



ÚDARÁS
CRAOLACHÁIN
NA hÉIREANN

BROADCASTING
AUTHORITY
OF IRELAND

2-5 Plás Warrington,
Baile Átha Cliath 2, Éire
2-5 Warrington Place,
Dublin 2, Ireland

T: + 353 (0)1 644 1200
F: + 353 (0)1 644 1299
E: info@bai.ie
W: www.bai.ie

21st October 2020

Ms. Catherine Martin, TD,
Minister for Tourism, Culture, Arts, Gaeltacht, Sport & Media
Department of Tourism, Culture, Arts, Gaeltacht, Sport & Media
Kildare Street
Dublin 2

Re: BAI Annual Review of Performance and Public Funding ("ARPPF") of RTÉ and TG4 2019

Dear Minister,

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

The Authority was assisted in its work by Mediatique ("the Consultants") in conducting annual performance reviews of RTÉ and TG4 for 2019. As in previous years, the reviews encompass an assessment of the extent to which each corporation has fulfilled the commitments made in the relevant period in respect of its public service objects, and the adequacy or otherwise of public funding to enable the corporation to meet its public service objects.

The Consultants' report for 2019, (Annual Review of Performance and Public Funding of Public Service Broadcasters 2019), is enclosed with this correspondence. Reviews of both public service broadcasters (PSBs) are contained within the report.

In writing to you, I also wish to take the opportunity to address specific matters raised by your predecessor, Minister Bruton, in his letter to me of **19th March 2020**, responding to the BAI's Annual Review of Performance and Public Funding of the PSBs 2018. In particular, I will address a number of key points raised in respect of the PSBs' performance among younger audiences and in respect of audience trust. I note and welcome the recent appointment of members to the Future of Media Commission, which had also been referred to in Minister Bruton's letter to me. The Authority would like to reiterate its willingness to contribute to the work of the Commission and concurs that the significant challenges facing Irish media generally and public service broadcasting particularly, as outlined in this



letter and as reflected in the terms of reference of the proposed Commission, need to be discussed and addressed in a substantive and timely manner.

1. Terms of Reference

The terms of reference for the BAI's 2019 review included an assessment of:

- The extent to which each PSB has fulfilled its commitments in respect of its public service objects, as set out in its Annual Statement of Performance Commitments 2019;
- The extent to which each PSB utilises public funding efficiently and effectively, and the extent to which creativity is fostered and sustained;
- The extent to which each PSB has used the public funding which it has received, in pursuit of its public service objects (rather than in pursuit of its objective to exploit commercial opportunities), with a view to assessing whether any overcompensation has occurred;
- The extent to which each PSB provides value for money, the adequacy, or otherwise, of public funding for each PSB to enable it to meet its public service objects, and the extent to which each PSB has complied with EC policy in respect of the maintenance of surpluses.

2. Context of, and Approach to, the Review

The BAI and its appointed consultants, Mediatique, commenced work on the 2019 annual review in early April 2020 and concluded much of the associated fieldwork and data analysis by the first week of July 2020.

In conducting the review of TG4's performance, the consultants focused on the primary areas set out in the broadcaster's 2019 annual statement of performance commitments ("ASPC"). The broadcaster's performance in 2019 was reviewed across the following five thematic areas, which were previously agreed between the BAI and the PSBs as an appropriate framework:

- **Audiences** - Impact and Reach
- **Content** - High Quality and Distinctive
- **Promotion and Development of the Irish language and culture**
- **Transparency and Efficiency**
- **Trust and Governance**

It should be noted that TG4 had already drafted their 2019 ASPC at the time the 2018 ARPPF was concluded. Thus, the recommendation made in the 2018 ARPPF, that TG4 streamline and prioritise their targets further, was implemented for the 2020 ASPC and will be reported on in the 2020 ARPPF.



As outlined in my letter to your predecessor last year, further to recommendations made in previous ARPPFs, RTÉ had streamlined, rationalised and subsumed their commitments and targets in 2018. Accordingly, the three key thematic areas covered in this and the 2018 review incorporate the five thematic areas listed above and are as follows:

- **Audience** - Deliver content relevant to all Irish audiences, serving everyone, everywhere
- **Content** - Captivate audiences through a more varied mix of quality content that tells Ireland's stories
- **Sustainability** - Protect the future of public service media through a sustainable RTÉ

Incorporation of Audience Yield recommendation from the Five-Year Review

Further to a recommendation made arising from the BAI's Five-Year Review of Funding for Public Service Broadcasters, carried out by consultants Communications Chambers in 2017, a supplementary analysis - "Audience Yield" – was piloted and trialled by the BAI as part of the 2017 ARPPF. This analysis was subsequently undertaken for both PSBs in the 2018 and 2019 ARPPFs.

As indicated in previous reports, it is important that any analysis of audience yield as a metric is treated with caution and is significantly contextualised in terms of other factors at play. Taken out of context, 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.

