitments Report 2015 and RTÉ Statement of Performance Commitments 2016					

Table A1.4: RTÉ Performance against Content-Related Commitments					
Commitment	Service	2015 (Year 3) ASPC Measure	Target	2016 (Year 4) ASPC Measure	Target
RTÉ to reshape its television media services to best meet the changing needs of audiences with compelling content	RTÉ One	Deliver genre mix within % range	In range	Deliver genre mix within % range	In range
		Audience Perception of Quality	>80%	Audience Perception of Quality	>80%
		Public perception that RTÉ One enables me to connect with national events	[Redacted: Data is commercially sensitive].		
		Public perception that RTÉ One reflects modern Ireland			
	RTÉ2	Deliver schedule mix within % range	In range	Deliver schedule mix within % range	In range
		Audience Perception of Quality	>80%	Audience Perception of Quality	>80%
		Public perception that RTÉ2 is where I turn for Irish sport	[Redacted: Data is commercially sensitive].		
		Public perception that RTÉ2 has a sense of humour			
RTÉ to reshape its radio media services so as to best meet the changing needs of audiences with compelling content	RTÉ Radio 1	Deliver diverse genre mix within % range	In range	Deliver diverse genre mix within % range	In range
		Audience Perception of Quality	>80%	Audience Perception of Quality	>80%
		Public perception that RTÉ Radio 1 offers good range of content	[Redacted: Data is commercially sensitive].		
		Public perception that RTÉ Radio 1 provides trusted N&CA			
	RTÉ 2fm	Deliver genre mix within % range	In range	Deliver genre mix within % range	In range
		Audience Perception of Quality	>80%	Audience Perception of Quality	>80%
		Public perception that RTÉ 2fm plays good music	[Redacted: Data is commercially sensitive].		
		Public perception that RTÉ 2fm has a sense of humour			
	RTÉ lyric fm	Deliver genre mix within % range	In range	Deliver genre mix within % range	In range
		Audience Perception of Quality	>80%	Audience Perception of Quality	>80%
		Public perception that RTÉ lyric fm provides a unique alternative listening choice	[Redacted: Data is commercially sensitive].		
	RTÉ Raidió na Gaeltachta	Deliver genre mix within % range	In range	Deliver genre mix within % range	In range
		Audience Perception of Quality	>80%	Audience Perception of Quality	>80%

Source: RTÉ Performance Commitments Report 2015 and RTÉ Statement of Performance Commitments 2016

Table A1.5: RTÉ Performance against Content-Related Commitments – *Continued*

Commitment	Service	2015 (Year 3) ASPC Measure	Target	2016 (Year 4) ASPC Measure	Target
RTÉ to develop its digital media services to best meet the changing needs of audiences with compelling content	RTÉ Player	Audience perception of Satisfaction with RTÉ Player	>80%	Audience perception of Satisfaction with RTÉ Player	>80%
		Public perception that RTÉ Player offers a good range of content	<i>[Redacted: Data is commercially sensitive].</i>		
		Public perception that RTÉ Player is available on a device that suits me			
	RTÉ.ie	Audience perception of Satisfaction with RTÉ.ie	>80%	Audience perception of Satisfaction with RTÉ.ie	>80%
		Public perception that RTÉ.ie offers a good range of content	<i>[Redacted: Data is commercially sensitive].</i>		
		Public perception that it is easy to find what you're looking for on RTÉ.ie			
RTÉ to continue to be a trusted and strong modern Irish source of domestic and global News & Current Affairs, providing news coverage that is relevant to all, in both the English and Irish languages	RTÉ News	N&CA hours within % range RTÉ one, RTÉ Radio 1 and RTÉ news Now	In range	N&CA hours within % range RTÉ one, RTÉ Radio 1 and RTÉ news Now	In range
		Public perception that RTÉ provides trusted N&CA	>75%	Public perception that RTÉ provides trusted N&CA	>80%
	RTÉ News Now	Deliver schedule mix within % range	In range	Deliver schedule mix within % range	In range
		Public perception that RTÉ News Now provides trusted N&CA	<i>[Redacted: Data is commercially sensitive].</i>		
		% of live content	>40%	% of live content	>40%
RTÉ will continue to offer quality Irish content for children that explores and reflects their world via a multi-media offering across radio, television, online and mobile	RTÉ	Public perception that RTÉ offers a broad range of content and services for children	>47%	Public perception that RTÉ offers a broad range of content and services for children	>50%
Continue to deliver the big national events that bring the country together - whether they be the big entertainment events, news and political events or the big sporting occasions	RTÉ	Public perception that RTÉ enables me to connect with national events	>72%	Public perception that RTÉ enables me to connect with national events	>80%
RTÉ will utilise digital technology to enhance the quality of its services and to make its content accessible to the widest possible audience	RTÉ	Public perception that RTÉ programmes and services are easily accessible on a range of devices	>78%	Public perception that RTÉ programmes and services are easily accessible on a range of devices	>80%
	Television	Number of hours broadcast in HD	>3.6k	Number of hours broadcast in HD	6k

