

Mediatique

Annual Review of Performance and Public Funding of Public Service Broadcasters, 2018

A report for the Broadcasting Authority of Ireland

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Executive Summary

Overview of scope

- As part of its duties under Section 124 of the Broadcasting Act, the Broadcasting Authority of Ireland ('BAI') is required every year to undertake a review of Public Service Broadcasters ('PSBs').
- To inform that review, Mediatique was asked to provide an analysis of the Annual Statement of Performance Commitments ('ASPC') of RTÉ and TG4 for 2018, to assess the adequacy of the commitments and targets set by each PSB and to recommend to the BAI any changes to these. In our work, we considered the 2018 performance against each broadcaster's own five-year strategy.
- We were also asked to provide a view on the adequacy of public funding and sustainability of their current operating models.
- As part of our approach, we refined and applied the BAI's previously developed audience yield methodology, which permits a standardised evaluation of the efficiency of audience delivery against relevant costs for key services and genres.¹ Among other benefits, relative 'under' and 'over' serving of certain audiences can be identified.
- Our report is structured as follows: a description of key trends in the broad economy and in Irish broadcasting; a review of TG4's ASPC (and audience yield); a review of RTÉ's ASPC (and audience yield); Mediatique's evaluation of these commitments for future purpose; an analysis of each PSB on the grounds of efficiency, adequacy of funding and sustainability of its current operating model; and our conclusions and recommendations.

Trends in the Irish economy

- Overall the Irish economy in 2018 was relatively stable when compared against 2017, with steady growth in GDP and GNP, falling rates of unemployment and continued growth in employee compensation.
- However, there has been a disconnect between underlying economic growth and advertising spend in broadcasting and associated media, which are now experiencing challenges that are likely to be more structural than cyclical.

Trends in the Irish broadcasting sector

- As is true for all mature media markets in 2018, there are structural threats in the Irish broadcast media landscape, linked to technological innovation and concomitant changes in consumer behaviour.
- Greater connectivity continued to widen the scope of networks, devices and services available to Irish consumers (influenced by bundling strategies and displacement of traditional pay TV by internet providers). These dynamics, in turn, enabled changes in consumer behaviour (disfavouring broadcast TV).
- As a result, Ireland experienced a further significant shift in 2018 toward non-linear consumption (e.g., of Subscription Video on Demand, catch-up services and box sets), on TVs, PCs and portable devices. This was supplemented by an increase in use of online video sites (e.g., YouTube) and social media more broadly.

¹ See A Note on Audience Yield Methodology in the main report, which includes a definition of efficiency in this regard.

- The activities of ‘new’ entrants was again evident in both platform and service categories, with further growth in the penetration enjoyed by global SVOD players Netflix and Amazon. Partly as a result of the activities of these new entrants, pressures also built upstream, evidenced by content cost inflation for TV programmes.
- Younger demographics in particular have reduced their TV viewing in favour of SVOD, short-form video, and social media. Declines in broadcast viewing among younger people are, moreover, accelerating. However, within this challenging market for broadcasters, Irish PSBs’ share of daily viewing has remained relatively stable.
- Meanwhile, radio remains popular in Ireland, with 83% of adults (15+) listening every day. Even here, demographic variations are marked, with younger users less likely to use radio in favour of music streaming and other forms of audio.
- Reflecting this intense competition for consumer attention, spend in advertising across traditional media (TV, radio, newspapers) dipped sharply for another a year, with print most adversely affected (the outcome was amplified by Brexit uncertainties).
- These structural challenges have resulted in flat commercial income for both RTÉ and TG4, in line with broader market trends. This has coincided with only modest increases in public funding.

Review of TG4’s ASPC 2018

- TG4’s Annual Statement of Performance Commitments is extensive, with 17 commitments under five strategic headings (Audiences, Content, Irish Language, Transparency & Efficiency and Trust & Good Governance). These are tracked year-on-year through a network of qualitative and quantitative targets under each commitment.
- In 2018, TG4 logged over 247 individual targets. Of these, 167 were fully achieved, an additional two were almost achieved, 20 had been started in 2018 but were ongoing in 2019 and data was unavailable for 13. This means 45 targets (or 17%) were not met.
- Overall, TG4 fully achieved 58% the targets under its audience-related performance commitments, while a further 10% (seven targets) were either almost achieved or ongoing.
- The main Content performance commitments were split between the PSB’s two audience poles, in line with its new twin-pole strategy of targeting both a wider audience across Ireland and its core audience of habitual Irish speakers. The wider national audience pole achieved the vast majority of its targets (26 of 34 targets for broadcast hours and programming development targets were achieved). This same was not true of core audience targets, where only 14% of targets for broadcast hours were achieved and only three of 16 programming development targets (19%) were met.
- Irish Language Promotion and Development was the best-performing category and fully achieved 88% of its targets for 2018. In particular, audience perception that TG4 supports and promotes the Irish language is very high (92%). For the Transparency and Efficiency section, we analysed TG4’s commitment on best use of public funding, efficiency and value for money holistically, rather than as individual targets. We found that TG4 operated within its means for the year and, consequently hit most of its targets for efficiency and spending public money solely on public purposes.

TG4 audience yield

- Year on year, TG4’s national programming delivered slightly better yield, with [3<] user hours delivered per euro of content expenditure, compared to [3<] hours in 2017. However, core audience yield fell

from [X] in that period, meaning TG4's total audience yield across its content portfolio dropped year-on-year [X].

- Through audience yield analysis, we see that older audiences, male audiences and C2DE audiences were served slightly better by TG4 than their counterparts. Among the core audience, the best-performing genres were Documentaries, Music and Children's. Among the national audiences, the best-performing genres were Entertainment, Film/International Drama and Documentaries. These trends held across demographic categories with a few exceptions; among the wider national audience, Sport was best-performing genre among 15-34 year olds, and for 4-14s and 15-34s of the core audience, Children's content was best-performing and second-best-performing respectively.

Review of RTÉ's ASPC 2018

- For 2018, RTÉ significantly reduced both the number of commitments in its Annual Statement of Performance Commitments (to six) and the number of targets relating to each one. Across the 34 targets, RTÉ fully achieved 22 and largely achieved seven more, meaning a remainder of five targets were not achieved in 2018.
- RTÉ's performance commitments were split across audience, content and sustainability. In these three categories, RTÉ performed well on audience and content and less well on sustainability.
- In 2018, RTÉ narrowly missed both the targets dedicated to "put[ting] the audience at the centre of decision-making". However, they were both close; only one or two percentage points off in each case. Equally, both targets were high for audience perception targets (75% and 80%).
- For the most part, RTÉ performed well against its content-related commitments, fully achieving 11 of 17 and almost achieving three more. There were, however, a few exceptions that may cause some concern: in particular, RTÉjr reach among the 4-7s has continued to decrease (to 13.2% in 2018 from 15% in 2016), and RTÉ Raidió na Gaeltachta has similarly struggled to maintain reach.
- In terms of sustainability, performance in the year was mixed. Budgeted operating cost targets were met; however, the budget had been premised on higher commercial and public revenues and these were not forthcoming. As a consequence, the deficit at operating level was higher than originally planned.

RTÉ audience yield

- From the audience analysis, we see similar patterns in RTÉ's TV yield to those of TG4, with viewing by older audiences and C2DE audiences costing less than other demographics (for RTÉ, there is very little yield discrepancy between male and female viewing).
- Compared to last year, the gap in audience yield between RTÉ One and RTÉ2/jr closed, following an increase in yield for RTÉ2/jr. This was most likely due to a decrease in RTÉ2's budget year-on-year (and a less than like-for-like decline in viewing, although there are probably multiple factors at work here). We see a similar boost in content efficiency in radio content (particularly for 2fm and Radio 1).
- Altogether, RTÉ serves most audiences reasonably well, although it is inescapably the case that RTÉ's audiences skew older (in line with broader TV trends). Younger audiences are served slightly better by RTÉ2 than RTÉ One on TV and very well on 2fm compared to Radio 1.

Adequacy of performance commitments

- We found that the performance commitments for both PSBs were widely met and were appropriate, not only against the statutory obligations each PSB is required to meet but also in the context of dynamics and trends in the wider Irish media landscape.
- TG4 set itself a range of demanding ‘stretch’ targets in 2018, which were one-third higher than the targets set in 2017. RTÉ’s targets were in line with contemporary 2017 performance rather than ambitious. We are satisfied that this is appropriate given funding constraints for the year.
- Our analysis of international benchmarks shows that both TG4 and RTÉ set strong and meaningful commitments, largely consistent with best practice.