Furthermore, while this analysis is significantly useful in providing the additional insight into trends relating to audience consumption and spend, Audience Yield ***does not*** capture the public service value or impact of the PSBs' content. This measure is best suited as the provision of supplementary information on trends rather than specific targets to be reached as part of ASPCs.

COVID-19

This review considered the performance of the broadcasters in 2019 having regard to their commitments and objectives as set out in their existing Five-Year Costed Strategies, submitted to the Authority as part of the BAI's Five-Year Review of Public Funding, which concluded in 2018. The broadcasters' respective strategies covering the period 2018-2022 remain the only ***existing*** costed and detailed strategies formally submitted to, and assessed by, the BAI. In making its funding recommendations however, the Authority is aware of RTÉ's recently Revised Strategy for the period 2020-2024.

Section 124 of the Act limits the Authority to reviewing the PSBs' performance during the previous calendar year – in this case 2019. That said, the report could not ignore the changed landscape in which this review was being carried out and the significant and potentially long-lasting effects on the PSBs brought about as a result of the pandemic. It should be emphasised that any reference made to the expected impact of COVID-19 in the report was based on information to hand at the time of writing the report and the full impact will be considered in the 2020 ARPPF.



Finally, while the Authority is abundantly aware of the significant financial and programming challenges facing the PSBs because of COVID-19, the BAI's funding recommendations are being made on the basis of the broadcaster's performance in 2019. As noted in the accompanying report, the BAI is aware of recent requests from both RTÉ and TG4 to your Department for emergency COVID funding, based on financial impacts in the current year. The BAI has not been a party to this information or the discussions arising and, therefore, the BAI's public funding recommendations as set out herein, should be considered separate, and in addition, to any emergency COVID-related funding sought by and awarded to the PSBs.

Consultant's Conclusions

The Consultants' conclusions on the respective performances of the PSBs are contained in Section 4 (TG4) and Section 5 (RTÉ) of the enclosed Mediatique report.

Having undertaken the reviews, the Consultants also expressed their considered opinion on:

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

The Consultants' recommendations on the above are contained in Section 8 of the report.

The Consultants presented their report and findings to the Authority at its meeting in July last. Accordingly, the Authority now sets out below its response to the Consultants' report, together with its recommendations, as required pursuant to section 124(5) of the Broadcasting Act 2009.

3. Authority Observations arising from the ARPPF 2019

General Observations

While not having succeeded in fulfilling all commitments as set out in their annual statements of performance commitments, broadly, both PSBs performed well against commitments set for 2019, particularly having regard to the competitive and challenging environment within which they are operating.

In terms of content, both RTÉ and TG4 set ambitious targets in terms of delivering content to younger viewers and listeners and connecting with hard-to-reach audiences. The PSBs largely struggled to meet these targets, both via linear and non-linear platforms - which is reflective of the wider challenges faced by traditional broadcasters. Both RTÉ and TG4 are continuing to expand their measurement of non-linear audiences and have committed to exploring new consumption metrics.



Both RTÉ and TG4 performed well in terms of meeting their overall public objects with regard to reflecting Irish culture and heritage. It should also be noted that RTÉ and TG4 demonstrated delivery of trusted news and current affairs programming in 2019.

In terms of how the public perception of the PSBs is measured, both RTÉ and TG4 are expanding their use of these metrics in their performance commitments. While performance in this area can often be due to a wide range of extenuating factors, it should be noted that RTÉ's performance across Audience and Content metrics during the second half of 2019 was lower than targeted.

With regard to the broadcasters' financial performance, TG4's commercial revenue generation performed well against the target set and targets relating to spending of public funding were all fully achieved. RTÉ, however, have continued to run a targeted deficit. While the deficit for 2019 was less than targeted, the Authority reiterates its concerns over this practice. This is highlighted in further detail later in this letter.

In terms of the overall format and makeup of the PSBs' Performance Commitments, the Authority noted both broadcasters' efforts to streamline their respective commitments and targets and welcomes TG4's radical reform of their performance commitments for 2020.

The Authority noted the results of the Audience Yield analysis, while being mindful of any conclusions being drawn from this, as highlighted above. Analysis of TG4 showed that older audiences continue to be over-served and, as in 2018, male audiences and C2DE audiences were served slightly better than their counterparts. As is often the case with PSBs, older demographics deliver better yields than younger counterparts, due to greater overall time spent with live TV. While RTÉ's audience yield performance across television services showed an overall decline on 2018 figures, which could be attributed to a number of factors, overall radio yield in contrast showed better results.

Overall conclusions

The BAI hereby endorses the consultants' recommendations detailed in this review.