Source: RTÉ Performance Commitments Report 2015 and RTÉ Statement of Performance Commitments 2016

Table A1.5: RTÉ Performance against Content-Related Commitments – <i>Continued</i>					
Commitment	Service	2015 (Year 3) ASPC Measure	Target	2016 (Year 4) ASPC Measure	Target
RTÉ aims to support and promote innovation and creativity both internally and among both the Independent Production sector and wider creative community	RTÉ	Public perception that RTÉ is a creative organisation	>52%	Public perception that RTÉ is a creative organisation	>52%
				Broadcast format pilots on RTÉ television	5
	Radio	First-run indigenous content output on RTÉ Radio Fm services	>80%	First-run indigenous content output on RTÉ Radio Fm services	>80%
	RTÉ One	Indigenous hours as % of total peaktime hours	70%	Indigenous hours as % of total peaktime hours	70%
	Television	Broadcast format pilots on RTÉ television	4	Meet statutory spending requirements, fulfilling obligations under S.116 of the Broadcasting Act 2009	€39.5m
RTÉ aims to deliver bigger, more ambitious and more inclusive Arts and Culture content	RTÉ	Public perception that RTÉ supports arts activities in Ireland	>66%	Public perception that RTÉ supports arts activities in Ireland	>70%
Source: RTÉ Performance Commitments Report 2015 and RTÉ Statement of Performance Commitments 2016					

Table A1.6: RTÉ Performance against Irish Language-Related Commitments					
		2015 (Year 3) ASPC Measure	Target	2016 (Year 4) ASPC Measure	Target
RTÉ strives to reach out to all Irish language speakers at home and abroad in its provision of Irish language programming and services	RTÉ	Public perception that RTÉ provides a comprehensive service for Irish speakers	>47%	Public perception that RTÉ provides a comprehensive service for Irish speakers	>50%
Source: RTÉ Performance Commitments Report 2015 and RTÉ Statement of Performance Commitments 2016					



Table A1.7: RTÉ Performance against Transparency-Related Commitments

	2015 (Year 3) ASPC Measure	Target	2016 (Year 4) ASPC Measure	Target
RTÉ is committed to meeting budgetary targets as set out in RTÉ's Interim Budget 2015, including targeting positive Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)	Achieve agreed budget out-turn for the year		Achieve agreed budget out-turn for the year	
Deliver a value for money service by ensuring that best value is achieved in all areas of the business and by continuing to make best use of the Licence Fee income	Operating Cost budget and delivery of specified service targets achieved	€320m	Operating Cost budget and delivery of specified service targets achieved	€330m, plus €16m for special events
	Threshold ranges of Public Funding Utilisation for 2015	In range	Threshold ranges of Public Funding Utilisation for 2015	In range
	Public perception that RTÉ is good value for money	58%	Public perception that RTÉ is good value for money	56%
	Statutory spend requirements for independent commissioning	€39.4m	*Moved to Different Commitment	
	PROC Target for 2014 Budget	56%	PROC Target for 2014 Budget	56%
	Learning and Development budget within best practice range	1-4% of PROC costs	Learning and Development budget within best practice range	1-4% of PROC costs
Optimise funding sources, by maximising the exploitation of all revenue streams both traditional and new	TV Commercial Revenue Target	[Redacted: Data is commercially sensitive].		
	Radio Commercial Revenue Target			
	2rn Commercial Revenue Target			
	RTÉ Digital Commercial Revenue Target			
			Review of ancillary commercial activities conducted and decisions communicated to RTÉ Board	Review to RTÉ Board
			Report on RTÉ commercial performance against relevant Industry indices	Report Completed
Demonstrate on-going and enhanced transparency and accountability in RTÉ's use of public funds	Publish CPTH in Annual Report 2014		Publish CPTH in Annual Report 2014	
	Publish Utilisation of Public Funding in Annual Report 2014		Publish Utilisation of Public Funding in Annual Report 2014	
	Projected utilisation for 2015 provided to BAI		Projected utilisation for 2016 provided to BAI	
	Report on fulfilment or otherwise of RTÉ 2014 ASPC in Annual Report		Report on fulfilment or otherwise of RTÉ 2014 ASPC in Annual Report	
	Publish RTÉ 2015 ASPC		Publish RTÉ 2015 ASPC	
	Publish RTÉ Fair Trading policy		Functionally separate RTÉ's public service and commercial activities	
			Appoint a Fair Trading Officer	

