

# Mediatique

## **Annual Review of Performance and Public Funding of Public Service Broadcasters, 2019**

**A report for the Broadcasting Authority of Ireland**

**FINAL REPORT – REDACTED VERSION**

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## Executive Summary

### Overview of scope

- The Broadcasting Authority of Ireland ('BAI') is required under Section 124 of the Broadcasting Act 2009 to review the performance commitments and public funding of the PSBs – RTÉ and TG4 – each year. Following on from our review for 2018<sup>1</sup>, Mediatique was asked by the BAI to provide the same analysis for 2019.
- The primary objective is to conduct a comprehensive review of each PSB's Annual Statement of Performance Commitments ('ASPCs'), as well as an assessment of the adequacy of the commitments and targets set by each PSB and to recommend to the BAI any changes to future ASPCs based on this assessment. We are also required to provide a view on the adequacy of current public funding, an evaluation of the sustainability of the PSBs' operations and an analysis of whether the PSBs are efficient across all operational areas, commission a suitable content mix, use public funding for their PSB objects, and comply with European rules on surpluses.
- This report is structured to answer these questions in turn. We begin with a market review which lays out the context of the PSBs' operations in the year, and sets out the trends occurring in the Irish media sector more broadly. We then turn to the ASPCs themselves, reviewing both published and unpublished material provided by the PSBs to form a comprehensive assessment. We also undertake an audience yield analysis: a high-level evaluation of the degree to which the PSBs are cost-effectively delivering on their public service objectives across all audiences. Thereafter, we evaluate the future adequacy of the PSBs' performance commitments, and provide an analysis of efficiency, adequacy of public funding and sustainability for each PSB.
- This report was written during the Covid-19 outbreak across Ireland and the world. As a result, we were not able to conduct face-to-face interviews with stakeholders, as we had originally intended to do. Although outside the period under review (calendar 2019), Covid-19 and its impact are necessarily considered in the section on adequacy of public funding and sustainability.

### Trends in the Irish economy

- In 2019, the Irish economy continued on a broadly positive trendline, with GDP and GNP growing, *albeit* at slightly lower rates than in 2018. Unemployment fell to 5.2% with average weekly compensation also increased in the year.
- It is worth noting that even before the Covid-19 crisis, the outlook for 2020 was already less positive than for 2019, with predictions of just 0.7% growth in GDP.
- We pointed out in our ARPPF 2018 that there is a disconnect between GDP performance and advertising revenue trends. Moreover, there were sharply divergent outcomes between digital and other advertising categories, reflecting changes in consumer behaviour and underlying levels of technological enablement. For 2019, the total advertising market grew just 1.3% with online advertising growing by 7.8% during the year, compared to declines in TV, radio and print advertising respectively of 5%, 6% and 12%.

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<sup>1</sup> [https://ptfs-oireachtas.s3.amazonaws.com/DriveH/AWDData/Library3/Documents%20Laid/pdf/CCAEdoclaid160420a\\_160420\\_164639.pdf](https://ptfs-oireachtas.s3.amazonaws.com/DriveH/AWDData/Library3/Documents%20Laid/pdf/CCAEdoclaid160420a_160420_164639.pdf).

### Trends in the Irish broadcasting sector

- In the broadcasting sector, many of the trends visible in the Irish market for several years continued apace. Total broadband subscriptions grew further and in Q4 2019 reached a household penetration of 90%. This allowed consumers to access content across a range of connected devices, penetration of which also rose in 2019: smartphones up to 88% of households (from 86% in 2018), smart TVs at 50% (38%) and games consoles at 38% (34%).
- The TV platform market in Ireland continues to be dominated by Sky and Virgin, which together address 55% of total TV households. However, platform migration away from traditional ‘big bundle’ pay TV operators toward lower cost ‘basic’ bundles continued, either provided by newer entrants such as Eir and Vodafone, or traditional pay TV operators Sky and Virgin themselves in the form of lower-cost ‘small bundle’ pay TV or via Sky’s off-brand IPTV proposition Now TV.
- We expect this migration to continue, particularly as competition from major SVOD launches (Disney+, etc) intensifies, encouraging households to ‘spin down’ and even to replace pay TV propositions altogether through a combination of ‘free to air’ TV and lower cost SVOD.
- As a result of these persistent trends, live viewing continued to decline in 2019, with just 85% of total TV watched live in 2019 (compared to 90% in 2016). Despite this, both PSBs performed well, with only minor declines in live viewing to their channels. The maintenance of RTÉ’s daily share of viewing is likely to be in large part attributable to the extension of broadcast hours on RTÉ’s One +1 and the launch of RTÉ 2 +1.
- In radio, technological shifts continue to pose challenges to traditional operators. Increased connectivity to multiple devices, both per person and per household, and the colonisation of the home by connected devices (e.g., smart speakers) are changing consumers’ preferences for how and when they listen to the radio and other audio. Greater competition via connected devices has favoured on-demand streaming, downloads and podcasts.
- However, in 2019, FM radio remained the most popular platform for audio consumption, and daily reach for radio was 81% (compared to 83% in 2018). Average daily listening was down slightly against 2018 at 244 minutes for adults 15+ (from 250).
- Listening via other platforms was dominated by younger cohorts; 59% of those listening via a mobile device were aged 15-34.

### Implications of market trends

- The evolution of Irish media markets in 2019 confirm the direction of travel commonly observed in developed economies around the world – the growth in consumption of media other than live broadcast TV and radio, rapid expansion of SVOD propositions, migration of households from premium pay TV to cheaper bundles and/or free alternatives, supplemented by SVOD, and significant challenges to traditional revenue models, including advertising.
- These changes constitute a serious source of challenge to the traditional means by which public service broadcasting has been structured and funded in Ireland. The challenge has been rendered even more evident following the onset of the Covid-19 crisis in 2020.
- Within the media sector, Covid-19 has accelerated the transition to digital content (including among older demographics traditionally more resistant to the underlying trends) and has fomented a rapid

deterioration in both licence fee income and commercial advertising revenues, with immediate and debilitating impact on RTE in particular and will likely also affect TG4's commercial revenue in 2020.

- While it is too early to conclude the extent of damage to both commercial and public funding levels (and indeed the degree to which consumer behaviour and business models will be materially and durably transformed post-lockdown), it is clear that there will be at the very least an accelerating effect on revenue trends, with negative implications for the short-term sustainability of the PSBs. While our work here is largely focused on 2019, we will necessarily address the implications of current trading on our conclusions regarding sustainability.

#### Review of TG4's ASPC 2019

- For 2019, TG4 laid out 13 commitments under the five thematic headings of Audiences, Content, Promotion and Development of the Irish Language and Culture, Transparency & Efficiency, and Trust & Good Governance.
- These 13 commitments were measured by 23 individual targets – themselves evaluated through a raft of key metrics – of which TG4 fully achieved 19 and mostly achieved two more, meaning a remainder of two targets were not achieved. In terms of commitments, this equated to 9 of the 13 performance commitments being fully achieved.
- Of the four commitments that were not fully achieved, two came under the Audiences heading, with one in Content and the last in Irish language Promotion and Development. Only one of these (within the Audiences section) was not achieved, while the rest were mostly achieved.
- The two Audiences commitments may be of greatest interest, as these measured audience engagement across linear and non-linear. While declines in linear performance have been a trend suffered by broadcast channels generally in recent years, TG4 had already adjusted its weekly reach and audience share targets to account for this in its ASPC. The missed metrics relate to both the core audience and to the younger audiences of key strategic value to TG4.
- The metrics missed for non-linear performance are likely to be of less cause for concern, having been set at ambitious levels following a strong performance in the previous year. However, across some of the missed metrics, performance had fallen against the level set in 2018.
- In the Content heading, the missed target related to total hours of broadcast content for the national audience. However, this was due to lower licensed hours; produced/versioned content for the national audience was in fact higher against the target level. TG4 makes the case, persuasively in our view, that a greater proportion of produced/versioned content compared to licensed content improves the overall public value of the channel.
- Finally, under Irish Language Promotion and Development, two targets were fully achieved but the target to 'reflect Irish children's voices' which measured audience perception of children's content on TG4 was not achieved.
- The remainder of TG4's performance commitments were achieved or almost achieved. Under Transparency and Efficiency, the outcomes for commercial revenue were particularly positive, with income rising 5.6% even in the context of lower TV advertising revenues in the rest of the market. Overall, TG4's budget was met, with increases to staff costs and overheads but not significant enough to affect the general outcome. The budget was balanced and delivered appropriate value for money.

TG4 audience yield<sup>2</sup>

- In 2019, for every euro spent by TG4 on programming, it delivered [X] hours of viewing, up from [X] user hours in 2018. By audience pole, the yield for the core audience was [X] and for the national audience yield was [X] user hours per euro.
- These results are ahead of the previous year, with the national audience yield up 7% from [X] and the core audience yield up 22% from [X] user hours per euro.
- By genre, most saw similar growth across the core audience and the national audience, although some, including children's, entertainment and news and current affairs for the core, slipped. Of these, the decline in children's audience yield will have been a cause of concern to TG4, although this may be explained to a degree by a significant increase in programming spend on children's content, rather than a meaningful fall in viewing.
- For the national audience, audience yields per genre routinely exceed those for the core audience, and in 2019 the audience yield for entertainment was particularly high at almost [X] user hours per euro. This reflects high user engagement and the low cost for licensed entertainment hours on the channel.
- For TG4, we also calculate the audience yield without the value of hours provided by RTÉ ([X] hours in 2019). This allows an analysis of yield against what TG4 itself actually spends, rather than the total value of its output. Stripping out the RTÉ hours means overall yield increases from [X] to [X] user hours per euro, with yield for the core audience up from [X] to [X] (the yield for the national audience does not change as RTÉ does not provide content specifically for this audience). Against the results from 2018 (where yield increased from [X] to [X]), the results for 2019 suggest greater efficiency in content costs for viewing outcomes for TG4.

Review of RTÉ's ASPC 2019

- The review of RTÉ's Annual Statement of Performance Commitments comes at a difficult time for the broadcaster. When the ASPC for 2019 was composed – in the first quarter of the year – RTÉ had just completed its first year under a new five-year strategy framework. The framework required an additional €30m per annum to make RTÉ sustainable (we noted last year that 2018 represented a critical juncture for RTÉ and that it would likely have to implement significant restructuring to key areas of operation owing to the fact that sufficient additional public funds were not forthcoming and commercial income remained challenged).
- An additional €8.9m of public funding was received from Government for 2019, although a drop in licence fee sales meant overall public funding for RTÉ was up only €7.2m in 2019, leaving RTÉ in the position of having gained some public funding but well short of the amount needed to get it back on track with the proposed position for 2019. RTÉ thus published a Revised Strategy for 2020-2024, which

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<sup>2</sup> Audience yield is calculated as one indicator of the efficiency in the delivery of PSB services (TV, radio, online) against relevant costs (i.e., expenditure on content for key services and genres). It allows for the identification of relative over or under serving of key audience segments. It cannot be used as the only tool by which to measure 'public service' value or impact. This is particularly true for the audience yield analysis of TG4 where, for example, delivering younger (or Irish language) audiences might be more expensive than addressing mass market audiences using acquired (relatively inexpensive) programming but this does not justify, from a public-service perspective, a wholesale replacement of original, minority-interest content with more popular, acquired fare. This is discussed more fully in Section 3. The limitations to yield analysis are also discussed in Methodology and data in Section 1 of the full report.

set out the fundamental changes that the organisation deemed necessary to make it sustainable from 2020 onward.

- While the Revised Strategy does not affect performance in 2019, it provides important context for the continued operation of RTÉ, with particular relevance for the adequacy of public funding (discussed more fully below).
- For 2019, RTÉ created six commitments under the three thematic headings of Audiences, Content and Sustainability. The commitments were measured by 33 individual targets of which RTÉ fully achieved 20 and largely achieved six more, meaning a remainder of seven targets were not achieved in 2019.
- The Audiences heading was split into two commitments, one of which was not met and one which was fully met. In the one not met, both targets related to audience perception data and this may have led to issues for RTÉ as they note audience perception fell drastically in the second half of the year, due to a range of external factors possibly including the shift in tone of media coverage of RTÉ's operations.
- Nevertheless, audience perception remains a key indicator for RTÉ's performance. It is noteworthy that these targets have largely stayed the same since 2018, even where – as is the case for both audience perception metrics for the first commitment – these were not fully achieved last year either.
- Under the Content heading, nine targets of 17 were fully achieved, with two more largely achieved. The majority of those not achieved were similarly public perception targets, although one relating to the weekly reach of RTÉjr among 4-7 year olds fell for the fourth year in a row. The results for Content were thus mixed.
- The final heading of sustainability contained seven targets of which four were fully achieved and the remainder were largely achieved. These results were better than in 2018, although RTÉ still posted a deficit (of €7.2m against the original budget of [X]) in the year. Commercial revenues did not reach the targeted level, but did come within 5% (thus qualifying as 'largely achieved').

#### RTÉ audience yield<sup>3</sup>

- The audience yield for RTÉ's TV channels is slightly different for 2019 when compared to 2018 as RTÉ 2 +1 was launched and the hours of RTÉ One +1 have been extended into a 24-hour channel. Because of this, the two years are not strictly comparable.<sup>4</sup>
- Despite this, total user hours spent with RTÉ's indigenous TV content dropped from [X] hours in 2018 to [X] hours in 2019.<sup>5</sup> This meant that for every euro spent by RTÉ on programming for its TV channels, it delivered [X] hours of viewing in 2019, down from [X] user hours per euro in 2018.

<sup>3</sup> As with TG4, yield analysis cannot capture elements of public value and impact; nor does it reflect year-to-year changes in scheduling linked to external factors – e.g., the timing of sporting events – which can have a significant impact on outcomes. The limitations to yield analysis are discussed in Methodology and data in Section 1 of the full report.

<sup>4</sup> The extension/launch of +1s complicate the yield calculation in other ways – for instance, RTÉ is able to argue that providing additional opportunities to view extends the 'shelf life' of content and so may have an impact on its delivery of cost-effective audience reach. We consider this in greater detail in Section 3.

<sup>5</sup> This is likely due at least in part to the cyclical nature of sport events such as the World Cup, and the programming that replaces those hours in non-sport years.

- By channel, RTÉ One (and its variants)<sup>6</sup> fell 12% to [X] user hours per euro, while RTÉ 2/jr fell 24% to [X] user hours per euro. As with TG4, we see older demographics deliver better yields than younger counterparts, due to greater overall time spent with live TV.
- The net yield – which measures the user hours delivered by a euro's spend of public funding – for RTÉ One (and variants) is [X] user hours per euro (an uplift of [X] against the gross yield) and for RTÉ 2 (and variants) is [X] user hours per euro (an uplift of [X] against the gross yield).
- In contrast to the results for TV, radio yield performed better than in 2018, with all four of RTÉ's FM stations improving their yields since the previous year. 2fm is still the best-performing channel, delivering [X] user hours per euro spent, with RnaG the least efficient (not surprising given its minority target audience) but still realising a [X] increase in its user hours per euro from 2018 to 2019, from [X] to [X] user hours per euro.
- Changes to RTÉ's online data analytics system during the review year meant the audience yield analysis for RTÉ's online services was more limited for 2019. However, it was possible to calculate the 'top-up' in user hours per euro that viewing on RTÉ Player adds to the yield value of broadcast content when it is subsequently made available on the service for catch-up viewing. Taking into account the incremental €3.4m spend and the additional [X] user hours that RTÉ Player adds to RTÉ's TV services, the Player 'tops up' RTÉ's gross TV yield with [X] minutes per euro spent. For the net yield (i.e., against public funding only), RTÉ Player accounts for [X] of additional viewing per euro.

#### Adequacy of performance commitments

- The PSBs must prepare their ASPCs in accordance with their PSB objects (as defined by the Act), statements of strategy and public service statements, and against commitments on original children's programming, Irish language programming, science and technology programming and magazines, books or recorded audio material. For both organisations the 2019 and 2020 iterations of the ASPCs adequately met these requirements.
- We note that RTÉ's 2020 ASPC takes into account the potential disruption from Covid-19 and has adapted several of its targets accordingly (removing, for example, the target relating to orchestras, given that performance spaces will have been closed for the majority of the year).
- TG4's ASPC for 2020 has been radically restructured into a more streamlined document that focuses on areas of strategic importance (children's, development of Irish language production sector and internationalisation of its scope for example).
- Overall, we found that the ASPCs for 2020 from both PSBs were adequate not only against the statutory requirements but also in order to meet the challenging year that 2020 is likely to be for both. We also confirm that both have taken into account recommendations provided in the 2018 review.

#### Over-compensation, commercial maximisation and efficiency

- Our review of the PSBs found that both RTÉ and TG4 met their obligations on surpluses, with neither running a surplus of more than 10% of budgeted costs attributable to delivering public service objectives.

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<sup>6</sup> I.e., HD and +1 variants of the main channel.

- As a result of this, there is little evidence of over-compensation (as defined at EU level for public service media corporations) at either corporation during the year.
- Further, we are satisfied that both RTÉ and TG4 continued to pursue policies of commercial revenue maximisation, with commercial out-turns for both broadly in line with the dynamics of the media sector as a whole.<sup>7</sup>

#### Adequacy and sustainability of public funding

- Both RTÉ and TG4 ended 2019 with significant challenges. Both faced continued structural headwinds around audience behaviour and struggled to address digital (particularly younger) audiences.
- Neither was in receipt of the public funding level recommended by the BAI in previous reviews. However, while TG4 responded by only pursuing those elements of its strategy that could be funded by available income, RTÉ, as it had done previously, budgeted for an operating deficit.
- Following RTÉ's publication of its Revised Strategy, the Government did award an additional €9.3m in public funding to RTÉ (for the 2020 period). It also announced the creation of a Commission on the future of PSB (later revised to become the Future of Media Commission, upon the forming of a new Government in 2020) and mandated monthly meetings with RTÉ, NewEra and the relevant Government department to oversee RTÉ's budgetary process. Implementation of parts of the Revised Strategy was meant to unlock c€10m in cost savings for 2020 which, together with the additional €9.3m from Government, but against higher costs for Special Events in the year, put RTÉ on course to post a deficit of [X] for the year. Had the increase in public funding recommended in the 2018 ARPPF been forthcoming, RTÉ would have been able to break even. The Covid-19 crisis, of course, has since interceded.
- In light of the impact of Covid-19, RTÉ expects commercial revenue to be severely down in 2020. Equally, licence fee income is likely to decline. Thus, the impact on RTÉ is set to be significant in gross revenue terms.
- RTÉ expects to be able to mitigate some of this through cost savings of [X] (through special events postponement, rebates from sports rights costs, lower production activity, salary restraint, lower discretionary spending and recourse to the Government wage subsidy scheme). Overall, what had been budgeted as an [X] deficit is likely to be [X]. TG4, for its part, also expects to incur a deficit in 2020, that will need to be addressed in any short-term financial settlement. These Covid-related funding requirements for the PSBs are outside the narrow scope of the current report.
- Even without accounting for Covid-19, RTÉ's public funding is not adequate to address the requirements under its revised strategy.
- In contrast, TG4 is more insulated given its funding is no longer partly sourced from the licence fee. While TG4 might have expected an increase of €6m in public funding (in line with recommendations from previous reviews), it received far less: an increase of €1.443m in current funding in the two years since 2017.

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<sup>7</sup> For the 2018 exercise, we conducted a benchmarking analysis to review how the PSBs compared to a cohort of other broadcasters on issues of cost and efficiency. We concluded then that both RTÉ and TG4 were within range. Given the recency of that work, we have elected not to repeat the comparison for 2019.



- TG4 likewise faced a challenging commercial environment but outperformed the market in 2018, raising €4.32m in the year. While this is the highest share of TG4's total income the commercial income has been since 2007, it still only makes up 11% of TG4's total funding and therefore cannot mitigate public underfunding. As a result, TG4's public funding was inadequate to deliver its outlined strategy.

### Conclusions for the market and performance reviews

- In 2019, the Irish market faced the same structural threats from the shift to non-linear viewing and listening as in previous years, enabled by greater connectivity and the enabling role of new platforms and services. Younger demographics continue to evince this shift acutely, with linear consumption among older audiences more resilient.
- A detailed analysis of the PSBs' performance commitments for the year led us to conclude that both TG4 and RTÉ substantially met their targets for the year, although there are areas (in particular around children and young people's linear viewing and more broadly, audience-related targets (weekly reach, online usage) at TG4, and audience perception targets for viewing and content at RTÉ) that will need to be monitored in future ASPCs, to which both broadcasters have already committed.
- The performance commitments outlined in the 2019 ASPCs for both organisations were found to be adequate against the statutory requirements laid out in the Broadcasting Act. A review of the 2020 ASPCs for both RTÉ and TG4 were likewise adequate, and the restructuring of TG4's in particular (RTÉ having already performed this exercise in 2018) should be useful in guiding TG4's strategic thinking going forward. RTÉ's 2020 ASPC, which took into consideration the expected impact from Covid-19, was suitable against the same requirements. (TG4's ASPC for 2020 was submitted and published before the extent of potential impact from Covid-19 was known).
- As last year, a review of the adequacy and sustainability of public funding at RTÉ and TG4 concluded that neither currently receives adequate public funds to fulfil the public service obligations to the fullest extent (as laid out in their Statements of Strategy 2018-2022).
- However, TG4 has been able to 'live within its means' with the public funding it receives each year, and we expect it will be able to do so in future years, meaning that, while the funding it receives is not adequate, TG4's operations are sustainable on the amount given. However, this is before considering the implications of Covid-19: TG4 will likely incur a significant operating deficit in 2020, which will need to be addressed.
- By contrast, underfunding at RTÉ has led to a situation where it is difficult to see how the organisation could remain sustainable on the current public funding level without either a significant reversal of commercial fortunes or changes to its public service mandate (implying alterations to the size and scope of its activities). This is the case even with the significant cost cutting envisaged in the revised strategy and the increase announced in late 2019 for the 2020 period of €9.3m.
- The solution to the sustainability gap at RTÉ is likely to require re-structuring, an improved public funding settlement, or a combination of the two (we summarise our funding recommendation in the separate section below). Any significant change to the scale and scope of RTÉ will require clarification from Government, which may be forthcoming as a result of the Commission on the Future of Media.

### Recommendations – future ASPCs

- Both RTÉ and TG4 have been responsive to the recommendations suggested on behalf of the BAI in previous reviews. Since 2018, both PSBs have adapted their performance commitments in line with

suggestions made by the Consultants, to take into account changing market conditions and best practices for public-service broadcasting: RTÉ having updated its ASPC for 2018, and TG4 for 2020.

- For TG4, a number of recommendations that we would have made based on the 2019 ASPCs –continuing to streamline the number of targets, shifting to quantitative over narrative-driven assessment, and focusing on areas of strategic focus rather than covering all operations at TG4 wholesale – have been implemented for TG4’s ASPC for 2020 and sufficiently cover the recommendations we would have made against its 2019 performance.
- Equally, having been in receipt of RTÉ’s 2020 ASPC, we are content that it is suitable going forward, taking into account the significant impact of Covid-19 on the broadcasting sector and on RTÉ more specifically.
- The 2020 ARPPF exercise, to be undertaken in 2021, will be a very different one, having to account for the significant impact of Covid-19 on both broadcasters. Further, the review may be launched before the results of the Commission on the Future of Media are known and this may potentially affect the nature and scope of operations at RTÉ and TG4. As such, we have elected not to make recommendations regarding future performance commitments as these may be overtaken by the Commission results (although it is unclear when these might be forthcoming).

#### Recommendations – public funding

- For 2020, we reiterate our view that TG4 should receive the remainder of the annual short fall of €6m recommended in the 2018 ARPPF, for an incremental contribution of €3.5m for 2020. It should also negotiate emergency funding to address the deficit arising from its response to the Covid-19 crisis (outside the scope of our report).
- For RTÉ, we assume that while the five-year plan originally published in 2018 (and revised in 2019) is no longer tenable the corporation will continue to focus on its core ambitions around improving its digital offer and engaging more intensively with younger audiences. Assuming that cost-cutting in line with the original 2020 budget of a [X] savings is deliverable (as the first year of its targeted €60m cost cutting programme), and setting aside potential Covid-related emergency funding, we would propose that the recommendation in the 2018 ARPPF (an incremental c€20m pa) be used as a framework for our underlying funding recommendation in 2020 and beyond. This figure is made up of the BAI’s original €30m funding recommendation for each year of the 2018-2022 period, less the public funding increases already received and retained in 2018 and 2019 (a total of €10.2m).
- Given the Government has already pledged an additional €9.3m for RTÉ in 2020, Mediatique’s recommendation is that a further €10.5m should be provided for the balance of 2020. Covid-19 emergency funding requirements aside, this level of increased public funding would place RTÉ on a sustainable footing until such time as the Commission reaches its verdict on future funding and structure and/or a reform of the licence fee is at hand.
- It should be noted that RTÉ will still need to cut its costs further, given the likelihood of slow recovery in commercial revenues over the next 2-3 years. Compulsory redundancies, and potentially the closure of services (as has already been proposed), would have to be contemplated.

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## 1. Introduction to this review

### Background and scope

- 1.1 Public service broadcasting ('PSB') in Ireland is subject to regulations outlined in the Broadcasting Act (2009). According to Section 102 of the Act, each PSB – RTÉ and TG4 – must produce an Annual Statement of Performance Commitments ('ASPC') each year and latterly provide their own assessment of whether the previous year's performance commitments have been sufficiently met.
- 1.2 The Broadcasting Authority of Ireland ('BAI') is required under Section 124 of the Act to '...carry out a review of the extent to which a corporation has during the previous financial year fulfilled the commitments in respect of its public service objects stated in an annual statement of performance commitments for that financial year and the adequacy or otherwise of public funding to enable the corporation to meet its public service objects.' Section 124 also requires the BAI to undertake a strategic review every five years of the PSBs' public funding; the most recent version of which was compiled in 2017 and published in 2018.
- 1.3 Following on from our review of performance and public funding in the ARPPF 2018, Mediatique was asked by the BAI to provide the same analysis required under Section 124 for 2019 also.<sup>8</sup> As previously, we have been asked to assess the adequacy of the commitments and targets set by each PSB and to recommend to the BAI any changes to the list of commitments, including removing or adding metrics for future reviews.
- 1.4 In providing our analyses for both years, we are being asked to address whether:
  - The PSBs are efficient across all operational areas (including production and overheads).
  - The PSB in question commissions a mix of content to engage with audiences in line with its PSB objects, budget and statutory obligations.
  - The PSBs use public funding for their PSB objects.
  - The PSBs have complied with European rules on the maintenance of surpluses (capped at 10% of budgeted expenditure in each year that can be retained as reserves).<sup>9</sup>
  - The level of public funding to the PSBs is adequate.

### A note on the impact of Covid-19

- 1.5 This report was written during the outbreak of Covid-19 across Ireland and the world. At the time of writing, advertising expenditure was being significantly reduced and many productions had been halted in order to adhere to social distancing guidance. Some studios were accelerating the release windows for movies in order to bypass cinema release, and some broadcasters were bringing forward the release dates for new series.
- 1.6 Meanwhile, minutes of viewing of live broadcast news, as well as live children's content in particular via RTÉ's Home School Hub, TG4's Cúla4 ar Scoil and other educational resources, were rising significantly across the public service broadcasters. Many households were also increasing their viewing of

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<sup>8</sup> This includes a review of the adequacy of public funding for 2020.

<sup>9</sup> This cap on surpluses is reviewed against the prohibition on 'overcompensation' in European law.

competing SVOD services, as the Government guidance for individuals not to leave their homes unless for essential tasks increased available leisure time.

- 1.7 The timing of an end to restrictions on economic activity and socialising is not clear, although the implications for media engagement and funding are potentially considerable. It may be, for example, that a sustained period of enforced home working or economic inactivity may fundamentally affect how people see the PSBs (as providers of news and information) or may lead to an enduring change in consumer behaviours or the funding models that companies pursue (for example, favouring subscription over advertising).
- 1.8 The main purpose of this review is to assess the PSBs' performance in 2019, and therefore the impact of Covid-19 is not directly addressed in Sections 3-6. As the activities of the PSBs do not exist in a vacuum we do consider, at high level, some of the potential impacts of Covid-19 on the Irish media sector going forward at the end of Section 2.
- 1.9 We have not attempted to predict with any granularity how these effects will play out, nor to consider how they might condition the role of RTÉ, TG4 and other players over time. Answers about the medium-term implications of the virus for media consumption and business models will likely only emerge once the timing and characteristics of an end to current restrictions are apparent.
- 1.10 We do, however, consider the implications of Covid-19 provisionally when we turn, in Section 7, to issues related to the sustainability of PSB funding, as we are required to do. By definition, providing an evaluation of whether the current funding levels are sufficient to meet the costs of delivering on the objectives set out by the PSBs is foundational to any recommendation for future funding. The uncertainties around the short, medium and longer-term impacts of the Covid-19 crisis and its aftermath notwithstanding, we are obliged to posit a view on sustainability of funding and the level of public contribution.

### **Methodology and data**

- 1.11 To address the requirements of the review for the BAI, this report follows the same structure and methodology used in Mediatique's 2018 review, summarised below:
  - The primary objective of this report is a comprehensive review of the 2019 Annual Statement of Performance Commitments of RTÉ and TG4. To do this, we analysed all relevant RTÉ and TG4 documents, including published and unpublished statements on performance for the year. We also had access to material related to performance changes due to Covid-19 in 2020 which, although it does not form a part of this review, provides essential context for Section 7 (in relation to the adequacy and sustainability of public funding). We also conducted a review of all previous reviews and each of the two five-year reviews (the latest of which was concluded in 2018).
  - We performed a market review, based on a broad range of inputs from various third-party sources and research, including viewing and listening data from TAM Ireland/Nielsen and JNLR, as well as RTÉ Audience Tracking Research, ComReg, and other private sector data sources, Core Media, AA, Zenith and ComScore, and any regulatory findings where applicable.
  - We engaged with the PSBs to use in-house data and ensure its consistency year-on-year, as well as to keep up-to-date on any methodological changes in the PSBs' own in-house data collection and data analyses. This is of particular relevance to online performance where the PSBs continue to

improve the granularity of the data collected on online audiences, and any changes have been noted in this review where relevant.

- We undertook the audience yield analysis for a third time, following on from its introduction in Communications Chambers' Annual Public Funding Review in 2017. We have used, broadly, the same methodology as in the previous two iterations.<sup>10</sup>
  - The audience yield analysis permits a standardised evaluation of the efficiency of audience delivery against relevant costs, i.e., expenditure on content for key services and genres. Among other benefits, relative under and over serving of certain audiences can be identified. Trends over time can also be identified on a comparable basis. We emphasise that audience yield is a useful tool but should not be the unique means by which 'public service' value and impact are measured and tracked. Indeed, the results of the yield analysis, unless context is provided, can give a misleading impression of outcomes, particularly when it comes to the smaller audiences typically reached by TG4. For example, delivering younger (or minority language) audiences might be more expensive than addressing mass market audiences using acquired (relatively inexpensive) programming but this does not justify, from a public-service perspective, a wholesale replacement of original, minority-interest content with more popular, acquired fare.
  - The standardised yield analysis does not take in account, moreover, a range of factors that contribute to commissioning, acquisition and scheduling strategies at any given time, and that might inform the decisions not just of the PSBs but other broadcasters and operators (including responding to changes in consumer preferences, innovations around the delivery of content to different platforms, changes in costs of certain genres, etc.). We are unable, by definition, to compare the yields of RTÉ and TG4 against the wider market, lacking data from third parties; therefore, such wider market dynamics are not reflected in our analysis.
  - The yield measure is applied on both a gross and net basis, with the former a calculation of total viewing/listening/usage divided by content costs and the latter total viewing/listening/usage divided by content costs less commercial surplus (which subsidises the licence fee for RTÉ). The net yield is applied to RTÉ only, as the commercial surplus for TG4 is much smaller and does not change overall gross yield.
- Unlike in previous years, our engagement with key industry stakeholders (i.e., aside from the PSBs) was limited in 2019. This was primarily due to the impact of Covid-19 on travel. However, we were able to conduct several anonymised informational interviews to 'test' our analysis of the market overview (as presented in Section 2) and to gauge the threats facing both public and commercial operators and the industry's outlook for the future of the sector. Our engagement with stakeholders did not form part of a formal consultation process. All views expressed were anonymised and aggregated before being shared with the BAI.

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<sup>10</sup> Minor changes have been made in the online audience yield sections as a greater level of detail was captured by the PSBs in their own tracking of online performance. Where this applies, we have noted in the text.



## **Report structure**

1.12 The structure of the report is set out as follows:

- Section 2 sets out an overview of the economic and media market context for this review;
- Section 3 introduces the concept of the Annual Statement of Performance Commitments for both PSBs and provides a description of audience yield;
- Section 4 analyses the Annual Statement of Performance Commitments of TG4, adjudicating its published targets against actual performance, including the audience yield metric for TG4;
- Section 5 analyses the Annual Statement of Performance Commitments of RTÉ, adjudicating its published targets against actual performance, including the audience yield metric for RTÉ;
- Section 6 summarises the adequacy of TG4's and RTÉ's performance commitments against statutory requirements, and in the context of a changing media landscape;
- Section 7 examines the adequacy of public funding, for both 2019 and how this affects the sustainability of the PSBs over the medium term; and
- Section 8 sets out our conclusions and recommendations for future ASPCs and the level of PSB funding.

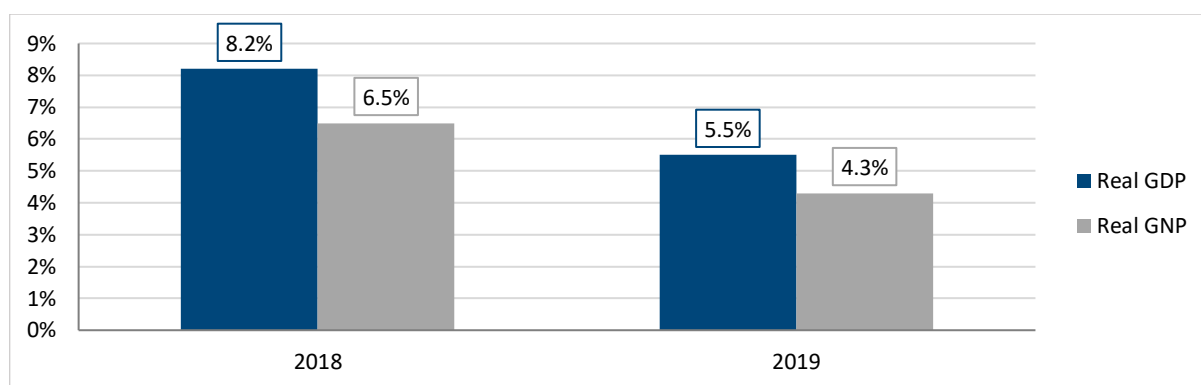
## 2. Market overview

- 2.1 Dynamics in the wider media environment in which RTÉ and TG4 operate provide important context to the broadcasters' performance against their commitments in 2019, as does a high-level perspective of trends in the economy and in the media sector.
- 2.2 We examine a range of economic indicators affecting all industry before analysing trends specific to broadcasting and online, including an overview of the broadcasting landscape in Ireland, device and network take-up, consumption of TV and radio (reach, share, platform and device penetration) and some of the implications of these trends for the PSBs.
- 2.3 This background provides essential information to assess whether the PSBs have fulfilled their public objects as set out in Sections 114 and 118 of the Act, whether the year's funding pledges have been adequate, and whether the commercial revenues achieved by the PSBs are satisfactory (this last criterion is particularly important given RTÉ's dual funding model and the extent to which pressures in public funding have not been offset by commercial outcomes in recent periods).
- 2.4 In the 2018 review, we included forecasts for key metrics including GDP, GNP and employee compensation from the Irish Budgetary Plan. For this report, we have elected not to include any forecasts for future years given these were already out-of-date at the time of writing. Budget 2020 was published in October 2019, well in advance of the impact of Covid-19 which will have a sustained and prolonged impact on many of these same economic indicators. Instead, we have outlined the trends as they stood at year-end 2019 and address the likely implications of Covid-19 at the end of this section.

### Trends in the Irish economy

- 2.5 In 2019, the Irish economy continued on a broadly positive trendline; weekly earnings, employment levels and the growth rates of future earnings all continued to rise. GDP and GNP<sup>11</sup> also grew, *albeit* at slightly slower rates than in 2018.

**Figure 1: Irish GDP and GNP growth per annum (in %), 2018-2019**



Source: Irish Budgetary Plan, 2020.

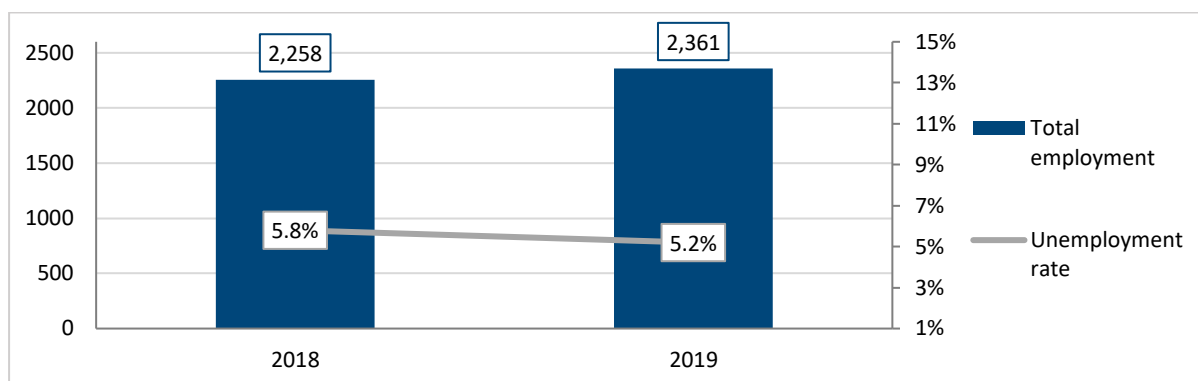
- 2.6 It is worth noting that even before the Covid-19 outbreak, the outlook for 2020 – as published in the 2020 Budget Economic and Fiscal Outlook – was much less positive than for 2019, with predictions of

<sup>11</sup> We include reference to both GDP and GNP because the distinction is an important one in an Irish economic context; GDP is a measure of national income, output and expenditure. GNP measures these same three metrics adjusted for net income (positive or negative) from abroad.

just 0.7% growth and a small decrease (0.1%) in GNP growth rate. These are now out of date and it is inevitable that any new forecasts will be significantly lower than these.

