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**11 April 2019**

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

**Re: Annual Review of Performance and Adequacy of Public Funding of RTÉ and TG4 (2017)**

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 Communications Chambers ("the consultants") in conducting annual performance reviews of RTÉ and TG4 for 2017. 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 2017, (*Annual Review of Funding of Public Service Broadcasters 2017*), is enclosed with this correspondence. Reviews of both public service broadcasters (PSBs) are contained within the report.

**Terms of Reference**

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 2017;
- 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 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.

The terms of reference for this review also included:

- An assessment of the annual review process, including recommendations on how the process for future reviews could develop and evolve;
- The establishment and piloting of an audience-focused framework – “Audience Yield”. Further detail on this analysis is set out below.

#### **Incorporation of analysis from the Five-Year Review into the 2017 Recommendations**

This Annual Review process was conducted shortly after the completion of the Five-Year Review of Public Funding of the public service broadcasters (section 124 (8)), submitted to the Minister in June 2018. Accordingly, the Annual Review of Performance and Adequacy of Public Funding of RTÉ and TG4 (2017) directly reflects both the analysis conducted for the most recent Five-Year Review, and the recommendations arising.

The consultants adopted a “triangulation” approach to the Annual Review process using the analysis and recommendations in their Five-Year review report, taking into account developments within the PSBs and developments within the market since then.

One of the key recommendations emanating from the Five-Year Review was that the PSBs should adopt a strategic audience focus and, in this regard, a strategic prioritisation framework should be developed. Such a framework would facilitate a comparison of the public service return on spend between different services and within different genres of content over time. This prioritisation framework would also have significant regulatory advantages, allowing the BAI to evaluate the basis for decisions and choices of the broadcaster and their impact on the broadcaster’s use of public funding.

Furthermore, information arising from the application of such a framework would provide the Authority with additional insight into how efficiently audiences are being served by the PSBs, across genres and services. The framework would allow the BAI to assess:



- I. If the PSBs are adequately serving all audiences – including whether any audience is under-served or super-served;
- II. If the PSBs' content spend is getting more efficient over time;
- III. The extent to which the PSBs' choices have positive or negative commercial implications.

This audience-based analysis would in turn supplement the BAI's reviews of the PSBs' economic efficiencies, which form the current focus of the BAI's Annual Review of Performance and Adequacy of Public Funding process.

The BAI has addressed this recommendation by developing such a framework (the Audience Yield framework and analysis), in conjunction with the consultants and the broadcasters. The framework was piloted as part of this Annual Review process. The framework, its methodology, findings and potential future application is discussed in **Section 7** of the report.

#### **Methodology for the Review**

In conducting the review of TG4's performance, the consultants focused on the primary areas set out in the broadcaster's 2017 annual statement of performance commitments ("APSC") and presented its findings as follows:

- Twin-pole audience performance;
- Younger audiences;
- Non-linear audience engagement;
- Broadcast schedule; and
- Efficiency and value for money.

With respect to RTÉ's performance, the consultants focused on the following key areas set out in the broadcaster's ASPC for 2017:

- Comprehensive portfolio of media services;
- Develop digital services;
- Value for money; and
- Commercial Revenue maximisation and overcompensation;

The consultants' recommendations on the above are contained in **Section 8** of the 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 6** of the report.

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

## **Authority Observations and Recommendations**

### ***General Observations***

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

The review noted TG4's very strong performance regarding input measures (e.g. spend, schedule decisions), while noting some instances of weakness with regard to consumption – particularly around national audience reach and national audience player streams.

Regarding RTÉ, the review noted strong performance across most areas, while noting a marked reduction in consumption metrics for RTÉjr and RTÉ Radio 1. The review also noted that, while only moderately behind target, the 4% shortfall in commercial revenue was also significant.

The Authority was satisfied to concur with the findings of the consultants in respect of the performance, by TG4 and RTÉ, against the commitments made in 2017 and concluded that the broadcasters broadly achieved their targets.