Source: RTÉ Performance Commitments Report 2015 and RTÉ Statement of Performance Commitments 2016

Table A1.8: RTÉ Performance against Trust-Related Commitments

	2015 (Year 3) ASPC Measure	Target	2016 (Year 4) ASPC Measure	Target
RTÉ aims to be more open, to share its publically funded resources with other Irish media, by sharing news coverage with other media outlets	Audiovisual online content sharing with national newspapers		Audiovisual online content sharing with national newspapers	
Develop key strategic and creative partnerships in order for RTÉ to continue to innovate in terms of programming, content & technology and to develop its capabilities and work practices	Report on development of at least five key partnerships projects in 2015		Report on development of at least five key partnerships projects in 2015	
RTÉ aims to understand Irish audiences through research initiatives that assess their needs, expectations and views of RTÉ content and services	On-going Audience Reaction Panel survey in place		On-going Audience Reaction Panel survey in place	
	On-going Brand Tracking survey in place		On-going Brand Tracking survey in place	
Demonstrate leadership in access services by exceeding minimum standards and providing new / innovative services where possible, to facilitate access to TV for those with sensory disabilities	All BAI targets met		All BAI targets met	
Implement the highest editorial standards, reviewing editorial guidelines in the context of legislation and codes of practice and minimising legal/regulatory corrective actions	Compliance with BAI Code of Programme Standards		Compliance with BAI Code of Programme Standards	
	Compliance with BAI Code of Fairness, Impartiality and Objectivity in News & Current Affairs		Compliance with BAI Code of Fairness, Impartiality and Objectivity in News & Current Affairs	
	Audience perceptions of "fairness and impartiality" of RTÉ News: Nine o'clock	95.7	Audience perceptions of "fairness and impartiality" of RTÉ News: Nine o'clock	90
	Audience perceptions of "fairness and impartiality" of Morning Ireland	92.5	Audience perceptions of "fairness and impartiality" of Morning Ireland	90
	BAI complaints dealt with within mandatory timeframes	100%	BAI complaints dealt with within mandatory timeframes	100%
Fulfil all legislative and regulatory requirements and maintain best practice governance and reporting systems	Maintain high standard of RTÉ Annual Report and Group Financial Statements (Annual Report) and publish in accordance with S.110 of the Broadcasting Act 2009		Maintain high standard of RTÉ Annual Report and Group Financial Statements (Annual Report) and publish in accordance with S.110 of the Broadcasting Act 2009	
	Comply with Code of Practice for Governance of State Bodies and report to Audit and Risk Committee		Comply with Code of Practice for Governance of State Bodies and report to Audit and Risk Committee	
	Compliance of any commercial activities with S.108 of the Broadcasting Act 2009		Compliance of any commercial activities with S.108 of the Broadcasting Act 2009	
	Compliance with BAI, ComReg, ODAS and ASAI Commercial Communications Codes		Compliance with BAI, ComReg, ODAS and ASAI Commercial Communications Codes	
	Compliance and quarterly FOI stats to DCENR/Dept of Finance		Compliance and quarterly FOI stats to DCENR/Dept of Finance	
	Identify and implement further enhancements to RTÉ's Risk Management and Framework		Refine the RTÉ Risk Management process, including the development of key risk measures and reporting formats	

Source: RTÉ Performance Commitments Report 2015 and RTÉ Statement of Performance Commitments 2016