- 2.7 As in 2018, the total number of Irish people in employment grew again in 2019, by 3.5% to reach 2.36m and national unemployment rates fell to 5.2%, down from 5.8% in 2018.<sup>12</sup>

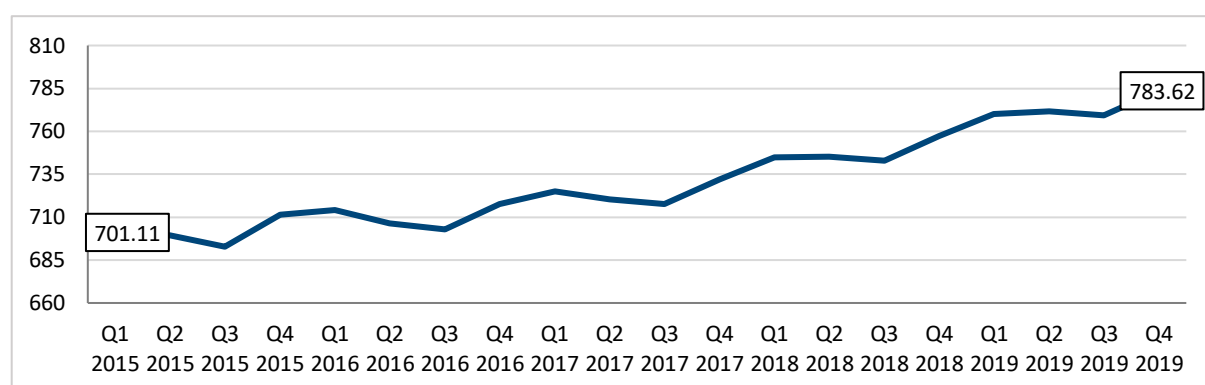
**Figure 2: Total employment (000s) and unemployment (%), 2018-2019**



Source: CSO.

- 2.8 As the country felt the benefit of high employment numbers and low rates of unemployment, average weekly compensation likewise continued to climb. In the year since Q4 2018, average weekly earnings on a per-employee basis grew by 3.49% to reach €783.6 in Q4 2019.

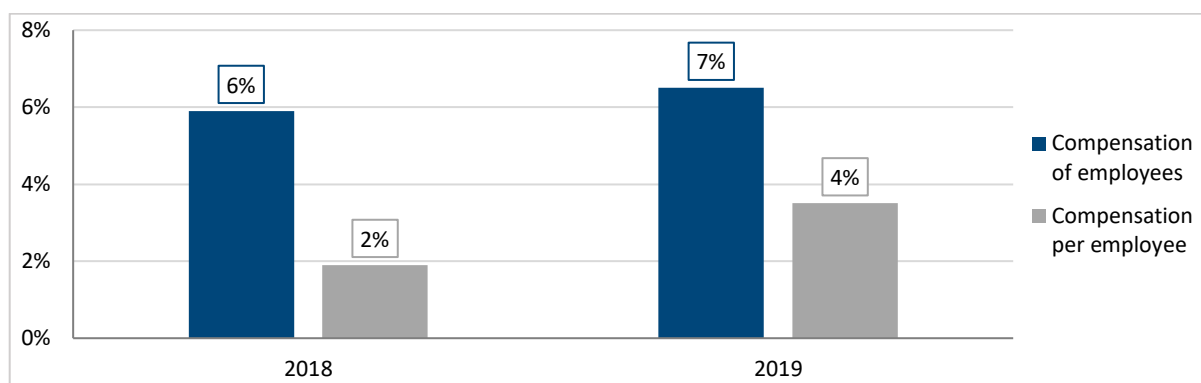
**Figure 3: Average weekly earnings (in €), 2015-2019**



Source: CSO.

<sup>12</sup> Central Statistics Office ('CSO'), *Labour Force Survey*. Source: <https://www.cso.ie/en/releasesandpublications/er/lfs/labourforcesurvey/lfsquarter42019/>.

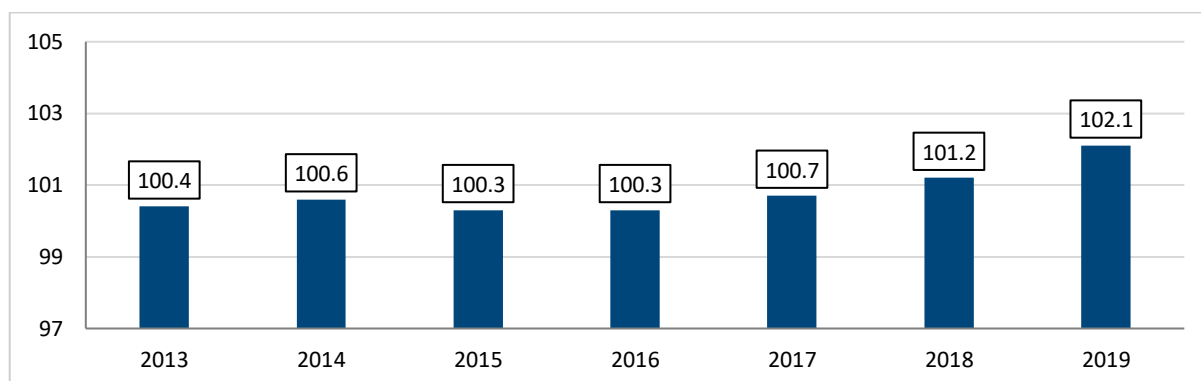
**Figure 4: Annual growth of total and per-employee compensation, 2018-2019**



Source: Irish Budgetary Plan, 2020.

- 2.9 The Consumer Price Index ('CPI') – a measure of the average change in prices that consumers pay for a basket of goods and services over time – began to show signs of accelerated growth in 2019 (growing by 0.9%) after several years of modest increases (0.4% and 0.5% in 2017 and 2018 respectively).<sup>13</sup>

**Figure 5: Consumer Price Index (December 2016 = 100), 2013-2019**

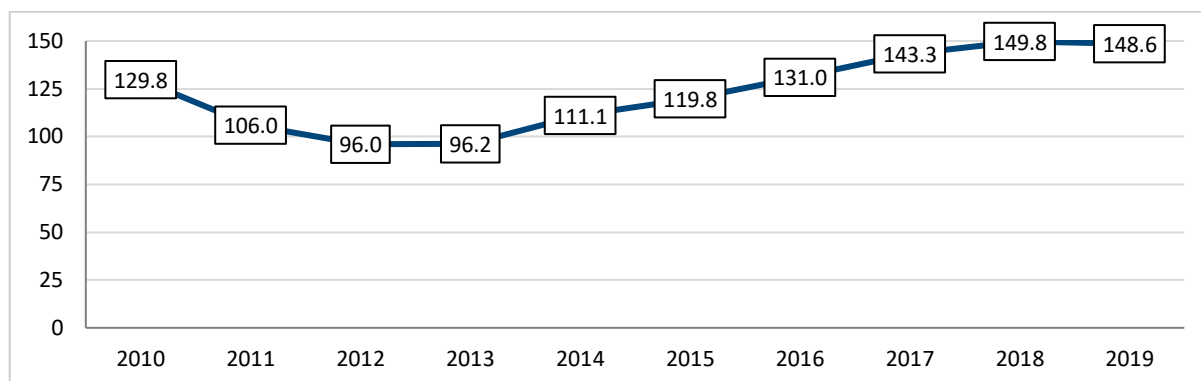


Source: CSO.

- 2.10 The CPI is particularly relevant to our market analysis as the BAI has recommended on numerous occasions that the licence fee be directly linked to its performance, although this has yet to be adopted. Mediatique remain of the belief that doing so is an appropriate measure to protect the recipients of public money from the effects of inflation, and particularly in the context of the effects of chronic under-funding of both broadcasters.
- 2.11 In the 2018 review, Irish housing and property markets were a source of some concern against an economic backdrop that was otherwise positive. In 2019, however, there were signs that market conditions were improving. For the first time since 2013, the average list price for properties on sale in Ireland was lower than the previous year, a development perhaps to be expected as the market recovered from the surprise of prices being halved in the five years prior.<sup>14</sup>

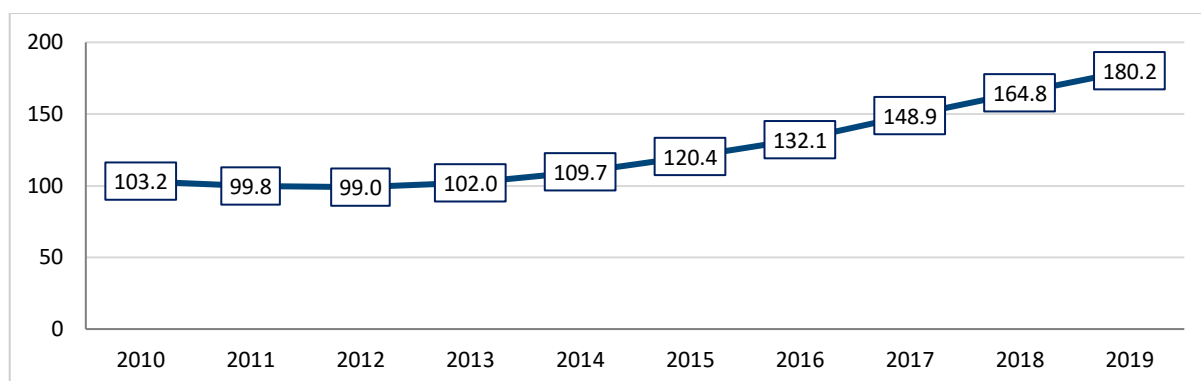
<sup>13</sup> CSO, Consumer Price Index. Source: <https://www.cso.ie/en/statistics/prices/consumerpriceindex/>.

<sup>14</sup> While significant, it should be noted that in 18 of 54 Irish housing markets covered by Daft, prices were still rising. Source: The Daft.ie House Price Report (<https://www.daft.ie/report/2019-Q4-houseprice-daftreport.pdf>).

**Figure 6: National Property Price Index, January (2012 average = 100), 2010-2019**

Source: Daft.ie.

- 2.12 Results in Irish property rental for 2019 were mixed: rental prices rose by 5.2%, taking the average rental price above €1,400 per month for the first time ever (€1,403), but there were 3,500 homes available to rent nationwide, representing a 10% increase at the same point in the previous year.<sup>15</sup> In all but one of the months since January 2019, the availability of homes to rent has improved. The subsequent effect of this was a nationwide fall in rent price in the final three months of 2019; representing the first fall in price in 30 quarters since mid-2012.

**Figure 7: National Property Rent Index for January of each year (2012 average = 100), 2010-2019**

Source: Daft.ie.

- 2.13 For some years, there has been a disconnect between GDP performance and revenue generation from media advertising, due to the structural changes faced by media companies in consumer behaviour and technological enablement, as exemplified by the proliferation of SVOD services, online video and use of social media. These trends continue apace, and thus declines in traditional forms of advertising are likely to accelerate, even before accounting for the dislocating effects of the Covid-19 crisis.

<sup>15</sup> Daft, *The Daft.ie Rental Price Report*. Source: <https://www.daft.ie/report/2019-Q4-rental-daftreport.pdf>.

**Figure 8: Irish media advertising performance relative to GDP, 2017-2019**

	2017	2018	2019
GDP (actual, €bn)	297.0	312.5	339.2
GDP (% change)		+5.2%	+8.5%
Total advertising revenue (actual, €m)	1,015.9	1,037.9	1,051.7
Total advertising revenue (% change)		+2.2%	+1.3%
TV advertising revenue (actual, €m)	219.1	221.2	210.9
TV (% change)		+1%	-4.7%
Radio advertising revenue (actual, €m)	123.3	117.6	110.5
Radio (% change)		-4.4%	-6.0%
Print advertising revenue (actual, €m)	134.2	119.9	105.1
Print (% change)		-10.7%	-12.3%
Online advertising revenue (actual, €m) <sup>16</sup>	451.3	488.8	526.9
Online (% change)		+8.3%	+7.8%

Sources: Core Research. Note 'Total Revenue' from Core Research incorporates advertising spend from TV, online video, radio, print, cinema, online and OOH. Since 2016, when these numbers were compiled by Mediaworks, all the data in this chart are provided by Core Media and therefore are not necessarily compatible with the figures for 2016 as published in the ARPPF last year.

- 2.14 Advertising revenue in print media was the most visibly affected in 2019: the rate of its decline increased from -10.7% to -12.3%. Digital social advertising – a subcategory of the online advertising revenue figure provided in our table – was the most obvious beneficiary, increasing its share of total advertising revenue from 12% (€123m) in 2018 to 16% (€168m) in 2019.

### **Trends in the Irish broadcasting sector**

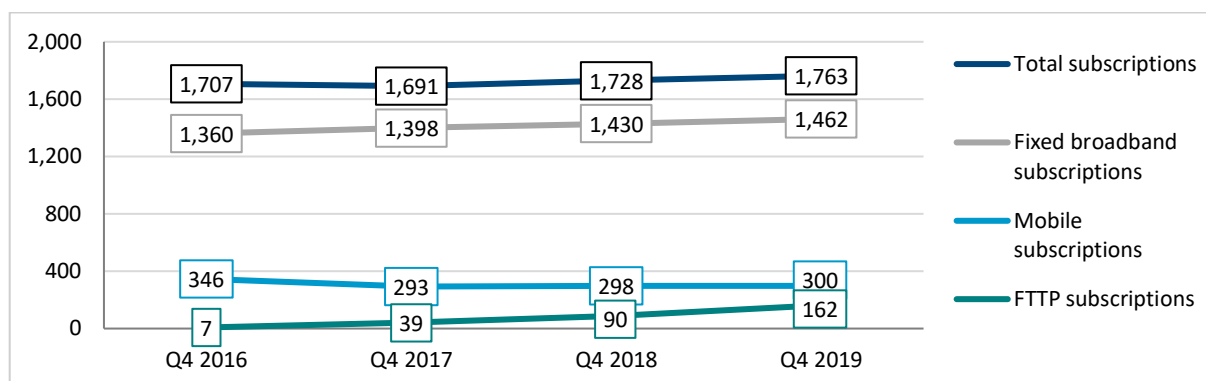
- 2.15 Broadcast media has undergone significant structural change globally, and the Irish context has not been exempted from this. As has been true of recent years, these changes have been driven by evolving technologies which subsequently prompt decisive changes to consumer behaviour.
- 2.16 Internet connectivity is a core enabler of these technologies, and fixed and mobile internet access in Ireland are both widespread. Total broadband subscriptions, i.e., combined fixed and mobile subscriptions, grew again in 2019, with numbers growing to 1.76m in Q4 of the same year; this represents a household penetration of 90%, an increase of two percentage points from the equivalent 2018 figure.<sup>17</sup>

<sup>16</sup> Core Media does not report AVOD/BVOD/online video as a fraction of 'Online advertising revenue'; this is potentially misleading as the figure includes video advertising on all of: publisher sites, social media sites, broadcasters, and also what Mediatique would normally define as 'online video', that is, ads that are found in and around video streams (e.g., YouTube). However, if we assume that online video's share of online advertising in Ireland is in line with the equivalent share in the UK (9%), then online video revenue would total €50m. Again, as is true in the UK, if we assume that two thirds of this is attributed to AVOD (almost exclusively YouTube), then the remaining value to be attributed to BVOD is €15m.

<sup>17</sup> ComReg, *Irish Communications Market: Quarterly Key Data Report (Q4 2019)*.

2.17 The growth in FTTP (fibre) homes, and indeed the growth of broadband subscriptions with advertised speeds of over 30Mbps, has been notable. In Q4 2019, 90.2% of fixed broadband subscriptions were equal to or greater than 10Mbps, up from 87.4% in the previous year. Further, 81.9% were equal to or greater than 30Mbps, up from 77.2% over the same time period.<sup>18</sup>

**Figure 9: Broadband subscriptions in Ireland, by type (in 000s), 2016 - 2019**

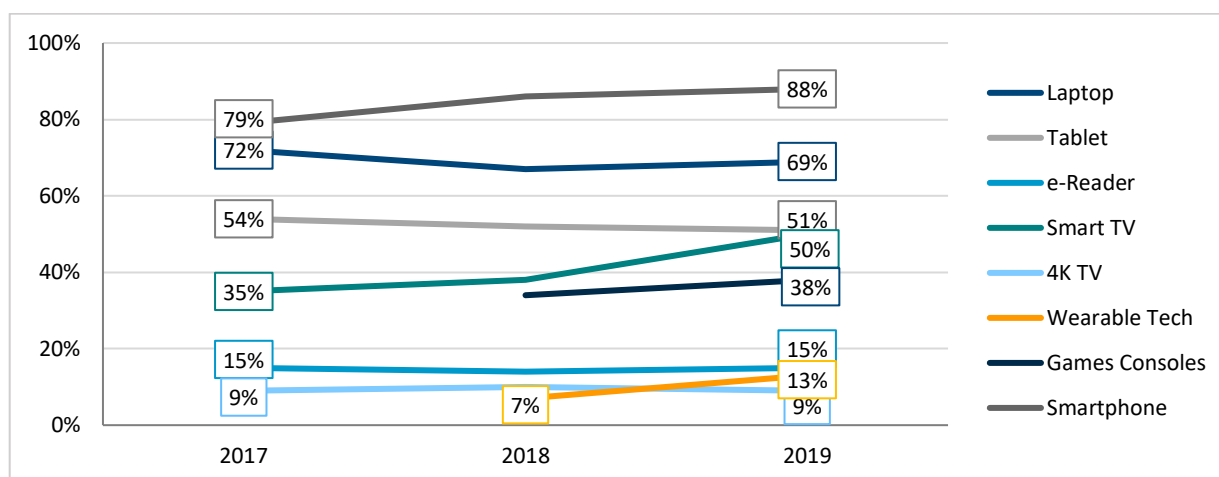


Source: ComReg.

- 2.18 These changes are significant because they allow for consumers to access content across a range of connected devices in new ways, the result of which has a meaningful impact on the PSBs in particular.
- 2.19 Of these connected devices, the most relevant are TV (namely smart TVs, i.e., TVs capable of natively connecting to the internet) and smartphones. Growth in these two technologies will continue to influence market outcomes. Pay TV margins are declining as content options broaden on natively connected TVs, driving further growth of SVOD at the expense of pay TV.
- 2.20 Paralleling trends that are emerging in many other markets, laptop penetration fell: from 72% in 2017 to 69% and 2019.<sup>19</sup> The decline is likely due to growth in smartphone penetration (88% in 2019, up from 79% in 2017) reflecting these devices are increasingly capable of doing the same job that laptops have performed historically (high processing speeds; ever growing screen sizes; ease of connectivity to monitors and screens).

<sup>18</sup> *Ibid.*

<sup>19</sup> B&A, *Techscape 2020*. Source: <https://banda.ie/wp-content/uploads/BA-Techscape-2020.pdf>.

**Figure 10: Device take up in households, 2017 - 2019**

Source: B&A Techscape 2020.

### Overview of the current broadcasting landscape

- 2.21 As was the case in 2018, television in Ireland was the most effective means of reaching large numbers of the population in 2019: 92% of total Irish households had access to a working TV set, this figure has remained static on the year before.<sup>20</sup> The main means of receiving TV also remained consistent with 2018: satellite dominated share of reception (Sky, Freesat, Saorsat), followed by cable (Virgin Media) and digital terrestrial (Irish and UK versions, now referred to as 'DTT' in the remainder of the report); IPTV (Eir TV, Vodafone TV) constituted the remaining points of reception.<sup>21</sup>
- 2.22 Radio in Ireland is delivered via a mix of national, regional, local and community stations; there are 34 commercial stations currently in operation and 21 community stations.<sup>22</sup> The latter has increased by one in the last year. Daily listening remained high in 2019: 81% of adults (15+), or 3.15 million listeners in actual terms, listened to radio every day in 2019.<sup>23</sup> Of all audio listening in Ireland in 2019, 85% was attributed to live radio listening.<sup>24</sup>
- 2.23 We look at TV and radio in greater detail in the remainder of this section.

### Television

- 2.24 PSB TV broadcast in Ireland is addressed by the RTÉ channels: RTÉ One, RTÉ One+1, RTÉ2, RTÉ2 +1, RTÉ News Now and RTÉ Jr, and TG4, Ireland's second PSB and Irish language channel. TG4 is funded through a direct exchequer grant and a small amount of commercial revenue, and RTÉ is funded through a mix of licence fee revenue and commercial revenue. Both PSBs broadcast content that is part funded by the Sound & Vision scheme, itself funded through the licence fee.

<sup>20</sup> TAM Ireland/Nielsen TAM, *Establishment Survey*, July-December 2019.

<sup>21</sup> We follow's TAM Ireland's approach of determining household penetration by reception device on the main set; DTT (Saorview) is a means of reception on a substantially higher number of TV sets.

<sup>22</sup> This figure includes Community, Community of Interest and Special Interest stations, but exclude institutional stations (e.g., hospital radio).

<sup>23</sup> JNLR, *Daily reach: average weekday listenership*, all adults (15+), 2019.

<sup>24</sup> JNLR. Source: <https://radiotoday.ie/2019/08/jnlr-q2-2019-facts-figures-and-quotes-from-around-the-industry>.

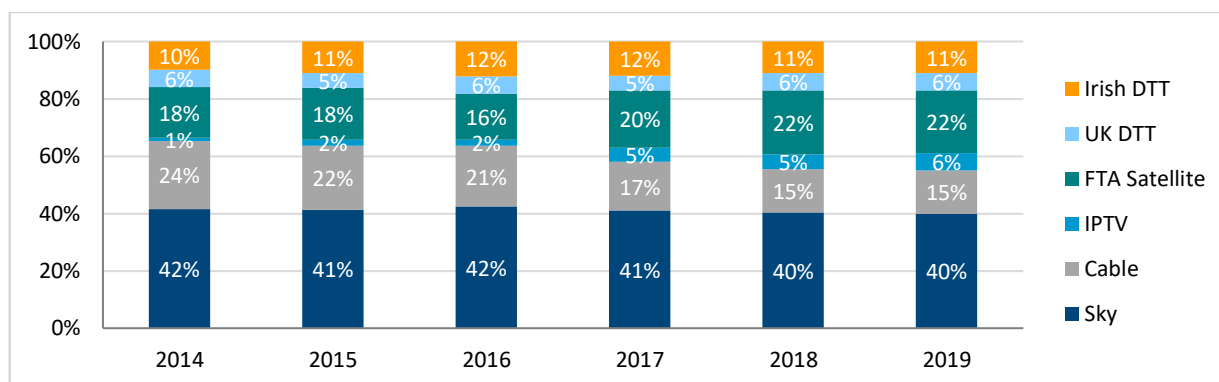


- 2.25 The status of TG4 and RTÉ as PSBs grants them special privileges regarding priority positioning on electronic programme guides (‘EPGs’) and access to the DTT spectrum.
- 2.26 Virgin Media is Ireland’s national commercial broadcaster and thus also eligible to benefit from priority positioning on EPGs and access to DTT spectrum. However, its channels are exclusively commercially funded.<sup>25</sup> Its three FTA channels, available on Saorview, Sky Ireland, Virgin Media, Eir TV and Vodafone TV, are Virgin Media One, Virgin Media Two and Virgin Media Three.<sup>26</sup>
- 2.27 Ireland also has access to a broad selection of pay-TV services to supplement its FTA channels, an option frequently taken up by Irish consumers; Sky and Virgin have presence in a significant number of households<sup>27</sup> (40% and 15% respectively), providing a range of Irish, UK and international channels. In addition to these two providers, there are a number of providers offering ‘basic’ alternatives – generating lower average revenue per user (‘ARPU’) – that are growing in popularity (see the section on TV platforms, below).
- 2.28 In addition to RTÉ, TG4 and Virgin Media, the bulk of the remainder of Irish viewing is attributed to a range of UK and other international channels. This outcome is not unexpected given that Ireland shares a porous border with the former, and a shared common language means it is a lucrative market for international players (particularly for those able to generate advertising income).

### TV platforms

- 2.29 Irish households receive TV services from a range of suppliers, with pay-TV services frequently taken up by Irish consumers; Sky and Virgin have presence in a significant number of households (40% and 15% respectively). In addition to these two providers, there are a number of lower ARPU, ‘basic’ alternatives that are increasingly growing in popularity. Both Eir TV and Vodafone TV have recently partnered with global players (Apple and Amazon) to incorporate hardware into competitively priced bundled services to dissuade Irish consumers from the ‘big bundles’ that have been popular historically.<sup>28</sup>

**Figure 11: TV homes by platform, 2014-2019**



Source: TAM Ireland/Nielsen TAM Establishment Surveys. Since January 2017, TAM Ireland/Nielsen categorises viewers who received TV channels through Sky equipment but who do not pay for a Sky subscription as FTA satellite viewers (before then

<sup>25</sup> Virgin (and/or its external producer-partners) are eligible to apply for public funding via Sound & Vision.

<sup>26</sup> A further channel, Virgin Media Sport, was launched in September 2018 as a pay channel. It competes directly with RTÉ for broadcast rights to live sport.

<sup>27</sup> TAM Ireland/Nielsen TAM, *Establishment Survey*, July-December 2019.

<sup>28</sup> “Eir links up with Apple for new TV service”, 2019, Irish Times. Source: <https://www.irishtimes.com/business/technology/eir-links-up-with-apple-for-new-tv-service-1.4053959>.

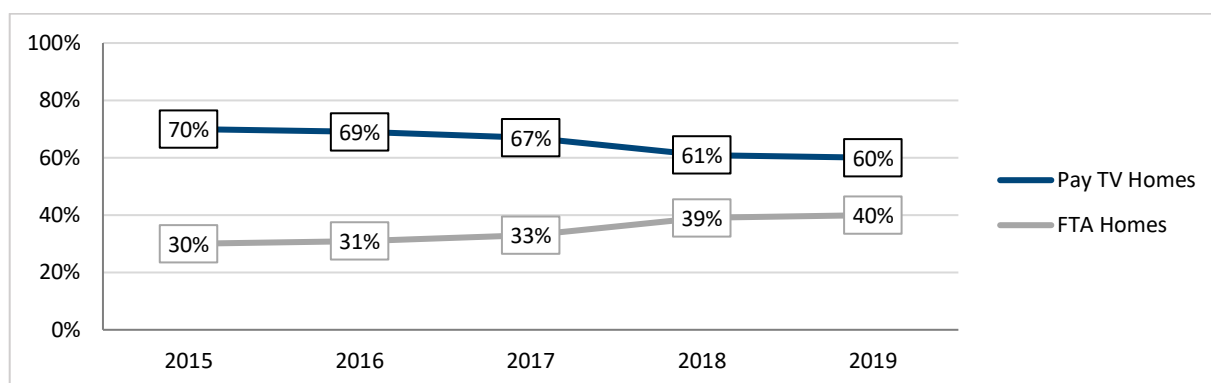
*they were counted as Sky viewers). For consistency across all years, we have counted these 'lapsed Sky' households in FTA Satellite in line with TAM Ireland/Nielsen's current methodology.*

- 2.30 This chart confirms platform migration that has taken place over recent years. And the decline of traditional 'big bundle' pay-TV revenues continues to be driven both by migration to 'small bundle' alternatives and 'spin down' as some subscribers take cheaper packages from traditional pay TV providers.
- 2.31 The market is an increasingly competitive one; where once it was dominated by the same operators offering more flexible alternatives (e.g., Sky & Now TV), IPTV supplier propositions are increasingly compelling. In addition to its Apple partnership, Eir has also agreed a deal with Virgin Media to carry each other's respective sports channels.<sup>29</sup> This agreement remains in place despite a significant dispute between the two parties regarding carriage of Virgin Media's FTA channels on Eir's Apple TV 4K set-top box. Virgin is seeking an injunction that restrains Eir from broadcasting its FTA channels, while Eir claims that Virgin must offer the channels on non-discriminatory terms. Proceedings were admitted to the fast-track Commercial Court in November 2019, although the case was subsequently delayed until March 2020. No further updates have been provided at time of writing.
- 2.32 We expect the migration away from higher-cost or premium pay TV to accelerate, not just because of competition from IPTV but also in the context of the launch (and subsequent success) of major SVOD propositions in the last year (Apple TV+; Disney+, etc), joining Netflix and Amazon Prime Video. The appeal of these players may convince households to subscribe to a lower-cost 'small bundle' IPTV proposition, supplemented by additional SVOD services, or to default to 'free TV, often with an SVOD subscription alongside.<sup>30</sup>
- 2.33 Thus the decline in traditional pay TV household penetration has been accompanied by a resurgent number of DTT and FTA TV homes, with many opting to supplement free TV with SVOD propositions.
- 2.34 Indeed, some may be opting to rely on SVOD services only: in 2019 TAM Nielsen reported that 8% of homes in Ireland were 'No TV homes' (up from an estimated 1% in 2006).

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<sup>29</sup> "Virgin Media and Eir agree deal to carry each other's Sports channels", 2019, Virgin Media. Source: <https://www.virginmedia.ie/about-us/press/2019/virgin-media-and-eir-agree-deal-on-sports-channels/>.

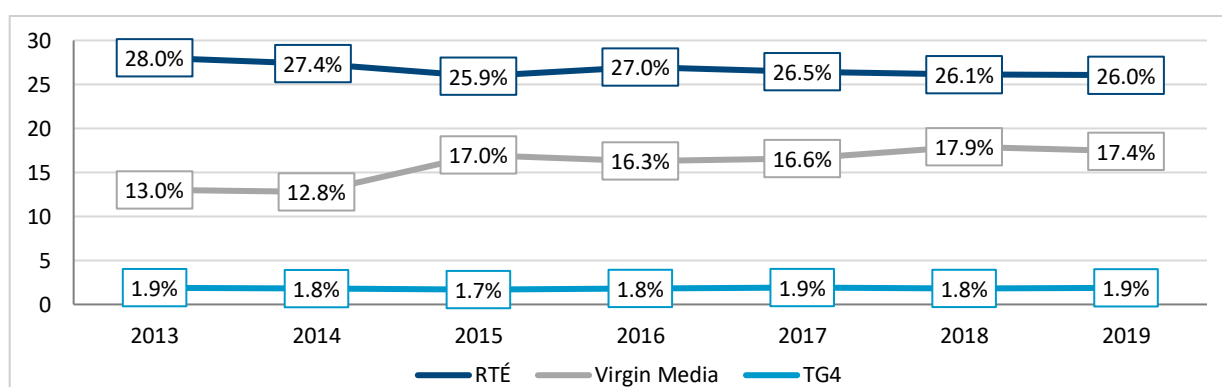
<sup>30</sup> In the absence of an audited review of Ireland's broadcast market, Mediatique suggested in last year's review that Netflix's penetration in Irish TV homes was as high as 40%; in 2019 we revise this figure to 45%. Using Netflix penetration as a proxy for 'any SVOD' (and UK ARPU as a read across for Irish ARPU) gives an indication of revenue associated with SVOD subscriptions: the combination of Netflix, Amazon, Now TV, Disney and ITV Hub generate £1.3bn in the UK, across an average of 19m subscribers. As such, Mediatique estimates that the average household has 1.5 services. This results in an ARPU for each subscribing household of £8.30. Therefore, if we assume that in Ireland each subscribing household has an ARPU of €9 then SVOD revenues in Ireland have grown to around €70m.

**Figure 12: Pay TV and FTA homes, 2015-2019**

Source: ComReg.

### TV viewing

- 2.35 In 2019, 85% of broadcast TV in Ireland was watched live, with the remainder watched on a time-shifted basis.<sup>31</sup> In 2016, the equivalent time-shifted viewing figure was just 10%, with 90% of broadcast TV watched live.<sup>32</sup> The shift is an indication of changing consumer viewing habits, even over a short time period, and the declining salience of live TV in a more competitive A/V context (e.g., the ever-growing presence of YouTube and TikTok, etc.).
- 2.36 Despite declines overall in TV viewing, both Irish PSBs performed well in the context of viewing share in 2019: RTÉ's share of viewing fell by 0.1 percentage point to 26.0% in the reported year (down from 26.1% the year before) and TG4 grew, *albeit* modestly, (climbing to 1.89% from 1.82%).<sup>33</sup> Virgin Media suffered a greater loss in viewing share year on year than RTÉ (compared to gains in 2017 and 2018, which included contributions from UTV Ireland, acquired in 2016).
- 2.37 The maintenance of RTÉ's share was greatly assisted by the contribution from the group's +1 extensions to its two major channels: RTÉ One +1 saw its hours extended (and increased its share from 0.72% to 0.95%) and RTÉ2+1 launched, registering a 0.15% share across the year.<sup>34</sup>

**Figure 13: Daily share of viewing by channel operator, 2013-2019**

Source: TAM Ireland/Nielsen TAM.

<sup>31</sup> TAM Ireland/Nielsen TAM. Source: <https://www.tamireland.ie/top-50-tv-programmes-2019/>.

<sup>32</sup> TAM Ireland/Nielsen TAM. Source: <http://www.tamireland.info/review2016/#p=9>.

<sup>33</sup> TAM Ireland/Nielsen TAM, *All day share of viewing (live + VOSDAL)*, individuals (4+), 2019.

<sup>34</sup> TAM Ireland/Nielsen TAM, *All day share of viewing (live + VOSDAL)*, individuals (4+), 2019.

- 2.38 RTÉ and its HD and +1 variants continued to reach the most viewers in Ireland in 2019: RTÉ One had a weekly reach of 61% in 2019. The channel that achieved the next highest reach was Virgin Media One (52.9%), followed in third place by RTÉ2 (49.9%).<sup>35</sup> TG4 does not operate +1 channels (it has campaigned, so far without success, for low-cost access to Saorview for a +1, HD and children's channel.)
- 2.39 However, as evidenced below, barring RTÉjr it was Virgin Media that performed best on a consolidated basis (taking into account viewing after 'viewing on the same day as live ('VOSDAL'): Virgin Media One's consolidated reach (compared to its original Live & VOSDAL reach) was 2.3% higher. In relative terms, this was almost twice the increase that RTÉ One achieved, an equivalent main channel, on a consolidated basis.

**Figure 14: Weekly reach of TV channels ('Live & VOSDAL' versus Consolidated), 2019**

Channel <sup>36</sup>	Live & VOSDAL	Consolidated	% increase in consolidated viewing <sup>37</sup>
RTÉ One	61%	61.8%	1.3%
RTÉ One+1	19.7%	20.3%	3.1%
RTÉ2	49.9%	51.3%	2.8%
RTÉ2+1	3.9%	3.9%	0%
RTÉjr	4.7%	5.1%	8.5%
Virgin Media One	52.9%	54.1%	2.3%
Virgin Media One +1	8.2%	8.6%	4.9%
Virgin Media Two	38.2%	39.4%	3.1%
Virgin Media Three	23.7%	24.5%	3.4%
TG4	28.3%	28.7%	1.4%

Source: TAM Ireland/Nielsen TAM.

## Radio

- 2.40 The responsibility of public service radio broadcast remains exclusively with RTÉ's four FM radio stations: RTÉ Radio 1; RTÉ 2fm; RTÉ Lyric FM and Raidió na Gaeltachta.
- 2.41 Also, a significant contributor to the radio landscape in Ireland is commercial radio; the sector includes stations that are national, quasi-national, regional, multi-city and local, and in 2019 this cohort consisted of 34 stations. To supplement both public service and commercial radio sectors, the BAI also issues licenses for community stations. There are 21 of these stations currently in operation.
- 2.42 Funding for community stations comes from a combination of local businesses, community groups, and grants. The sector is also eligible for funding from the Sound & Vision fund operated by the BAI.
- 2.43 As with television, technological shifts continue to represent challenges for the Irish radio landscape: increased connectivity to multiple devices, both per person and per household, and the colonisation of the home by connected devices (e.g., smart speakers) are changing consumers' preferences of how and

<sup>35</sup> TAM Ireland/Nielsen TAM, *Average weekly reach (live + VOSDAL, consolidated)*, individuals (4+), 2019.

<sup>36</sup> While Virgin Media Sport began broadcasting in September 2018, viewing was not reported by TAM Ireland/Nielsen until the beginning of 2020 and so it is not included here.