Over-compensation, commercial maximisation and efficiency

- On the basis of our review, we conclude that both PSBs met their obligations on surpluses: neither ran a surplus of more than 10% of budgeted costs attributable to delivering the public objects. Therefore, in neither case is there evidence of over-compensation.
- Both RTÉ and TG4 pursued a policy of commercial revenue maximisation. The commercial out-turns for both PSBs were broadly in line with the dynamics of the commercial markets (TV, radio, sponsorship and online) in which one or both operated.
- On efficiency, we looked at a range of European broadcasters facing similar dynamics to those in Ireland – shifts in consumer behaviour, increased device take-up, faster connectivity – and with shared characteristics in funding models (commercial, public and hybrid) and competitor set (the presence of global competitors and commercially funded rivals to PSB providers). We also included cohort territories where there is more than one language (Belgium and Switzerland), sharing porous borders with bigger markets speaking at least one common language.
- We found RTÉ’s cost categories to be broadly in line with the benchmark margins. TG4, similarly, is in line with the cohort in our key cost categories, with the exceptions of content (understandably higher given genre and language) and marketing (again, higher as a percentage of revenues, reflecting harder-to-reach audiences).

Adequacy and sustainability of public funding

- TG4 has not operated in significant deficit in recent years. Instead, it has scaled back on investment plans when the level of funding it anticipated (and which was indeed recommended in prior reviews) was not forthcoming. This suggests that TG4’s funding is inadequate to deliver on its ambitions in the remaining years of its five-year strategy but that it is operating sustainably in terms of the avoidance of operational deficits.
- If the commitments TG4 is being asked to undertake are valuable to the broader Irish media sector, then they will need to be properly and sustainably funded. Commercial revenues will not be enough and in any event are not likely to recover in the short to medium term. Public funding is the only alternative. If it is not forthcoming, the impact is likely to be felt widely – in the independent production sector that supplies TG4 as a publisher-broadcaster and in the regions of the country where TG4 has had such a positive impact on jobs, language and culture.
- For RTÉ, its deficits at operating level in recent years are a clear indication that available funding from a combination of commercial revenues and public money has not been adequate to meet the costs of service provision.

- Moreover, the deficits of recent years, including in the review year of 2018 (€13m), are not sustainable given funding uncertainties. There seems little expectation of an improvement in the medium term in traditional advertising markets (TV and radio), for RTÉ or any traditional commercial provider, given audience behaviours, increased competition from Netflix, Amazon and others and the pressures from political uncertainty arising from Brexit. The prospects of growing the online and broadcast video-on-demand revenue segment sufficiently and quickly to offset weakness in core markets are slim.
- Unable to depend on improving commercial revenues and now facing a number of years before any relief appears from a reform of the licence fee, RTÉ will need to reduce its expenditure if it is to be placed on a sustainable foundation. This will be hard at a time when certain costs (content in particular) are rising, and when RTÉ is facing continued pressure on audiences and levels of consumer engagement.
- The time may now have come when RTÉ needs to consider making aggressive cuts – of entire services, perhaps – and this will likely entail compulsory redundancies.
- However, if RTÉ cuts services that are popular (even if it saves money thereby), then it compounds the difficulties it faces in meeting reach and viewing/listening/usage targets. That, in turn, may well reduce income and the ability to invest in content and services in the future. A vicious circle looms of lower income, lower expenditure, lower reach/usage and still lower income.
- Conversely, RTÉ could cut less popular, relatively expensive services – those that generate lower engagement but are of high public value and unlikely to be funded by commercial players. However, that inevitably raises concerns about the role of RTÉ as a public-service entity. If it is not engaged in providing those services or content genres that otherwise would not be produced, then why does it receive public money at all?

Conclusions

- We concluded that RTÉ and TG4 largely met their objectives in 2018, despite significant financial pressures, including the combination of chronic under-funding from public sources and the challenging commercial market environment.
- Both PSBs delivered their public-service mandates efficiently, based on a number of metrics applied in their ASPC reviews and on our international benchmarking.
- We further concluded that neither PSB was in breach of their obligations on overcompensation and commercial revenue maximisation.

Recommendations – future ASPCs

- We have made a number of observations in context and some specific recommendations on targets. Due to the timing of these annual reviews – which are customarily published in the fourth quarter of the year following the year in question – the recommendations therefore may not be featured in the ASPCs that immediately follow each review: our recommendations will not apply for the 2019 ASPCs for TG4 or RTÉ.
- Instead, we have provided our observations and recommendations with the 2020 ASPCs in mind (note that we have had sight of the 2019 ASPCs in order not to replicate recommendations that have already been taken on board).

TG4 Recommendations:	Rationale:
1: Continue to simplify targets, focusing on quantifiable metrics	While the number of performance commitments is manageable, the number of <i>targets</i> within each commitment is still cumbersome and may divert attention from key priorities. Further, using quantifiable, “yes-no” targets allow for less uncertainty on target fulfilment
2: Weighting performance commitment and/or target priorities	Introducing a tiered system to prioritise the most important targets to achieve may help TG4 focus on its most urgent goals or on the initiatives with the most potential benefits
3: Alignment with efficiency targets informed by audience yield analysis	Already part of TG4’s ASPCs, further integration of the metrics used for audience yield analysis will avert issues of administrative over-burden by streamlining and refining what data needs to be collected in a given year
RTÉ Recommendations:	Rationale:
1: Inclusion of online metrics (‘time spent’)	The inclusion of online metrics, in particular along “time spent” metrics as for other platforms, would be beneficial in tracking a medium that will only grow in importance in the future. We suggest using industry standards such as analysis from comScore
2: Codify commitments with TG4 on Irish language programming	Already a key aspect for both PSBs, a greater standardisation of Irish language content-sharing would reduce administrative burden each year for both broadcasters

Recommendations – public funding

- TG4 has demonstrated it would make good use of additional funding, which helps regional development and nurtures cultural and linguistic aspects of Irish life. The BAI’s previous recommendation of €6m annually in incremental public funds remains valid. If this is not forthcoming, however, TG4 has shown it will continue to fit its ambitions to its available resources (even at the risk of under-delivery on its public service ambitions). This raises a challenge that policy makers will inevitably have to face.
- In the case of RTÉ, the situation is grave. With the prospect of public funding reform now distant, commercial growth challenged and only limited scope to reduce costs through further efficiencies short of significant restructuring, it is clear that current funding is inadequate to ensure the delivery of RTÉ’s public services at their present level.
- If RTÉ is to maintain its current level of provision without incurring further, unsustainable deficits, additional funding will be required. We see no reason at this juncture to change the recommendation of the BAI in 2018 (€30m in incremental public funding), of which c.€9.4m has been forthcoming over 2017 and 2018. Therefore, an additional €20m per annum is the minimum recommended immediately to fund the current five-year strategy. However, the reality is that RTÉ is extremely unlikely to receive this support, implying that RTÉ’s current model is no longer sustainable without radical overhaul.

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1. Introduction to this review

Background and scope

- 1.1 The provision of public service broadcasting ('PSB') in Ireland is subject to regulations outlined in the Broadcasting Act 2009. The Broadcasting Authority of Ireland (the 'BAI') exercises a key oversight role in ensuring that the PSBs use public funds efficiently, transparently and in accordance with Irish and European legislation.
- 1.2 RTÉ and TG4 are the two PSBs whose objects and functions are defined in the Act. TG4 receives funding directly from the Exchequer while RTÉ receives funding via the licence fee. Both PSBs also earn commercial income.
- 1.3 Section 124 requires the BAI 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.
- 1.4 Section 102 lays out the requirement, placed on each PSB, to prepare an Annual Statement of Performance Commitments ('ASPC') by January 31st each year. The PSBs must provide their own assessment of whether the previous year's undertakings have been met.²
- 1.5 Eight annual reviews and two five-year reviews of the PSBs have been published since the 2009 Act, with the most recent annual review in the public domain relating to 2016³ and the most recent five-year review completed in 2018.⁴ The review for 2017 (Communications Chambers) had not been published at time of writing but a copy was made available to Mediatique. These reviews should also be considered against the five-year strategies of each PSB, setting out financial forecasts and longer-term objectives.⁵
- 1.6 Mediatique was asked by the BAI to provide an analysis of the ASPCs of RTÉ and TG4 for 2018. In addition to this work of review, we have been asked by the BAI to assess the adequacy of the commitments and targets set by each PSB and recommend to the BAI any changes to the list of commitments, including removing or adding metrics for future reviews.⁶

² RTÉ's own review of its 2018 commitments was published in April 2019 (<https://about.rte.ie/wp-content/uploads/2019/07/rte-annual-statement-of-performance-commitments-2018.pdf>), with the equivalent document from TG4 published in May 2019 (although not currently available via its website).

³ Indecon International Economic Consultants, *Public Funding Review of Public Service Broadcasters*, December 2017.

⁴ BAI, *Five-Year Review of Public Funding for Public Service Broadcasters, 2018* (<https://www.dcae.gov.ie/documents/Five Year Review of Funding of Public Service Broadcasting 2018.pdf>). The previous five-year review was Crowe Horwath, *Review of Funding for Public Service Broadcasters*, May 2013.