## Annex 2 Overall Commitment Tables with Performance

## A2.1 RTÉ

Table A2.1: RTÉ Performance against Content-Related Commitments - Television					
Commitment	Service	2015 (Year 3) ASPC Measure	Target	Level of Achievement*	2015 performance
RTÉ to reshape its television media services to best meet the changing needs of audiences with compelling content	RTÉ One	Deliver genre mix within % range		No**	
		Audience Perception of Quality	>80	Yes	82.3
		[Redacted: Data is commercially sensitive].			
	RTÉ2	Deliver schedule mix within % range		No*	
		Audience Perception of Quality	>80	Yes	82.7
		[Redacted: Data is commercially sensitive].			
RTÉ will utilise digital technology enhance the quality of its services and to make its content accessible to the widest possible audience	Television	Broadcast hours in HD	3.6k	Yes	6,392
RTÉ aims to support and promote innovation and creativity both internally and among both the Independent Production sector and wider creative community	RTÉ One	Indigenous hours as % of total peaktime hours	70%	Yes	75%
	Television	Broadcast format pilots on RTÉ television	4	Yes	6
<b>Source: RTÉ Performance Commitments Report 2015</b> Note: ** RTÉ indicates that this commitment was largely achieved. <b>*Substantially Achieved relates to quantitative performance within 10% of target</b>					

Table A2.2: RTÉ Performance against Content-Related Commitments - Radio					
Commitment	Service	2015 (Year 3) ASPC Measure	Target	Level of Achievement*	2015 performance
RTÉ to reshape its radio media services to better meet the changing needs of audiences with compelling content	RTÉ Radio 1	Deliver diverse genre mix within % range		Yes	
		Audience Perception of Quality	>80	Yes	84.8
		[Redacted: Data is commercially sensitive].			
	RTÉ 2fm	Deliver genre mix within % range		Yes	
		Audience Perception of Quality	>80	Yes	80.8
		[Redacted: Data is commercially sensitive].			
	RTÉ lyric fm	Deliver genre mix within % range		Yes	
		Audience Perception of Quality	>80	Yes	87.3
		[Redacted: Data is commercially sensitive].			
	RTÉ Raidió na Gaeltachta	Deliver genre mix within % range		Yes	
		Audience Perception of Quality	>80%	Yes	80.1
RTÉ aims to support and promote innovation and creativity both internally and among both the Independent Production sector and wider creative community	Radio	First-run indigenous content output on RTÉ Radio Fm services	>80%	Yes	86%
Source: RTÉ Performance Commitments Report 2015					
*Substantially Achieved relates to quantitative performance within 10% of target					

Table A2.3: RTÉ Performance against Content-Related Commitments – Digital/Online					
Commitment	Service	2015 (Year 3) ASPC Measure	Target	Level of Achievement*	2015 performance
RTÉ to develop its digital media services to best meet the changing needs of audiences with compelling content	RTÉ Player	Audience perception of Satisfaction with RTÉ Player	>80%	Yes	85%
		<i>[Redacted: Data is commercially sensitive].</i>			
	RTÉ.ie	Audience perception of Satisfaction with RTÉ.ie	>80%	Substantiall y**	77%
		<i>[Redacted: Data is commercially sensitive].</i>			
RTÉ will utilise digital technology enhance the quality of its services and to make its content accessible to the widest possible audience	RTÉ	Public perception that RTÉ programmes and services are easily accessible on a range of devices	78%	Yes	82%
<b>Source: RTÉ Performance Commitments Report 2015</b> <b>*Substantially Achieved relates to quantitative performance within 10% of target</b> <b>Note: ** RTÉ indicates that this commitment was largely achieved.</b>					

