



ÚDARÁS
CRAOLACHÁIN
NA hÉIREANN | BROADCASTING
AUTHORITY
OF IRELAND

28th September 2016

Mr. Denis Naughten, T.D.
Minister for Communications,
Climate Action and Environment
29-31 Adelaide Road
Dublin 2

Re: BAI Annual Review of Funding for Public Service Broadcasters ("PSBs") 2015: RTÉ & TG4

Dear Minister,

I write further to the statutory requirement for the Authority to submit a report to you on the outcomes of any review conducted under section 124(2) of the Broadcasting Act, 2009, and, having conducted such a review, to make recommendations under section 124(5) of the Act regarding an annual licence fee modification in respect of RTÉ and the amount of any payment to be made to TG4.

The Authority was assisted in its work this year by Indecon International Economic Consultants ("Indecon") in conducting annual performance reviews of RTÉ and TG4 for 2015. .

The consultants' report for 2015, (*Public Funding Review of Public Service Broadcasters*) is enclosed with this correspondence. Reviews of both public service broadcasters (PSB) are contained within the report enclosed.

The terms of reference for this review included an assessment of:

- The extent to which each PSB has fulfilled its commitments in respect of its public service objects, as set out in its Annual Statement of Performance Commitments 2015;
- The extent to which each channel operated by a PSB utilises public funding efficiently and effectively, and the extent to which creativity is fostered and sustained;
- The extent to which each PSB has used its public funding in pursuit of its public service objects, (as opposed to its object to exploit commercial opportunities), with a view to assessing whether any overcompensation has occurred;



The extent to which each PSB provides value for money and the adequacy, or otherwise, of public funding for each PSB to enable it to meet its public service objects, and

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

In conducting the reviews, Indecon addressed the following key areas and presented its findings in respect of each PSB, as follows:

- Audience performance, including reach and share;
- Level and nature of output regarding content produced;
- Irish language promotion and development;
- Transparency and efficiency; and
- Trust and good governance.

Having undertaken the reviews, the consultants also expressed their considered opinion on whether there should be any modification to the annual television licence fee in respect of RTÉ; whether an adjustment to TG4's public funding is desirable or necessary; and the amount of any modification and/or adjustment to be made.

Recommendations on the above are contained in Section 5 of the report.

Indecon presented its findings on the public service broadcasters to the Authority at its meeting in July last. The report was considered further by the Authority at its meeting on 8th September, at which the Authority agreed its recommendations, as required pursuant to section 124(5) of the Broadcasting Act 2009.

Observations

While not succeeding in fulfilling all commitments as set out in their annual statements of performance commitments, both PSBs performed well against commitments set. The BAI will continue to monitor those areas where performance commitments have not been met. This will form part of future Annual Reviews of Public Funding as well as the upcoming Five Year Review of public service broadcasters. With regard to those targets set out in their five-year strategies, however, it should be pointed out that the PSBs asserted that they were each challenged in the achievement of targets in the remaining period of their strategy. The BAI is of the view that both PSBs have operated efficiently while under financial constraints during 2015.



BAI Activity to Support Future PSB Reviews

Serving viewers' and listeners' needs is a central theme of the BAI's Strategy, policies and deliberations. This PSB annual review process is a major part of the organisation's work in this regard. In its current strategy statement, the BAI has committed to continuing "...its emphasis on evidence-based decision making, informed by sound data, information and knowledge, garnered through research, consultation and experience." As indicated in our submission relating to the 2014 PSB reviews last year, the BAI commenced its own audience tracker survey in order to provide independent information on audience perception of public service broadcasting in Ireland. 2016 is the first year this survey has been conducted. As it is a tracker survey, its greater benefits will be in observing emerging trends year on year. However, initial indicators show that audience experience of PSBs largely mirror the results in the PSBs' own audience surveys. This tracker survey will continue to inform the BAI's process of reviewing annually the funding of the PSBs.

Recommendations

The Act requires that the Authority makes formal recommendations to you in respect of any modifications in the funding of RTÉ and TG4. It considered, therefore, the adequacy of public funding for each PSB and is in agreement with the findings of the consultants as contained in section 5 of the Indecon Report.

In summary and taking account of all the evidence in the review, the Authority is satisfied that the broadcasters broadly achieved their targets. It endorses the recommendations expressed by Indecon that no reduction in public funding should be implemented and that increases should be granted to both broadcasters.

At its meeting on 8th September last, the Authority also considered your letter, dated 1st September 2016, in respect of the BAI's 2014 Annual Review of Funding and Recommendations in respect of the Public Service Broadcasters. The Authority welcomes your support in principle that an increase in funding of the Public Service Broadcasters is warranted. However, the Authority further notes your statement that the immediate focus is on improving the operation of the TV licence system. Our consultants, Indecon, also note the benefits of such an approach in their recommendations.

Specifically, the Authority supports the following recommendations in respect of each PSB as follows:

TG4: The BAI is of the view that there should be an adjustment in public funding to the value of €0.5m, at a minimum, to address the current inadequate level of funding required for the broadcaster to meet its objectives as an Irish-language, indigenous broadcasting service and to maintain its current audience share. This recommendation is conditional upon TG4 achieving tight management of staff costs and a commitment by the broadcaster to provide additional funds to the independent sector to achieve specified additional outputs.



RTÉ: The BAI is of the view that there should be an increase of 0.7% in public funding to RTÉ in line with inflation. This recommendation is conditional upon RTÉ implementing strict cost control mechanisms. The BAI also recommends that RTÉ completes an independent examination of the price elasticity of demand for its advertising services to demonstrate that it is maximising commercial revenue.

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

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

I am, as always, available should you wish to discuss any aspect of the enclosed report or of the Authority's recommendations as set out in this letter.

Yours sincerely,

A handwritten signature in black ink that reads 'Pauric Travers'. The signature is written in a cursive style and is positioned above a horizontal line.

**Professor Pauric Travers,
Chairperson**

Encl.