⁵ RTÉ's current strategy is summarised in *Renewing RTÉ for the next generation: Strategy 2018-2022*, published in 2018: <https://www.rte.ie/strategy/pdf/RTE-Strategy-2018-2022.pdf>. TG4's current five-year plan, *Statement of Strategy 2018-2022*, was released in October 2017 and covers the period to 2022. We note that, for both PSBs, the strategies as laid out in their respective 2018-2022 documents have already been to a degree rendered less relevant, as the incremental funding assumed in that plan has not been forthcoming. This is discussed further in the relevant sections of the current report.

⁶ Our work in this regard is informed by consideration of developments in PSB accountability and operations in selected international jurisdictions. We also reflect on the conclusions of the recently completed BAI Five-year Review of Public Funding and emerging market trends.

- 1.7 In providing our analysis, we are being asked to specifically 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).⁷
- 1.8 Following an introductory review of general trends in the media sector in which the two PSBs operate, our report thereafter proceeds on the logic of Section 124. We first review the degree to which both RTÉ and TG4 have met their performance commitments in 2018, followed by the adequacy of these commitments and finally an analysis of cost efficiency, the level of public funding and sustainability. In the present annual review, after years of no public funding increases being forthcoming and generalised weakness in commercial media markets, it is particularly important to examine the sustainability of the PSB funding model in Ireland over the short to medium term. Our recommendations for both the PSBs and the BAI are set out in the conclusion.

Methodology and data

- 1.9 To address the requirements of the review, we adopted a number of research techniques:
- We reviewed relevant RTÉ and TG4 data, including published and unpublished statements on their performance for the year. This included a detailed review of previous annual reviews of public funding (2010-2017⁸) and each of the two five-year reviews undertaken to date. To inform our understanding of the broader economic and sectoral context for the report and to provide the inputs for our market context section⁹, we also consulted third-party data and research, including from TAM Ireland (Nielsen), JNLR, RTÉ Audience Tracking Research, ComReg, and private sector data and research (e.g., Core Media, AA, Zenitha, ComScore), as well as company reports and regulatory findings.
 - We engaged extensively with the PSBs themselves to ensure consistency of data year-on-year and to continue the process of streamlining PSB engagement with this and any future review. We were also kept abreast of any methodological improvements in their own data collection and data analysis processes. This was of particular importance in relation to RTÉ and TG4’s online performance where each PSB continues to update and modify the types of data collected and the granularity of such data. It was equally important in the incorporation into our analysis of the outputs from the audience yield segment.¹⁰
 - We performed a limited review of the activities and oversight of PSBs in other jurisdictions, to both identify any best practice that might be applied to the regulation of the PSBs in Ireland and

⁷ This cap on surpluses is reviewed against the prohibition on ‘overcompensation’ in European law.

⁸ We note that the 2017 annual review had not been published by Government at time of writing although Mediatique was provided a copy for information purposes. This was required as the BAI asked us to use the audience yield approach developed as part of the 2017 review in our work on 2018. See below for a description of audience yield.

⁹ See Section 2: Market Overview.

¹⁰ The previous annual review of the funding of PSB, conducted for 2017, introduced the concept of ‘audience yield’ as a tool for measuring public service outputs, and the BAI asked Mediatique to adopt this approach in the current review. Further details are provided below.

to make any recommendations to the PSBs themselves on how to determine, analyse and meet yearly performance commitments. We also used the international PSB review to create a cost-benchmarking framework in order to assess the cost efficiency of RTÉ and TG4 across a range of cost categories, including staff costs, content and programming, distribution and technology, depreciation/amortisation and other related operating costs.

- Following on from Communications Chambers’ Annual Public Funding Review in 2017, we undertook the ‘audience yield’ analysis recommended in that review.¹¹ As this is only the second year in which this analysis has been completed, we use, broadly, the same methodology as in the previous year.
 - 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.¹²
 - 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 and offsets direct public funding for TG4); thus, the yield approach is also useful in informing analyses of commercial maximisation against public value.¹³
- Finally, we engaged with key industry stakeholders from outside the PSBs. Whilst both TG4 and RTÉ are integral parts of the Irish media landscape, they exist in an ecosystem of competitors, partners and other stakeholders that affect and are affected by their actions. Our engagement was in the form of anonymised informational interviews, which allowed for honest discussions of the sector, the threats facing public and commercial operators and the outlook for the future. For the avoidance of doubt, our engagement with stakeholders did not form part of a formal consultation process, nor were our interactions meant to replace the regular communications that occur between stakeholders and the BAI.

Report structure

1.10 The structure of the remainder of this report reflects the key building blocks of our analysis:

- **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 new audience yield metric for TG4;

¹¹ This report has not (yet) been published but a copy was provided by the BAI to Mediatique.

¹² We emphasise that audience yield is a useful tool but is not the unique means by which ‘Public Service’ value and impact should be measured and tracked. 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 a wholesale replacement of original, minority-interest content with more popular, acquired fare.

¹³ The difference between gross and net yields for TG4 is not significant given its limited commercial revenue generation. The audience yield approach is fully explained in the relevant sections of this report (see A Note on Audience Yield Methodology in Section 3).

- **Section 5** analyses the Annual Statement of Performance Commitments of RTÉ, adjudicating its published targets against actual performance, including the new audience yield metric for RTÉ;
- **Section 6** summarises the adequacy of TG4’s and RTÉ’s performance commitments against statutory requirements, international benchmarks and in the context of a changing media landscape;
- **Section 7** examines the adequacy of public funding, for both 2018 and in the light of the accumulated impact of no (or very little) new public funding over the past few years. This section sets out 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.

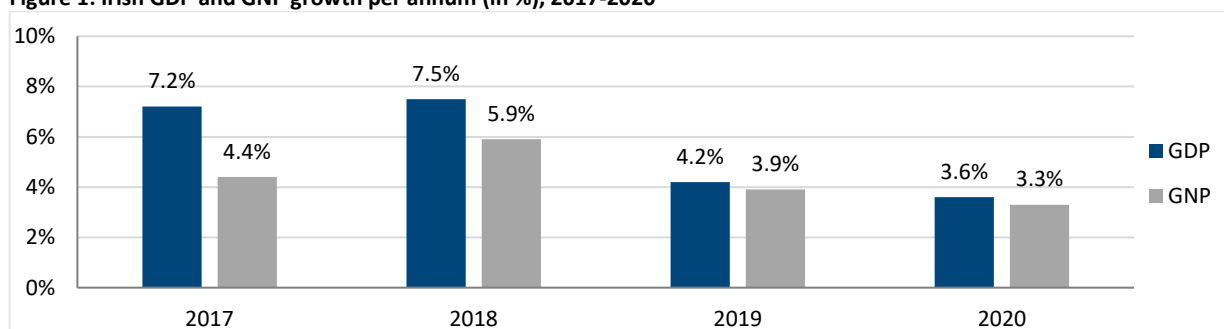
2. Market overview

- 2.1 In order to fully assess the performance of RTÉ and TG4, we considered the wider commercial environment in which they operate, including the macro-economic context as well as the trends in the media sector, with a focus on broadcasting.
- 2.2 Following a short overview of a range of economic indicators, our review includes consideration of TV audience behaviours; radio listening trends; advertising market developments; device and network take-up and on-demand audio and audio-visual consumption. These will have an impact on the context in which to assess whether PSBs have met their commitments, the degree to which funding has been adequate and whether the commercial revenues achieved have been maximised (thereby reducing the potential for overcompensation by public funds). Our market review here should be read in conjunction with the BAI’s Broadcasting Services Strategy (2018-2022), which offered a forward-looking analysis of key trends.¹⁴

Trends in the Irish economy

- 2.3 Overall, the Irish economy in 2018 was relatively stable when compared against 2017, with steady growth in GDP and GNP¹⁵, falling rates of unemployment and continued growth in employee compensation.
- On a macro level, Ireland’s economy has grown at a consistently positive rate since 2013, and in 2018 GDP rose 9% year-on-year to €324bn (equivalent to €66,700 per capita).¹⁶
 - While forecasters (and the Irish Government) expect growth to continue, the expectation is for this to occur at a slightly slower rate than in previous years; the European Commission’s Economic Forecast predicts Ireland’s GDP growth rate to halve in 2019, to 4.0%.¹⁷
 - 2018 was also a strong year for GNP which grew by 6% in 2018, up on 4% in 2017. GNP, like GDP, is expected to grow at a more subdued rate over the coming years.

Figure 1: Irish GDP and GNP growth per annum (in %), 2017-2020



Source: Irish Budgetary Plan, 2019.

¹⁴ BAI, *Broadcasting Services Strategy 2018-2022* (<https://www.bai.ie/en/consultations/draft-broadcasting-services-strategy-bss/>).