Table A2.4: RTÉ Performance against Content-Related Commitments - Other					
Commitment	Service	2015 (Year 3) ASPC Measure	Target	Level of Achievement	2015 performance
RTÉ to continue to be a trusted and strong modern Irish source of domestic and global News & Current Affairs, providing news coverage that is relevant to all, in both the English and Irish languages	RTÉ News	N&CA hours within % range RTÉ one, RTÉ Radio 1 and RTÉ news Now		Yes	
		Public perception that RTÉ provides trusted N&CA	>75%	Yes	83%
	RTÉ News Now	Deliver schedule mix within % range		Yes	
		[Redacted: Data is commercially sensitive].			
		Sustain % of live content	>40%	Yes	40%
RTÉ will continue to offer quality Irish content for children that explores and reflects their world via a multi-media offering across radio, television, online and mobile	RTÉ	Public perception that RTÉ offers a broad range of content and services for children	>47%	Yes	52%
Continue to deliver the big national events that bring the country together - whether they be the big entertainment events, news and political events or the big sporting occasions	RTÉ	Public perception that RTÉ enables me to connect with national events	72%	Yes	81%
RTÉ aims to support and promote innovation and creativity both internally and among both the Independent Production sector and wider creative community	RTÉ	Public perception that RTÉ is a creative organisation	52%	Yes	63%
RTÉ aims to deliver bigger, more ambitious and more inclusive Arts and Culture content	RTÉ	Public perception that RTÉ supports arts activities in Ireland	>66%	Yes	74%
<b>Source: RTÉ Performance Commitments Report 2015</b> Note: * RTÉ indicates that this commitment was largely achieved.					

## A2.2 TG4

Table A2.5: TG4 Performance Against Audience-Related Commitments							
Commitment	TG4 Reported Achievement	Measure	Target	Level of Achievement	2015 Performance		
Strengthen TG4's reach with all audiences	Substantially achieved	Weekly reach Irish language audience	90%	Yes	92%		
		Daily reach	13%	No	11%		
		Maintain top 10 position of all television broadcast channels watched in Ireland	Top 10	Yes	7 <sup>th</sup>		
		Audience share	2%	No	1.7%		
		Other Irish Language Audience targets: TG4 Satisfaction Rating TG4 Player usage	7.5 40%	Yes Substantially	7.9 38%		
		Peak viewing period targets:	Share %:		Share %:		
		St Patrick's Day	6.0	No	7.0		
		Easter Sunday	6.0		5.7		
		Ladies Football Finals	7.0		3.7		
		Christmas Day	3.5		2.4		
No. of programmes: with reach >70,000 with reach > 100k	1,200 800	No	965 573				
Northern Ireland– maintain and improve 2014 audiences:							
Monthly	8%	No	6%				
Weekly	8%	Yes	12%				
Daily	3%	Yes	3%				
Enhance our online content and services to deliver higher levels of audience connection with TG4 through our Player, web and mobile services	Substantially achieved	Redesign TG4 website	Redesign of the TG4 website, which now includes: Kids Channel Playlist Nuacht TG4 site Collections section giving access to content from TG4's back catalogue				
		Acquire and reversion three new interactive games for Cula 4 website	Mainly	Mainly			
		Create a Searchable facility for TG4 news packages on website	Began developing tech infrastructure to allow for a Searchable facility for TG4 News packages on the website				
		Add new content to 'Sean Nós website'	Yes				
		Create a 'Virtual Channel' aimed at kids	Yes				
		Optional Subtitles on Player content	Yes				
		Acquire and reversion an App for Children	Yes				
		Create a second 'Scéal an Lae' Story Time App	Yes				
		No. of Unique Website Visitors	1.9m	No	1.577m		
		No. of national unique users	1.14m	No	0.946m		
		No. of international unique users	760k	No	631k		
		No. of Player streams	1.7m	No	1.526m		
		Player Hours Watched	350k	Substantially	334k		
		Page Impressions <sup>65</sup>	17m	No	9.749m		
		App Downloads	100k	Yes	113,303		
		Total No. of TG4 Apps Available	12	Yes	12		
		Website Position (Irish language sites worldwide)	1	Yes	1		
		Source: Indecon analysis of TG4 Review of 2015 Performance					
		*Substantially Achieved relates to quantitative performance within 10% of target					

<sup>65</sup> Measured using Google Analytics



Table A2.6: TG4 Performance Against Audience-Related Commitments – <i>Continued</i>					
Commitment	TG4 Reported Achievement	Measure	Target	Level of Achievement*	2015 Performance
Strengthen TG4’s engagement with younger audiences – develop our schedule and content services further to attract a greater level of younger viewers to TG4	Almost fully achieved	Children & Young People Web usage/page views	280k	Yes	311,413
		Children’s Player Service Streams	190k	No	147,596
		Children Apps Downloads	18k	No	12,065
		Weekly Broadcast reach – Children / Young People	150k	No	124,800
		Daily Broadcast Reach - Children	5%	No	4.1%
Increase accessibility of our content to audiences with physical, sensory or intellectual disability	Substantially achieved	BAI Access Targets - subtitling	47-53%	Substantially	45%
		Subtitle most of TG4’s Irish language content, increase number of live programmes offering subtitles and acquire English language subtitles where available	Yes		
		Publicise the availability of subtitles on much of its output	Yes		
		Report regularly to the BAI on subtitling requirements and performance	Yes		
Source: Indecon analysis of TG4 Review of 2015 Performance					
*Substantially Achieved relates to quantitative performance within 10% of target					