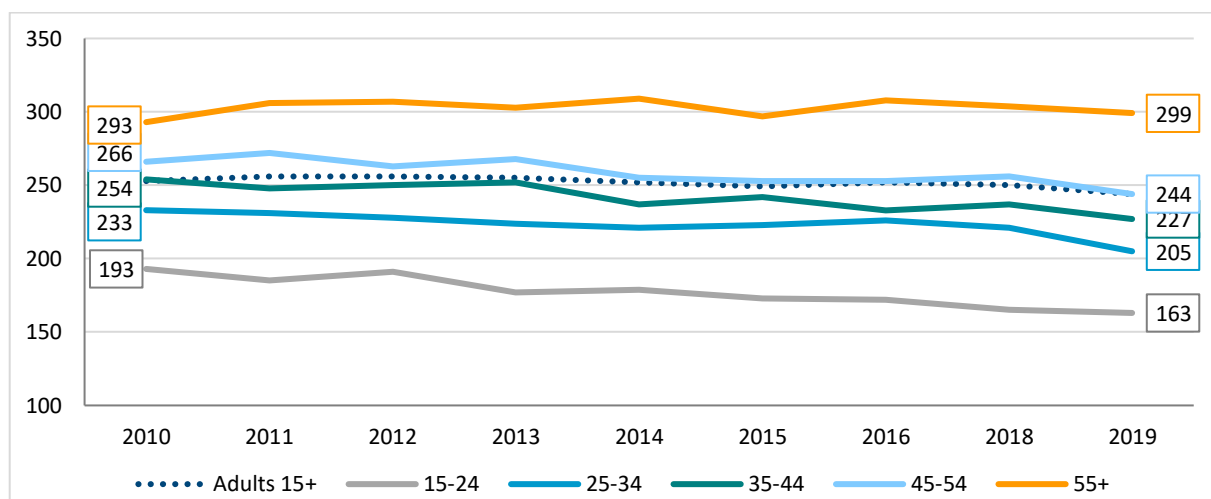
<sup>37</sup> This figure refers to the percentage increase achieved relative to the broadcast channel's original reach i.e., RTÉ One's consolidated reach of 61.8% is 1.3% bigger than the reach achieved by Live & VOSDAL.

when they listen to the radio and other audio. Greater competition via connected devices includes on-demand streaming, downloads and podcasts

### Radio platforms

- 2.44 In 2019, FM radio reached 77% of the population, either at home or in the car, a fall from 78.9% in 2018.
- 2.45 Of the other modes of radio consumption, radio on mobile devices reached 4.6% of adults in 2019 (flat on 2018) and PC/laptops just 1.5%; the latter represents a 0.2% decrease from the previous year. Reach on Digital Audio Broadcasting ('DAB') radio sets grew by just 0.1% in 2019 (to 0.5%) suggesting DAB continues to struggle for traction. Indeed, as part of its Revised Strategy 2020-2024, RTÉ announced its plan to shut its DAB digital radio services (including RTÉ Gold, RTÉjr Radio, and RTÉ Radio 1 Extra).
- 2.46 Growing radio reach attained by mobile devices is unsurprisingly dominated by younger listeners: 59% of the those reached by radio on a mobile device in 2019 were in the 15-34 cohort.
- 2.47 The outcome of radio's declining reach was a fall in average daily minutes of live radio listening. Unlike 2018, this was felt universally across all cohorts (in 2018, the average daily minutes of live radio listening actually grew for the 35-44 and 45-54 age demographics).
- 2.48 There were some significant declines in daily minutes of live radio listening in 2019: listening done by 25-34-year olds fell by 16 minutes from 221 to 205, and listening for 35-44-year olds also declined, from 237 minutes to 227.<sup>38</sup>
- 2.49 And yet amidst these quite significant declines, there was one positive outcome: average daily minutes of listening among 15-24-year olds stabilised at 163 minutes, down from 165 in 2018. Despite an actual decline, this appears to arrest what has been a rapid descent since 2012.<sup>39</sup>

**Figure 15: Average daily minutes of live radio listening (weekday listening, 7am-midnight), 2010-2019**



Source: JNLR.

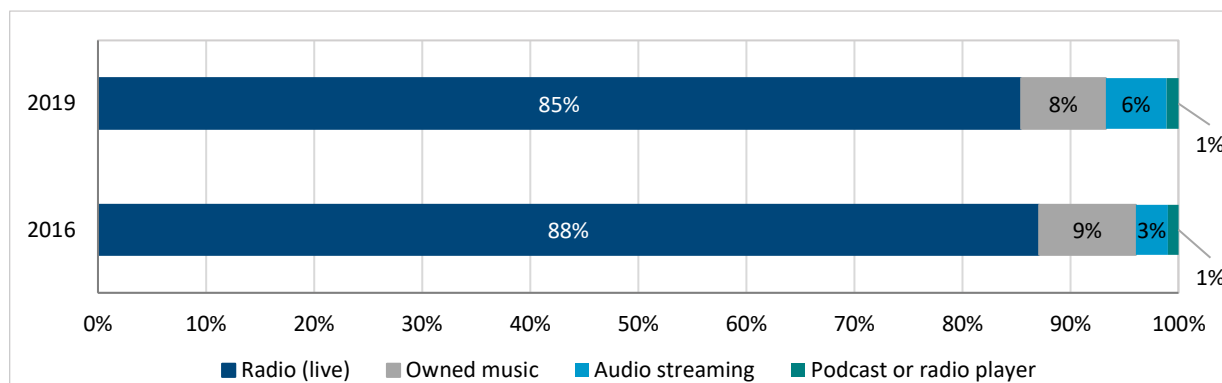
- 2.50 Live radio continues to be the favoured choice of audio for all Irish listeners. However, although its grip on this position remains strong, it is slowly being eroded by audio streaming and podcast/radio players.

<sup>38</sup> JNLR, *Share of listening: weekdays (yesterday listenership, 7am-midnight)*, adults 15+, 2019.

<sup>39</sup> *Ibid.*

It is the former that is most decisive in this shift; share of audio streaming relative to total platform listening has doubled from 3% to 6% in the three years since 2016.<sup>40</sup>

**Figure 16: Share of listening by platform, 2016 and 2019**



Source: JNLR/Mediatstar.

### Radio listening

- 2.51 Despite the fall in reach, significant numbers of people still listened to radio in Ireland in 2019. 3.15 million people tuned into the radio on every weekday; this represents daily radio listening at 81% of all adults, down from 83% at the same point in 2018.<sup>41</sup> As in 2018, a little over half of this number was attained via a national radio service (43%).<sup>42</sup>
- 2.52 Of those listening to national radio services, just over half were reached by RTÉ Radio 1 (22%); of the non-RTÉ national broadcasters, Today FM achieved 10% reach, and Newstalk 11%.

**Figure 17: Daily reach (%) by station type, 2019**

Any Radio	Any National	Any RTÉ Radio	RTÉ Radio 1	RTÉ 2fm	RTÉ Lyric FM
81% (-2%)	43% (-1%)	32% (0%)	22% (0%)	10% (0%)	3% (0%)

Source: JNLR.

- 2.53 Unsurprisingly, share of RTÉ radio station minutes by device is dominated by AM/FM at home or in the car; the average share of the platform's minutes for Radio 1, 2fm and Lyric FM was 94.9%.<sup>43</sup> The highest of these stations was Radio 1: of all minutes listened to, 96.1% of them were heard on AM/FM.<sup>44</sup>
- 2.54 Whilst modes of consumption for national radio remained relatively stable, there were some significant changes within commercial and local radio: iRadio NW, which had 89.1% of radio minutes heard on AM/FM in 2018, declined to 80.8% in 2019.<sup>45</sup> The erosion in minutes on the platform was largely attributed to a significant increase in listening on mobile devices (12.6%, up from 8.1% in the previous year).<sup>46</sup>

<sup>40</sup> JNLR. Source: <https://radiotoday.ie/2019/08/jnlr-q2-2019-facts-figures-and-quotes-from-around-the-industry>.

<sup>41</sup> JNLR, *Daily reach: average weekday listenership (7am-7pm)*, all adults (15+), 2019.

<sup>42</sup> *Ibid.*

<sup>43</sup> JNLR, *Share of minutes by device (weekdays, 7am-7pm)*, all adults (15+), 2019.

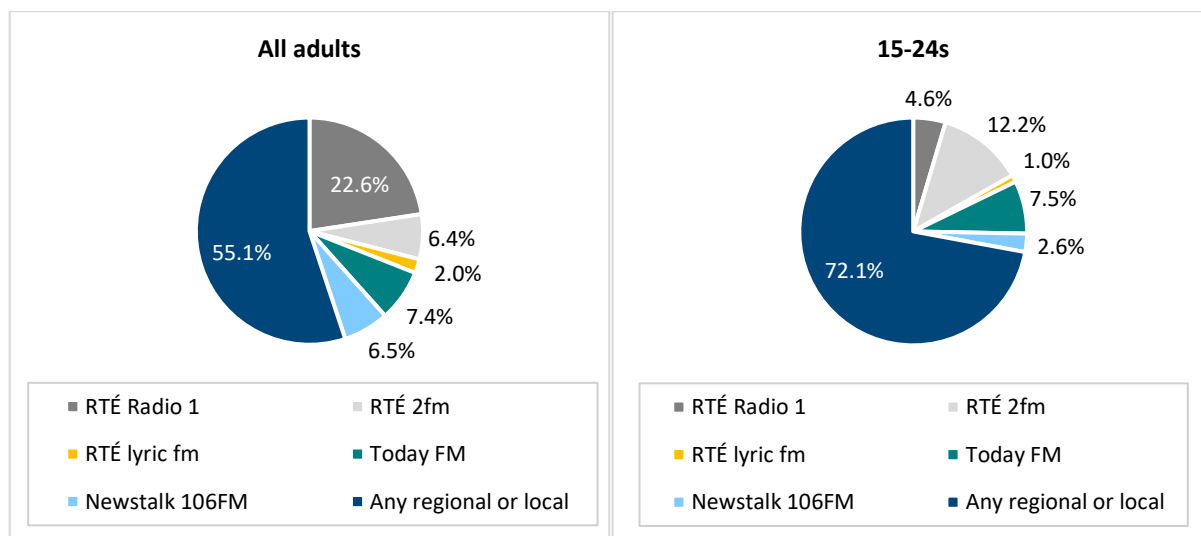
<sup>44</sup> JNLR, *Share of minutes by device (weekdays, 7am-7pm)*, all adults (15+), 2019.

<sup>45</sup> JNLR, *Share of minutes by device (weekdays, 7am-7pm)*, all adults (15+), 2019.

<sup>46</sup> JNLR, *Share of minutes by device (weekdays, 7am-7pm)*, all adults (15+), 2019.

- 2.55 Referring now to market share, 2019 was a strong year for RTÉ Radio collectively: the broadcaster's share (all four major stations) increased to 31.3%, up from 30.9% the year before.<sup>47</sup> Market share has historically been a concern for the broadcaster, which has witnessed a steady rate of decline since 2016 (when share was as high as 31.9%). To be able to arrest this fall in 2019 is significant in the context of the broader market trends.
- 2.56 The key driver to this growth was Radio 1, which increased its share by 0.7% in the reported year (22.6%). Lyric FM also grew, although only marginally to 2.0% from 1.7% the year before. 2fm, previously a dependable growth prospect because of its youth-oriented content, fell by 0.6%.

**Figure 18: Share of listening by station type, all adults and 15-24s, 2019**



Source: JNLR/Mediarstar.

- 2.57 Despite a decrease in share of adult audiences, 2fm did continue to perform well among younger audiences. Of the 141 minutes of radio that 15-24-year olds listened to in 2019, 12.2% of them were attributed to 2fm.

**Figure 19: Mean radio minutes by station type by demographic, 7am-7pm, 2019**

	All Radio	Any RTÉ	RTÉ Radio 1	2fm	Lyric FM
<b>All Adults (15+)</b>	226	70.7	51.1	14.5	4.5
<b>15-24s</b>	141	26.2	6.5	17.2	1.4
<b>25-34</b>	189	41.4	12.3	28.0	0.6
<b>35-44</b>	211	49.6	25.7	19.8	3.6
<b>45-54</b>	229	61.4	42.4	14.9	3.7
<b>55+</b>	277	112.6	98.3	4.6	7.9

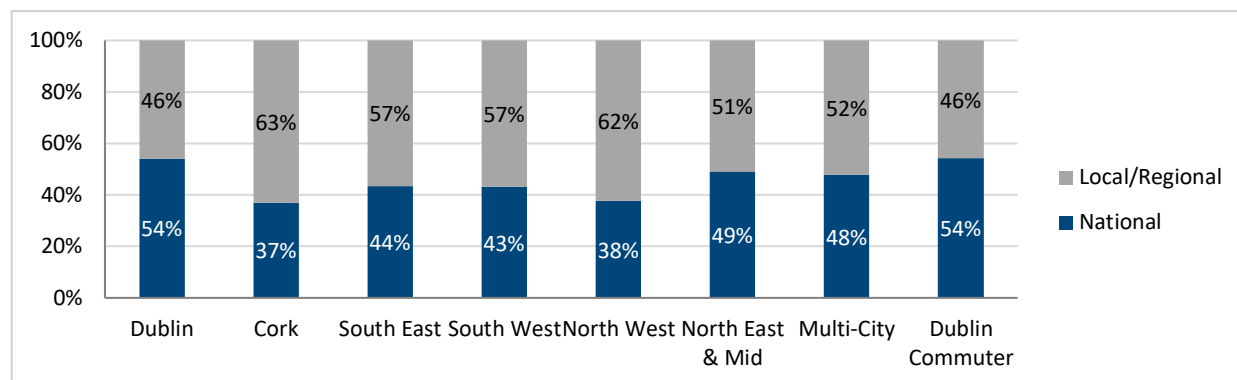
Source: JNLR, Mediatique.

- 2.58 Regionality is a significant contributor to market share by radio type: local/regional radio occupies the majority share of all adults with 54.8% (-0.3%) in the reported year; only in Dublin (54.1%) and the

<sup>47</sup> JNLR, *Market share: average weekday listenership (7am-7pm), all adults (15+), 2019.*

greater Dublin commuter belt (54.2%) does national radio command the greater share. In all other regions local/regional is the more dominant of the two.<sup>48</sup>

**Figure 20: Share of live radio minutes: national versus local/regional, all adults 15+, 2019**



Source: JNLR.

### **Implications of market trends in the short term**

- 2.59 The evolution of Irish media markets in 2019 confirm the direction of travel commonly observed in developed economies around the world – the growth in consumption of media other than live broadcast TV and radio, rapid expansion of SVOD propositions, migration of households from ‘full fat’ pay TV to cheaper bundles and/or free alternatives, supplemented by SVOD, and significant challenges to traditional revenue models, including advertising.
- 2.60 Enabling this evolution has been increased broadband connectivity and a proliferation of connected devices, used by consumers in the household and on the move. While the fastest adoption of digital behaviours has been evident among younger demographics, behaviours among older consumers are also beginning to shift and in any event patterns will necessarily change as cohorts age.
- 2.61 Business models are rapidly altering in response to technological and consumer behavioural shifts. Among the key changes is the entry of cash-rich, global providers such as Apple, Amazon, Google (YouTube), Netflix and Spotify, some of which are securing traction as ‘gatekeepers’ in relation to TV and audio platforms.
- 2.62 The changes constitute a serious source of challenge to the traditional means by which PSB has been structured and funded in Ireland. The challenge has been rendered even more evident following the onset of the Covid-19 crisis in 2020.

### **Policy context in 2019 and impact of Covid-19 in 2020**

- 2.63 Our report was written this year at a time of radical dislocation – in the media sector and more widely. The Covid-19 impact has been deep and may be long-lasting, accelerating certain trends in the market (around digital behaviours and revenue generation) and creating further obstacles to both PSBs in their efforts to place their operations on a fully sustainable basis for the future.
- 2.64 The Government, in responding to RTÉ’s call for increased public funding in 2019, had announced the creation of a Commission to review PSB more fundamentally. Following the forming of a new Government in June 2020, and in the context of the impact on all media of the Covid-19 crisis, the

<sup>48</sup> JNLR, Press Release January 2019 - December 2019. Source: <https://www.bai.ie/en/latest-jnlr-figures-released-15/>.



Commission's terms of reference will be updated to take into account the future of print, broadcast and online media, with a delivery date within nine months of its convening.<sup>49</sup> As such, the 2020 review, conducted in 2021, may be launched before the results of the Commission are known.

- 2.65 The new Government has also undertaken to "...bring together all policy functions relating to broadcast media, print media and online media into a single media division within a government department."<sup>50</sup> The Commission will provide guidance as to how PSB should be defined for the future, how it should be funded, and the shape, scale and scope of RTÉ and TG4.
- 2.66 The key impacts of Covid-19 in media consumption terms have been to accelerate the transition to digital content (including among older demographics that had been resistant to the underlying trends) and to foment a rapid deterioration in both licence fee income and commercial revenues, with immediate and severe effect on RTÉ in particular but also having an impact on TG4.<sup>51</sup> There has also been an impact, by definition, on production, with filming of series and films delayed and the prospect for significant changes to production protocols following unlocking.
- 2.67 While it is too early to conclude how much damage will have been done in 2020 to commercial revenues and public funding levels, and the degree to which consumer behaviour and business models are being transformed as a consequence of the policy response to Covid-19, Mediatique has gathered information from a number of sources (the PSBs themselves, the BAI, market participants across the media value chain and third-party research sources) to establish the broad direction of travel.
- 2.68 In revenue terms, licence fee income has been adversely affected by the decline in the number of TV licences sold. This has been in large measure due to the significant number of licences normally paid for in person at post offices, a payment mechanism understandably disrupted by the lockdown rules in place from March 2020.
- 2.69 Commercial revenues across both TV and radio have also been severely affected, and production has been sharply curtailed. The Irish Business and Employers Confederation, IBEC, is co-ordinating the efforts by the A/V industry to respond to the crisis, and the BAI, in consultation with Government, has responded with a number of initiatives, including the waiving of levies for the independent radio sector in the first half of 2020.
- 2.70 Various companies report in our confidential stakeholder interviews a range of initiatives to restructure in light of the crisis, and some predict fundamental changes to business models, production processes and revenue expectations, against a backdrop of significant economic dislocation not just in the media but more broadly, as discussed in a range of sector periodicals.<sup>52</sup>

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<sup>49</sup> *Programme for Government – Our Shared Future*, June 2020. Source: <https://static.rasset.ie/documents/news/2020/06/programmeforgovernment-june2020-final.pdf>.

<sup>50</sup> *Programme for Government – Our Shared Future*, June 2020. Source: <https://static.rasset.ie/documents/news/2020/06/programmeforgovernment-june2020-final.pdf>.

<sup>51</sup> As TG4 is less dependent on commercial revenues than RTÉ, and no longer receives licence fee money but is directly funded by Government, it is likely to be less affected than RTÉ. TG4 is still expected to end 2020 in deficit, however.

<sup>52</sup> See, e.g., ESRI, *Quarterly Economic Commentary, Summer 2020*. Source: <https://www.esri.ie/publications/quarterly-economic-commentary-summer-2020>.

- 2.71 For the current report, we have identified a number of areas where trends are likely to have an impact on the ability of PSBs to sustain their present models, and on the quantum of funding required in the future or the extent of cost cutting implied in the event funding is not forthcoming.
- 2.72 These include the likelihood of an acceleration in trends favouring non-linear over linear consumption outcomes, continued (even stronger) structural headwinds affecting advertising and therefore commercial revenues for the PSBs and the impact of a lack of additional public funding under an unreformed licence fee. The public funding element will be of particular importance at a time when claims on the Government to stimulate growth will be extensive and where the future of PSB may not be as high on the agenda of a newly formed administration.
- 2.73 Irrespective of policy direction, we expect there will be a need for Covid-related emergency funding for RTÉ and TG4 in 2020 (outside the scope of our current report).
- 2.74 Finally, the sustainability of PSB will be also be affected by the nature and extent of the relationship between the UK and the European Union after the end of the transition period. As with the ARPPF in 2018, the Brexit decision and its aftermath cast a long shadow in the Republic.
- 2.75 We do not propose to provide a detailed analysis of the underlying trends and potential outcomes in 2020 and beyond, as this will be necessarily addressed in subsequent ARPPF exercises. We do however make further reference to current trading and policy context in our section on sustainability of PSB funding (see Section 7).

### 3. Annual Statement of Performance Commitments Reviews

- 3.1 Both PSBs are mandated by Section 102 of the Broadcasting Act 2009 to prepare an Annual Statement of Performance Commitments ('ASPCs') by 31st January each year. They are further required to provide an assessment of whether the previous year's undertakings have been met. The BAI is then required (under Section 124 of the Act) to review the PSBs' performance against their target commitments (using the PSBs' own assessments and external validation), as well as the adequacy (or otherwise) of the public funding made available to the PSBs for the achievement of the performance commitments outlined in the ASPCs.
- 3.2 Our reviews of each PSB's Annual Statement of Performance Commitments are covered in Sections 4 and 5. It is worth noting that there are differences in how RTÉ and TG4 approach the preparation and assessment of performance commitments and we have followed these distinctions in the sections that follow in order to accurately evaluate performance.
- RTÉ revised its ASPCs – in both scale and scope – in 2018, in line with its 2018-2022 Statement of Strategy. As such, in 2018, the number of targets was drastically reduced, and the thematic headings under which they were grouped were likewise condensed, to three: Audience, Content and Sustainability. For 2019, this structure has remained in place.
  - We note that TG4 has also committed to fewer targets in 2019 (as recommended by several previous reviews<sup>53</sup>); further, it undertook to completely restructure performance commitments for its 2020 ASPC which, similar to RTÉ, scales down the number of targets and seeks to make the majority quantifiable (as opposed to qualitative). While this will have an impact on future reviews, it does not affect our review of the 2019 ASPCs.
- 3.3 We define here the key terms used throughout this report in relation to the structure of the ASPCs:
- **Thematic heading:** each PSB provides performance commitments under a range of thematic headings. These are laid out in the original ASPC framework as agreed by the BAI and the PSBs as: Audiences: Impact and Reach; Content: High Quality and Distinctive; Transparency and Efficiency; Trust and Good Governance and Irish Language Promotion and Development. This remains the thematic structure of TG4's ASPCs although, as previously noted, RTÉ has transitioned to an abridged structure (Audience, Content, and Sustainability). While we use the PSBs' own thematic headings as the structure for our assessment of the ASPCs, it is worth bearing in mind that the five laid out in the ASPC framework highlight the BAI's own priorities for adjudication and are of significant importance from a regulatory perspective.
  - **Commitment:** we use the term commitment as shorthand for performance commitment, the fundamental components under review. Here again there are differences in scale between TG4 and RTÉ: with the former having 13 commitments in 2019 and the latter six. The level of detail in our report is commensurate with the number and range of commitments each PSB has set for 2019.
  - **Target:** the measures against which success of a given commitment is adjudicated. The majority of RTÉ's targets for 2019 (33 in total) are quantitative and each of their six commitments is addressed by multiple targets. Some of TG4's commitments are addressed by a single target (although these themselves are broken down further into metrics – see the next point, below). Similarly, TG4's

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<sup>53</sup> Including Mediatique's own ARPPF 2018.

targets tend to be more high-level and narrative rather than quantitative. In total, TG4 had 21 targets across 13 commitments for 2019.

- **Key metric:** TG4's targets are further broken down into a number of key metrics which are analysed in order to provide assessment of the success of each target. The majority of these key metrics are quantifiable and are similar in nature to RTÉ's targets (RTÉ does not break down their targets further).

- 3.4 In Sections 4 and 5, covering TG4 and RTÉ respectively, our main focus is on the outcomes at target level, thereby giving an accurate reading of overall performance for each commitment. For TG4, we assess the key metrics solely for the purpose of accurately evaluating the performance against the main target. We do not assess each key metric individually to the same level of detail as is possible for RTÉ's targets, even where these are broadly similar in scale and scope – i.e., quantifiable and discrete.
- 3.5 For both PSBs, we undertake to assess the year's performance against the targets laid out in each ASPC document as published at the beginning of the review period. While the PSBs reserve the right to make changes to targets and assessment metrics during the year, Mediatique does not incorporate such changes on an interim basis between the publication of the ASPC and the Performance Review until and unless they are formalised into the review process in consultation with the BAI and external consultants. Indeed, we would expect any changes that arise during the year to form the basis of alterations to the next ASPC.

### **Audience yield**

- 3.6 As previously, we have performed an audience yield analysis for both PSBs and these are included in Sections 4 and 5, after the analysis of the performance commitments.<sup>54</sup>
- 3.7 The audience yield outcomes are calculated as one indicator of 'efficiency' in the delivery of services to different audiences. In addition to other tools and approaches, it enables us to answer the question of whether a balance of content and services is being provided to all Irish audiences – in line with the public value obligations required of the PSBs – and the extent to which this balance is efficient in terms of capturing audiences.
- 3.8 The audience yield shows the level of consumption per a standardised amount of spend. As in previous reviews, the amount of spend is set at one euro, and consumption is measured in user hours, i.e., total hours of viewing registered by the users of a given platform/service. The unit for measuring audience yield, therefore, is user hours per euro, allowing us to make comparisons between the level of consumption across services with different budgets and, further, across platform types (TV, radio, online).
- 3.9 The purpose of the audience yield analysis is to supplement the PSBs own assessment of the performance of their services, and in particular the strength and success of their content strategies. It is of particular use in tracking changes over time. However, there are several caveats when using this methodology that must be considered. The most fundamental is that public service broadcasting is not driven exclusively by viewing outcomes; the goal is not necessarily to produce content that is

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<sup>54</sup> The yield approach was originally recommended in the 2017 Annual Public Funding Review and was undertaken by Mediatique for the 2018 exercise. See our comments on Methodology and Data in Section 1 for further context.

watched/listened to by the greatest number of people but rather to provide a content mix that is of public value, in some cases regardless of these viewing outcomes.

- 3.10 While audience yield can be used to demonstrate the efficacy of PSBs' spend on certain genres or services, it cannot account for the public service factors (impact, public value) to which TG4 and RTÉ must adhere in order to fulfil their objects as public service broadcasters.<sup>55</sup>
- 3.11 Moreover, year on year changes to the audience yield will reflect market trends as well as outcomes from commissioning decisions taken by individual broadcasters. Examples of market trends could include, for example, cost inflation in key genres (drama, factual, sport) and continued decline of live viewing in favour of on demand viewing by all audience segments, but young people in particular.
- 3.12 Further, the audience yield analysis is much more sensitive to changes to content spend or viewing outcomes at TG4 than RTÉ (for which the analysis was originally designed before being applied to both PSBs in previous iterations). This is due to the much more limited viewing hours at TG4 compared to RTÉ, which means changes in spend (or indeed viewing outcomes themselves) are amplified for the smaller broadcaster. Taken out of context, therefore, a straightforward review of the yield in instances where a very small change has occurred in content expenditure or in viewing outcomes may lead to inappropriate conclusions on efficiency.
- 3.13 RTÉ is not immune from the effects of a change to content spend or viewing year on year, and these can be associated with a range of factors including the periodicity of key sporting events (World Cup, Olympics) and news cycles.
- 3.14 For RTÉ, we determine audience yield for their TV and radio services on the basis of gender, demographic and social grade.<sup>56</sup> Due to the nature of the available data for online services, our analysis on online audience yield is less granular than this but still addresses per euro performance for RTÉ's websites, as well as the audience yield 'top-up' that comes from viewing on RTÉ Player not already captured in the TV audience yield.<sup>57</sup> For both TV and radio, we calculate both the gross and the net audience yield; the net audience yield offsets relevant programming costs (i.e., per genre) against commercial revenues leaving a figure which represents the 'user hours per euro derived from public funding'.
- 3.15 For TG4, we calculate gross yield on the basis of gender, demographic and social grade in each audience pole.<sup>58</sup> TG4's twin-pole strategy was introduced in 2018 as a way of segmenting its audience based on content requirements: the 'core Irish language audience' (frequent users of TG4's services) expects high-quality, Irish language content across all public value genres; the 'wider national TV audience' (less frequent users of TG4 services but a much larger base) can be enticed with contemporary factual, sport

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<sup>55</sup> We review the extent to which the PSBs fulfilled their obligations to 'commission a mix of content to engage with audiences in line with [their] objects, budget and statutory obligations' in Section 7.

<sup>56</sup> As in our 2018 review, we note that JNLR collects data for audiences 15+ only, meaning radio yield analysis is not directly comparable with TV yield analysis where TAM Ireland/Nielsen data for Individuals relates to all those aged 4+. While the universes for the analysis are different, we have elected to keep these as they are (i.e., 15+ for radio and 4+ for TV) rather than to attempt a reconciliation.

<sup>57</sup> This is explained in greater detail in the section on online yield analysis.

<sup>58</sup> Given the relative scale of commercial revenues, we do not calculate net yield for TG4.

and national live music and cultural events. It should be noted that appealing to both bases is a fundamental requirement of TG4's public service obligations.<sup>59</sup>

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<sup>59</sup> Further explanation of how we use the audience poles in the audience yield analysis is discussed in the relevant sections below.

#### 4. Review of TG4's Annual Statement of Performance Commitments 2019

- 4.1 TG4 provides Irish language content across the island of Ireland via its FTA TV channel, as well as the TG4 Player (Seinnteoir TG4), an on-demand streaming service which is available internationally. It also operates a range of services for younger audiences, including the linear schedule block, Cúla4 and corresponding on-demand platform, and the social media-based initiatives, Molscéal (a news and current affairs focused video story hub) and Bloc (an Irish-language shared social hub featuring a mix of commissioned and user-generated content for 16-24 year olds). In partnership with the BAI and Screen Ireland, it develops and supports Irish language films under the Cine4 banner, and operates the TG4 Archive, which seeks to digitise archival Irish language material for preservation. As a publisher-broadcaster, all its original productions are commissioned via independent production companies.
- 4.2 The Annual Statement of Performance Commitments for 2019 marks the second year under TG4's 2018-2022 strategy statement and the last before TG4 adopts a new, streamlined framework for the ASPC.
- 4.3 Under the five-year strategy statement, TG4 required an additional [€] for 2018, along with further smaller amounts in the years that follow (including [€] for 2019) in order to fulfil the 25 strategic initiatives under its 'Preferred' funding strategy. These strategic initiatives were aimed at growing TG4's national audience, restoring use of the Irish language, increasing investment in Ireland's audio-visual sector, developing its commercial revenue generation capacities and supporting new talent.
- 4.4 As stated last year, the increase in Government funding (current) of €1m<sup>60</sup> left TG4 in a difficult situation of having additional funding but not enough to fulfil all of the strategic objectives.
- 4.5 For 2019, TG4 received a further increase of €443k in current funding bringing total current funding to €34.233m, with €2m in capital funding. Total funding (at €36.233m) was short of both the 'Preferred' funding requirement set out in its 2018-2022 strategy statement (set at [€]<sup>61</sup>), and the BAI's recommendation for an additional €6m per annum across the 2018-2022 period (for a total of €38.79m<sup>62</sup>). This must be taken into consideration when evaluating its performance over the year.
- 4.6 It is to TG4's credit that the five-year strategy statement included a 'flat funding' counterfactual which could be implemented in the event of no additional funding and which would seek to maintain its performance; in this sense, it can manage inevitable decline given the evolving and significant structural changes in the broadcasting landscape.
- 4.7 Thus for 2019, TG4 finds itself performing better than the flat funding scenario but not up to its self-identified full potential.

#### Performance against 2018 Commitments

- 4.8 In 2019, TG4's Annual Statement of Performance Commitments laid out 13 commitments under five thematic headings, these were:
  - Audiences – Impact and Reach

<sup>60</sup> This excludes the additional one-off grant for *Bliain na Gaeilge* of €985k and an increase in capital funding of €1.08m.

<sup>61</sup> TG4, *Statement of Performance Commitments 2020: Appendices*, March 2020, p.6.

<sup>62</sup> The BAI's recommendation of an additional €6m is based on TG4's receipt of €32.79m in current funding in 2017. The BAI's recommendation for additional funding is based on operational funding. For TG4, this predominantly means current – as opposed to capital – funding. However, in 2020, some capital funding was ringfenced for operational use by TG4. In order to correspond with future reports, we have opted to use the same terminology, i.e., operational funding, where appropriate.

- Content – High Quality and Distinctive
- Promotion and Development of the Irish Language and Culture
- Transparency and Efficiency
- Trust and Good Governance

4.9 The 13 commitments were evaluated by 23 individual targets – themselves evaluated through a raft of key metrics – of which TG4 fully achieved 19 and mostly achieved two more, meaning a remainder of two targets were not achieved in 2019.<sup>63</sup> These are discussed in detail below.

#### Audiences – Impact and Reach

Commitment	Target
1. Preserve recent performance achieved in reach and share with each of the twin poles of our broadcast audience	Maintain current linear performance (11 key metrics) <i>Mostly achieved</i>
2. Continue to grow our non-linear audience engagement, particularly with content which targets younger audience demographics	Grow non-linear engagement across all platforms: online, on TG4 Player, 3rd party players and on social media platforms (13 key metrics) <i>Not achieved</i>
3. Meet our regulatory subtitling targets for 2019	Deliver subtitling targets set by the BAI (1 key metric) <i>Fully achieved</i>
4. Engage with, and listen to, audiences and develop new ways to measure our audience impact	Further develop audience research (4 qualitative key metrics) <i>Fully achieved</i>

4.10 The four commitments under the Audiences – Impact and Reach heading were each evaluated by a single target, as shown in the table above.

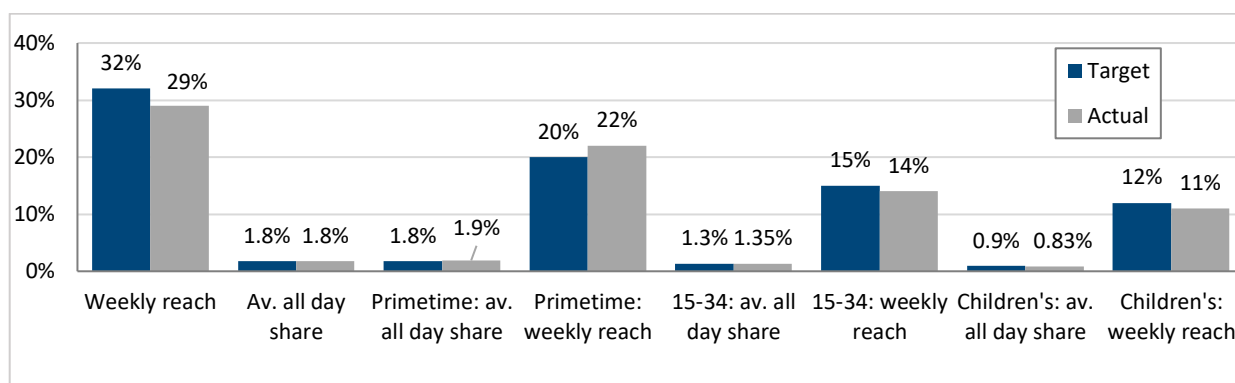
4.11 The first commitment was measured by a target to ‘maintain current linear performance’, for which there were eleven key metrics. The first of these is reach among the core audience, as indicated by Fios Físe data.<sup>64</sup> Against a targeted 85%, reach among the core audience was 71% in 2019. However, the satisfaction rating was 8.3 (against a targeted 8.0) and TG4’s position in the Top Ten most watched channels moved from 7<sup>th</sup> to 6<sup>th</sup> place (successfully achieving this key metric). The remaining eight metrics all relate to weekly reach and average all day share among various audience segments (as reported in TAM Ireland/Nielsen data); these are shown in Figure 21.

<sup>63</sup> We have followed TG4’s own classification for ‘mostly achieved’. This is used where the majority of key metrics have been met within a given target. The same classification is applied to commitments where not all targets have been met.

<sup>64</sup> Fios Físe is a project run as a partnership between TG4 and the National University of Ireland Galway to measure engagement of Irish-speaking audiences with TG4’s linear channel. It is comprised of panel surveys and provides TG4 with viewing statistics and audience feedback and opinions on TG4’s programming.



Figure 21: TG4's linear key metrics, 2019

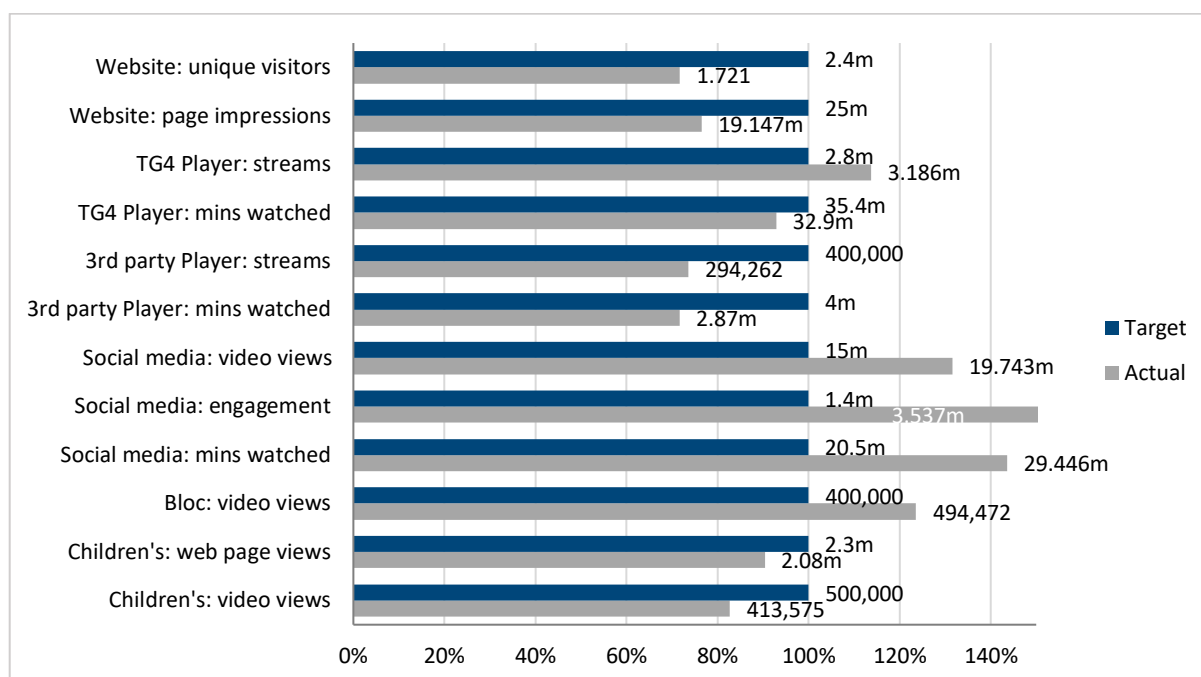


Source: TG4.

- 4.12 Of eight targets shown in the table above, four were fully achieved. There were mixed results for both average all day share and weekly reach. Primetime results were in line with ambitions, as was all day share among national audience and among 15-34 year olds. The remaining metrics were not achieved, although some were very close. Neither the two metrics for children's engagement (average all day share and weekly reach), nor the weekly reach for 15-34s) was achieved. However, with six of eleven metrics met, TG4 considers this target mostly achieved.
- 4.13 The second commitment for Audiences is to 'continue to grow our non-linear audience levels'. This was measured by a target with similar wording, which contained 13 key metrics, the majority of which are detailed in Figure 22. One further metric – for TG4 to retain its position as the top Irish language website globally – is not in the chart but was fully achieved in the year. In 2018, the target for non-linear performance was one of the best-performing for TG4, however, in setting ambitious metrics to build on this previous performance in 2019, TG4 has not fully achieved its intended outcomes.
- 4.14 While social media (including Bloc<sup>65</sup>) performance was fully achieved, website visitors and page impressions fell, as did minutes watched on TG4 Player (although overall streams rose, meeting the targeted level) and viewing performance on third-party Player.<sup>66</sup>

<sup>65</sup> Bloc is a youth-focused shared social hub, available across a range of social media platforms including Facebook, Twitter, Instagram, YouTube and Twitch. It hosts Irish-language user-generated content from TG4-commissioned sources (vloggers, etc), focusing on contemporary culture, entertainment, news and current affairs and other content aimed at the 16-24 demographic.