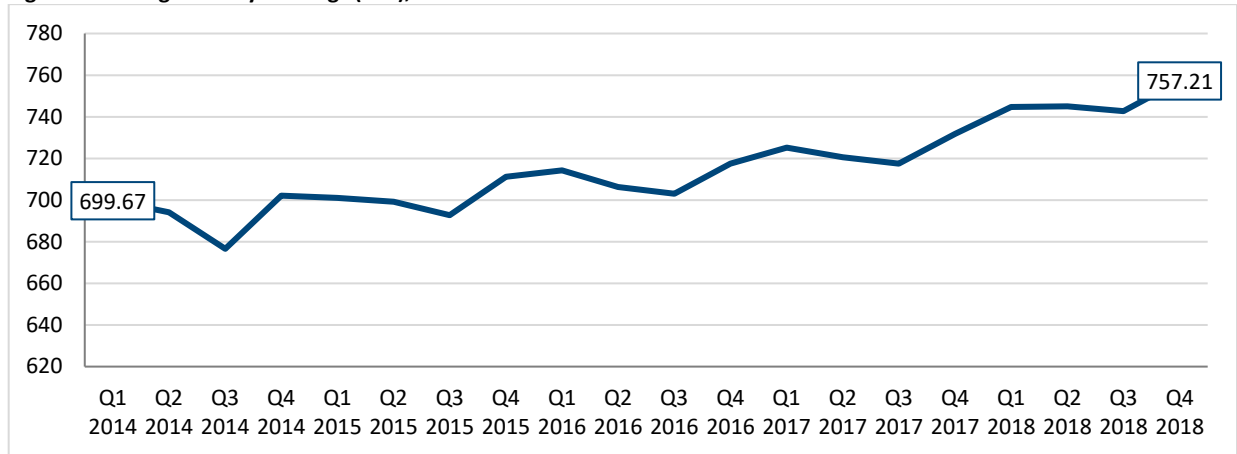
¹⁵ The distinction between GDP and GNP is important for Ireland given the international dependencies of the Irish economy; GDP is a measure of national income, output and expenditure. GNP is a measure of those same three metrics, adjusted for net income (either positive or negative) from abroad. The large presence of international corporations doing business in Ireland means that the difference between these two values is significant.

¹⁶ Eurostat: <https://ec.europa.eu/eurostat/web/national-accounts/data/main-tables>.

¹⁷ European Commission, *Winter 2019 Economic Forecast: Ireland* (https://ec.europa.eu/info/business-economy-euro/economic-performance-and-forecasts/economic-performance-country/ireland/economic-forecast-ireland_en).

2.4 With the country benefiting from low levels of unemployment, compensation has likewise continued to grow. On a per-employee basis, annual growth in compensation increased from 0.2% in 2017 to 2.4% in 2018, generating average weekly earnings in Q4 2018 of €757.21.

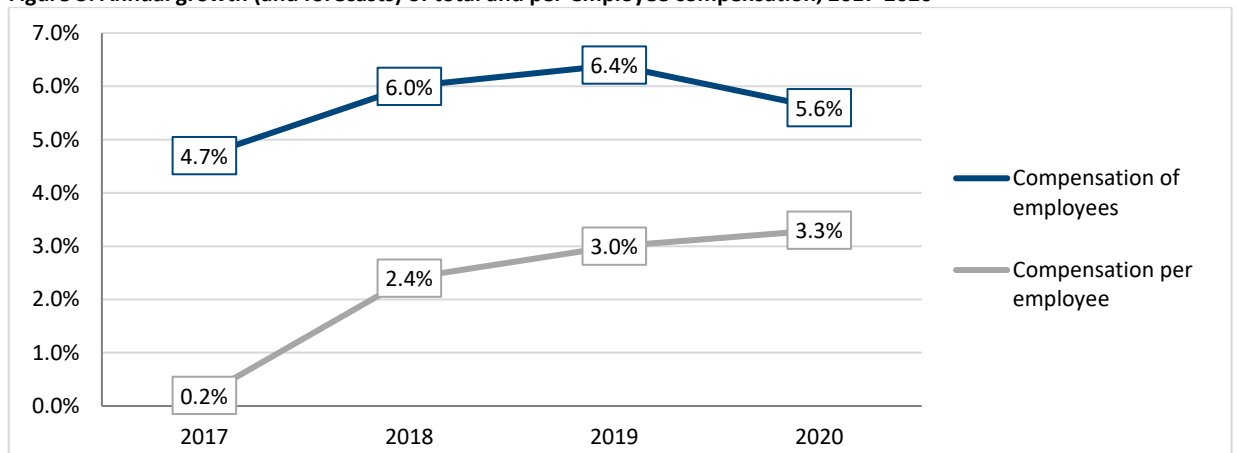
Figure 2: Average weekly earnings (in €), 2014-2018



Source: CSO.

2.5 Low rates of unemployment are expected to continue to fall up to 2020 (when it is expected to stabilise at 5%), indicating that the current stable growth in compensation will continue.¹⁸

Figure 3: Annual growth (and forecasts) of total and per-employee compensation, 2017-2020



Source: Irish Budgetary Plan, 2019.

2.6 Ireland’s Consumer Price Index (CPI)¹⁹ began to grow at a cautious rate in 2017 (0.4%) and this trend continued during 2018 (0.5%).²⁰ The CPI is a particularly relevant metric for this review as the BAI has recommended in the past that the licence fee be linked to its performance.²¹

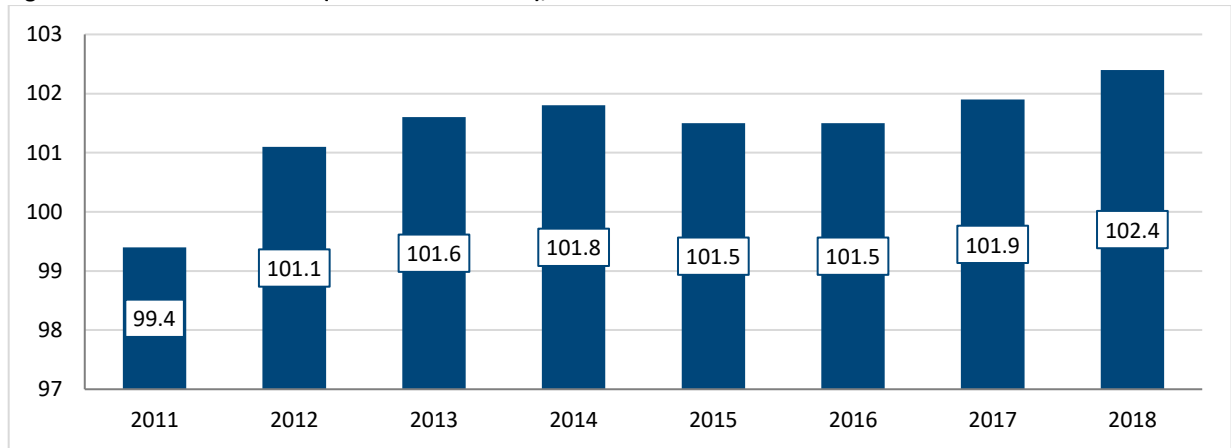
¹⁸ While this suggests incomes has recovered such that the licence fee is more ‘affordable’ we note below that increased costs of housing has been an offsetting factor.

¹⁹ The CPI is a measure of the average change in prices that consumers pay for a basket of goods and services over time.

²⁰ CSO Ireland, *Consumer Price Index* (<https://www.cso.ie/en/statistics/prices/consumerpriceindex/>).

²¹ A recommendation to so link the licence fee has been suggested numerous times in recent years and not been adopted. It appears to us advisable to protect recipients of public money from the effects of inflation (which renders this recommendation valid); the more pressing need is to address chronic under-funding over recent years (as we go on to argue).

Figure 4: Consumer Price Index (December 2011=100), 2011-2018²²

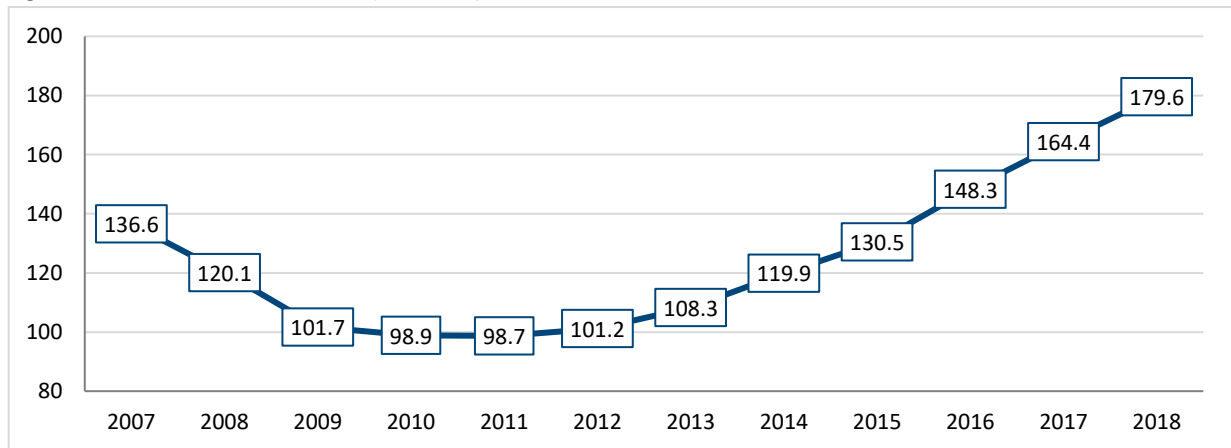


Source: Irish Budgetary Plan, 2019.

