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**14 December 2017**

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



**Re: BAI Annual Review of Funding for Public Service Broadcasters 2016: RTÉ & TG4**

Dear Minister,

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

The Authority was assisted in its work once again this year by Indecon International Economic Consultants ("Indecon") in conducting annual performance reviews of RTÉ and TG4 for 2016. As in previous years, the reviews encompass an assessment of the extent to which each corporation has fulfilled the commitments made in the previous year 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 2016, (*Public Funding Review of Public Service Broadcasters*) is enclosed with this correspondence. Reviews of both public service broadcasters (PSBs) are contained within the report enclosed.

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

- The extent to which each PSB has fulfilled its commitments in respect of its public service objects, as set out in its Annual Statement of Performance Commitments 2016;
- The extent to which each channel operated by a PSB utilises public funding efficiently and effectively, and the extent to which creativity is fostered and sustained;



- The extent to which each PSB has used 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 and the adequacy, or otherwise, of public funding for each PSB to enable it to meet its public service objects and the extent to which each PSB has complied with EC policy in respect of the maintenance of surpluses were also assessed.

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

- Audience performance, including reach and share;
- Content: level, nature and distinctiveness of content output;
- Irish language and culture: promotion and development;
- Transparency and efficiency; and
- Trust and good governance.

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

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

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

Indecon presented its report and findings on the public service broadcasters to the Authority at its meeting in October last. The report was considered further by the Authority at its meeting on 16th November, and the Authority agreed its recommendations, as required pursuant to section 124(5) of the Broadcasting Act 2009.

### **General Observations**

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

The BAI found that the PSBs had each operated efficiently during the past year. However, the Authority noted the cumulative impact of public funding reductions over the past number of years and is concerned that, should this position continue indefinitely, it will result in a reduction in the level and nature of public service activities of the PSBs in the future.



The BAI noted positively, in the case of each PSB, that the funding uplift granted by the Government to support programming activities linked to the 1916 Centenary Commemorations had produced favourable viewing responses from Irish audiences, thus supporting the case for public funding increases.

#### **BAI Activity to Support Future PSB Reviews**

The BAI's current Statement of Strategy has a strategic objective of working with stakeholders to support the achievement of greater sustainability for the Irish audiovisual sector. This PSB annual review process is a significant part of the organisation's work in this regard. Supporting such work is the BAI's audience tracker survey which provides independent information on audience perception of public service broadcasting in Ireland. The first survey results were produced in 2016 and the 2017 survey, conducted earlier this year, continued our work, enabling the BAI to observe trends in audience perceptions of Irish PSBs, year on year. The 2017 results indicated positive trends for both TG4 and RTÉ in the year under survey. The BAI would be happy to brief you and/or your officials further on the survey outcomes, should this be of interest.

#### **BAI Funding Recommendations**

The Act requires that the Authority makes 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, the Authority is satisfied that the broadcasters broadly achieved their targets. Noting also the previous recommendations in respect of public funding, the Authority endorses the Indecon findings and agrees with the funding recommendations as set out in Section 5 of the Indecon Report:

- **TG4:** in the case of TG4, Indecon recommended (Recommendation 6) a funding increase of between €0.25m and €0.75 million as the minimum necessary. The BAI took the view that the higher amount (i.e. **€0.75m**) was more appropriate, having regard to TG4's objects and remit, the challenging and competitive environment in which it operates and the interests and needs of its audience. This suggested increase in funding should be conditional on a commitment by TG4 to use additional funds for targeted investment to attract younger audiences.
- **RTÉ:** in the case of RTÉ, Indecon recommended (Recommendation 3) a funding increase of **€1.8m** conditional upon RTÉ implementing strict cost control measures and in RTÉ completing an independent examination of the price elasticity of demand for its advertising services. The BAI agrees with the Indecon recommendation in respect of funding and considers this to be the **minimum amount necessary** to enable the broadcaster to meet its public service objects. Indecon expressed their view on the manner in which the increase should be implemented. However, the BAI notes that this is strictly a matter for you, as Minister, together with the Government, to decide the most appropriate means by which such an increase should be delivered.



### **Other Recommendations**

The BAI notes other Indecon recommendations, including its recommendation on the number and nature of commitments and targets set by the PSBs. The Authority continues to believe that most targets currently in use are key measures in ensuring continued good performance and statutory compliance across a wide range of areas pertinent to public service broadcasting, as reflected in the objects of the broadcasters and other concerns within the statute. That said, the Authority will work with the broadcasters to see if some targets can be subsumed or prioritised – with no substantive effects on the measurement of performance or compliance.

As part of their report, Indecon conducted their own analysis on the licence fee mechanism and statutory formula used in licence fee collection. The BAI would like to note that Indecon's findings and subsequent recommendations are their own - the Authority will revert to your Department in due course in respect of its own views in this regard.

Regarding Indecon's recommendation concerning TG4's compliance with the new Code of Practice for the Governance of State Bodies, the Authority notes that this is a matter for you and your Department.

### **BAI Five-year Review of Public Funding**

As you are aware, the BAI is currently undertaking a five-year, strategic review of the funding of the PSBs, pursuant to section 124(8) of the Broadcasting Act 2009 and expects that this review will conclude in the first half of 2018. This review will elaborate further on the current environment in which the PSBs operate and the funding required to ensure their continued relevance in serving audience needs, having regard to developments in both the broadcasting and wider digital ecosystem over the next five years.

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

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



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

Yours sincerely,

A handwritten signature in black ink, reading 'Pauric Travers', is written over a horizontal line.

**Professor Pauric Travers,  
Chairperson**

**Encl.**