<sup>66</sup> Third party Player refers to any viewing of TG4 content on RTÉ Player.

**Figure 22: TG4's non-linear key metrics, 2019**

Source: TG4.

- 4.15 With only six of 13 key metrics achieved, overall, the target is considered not achieved in 2019.
- 4.16 The third commitment under the Audiences heading is to meet the 57% subtitling target (rising to 60% in peak time) as set by the BAI in its Access Rules. This was achieved, with 68% of total hours subtitled, rising to 76% in peak time.
- 4.17 The fourth and final commitment for Audiences is comprised of four qualitative key metrics, relating to the development of existing audience research and engagement, the development of non-linear viewing research, the roll-out of the audience yield framework and the exploration of new forms of audience research and surveys.
- 4.18 In successfully achieving these metrics, TG4 has widened the scope of Fios Físe data (doubling the size of the panel and adding granularity to demographic data and qualitative questions on programming), worked with TAM Ireland/Nielsen to widen viewing data collected on other devices, committed in-house resources to non-linear audience metrics and worked with Ipsos MRBI on audience research for the future. TG4 is also looking at how to implement the results of the audience yield analysis, as undertaken in the ARPPF reviews themselves, into their audience research going forward.
- 4.19 Overall, the results for the four Audience commitments were mixed, with two commitments fully achieved, one mostly achieved and one not achieved. The two targets that were fully achieved related to subtitling and the further development of audience research initiatives. While these are important, the remaining two targets (measuring linear performance (mostly achieved with 50% of metrics fully achieved), and non-linear performance (not achieved with only five of 13 metrics achieved) are analysed by actual audience data. In 2019, performance in key linear and non-linear metrics did not meet the level targeted. For the linear performance of TG4, most of the missed metrics were very close (justifying the 'mostly achieved' outcome for the entire target). For non-linear, despite a very successful 2018, 2019 metrics were more mixed, with only six of 13 reached. Some of the targets for children/young people's audiences were not reached across linear or non-linear platforms (average all day share for

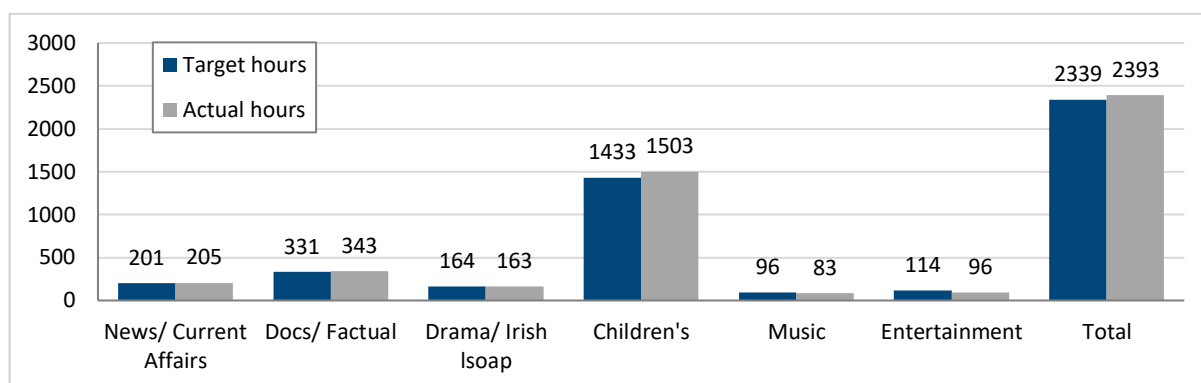
children, weekly reach for children and for young audiences, children’s video views and children’s web page views).

### Content – High Quality and Distinctive

Commitment	Target
5. Within our budgetary parameters, deliver the most distinctive and vibrant broadcast schedule possible for our core Irish language audience	Broadcast 2,339 high quality hours for the core Irish language audience. (see Figure 23 below for target and met hours) <b>Fully achieved</b> Spend 75.6% of current public funding on Irish language content (1 key metric) <b>Fully achieved</b>
6. Provide compelling and entertaining programming for the wider television audience	Broadcast 6,421 entertaining hours for the wider national audience (see Figure 24 and Figure 25 below for target and met hours) <b>Mostly achieved</b>
7. Deliver creative and engaging Irish language online and digital content to address changing audience behaviours	Invest €120k in, and further develop, non-linear content (in addition to €445k in capital funding) (1 key metric) <b>Fully achieved</b>
8. Continue to innovate and develop our technology to advance the quality of our content and our means of connecting with audiences	Continue to enhance TG4 systems and technology within the target capital budget (7 qualitative metrics; see Figure 26 below for target capital budget and spend) <b>Fully achieved</b>

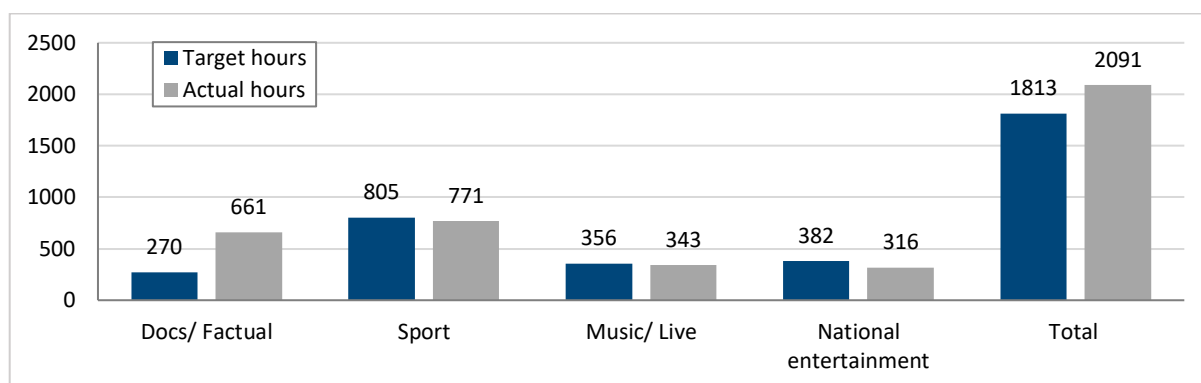
- 4.20 The thematic heading of Content – High Quality and Distinctive also contains four commitments, mostly aimed at producing and broadcasting content for all audiences in Ireland. The first two commitments are structured around the audience poles of core Irish-language speaking audiences and the wider national audience.
- 4.21 For the core audience, TG4 had a target to broadcast 2,339 hours across a range of genres (set out in Figure 23) as well as a wider target to broadcast 4,152 hours in the Irish language. These metrics were mostly achieved, with total Irish language broadcast hours at 4,484 in the year, and hours for the core audience at 2,393.<sup>67</sup>
- 4.22 Within this, music and entertainment hours came in slightly under the targeted level but were offset by hours of children’s content which came in 70 hours over the target. On the whole, we consider this target fully achieved.

<sup>67</sup> TG4 have stated to Mediatique separately that they consider all Irish language hours as core audience hours, i.e., the number of hours available for the core audience was 4,484 in 2019, with the hours for the national audience made up of the remaining licensed hours. However, for the purposes of this report, we have elected to follow the breakdown of hours as set out in their ASPC 2019 (written at the beginning of 2019) which makes mention of the number of Irish language hours as a key metric for performance of core audience targets, but does not suggest this is the total broadcast output specifically for the core audience.

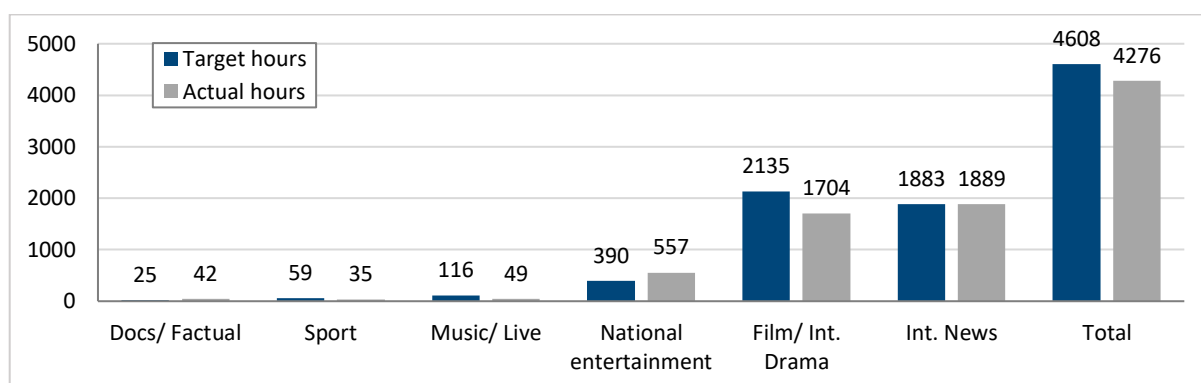
**Figure 23: Broadcast hours for core Irish language audience (targets vs actual), 2019**


Source: TG4.

- 4.23 For the wider national audience, TG4 set a target to broadcast 6,421 hours, again with further genre breakdown metrics within this. Unlike the broadcast content for the core audience (all of which is produced or versioned), programming for the wider national audience is split between produced/versioned and licensed content. These are set out in Figure 24 and Figure 25.

**Figure 24: Broadcast produced/versioned hours for wider national audience (targets vs actual), 2019**


Source: TG4.

**Figure 25: Broadcast licensed hours for wider national audience (targets vs actual), 2019**


Source: TG4.

- 4.24 The results for the wider national audience hours were more mixed, with produced/versioned sport, music/live and national entertainment coming in under targeted levels, although these were offset by documentaries/factual hours which came in at 661 hours, well above the targeted 270. This meant the

overall metric for produced/versioned hours for the wider national audience (1,813) was fully achieved (2,091).

- 4.25 On licensed content, this came in 332 hours under the target (4,276 against 4,608), with particularly sharp declines in film/international drama and music. However, as TG4 notes, fewer licensed hours means a greater proportion of the broadcasting schedule was in Irish (as licensed broadcast hours are in English or other foreign languages) and produced/versioned. While this is generally positive for TG4's objects, the target as it stands can only be considered mostly achieved rather than fully achieved.
- 4.26 The third commitment under the Content heading called for an investment of [X] in non-linear content, on top of [X] of capital investment in non-linear platform development. Both metrics were met, with TG4 investing [X] in non-linear content (see Figure 30) and [X] in non-linear platform development (see Figure 26).

**Figure 26: TG4's capital budget versus actual capital investment (in €000s), 2019**

Capital investment	Budget	Actual spend
IT	[X]	[X]
Broadcast and engineering infrastructure	[X]	[X]
Distribution	[X]	[X]
Buildings	[X]	[X]
Business continuity	[X]	[X]
Kids Portal*	[X]	[X]
News and Entertainment Portal*	[X]	[X]
Apps and Web*	[X]	[X]
TG4 Archive	[X]	[X]
Data analytics	[X]	[X]
Video storage	[X]	[X]
Replacement of the HR system	[X]	[X]
CBL/VAT	[X]	[X]
<b>Total</b>	<b>[X]</b>	<b>[X]</b>

Source: TG4. \* These rows set out the capital investment in non-linear platform developments as described in Commitment 7.

- 4.27 The final commitment under the Content heading is 'continue to innovate and develop our technology to advance the quality of our content and our means of connecting with audiences'. To accomplish this, TG4 set 18 development initiatives across seven headings of: innovation, archive, content distribution, broadcast technologies, social media/mobile platforms, buildings and other systems developments. Of 18 development initiatives, 13 were fully achieved, four more were mostly achieved but one was not; the replacement of the HR system has been postponed.
- 4.28 Of the four Content commitments, these were on the whole successful, with three fully achieved and one mostly achieved. This was due to fewer licensed hours being broadcast than targeted, although as TG4 suggests (and we agree) this is not necessarily a net negative for the overall TG4 schedule nor indeed does it conflict with TG4's ambitions for its content provisioning for national audiences.

### Promotion and Development of the Irish Language and Culture

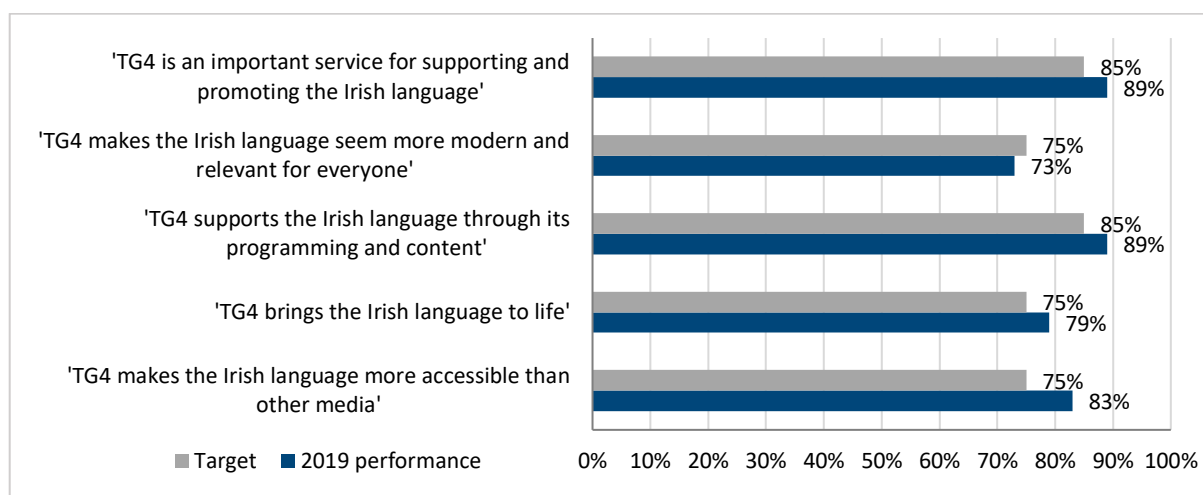
Commitment	Target
9. Provide a broadcast and content service which reflects Irish society and the voices of its children and which helps to restore momentum to the Irish language	<p>Provide content which reflects Irish society and culture (1 key metric)</p> <p><b>Fully achieved</b></p> <p>Reflect Irish children's voices by providing them with unique content which reflects Irish culture and their lives (2 key metrics)</p> <p><b>Not achieved</b></p> <p>Contribute to restoring momentum to the Irish language (5 key metrics)</p> <p><b>Fully achieved</b></p>
10. Protect our investment in Irish language talent and creativity and deliver strong original Irish content in conjunction with the independent production sector	<p>Maintain investment in the Irish independent production sector (2 key metrics)</p> <p><b>Fully achieved</b></p> <p>Support its further advancement through a range of content/talent development initiatives (key initiatives as below)</p> <p><b>Fully achieved</b></p>
11. Continue to develop our Irish language Digital Archive	<p>Deliver a significant share of the 3rd Irish language Digital Archive project (2 key metrics)</p> <p><b>Fully achieved</b></p>

4.29 TG4's ninth commitment, the first under the Promotion and Development of the Irish Language and Culture heading, (the first to be measured by more than one target) is split into three targets. The first is to provide content which reflects Irish society and culture and is measured primarily by an audience perception metric using the same phrasing. Against a targeted 70%, 76% of those surveyed agreed that TG4 reflects Irish society and culture, meaning the target was fully achieved. A range of development initiatives for women's sport and Gaelic Games, community-based initiatives (including Cine4, Comórtas Peile at 50, New Year's Eve and Oireachtas na Samhna) and online and social media content provision, were also delivered during the year

4.30 The second target under the ninth commitment was to reflect Irish children's voices. Here again, two audience perception metrics are used, although in this case neither were met:

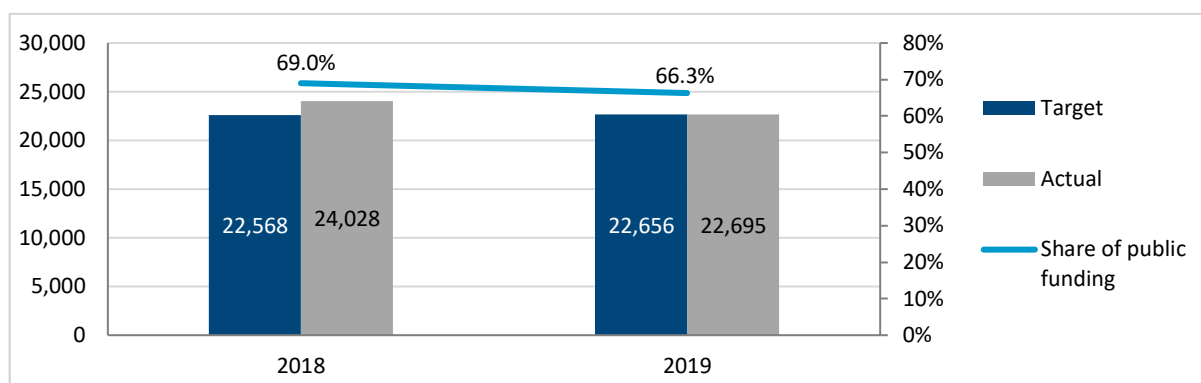
- TG4 provides content which reflects Irish children's voices: 46% against a target of 50%
- TG4 is especially committed to home-grown children's programming and content: 47% against a target of 50%.

4.31 TG4's target to contribute to restoring momentum to the Irish language was measured by five key metrics in the form of audience perception data, with four initiatives also accomplished during the year. The audience perception metrics are presented in Figure 27.

**Figure 27: TG4 performance against key public perception metrics, 2019**

Source: TG4.

- 4.32 With the exception of 'TG4 makes the Irish language more accessible than other media', a new metric not tracked in previous years, performance was down on 2018, although only one 'TG4 makes the Irish language seem more modern and relevant for everyone' dipped below targeted level (at 73% against a target of 75%).
- 4.33 Of the initiatives laid out under this commitment to restore to the momentum of the Irish language, all four were achieved:
- Continued participation in partnerships to contribute to the Government Irish Language Strategy (2010-2030);
  - Delivery of third Digital Archive project (discussed in further detail below);
  - Extension of the Irish learning resource, TG4.ie/foghlaim Portal, and partnerships with COGG, Tuairisc.ie Foghlamóiri and the Irish Independent; and,
  - Young Irish talent development with four graduate placements, two live broadcast events for young talent, the continuation of TechFéile and Bloc/Molscéal workshops.
- 4.34 The next commitment – combined of two targets to protect investment in Irish language talent and creativity and to deliver strong original Irish content in conjunction with the independent production sector – is evaluated through 2 metrics: spend on produced/versioned programmes and the share of TG4's public funding this represents. Both targets were met, with share of public funding at 66.3% against a targeted 66.2%.

**Figure 28: Target and actual spend on produced/versioned programmes (in €000s), 2018-2019**

Source: TG4.

- 4.35 Four key initiatives were implemented in 2019 to support and strengthen the independent (specifically Irish language) production sector.<sup>68</sup> These relate to commissions and multi-annual agreements, continued delivery of *Ros na Rún* and feature films under the Cine4 scheme, and Irish language talent development and training, all of which were achieved in the year.
- 4.36 The final commitment was to continue to develop the Irish language Digital Archive, specifically to undertake the indexing, digitisation and cataloguing of a significant proportion of Project 3 (the preservation of Irish language children's, entertainment, drama and sports programming). While this is expected to be fully completed in 2021, all 2019 deliverables were accomplished and thus the commitment was fully achieved.
- 4.37 There were five targets across three commitments under the thematic heading of Promotion and Development of the Irish Language and Culture. In 2019, performance was successful, with only one target not met. However, as in the Audience section, the target not met was the one related to children's services and content.

### Transparency and Efficiency

Commitment	Target
12. Ensure we meet our budget targets, make the best use of our public funding and deliver efficiency and value for money	<p>Make the best use of public funding and meet budget targets (3 key metrics)</p> <p><b>Fully achieved</b></p> <p>Broadly maintain commercial income share of total funding and income (1 key metric)</p> <p><b>Fully achieved</b></p> <p>Deliver value-for-money (4 key metrics)</p> <p><b>Fully achieved</b></p> <p>Operate in an efficient manner (4 key metrics)</p> <p><b>Fully achieved</b></p>

<sup>68</sup> TG4 continued to engage with Screen Producers Ireland in 2019 to negotiate on Terms of Trade and a possible rate card agreement. At time of writing, these negotiations were being finalised.



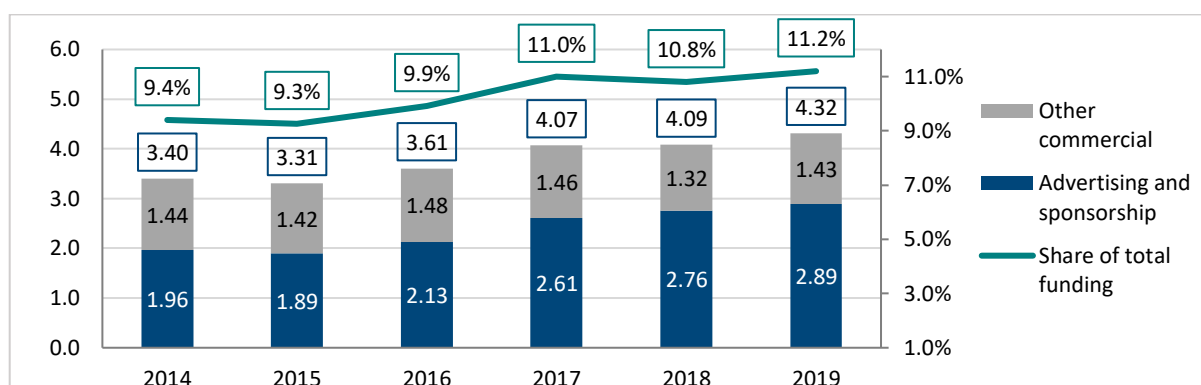
4.38 There is a single commitment under the Transparency and Efficiency heading, measured by four targets. The first is to make the best use of public funding. There are three key metrics for this target. These are:

- To meet budget targets, including a commitment to spend 70% of all public funding on Irish language content;
- To ensure public funding is used for public service objects only; and,
- To ensure compliance with EU Commission State Aid Rules for PSBs.

4.39 We have not replicated in detail TG4's budget targets and actual budget spend, other than to confirm that both operating and capital budgets were delivered on target. As part of this, TG4 spent €26.3m on Irish language content; 77%<sup>69</sup> of total public funding, performing well against a projected 70%. We can also confirm that TG4 complied with the rules on State Aid for PSBs.

4.40 TG4 succeeded in maintaining its commercial income share of total funding, which grew to 11.2% with advertising and sponsorship income reaching €2.89m, and other commercial income up 8.3% on the previous year. Together, total commercial income came to €4.32m against a targeted performance metric of €3.84m.

**Figure 29: TG4's commercial income by type and % share of total funding, 2014-2019**



Source: TG4.

4.41 A 4.7% decline in total TV advertising in the year (detailed in Figure 9) represents a challenging market for all, making TG4's performance even more notable: the commercial share of total funding for 2019 – 11.2% - is the highest it has been since 2007.

4.42 The third target under the Transparency and Efficiency commitment is to deliver value-for-money. Value-for-money is measured through four metrics: programme spend, per-hour costs, the level of investment in the Irish independent production sector and an assessment on their economic impact in the year. Investment in the independent production sector is also one of the key metrics for Promotion and Development of Irish Language and Culture heading and has already been addressed (see Figure 28).

<sup>69</sup> This includes spend on programming, archive material, subtitles, rights and independent sector development. The majority – €23.165m – was spent on produced/versioned Irish language content.

**Figure 30: TG4's target and actual spend (in €000s) by genre, 2019**

Genre	Target spend		Actual spend	
	Produced/ versioned	Licensed	Produced/ versioned	Licensed
Documentaries	[X]	[X]	[X]	[X]
Drama/Irish soap	[X]	[X]	[X]	[X]
Sport	[X]	[X]	[X]	[X]
Music	[X]	[X]	[X]	[X]
Children's	[X]	[X]	[X]	[X]
Entertainment	[X]	[X]	[X]	[X]
News & Current Affairs	[X]	[X]	[X]	[X]
Science & Technology	[X]	[X]	[X]	[X]
Religion	[X]	[X]	[X]	[X]
Non-linear	[X]	[X]	[X]	[X]
Other	[X]	[X]	[X]	[X]
<b>Total</b>	[X]	[X]	[X]	[X]

Sources: TG4.

- 4.43 The table shows that, on balance, TG4 met its target spend in 2019 across all produced/versioned and licensed genres, although spend on documentaries and entertainment were slightly lower than targeted. Overall, total spend on content was 2% above the level specified for 2019.
- 4.44 Further, both the cost per broadcast hour and the cost per viewer hour remained stable at the same rates as in 2018 (at €5,250 and [X] respectively), thus meeting the key metrics in 2019.
- 4.45 The last metric for measuring value-for-money is an assessment of TG4's economic impact. TG4's total (direct, indirect and induced) contribution to national output was €66m in 2019, with an employment impact of 1,023 full-time equivalent jobs.
- 4.46 The final target under the Transparency and Efficiency commitment is to operate in an efficient manner. This is measured by five key metrics: programming share of expenditure, staff costs share of expenditure, overheads share of expenditure, audience yield<sup>70</sup> and the completion of other qualitative efficiency initiatives (1% increase in staff costs and 3% increase in overheads).
- 4.47 The three shares of expenditure metrics – all met – are presented in the table below.

<sup>70</sup> This is presented in para 4.21.

**Figure 31: TG4's budget spend versus actual performance (in €000s) in key expenditure categories, 2019**

Measure	Budget		Actual	
	Spend	Share of opex	Spend	Share of opex
Total programming	€27.64m	74.2%	€28.23m	-
Programming excl. staff costs	€25.84m	-	€26.12m	-
Total staff costs	€6.664m	17.9%	€6.457m	16%
Staff costs excl. production staff	-	13%	€4.5m	11.3%
Overheads	€2.42m	6.5%	€2.516m	6.3%

Source: TG4.

- 4.48 In addition to the table above, one of the two efficiency initiatives was met, with staff costs rising 1% on the previous year (although this was due to rising head count) and overheads were up 4.2%, against a targeted 3%.
- 4.49 Generally though, performance across all key metrics for the targets within the Transparency and Efficiency targets were positive. In particular, commercial revenue generation performed well against its targets and indeed well against the TV advertising landscape more generally. Consequently, spend across all targets were fairly well achieved.

#### Trust and Good Governance

Commitment	Target
13. Be accountable to our stakeholders and ensure: compliance with all codes and regulations; diversity and inclusiveness in our services; and the highest standards of integrity, professionalism and quality	<p>Ensure accountability to stakeholders (4 qualitative key metrics) <i>Fully achieved</i></p> <p>Ensure compliance with all codes and regulations (3 qualitative key metrics) <i>Fully achieved</i></p> <p>Ensure diversity and inclusiveness (1 quantitative and 1 qualitative key metric) <i>Fully achieved</i></p> <p>Deliver the highest standards of integrity, professionalism and quality (5 qualitative key metrics) <i>Fully achieved</i></p>

- 4.50 The final commitment, and the sole commitment for the Trust and Good Governance heading, is measured by four targets, covering accountability, compliance, diversity and inclusiveness and to make sure TG4 delivers the highest standards of integrity, professionalism and quality.
- 4.51 We noted in our 2018 review that many of the key metrics are hygiene factors for the running of the corporation, rather than direct indicators of performance so we have elected not to review each metric individually other than to say overall performance across all four targets was fully achieved.
- 4.52 It is worth drawing out, however, the results of an Ipsos MRBI survey carried out by TG4 during the year to assess audience perception of TG4's commitment to representing diversity and alternative

viewpoints. Against a target of 30% TG4 performed very well, achieving a 67% agree/strongly agree rating.

### **Audience yield<sup>71</sup>**

#### ***Hours and spend***

- 4.53 In 2019, TG4 spent €23.2m on produced or versioned content, and an additional €1.6m on licensed content across its two audience poles.<sup>72</sup> As in previous years, all content for the core audience is produced or versioned, whereas content for the wider national audience is made up of licensed and produced/versioned content.
- 4.54 As part of its requirements outlined in the Broadcasting Act 2009, RTÉ must provide TG4 with the equivalent of one hour of content per day each year. In 2019, RTÉ provided TG4 with [X] hours of content in the year, the value of which was [X], bringing the overall value of content shown on TG4 in the year to [X].<sup>73</sup>
- 4.55 While TG4 does not publish a public breakdown of how spend is allocated across audience poles, we have confirmed that the data laid out in Figure 32 is accurate for the purposes of this review.

**Figure 32: Content spend (€000s) by genre and audience pole, 2019**

	Core Irish language audience			Wider National audience		Total spend
	Produced/ versioned	Licensed	RTÉ contribution	Produced/ versioned	Licensed	
Documentaries/ Factual	[X]	[X]	[X]	[X]	[X]	[X]
Drama/Irish soap	[X]	[X]	[X]	[X]	[X]	[X]
Sport	[X]	[X]	[X]	[X]	[X]	[X]
Music	[X]	[X]	[X]	[X]	[X]	[X]
Children's	[X]	[X]	[X]	[X]	[X]	[X]
Entertainment	[X]	[X]	[X]	[X]	[X]	[X]
Film/ International Drama	[X]	[X]	[X]	[X]	[X]	[X]

<sup>71</sup> Audience yield analysis is one indicator of efficiency in the delivery of services to different audiences. It cannot, however, account for the public service factors (impact, public value) to which TG4 must adhere in order to fulfil its obligations as a public service broadcaster. Moreover, any yield exercise risks obscuring shifts in expenditure and viewing that may change year to year for various reasons not strictly indicative of content efficiency. For these reasons, yield analysis has its limitations. See Methodology and Data in Section 1 for further comment.

<sup>72</sup> For the purposes of the audience yield analysis, we exclude two categories of content spend, 'Non-linear' and 'Other'. In total, TG4 spent €148k and €120k in each category respectively, meaning that for the remainder of the report, the total used for produced/versioned spend is €22.9m.

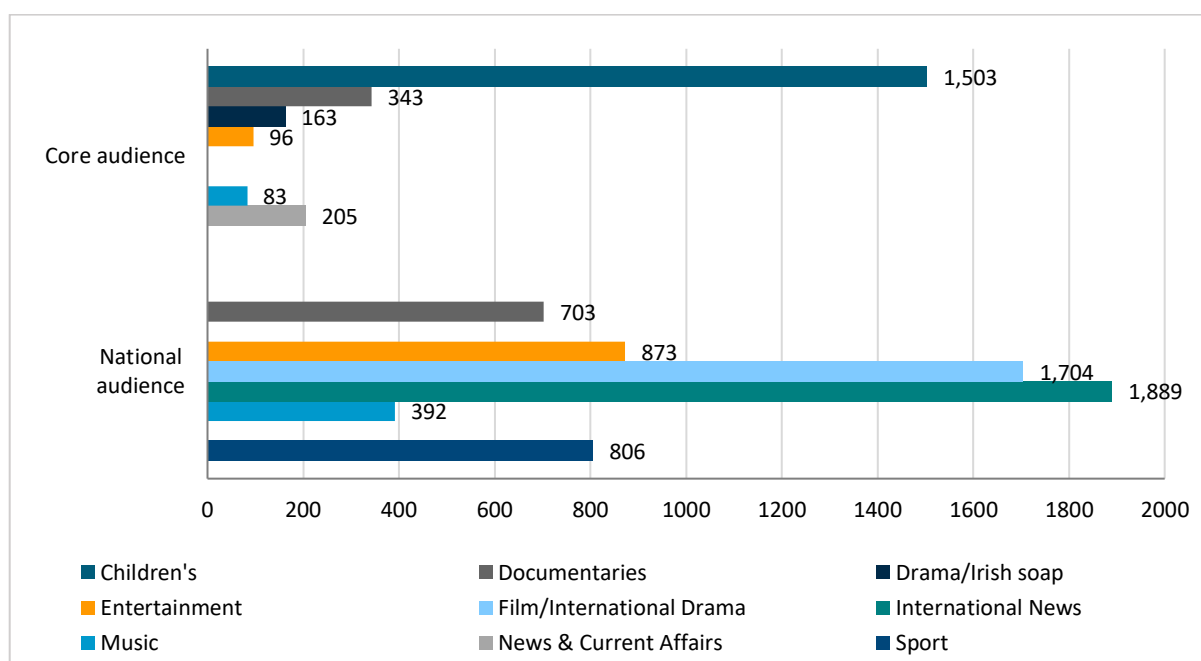
<sup>73</sup> In 2019, RTÉ was investigated by An Coimisinéir Teanga in relation to the amount of Irish language content it provides to audiences across Ireland. The Commissioner found RTÉ in breach with regard to programming on linear broadcast only and RTÉ responded with an implementation plan to increase Irish language broadcast hours from 2020 onwards. While the hours it provided to TG4 rose substantially in 2019, this was due to an under-delivery of broadcast hours in 2018 and a renewed partnership between the two broadcasters to share content between them.

	Core Irish language audience			Wider National audience		Total spend
	Produced/ versioned	Licensed	RTÉ contribution	Produced/ versioned	Licensed	
New & Current Affairs	[X]	[X]	[X]	[X]	[X]	[X]
<b>Total</b>	[X]	[X]	[X]	[X]	[X]	[X]

Source: TG4.

- 4.56 The total spend across these various categories and genres produced 8,760 broadcast hours; a total of 2,393 hours intended for the core audience, and 6,367 for the wider national audience.<sup>74</sup> Within these, core audience hours are dominated by children's programming (1,503 hours), and national audience hours by film/international drama and international news (1,704 and 1,889 respectively).

**Figure 33: TG4 total broadcast hours by genre and audience pole, 2019**



Source: TG4.

- 4.57 Against 2018, hours of content for the core audience were down (353 hours in total), and thus hours of content for the national audience were up. These new hours for the wider national audience were roughly split between produced/versioned and licensed content. This meant the amount of produced/versioned content for the national audience grew from 2018, but not enough to offset the

<sup>74</sup> As stated previously, the core audience is served by more than just the 2,393 high-quality hours referenced here; TG4 broadcast 4,484 hours of Irish language content in the year. However, what is referred to as the core audience output in this section (i.e., the 2,393 hours of content) is that content which is produced/versioned by TG4 with an Irish-speaking audience in mind and with less appeal to a wider audience. This includes children's content, documentaries, news and current affairs, drama and Irish soap and some music. There is little overlap with content for a wider national audience, even where this is produced/versioned by TG4.

hours lost from the core audience; overall produced/versioned broadcast hours across TG4's entire schedule fell, from 4,672 to 4,484.

### Consumption

- 4.58 TG4 uses two metrics for measuring audience consumption: TAM Ireland/Nielsen data and survey data from Fios Físe. The research from Fios Físe allows for greater granularity around core audience viewers, their habits and preferences, meaning TG4 can more accurately respond to the needs of core Irish language speakers. For 2019, average weekly reach from the Fios Físe survey was 71%. This was down from 85% in the previous year.
- 4.59 Weekly reach across all individuals from the TAM Ireland/Nielsen data – the measure for wider national audience performance<sup>75</sup> – was somewhat similar but less severe: down 2% from 29.6% in 2018 to 29.0% in 2019.

**Figure 34: Weekly reach (TG4 and total TV) by demographic, 2019**

	Indivs (4+)	Male (4+)	Female (4+)	Children	15-34	35-54	55+
<b>TG4</b>	29.0%	30.6%	27.5%	11.2%	14.4%	29.8%	52.5%
<b>Total TV</b>	85.4%	84.1%	86.5%	79.2%	74.8%	89.7%	93.9%

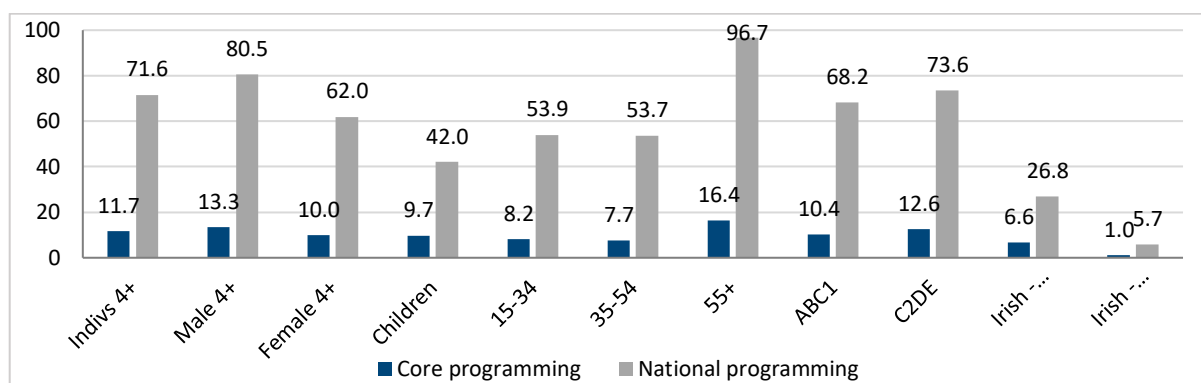
	Irish - frequent	Irish - occasional	Irish - never	ABC1/F1	C2DE/F2	Hskprs	Hskprs w/kids
<b>TG4</b>	30.9%	32.9%	29.8%	26.4%	31.4%	37.2%	24.7%
<b>Total TV</b>	85.8%	86.4%	85.9%	84.6%	86.0%	92.3%	92.3%

Source: TAM Ireland/Nielsen TAM.

- 4.60 However, data from both sources must be set against the context of declining weekly reach across all TV viewing; down from 86% to 85.8%.
- 4.61 While reach for TG4 was down, average viewing actually increased. In 2019, viewers watched on average 1 hours and 23 minutes of content on TG4 each week, up 5 minutes from 2018. Individuals (4+) in the core category contributed an additional 2.1 minutes to the weekly average, and those in the national category contributed an additional 3 minutes a week to the average on the previous year.