2.7 However, despite these positive trends, the Irish housing and property markets continued to be the cause of anxiety in 2018 and have had a negative impact on discretionary income.

- Housing availability was at its lowest point since 2006; just 3,270 homes were available to rent nationwide.²³ The lack of available housing was reflected in high rental rates across the country; average rental prices were at an all-time high (€1,347 per month) and national rental rates rose for the 26th quarter in a row.²⁴
- In 2018 Dublin was also one of the world’s ten most expensive cities to rent in, with one report stating that typical rent for a mid-range, two-bedroom apartment in the city was €2,200 per month, 23% more than in 2014.²⁵ This trend was not exclusive to Dublin; since 2016, national rental rates have risen 14%.²⁶

Figure 5: Irish National Rental Index (2012=100), 2007-2018



Source: Daft.ie, 2019.

²² The base was set at the December 2011 CPI (i.e. monthly) whereas the graph uses annualised CPI figures, which is why 2011 shows here at less than 100.

²³ Daft.ie, *The Daft.ie Rental Price Report 2018* (<https://www.daft.ie/report/ronan-lyons-2018q4-rental>).

²⁴ *Ibid.*

²⁵ Deutsche Bank Research: Mapping the World’s Prices: https://www.dbresearch.com/PROD/RPS_EN-PROD/Mapping_the_world%27s_prices_2019/WORLD_PRICES_2019.alias.

²⁶ Residential Tenancies Board, Rent Index Q4 2018: https://onestopshop.rtb.ie/images/uploads/general/RTB_RI_2018_Q4_REPORT.pdf.

- 2.8 Going forward, the growth rates of these macro-economic markers are projected to slow, mirroring the difficulties in the housing and rental market.²⁷
- 2.9 In the past, one might have expected GDP growth to translate into an increase in advertising spend in media and broadcasting; however, this was not the case in 2018. Indeed, despite GDP’s strong performance since 2012, there has been a persistent disconnect between underlying economic growth and advertising spend in broadcasting and associated media. This has been observable in other markets (linked to the fast growth of digital advertising, in part at the expense of more traditional media, particularly print) but there has been a more severe dislocation in Ireland. This may in part be explained by the relatively high percentage of TV and digital advertising that is planned from London, which has been suffering in recent years by the uncertainties surrounding the UK’s departure from the European Union.
- 2.10 Irish GDP, having recovered the ground lost in the recession, can attribute recent success to cyclical factors. Its performance will of course continue to fluctuate up and down over time. However, advertising spend in Irish broadcasting and media now faces permanent obstacles that are structural rather than recurring. Advertising in broadcasting and media is a less attractive proposition than before owing to a growing shift in the way that they both are consumed. The substitution of traditional TV by other activities (including SVOD, online video, social media use) has accelerated, driven by behaviours among the young. This has had an impact on TV and radio advertising and therefore on the commercial revenues available to PSBs in the Republic.

Figure 6: Irish media advertising performance relative to GDP, 2016-2018

	2016	2017	2018
GDP (actual €)	271.68bn	297.13bn	324.03bn
GDP (% change)		+9.4%	+9.1%
Total advertising revenue (actual €)	885.9m	1,015.9m	1,038m
Total advertising revenue (% change)		+14.7%	+2.2%
TV advertising revenue (actual €)	237.1m	219.1m	221.3m
TV (% change)		-7.6%	+1%
Radio advertising revenue (actual €)	126.9m	123.3m	117.6m
Radio (% change)		-2.8%	-4.6%
Print advertising revenue (actual €)	152.5m	138m	119.9m
Print (% change)		-9.5%	-13.1%
Digital advertising revenue (actual €)	289.3m	491m	574m
Digital (% change)		+69.7%	+17%

Sources: Core Research, Mediaworks 2017 Outlook. Note ‘Total Revenue’ from Core Research incorporates advertising spend from TV, online video, radio, print, cinema, search, online and OOH.

²⁷ Cost of living pressures such as these may have an effect (if only psychological) on the perceived ‘affordability’ of the TV licence fee.

- 2.11 The figures amply illustrate the absence of a relationship between GDP and advertising spend in certain categories of advertising, with the dislocation being most acutely felt in print advertising revenue, which fell by around 10% in each of the past two years. The beneficiary of these declines has been digital (including search and display), which grew by double digits in each of 2017 and 2018. Underlying the nature of the shift, while TV saw a 1% growth in 2018 from the previous year, it is still down against 2016, while online video advertising rose by 29% (from a smaller base). Taken as a whole, digital (including online video of €78m) exceeded €500m for the first time in 2018.
- 2.12 It is clear that these structural factors have been amplified by factors around the lack of certainty on the implications of the departure of the UK from the European Union. As Mediatique wrote in the BSS market review in 2017: “Agencies and buyers based in Ireland report that the broader advertising market in Ireland has been further affected by the uncertainty associated with Brexit in the UK. As a result of the very close integration of the Irish and UK advertising markets, with as much as 40% of expenditure on TV airtime in Ireland, for example, being directed from the UK, Ireland has been buffeted by the weaknesses in the UK ad market.”²⁸

Trends in the Irish broadcasting sector

- 2.13 Significant changes in the Irish broadcast media landscape have been evident for some time, linked to technological innovation and concomitant shifts in consumer behaviour.
- 2.14 In 2018, those changes continued apace, with the sector more mature and competitive than ever before across TV, radio and online. A key driver of these developments has been broadband connectivity, enabling activities on multiple devices, including smartphones, tablets, PCs and connected TVs.
- 2.15 We set out briefly below the state of each media market and the key changes that took place in 2018.

Overview of the current broadcasting landscape

- 2.16 Television in Ireland continues to be the largest and most effective means of reaching large numbers of the population: 92% of total Irish households had access to a working TV set in 2018. The main means of receiving TV included: satellite (Sky, Freesat, Saorsat), cable (Virgin Media), digital terrestrial (‘DTT’), via Saorview, and IPTV (Eir TV, Vodafone TV). Just under two-thirds of individuals aged 15+ watched TV every day.²⁹
- 2.17 RTÉ has the leading share of television viewing: its four primary national channels (RTÉ One, RTÉ2, RTÉ News Now and RTÉjr) accounted for 26% of all TV viewing in 2018.³⁰ TG4 is Ireland’s second PSB and provides an Irish language service on multiple platforms. It accounted for 1.82% of all TV viewing in 2018. The national commercial Irish broadcaster, Virgin Media Television, operates a portfolio of four channels³¹ and delivered a share (aggregated) of 17.92% TV viewing in 2018. A range of other channels (including UK and other international channels) made up the remainder of Irish TV viewing (54.15%).

²⁸ This observation was repeated in our stakeholder interviews with the PSBs and commercial broadcasters in 2019.

²⁹ TAM Ireland/Nielsen TAM, Live & VOSDAL, Daily reach for Total TV, Adults 15+, 2018.

³⁰ All viewing data in this paragraph refers to: TAM Ireland/Nielsen TAM, Live & VOSDAL, Daily reach for Total TV, Adults 15+, 2018.

³¹ Virgin Media Sport was launched in September 2018.

- 2.18 The radio landscape is a mix of national, regional, local and community stations. There are currently 34 commercial radio stations (national, quasi national, multi-city, regional and local) and 21 community stations.³² Fully 83% of adults (15+) listened to radio every day in 2018.³³
- 2.19 RTÉ is the leading radio broadcaster in Ireland, with four national FM stations (Radio 1, 2fm, Raidió na Gaeltachta, and Lyric FM) which delivered just under 30% of all radio listening in 2018. The commercial radio sector is largely made up of smaller regional and independent players. The broadcaster Communicorp is an exception to this rule; it operates two national radio stations (Today FM and Newstalk). Wireless Group, owned by News UK, operates local stations in major cities across Ireland.