## Annex 3 Extracts from Broadcasting Act 2009

**102.** (1) A corporation shall, by 31 January in each year, prepare an annual statement of performance commitments, in accordance with –

- (a) its objects,
- (b) any extant statement of strategy prepared under section 99, and
- (c) any extant public service statement prepared under section 101,

And including the activities to which the corporation intends to commit in that financial year and associated performance indicators.

(2) An annual statement of performance commitments prepared by a corporation under subsection (1), shall address, inter alia –

- (a) original children's programming, commissioned or produced by the corporation, relevant to the social and cultural needs and interests of children in Ireland and including animation and children's programming in the Irish language, to be broadcast by the corporation,
- (b) Irish language programming to be broadcast by the corporation,
- (c) science and technology programming to be broadcast by the corporation,
- (d) magazine and books to be prepared, published and distributed in pursuance of the corporation's public service objects, and
- (e) the recorded audio material to be compiled, published and distributed in pursuance of the corporation's public service objects.

(3) As soon as may be after 31 January in each year a corporation shall submit to the Minister and the Authority an annual statement of performance commitments prepared under subsection (1) and, having consulted with the Minister and the Authority, shall publish the statement, or a summary of it, as soon as practicable, thereafter.

(4) A corporation shall by 31 March in each year submit to the Minister and the Authority a report on the fulfilment or otherwise of any commitments made in a statement prepared under subsection (1) for the previous financial year and an explanation of any differences arising.

(5) A corporation shall include within a report required under section 110 a report on the fulfilment or otherwise of any commitments published under subsection (3) for the period concerned and an explanation of any difference arising.

**108.** – (1) The commercial activities undertaken by a corporation in pursuance of its exploitation of commercial opportunities object shall –

- (a) be operated in an efficient manner so as to maximise revenues, and
- (b) be used to subsidise its public service objects.

(2) All transactions or arrangements entered into by a corporation as between the activities arising from –

- (a) its public service objects, and
- (b) its exploitation of commercial opportunities object, shall be made at arm's length and on commercial terms.

112.-(1) It is the duty of a corporation to prepare and publish, within 15 months of the passing of this Act, and every fourth year thereafter, a code of fair trading practice (in this section referred to as a “code”) setting out the principles that it shall apply when agreeing terms for the commissioning of programming material from independent producers.

(2) The Authority, having consulted with the Minister, a corporation, and independent producers (or such persons appearing to the Authority to represent them), shall within 12 months of the passing of this Act and every fourth year thereafter, prepare and issue guidance to the corporation on the format of a code required under subsection (1).

(3) The guidance issued by the Authority under subsection (2) shall be general in nature and shall not specify the particular items to be included in a code to which the guidance relates.

(4) A corporation, having considered the guidance received under subsection (2), shall prepare and submit for approval to the Minister a code.

(5) A code shall include reference to a corporation’s approach to-

(a) multi-annual commissioning,

(b) acquisition of rights, and

(c) timetable for contractual negotiations.

(6) In meeting the requirements of subsection (5)(b) the corporation shall address the arrangements it proposed to adopt in respect of the duration and exclusivity of the various categories of rights it intends to acquire.

(7) The Minister shall, in considering a code, consult with the Authority.

(8) On approval by the Minister the code shall be deemed to have come into force and the corporation shall comply with such a code.

(9) A corporation shall ensure that provision is made for resolving disputes arising in respect of the provisions of a code (by independent arbitration or otherwise) in a manner that appears to the Minister to be appropriate.

(10) The Compliance Committee shall, at the direction of the Minister, report to the Minister on compliance by a corporation with a code prepared under this section.

(11) A corporation may with the approval of the Minister, the Minister having consulted with the Authority, revise and publish amendments to a code.

(12) RTÉ shall co-operate with independent producers in the marketing outside the State of sound broadcasting and television programmes commissioned by RTÉ from independent producers.