<sup>75</sup> To a degree, the audience data from TAM Ireland/Nielsen will contain a component of core audience viewing but, given the scale of national audience viewing we have not attempted to remove this from the data. This approach is consistent with previous years.

**Figure 35: Average weekly minutes per viewer by audience pole, 2019**

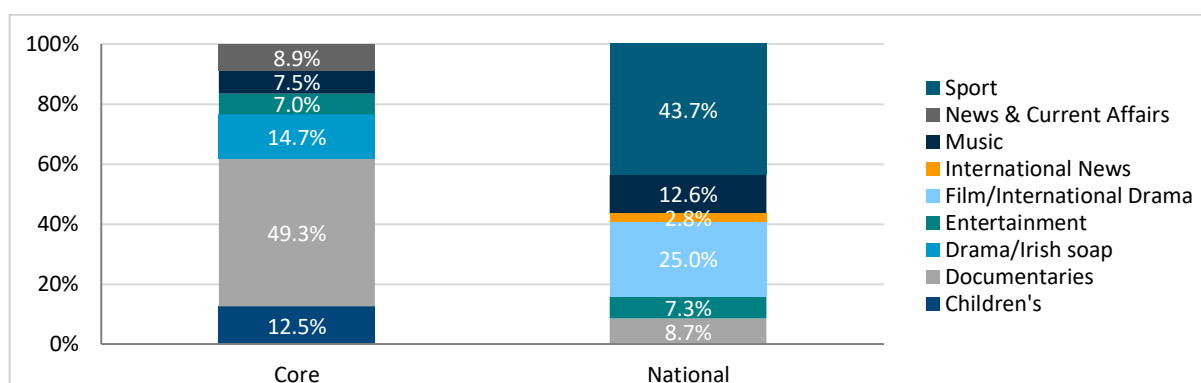


Sources: TAM Ireland/Nielsen TAM, Mediatique.

4.62 Because of this, total user hours in the year rose to 91.3m against 85.8m in 2018. Both audience poles saw uplift within this: the core audience user hours rose to 12.9m from 10.5m, and user hours for the national audience similarly rose to 78.5m from 75.3m.

4.63 As in 2018, the genre priorities of each audience pole differ considerably; documentaries dominate core audience viewing while sport makes up the majority of user hours for the national audience.

**Figure 36: Total user hours by audience pole by genre, 2019<sup>76</sup>**



Source: Mediatique.

4.64 There is a significant caveat here which is that the twin-pole strategy is primarily a tool for commissioning and allocating funding to programming categories. It does not reflect the reality of audience viewing; for example, it is possible for a viewer categorised as part of the wider national audience to watch an Irish soap, or conversely a fluent Irish speaker to watch an international drama on the channel.

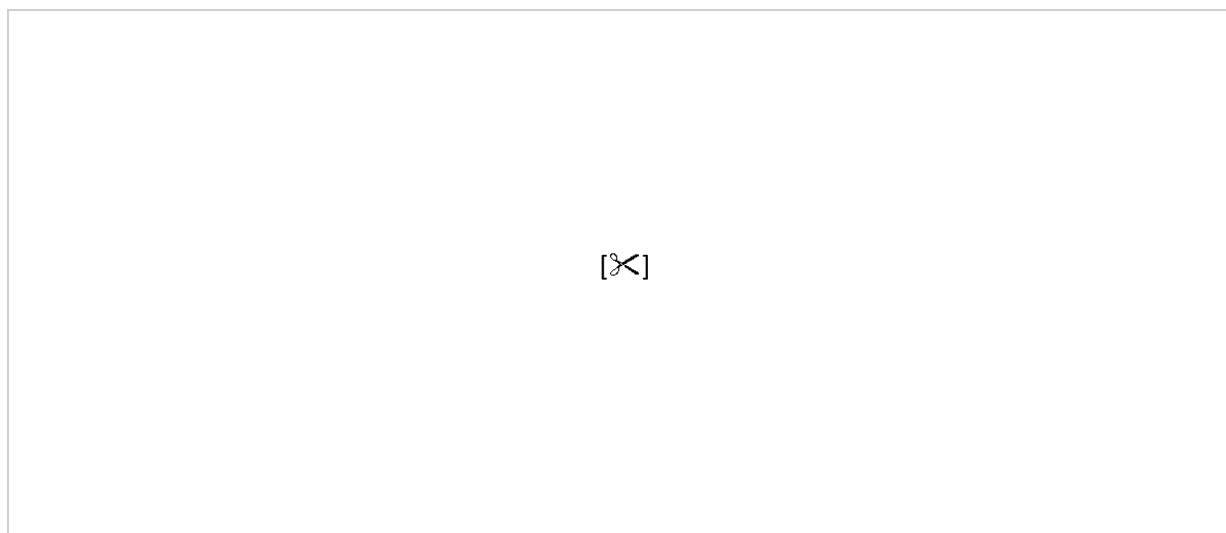
4.65 However, with no neat way of extricating one from the other, we follow the logic of TG4's twin-pole strategy and treat the data for the core audience and national audience separately. This is in line with the methodology for audience yield analysis in previous years.

<sup>76</sup> Under the twin-pole strategy, most genres are allocated to one audience or the other. There are only three – Entertainment, Music and Documentaries – which are present in both.

Yield analysis

- 4.66 In 2019, for every euro spent by TG4 on programming, it delivered [X] hours of viewing. By audience pole, the yield for the core audience was [X] and the national audience yield was [X] user hours per euro.

**Figure 37: TG4 audience yield (in user hours per euro) by demographic, 2019**



Source: Mediatique.

- 4.67 These results are ahead of the previous year, with the overall yield and the national audience yield both up 7% from 2018 levels (from [X] and [X] respectively), and the core audience yield up 22% from [X] user hours per euro last year.
- 4.68 Consistent with wider patterns of TV viewing, older demographics continue to be best served by TG4; accounting for [X] user hours per euro against [X] from 15-34 year olds (and [X] from 4-14 year olds). Equally, as in 2018, TG4 skews male; [X] user hours per euro versus [X] for female audiences.
- 4.69 It should be noted that the lower yields for frequent and occasional Irish speakers are a product of smaller audience universes: 5% and 4% of the 'all' individuals (i.e., 4+) universe respectively.<sup>77</sup>
- 4.70 Taking the core audience yield first, we see that the growth from last year ([X]) masks the differences in various genres performance. Some – including children's, entertainment and news/current affairs – slipped, while others – documentaries/factual and music – increased considerably.

**Figure 38: Audience yield (in user hours per euro) by genre and demographic for core audience pole (including RTÉ contribution), 2019**

Core	Children's	Documentaries	Drama/Irish soap	Entertainment	Music	News/Current Affairs
Indivs (4+)	[X]	[X]	[X]	[X]	[X]	[X]
Male (4+)	[X]	[X]	[X]	[X]	[X]	[X]
Female (4+)	[X]	[X]	[X]	[X]	[X]	[X]
4-14	[X]	[X]	[X]	[X]	[X]	[X]

<sup>77</sup> TAM Ireland/Nielsen TAM.



Core	Children's	Documentaries	Drama/Irish soap	Entertainment	Music	News/Current Affairs
15-34	[X]	[X]	[X]	[X]	[X]	[X]
35-54	[X]	[X]	[X]	[X]	[X]	[X]
55+	[X]	[X]	[X]	[X]	[X]	[X]
ABC1/F1	[X]	[X]	[X]	[X]	[X]	[X]
C2DE/F2	[X]	[X]	[X]	[X]	[X]	[X]
Irish – frequently	[X]	[X]	[X]	[X]	[X]	[X]
Irish – occasionally	[X]	[X]	[X]	[X]	[X]	[X]

Source: Mediatique.

- 4.71 Of the genres which saw yield decrease, the most important is children's (given TG4's strategic focus on engaging with young people in its ASPC). The yield for this content fell 30% from [X] to [X] among all individuals and at a similar rate among 4-14 year olds (from [X] to [X] user hours per euro. This is likely due to the combination of a significant increase in spend on children's content in the year – from [X] to [X]– and the continued decline in overall viewing to live children's programming.
- 4.72 Documentaries/factual and music, on the other hand, performed very well, rising 54% and 141% respectively. Both genres were the best-performing last year and this continues to be the case.
- 4.73 The audience yields for the wider national audience pole routinely exceed those of the core audience pole, but this year the results for entertainment were significantly higher, rising 596% from 25.9 user hours per euro to just under [X] for individuals (4+).

**Figure 39: Audience yield (in user hours per euro) by genre and demographic for national audience pole, 2019**

National	Documentaries	Entertainment	Film/international drama	Music	Sport
Indivs (4+)	[X]	[X]	[X]	[X]	[X]
Male (4+)	[X]	[X]	[X]	[X]	[X]
Female (4+)	[X]	[X]	[X]	[X]	[X]
4-14	[X]	[X]	[X]	[X]	[X]
15-34	[X]	[X]	[X]	[X]	[X]
35-54	[X]	[X]	[X]	[X]	[X]
55+	[X]	[X]	[X]	[X]	[X]
ABC1/F1	[X]	[X]	[X]	[X]	[X]
C2DE/F2	[X]	[X]	[X]	[X]	[X]
Irish – frequently	[X]	[X]	[X]	[X]	[X]
Irish – occasionally	[X]	[X]	[X]	[X]	[X]

- 4.74 However, while average audiences did rise for entertainment programming on TG4, this is more likely due to a very significant decrease in spend on licensed entertainment content for the national audience. In 2019, TG4 spent just [X] on licensed entertainment, compared to [X] the year before.
- 4.75 It was not the only genre to experience an uplift on the previous year; yield for both music and sport also rose for all individuals and across the demographics. Film/international drama fell slightly (13%) but remains the second-best performing genre for the national audience at a healthy 12.6 user hours per euro.
- 4.76 As part of TG4's content offering, it broadcast [X] hours of content from RTÉ in 2019. This was made up of [X] hours of news and current affairs content (of which [X] hours were *Nuacht TG4*) and [X] hours of children's content as well as a range of other genres including entertainment, sport, factual and drama.<sup>78</sup>
- 4.77 Although these hours add to the financial value of TG4's content provision, they do not reflect TG4's actual expenditure on content. By stripping out RTÉ's financial contribution, we can assess the audience yield against what TG4 itself actually spends.

**Figure 40: Audience yield (in user hours per euro) by genre and demographic for core audience pole (TG4 costs only), 2019<sup>79</sup>**

Core audience	Children's	Documentaries	Drama/Irish soap	Entertainment	Music
Indivs (4+)	[X]	[X]	[X]	[X]	[X]
Male (4+)	[X]	[X]	[X]	[X]	[X]
Female (4+)	[X]	[X]	[X]	[X]	[X]
4-14	[X]	[X]	[X]	[X]	[X]
15-34	[X]	[X]	[X]	[X]	[X]
35-54	[X]	[X]	[X]	[X]	[X]
55+	[X]	[X]	[X]	[X]	[X]
ABC1/F1	[X]	[X]	[X]	[X]	[X]
C2DE/F2	[X]	[X]	[X]	[X]	[X]
Irish – frequently	[X]	[X]	[X]	[X]	[X]
Irish – occasionally	[X]	[X]	[X]	[X]	[X]

Source: Mediatique.

- 4.78 The overall audience yield increases from [X] to [X] user hours per euro with core audience yield up from [X] to [X]. In 2018, the result was an increase from [X] to [X] in total, with core up from [X] to [X], so the results for 2019 suggest greater efficiency in content costs for viewing outcomes for TG4.

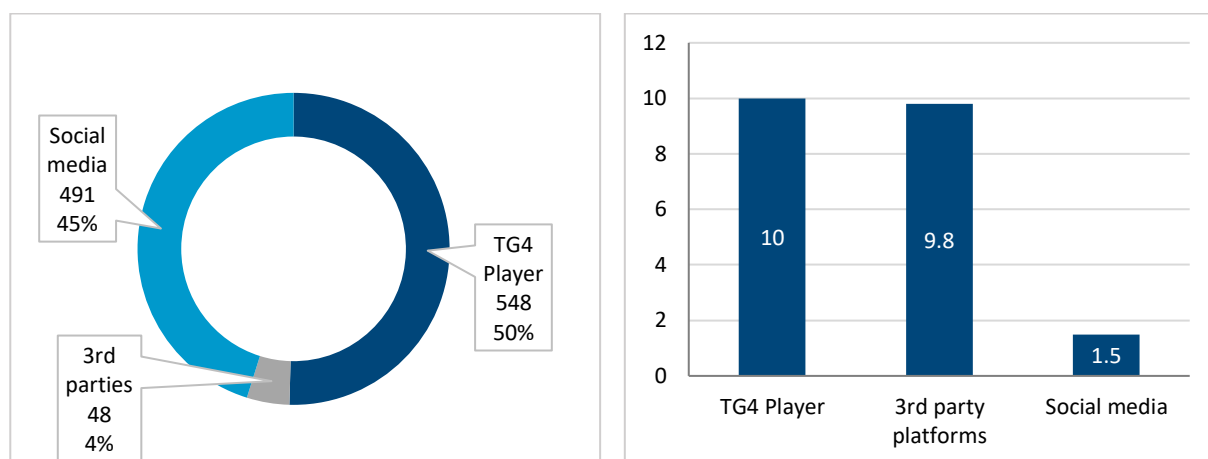
<sup>78</sup> Via RTÉ's contribution to *Ros na Rún*.

<sup>79</sup> RTÉ's contribution is the sole source of funding for news and current affairs content, which is therefore not included in the table. As all RTÉ contributions are for the core audience, there are no changes to the audience yield for the wider national audience.

## Online

- 4.79 As in 2018, data availability for TG4’s online services precludes the construction of an audience yield analysis strictly equivalent to the one possible for its broadcast content.
- 4.80 Having said that, total hours spent with TG4’s online video services – TG4 Player, video on social media, Bloc, and Player content on third-party platforms – rose from 930,969 hours in 2018 to over 1m in 2019 (1.086m).

**Figure 41: Total TG4 hours watched by online service (in 000s) and average duration (in minutes), 2019<sup>80</sup>**



Source: TG4, Mediatique.

- 4.81 Almost all of these additional hours on 2018 performance were due to a significant increase in hours of watching on social media, which jumped from 328,178 hours in 2018 to 490,766 hours in 2019. Hours watched on the TG4 Player on third-party platforms increased almost 70% (from 28,333 to 47,834 hours). While TG4 Player still made up 50% of all hours watched on TG4’s online services, total hours spent with the site fell (from 574,457 hours to 548,333) in 2019, as did average minutes per view (from 13 to 10).
- 4.82 This was not as dramatic as the fall in average duration of views on TG4 Player on third-party platforms, which fell from 22 minutes to just under 10 minutes. This may be due to greater availability on new platforms (for example, Virgin Media, Saorview Connect and RTÉ Player), which were not available for the whole of 2018.
- 4.83 Non-linear performance among younger audiences were also mixed, with page views down but time spent on social media video views up (equating to 10,280 hours of content watched) and Bloc views at 12,291 hours (up 53% from 8,030 hours in 2018).

## Conclusions

- 4.84 For 2019, we have adapted how we assess TG4’s performance, in line with its own changes to the ASPC: namely by greater distinction between targets and key metrics. In this conclusion, where we evaluate TG4’s overall performance, we thus have focused whether targets have been achieved, rather than at the key metrics level (this is shown in the table below).

<sup>80</sup> Total hours for social media are calculated by dividing minutes watched on social media by total short-form video views, leading to an average time per view of 1.5 minutes.

4.85 Overall, TG4 performed very well in 2019, fully achieving 19 targets and mostly achieving another two. This meant that nine of the 13 performance commitments were accomplished in the year.

Themes	Performance commitments	Total targets	% fully achieved	% fully or mostly achieved
Audiences: Impact and Reach	Preserve recent performance achieved in reach and share with each of the twin poles of our broadcast audience	1	0%	100%
	Continue to grow our non-linear audience engagement, particularly with content which targets younger audience demographics	1	0%	0%
	Meet our regulatory subtitling targets for 2019	1	100%	100%
	Engage with, and listen to, audiences and develop new ways to measure our audience impact	1	100%	100%
	<b>Audiences targets</b>	<b>4</b>	<b>50%</b>	<b>75%</b>
Content: High Quality and Distinctive	Within our budgetary parameters, deliver the most distinctive and vibrant broadcast schedule possible for our core Irish language audience	2	100%	100%
	Provide compelling and entertaining programming for the wider television audience	1	0%	100%
	Deliver creative and engaging Irish language online and digital content to address changing audience behaviours	1	100%	100%
	Continue to innovate and develop our technology to advance the quality of our content and our means of connecting with audiences	1	100%	100%
	<b>Content targets</b>	<b>5</b>	<b>80%</b>	<b>100%</b>
Irish Language Promotion and Development	Provide a broadcast and content service which reflects Irish society and the voices of its children and which helps to restore momentum to the Irish language	3	67%	67%
	Protect our investment in Irish language talent and creativity and deliver strong original Irish content in conjunction with the independent production sector	2	100%	100%
	Continue to develop our Irish language Digital Archive	1	100%	100%
	<b>Irish language target</b>	<b>6</b>	<b>83%</b>	<b>83%</b>

Themes	Performance commitments	Total targets	% fully achieved	% fully or mostly achieved
Transparency and Efficiency	Ensure we meet our budget targets, make the best use of our public funding and deliver efficiency and value for money	4	100%	100%
	<b>Transparency and efficiency targets</b>	<b>4</b>	<b>100%</b>	100%
Trust and Good Governance	Be accountable to our stakeholders and ensure: compliance with all codes and regulations; diversity and inclusiveness in our services; and the highest standards of integrity, professionalism and quality	4	100%	100%
	<b>Trust and good governance targets</b>	<b>4</b>	<b>100%</b>	100%
	<b>Grand Total</b>	<b>23</b>	<b>83%</b>	<b>91%</b>

#### Audiences: Impact and Reach

- 4.86 With only two targets – and thereby commitments – fully achieved (and one mostly achieved), Audiences was the least successful heading this year.
- 4.87 The commitments for subtitling provision and to develop new forms of audience research were accomplished and this is positive, but the two remaining commitments – measuring actual audience engagement across linear and non-linear – were not.
- 4.88 Declines in linear viewing are to be expected given structural changes in the TV landscape, but TG4 had already built a degree of decline into several of targets for the year within the ASPC (based on the results of 2018) – weekly reach and average all-day audience share for national audience, 15-34s and children's). Where metrics were missed, the most significant are the ones relating to the core audience, children and young people; the most important audiences for TG4 strategically.
- 4.89 Non-linear performance had fewer key metrics achieved than missed and thus this target (and thereby commitment) was not achieved. Building on very strong performance last year, TG4 had set ambitious key metrics against which to evaluate its non-linear performance in the year. However, this was not the reason most metrics were missed. In five out of the seven that were missed, performance was actually worse than in 2018.

#### Content: High Quality and Distinctive

- 4.90 Across Content, all but one of the four commitments were fully achieved. Of those achieved, it is particularly significant that broadcast hours and spend for the core Irish language audience was achieved and that spend on non-linear content was surpassed. These targets are important to meet in their own right, even when the ultimate reason to do so – enhancing audience performance – were not achieved, as shown above.
- 4.91 For the core audience, the hours of produced/versioned children's programming were particularly substantial, but this should not distract from lower hours in other genres. As we note in the section above, music and entertainment hours came in slightly below target for the year. However, we do recognise that differences in per-genre costs and already-squeezed content budgets will require TG4 to make difficult decisions which will ultimately have an impact on the number and nature of hours of content for the core audience.

- 4.92 For the wider national audience, outcomes against target broadcast hours were more varied. Of produced/versioned content, only documentaries/factual met the targeted hours, indeed, it outperformed by so much it made up for all the other genres not hitting their targets so that the overall produced/versioned target was also fully achieved. Of licensed content, only entertainment and international news hours were met.
- 4.93 TG4 makes the argument that fewer licensed hours of content is of benefit to the health of the channel overall (due to fewer hours in English and more Irish-produced programmes) and, to an extent, we agree. However, the targets for broadcast hours are also set with the intention of appealing to a wide range of Irish audiences and ensuring a fully-diverse content mix in accordance with TG4's public service objects. Thus, in our view, it remains important to deliver outcomes against the set targets for the year.

#### Irish Language Promotion and Development

- 4.94 Two of the three commitments for Irish Language Promotion and Development were achieved; delivery of the third project of the Digital Archive and continued investment in the Irish independent production sector.
- 4.95 Both are of critical importance to the strength of Irish and Irish-language cultural heritage and the development of a strong audio-visual production eco-system (especially outside of Dublin). In recent years, TG4 has pivoted part of its strategic mission to showcase its value as a meaningful contributor not only to the cultural health of Ireland but also to the continued development of independent producers, particularly in the Irish language. We discuss these more fully in Transparency and Efficiency but it is important to note here the impact this has under its mission to promote and develop the Irish language even outside of its broadcasting obligations to audiences.
- 4.96 Having said that, it was the commitment laying out these broadcasting obligations (to reflect Irish society and culture) that was not fully (but only mostly) met. This was due to a single target – for reflecting Irish children's voices – that was not achieved. Unlike in previous years, this was measured by audience perception data and perhaps these were set too high.

#### Transparency and Efficiency

- 4.97 The commitment under Transparency and Efficiency was fully achieved. The targets in this section relate to the funding of TG4's operations and ensuring that public funding is efficiently and appropriately spent. TG4 continues to 'live within its means' as a broadcaster and is committed to spending public money on public objects with 77% of public funding spent on Irish language content.
- 4.98 In the year, outcomes for commercial revenue were particularly positive, rising 7% even in the context of lower TV advertising revenues in the rest of the market.
- 4.99 As we stated last year, a question arises as to how best to categorise overspend and underspend against the target budget. There is an argument that extra allocation of funding in certain categories provides a positive public service outcome (for example, from additional programming spend), but there are other cases that are less clear-cut: staffing costs for example. We have not attempted therefore to adjudicate on these issues, but rather see the degree of closeness to the target budget as the best indicator of success.
- 4.100 Overall, TG4's budget was well met, with slight changes to staff costs and overheads but not significant enough to affect the general outcome. The budget was balanced and delivered appropriate value-for-money.

4.101 TG4 also tracks its economic impact which, for 2019, was found to be a contribution of €66m to national output. Monitoring this metric has been useful for TG4, especially in its arguments for increased public funding, and demonstrate its efficiency in sustaining the regional creative economy.

#### Trust and Good Governance

4.102 The four targets under the Trust and Good Governance commitment were similarly fully achieved although as we have noted, these are less true indicators of TG4's performance year on year and more the standards to which TG4 operates.

4.103 We note that – with the exception of diversity targets – these will not be carried over for the 2020 ASPC and believe that in doing so, TG4 will be better able to focus on the commitments that will drive its preferred outcomes in the years going forward.

#### Audience yield

4.104 The yield analysis showed TG4 performed very well in the year, delivering [X] hours of viewing for every euro spent (up from [X] hours in 2018) and with core audience yield increasing 22% from [X] to [X].

4.105 As ever, older audiences continue to be over-served (likely a product of greater overall linear viewing by this cohort in any event), and as in 2018, male audiences and C2DE audiences were served slightly better than their counterparts.

4.106 While top-line outcomes were positive, yield for some genres fell. The most significant were news and current affairs programming and children's programming for the core audience, but these were offset by large increases in documentaries/factual and music programming.

4.107 For the national audience, yield across most genres rose although the most significant rise – for entertainment – is something of an outlier and should not be taken as a benchmark, rising 596% due to a very dramatic budget cut while retaining a mostly stable average audience.

4.108 Across TG4, the best performing genres were documentaries and music for the core audience, and entertainment, film/international drama and documentaries for the wider national audience.

4.109 Yield for TG4 costs only (i.e. without the value of RTÉ's contribution) was equally up on the previous year (to [X] user hours per euro overall), suggesting greater efficiency on 2018.

## 5. Review of RTÉ's Annual Statement of Performance Commitments 2019

- 5.1 RTÉ is the leading TV broadcaster in Ireland, with four primary national channels: RTÉ One, RTÉ2, RTÉ News Now and RTÉjr. It also runs two time-shifted variants, RTÉ One +1 and RTÉ 2 +1 which launched in February 2019 and coincided with RTÉ One +1 becoming a 24-hour channel. Both RTÉ One and RTÉ2 are broadcast in standard and high definition ('HD'). RTÉ is also the country's leading radio broadcaster, with four national FM stations (Radio 1, 2FM, Raidió na Gaeltachta, and Lyric FM) and broadcasts a further five digital-only station brands. RTÉ also operates three online brands: RTÉ Player (for video), RTÉ Radio Player (for audio) and RTÉ.ie. It owns and operates 2RN, the transmission company, and Saorview/Saorsat, the digital terrestrial and digital satellite platforms. RTÉ is both a commissioner and producer of content.
- 5.2 The review of RTÉ's Annual Statement of Performance Commitments comes at a difficult time for RTÉ. When the ASPC for 2019 was composed – in the first quarter of the year – RTÉ had just completed its first year under a new five-year strategy framework.
- 5.3 The 2018-2022 strategy committed RTÉ to a radical restructuring to streamline the organisation and deliver cost savings across the five-year period. This, along with the Voluntary Exit Programme (already in place at the time of publication of the strategy statement), was budgeted to save RTÉ up to €24m each year between 2019 and 2022. The aim was for RTÉ to re-position itself for an IP-oriented market, focusing on delivering content of interest to younger audiences, distributing its services widely on multiple devices and re-focusing on key content categories, including news and drama.
- 5.4 However, the strategy required additional income, both commercial and public. RTÉ assumed commercial income would grow from €151m in 2017 to [X] by 2022; a growth rate in line with market trends but not enough to ensure sustainability, even with the restructuring taking place.
- 5.5 Thus RTÉ needed to see public funding increase. It argued that the amount required could be raised by three proposals already under discussion: a full reversal of the cuts made to RTÉ under the National Recovery Plan 2011-2014, the linking of the licence fee to the CPI index, and further licence fee reform to bring it in line with other European comparator countries and to cut the high evasion rate.
- 5.6 Given the urgent requirement for this funding, the 2018-2022 strategy was created on the assumption of an immediate €30m being made available to RTÉ from government to counteract years of underfunding and to head off future unsustainability. However, only €3m of incremental funding was made available for 2018, although €1.5m of this came from increased licence fee sales, with the remaining €1.5m from increased DEASP contributions.
- 5.7 For 2019, the same recommendation – of increasing funding such that public income would be €30m higher than in 2017 – was proposed and again supported by the BAI.
- 5.8 The Government's National Budget 2019 committed an additional €8.9m for RTÉ, leaving it in the challenging position of having gained public funding but not enough to get it back on track with the proposed position for 2019 as outlined in the strategy statement. Taking into account the €3m from 2018 and the €8.9m in 2019, RTÉ was still nearly €20m short of the target public funding for 2019 of



€30m. The cumulative funding gap against recommended funding by the BAI for the 2018-2022 period had reached €46.8m by the end of 2019.<sup>81</sup>

- 5.9 RTÉ benefited in 2019 from a tranche of proceeds from its 2017 sale of land at its Donnybrook campus.<sup>82</sup> A total of [€8.9m] was expended in the year, covering the costs of its voluntary exit programme ([€8.9m]), studio and post-production facility upgrades and changes to the workplace to accommodate the 'one RTÉ' re-structuring across production, commissioning, scheduling and marketing. The proceeds from the sale may only be used for certain pre-determined purposes (e.g., technology refreshment, capital investment in studios and facilities and contributions toward the costs of offering voluntary redundancies). Notably, the gains may not be applied to RTÉ's operating deficits.
- 5.10 As RTÉ itself notes: 'RTÉ's commitments for 2019 therefore do not represent the full scope of the ambition that it set out in its five-year strategy ... RTÉ remains unable to invest enough in key content and programme areas like drama, children's programming, arts and culture programming, and entertainment to drive, at the speed and scale we believe is required, our core ambition of engaging with and growing younger audiences.'<sup>83</sup>
- 5.11 The ASPC 2019 further set out that additional fundamental changes would be required in the face of no additional public funding being made available. This was codified in the 2020-2024 Revised Strategy document, published in November 2019, which included:
- Further job reductions, pay freezes and pay cuts (for staff and talent);
  - Closure of the Digital Audio Broadcast network and digital radio stations (RTÉ 2XM, RTÉ Pulse, RTÉ Gold, RTÉjr Radio and RTÉ Radio 1 Extra) and the closure of the Limerick studio;
  - Transfer of the National Symphony Orchestra to the National Concert Hall;
  - Sale of the RTÉ Guide; and
  - Closure of teletext service, RTÉ Aertel.
- 5.12 While this document is future-looking, and therefore does not affect our review of 2019 performance, it provides important context for the continued operation of RTÉ and is discussed in further detail in Section 7.

### **Performance against 2019 Commitments**

5.13 For 2019, RTÉ created six commitments under three thematic headings, these were:

- Audiences – Deliver content relevant to all Irish audiences, serving everyone, everywhere
  - Put the audience at the centre of decision-making
  - Be where the audience is – provide universal access, optimise linear and adopt digital first

<sup>81</sup> The €8.9m in proposed increased public funding for RTÉ was before accounting for the actual income from licence fees sold in 2019. In the event, licence fee income was €1.7m lower than expected, leaving RTÉ with a net increase in public funding for the year of €7.2m. We return to the implications of this on our funding recommendation for 2020 in section 7.

<sup>82</sup> These lands were sold for €107.5 million, delivering an overall net gain of €78.5m (net of sales enabling costs and after tax), which was recorded as an exceptional item in the 2017 RTÉ Annual Report.

<sup>83</sup> RTÉ's 2019 Performance Commitments, p. 5.

- Content – Captivate audiences through a more varied mix of quality that tells Ireland’s stories
  - Provide trusted, challenging and engaging content
  - Champion Irish culture
  - Celebrate diversity and cultivate Irish talent
- Sustainability – Protect the future of PSM through a sustainable RTÉ
  - Protect the future of PSM through a sustainable RTE

5.14 The commitments were evaluated by 33 individual targets of which RTÉ fully achieved 20 and largely achieved six more, meaning a remainder of seven targets were not achieved in 2019.<sup>84</sup> These are discussed in detail below.

### Audience

Commitment	Target <sup>85</sup>		Result
1: Put the audience at the centre of decision-making	Maintain public perception that RTÉ is relevant to people in Ireland today (% agree)	≥80%	76% <i>Largely achieved</i>
	Maintain public perception that RTÉ has high quality content and services (% agree)	≥75%	68% <i>Not achieved</i>
2: Be where the audience is – provide universal access, optimise linear, and adopt digital first	Maintain weekly average reach for all RTÉ services at or above 90% (18+)	≥90%	93% <i>Fully achieved</i>
	Maintain weekly average reach for all RTÉ services at or above 90% (18-34)	≥90%	90% <i>Fully achieved</i>
	Grow RTÉ’s average weekly reach via mobile and online	≥55%	55% <i>Fully achieved</i>
	Maintain RTÉ television share (adults 15+, all day)	24-26%	26% <i>Fully achieved</i>
	Maintain RTÉ radio share (adults 15+, all day)	≥30%	30.7% <i>Fully achieved</i>
	Develop a new metric of Time Spent with RTÉ and report on adults 15+ and adults 15-34	Qualitative	<i>Achieved</i> <i>See below</i>
	Maintain public perception that RTÉ programmes and services are easily accessible on a range of devices (% agree)	≥70%	74% <i>Fully achieved</i>

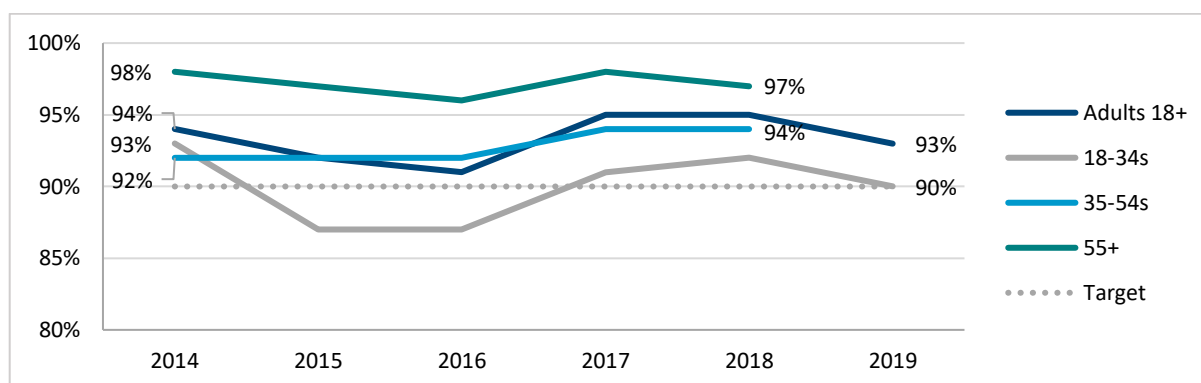
5.15 RTÉ sets out two commitments under the Audience banner: ‘put the audience at the centre of decision-making’ and ‘be where the audience is – provide universal access, optimise linear, and adopt digital first’.

<sup>84</sup> Following RTÉ’s own interpretation, where target outcomes come within 5% of meeting the set goal, these are categorised as ‘largely achieved’.

<sup>85</sup> All public perception targets are sourced from RTÉ’s Brand Tracker which since 2017 has been provided by Red C Research and Marketing.

- 5.16 The first commitment is measured by two public perception targets (that RTÉ is relevant to people in Ireland today and that RTÉ has high quality content and services). In 2019, both targets were missed, coming in at 76% and 68% against targets of 80% and 75% respectively. However, as the result for ‘maintain public perception that RTÉ is relevant to people in Ireland today’ came within 5% of meeting the 80% target, this is noted as largely achieved in RTÉ’s results.
- 5.17 Both targets are also down from 2018 performance where they were both largely achieved (at 79% and 73%) against the same targets (80% and 75%). While not an encouraging direction of travel, RTÉ nonetheless committed to retaining these high benchmarks for 2019.
- 5.18 The second Audience commitment – ‘be where the audience is’ – is measured by seven targets: a range of quantitative reach/share data, qualitative measures and public perception data.
- 5.19 The first two refer to maintaining weekly reach for all adults and adults aged 18-34 at 90% or above. Whereas in previous years, RTÉ has used reach for all age groups as individual targets, in 2019 it pivoted using these two targets only to keep overall target base specific and focused on ‘areas of change or emphasis’.<sup>86</sup> Younger cohorts are more challenging to reach so using 18-34 year olds as a target is a useful strategy. The chart below shows 2019 performance in relation to performance for all age groups in previous years.

**Figure 42: Weekly reach of all RTÉ services by age group against ASPC target, 2014-2019**



Source: RTÉ.

- 5.20 While weekly reach for all adults and adults aged 18-34 has dropped from 2018 (from 95% and 92% respectively), both targets have been fully achieved this year.
- 5.21 Similarly, the target to grow RTÉ’s average weekly reach via mobile and online was achieved, reaching 55% (up from 52% in 2018). This is particularly encouraging given RTÉ’s strategic emphasis on reaching younger cohorts on new (non-linear) platforms, amidst changes in media consumption that will affect RTÉ most of all in an Irish context (given its exposure due to high share of live viewing).
- 5.22 As in 2018, two targets are dedicated to RTÉ’s overall share of viewing on TV and share of listening on radio. These are set at 24-26% for the former and 30% for the latter. Both targets were fully achieved at 26% and 30.7% respectively. The year 2019 saw the launch of time-shifted channel RTÉ2 +1 and the extension of hours for RTÉ One +1 into a 24-hour service so it is encouraging TV share did not slip from 2018. RTÉ radio stations, on the other hand, performed well and even improved share on the previous

<sup>86</sup> RTÉ’s 2019 Performance Commitments, p. 4.

year (up 0.7 percentage points from 30%), even amidst rapidly declining younger audiences. In particular, RTÉ 2fm's performance with younger audiences should be noted.

- 5.23 Unlike in pre-2018 ASPCs, these targets are not split out into age categories as, following the recommendations of previous BAI reviews, RTÉ is moving to a new metric tracking 'time spent' to focus in particular on challenging age cohorts (i.e., younger demographics). Thus, one of the targets for 2019 was to develop and report on this metric for all adults (15+) and adults aged 15-34. The results – 1 hour 38 minutes spent across all measured RTÉ services<sup>87</sup> for all adults and 43 minutes for adults aged 15-34 – are positive although this metric is not particularly useful as a single data point. As time spent is tracked over the next few years, it will provide greater insight and should be a useful tool for RTÉ to use to analyse its performance with these two audience segments.
- 5.24 The final target for the 'be where the audience is' commitment is maintaining public perception that RTÉ programmes and services are easily accessible on a range of devices. This was fully achieved, with 74% agreeing (against a 70% target). While, again, this has decreased (from 76%) since 2018, it remains above the threshold for achievement.
- 5.25 Overall, the targets under the Audience heading were encouraging, with only one of nine not achieved and a further target largely achieved but not meeting the intended goal. It is notable that all quantifiable targets were met, even where these are high or, indeed, increased from 2018.
- 5.26 Conversely, the two targets not met were both public perception targets. Public opinion can be volatile, and is likely to be affected by wider issues around the brand even when the questions asked to those surveyed are specific. RTÉ itself notes that audience perception fell considerably in the second half of 2019.<sup>88</sup> It is not possible to accurately model audience perception, other than to say it is complex and driven by a range of social, cultural and even political factors that inform the views of each individual respondent differently. However, given RTÉ's mandate is to serve all people in Ireland, audience perception remains a useful metric for assessing RTÉ's performance.

### Content

Commitment	Target		Result
3: Provide trusted, challenging and engaging content	Maintain public perception that RTÉ provides trusted News and Current Affairs content (% agree)	≥80%	80% <i>Fully achieved</i>
	Maintain public perception that RTÉ generates national debate/political discourse	Qualitative	<i>Achieved</i> <i>See below</i>
	Maintain public perception that RTÉ keeps me well informed (% agree)	≥80%	75% <i>Not achieved</i>
4: Champion Irish culture	Maintain public perception that RTÉ is an important part of Irish life (% agree)	≥80%	80% <i>Fully achieved</i>
	Maintain public perception that RTÉ enables me to connect with national events (% agree)	≥80%	79% <i>Largely achieved</i>

<sup>87</sup> Some online demographic data and data relating to RTÉ's digital radio stations was excluded for methodological reasons.