The Authority also noted that the Review makes specific reference to RTÉ's consistent running of deficits and agreed with the consultants' view that the continuation of this practice is unsustainable.

### ***BAI Funding Recommendations***

The 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.

As set out in **Section 6.1** of the report, the consultants employed a "triangulation" method in the review to assess the adequacy of public funding of the PSBs, using the funding recommendations from the recent Five-Year Review as the starting point of their analysis.



In summary and taking account of all the evidence in the 2017 Review, the Authority is satisfied that the broadcasters broadly achieved their targets for the period.

The BAI noted its last set of recommendations in respect of public funding, specifically the recommendations arising from the BAI's Five-Year Review of Public Funding, submitted to you in June 2018. In that context, you will recall that the Authority recommended that RTÉ 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. This increase should have full effect from 2018 and onwards over the period of TG4's strategy.

Arising from the 2017 Annual Review of Performance and Public Funding, conducted in late 2018, the BAI now makes the following recommendations in respect of 2019 public funding for TG4 and for RTÉ:

- **TG4:** in the case of TG4, a funding increase in 2019 of **€5.557m per annum** is recommended – being the €6m recommendation made by the BAI in 2018 but adjusted for the public funding increase committed in the 2019 period (€0.443m).
- **RTÉ:** in the case of RTÉ, a funding increase of **€21.4m** – being the €30m per annum recommendation made by the BAI in 2018 less the public funding increase committed in the 2019 period (€8.6m).

#### **Audience Yield Analysis**

The piloting of the "Audience Yield" analysis as part of this review provided a significant level of additional insight into the extent to which audiences were served efficiently by the PSBs during the review period. A detailed breakdown of this analysis can be seen in **Section 7** of the report. However, the Authority makes the following key observations:

- RTÉ risks super-serving older audiences (55+) across services and under-serving younger audiences.
- In certain genres of content, RTÉ is not demonstrating a particularly high audience yield, although these genres may be core to their public service contribution.
- There are challenges facing TG4 around programme spend for their core Irish language audience which has an impact on the delivery of the objectives underpinning the broadcaster's twin-pole strategy.



While the information arising from the "Audience Yield" analysis provides considerable insight for both the Authority and the PSBs, the consultants and the Authority both emphasise that Audience Yield needs to be considered with significant context attached. Audience Yield does not measure the **impact** or **value** of PSB content, therefore the adoption of strict Audience Yield-based targets (via the PSBs' performance commitments) should be largely avoided in the future. That said, the use of Audience Yield analysis should aid broadcasters in their decision making and ensure that the audience is at the core of any such considerations going forward.

The Audience Yield analysis provided the BAI with significant additional insights into how PSBs serve audiences and aided the Authority's regulatory review by supplementing the largely economic-efficiency focus of the Annual Review process to date.

The Authority was satisfied to recommend that further development of the audience yield framework should be considered by the broadcasters and the BAI, but the analysis should be correlated with other measures of public value (benchmarking future performance against the 2017 review) and the integration of online data in the model.

The Authority intends to employ this new combined framework during the upcoming Annual Review of Performance and Public Funding of RTÉ and TG4 (2018).

### **Other Recommendations**

The consultants recommended that TG4, RTÉ and the BAI work together to streamline the arrangements mandated by section 120 of the Broadcasting Act 2009, which sets out that RTÉ should provide TG4 with one hour of Irish language content on a daily basis. While there is no specific statutory role for the BAI in this regard, the Authority is satisfied to act informally to resolve issues between the broadcasters and it is our understanding that matters have progressed towards a satisfactory resolution of the issues since the report was finalised.

### **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 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 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,

A handwritten signature in black ink, which appears to read 'Pauric Travers'. The signature is written in a cursive style and is positioned above a solid horizontal line.

**Professor Pauric Travers,  
Chairperson**

Encl.