Television

- 2.20 The Irish PSB TV channels are the RTÉ channels (RTÉ One, RTÉ One+1, RTÉ2, RTÉ News Now, and RTÉ Jr³⁴) and TG4. Both PSBs have access to specific privilege, including priority on electronic programme guides ('EPGs'), access to DTT spectrum and allocation of public funding.
- 2.21 Virgin Media also provides free-to-air ('FTA') channels in Ireland, with three channels available on Saorview (and to subscribers of Sky Ireland, Virgin Media Ireland, Eir TV and Vodafone TV). These channels also benefit from privileged access to DTT and priority on EPGs but do not receive public funding.
- 2.22 In recent years Irish consumers have enjoyed a rapid expansion of choice from pay-TV operators such as Sky, Virgin and Eir and more recently from subscription Video-on-Demand propositions (e.g., Netflix and Amazon Prime Video).
- 2.23 Most households elect to pay for TV services to supplement FTA services and to access popular UK and international channels. The UK channels in particular are a source of competition for Irish channels not only for viewing but also for a share of Irish TV advertising. This is due to the existence of so-called 'opt-out' channels – services that simulcast a UK TV schedule but insert Irish-specific advertising and take c.€40m of revenues (nearly 20% of the marketplace) in return for virtually no investment in indigenous TV content.

TV platforms

- 2.24 In 2018 Irish households continued to receive TV services from a range of suppliers and models: although Sky's popularity dropped slightly from 2017 to 2018 (41% of main sets, compared to 40%) conventional pay services (Sky and Virgin) remained the largest single platforms in terms of the main set in the household.³⁵
- 2.25 The percentage of FTA Satellite, UK DTT and Irish DTT platforms in Irish homes remained generally static in 2018 compared to 2017. This obscures, however, a gradual erosion of conventional pay-TV revenues as consumers migrate away from the 'big bundle' pay-TV subscriptions offered by Sky and Virgin and toward 'skinny bundle' propositions – either from these same operators or more flexible alternatives available from competing IPTV suppliers.

³² These include Community, Community of Interest and Special Interest categories, but exclude "institutional" stations (e.g., hospital radio). See: <https://craol.ie/stations/directory/>.

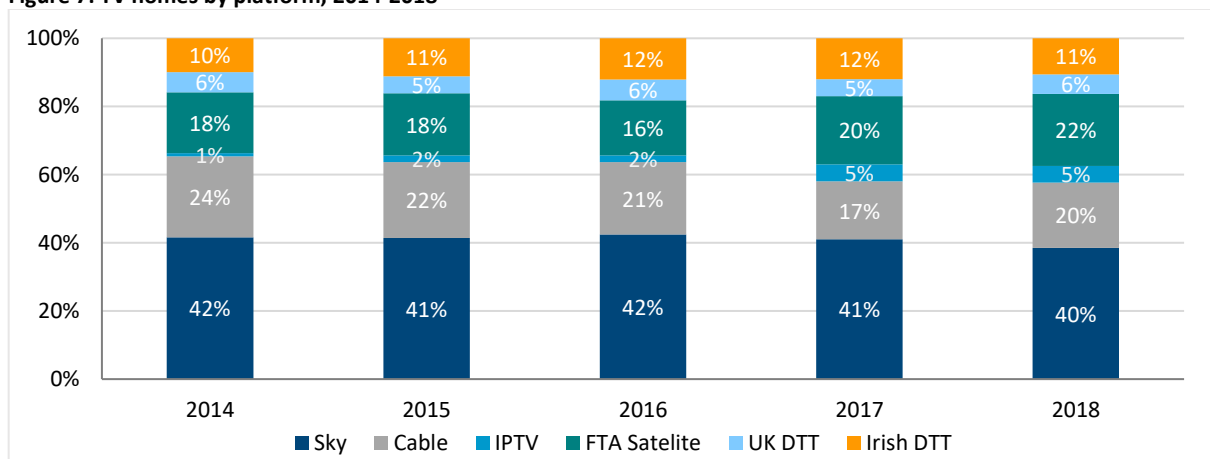
³³ JNLR, Daily reach for live radio, Adults 15+, 2018.

³⁴ RTÉ2 +1, the time-shifted service, was launched in 2019 and thus is not included in this review.

³⁵ Saorview is available to significant number of homes when second sets are included.

2.26 This trend, often referred to as ‘cord-cutting’ (platform migration) or ‘cord-shaving’ (replacing expensive bundles with cheaper ones), is likely to accelerate, particularly in response to the growing availability of SVOD propositions such as Netflix, Amazon, Sky’s off-brand Now TV (and in future Disney). From zero in 2012, Netflix penetration in Irish TV homes was 25% in 2016 and as high as 40% in 2018, having grown rapidly throughout the past five years.³⁶ Amazon launched in Ireland in 2016, and is likely to have a relatively low penetration in the review year of 2018. Now TV is also likely to be trailing well behind Netflix (although can be expected to be growing as Sky heightens promotion of the service in Ireland).

Figure 7: TV homes by platform, 2014-2018



Source: TAM Ireland/Nielsen TAM Establishment Surveys (September reports for 2014 and 2015, July-December reports for 2016 onwards). Since January 2017, TAM Ireland categorises viewers who received TV channels through Sky equipment but who do not pay for a Sky subscription as FTA Satellite viewers (before then 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’s current methodology.

2.27 The net effect of these changes was to see traditional pay-TV ARPU decline modestly, offset to a degree by growth in the number of households subscribing to IPTV and SVOD. Pay-TV operators have sought to address these challenges by bundling more aggressively (broadband, telephony, SVOD services on an integrated platform) and diversifying (e.g., offering interactive advertising propositions). For example, in late 2018, Sky launched Netflix on its Sky Q platform in Ireland.

TV content

2.28 As referred to by the consultants in the 2017 five-year review, increased competition in the supply of television content, in particular from SVOD streaming companies, has put both significant upward pressure on the cost of rights packages and weakened the ability of established broadcasters to acquire content that they had been accustomed to licensing.

2.29 This has been taking place across content categories, but is happening perhaps most visibly in drama and, more recently, sport. Netflix has long concentrated on drama (with an emphasis on thrillers and sci-fi); in sport, Amazon entered the second year of its five-year deal to broadcast the US Open tennis tournament. From 2019, Amazon will also broadcast a handful of English Premier League matches.

³⁶ Netflix, Amazon and Now TV do not report customer figures by market. For 2016, we have used the figure published by B&A using Nielsen survey data; ComReg surveyed Irish households in 2018 and identified that 42% of those surveyed said they had access to Netflix.

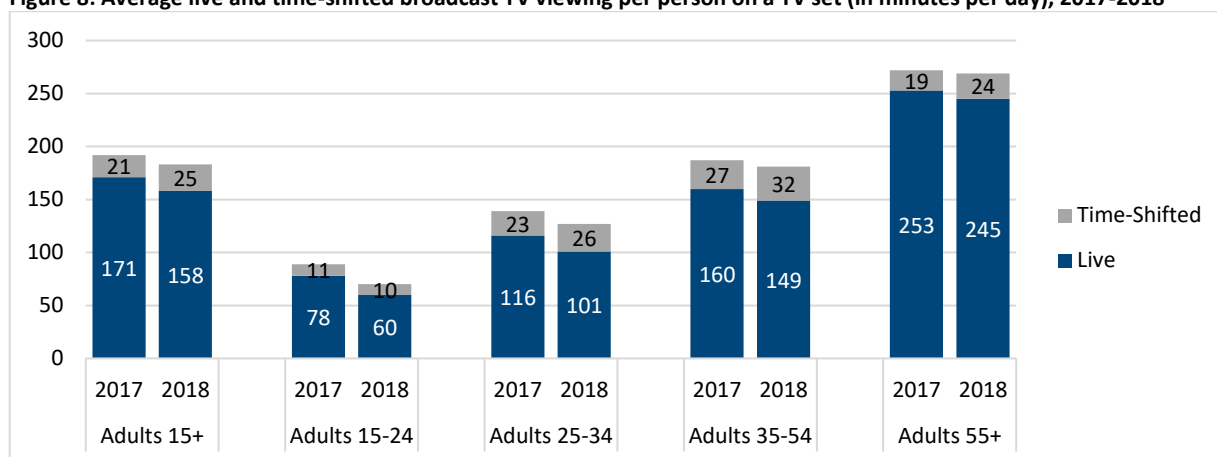
2.30 As was true in 2017, RTÉ remained the source of the largest content budgets for broadcasters in Ireland (€180m in 2018), followed by Virgin Media TV at around €70m³⁷ and TG4 at €35m. Sky spent a small amount directly on Irish content (including Irish sport) and altogether it offers a large array of content that is commissioned/acquired for its combined UK and Ireland subscribers.³⁸

TV viewing

2.31 In 2018, the amount of live TV watched by Irish viewers continued to decline overall, in particular driven by declines among younger demographics. In 2017, Irish viewers watched 171 minutes of live TV per day (89% of their average total TV viewing), with the rest viewed on a time-shifted basis. In 2018, average daily minutes had fallen to 158, or 86% of total TV viewing.

2.32 This fall was amplified by the continued rapid decline of linear television consumption among 15-24 year olds. In 2017, live TV minutes for this age group were 78 (88% of total TV viewing). In 2018, this had declined to 60 minutes (86%).

Figure 8: Average live and time-shifted broadcast TV viewing per person on a TV set (in minutes per day), 2017-2018



Source: TAM Ireland/Nielsen TAM.

