



Comhchomhairliúchán maidir le Dréacht-Straitéis BAI um Sheirbhísí Craolacháin & Bearta Rialála Ceadúnúcháin / Consultation on BAI's Draft Broadcasting Services Strategy & Licensing Regulatory Measures

Tras-scríbhinn den seisiún C&F a cur I láthair Taighde / Transcript of Q&A Session on Research

Simon Kelehan (Eir): Where's the impact of digital piracy, streaming etc. in all of this?

Mathew Horsman (Mediatique): Yes, you are absolutely right. There are probably two lacunae in that sense in the numbers. One is illegal which is real but relatively stable and the other is adult which is the unspoken part of this. We could talk a little bit about that. There are two real things going on here particularly in on-demand and they do make a difference. You are quiet right but we are in a sense trying to talk about a totality, a 100% of the market which is legal and mainstream.

Moderator: does that answer your question Simon? Go on ahead.

Simon Kelehan (Eir): If we are just talking about the legit market various estimates somewhere around 20% of Dublin homes using dodgy TV android boxes which is draining money from the eco-system. I think it is a fundamental factor that is taking money out of the eco-system and that needs to be addressed for a policy point of view if you are talking about the long-term funding of the industry

Mathew Horsman (Mediatique): I misunderstood, I was thinking more about piracy in terms of content that is stripped and mined and sent out illegally. You mean actually people getting platforms that are illegally accessed or pirated. It is a very big issue, it is an issue of illegality and the problem of chasing them. We had a problem with Kodi boxes that were pre-loaded with Sky Sports. It is an issue we don't go into too much here. It is a good shout.

Ken Murray (Easy Broadcasting): I don't know if this came up in your research, but I am just wondering how you access the phenomenal amount of money being sucked out of the country by Sky TV and the fact that there is less left in the advertising pie for everybody else?

Moderator: Are you talking about opt-out advertising Ken?

Ken Murray (Easy Broadcasting): Yes, potentially, but the money is leaving the State and going to London and there is very little Irish content coming back in return

Mathew Horsman (Mediatique): Absolutely, that is what I meant when I made my observation about opt-out. I have to say that we absolutely agree and we think the numbers are very big. It's about €40m last year across Sky, C4, UKTV, there's quite a few of them. It is a little bit scary to watch that number of opt-out channels grow and grow and grow because all you have to do is put down a few €100k to have a satellite stream simulcast and have some opt-out mechanism exactly the same content that you are showing on the other side of the sea with Irish ads. In my country of Canada that's called cultural dumping and it happens when you live in a country that shares a very large linguistically porous border with a much bigger economy.

So, in Canada it's the US by definition, here it's the UK. So, I'm completely in agreement and the answers are not straight forward and I don't think there are within the remit of our research and tis even beyond what the BAI can do without government intervention. But I think there is a solution to tax or have a levy on those who benefit from being in the Irish market in terms of generating funds, advertising and having to pay towards a kind of S&V, a new plan to put money back into Irish content.

Moderator: How much of a levy Mathew? Are you talking about single digits here are you?

Mathew Horsman (Mediatique): Yes, single digits. You don't want to stop these broadcasts; I like C4. I don't think we should have less choice but we need to have some recognition that there's a value proposition so it's a small fee which needs to be universally applied so there's issues about how you claw it back if you are RTÉ. So, what's the point in taxing them further? We haven't talked about the licence fee, it's not our lookout. We've just said that barring some improvement in licence fee funding in our view you have got a problem in terms of the core commitment to Irish content so there's no point in taxing RTÉ further but there are ways to balance this. The government has to look at this.

Iris Park (DCTV): Can you talk a little about community TV?

Mathew Horsman (Mediatique): We did spend some time in the report on both community radio and TV, both of which are problematic because the revenue models have been difficult and there's been successes and failures and I am glad to say there have been some successes but it is not straightforward. There must be community and radio entities by the way and they must have a funding model that recognises the requirement for public money. That is the only way this works and it has to address the community but that's an issue around policy because unfortunately I don't see a commercial model for community radio.

Geraldine O'Leary (RTÉ): Is there any chance or hope that the rules around opt-out will change when Britain is no longer part of the EU and no longer covered by Europe?

Mathew Horsman (Mediatique): It is funny this because I just finished saying there ought to be an addressing of this issue come what may so it should not depend on whether Brexit occurs or not. The channels are using European rules to come into the Irish market so you could argue well let's not get too hasty about opt-out because Brexit will happen and then these channels can't do that anymore. They are going to have to do something like register elsewhere in the EU and it is not as easy as it sounds.

Moderator: But there is no guarantee they'll register here?

Mathew Horsman (Mediatique): That is true and that is what I am saying and it is also difficult to say how they would even do it. If they are British broadcasters they have to have some sort of European base to show that they are a European broadcaster looking for a European market and I think it is likely that they will want to come in and have a status in Ireland is my point. So, you can just wait and they will come drifting towards you and you could attach certain conditions if they relocate here under section 71.

Geraldine O'Leary (RTÉ): I think Mathew the point here is the spirit of the law and I think that's the point we should make because if you are no longer governed by the AVMS directive from Europe then are you abiding by the spirit of the law? I live in hope, it is €40m.