As demonstrated in the Mediatique report, neither RTÉ nor TG4 has been in a position to implement fully their objectives, as outlined in the broadcasters' Five-Year Strategies (2018-2022). Due to the absence of the required level of funding to achieve their strategic objectives, as recommended by the BAI in its 2018 Five-Year Review of Public Funding, both broadcasters have been faced with difficult decisions. In the case of TG4, the broadcaster has scaled back its ambitions and cannot deliver all aspects of its strategy. RTÉ, on the other hand, has implemented some of its objectives but has continued to run significant deficits in doing so.

RTÉ's running of deficits

As detailed in previous BAI ARPPF reports and in correspondence from the Authority to your predecessors, RTÉ's continual running of deficits is regarded by the BAI as **unsustainable**. The BAI therefore again wishes to express its **significant concerns** regarding this practice by the broadcaster.

The Authority is cognisant of the potential longer-term financial risks to RTÉ brought about by the successive running year-on-year of substantial deficits and is also mindful of the standards of PSB



accountability as set out in the 2009 Communication from the European Commission on the Application of State Aid Rules to Public Service Broadcasting. As ever, the Authority is mindful that any such further diminution of RTÉ, either in financial or reputational terms, will ultimately have a negative impact on both the broadcaster and, ultimately, Irish audiences.

While these concerns are being raised in light of the information contained in the 2019 ARPPF report, the Authority is also aware of the reporting mechanisms currently in operation between RTÉ, NewEra and your Department, established as a condition of the additional public funding awarded to RTÉ in December 2019, as outlined by your predecessor in his correspondence to me of 19th March. I note that these regular reports allow for NewEra and your Department to have increased visibility over RTÉ's current financial situation and to monitor its position on a regular and ongoing basis.

4. BAI Funding Recommendations

The 2009 Act requires the Authority to make formal recommendations to you in respect of any modifications in the funding of RTÉ and TG4, having regard to the performance of each broadcaster in the previous period and the level of funding required to deliver on their objectives.

In summary and taking account of all the evidence in the Review of the broadcasters' performance in 2019, the Authority is satisfied that the broadcasters broadly achieved their targets for the period.

The BAI notes the recommendations arising from the BAI's Five-Year Review of Public Funding, submitted to your predecessor in June 2018. In that context, you will recall that the Authority recommended that RTÉ would receive an increase in its annual public funding of **€30m** per annum (effective from 2018).

In the case of TG4, the BAI recommended an increase of **€6m** per annum in public funding, over and above TG4's 2017 public funding provision for **current/operational** expenditure. We recommended that this increase should have full effect from 2018 and onwards over the period of TG4's strategy. It should be noted that this and any subsequent recommendations relate to current/operational expenditure only and do not relate to any funding required by the PSB for non-operational capital expenditure.

Arising from the BAI's 2019 Annual Review of Performance and Public Funding, the BAI now makes the following recommendations in respect of 2020 public funding for TG4 and for RTÉ:

- **TG4:** in the case of TG4, a funding increase in 2020 of **€3.557m** per annum is recommended- being the €6m recommendation made by the BAI in 2018 but adjusted for the public funding increases committed in the 2018, 2019 and 2020 periods (€2.443m).

For clarity, as previously noted, the initial funding recommendation of €6m made by the BAI arising from its Five-Year Review of Public Funding in 2018 related to current/operational funding only. The BAI notes that, due a change in accounting policies at TG4, certain capital funding can be awarded to the broadcaster to be earmarked specifically for expenditure on programme content. For the purposes of the funding recommendation, the capital funding awarded in 2020 for this purpose has been considered



as an increase in operational funding and is therefore reflected in the total increase of €2.443m as set out above.

- **RTÉ:** in the case of RTÉ, a funding increase of **€10.5m** - being the €30m per annum recommendation made by the BAI in 2018, less previous and planned public funding increases committed by Government in the 2019 and 2020 periods, totalling **€19.5m**.

In the view of the Authority, the above recommendations should be adequate to enable each of the broadcasters to achieve their strategic objectives as set out in their costed five-year strategies for the 2018-2022 period.

As mentioned earlier in this letter, the above recommendations are to be considered separate, and in addition, to any emergency COVID-related funding which may be awarded to the PSBs. It is the Authority's understanding that your Department has up-to-date information on the current financial situation of both broadcasters in this regard.

5. Commercially-sensitive Information

As you are aware, the Authority owes a duty to each public service broadcaster, further to the provisions of section 32(10) of the Broadcasting Act 2009, not to disclose commercially-sensitive information. As part of the process of review, commercially-sensitive information, necessary for the review, was gathered by the consultants and considered by the Authority. A further process was required involving consultation with the broadcasters to ensure that the contents of the report, that is submitted to you and subsequently laid before the Houses of the Oireachtas, does not contravene the Authority's obligations to each PSB under section 32(10).

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

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

Yours sincerely,

Professor Pauric Travers

Professor Pauric Travers,

Chairperson

Encl.