<sup>88</sup> RTÉ's 2019 Performance Commitments, p. 6.

Commitment	Target		Result
	Maintain public perception that RTÉ devotes the right amount of time to children's programmes (% agree)	≥50%	53% <i>Fully achieved</i>
	Maintain RTÉjr weekly reach among 4-7 year olds	≥13%	10.7% <i>Not achieved</i>
	Maintain public perception that RTÉ provides a comprehensive service for Irish speakers (% agree)	≥60%	62% <i>Fully achieved</i>
	Maintain RTÉ RnaG weekly reach among adults (15+)	≥3%	3% <i>Fully achieved</i>
5: Celebrate diversity and cultivate Irish talent	Grow public perception that RTÉ reflects current Irish society (% agree)	≥80%	73% <i>Not achieved</i>
	Grow public perception that RTÉ has a range of new faces and voices on air (% agree)	≥62%	57% <i>Not achieved</i>
	Maintain high proportion of RTÉ Radio's FM output as first-run indigenous	≥80%	91% <i>Fully achieved</i>
	Maintain high proportion of indigenous hours as a % of total peak-time hours on RTÉ One	≥75%	76% <i>Fully achieved</i>
	Increase investment in the Independent Production Sector subject to public funding increases and meet statutory spending requirements (s116 of the Broadcasting Act)	€39.7m <sup>89</sup>	€39.9m <i>Fully achieved</i>
	Grow public perception that RTÉ One is good for Irish drama (% agree)	≥70%	61% <i>Not achieved</i>
	Maintain public satisfaction with the quality of culture and arts on RTÉ (% agree)	≥67%	60% <i>Not achieved</i>
	Maintain public perception that RTÉ provides a broad range of orchestral music (% agree)	≥56%	55% <i>Largely achieved</i>

5.27 The second thematic heading – Content – is made up of three commitments and measured by 17 targets.

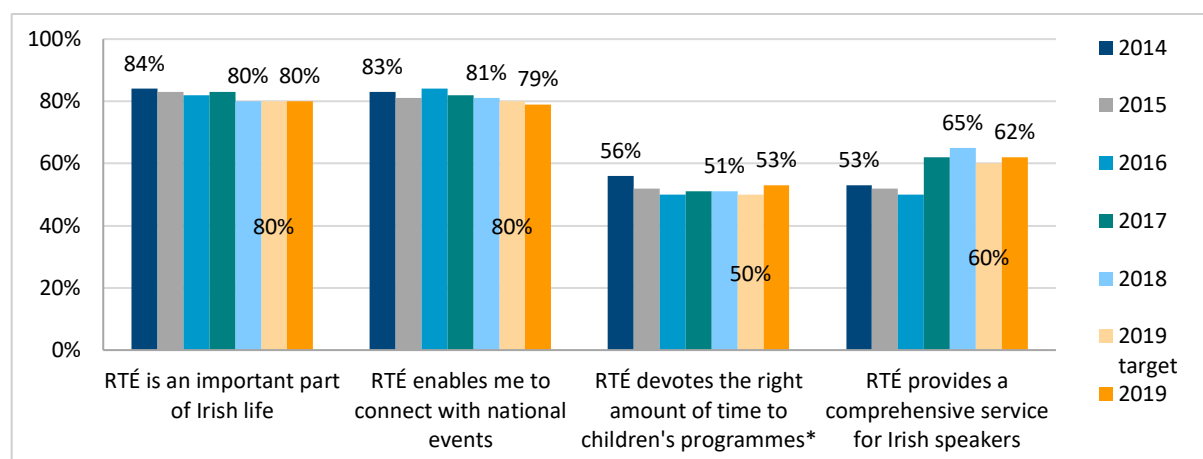
5.28 The first commitment 'provide trusted, challenging and engaging content' contains three public perception targets, of which two were achieved and one was not. One of the targets achieved – 'RTÉ generates national debate/political discourse' is not measured by the Brand Tracker but in the narrative provided by RTÉ. As evidence, they point to the success of *RTÉ Investigates*, *RTÉ on Climate* and the factual programme, *The Case of Majella Moynihan*, as specific examples of where RTÉ has contributed

<sup>89</sup> Section 116 of the Broadcasting Act 2009 requires that RTÉ spend a certain amount each year on independent production. This is set at €40m multiplied by the difference between the CPI at mid-August 2008 and mid-August of the preceding year (2018 in this case). For 2019, the difference in CPI was -0.3%, meaning statutory spend was €39.89m. While this is slightly above RTÉ's own target for the year (at €39.7m), it was fully achieved by RTÉ, which spent €39.9m in the year. Source: <https://www.cso.ie/en/interactivezone/visualisationtools/cpiinflationcalculator/?amount=40>.

to meaningful debate on contemporary issues facing Ireland today. As we noted last year, it would be more efficient if this could be assessed through survey data as with other audience perception enquiries but we understand it is not yet included in the Brand Tracker as a separate question.

- 5.29 The second Content commitment – ‘champion Irish culture’ – is measured by six targets, four of which were related to public perception (as set out in the table below) and the other two targets of which were weekly reach for niche services: children’s TV channel, RTÉjr and Irish-language radio station Raidió na Gaeltachta.
- 5.30 Excluding the ‘RTÉ enables me to connect with national events’ target (which was largely met despite performance being largely tied to sporting events in the year), all remaining public perception targets were met in 2019. Further, these targets have been largely stable since 2014, with the exception of ‘RTÉ provides a comprehensive service for Irish speakers’ which has actually increased 9 percentage points over the time period.

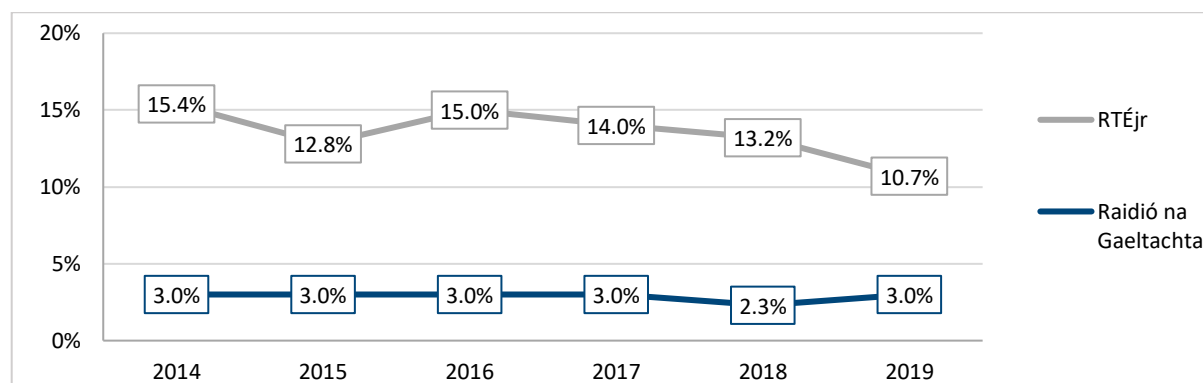
**Figure 43: Public perception with following statements (target vs actual), 2014-2019**



Source: RTÉ. \*Prior to 2018, wording was ‘RTÉ offers a broad range of content and services for children’.

- 5.31 The two weekly reach targets – for RTÉjr among 4-7 year olds and for Raidió na Gaeltachta – were mixed. While RnaG did fully achieve its target of 3% weekly reach, RTÉjr registered a weekly reach of just 10.7% of 4-7 year olds, against a target of 13%.

**Figure 44: Weekly reach of RTÉjr (among 4-7 year olds) and Raidió na Gaeltachta (all adults), 2014-2019**



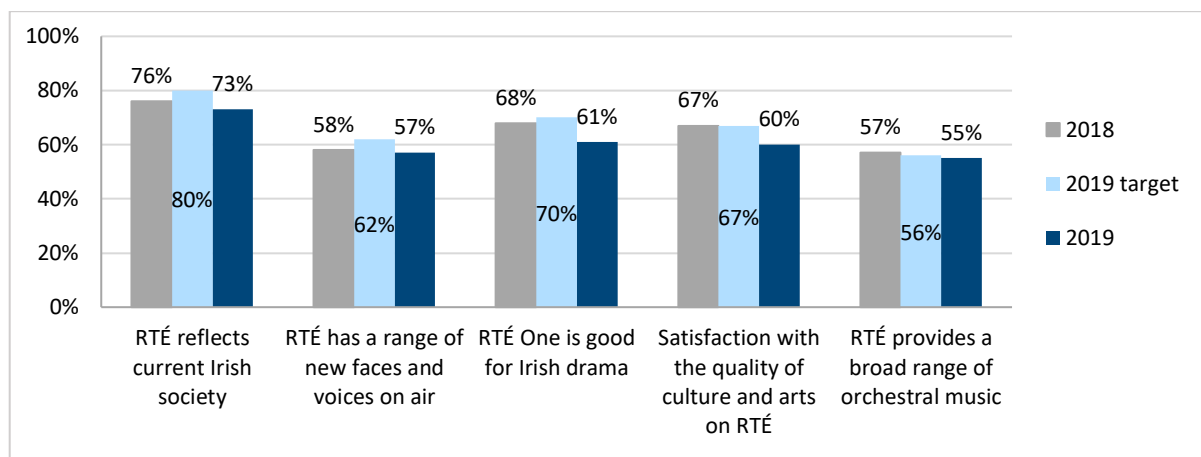
Source: RTÉ.

- 5.32 While RnaG’s performance has remained remarkably stable since 2014 (despite a small decline in 2018, recovered in 2019), RTÉjr’s weekly reach has seen steady declines over the past four years. While this

has been challenging for RTÉ – which has missed its target for RTÉjr in the past three years – it reflects the changes taking place in the wider market where children’s live TV viewing has been steadily decreasing over the past several years. For the most part, this has been substituted by viewing to non-linear content and non-TV platforms such as YouTube, TikTok and children-focused ‘kids’ mode’ in the new RTÉ Player.

- 5.33 RTÉ notes that going forward this target is likely to be replaced with one that is more focused on these new forms of viewing, aligned with the RTÉ strategy for children and young people.
- 5.34 Finally, the third commitment under the Content heading is ‘celebrate diversity and cultivate Irish talent’, measured by eight targets, making it the most extensive of RTÉ’s commitments.
- 5.35 Here, again, five were audience perception targets, although these were less well-met than for the second Content commitment, with none fully achieved and only ‘RTÉ provides a broad range of orchestral music’ coming within 5% of the target level, thereby fulfilling criterion for largely achieved. Further, each represented a decreased from performance in 2018.

**Figure 45: Public perception with following statements, 2014-2019 (RTÉ ASPCs)**



Source: RTÉ.

- 5.36 The remaining three targets – ‘maintain high proportion of RTÉ Radio’s FM output as first-run indigenous’, ‘maintain high proportion of indigenous hours as a % of total peak-time hours on RTÉ One’ and ‘increase investment in the independent production sector’ were all fully achieved.
- 5.37 In all, the three commitments under the Content heading had mixed results for RTÉ. Across all 17 targets, only nine were fully achieved, with a further two largely achieved, meaning six were not achieved. Taken separately, the third commitment (‘celebrate diversity and cultivate Irish talent’) was the least successful, with only 38% of its targets fully achieved (compared to 67% for both other commitments).
- 5.38 Its outcomes were largely due to unanticipated drops across its five audience perception targets, none of which were met in contrast to ‘champion Irish culture’ and ‘Provide trusted, challenging and engaging content’ where, in each case, all but one audience perception target was fully achieved.

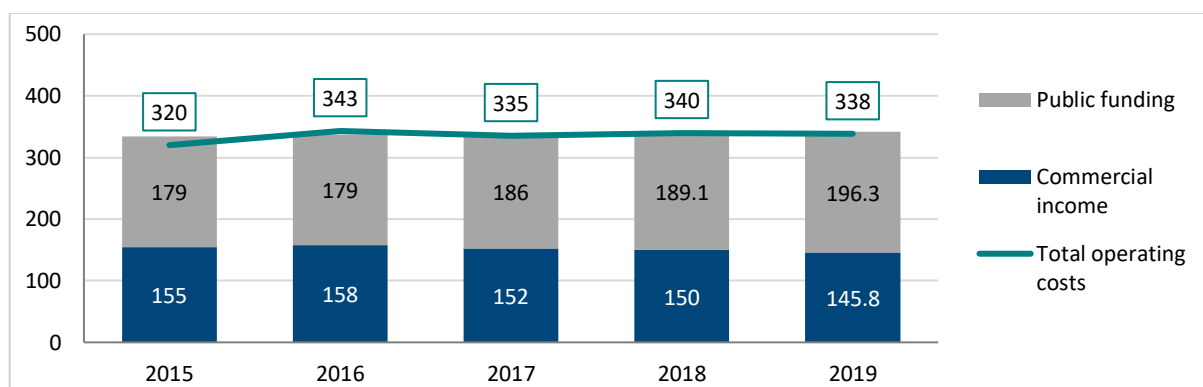
### Sustainability

Commitment	Target		Result
6: Protect the future of Public Service Media through a sustainable RTÉ	Meet annual budget	[X]	(€7.2m) <b>Fully achieved</b>
	Deliver RTÉ's portfolio of services within budgeted operating costs	[X]	€338m <b>Fully achieved</b>
	Operate RTÉ's commercial activities efficiently to maximise the net return of RTÉ's public service activities	[X]	€145.8m <b>Largely achieved</b>
	Total content and distribution spend as a % of operating costs	80%	81% <b>Fully achieved</b>
	PROCs as % of total operating costs	54%	52% <b>Fully achieved</b>
	Maintain public perception that RTÉ is valuable to Irish society (% agree)	≥85%	83% <b>Largely achieved</b>
	Maintain public perception that RTÉ is trustworthy (% agree)	≥75%	72% <b>Largely achieved</b>

5.39 Sustainability is RTÉ's third and final thematic heading, which lays out seven targets related to funding and efficiency. Performance against these targets were much more successful than last year, with four targets fully achieved and the remaining three largely achieved.

5.40 Most notably, RTÉ came well within the targeted deficit for the year: €7.2m against [X], and almost half the actual deficit of 2018 (€13m), despite declines in both licence fee and commercial income. Commercial revenue is its own target and came to €145.8m (against a target of [X]), meaning it was largely achieved but down again for the fourth year in a row.

**Figure 46: RTÉ's commercial by type and total spend (in €m), 2015-2019**



Source: RTÉ. Note that while the Government's 2019 Budget incorporated an increase of €8.9m in public funding for RTÉ (made up of an increase from DEASP in relation to 'free licences' and the completion of the reversal of TG4 funding from the licence fee), overall licence fee unit sales were down €1.7m against 2018. Thus the public funding increase for the year was only €7.2m.

5.41 To reduce the deficit and to come within the target for budgeted operating costs, RTÉ had to find savings during the year. These came from the reduction on expenditure on Special Events (down from €7.2m in



2018 to €4.1m in 2019) and other operating cost savings. This led to a total operating cost (before depreciation and amortisation) of €337.8m, against a target of [X].

- 5.42 Because of these savings, the three targets relating to the performance and efficiency of operating costs (overall spend, share of spend on personnel-related operating costs, and share on content and distribution costs) were all fully achieved.

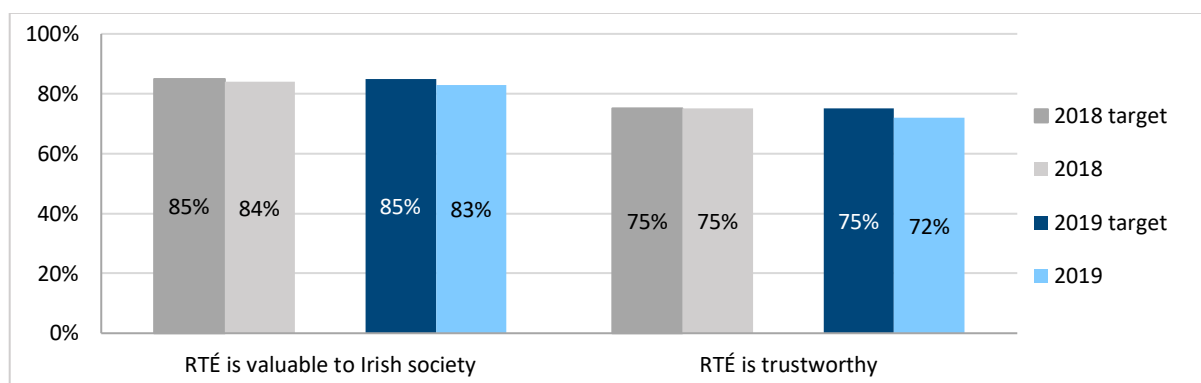
**Figure 47: RTÉ targets for operating budget (in €m), 2019**

	Total spend		% of operating costs	
	Budget	Actual	Budget	Actual
Personnel-related operating costs	[X]	€175.8m	54%	52%
Content and distribution costs	[X]	[X]	80%	81%
Total operating costs	[X]	€337.8m	-	-

Source: RTÉ.

- 5.43 The final two targets are based on public perception and, while neither was met, both came within 5% of the threshold. Further, although performance for both slipped from 2018, the losses in each were not substantial; a single percentage point drop for ‘maintain public perception that RTÉ is valuable to Irish society’, and a loss of three percentage points for ‘maintain public perception that RTÉ is trustworthy’. This is encouraging, particularly in the context of more substantial decreases in public perception in other categories, such as satisfaction with arts and culture quality and RTÉ One drama programming.

**Figure 48: Public perception with following statements (target vs actual), 2018-2019**

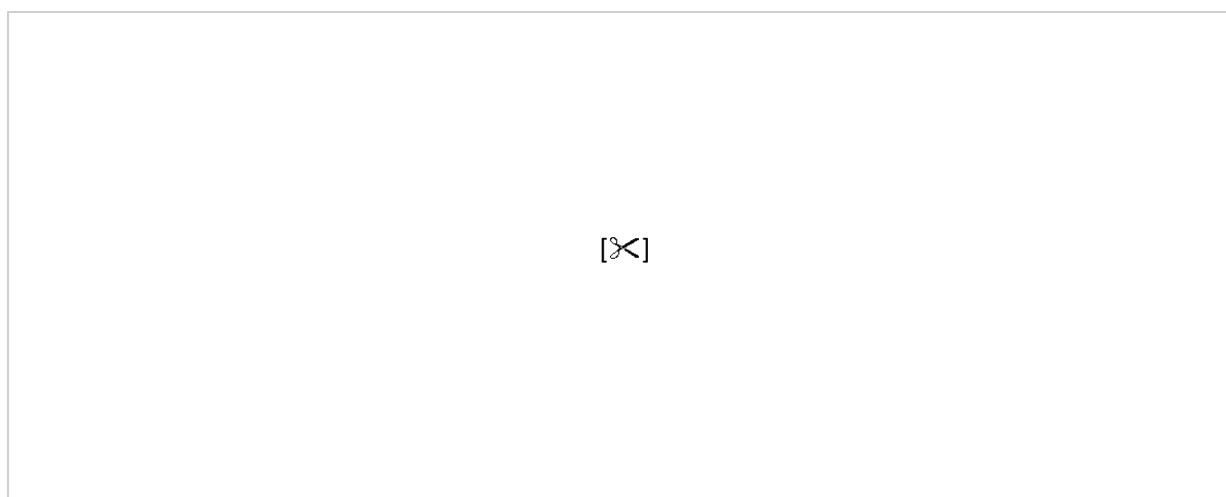


Source: RTÉ.

- 5.44 RTÉ's record on its Sustainability targets (four met, three largely met) came despite a somewhat difficult trading year (as evidenced by a continued drop in revenues raised by commercial activities). It is noteworthy that RTÉ managed to keep the deficit for the year well within the targeted range, at the same time as increasing spend on the independent production sector (*albeit* only slightly above statutory spend) and delivering the RTÉ portfolio of services efficiently.

**Audience yield<sup>90</sup>****TV: Hours and spend**

- 5.45 The nature and number of RTÉ channels for review have changed since 2018. The broadcast hours for RTÉ One +1 have increased such that it is now a 24-hour service, and RTÉ 2 +1 has been launched.<sup>91</sup>
- 5.46 This means that the channels under review have changed somewhat: RTÉ One covers both the main channel and its time-shifted variant, and RTÉ 2 covers the main channel, its time-shifted variant and RTÉjr.
- 5.47 In 2019, RTÉ spent [X] on indigenous programming across these channels. An additional [X] was spent on non-Irish acquired content, leading to a total content spend of €177.9m. Of the [X] spent on indigenous content, [X] was spent on commissioned content, with the rest on Irish acquired content.
- 5.48 The biggest categories of spend by genre were sport, news and current affairs/weather and factual, with drama and entertainment following.

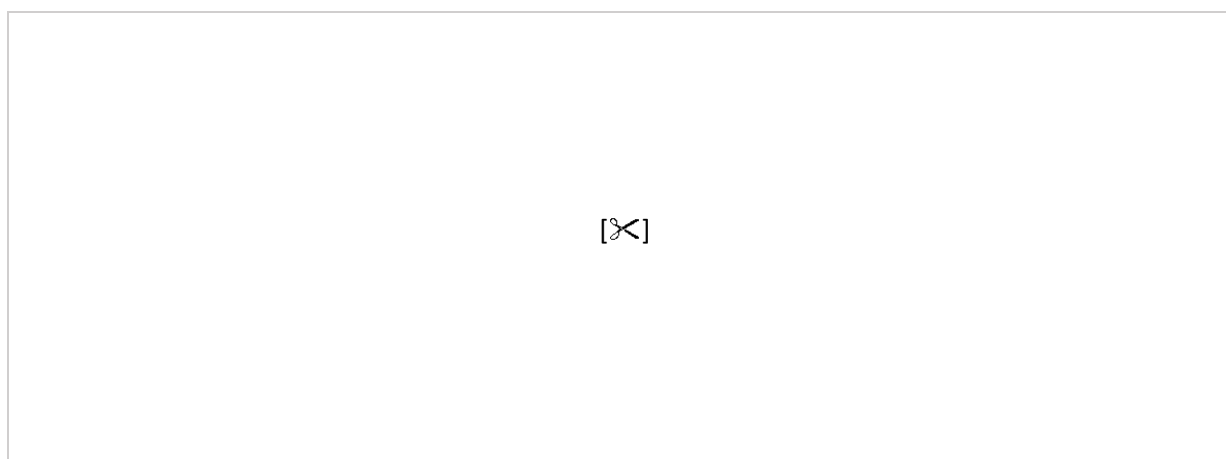
**Figure 49: RTÉ's TV content spend by genre, 2019**

Source: RTÉ.

- 5.49 The content spend created 21,900 hours of broadcast material across RTÉ One, RTÉ2 and RTÉjr (with an additional 11,680 hours of repeated content broadcast on RTÉ One +1 and RTÉ2 +1).

<sup>90</sup> Audience yield analysis is one indicator of efficiency in the delivery of services to different audiences. It cannot, however, account for the public service factors (impact, public value) to which RTÉ must adhere in order to fulfil its obligations as a public service broadcaster. Moreover, any yield exercise risks obscuring shifts in expenditure and viewing that may change year to year for various reasons not strictly indicative of content efficiency. For these reasons, yield analysis has its limitations. See Methodology and Data in Section 1 for further comment.

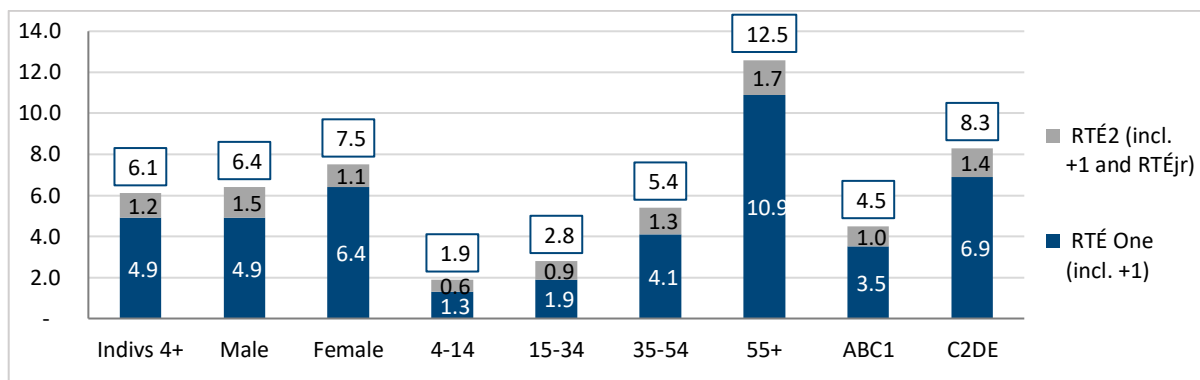
<sup>91</sup> We have not changed the methodology for audience yield despite these changes to RTÉ's channel line-up, although the increased viewing delivered by RTÉ One +1 channel means a strict like-for-like comparison with the previous year is not possible.

**Figure 50: RTÉ total broadcast hours by channel group and genre, 2019<sup>92</sup>**

Source: RTÉ.

**TV: Consumption**

5.50 As stated previously, RTÉ maintained a weekly reach across its broadcast channels of 93%, slightly down on previous years but still very high. Its viewers watched an average of just over six hours a week, with most of that accruing to RTÉ One (and its +1) at 4 hours and 54 minutes, with the remaining hour and 12 minutes spent with RTÉ2, RTÉ2 +1 or RTÉjr.

**Figure 51: Weekly hours of viewing by channel and demographics, 2019**

Sources: TAM Ireland/Nielsen TAM, Mediatique.

- 5.51 As in previous years, older audiences spend more time on average with RTÉ channels each week, as do C2DE audiences. This year, we also see a greater disparity between female and male audiences, with the former watching over an hour more on RTÉ channels than their male counterparts each week.
- 5.52 Equally, RTÉ One continues to account for more viewing overall than RTÉ2 and RTÉjr and over-indexes among older and female audiences where 87% and 85% of viewing to RTÉ channels goes to RTÉ One respectively. Conversely, 32% of viewing among 4-12 year olds, and 31% of viewing among 15-34 year olds, accrues to RTÉ2 and RTÉjr.
- 5.53 For the audience yield analysis, we focus on RTÉ's indigenous content, which is made up of in-house productions, commissioned content and a small amount (2.1%) of acquired content licensed from island

<sup>92</sup> Teleshopping hours have been removed from RTÉ One.

of Ireland sources. In 2019, weekly hours of viewing for RTÉ’s indigenous content came to [X] across all individuals aged 4+.

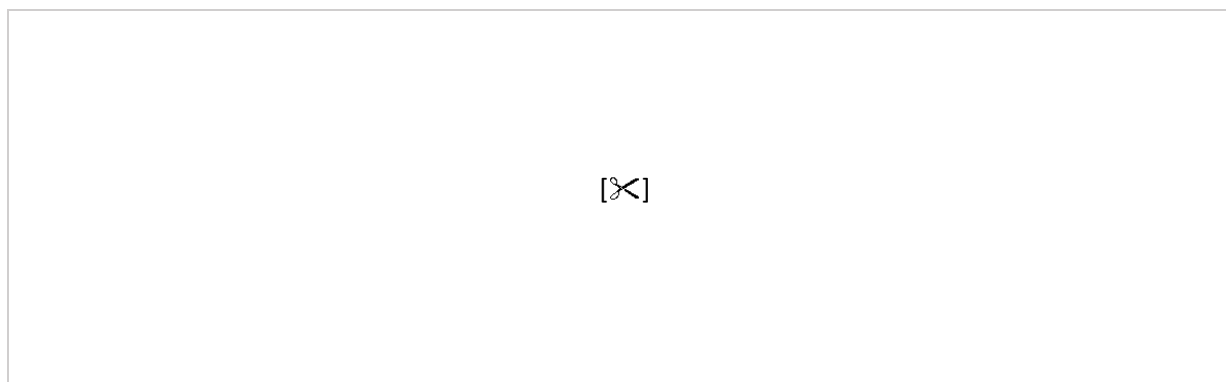
**Figure 52: Weekly hours of viewing to RTÉ’s indigenous content, by channel and demographics, 2019**



Sources: TAM Ireland/Nielsen TAM, Mediatique.

- 5.54 Weekly viewing hours to indigenous content are down substantially from 2018: from [X] hours per week to [X] hours a week for all individuals, and in all age groups, even the older demographics where weekly viewing fell from [X] to [X] among those aged 55+.
- 5.55 This has, in turn, had a substantial impact on total user hours of indigenous for the year which fell from [X] to [X] in 2018. Although it does not make up part of our review, total user hours for acquired content also fell (from [X] to [X]) meaning overall user hours for all broadcast content on RTÉ fell over [X] hours from [X] in 2018 to [X] in 2019.

**Figure 53: User hours (in m) for indigenous content in peak and off-peak on RTÉ channels, 2019**



Sources: TAM Ireland/Nielsen TAM, Mediatique.

- 5.56 Some of this decline is likely to be influenced by cyclical factors: for example, user hours for sport were down 21% from the previous year, likely due to lack of major sporting events (FIFA World Cup) in 2019, as well as other factors such as what programming is used to replace these lost sporting hours (for example, acquired content which does not feature in our audience yield analysis).
- 5.57 Despite this significant decline, the genre breakdown across peak and off-peak were very similar to in previous years, with news and current affairs/weather, entertainment, sport and factual the most popular genres in peak and off-peak.

TV: Yield analysis

- 5.58 In 2019, for every euro RTÉ spent on indigenous TV programming, it delivered [X] hours of viewing across all of RTÉ's channels. This is down from 2018, where a euro of indigenous content spend delivered [X] user hours.
- 5.59 While it is difficult to pin the decline on any one single factor, at the highest level the significant fall in total user hours spent with RTÉ's indigenous TV content – from [X] in 2018 to [X] in 2019 – is clearly reflected in the direction of travel for audience yield. Given that RTÉ's content spend was lower but not as drastically, this is the likely reason why user hours per euro fell this year.
- 5.60 This is reflected in the channel analysis also. The gross yield for RTÉ One – and its counterpart – fell 12% from [X] to [X] user hours per euro from 2018 to 2019, with RTÉ2/jr down 24% from [X] to [X] user hours per euro.<sup>72</sup>

**Figure 54: Total gross audience yield (in user hours per euro) by RTÉ channel and demographic, 2019<sup>93</sup>**

Source: Mediatique.

- 5.61 As with TG4, we see older demographics deliver better yields than younger counterparts, due to greater overall time spent with live TV viewing. RTÉ also skews female; with these audiences accounting for [X] user hours per euro, compared with 1.9 for male audiences.
- 5.62 The gross yields by genre for RTÉ One and RTÉ2 (and their other channels) are given below.

**Figure 55: Gross audience yield (in user hours per euro) for RTÉ One and RTÉ One +1, 2019<sup>94</sup>**

RTÉ One (inc. +1)	Indivs (4+)	Male (4+)	Female (4+)	4-14	15-34	35-54	55+	ABC1	C2DE
Factual	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Drama	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Entertainment	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Music	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
NCA & Weather	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

<sup>93</sup> RTÉ indigenous content only.<sup>94</sup> RTÉ indigenous content only.

RTÉ One (inc. +1)	Indivs (4+)	Male (4+)	Female (4+)	4-14	15-34	35-54	55+	ABC1	C2DE
Sport	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Young People's	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
<b>Total</b>	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: Mediatique.

Figure 56: Gross audience yield (in user hours per euro) for RTÉ2, RTÉ2 +1 and RTÉjr, 2019<sup>95</sup>

RTÉ2, RTÉ2 +1, RTÉjr	Indivs (4+)	Male (4+)	Female (4+)	4-14	15-34	35-54	55+	ABC1	C2DE
Factual	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Drama	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Entertainment	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Music	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
NCA & Weather	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Sport	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Young People's	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
<b>Total</b>	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: Mediatique.

- 5.63 Across both groups of channels, entertainment, sport and factual perform well. On RTÉ One and its +1, news and current affairs/weather is also one of the best performing genres, although this is not mirrored on RTÉ2.
- 5.64 Against 2018, the declines in yield have been significant across both channel groups. In particular for drama, which has fallen from [X] to [X] on RTÉ One (and +1) and a stark 98% from [X] to [X] on RTÉ2 *et al.* for all individuals. As in other cases, this is likely due to declines in average audiences on RTÉ2 to drama programming, coupled with a significant increase in budgets (from [X] to [X]).
- 5.65 At the same time, the yield for young people's content rose 31% (from [X] user hours per euro to [X]) on RTÉ2 and its HD and +1 variants, with news and current affairs/weather up 55% and entertainment up 96% to [X] user hours per euro.
- 5.66 On RTÉ One and its +1, all categories were down from the previous year, although these declines were less acute in older demographics. For example, whereas the yield for sport across all individuals fell 17%, it fell only 12% among the over 55s. This, again, shows the very close link between overall audience yield and strength in average audiences.
- 5.67 Taken together, and despite the performance of the RTÉ2 channel group, where yield grew in entertainment, news and weather and young people's, lower viewing to these channels meant these

<sup>95</sup> RTÉ indigenous content only.

improvements did not offset declines from RTÉ One; with the exception of entertainment, the yield for all genres across RTÉ's channels all fell from 2018 levels.<sup>96</sup>

**Figure 57: Audience yield (in user hours per euro) for RTE indigenous TV content by genre, 2019**

Genres	Indivs (4+)	Male (4+)	Female (4+)	4-14	15-34	35-54	55+	ABC1	C2DE
Factual	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Drama	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Entertainment	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Music	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
NCA & Weather	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Sport	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Young People's	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: Mediatique.

- 5.68 There is a large degree of overlap between demographics; entertainment is the best performing genre for each group but 4-14 year olds where young people's content performs better. Entertainment is followed by news and current affairs/weather: the second best performing in all demographics but the 15-34 year old category where music ranks second.
- 5.69 So far, the analysis has used total programming costs to calculate the yield but RTÉ operates a hybrid model in which commercial income subsidises programming costs. The net yield – the user hours delivered by a euro's spend of public funding – is set out below.

**Figure 58: Net audience yield (in user hours per euro) for RTÉ channels, 2019**

Channels	Indivs (4+)	Male (4+)	Female (4+)	4-14	15-34	35-54	55+	ABC1	C2DE
RTÉ One (inc. +1)	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Uplift on gross	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
RTÉ2/jr	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Uplift on gross	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
<b>Total RTÉ</b>	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: Mediatique.

- 5.70 For RTÉ One, net yield is [X] minutes higher per euro for all individuals, while for RTÉ2 and RTÉjr it is [X] minutes higher. This is slightly less than in 2018 when these figures were [X] and [X] minutes respectively.

<sup>96</sup> Entertainment was relatively stable in the year; from [X] to [X].

- 5.71 Further, the difference between the gross and net yield continues to decrease year on year. The reasons for this should not be over-simplified and is likely due to a range of factors at genre and demographic level.

**Figure 59: Gross and net audience yield (in user hours per euro) for RTÉ channels, 2019**

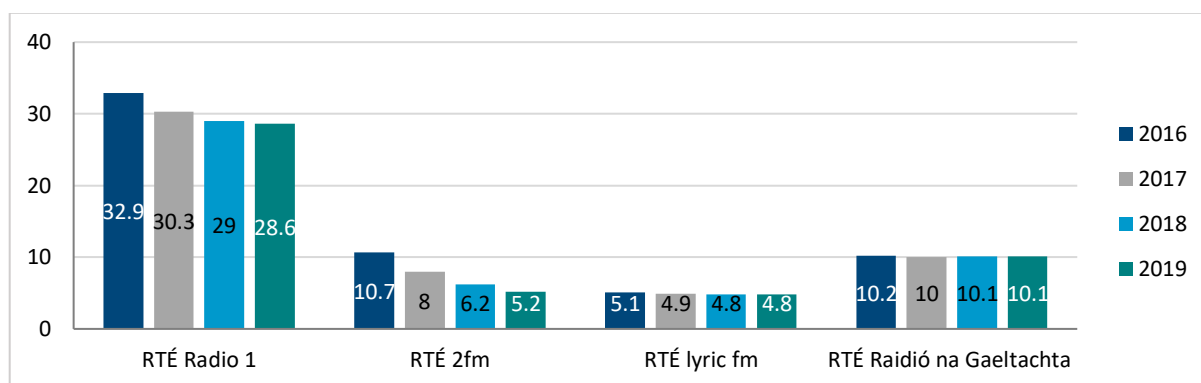


Source: Mediatique.

### Radio: Hours and spend

- 5.72 In 2019, RTÉ spent €48.7m on programming for its four FM radio stations; the majority of which went to RTÉ Radio One. As in previous years, all radio stations saw their programming budgets decrease year on year, although Raidió na Gaeltachta has been relatively protected, with only very slight declines each year.

**Figure 60: Total content spend (in €m) per RTÉ radio station, 2016-2019**



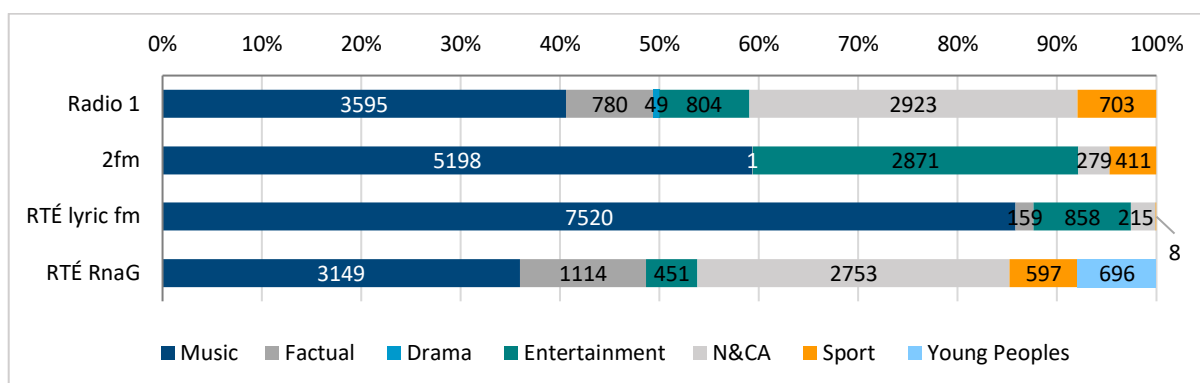
Source: RTÉ.