2.33 Overall in 2018, broadcast TV (whether live or recorded) accounted for just 38% of total video viewing among 15-24 year olds, compared to 65% for the population as a whole.³⁹

2.34 Despite these pressures, both Irish PSBs’ share of daily viewing figures has remained relatively stable within the declining broadcast TV market over the last five years.

- RTÉ has been assisted by the consistently strong performance of RTÉ2, which in 2018 recorded its highest audience share since 2015.
- TG4’s audience share remained relatively static too, losing only 5% of the share that it originally recorded in 2013.⁴⁰

³⁷ Virgin’s content expenditure rises to €113m in 2018 after accounting for its acquired content (including payments for Sky Sports, other Sky channels and third-party pay-TV channels).

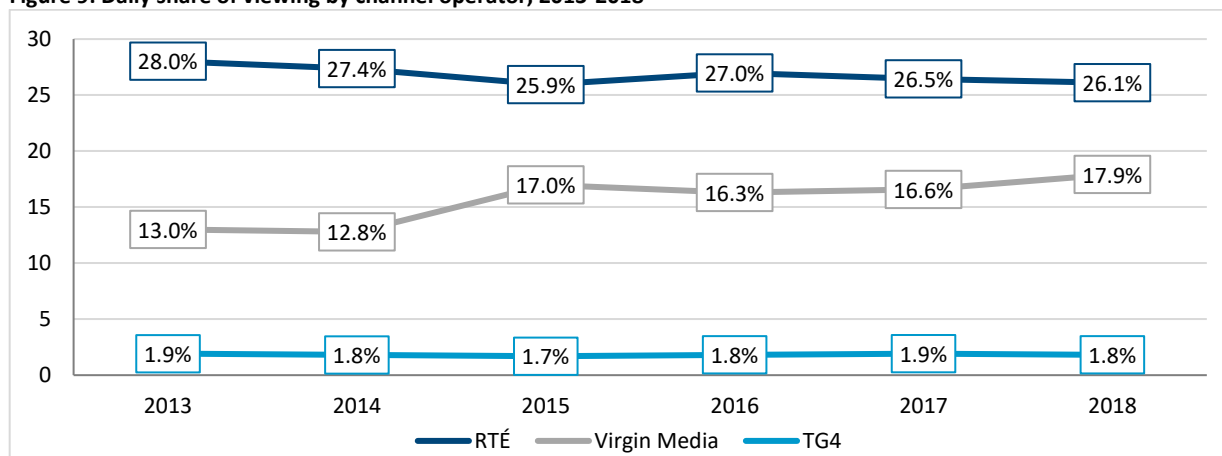
³⁸ As a pro-rated proportion of its total content spend applied to Ireland, the total content expenditure for Ireland was €294m; this includes a proportion of its sports, film, US series and its own UK original commissions.

³⁹ TAM Ireland/Nielsen TAM, *2018 TV Review* (<https://www.tamireland.ie/downloads/2018-tv-review/>). Total video viewing includes TV set viewing, catch-up, time-shifted viewing, DVDs, SVOD, and all other long-form content.

⁴⁰ In 2013, TG4’s daily reach for Total TV (Live & VOSDAL) for Adults 15+ was 1.91%, compared with 1.82% in 2018. Source: TAM Ireland/Nielsen TAM.

- Virgin’s daily share of Irish television viewing continued to strengthen, with viewing share that rose to 17.92% in 2018 (up from 13.01% in 2013); note that Virgin Media’s share includes UTV Ireland from its launch year in 2015 (although the channel was not acquired by Virgin’s TV3 subsidiary until 2016).
- Across other major channels, Sky Sports (any channels) had a nearly 3% share of daily viewing.⁴¹ BBC1 and BBC2 had a combined 6.4% share whilst other Sky channels (Atlantic, 1, Arts) had 2.2%.

Figure 9: Daily share of viewing by channel operator, 2013-2018



Source: TAM Ireland/Nielsen TAM.

- 2.35 While RTÉ’s daily share has performed well over the trailing five years (against decreasing live TV viewing), RTÉ’s weekly reach has been in relative decline. RTÉ One has suffered, dropping from a 45% weekly reach in 2013 to just 35.3% in 2018. It has been a similarly challenging period for RTÉ2. Its reach has fallen from 28.3% in 2013 to 19.8% in 2018.
- 2.36 Across its national channels, Virgin Media’s percentage weekly reach has increased in the period, jumping from 48.5% in 2013 to 51.4% in 2018. This disguises a peak reached in 2015 when weekly reach increased to 65% (again, note that the Virgin Media data includes both TV3 and UTV Ireland from 2015; in fact, TV3 only acquired UTV Ireland in 2016).⁴²

Radio

- 2.37 Public service radio broadcasting in Ireland is the responsibility of RTÉ’s four FM radio stations: RTÉ Radio 1, RTÉ 2FM, RTÉ Lyric FM and RTÉ Raidió na Gaeltachta.
- 2.38 The commercial sector is made up of 34 commercial radio stations comprising national, quasi-national, regional, multi-city and local stations. The BAI also issues licences for community stations, of which there are currently 21. Funding for these stations comes from a combination of local businesses, community groups and grants (including funding from the Sound & Vision fund operated by the BAI from licence fee proceeds). Commercial stations and RTÉ’s stations can also apply for Sound & Vision funding.
- 2.39 The radio landscape in Ireland also faces looming challenges from evolving customer preferences and increasing connectivity to multiple devices, including mobile phones/tablets and smart speakers. Where

⁴¹ TAM Ireland Ltd/Nielsen Ireland TAM, consolidated, national, All-Day share of viewing, Adults 15+, January 2019.

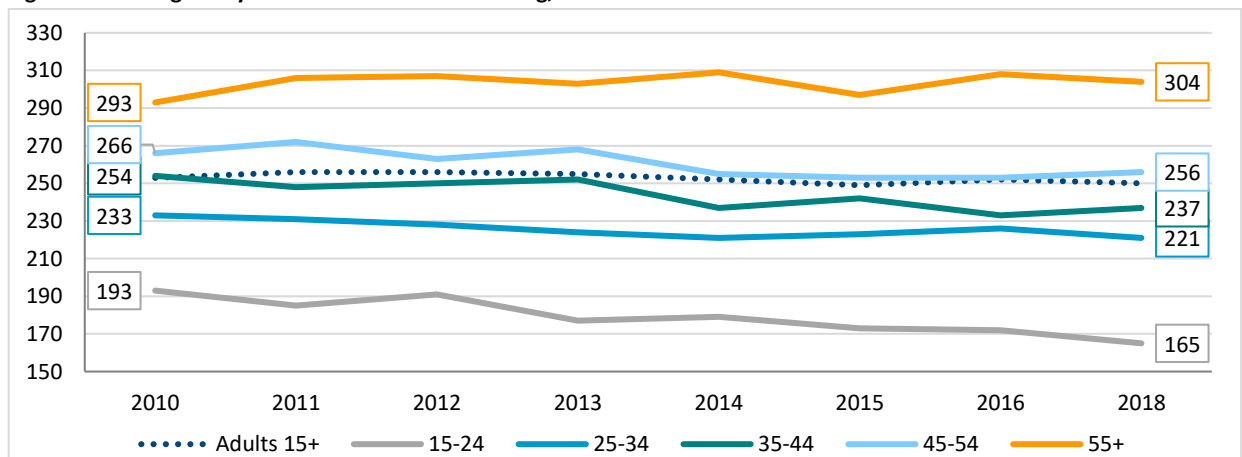
⁴² TAM Ireland Ltd/Nielsen Ireland TAM, consolidated, national, Weekly Reach based on 15 mins non-consecutive, Individuals 15+, 2013 and 2018.

once radio consumption was part of a relatively narrow range of audio listening substitutes, it now competes with a number of modes, ranging from streaming services to podcasts to on-demand audio.