114.-(1) The objects of RTÉ are-

(a) to establish, maintain and operate a national television and sound 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 RTÉ under paragraphs (a), (c), (d), (e), (f), (g), (h) and (i),

(c) to establish and maintain orchestras, choirs and other cultural performing groups in connection with the services of RTÉ under paragraphs (a), (f), (g) and (h),

(d) to assist and co-operate with the relevant public bodies in preparation for, and execution of, the dissemination of relevant information to the public in the event of a major emergency,

(e) to establish and maintain archives and libraries containing materials relevant to the objects of RTÉ under this subsection,

(f) to establish, maintain and operate a television broadcasting service and a sound broadcasting service which shall have the character of a public service, which services shall be made available, in so far as RTÉ considers reasonably practicable, to Irish communities outside 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),

(i) to establish, maintain, and operate one or more national multiplexes,

(j) so far as it is reasonably practicable, to exploit such commercial opportunities as may arise in pursuit of the objects outlined in paragraphs (a) to (i).

(2) In pursuit of the objects outlines in subsection (1), RTÉ shall-

(a) be responsive to the interests and concerns of the whole community, be mindful of the need for understanding and peace within the whole of the island of Ireland, ensure that the programmes reflect the varied elements which make up the culture of the people of the whole island of Ireland, and have special regard for the elements which distinguish that culture and in particular for the Irish language,

(b) uphold the democratic values enshrined in the Constitution, especially those relating to rightful liberty of expression, and

(c) have regard to 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 Member states.

(3) Without prejudice to the generality of subsection (1), RTÉ shall ensure that the programme schedules of the broadcasting services referred to in that subsection –

(a) provide a comprehensive range of programmes in the Irish and English languages that reflect the cultural diversity of the whole island of Ireland and include programmes and that entertain, inform and educate, provide coverage of sporting, religious and cultural activities and cater for the expectations of the community generally as well as members of the community with special or minority interests and which, in every case, respect human dignity,

(b) provide programmes of news and current affairs in the Irish and English languages, including programmes that provide coverage of proceedings in the Houses of the Oireachtas and the European Parliament, and

(c) facilitate or assist contemporary cultural expression and encourage or promote innovation and experimentation in broadcasting.

[...]

**118.**-(1) The objects of TG4 are-

(a) to establish, maintain and operate a national television broadcasting service, which shall have the character of a public service, be a free-to-air service and be made available, in so far as it is reasonably practicable, to the whole community on the island of Ireland,

(b) to establish and maintain a website and teletext services in connection with the services of TG4 under paragraphs (a), (c), (d), (e), (f), (g) and (h),

(c) to establish and maintain choirs and other cultural performing groups in connection with the services of TG4 under paragraphs (a), (f), (g) and (h),

(d) to assist and co-operate with the relevant public bodies in preparation for, and execution of, the dissemination of relevant information to the public in the event of a major emergency,

(e) to establish and maintain archives and libraries containing materials relevant to the objects of TG4 under this subsection,

(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)),

(i) so far as it is reasonably practicable, to exploit such commercial opportunities as may arise in pursuit of the objects outlined in paragraphs (a) to (h).

(2) In pursuit of the objects outlined in subsection (1), TG4 shall –

(a) be responsive to the interests and concerns of the whole community, be mindful of the need for understanding and peace within the whole island of Ireland, ensure that the programmes reflect the varied elements which make up the culture of the people of the whole island of Ireland, and have special regard for the elements which distinguish that culture and in particular for the Gaeltachtaí,

(b) uphold the democratic values enshrined in the Constitution, especially those relating to the rightful liberty of expression, and

(c) have regard to 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 Member States.

(3) Without prejudice to the generality of subsection (1), TG4 shall ensure that the programme schedules of the broadcasting services referred to in that subsection –

(a) provide a comprehensive range of programmes, primarily in the Irish language, that reflect the cultural diversity of the whole island of Ireland and include programmes that entertain, inform and educate, provide coverage of sporting, religious and cultural activities and cater for the expectations of those of all age groups in the community whose preferred spoken language is Irish or who otherwise have an interest in Ireland,

(b) provide programmes, primarily in the Irish language, of news and current affairs,

(c) provide coverage of proceedings in the Houses of the Oireachtas and the European Parliament, and

(d) facilitate or assist contemporary cultural expression and encourage or promote innovation and experimentation in broadcasting.