- 5.73 This spend produced 35,135 hours of content across a range of genres.<sup>97</sup>

<sup>97</sup> This includes repeats. Each of the four stations broadcasts 24 hours a day, with Radio One splitting transmissions on longwave, meaning its total broadcast hours in 2019 were 8,855.



**Figure 61: Total hours of broadcast output by genre for RTÉ radio stations, 2019**



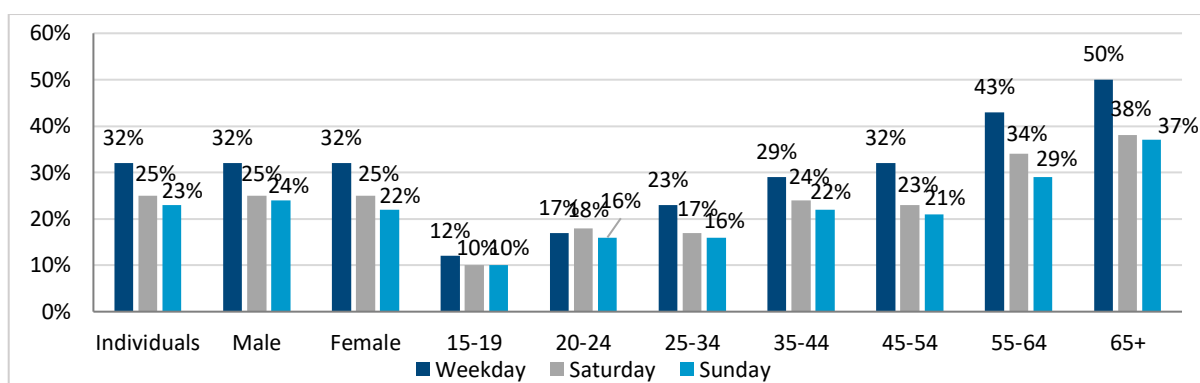
Source: RTÉ.

- 5.74 Unsurprisingly, music and entertainment dominate the schedules of 2fm and Lyric FM in particular, with the schedules of Radio 1 and RnaG more varied and very similar, with a greater proportion of news and current affairs, sport and factual than the other music-focused stations.

#### Radio: Consumption

- 5.75 In terms of consumption across RTÉ's radio services, we see the same pattern play out as we see across consumption of radio services more generally; that older audiences are heavier users of radio services and are responsible for a large proportion of overall usage.
- 5.76 While daily reach across all individuals averages between 23% (Sunday) and 32% (weekday), this rises to 37% (Sunday) and 50% (weekday) for those aged 65+.

**Figure 62: RTÉ radio daily reach (weekday, Saturday, Sunday), 2019**



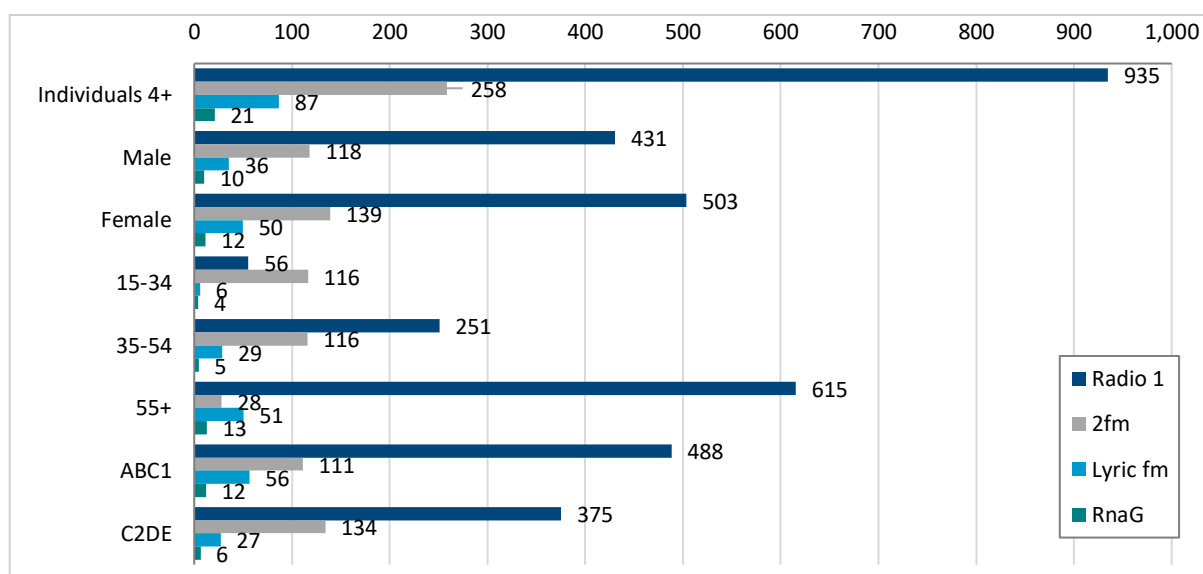
Source: JNLR.

- 5.77 Because of the significant disparities between age groups, the average weekly hours of listening to RTÉ stations are very different across age groups. Listening to RTÉ stations among younger cohorts actually increased in 2019: up [X] from [X] hours to [X] hours among 15-19 year olds and increasing from 3 hours 36 minutes to 4 hours 12 minutes for 20-24 year olds. Conversely, listening among 55-64 year olds and those aged 65+ was down 30 minutes since 2018; from [X] to [X] for the former and from [X] to [X] among those aged 65+.

**Figure 63: Average weekly hours of listening by age group for RTE radio stations, 2019**

Source: JNLR. Hours for RnaG calculated by Mediatique.

- 5.78 While a decline of 30 minutes each week in a year is significant, older demographics still account for over seven times more listening each week than the youngest demographic.
- 5.79 Equally, the station preferences of different age cohorts become more apparent, with 2fm making up almost 70% of RTÉ's average weekly hours among 20-24 year olds, and 66% for 15-19 year olds. Comparatively, 2fm makes up only 3% average weekly hours among those aged 65+.
- 5.80 In terms of user hours, RTÉ registered almost [X] across the four stations, with the majority spent with Radio One, then 2fm, Lyric FM and finally RnaG.

**Figure 64: Total user hours (in m) by demographic per RTÉ radio station, 2019**

Source: JNLR, Mediatique.

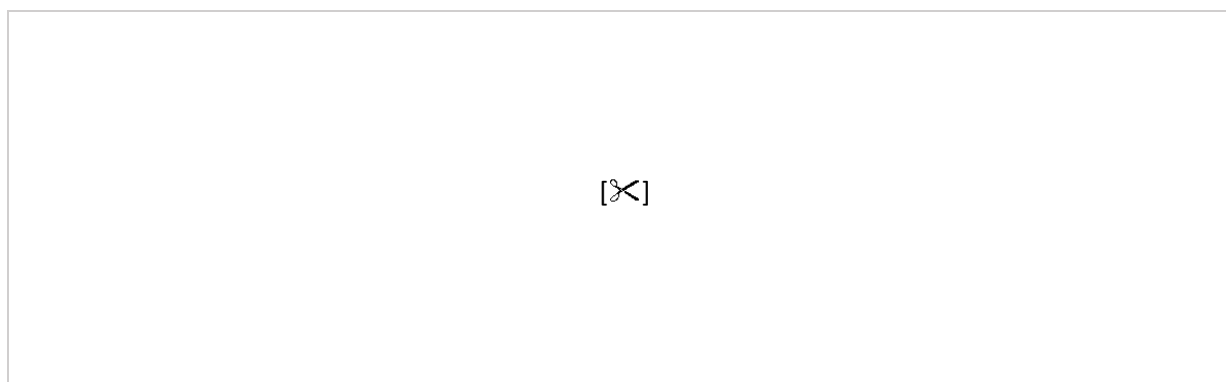
#### Radio: Yield analysis

- 5.81 Splitting the total user hours accruing to each radio station by its content budget gives us the number of user hours created by a euro spend on each service. Because production costs are significantly lower than in TV, the user hours are much higher: an average of [X] user hours across all RTÉ's services.

**Figure 65: Gross audience yield (in user hours per euro) for RTÉ radio stations, 2017-2019**

Source: Mediatique.

- 5.82 All four of RTÉ's FM stations saw their audience yield grow from 2018. 2fm is still the best-performing channel, with RnaG the least efficient but still realising a [X] increase in its user hours per euro from 2018 to 2019.

**Figure 66: Gross audience yield (in user hours per euro) for RTÉ radio stations by demographic, 2019**

Source: Mediatique.

- 5.83 Here, the performance of Radio 1 and 2fm between the oldest and youngest audiences becomes much more pronounced; a euro spent on 2fm can achieve [X] hours of listening among 15-19 year olds but only [X] hours of listening among those aged 55 and above. Conversely, a euro spent on Radio 1 achieves [X] hours of 55+ listening but only [X] hours among those aged 15-34.
- 5.84 Breaking the yield down by genre shows a similar pattern, with four genres performing particularly efficiently: music, entertainment, sport and news and current affairs/weather.

**Figure 67: Gross audience yield (in user hours per euro) for RTÉ radio stations by genre and demographic, 2019**

Genre	Indivs (15+)	Male (15+)	Female (15+)	15-34	35-54	55+	ABC1	C2DE
Factual	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Drama	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Entertainment	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Music	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
NCA & Weather	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Genre	Indivs (15+)	Male (15+)	Female (15+)	15-34	35-54	55+	ABC1	C2DE
Sport	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Young People's	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: Mediatique.

- 5.85 Against results from 2018, these top performing genres have all come down one user hour per euro spent year on year (from [X] for music, [X] for entertainment and so on), although these have been matched by increases of two hours in the more niche genres of young people's and drama content (up from [X] and [X] user hours per euro respectively). These results are generally positive, as lower disparity between genres can be argued to represent greater efficiency.
- 5.86 As in our previous review for 2018, we again calculate the net yield for RTÉ's radio services. Unlike in 2018, however, results for 2fm cannot be calculated as the commercial surplus it generated in 2019 was greater than its total content costs.
- 5.87 In 2019, the commercial revenue generated across the four radio stations and the surplus from other commercial activities amounted to €21.5m. Roughly two-thirds of this (€14.6m) came from Radio 1, with 2fm and Lyric FM responsible for €6.3m and €0.55m respectively.

**Figure 68: Total content spend, commercial surplus and implied licence fee attribution (in €m) for RTE radio stations, 2019<sup>98</sup>**

	RTÉ Radio 1	RTÉ 2fm	RTÉ Lyric FM	RTÉ Raidió na Gaeltachta
Total content spend	€28.584m	€5.22m	€4.809m	€10.074m
Commercial surplus	€14.631m	€6.328m	€0.553m	-
Implied licence fee attribution	€13.953m	-€1.108m	€4.256m	€10.074m

Source: RTÉ.

- 5.88 Removing these commercial surpluses from the gross audience yield provides the net yield, measured in user hours per euro of public funding, shown in Figure 69.

**Figure 69: Net audience yield (in user hours per euro) for RTÉ radio stations by demographic, 2019<sup>99</sup>**

Genre	Indivs (15+)	Male (15+)	Female (15+)	15-34	35-54	55+	ABC1	C2DE
Radio 1	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Lyric FM	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Raidió na Gaeltachta	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

<sup>98</sup> This table assumes that all commercial surplus goes towards offsetting content costs rather than being used on a range of other non-programming costs directly associated with delivering the relevant content service (for example, distribution costs).

<sup>99</sup> Because 2fm generates more in revenue than it spends on content for its own service, it has been removed from the table.

Genre	Indivs (15+)	Male (15+)	Female (15+)	15-34	35-54	55+	ABC1	C2DE
All stations	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

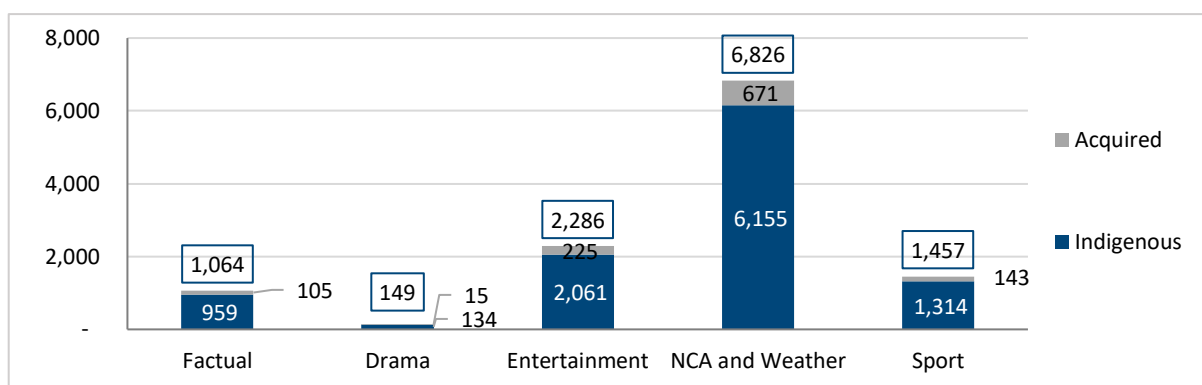
Source: Mediatique.

- 5.89 Net yield for Radio 1 is almost double its gross yield (at [X]), while yield for Lyric FM is less dramatic: at [X] for net yield versus [X] user hours per euro of gross yield. Finally, because RnaG does not bring in any advertising revenue, its yields remain the same.

#### Online: Spend

- 5.90 RTÉ spent €11.78m on its online services (including RTÉ.ie and RNN) in 2019, of which €10.48m was in-house or commissioned content, with the remaining €1.3m spent on acquired content (of which €143k was on Irish acquired content). RTÉ does not provide a breakdown of spend on acquired content so we have allocated it to the various genres according to the proportion each genre makes up of total spend.

**Figure 70: RTÉ spend on programming for online services, 2019**



Source: RTÉ.

- 5.91 This spend is additional to any expenditure on the commissioning or production of broadcast TV or radio content, even where this content is subsequently available to audiences via RTÉ's online services. Thus the increase in spend – from €9.92m in 2018 to €11.78m – is indicative of RTÉ's continued commitment to digital-first, particularly for news and current affairs content, which makes up a large portion of total content spend for online services.

#### Online: Consumption

- 5.92 RTÉ moved to a new web analytics system in September 2018 meaning that, while results for 2019 are more reflective of actual user behaviour, they are not directly comparable with data from 2018. We have therefore elected not to draw any comparisons between the two years, although it is worth noting that the unique monthly browsers for RTÉ.ie have jumped considerably – from [X] to [X] – due to the way unique devices are captured and better visibility on how users move between services when online.
- 5.93 For the RTÉ Player, unique browsers are lower (from [X] to [X]), due to a more limited range of platforms that are now captured by the data available and to reduce the artificial inflation that was found in previous years' data (from duplicate stream start events). Further changes to data capture included the exclusion of time spent on advertising from total minutes and the ability to tag content with multiple genres. The repercussions of these changes to the metrics are discussed further below.

- 5.94 In 2019, RNN averaged [X] monthly unique browsers. In terms of page views, RNN maintains average weekly page views of [X], with RTÉ.ie maintaining just under at [X]. Although a demographic breakdown is not available for RNN, the results for RTÉ.ie are shown below.

**Figure 71: RTÉ.ie average monthly unique browsers and average weekly page views by demographic, 2019**

	Male	Female	18-34	35-54	55+
Monthly unique browsers	[X]	[X]	[X]	[X]	[X]
Average weekly page views	[X]	[X]	[X]	[X]	[X]

Source: RTÉ.

- 5.95 News and current affairs content dominates page views for both RTÉ.ie and RNN, with sport the second most-viewed genre in both, followed by entertainment.

**Figure 72: Average weekly page views for RTÉ.ie and RNN by section, 2019**



Source: RTÉ.

- 5.96 RTÉ Player has a weekly stream rate of 951k, of which [X] are generated on smartphones, [X] on tablets, [X] on desktop, and [X] on smart TVs.<sup>100</sup> The average minutes per stream for RTÉ Player is 18.2minutes, meaning that if we assume as in previous iterations of the audience yield analysis a viewer-to-stream ratio of 1.25, average weekly user hours came to [X]. In total for the year, user hours come to 18.74m.

#### Online: Yield analysis

- 5.97 Because of the changes that were made to the data analytics for RTÉ's online services at the end of 2018, a genre breakdown of RTÉ Player streams is not available. This means yield analysis by genre cannot be conducted.
- 5.98 However, we can still work out the additional 'top-up' in user hours per euro that viewing on RTÉ Player adds to the yield value of broadcast content that is then made available on the service for catch-up viewing.
- 5.99 The vast majority of the value of programming on RTÉ Player comes from content that has previously been broadcast on one of RTÉ's linear channels, but we assume a small amount – roughly €3.4m – is

<sup>100</sup> The data from smart TVs has been subject to a number of data issues so this is lower than expected and is likely to change.

spent by RTÉ on digital-first content for RTÉ Player.<sup>101</sup> As in our report last year, we do not separate RTÉ's indigenous content from acquired content in the analysis of RTÉ Player below, so the gross and net yields provided here are not directly comparable to those in the section on TV yields.

5.100 Taking into account the additional €3.4m spend and the additional 18.74m user hours that RTÉ Player adds to RTÉ's TV services, the Player 'tops up' RTÉ's gross TV yield with [X] minutes per euro spent. For the net yield, RTÉ Player accounts for just under [X] minutes of additional viewing per euro.

**Figure 73: Audience yield 'top-up' (in user hours per euro) for RTÉ Player, 2019**

	Gross	Net
Yield with RTÉ Player	[X]	[X]
<b>Difference (in minutes)</b>	[X]	[X]

Source: Mediatique.

5.101 For the two other online services – RTÉ.ie and RNN – a modified yield analysis is required as there are no time spent metrics available and page views must be used instead. In 2019, RTÉ.ie accounted for 795m page views, with RNN accounting for 1,179m. Assuming €8.385m (i.e., the remainder of content funding on online services less what was spent on RTÉ Player) was spent on entertainment, sports and news and current affairs/weather content on these services, this means the average page views per euro across these two services was [X].

5.102 A breakdown for the three main genres is given below.

**Figure 74: Page views per euro for RTÉ.ie/RNN, 2019**

Page views per euro	Overall	Sport	NCA & Weather	Entertainment
RTÉ.ie/RNN	[X]	[X]	[X]	[X]

Source: RTÉ/Mediatique.

5.103 These are up from page views per euro in 2018; where overall page views per euro was [X], sport was [X], news and current affairs/weather was [X], and entertainment page views at [X] per euro.

## Conclusions

5.104 Out of 33 targets for the year, RTÉ fully achieved 20 of them (61%) and largely achieved six more. Of the thematic headings, Audiences performed the best, with 78% of targets fully achieved, and Sustainability was markedly up from 2018.

5.105 We assess the outcomes of each thematic heading in detail below.

<sup>101</sup> This €3.396m is made up of [X] spend on indigenous or acquired factual and drama content, [X] on acquired content across NCA, sport and young people's and [X] on entertainment content (indigenous and acquired). The remaining €8.385m is spent on other online services, RNN and RTÉ.ie.

Themes	Performance commitments	Total targets	% fully achieved	% fully or largely achieved
Audiences	1: Put the audience at the centre of decision-making	2	0%	50%
	2: Be where the audience is – provide universal access, optimise linear, and adopt digital first	7	100%	100%
	<b>Audience targets</b>	<b>9</b>	<b>78%</b>	<b>89%</b>
Content	3: Provide trusted, challenging and engaging content	3	67%	67%
	4: Champion Irish culture	6	67%	83%
	5: Celebrate diversity and cultivate Irish talent	8	38%	50%
	<b>Content targets</b>	<b>17</b>	<b>53%</b>	<b>65%</b>
Sustainability	6: Protect the future of Public Service Media through a sustainable RTÉ	7	57%	100%
	<b>Sustainability targets</b>	<b>7</b>	<b>57%</b>	<b>100%</b>
Grand Total		33	61%	79%

### Audiences

5.106 The Audiences heading was split into two commitments, one of which was not met and one which was fully met. In the first, ‘be where the audience is’, both targets related to audience perception data and this may have led to issues for RTÉ as they note audience perception fell drastically in the second half of the year, due to a range of external factors possibly including the shift in tone of media coverage of RTÉ’s operations.

5.107 Nevertheless, audience perception remains a key indicator for RTÉ’s performance. It is noteworthy that these targets have largely stayed the same since 2018, even where – as is the case for both audience perception metrics for the first commitment – these were not fully achieved last year either.

5.108 The targets for the second commitment were based on actual audience consumption data and here RTÉ performed well, meeting all of the targets and developing a new metric ‘time spent’. The time spent metric is somewhat difficult to assess as a single data point but is likely to be very useful for tracking year on year, and provides RTÉ with a better sense of how audiences interact with RTÉ as a whole entity, across its range of services, rather than creating a slightly artificial distinction between linear and non-linear viewing.

### Content

5.109 The content commitments were somewhat less well met, with six targets of the 17 not achieved and a further two only mostly achieved.

5.110 Of the three commitments, the final one ‘celebrate diversity and cultivate Irish talent’ was the least well achieved, with only three of eight targets fully achieved. Here, again, the missed targets were all audience perception targets and may have been skewed by external factors.



- 5.111 Conversely, RTÉ maintained a high commitment to indigenous content, both in terms of hours of FM radio and TV output, and in terms of spend; RTÉ actually increased its investment in the Irish independent production sector past its statutory spend obligations in the year.
- 5.112 For the two other commitments, ‘provide trusted, challenging and engaging content, and ‘champion Irish culture’, the audience perception targets were generally achieved, although RTÉ may wish to explore the decline in those related to news and current affairs content (‘RTÉ keeps me well informed’ and ‘RTÉ enables me to connect with national events’) further.
- 5.113 The final target not achieved is weekly reach among 4-7 year olds. On the one hand, weekly linear reach in this demographic has fallen annually for the past few years and is unlikely to recover. On the other, RTÉ has an obligation to provide high quality and engaging content for all Irish audiences, and children remain an important audience.
- 5.114 Going forward, we see an argument for RTÉ shifting strategically to reach children on new platforms and via new forms of consumption (online, non-linear) in line with its commitment to ‘be where the audience is’. We note that this is a significant part of its Revised Strategy 2020-2024 document.

### Sustainability

- 5.115 Unlike in 2018 where Sustainability was the worst-performing heading for RTÉ, this year RTÉ met or largely met its targets.
- 5.116 While continuing to run a deficit is clearly not sustainable, RTÉ was able to come well within its targeted deficit for the year, despite commercial headwinds. The headline reduction in deficit was driven largely due to reduced operating costs as commercial revenue fell again in the year.
- 5.117 There is an argument to say that reduction in operating costs, such that RTÉ is better able to live within its means, is a positive outcome for the year but, as clearly stated in the Revised Strategy 2020-2024, this cannot come without cuts to public-facing services. We expand on this more fully in Section 7.

### Audience yield

- 5.118 Across both RTÉ One and RTÉ2 and the various extension channels, the declines in yield in 2019 were significant against 2018.
- 5.119 Most notably, yield for drama was substantially reduced on the previous year, although sport and factual programming continues to perform well on both channels. While it is not useful to attempt a per-genre/per-demographic analysis for declines in audience yield, we note that RTÉ committed to budget increases in several genres (including drama, factual and young people’s) and these, combined with declines in average audiences, are likely to account for negative shifts in yield.
- 5.120 For its radio stations, yields were up for all stations and overall net yield was up from [X] to [X]. At the genre level, yields were broadly flat although significantly young people’s rose from [X] to [X] user hours per euro. This would suggest on the whole that RTÉ’s radio stations are becoming increasingly efficient.
- 5.121 Yield analysis for the online services are abridged for 2019, given data availability issues as RTÉ moves to a new data analytics system. Having said that, RTÉ Player represented a [X] ‘top up’ for each euro spent on RTÉ’s broadcast channels (taking into account additional spend on content solely available via RTÉ Player), which is roughly in line with 2018 figures.

## 6. Adequacy of performance commitments

- 6.1 For 2019, we have measured the adequacy of performance commitments in two ways.
- 6.2 The first is confirmation that the PSBs have acted within the letter of the law and have met the standards and practices required of them by the Broadcasting Act 2009, specifically under Section 102 in relation to the production of ASPCs.
- 6.3 The second is an evaluation of whether the targets they have set for themselves are sufficiently ambitious. This requires not only a year-on-year comparison but an appreciation that the media landscape is changing rapidly with tangible consequences for PSB operators in particular. The ambition of each PSB's ASPCs is especially important in the context of limited additional public funding and a difficult trading year, as well as the fact the five-year strategy statements – prepared in 2018 for the 2018-2022 period – were already out-of-date by 2019. We discuss more fully below.
- 6.4 A final section contains an analysis of the adequacy of performance commitments for 2020 and our recommendations for future performance commitments. This is at least partially an academic exercise given that, at the time of publication of this review, the ASPCs for RTÉ and TG4 have already been published and agreed with the BAI and cannot be amended. In 2020, this is further complicated by Covid-19, particularly for RTÉ, which only published its 2020 ASPC in June 2020, following extensive negotiation with the BAI, the Department and Government to analyse and incorporate the impact of the lockdown on performance commitments for the year.<sup>102</sup> This is discussed more fully below.

### Statutory requirements

- 6.5 The Broadcasting Act 2009 requires that RTÉ and TG4 prepare their ASPCs in accordance with their PSB objects (as defined in Sections 114 and 118 of the Act respectively), statements of strategy and public service statements. RTÉ and TG4 must also address: original children's programming, Irish language programming, science and technology programming, magazines and books and any recorded audio material published or distributed by the corporation.
- 6.6 As we stated last year, the objects laid out for RTÉ and TG4 in the Act do not reflect the current operations of the PSBs exactly, with various services (such as choirs and cultural groups at TG4, and teletext services) either not established or no longer in operation.<sup>103</sup>
- 6.7 Despite this, we have looked at both RTÉ and TG4's ASPCs against the objects outlined in the Act and conclude that all applicable concepts have been well-covered by both ASPCs. For RTÉ, the maintenance of linear TV, radio services, websites and the orchestras and other cultural groups are all covered in the ASPC, as are the provision and maintenance of non-linear A/V services, and the pursuit of the

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<sup>102</sup> The exclusion of details regarding the impact of Covid-19 in TG4's 2020 ASPC should not be perceived negatively but rather reflects the fact that TG4 published and submitted their 2020 ASPC document to the relevant authorities in the timeframe as laid out in the Act (2009). As mentioned, the impact from Covid-19 is outside the scope of this report, and, where mentioned, it is only in relation to our discussion and analysis of RTÉ's 2020 ASPC. We expect the 2020 ARPPF to cover the impact from Covid-19 and subsequent changes to business strategies at both PSBs. We also refer in general terms to Covid-19 impacts in our consideration of sustainability and future funding.

<sup>103</sup> From Mediatique's 2018 ARPPF: 'There are a few instances where the practices of the PSBs have shifted away from the text of the Broadcasting Act and thus these requirements have lesser weight in their ASPCs. However, for the most part these have been minor and Mediatique does not consider them out of line with the Act itself. For example, TG4 has never established or maintained choirs and other cultural performing groups and no longer runs a teletext service. These are thus not explicitly referenced in TG4's 2018 ASPC.'

exploitation of commercial opportunities. For TG4, the establishment and maintenance of an FTA broadcast service, website, non-linear services and archive, as well as the pursuit of commercial opportunities, are all explicitly covered by performance commitments.

6.8 We have also looked at whether the ASPCs are aligned with the values which the PSBs must follow in pursuit of these objects, these are to:

- ‘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 Irish language,
- ‘uphold the democratic values enshrined in the Constitution, especially those relating to rightful liberty of expression, and
- ‘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’.

6.9 Both RTÉ and TG4 also have specific requirements for their programme schedules, relating to providing a comprehensive range of programmes in the Irish and English language, providing news and current affairs programming in Irish and English (including of Oireachtas and European Parliament proceedings) and facilitating/assisting contemporary cultural expression and encouraging/promoting innovation and experimentation, although the emphasis – particularly around the use of the Irish language – differ between them.

6.10 These themes clearly underpin the ASPCs of RTÉ and TG4, and examples are set out in the table below.

**Figure 75: Key themes from Broadcasting Act 2009 and how these are reflected in PSB ASPCs, 2019**

Key themes	RTÉ	TG4
Be responsive to the interests and concerns of the whole community	Two Audience commitments; to put the audience at the centre of decision-making and to be where the audience is; maintain reach among 4-7 year olds and Irish speaking radio listeners.	Provide content which reflects Irish society and culture; deliver subtitling targets; grow non-linear audience engagement.
Ensure programmes reflect the varied elements that make up the culture of the people of the island of Ireland	Maintain public perception that RTÉ is relevant to people in Ireland today; maintain perception that RTÉ is an important part of Irish life; maintain perception RTÉ reflects current Irish society.	Provide programming for core Irish language audience and a wider national audience; reflect Irish children’s voices.
Have special regard for the Irish language	Maintain perception that RTÉ provides a comprehensive service for Irish speakers; maintain reach of RnaG.	Contribute to restoring momentum to the Irish language; broadcast 2,339 hours for core Irish language audience; protect investment in Irish language talent and creativity; continue to develop Digital Archive.

Key themes	RTÉ	TG4
Provide news and current affairs programming	Maintain perception that RTÉ provides trusted N&CA content and generates national debate/political discourse.	Broadcast hours of N&CA for core and wider national audiences; development of Molscéal portal
Facilitate/assist contemporary cultural expression	Maintain public satisfaction with the quality of culture and arts on RTÉ; increase investment in indie sector; maintain public perception that RTÉ provides a broad range of orchestral music.	Maintain investment in Irish indie production sector and support its development through content/talent development initiatives, incl. Cine4 scheme, Irish language Media Training Development Scheme and TechFéile.
Promote/encourage innovation and experimentation	Grow perception RTÉ has a range of new faces and voices on air.	

Source: Mediatique.

- 6.11 Equally, we can confirm that RTÉ and TG4 both address original children’s programming, Irish language programming, science and technology programming,<sup>104</sup> although neither ASPC addresses magazines, books or recorded audio material. RTÉ publishes the RTÉ Guide and produces podcasts, but these are not represented in its ASPC.
- 6.12 Finally, the PSBs are required to prepare their ASPCs with reference to their incumbent Statements of Strategy. 2019 marks the second year of the 2018-2022 strategy statements, published last year. However, as we noted last year, due to the lack of adequate public funding for either PSB in 2018 (and in previous years before that), these strategy statements are already out of date. Going forward, this will be compounded by the impact of Covid-19, the effects of which are yet to be fully realised but are likely to be significant for the PSBs. Because of this, we consider the revised strategies of both PSBs in the following section, on efficiency, adequacy and sustainability of public funding.

### **Ambition of targets**

- 6.13 For RTÉ, the targets prepared for 2019 were mostly in line with the targets used for 2018, with seven out of 33 changed and only one of these lower than in 2018 (for RTÉjr weekly reach, revised down from 14% to 13% and even then, not achieved).
- 6.14 However, in the context of declining live viewing and continued expansion of new forms of content, services and platforms making the Irish broadcasting landscape increasingly competitive for the PSBs, we consider that maintaining targets at the level set in the previous year can be counted as ambitious.
- 6.15 RTÉ commits to very high targets related to public perception, which make up a large proportion of its overall target pool. This set the bar at a high level, given the degree to which public perception can be influenced by factors outside the control of RTÉ.
- 6.16 TG4 were more likely to use actual performance in 2018 to guide the setting of targets in 2019 (i.e., rather than retaining the same target year on year). In some cases, this meant increasing them – for example, for the non-linear performance target, almost all key metrics were raised – and decreasing

<sup>104</sup> These are evaluated in detail in the relevant sections within this report.

others – for example, the genre targets for core audience broadcast hours. This responsiveness to actual performance means TG4 is particularly flexible to changes in the broadcasting landscape.

6.17 Both PSBs have demonstrated a willingness to be proactive in capturing new audiences (in particular, children and young people) and indeed, in capturing audiences on new platforms and services (as older demographics increasingly add on-demand services to their consumption), which is beneficial to the overall provision of PSB content for all audiences across the island of Ireland. These targets have been suitably ambitious, even where, as in the case of TG4's non-linear performance for 2019, these ambitions were not always met. This is encouraging nevertheless, as both RTÉ and TG4 seek to adapt to the structural changes taking place in the broadcasting landscape, rather than simply trying to mitigate the rate of decline.

6.18 Overall, RTÉ and TG4 provided suitably ambitious targets for themselves during the year.

### **Adequacy of ASPCs for 2020**

6.19 RTÉ's 2020 ASPC was published in June 2020, following extensive consultation and analysis on how Covid-19 would affect both its operations in the year and also the implementation of its Revised Strategy. In August 2019, RTÉ published the Revised Strategy 2020-2024 which sought to return the corporation to financial sustainability. The Government responded with an immediate €9.3m in additional public funding for 2020 and proposed to set up the Commission to report on the future of public service broadcasting and how best it could be delivered. The Government also required RTÉ to refrain from implementing some of its suggested reforms (including those relating to Lyric FM and any future land sales) until the Commission had delivered its report.<sup>105</sup>

6.20 In early 2020, these plans were put on hold due to the pandemic. Covid-19 had a marked impact on the broadcaster. While these issues are discussed more fully in the following section, the crisis also affected RTÉ's timeline for delivery of the ASPC and, indeed, the ability to meet certain targets.

6.21 The ASPC outlines six performance commitments, which are evaluated by 33 targets. The performance commitments, under the headings of Audience, Content and Sustainability, correspond with those set out for 2019. Similarly, the majority of the targets given for each commitment are in line with the targets from 2019. There are several amendments, however, that should be noted.

- 'Maintain RTÉ's television share (adults 15+, all day)' has increased from 24-26% in 2019 to 27% in 2020;
- 'Maintain RTÉjr weekly reach among 4-7 year olds' has been discontinued;
- A new target to meet the '365 provision' to provide content to TG4 as per section 120 of the Act has been added; it comes with an addendum to deliver the 2018-2022 protocol as agreed previously with TG4;
- 'Increase investment in the independent production sector' has risen from €39.7m to €40.2m for 2020;

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<sup>105</sup> The Commission's terms of reference were revised following the formation of a new Government in 2020 and is now a Commission on the Future of Media (including broadcasting, print and online). It is still expected to provide guidance on the future of PSB within this.

- ‘Maintain public perception that RTÉ provides a broad range of orchestral music’ has been revoked for 2020, given the closure of concert venues in light of the lockdown.
- 6.22 On top of these changes, the target measures under the Sustainability commitment have changed dramatically, reflecting the impact of Covid-19 on RTÉ’s commercial activities and the licence fee.
- 6.23 As above, the performance commitments for 2020 must be evaluated against: RTÉ’s public objects as set out in section 114 of the Act, its statement of strategy, and the specific requirements to address original children’s programming, Irish language programming, science and technology programming, magazines and books and any recorded audio material published or distributed by the corporation.
- 6.24 Bearing in mind that PSB operations are not entirely correlated with the objects laid out in the Act, we have assessed its ASPC 2020 against them below.

**Figure 76: RTÉ’s 2020 ASPC against its PSB objects**

<b>Section 114 of the Broadcasting Act 2009</b>	<b>Covered in RTÉ ASPC? <i>Commitment and target measure</i></b>
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 of the island of Ireland	Yes Commitments 1, 2, 4 and 5
Establish and maintain a website and teletext services in connection with the services of RTÉ	Yes Commitment 2
Establish and maintain orchestras, choirs and other cultural performing groups in connection with the services of RTÉ	Yes Commitment 5 (revoked for 2020 given Covid-19 restrictions on public gatherings)
Assist and cooperate with the relevant public bodies in preparation for, and execution of, the dissemination of information to the public in the event of a major emergency	n/a Implicit in Commitment 3 but not explicitly referenced.
Establish and maintain archives and libraries containing materials relevant to the objects of RTÉ	No explicit commitments to archival material
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	No explicit commitments to broadcasting outside the island of Ireland
Subject to the consent of the Minister, ... establish and maintain, in so far as is reasonably practicable, community, local, or regional broadcasting services, which shall have the character of a public broadcasting service and be available free-to-air	Yes Commitment 4
Subject to the consent of the Minister, ... 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	Yes Commitments 2 and 4

Section 114 of the Broadcasting Act 2009	Covered in RTÉ ASPC? <i>Commitment and target measure</i>
So far as it is reasonably practicable, to exploit such commercial opportunities as may arise in pursuit of the objects	Yes Commitments 5 and 6

Source: Mediatique.

- 6.25 As with the 2019 ASPC, RTÉ's 2020 ASPC does not contain explicit references to archival material, broadcasting outside the island of Ireland or cooperation with public bodies in the event of major emergencies which do make up its objects under the Act. However, given RTÉ has purposefully streamlined its commitments in line with its forward-looking strategy documents, we consider that its performance commitments for 2020 are adequately in line with its PSB objects.
- 6.26 Given the publication of the Revised Strategy, we have not compared RTÉ's 2020 ASPC against its 2018-2022 Statement of Strategy on the basis that the Revised Strategy superseded this document. Assessing the ASPC against the Revised Strategy shows that RTÉ is in line with its objectives, in particular in re-emphasising RTÉ as a digital-first platform and in addressing both public funding and commercial revenue pressures.
- 6.27 The specific statutory requirements to address original children's programming, Irish language programming and science and technology programming are laid out in Appendix C of RTÉ's 2020 ASPC, which sets out the projected broadcast hours of various genres across TV and radio (science and technology programming hours are included in factual in the ASPC). There are no specific references to magazines, books or recorded audio material, although RTÉ publishes the RTÉ Guide and produces podcasts.
- 6.28 TG4, on the other hand, has radically restructured its performance commitments for 2020 onwards, following the recommendations from previous reviews. The ASPC outlines 11 performance commitments, which are based on 11 corresponding priorities, including linear/digital audiences, young audiences, the Gaeltacht, supporting the regional creative economy, internationalising the independent audio-visual sector and TG4's own creative cultural footprint, safeguarding cultural/linguistic assets, findability, funding and diversity.
- 6.29 Each commitment will be evaluated against between two to seven priority metrics. These priority metrics are mainly quantitative; for 2020, many priority metrics are to establish a baseline of performance. TG4 notes that it will continue to track a number of operational metrics (including weekly reach, broadcast hours, capital and operational budgets) but that these will no longer be part of the performance commitments.
- 6.30 As with RTÉ, the commitments are evaluated against its public objects, its statement of strategy, and the requirements related to original children's programming, Irish language programming, science and technology programming, magazines and books and any recorded audio material published or distributed by the corporation.