Mathew Horsman (Mediatique): I think the other quick thing to say is that I think it gets done naturally by Brexit – post-Brexit moves. There could be a carve out for broadcasting in the same it is intended to have a carve out for other industriesI think this has to be addressed either through licensing terms or you have to have a levy.

Alan Esslemont (TG4): Saorview as a platform, it could go a lot further than it has at present. Do you think it is far from optimised? TG4 can't afford to be carried on it let alone TG4+1 and the issue of prominence for Irish content in search/navigation terms requires addressing

Mathew Horsman (Mediatique): How many times has Ireland tried to licence commercial DTT multiplexes. It is not through lack of trying, in fact a licence was awarded. It is difficult, the market is probably not big enough to have a commercial DTT platform so then it becomes a public, PSB driven platform. The claims on RTÉ generally right now; DTT is too expensive and not enough demand to meet the capacity, so I think where we are with DTT we are going to be. This issue is still going to be here in 10 years time but judicious use of DTT and IP might be an option. (54 mins)

John Purcell (IBI): You confirmed the popularity of radio and the robust nature of the listenership. By my estimate including RTÉ there are about 30 different companies providing radio content throughout the country so we have a pretty diverse industry but you made two statements which were kind of glossed over. One is that all business models that rely on advertising are under threat and I think there is a consensus that only a few mega global brands like the New York Times, the Economist or the Financial Times will be able to survive purely on a subscription basis. The outlook is very difficult over the next number of years.

You kind of have an optimistic view of 2017 and 2016. People I talk to in the radio industry have never seen it as difficult. I suppose the question I want to ask you is do you think that you, the BAI and the Government, truly understand the seriousness of the situation that people feel there is an existential threat to our business models and that there does not seem to be any acceptance of that within the Government with the state of the broadcasting sector.

Mathew Horsman (Mediatique): An existential threat will be dealt with by the definition of the BAI if that's what they believe. I am here to tell you that it wasn't a good 2017 and it is not going to be a good 2018. There are things that the radio industry in particular can do to self-help. There are things you can do to educate the market upstream, educate the buyers and sellers. You can make the case that though social media seem very sexy and interesting they are not the be all and end all and there are effective roles both radio and TV both can play with advertisers and they need to know that.

If you are saying there is something radical going on that this is like the press industry because we have just finished a report on advertising for DCMS on the future of the press industry and you've got to be so pleased that you are not press and are radio because they are two different things and I can go through chapter and verse as to why that is. Though I think there are real dangers and difficulties do I think it is existential in the next five years, no.

John Purcell (IBI): What about social media though and its place because if you look at Facebook and Google who together control over €500m in the Irish market they are not regulated at all?

Mathew Horsman (Mediatique): Not in our remit but may I say that's absolutely true. Facebook and Google take 80% of incremental money in the advertising base in the last 2 years so anything that was in the growth, 80% of that went to 1 or 2 players. Take the Mail and Express merger in the UK, it seems odd to me that we're not saying these 2 titles that are really in trouble can't get together so we're going to have a review of the merger between these two newspapers both of which are in difficulty and yet Facebook and Google continue with no particular kind of regulation.

I'm not sure what that regulation is but they take money that includes money that may be would have accrued to the more traditional operators, that's true. So I think there is probably a mechanism akin to some kind of transfer between the two whether voluntary or mandated. There's talk about that kind of thing – in our report which comes out in a couple of days – we have a list that might be done in this regard in a UK context for newspapers. I think some of those could be good lessons for other sectors that are beginning to feel the difficulties of social and search because newspapers have been really affected. If you look at two data points, in the UK forgive me, in 1995 print, newspapers and mags, were 65% of advertising expenditure. TV was about 27% and online was zero. In 2016 newspapers were about 14%, TV 25% so pretty robust. I should have radio to hand but I haven't. Internet was 52%.

Moderator: a complete reversal

Mathew Horsman (Mediatique): So I agree with you but I don't think the existential crisis that faces newspapers is facing radio

Martin Block: This is a question about DAB. You advocate the potential development of DAB. The current JNLR research shows that DAB is on .8% at the moment so with that in mind the development for it to become commercially viable in my opinion would take about 10 years. Now taking into consideration everything you just said about the downturn in advertising it's a massive amount of money to actually go into the restructure why are you actually advocating at this stage?

Mathew Horsman (Mediatique): Well anything that is at point something needs development doesn't it? I am not saying you are building on anything, you are building on very little foundation in DAB. I'm just saying there is an issue about choice and availability of services. A single or maybe one or two more FM licences is not going to address that fundamental issue in the Irish market about choice and geographical range.

The DAB is a glide path between FM and IP solution overtime. And the IP solution is too far away to even begin to be relied upon in any kind of transitional period. So in 10 years time we start thinking about how that works but it is only going to happen I completely agree if it's backed by the 3 parties, Government, RTÉ and commercial radio and the reason I say all three is because that is how it has worked in other places. What's happened since the big costs of building DAB were incurred by Scandinavia, the UK, is there is a lot of technological development which has brought costs down. There is a lot in the report about this. I would love to have a further chat about DAB. For us it is almost kind of a way of focussing attention on the issue of choice and platforms rather than specifically saying it has to be DAB (1.01)

End

Michael O'Keeffe (CEO of BAI) presentation