**Figure 77: TG4's 2020 ASPC against its PSB objects**

<b>Section 118 of the Broadcasting Act 2009</b>	<b>Covered in TG4 ASPC?<sup>106</sup> Commitment no.</b>
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 of the island of Ireland	Yes Commitments 1 and 9
Establish and maintain a website and teletext services in connection with the services of TG4	Yes (website only) Commitments 2, 3 and 4
Establish and maintain choirs and other cultural performing groups in connection with the services of TG4	n/a <sup>107</sup>
Assist and cooperate with the relevant public bodies in preparation for, and execution of, the dissemination of information to the public in the event of a major emergency	n/a <sup>108</sup>
Establish and maintain archives and libraries containing materials relevant to the objects of TG4	Yes Commitment 8
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 the island of Ireland	Yes Commitments 6, 7 and 9
Subject to the consent of the Minister, ... 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	Yes Commitments 2, 3, 4 and 9
So far as it is reasonably practicable, to exploit such commercial opportunities as may arise in pursuit of the objects	Yes Commitment 10

Source: Mediatique.

- 6.31 We consider the performance commitments outlined by TG4 for 2020 to be in line with its PSB objects.
- 6.32 2020 is the third year of TG4's 2018-2022 strategy. As such, the Statement of Strategy forms the basis for the creation of the performance commitments and there is a clear through-line from the original document to this one. As TG4 notes, however, its performance commitments must take into account five key challenges facing the broadcaster in 2020 and beyond: changing audiences, differentiation, funding/sustainability, findability and impact. According to TG4, the cumulative funding gap against TG4's 2018-2022 Statement of Strategy from the start of the 2018-2022 strategy period will be [X] by 2020. This will ultimately affect TG4's ability to perform the totality of its public service objects to the highest possible standard.<sup>109</sup>

<sup>106</sup> Two commitments (5: 'support growth and jobs in regional creative industries, helping to sustain and build Ireland's regional creative economy' and 11: 'continue to bring linguistic diversity into the maintain and to be recognised for diversity both on and off-screen') are not included in the table only because they do not correspond specifically to any of TG4's objects as outlined in the Act but are nevertheless important to the health and stability of the broadcaster going forward.

<sup>107</sup> Choirs and other cultural performing groups have not been established by TG4.

<sup>108</sup> While this is an explicit requirement of TG4 generally, it does not require performance commitments.

<sup>109</sup> See Section 7 on adequacy and sustainability of public funding and its impact on public service outcomes.



- 6.33 Finally, TG4 adequately covered the specific statutory requirements to address original children’s programming (Commitment 3), Irish language programming (Commitment 4) and science and technology programming (Appendix 1: Commitment 7), and did not have any specific commitments for magazines, books or recorded audio material.

### **Recommendations**

- 6.34 Both RTÉ and TG4 have been responsive to the recommendations suggested on behalf of the BAI in these reviews. Since 2018, both PSBs have adapted their performance commitments in line with suggestions made by the Consultants, to take into account changing market conditions and best practices for public service broadcasting.
- 6.35 In particular, TG4 has substantially updated its ASPC for 2020 – a process RTÉ also undertook for its 2018 ASPC – and both organisations have reformed how the ASPC can be used in the day-to-day running of their operations in a way which should benefit strategic outcomes in the future.
- 6.36 There are a number of recommendations that we would have made based on TG4’s 2019 ASPC. These are broadly in line with those we recommended in our 2018 ARPPF and include continuing to streamline the number of targets, shifting to quantitative over narrative-driven assessment, and focusing on areas of strategic focus rather than covering all operations at TG4 wholesale. However, we note that these changes have been implemented for TG4’s ASPC for 2020 and sufficiently cover the recommendations we would have made against its 2019 performance.
- 6.37 Equally, having been in receipt of RTÉ’s 2020 ASPC, we are content that it is suitable going forward, taking into account the significant impact on Covid-19 on the broadcasting sector and on RTÉ more specifically.
- 6.38 As suggested throughout this document (and indeed broached more fully in the following section), the 2020 ARPPF exercise will be a very different one, having to account for the significant impact of Covid-19 on both broadcasters. Further, the review will likely be launched prior to the expected publication of the report from the Future of Media Commission) and this may potentially affect the nature and scope of operations at RTÉ and TG4. As such, we have elected not to make recommendations regarding future performance commitments as these may be overtaken by the Commission results (although it is unclear when these might be forthcoming).

## 7. Efficiency, adequacy and sustainability of public funding

- 7.1. For this review, we have been asked by the BAI to address specifically whether:
- The PSBs are efficient across all operational areas (including production and overheads).
  - The PSB in question commissions a mix of content to engage with audiences in line with its PSB objects, budget and statutory obligations.
  - The PSBs use public funding for their PSB objects.
  - The PSBs have complied with European rules on maximising commercial revenues and on the maintenance of surpluses (capped at 10% of budgeted expenditure in each year that can be retained as reserves).
- 7.2. In this section we address all these key questions. We also address the adequacy and sustainability of public funding at TG4 and RTÉ.

### Efficiency

- 7.3. In its review for 2018, Mediatique undertook a benchmarking exercise to establish whether and the degree to which the Irish PSBs spent efficiently (by category) compared to a range of similar PSBs and other providers in relevant, comparable markets. We concluded in our report that both were broadly in line with their respective cohorts. Given the recency of that work, and in light of relative consistency in cost expenditure year on year in 2019 compared to 2018, we have not conducted an updated version of this comparison.
- 7.4. In 2019, public funding for RTÉ increased by €7.2m year on year to €196.3m, while commercial funding declined by 3% to €145.8m. Costs were flat overall at €333.7m, compared to €332.6m in 2018 (before accounting for special events). As expected, RTÉ continued to request additional public funds to permit it to maintain its scope and scale in relation to PSB expenditure, and therefore costs in 2019 were not cut back dramatically (as RTÉ continued to anticipate a positive funding settlement). RTÉ did, however, begin to outline plans for significant service and other cuts, on the basis that additional public funding (and/or licence fee reform) would not be forthcoming in the short term.
- 7.5. These plans included the potential closure of RTÉ's digital radio stations and the DAB transmission network, the sale of the RTÉ Guide, ceasing the teletext service Aertel, shuttering the Lyric FM studios in Limerick, cutting 200 jobs corporation-wide, reducing Executive Board management salaries by 10% across the board, seeking a further 15% cuts in presenter salaries (over and above significant cuts already made), aiming to cut €60m from budgets over three years, with [X] of this in 2020.
- 7.6. TG4, for its part, continued to apply a strategy of only maintaining service commitments when income permitted, and did not run an operating deficit in 2019.

### Content mix

- 7.7. Both PSBs remain committed to commissioning a range of content to engage with all audiences and this is evidenced by the strong commitment to content targets in both ASPCs for the year.
- 7.8. TG4 set individual targets for broadcast hours in each genre for both of the audience poles, and further targets for the level of produced/versioned versus licensed hours in each. Moreover, TG4 set target budgets for each of these categories to ensure appropriate spend was met for each one.

- 7.9. For RTÉ, its targets for content are more streamlined but again rely on diversity of the nature, scope and scale of all genres to be successful. In particular it commits to a very high level of indigenous hours on its main radio and TV channels, Radio One and RTÉ One, as well as a range of audience perception targets to track the Irish population's recognition of the quality and diversity of its programming, focusing in particular on arts and culture, children's content, news and current affairs and, outside of programming, orchestral provisioning.
- 7.10. From our analysis of the broadcast hours for both PSBs, we conclude that TG4 and RTÉ provided a broad mix of content for all audiences in 2019.
- 7.11. Furthermore, while the audience yield analysis, taken on its own, should not be the sole driver of future commissioning choices, the variation in results for each genre yield does demonstrate that both PSBs were committed to broadcasting content even when viewing outcomes were (likely to be) low; for example, with children's content and drama.
- 7.12. A purely commercial model would indicate shifting spend to the best performing genres (i.e., entertainment, documentaries and music for TG4, and entertainment, news and factual for RTÉ) and to lower spend on less-well performing genres but this has not been the case and both RTÉ and TG4 have designated expenditure to a much greater range of genres, in line with their public service obligations.

### **Public funding for PSB objects**

- 7.13. We can also confirm that both PSBs used their public funding in an appropriate manner to drive public service outcomes. There is no evidence to suggest that in either case was public funding spent on anything other than PSB objects.

### **Overcompensation and commercial revenue maximisation**

- 7.14. Based on our review of the PSBs, we conclude that in 2019 both RTÉ and TG4 met their obligations on surpluses, with neither running a surplus of more than 10% of budgeted costs attributable to delivering public service objectives.
- 7.15. Consequently, there is no evidence of over-compensation – as defined at EU level for public service media corporations<sup>110</sup> – at RTÉ or TG4.
- 7.16. Further, we are satisfied that both RTÉ and TG4 continued to pursue policies of commercial revenue maximisation, with commercial out-turns for both broadly in line with the dynamics of the media sector as a whole.

### **Adequacy and sustainability of public funding**

- 7.17. The Irish PSBs ended 2019 with significant challenges. Both faced continued structural headwinds around audience behaviour and struggled to address digital (particularly younger) audiences.<sup>111</sup> Neither

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<sup>110</sup> European Commission, *Communication from the Commission on the application of State aid rules to public service broadcasting*, 2009. Source: <https://publications.europa.eu/en/publication-detail/-/publication/80dad7d3-5fc5-470d-9c88-1258a6b7e190>.

<sup>111</sup> Lower-than-recommended public funding in recent years and weakness in commercial markets have combined to render both PSBs' Five-Year strategies largely redundant. Even the revised RTÉ strategy published in the autumn of 2019 has been overtaken by events. Mediatique assumes in its analysis that the core ambitions in those plans (Irish-language and regional impact maximisation by TG4; digital innovation and engagement with younger audiences at RTÉ) remain intact, even if the means of delivery and funding are in doubt.

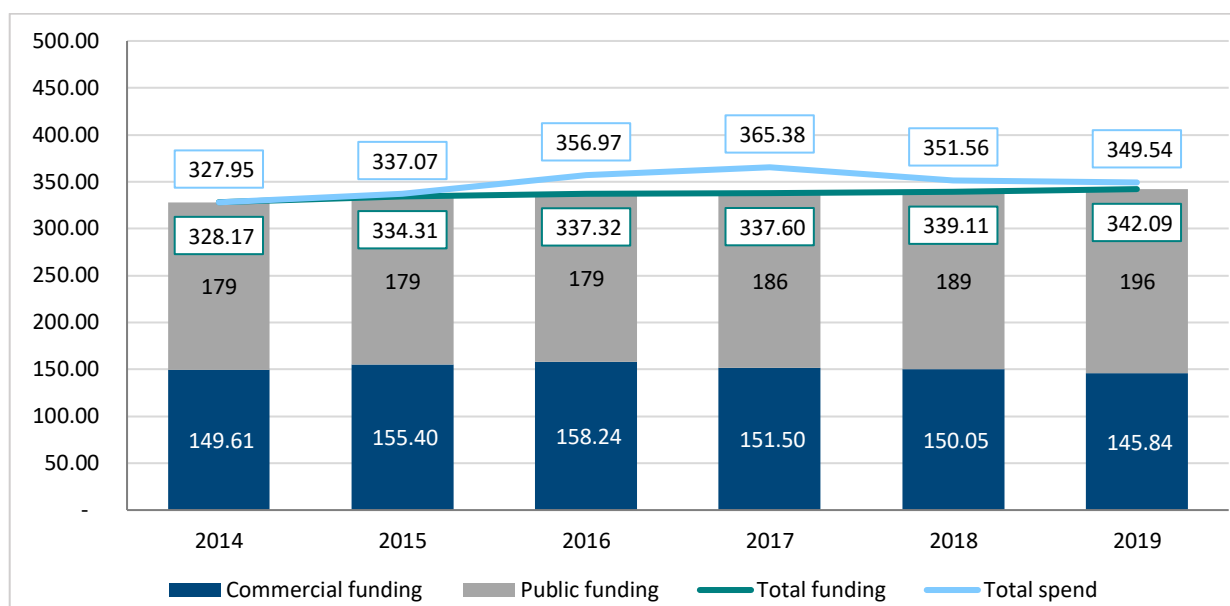
had recourse to the public funding recommended by previous reviews and the BAI: TG4 responded by only pursuing those elements of its strategy that could be funded by available income; RTÉ, as it had done previously, budgeted for an operating deficit in the expectation of securing additional public funds over time.

### Adequacy of public funding – RTÉ

- 7.18. The Government did indeed award additional funding to RTÉ in late 2019 (accounted for in the 2020 period, outside our area of review) of €9.3m, lower than the funding recommended by the BAI (informed by analysis from Mediatique in the 2018 ARPPF). It was also announced that a review would be undertaken on the future of PSB in the Republic by a Commission reporting to the Department of the Taoiseach.<sup>112</sup> This review would address the fundamental scale and scope of PSB, objectives, the PSB framework, funding implications and sustainability.
- 7.19. As part of that announcement, the Government mandated monthly meetings involving the DCCAE and the Government’s advisors NewEra to oversee RTÉ’s budgetary process. At the time, RTÉ put on hold plans to review future land sales at its Donnybrook campus and elected not to proceed with the transfer of its Limerick studio operations (supporting Lyric FM) to Dublin. Other aspects of the cost-cutting exercise were pursued, including seeking salary cuts for senior management, closing Aertel and progressing plans (although these were ultimately shelved) to sell the RTÉ Guide.
- 7.20. By the start of 2020, with RTÉ’s funding improved by the indicative €9.3m (i.e., around half of the recommended €20m pa in Mediatique’s report for the 2018 review) and with cost savings of [X] targeted, RTÉ was still budgeting to post a deficit for the year of [X]. Had the recommended increase in public funding recommended in the 2018 ARPPF been forthcoming, RTÉ would have been at break even. The Covid-19 crisis has since interceded.
- 7.21. Market participants expect advertising to be weaker by perhaps 15-20% year on year in 2020, recovering from 2021 and into 2022. RTÉ, for its part, expects its commercial revenues to decline in line with the market year on year in 2020.<sup>113</sup> TG4 is also reporting weaker commercial out-turns in 2020. Compounding this, income from the licence fee is also expected to be sharply lower, in line with the significant decline in the number of licences sold by An Post during the lockdown and the likelihood that some of this will translate into evasion rather than postponement.
- 7.22. The PSBs will be able to mitigate some of this through changes in content strategy and cost restraints. For example, RTÉ will book cost savings from postponements (the shift of the Olympics to 2021), rebates on some of its sports rights costs, salary restraint, reductions in production activity and discretionary spending and recourse to the Government wage subsidy scheme). RTÉ expects these additional savings to total around [X].
- 7.23. On that basis, what had been budgeted as a [X] deficit for 2020 is likely to be higher than that once the full effects of Covid-19 are factored in.

<sup>112</sup> “Commission on the Future of Irish Public Service Broadcasting to be Established, Government respond to RTÉ Revised Strategy”, 2019, DCCAE. Source: <https://www.dccae.gov.ie/en-ie/news-and-media/press-releases/Pages/-Commission-on-the-Future-of-Irish-Public-Service-Broadcasting-to-be-Established,-Government-respond-to-RT%C3%89-Revised-Strateg.aspx>. Following the formation of a new Government in 2020, the Commission’s brief was widened to encompass a review of the future of print, broadcasting and online. *Programme for Government – Our Shared Future*, June 2020, *op. cit.*

<sup>113</sup> RTÉ, *RTÉ’s 2020 Performance Commitments*, June 2020.

**Figure 78: RTÉ's income and expenditure (in €m), 2014-2019**

Source: RTÉ annual reports. Total spend is made up of operating costs, special event costs, depreciation and amortisation, gain on disposal of assets and tax. Exceptional items are excluded for 2009 and from 2017 onwards.

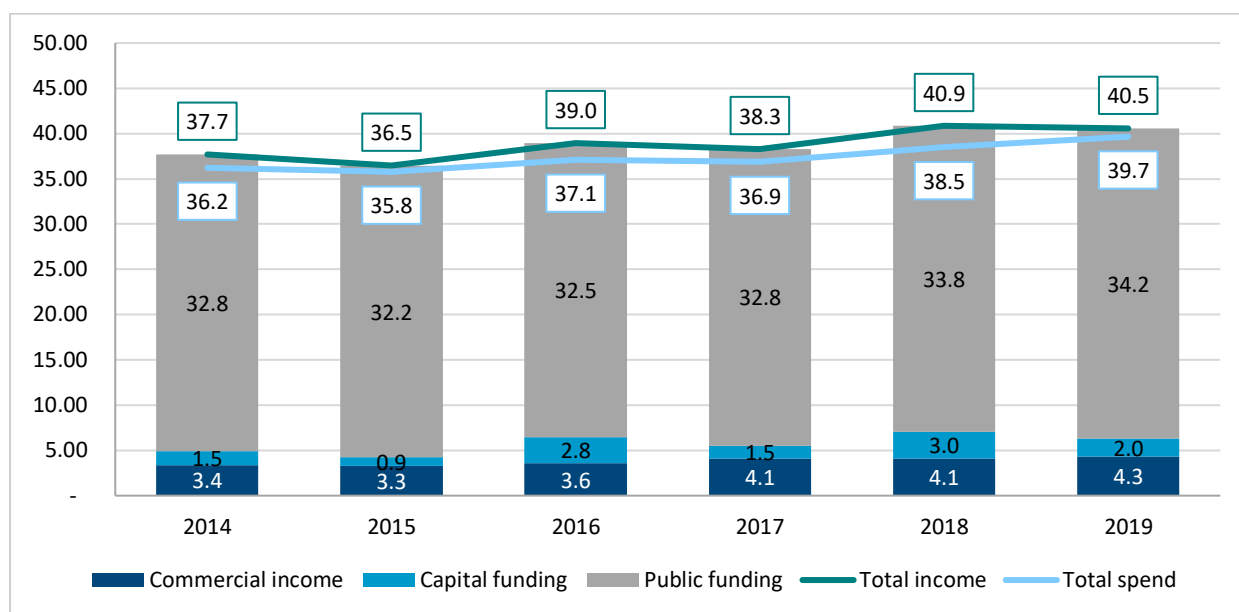
- 7.24. The precipitous decline in commercial and public revenues in 2020 will mean that even with the aggressive cost-cutting implied by the revised strategy published in late 2019 (with €60m in cuts over three years) and additional costs savings identified in the short term, the deficit is set to climb.
- 7.25. Even without accounting for Covid-19, RTÉ's public funding is therefore not adequate to address the requirements under its revised strategy.

#### Adequacy of public funding – TG4

- 7.26. TG4 is shielded to a degree as its funding is no longer partly sourced from the licence fee, except where it benefits from content funded via Sound & Vision (itself licence fee funded). TG4 instead receives funds directly from the public purse.
- 7.27. TG4, might have expected an increase in funding of c€6m, in line with the recommendations of the BAI and supported by Mediatique. In the event, it received far less (even accounting for an increase in capital contribution): €36.233m in total (of which €2m was capital funding). This represents an increase of €433k in current funding from 2018 (€33.79m compared to €34.233m), on top of the €1m increase in current funding from 2017 to 2018 (€32.79m to €33.79m). While capital funding did not increase in 2019, it was maintained at the level received in 2018 – €2m – itself a €1.08m increase from 2017.<sup>114</sup> TG4, too, faced challenges generating commercial revenue in 2019. As a result, TG4's public funding was inadequate to deliver its outlined strategy. Moreover, it is now facing the Covid-19 impact from 2020, and is expected to end 2020 with a deficit, which will have to be addressed by Government.

<sup>114</sup> The capital funding received by TG4 in 2018 and 2019 does not count towards the BAI's recommendation of a €6m increase in annual funding as none of it was made available for operational use; this changed in 2020, when €1m in capital funding was ringfenced for production use and thereby deemed operational.

Figure 79: TG4's income and expenditure (in €m), 2014-2019



Source: TG4 annual reports.

#### Market context and the impact on sustainability

- 7.28. The PSB system, in line with much of Irish media, is in a critical state. Commercial revenues will be sharply down in 2020 under even optimistic scenarios, and any recovery in 2021 and 2022 does not appear likely fully to compensate for the lost ground in the current year. While TG4 is less exposed than RTÉ to commercial revenue variations, it will have experienced a significant decline in the first half of 2020.
- 7.29. Public funding from the licence fee remains in doubt given structural factors, including a rise in the number of Irish households declaring no TV and the persistent levels of evasion (which may be intensified by the Covid-19 effect).
- 7.30. There will be a limit to what RTÉ and, to a lesser extent, TG4 can do with their costs in the short to medium term, particularly as the Government has indicated that RTÉ, in particular, should wait to engage in any fundamental re-structuring of particular activities until the Commission on the Future of Media has completed its review.
- 7.31. Even so, there are a number of potential actions RTÉ in particular might take in the interim to improve its funding outlook and ensure longer-term sustainability short of awaiting the outcome of the Commission's review. For example, there remains scope for RTÉ to generate incremental revenue from commercial distribution partners.
- 7.32. Ireland is also considering whether new content funding schemes (as permitted under changes at European level) might be established with fresh funding from digital players such as YouTube and Facebook (e.g., to contribute to the costs of Irish journalism) or from the SVOD players (Netflix, Amazon) to fund Irish audio-visual content. RTÉ might benefit from either of these funding schemes, as a major news and general content provider. It should be noted, however, that not all players in the Irish market would welcome such a new content scheme (as we heard in our confidential stakeholder interviews) and this would require significant legislative change (notably transposing the 2018 AVMS Directive into Irish law); moreover, the quantum is unlikely to be large given the size of the Irish market and the ability to generate significant funds via levies on Irish-only revenues.

- 7.33. Meanwhile, the prospect of significant payments from platform operators to RTÉ for its TV and player services seemed constrained by lack of support from policy makers on reforming legislation around copyright and ‘must offer, must carry’. Without changes, RTÉ’s negotiating position is relatively weak. As for content funding schemes, these will take some time to materialise and are likely to be modest in terms of medium-term impact.
- 7.34. RTÉ will be left in the medium term with very limited room for manoeuvre if it is not allocated a significant increase in public funding and/or provided early and detailed guidance on the scale and scope of its operations under any renewal of PSB following the review by the Commission. It can continue with salary caps, attempts to reduce headcount via voluntary redundancy plans and further reform of its content mix. But more radical restructuring (the closure of digital radio stations, the relocation of RTÉ’s Limerick studios to Dublin or perhaps even more radical surgery<sup>115</sup>) will require Government guidance. In the meantime, immediate needs (certainly for 2020 and 2021) will be acute.
- 7.35. Short of increased borrowing or seeking permission to use the proceeds from the land sale to cover current account deficits (prohibited under Irish and European law but subject to Covid-related relaxation), RTÉ will need to be rescued.
- 7.36. How the crisis is dealt with in the course of 2020 will be established among Government, RTÉ and the Government’s advisors, NewEra; Mediatique is unable to predict the outcome of that process. While the publication of the Programme for Government underscores a political commitment to reviewing the Future of PSB (and indeed, the future of the media sector as a whole), it is not clear at this juncture what will be agreed in terms of longer-term funding (including the mechanism of any replacement of the licence fee) and to what degree RTÉ and TG4 will fundamentally re-structure as a consequence.
- 7.37. A fundamental re-thinking of PSB funding could, for example, create a contestable fund available not just to the two PSBs and to Sound & Vision but to other direct applicants as well (Virgin Media, Sky, Vodafone, Netflix, commercial radio broadcasters, even Facebook); it might also set the public fee as a household charge, but at a significantly lower level to cover ‘market failure’ genres such as news and Irish-language content. Might RTÉ be placed on a subscription-funded basis and not be funded by a licence fee at all? Conversely, might it be prohibited from earning commercial revenues directly and be wholly publicly funded (*albeit* presumably at a relatively low level)? One might envisage, in other words, reforms that confirm the role of existing PSB institutions or that bypass them; that retain features of the current hybrid funding model or that usher in more radical models.
- 7.38. Other unknown elements with real impact include the evolving relationship between PSBs and platforms (around the balance of payments between pay-TV operators and PSBs) and the nature of any content funding scheme arising from changes to the AVMSD, by which digital players such as Netflix, Facebook and YouTube may be obliged to contribute to the funding of Irish content, including news.
- 7.39. These issues will necessarily be relevant to the ARPPF in 2021, covering PSB in the year 2020, and are beyond our scope here.
- 7.40. The implications for sustainability are acute. TG4, with its direct funding model, is better protected, but it will not be able to expand its support for the Irish language and to continue to promote regional economic development without multi-year funding certainty. For RTÉ, the crisis is existential. If Ireland

<sup>115</sup> In our stakeholder interviews, it was suggested, for example, that RTÉ sell its 2FM national radio station or consolidate to just one TV channel, RTÉ One.

is to continue to have an indigenous public service broadcasting ecology, with a sustainable commitment to news, Irish original content and genre diversity for multiple audiences, funding will have to be secured – via a long term reform of the licence fee and a short term lifeline in the interim.

- 7.41. The alternative may be to accept that PSB in its current form is no longer sustainable and that the Government should no longer seek a means to ensure it. Indeed, as we argued in the report to inform the BAI's Broadcasting Services Strategy in 2017, some industry participants have long considered that: "there is no longer a means of intervening reliably in the market (nor any need) to ensure certain key outcomes – around domestic content and promotion of the Irish language, for example...[T]he combination of behaviour shifts, innovations in technology that ensure consumer tastes are catered for and new business models combine to address market dynamics without the need for regulatory intervention."<sup>116</sup>
- 7.42. We are not of this view. We consider that the Irish landscape would be impoverished without the availability of public service content, however this is procured (and the Commission will take a view as to whether and how). Nor can it be left to the market to determine. As we concluded in 2017: "[S]elf-help on its own will not lead to optimal outcomes in relation to sustaining the market's ability to fund Irish content and to meet public service objectives around news, current affairs and the Irish language, as appealing as it is to leave developments to the market."

### **Funding recommendations**

- 7.43. We do not believe it possible to determine an amount to reflect the requirements for funding RTÉ's operations over the medium term owing to the considerable uncertainty surrounding the Covid-19 impact and the longer term issues around the potential reform of PSB as recommended by the Commission. We concur with RTÉ management that the present crisis is existential, and additional funding will be required. RTÉ has calculated that public funds of [X] would have allowed RTÉ, on the base-case assumptions, to deliver on its current remit and operations with a deficit in line with original estimates set prior to the onset of the Covid-19 crisis ([X]). Thereafter, RTÉ is expected to continue to be on very uncertain ground, as commercial revenues will recover only fitfully and as fundamental cost cutting may require regulatory approval will be subject to the outcome of a review by the Commission that is unlikely to conclude soon. As a result, significant incremental public funding assistance will be required in any event in 2021.
- 7.44. Longer term, it appears to us that a fundamental reform of the licence fee is required – and this should lead to multi-year, sustainable public contributions to both RTÉ and TG4. Given that this is will be a key topic of the Commission's terms reference, we make no further recommendations in this context.
- 7.45. For 2020, we reiterate our view that TG4 should receive the remainder of the annual short fall of €6m recommended in the 2018 ARPPF, for an incremental contribution of €3.5m for 2020.<sup>117</sup> It should also negotiate emergency funding to address the deficit arising from its response to the Covid-19 crisis (outside the scope of our report).

<sup>116</sup> Available here: <https://www.bai.ie/en/consultations/draft-broadcasting-services-strategy-bss/>.

<sup>117</sup> See Figure 80 for further detail. We are aware of TG4 suggestion that funding be pegged at a ratio to total public funding but without necessarily linking this to a reformed licence fee. This concept will doubtless be reviewed in the context of the Commission's work and form part of subsequent ARPPF reviews by the BAI.



- 7.46. For RTÉ, we assume that while the five-year plan originally published in 2018 (and revised in 2019) is no longer tenable the corporation will continue to focus on its core ambitions around improving its digital offer and engaging more intensively with younger audiences. Assuming that cost-cutting in line with the original 2020 budget of a [X] savings is deliverable (as the first year of its targeted €60m cost cutting programme), and setting aside Covid-related emergency funding, we would propose that the recommendation in the 2018 ARPPF (an incremental c€20m pa) be used as a framework for our underlying funding recommendation in 2020 and beyond. This figure is made up of the BAI's original €30m funding recommendation for each year of the 2018-2022 period, less the public funding increases already received and retained in 2018 and 2019 (a total of €10.2m).
- 7.47. Given the Government has already pledged an additional €9.3m for RTÉ in 2020, Mediatique's recommendation is that a further €10.5m should be provided. Covid-19 emergency funding aside, this level of increased public funding would place RTÉ on a sustainable footing until such time as the Commission reaches its verdict on future funding and structure and/or a reform of the licence fee is at hand.
- 7.48. It should be noted that RTÉ will still need to cut its costs further, given the likelihood of slow recovery in commercial revenues over the next 2-3 years. Compulsory redundancies, and potentially the closure of services (as has already been proposed), would have to be contemplated.

## 8. Conclusions and recommendations

- 8.1 In 2019, the Irish market faced the same structural threats from the shift to non-linear viewing and listening as in previous years, enabled by greater connectivity and the role of new platforms and services. Younger demographics continue to experience this shift acutely, with linear consumption among older audiences more resilient.
- 8.2 While total advertising for the year was relatively flat, both TV and radio advertising declined, by -4.7% and -6% respectively. The PSBs performed broadly in line with these trends in terms of their commercial revenues, but both continue to suffer from chronic pressures in their public funding.
- 8.3 A detailed analysis of the PSBs' performance commitments for the year led us to conclude that both TG4 and RTÉ substantially met their targets for the year, although there are areas (in particular around children and young people's viewing and more broadly, audience-related targets at TG4, and audience perception targets for viewing and content at RTÉ) that will need to be monitored in future ASPCs, to which both broadcasters have already committed.
- 8.4 A review of the commitments for the 2019 ASPC exercises demonstrated that all were adequate in relation to the Broadcasting Act 2009, the PSBs' own Statements of Strategy and other requirements. A review of TG4's 2020 version was undertaken and showed the restructured ASPC is likewise adequate against its required obligations. Similarly, RTÉ's 2020 ASPC, which took into consideration the expected impact from Covid-19, was suitable against the same requirements.
- 8.5 We reviewed the adequacy and sustainability of public funding at RTÉ and TG4 and conclude that neither currently receives adequate public funds to fulfil its public-service obligations to the fullest extent. However, TG4 has been able to 'live within its means' with the public funding it receives each year, and we expect it will be able to do so in future years, meaning that while the funding it receives is not adequate, TG4's operations are sustainable on the amount given. This is subject to two important provisos: one, that it receive emergency funding to account for the Covid-19 impact (levels to be agreed with Government and the regulator); and two, that over time its funding be increased to meet the recommended levels for the pursuit of its preferred strategy.
- 8.6 By contrast, underfunding at RTÉ has led to a situation where it is difficult to see how the organisation could remain sustainable on the current public funding level without either a significant reversal of commercial fortunes or changes to its public service mandate (implying alterations to the size and scope of its activities). This is the case even with the significant cost cutting envisaged in the revised strategy.
- 8.7 While there may be some scope for improvements in commercial revenue in future (from new relationships between the PSBs and TV platforms, for example, or an acceleration in the ability of RTÉ to generate digital income), underlying traditional businesses (TV and radio advertising) are unlikely to recover in the short to medium term and improved commercial income from other sources will not be enough to compensate. Both players may be assisted by the introduction of content levies consistent with changes at European level, funded in part by contributions from digital new entrants such as Netflix, Google (YouTube), Facebook and Amazon. We anticipate that the proceeds from any such levy will be modest at best and take time to materialise.
- 8.8 The solution to the sustainability gap will be re-structuring, an improved public funding settlement, or a combination. Any significant change to the scale and scope of RTÉ will require clarification from Government, and may risk under-delivery of impartial news, current affairs and original Irish content that would otherwise not be delivered by fully commercial providers.

- 8.9 Our recommended public funding for TG4 and RTÉ is based on ensuring that the ambitions of both PSBs as originally articulated in their five-year plans from 2018 (and as amended by RTÉ in late 2019) can be met. We have not, by definition, addressed the emergency funding that may be required to address the impact of Covid-19 and its aftermath.
- 8.10 On this basis, we propose that the BAI recommend an increase in RTÉ's funding of €10.5m in 2020 over and above the €9.3m allocated in Budget 19, and before any emergency funding required as a result of under-funding by the licence fee. This would be consistent with our recommendation that the 2018-22 period required annual increases of €30m, of which €19.5m in cumulative increases by the end of 2020 had been provided (again, it does not take into account the Covid-19 effect). RTÉ would be obliged in any event to pursue its cost-cutting targets as a minimum.
- 8.11 Our recommendation for TG4 in 2020 is an allocation of €3.5m in yearly incremental assistance, over and above the increases received in funding in recent years (not including required emergency funding related to Covid-19).

**Figure 80: Key conclusions and funding recommendations**

	RTÉ	TG4
Financial performance in 2019	Revenue: €349.5m Operating costs: €352.1m (Deficit)/Surplus: (€7.2m)	Revenue: €40.5m Operating costs: €40.08m (Deficit)/Surplus: (€0.3m)
ASPCs largely met?	✓	✓
Commercial revenue maximised?	✓	✓
Overcompensation avoided?	✓	✓
In receipt of adequate public funding?	X	X
Sustainable on current funding levels? <sup>118</sup>	X	✓
<b>Funding increase recommended for 2020 by the BAI (Five Year Review 2018)<sup>119</sup></b>	<b>€30m p.a.</b>	<b>€6m p.a.</b>
Incremental public funding received in 2018	€3m <sup>120</sup>	€1m <sup>121</sup>
Incremental public funding received in 2019	€7.2m <sup>122</sup>	€443k <sup>123</sup>
<b>Net public funding increases from 2018 and 2019</b>	<b>€10.2m</b>	<b>€1.443m</b>
Funding increase currently indicated for 2020	€9.3m <sup>124</sup>	€1m <sup>125</sup>
Remainder of recommended 2020 funding increase after accounting for net public funding increases already secured	€10.5m	€3.557m
<b>Mediatique recommendation for public funding increase to achieve 2018-2022 Strategy<sup>126</sup></b>	<b>€10.5m</b>	<b>€3.5m</b>

<sup>118</sup> Excluding impact from Covid-19 in 2020.

<sup>119</sup> The funding recommendations by the BAI are for an additional €30m and €6m (for RTÉ and TG4 respectively) on top of the actual funding received in 2017, sustained at that level each year of the 2018-2022 period.

<sup>120</sup> Made up of €1.5m from increased DEASP contribution, and €1.5m in increased licence sales during the year.

<sup>121</sup> In 2018, TG4 received a funding increase of €1m in current funding, along with a €985k special grant for *Bliain na Gaeilge* and €1m additional capital funding. In the table above, only current funding is counted towards the funding increase total, as the additional capital funding was not available for use as operational funding.

<sup>122</sup> Made up of an €8.9m increase from Budget 2019, of which €8.6m was allocated to RTÉ and the rest to the BAI's Sound and Vision Fund. Licence fee sales fell by €1.4m leading to a net public funding increase for RTÉ of €7.2m during 2019.

<sup>123</sup> Increase in current funding from Government.

<sup>124</sup> Increase from the Government announced in November 2019; subject to change depending on licence fee sales.

<sup>125</sup> Current funding for TG4 remained flat between 2019 and 2020, although it received an increase in capital funding of €1m from Government for 2020 which was ringfenced for programming spend. This counts as operational funding and therefore is included in the table above, against the BAI's recommendation for an annual funding increase of €6m.

<sup>126</sup> The recommendation is before any emergency funding required as a result of the Covid-19 crisis. At time of writing, both RTÉ and TG4 were forecasting budget shortfalls directly related to the impact of the crisis. The full implications of this will be reviewable in the ARPPF of 2020.

## Appendix 1: 2018-2019 RTÉ and TG4 Public Funding

<b>RTÉ</b>	<b>2018</b>	<b>2019</b>
Total public funding received	€189.1m	€196.3m
<b>BAI recommendation: annual funding increase</b>	<b>€30m</b>	<b>€30m</b>
<i>Change in licence fee income from previous year</i>	<i>+€1.5m</i>	<i>-€1.7m</i>
<i>Public funding increase through government measures</i>	<i>€1.5m</i>	<i>€8.9m</i>
Total annual increase in public funding	€3m	€7.2m
Total increase in public funding - cumulative	n/a	€10.2m
<b>Remainder of annual recommendation</b>	<b>€27m</b>	<b>€19.8m</b>
Cumulative underfunding over 2018-2022 period	€27m	€46.8m

<b>TG4</b>	<b>2018</b>	<b>2019</b>
Total public funding received (current and capital)	€35.79m	€36.23m
<i>Change in capital funding from previous year</i>	<i>+€1.08m</i>	<i>n/a</i>
<b>BAI recommendation: annual funding increase</b>	<b>€6m</b>	<b>€6m</b>
<i>Change in current funding from previous year</i>	<i>+€1m</i>	<i>+€443k</i>
<i>Additional capital funding for operational use</i>	<i>n/a<sup>127</sup></i>	<i>n/a</i>
Total increase in public funding from previous year	€1m	€443k
Total increase in public funding - cumulative	€1m	€1.443m
<b>Remainder of annual recommendation</b>	<b>€5m</b>	<b>€4.557m</b>
Cumulative underfunding over 2018-2022 period	€5m	€9.557m

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<sup>127</sup> In 2018, none of the increase of €1.08m in capital funding was made available for operational use by TG4 and therefore does not count towards the BAI's recommendation of an annual increase of €6m.

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