Radio platforms

- 2.40 In 2018, the platform that Irish radio reached most listeners on was AM/FM at home or in the car (78.4%). This was followed by listening which took place on a mobile device (4.3%) and on PC/Laptops (1.6%).
- 2.41 Of the listeners that used a mobile device, this group was dominated by 15- 24-year olds; 50% of people who used a mobile device to listen to Irish radio were in this cohort. Of the total listeners in the age bracket, 13.5% listened on mobile devices, versus 1.9% of radio listeners aged 35+.
- 2.42 As with reach, share of radio minutes was also dominated by listening which took place on AM/FM at home or in the car (95.3%). Mobile devices commanded a higher score than DAB radio sets (2.8% versus 0.4%).
- 2.43 As we highlight above, radio in Ireland remained incredibly popular in 2018: 83% of 15+ adults listened to (any) radio stations every day. Local/Regional Radio was especially popular, holding 54.8% of share of all minutes listened across the country. National Radio sat just beneath it with a 45.2% share of all minutes listened to.
- 2.44 Confirmation of radio’s popularity is the stable number of mean daily minutes listened to by adults recorded since 2010 (253 minutes in 2010 versus 250 minutes in 2018). However, this result masks the significant drop in radio consumption by younger listeners; daily minutes for 15-24s have declined over the five years from 177 minutes in 2013 to 165 minutes in 2018.⁴³

Figure 10: Average daily minutes of live radio listening, 2010 - 2018

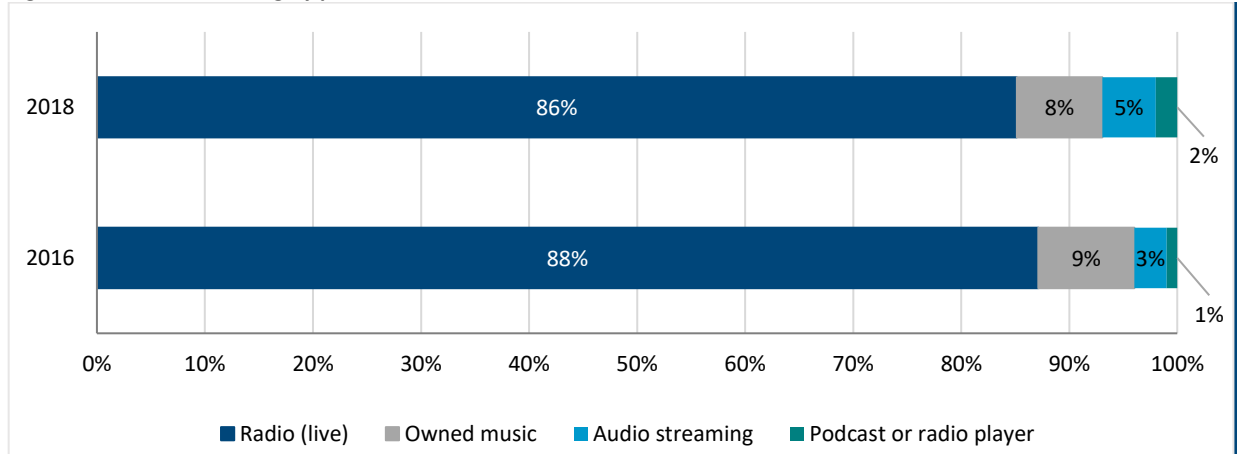


Source: JNLR Weekday listening, Irish stations, 7am-midnight.

- 2.45 On a macro level, relative to other forms of audio, radio continues to be the first choice for Irish audio listeners. With a combined share of 85.5% share of the audio market in Ireland, it is by far the largest of all types. This figure represents a slight drop on 2016’s percentage share (88%); radio’s share of audio consumption has been eroded by audio streaming and podcast/radio players. We can infer from this that although radio’s share of overall audio listeners is falling, those that continue to listen to the radio eschew alternative platforms and prefer to listen to radio content on AM/FM enabled devices.

⁴³ JNLR, Share of listening: weekdays (yesterday listenership), Adults 15+, 7am-7pm, 2013 and 2018.

Figure 11: Share of listening by platform, 2016 and 2018



Source: JNLR/Mediastar.

Radio listening

2.46 83% of all adults were reached by radio on a daily basis in some form in 2018; just over half of this figure was attained via a national radio service (44%).⁴⁴ Three quarters of this figure was made up of ‘Any RTÉ radio’ (33%) meaning that the remaining 11% was picked up by one of Today FM and/or Newstalk.

Figure 12: Daily reach by type of station and for RTÉ stations, 2018

Any Radio	Any National	Any RTÉ Radio	RTÉ Radio 1	RTÉ 2fm	RTÉ Lyric FM
83%	44%	33%	23%	10%	3%

Source: JNLR.

2.47 RTÉ’s radio stations are very much in line with overall market trends: AM/FM radio share of minutes is 97.2% for Radio 1, 95.3% for 2fm and 94.4% for Lyric fm.⁴⁵ This rule was less true for some of the commercial stations. For example, AM/FM’s share for Spin 1038 was just 80.5%, with 15.5% consumed via a mobile device. Comparatively, Lyric fm’s 3.5% share from listening via mobile devices, while the highest of RTÉ’s stations, was low.

2.48 In 2018, RTÉ Radio (comprised of all four major stations) had a market share of 30.9%.⁴⁶ This was down from 31.7% in 2017 and represents a much quicker decline year-on-year than RTÉ stations experienced from 2016 to 2017, where share fell from 31.9% to 31.7%.⁴⁷

2.49 By station, Radio 1 fell from 22.2% to 21.9%, while Lyric fm fell from 2% to 1.7%. 2fm, on the other hand, grew – albeit very slightly – from 6.8% to 7%. Overall, the growth on 2fm was not enough to mitigate a decline in average minutes across all RTÉ stations; which fell very slightly from 72 to 71 minutes per day. 2fm grew 0.6 minutes to 16.1 average minutes per day, while Radio 1 lost 0.2 (to 50.4 minutes per day) and Lyric lost 0.7 (to 3.9 minutes per day).⁴⁸

⁴⁴ JNLR, Daily reach: average weekday (yesterday listenership), Adults 15+, 2018.

⁴⁵ JNLR, Device share of minutes: weekdays 0700-1900 (minutes listened), Adults 15+, 2018.

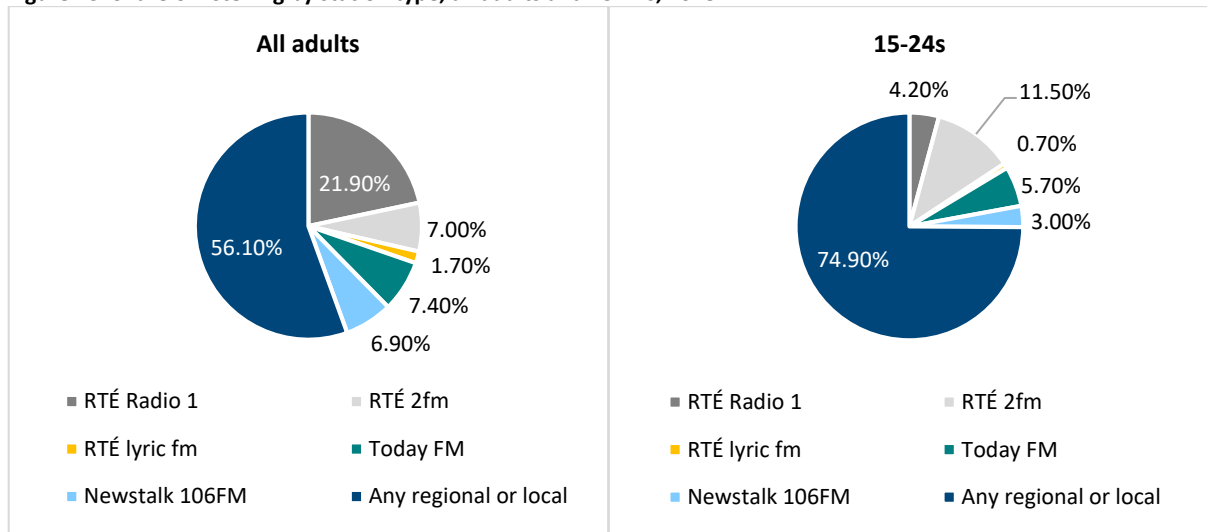
⁴⁶ JNLR, Share of listening: weekdays (minutes listened), Adults 15+, 7am-7pm, 2018.

⁴⁷ As reported in Communication Chambers, *Annual Review of Funding of Public Service Broadcasting 2017*.

⁴⁸ JNLR, Share of listening: weekdays (minutes listened), Adults 15+, 7am-7pm, 2018.

2.50 Among younger cohorts, RTÉ continues to have less share than its commercial counterparts; national radio only holds a 25.1% market share among 15-24 year olds (compared to 44.9% of all adults) and for RTÉ stations solus this is 16.4% for 15-24s (versus the 30.6% adult average).

Figure 13: Share of listening by station type, all adults and 15-24s, 2018



Source: JNLR/Mediastar.

2.51 Nevertheless, 2fm continued to outperform among younger audiences. Although 15-24 year olds listen to less radio each day ([<]), they listened to [<] of 2fm; exactly the same amount of time that all adults listened for (share was 11.5% for the former, versus 7% for the latter).

Figure 14: Average minutes of listening per day by radio type, all adults and 15-24s, 2018

	All Radio	Any RTÉ	RTÉ Radio 1	2fm	Lyric fm
All Adults (15+)	[X]	[X]	[X]	[X]	[X]
15-24s	[X]	[X]	[X]	[X]	[X]

Source: JNLR.

2.52 On the other hand, Radio 1 and Lyric fm both performed poorly with younger audiences, capturing just [X] of their daily radio consumption respectively.

Trends in the media landscape

2.53 As is true for all mature media territories, Irish broadcasting currently faces structural challenges which will significantly affect the provision and consumption of its audiovisual services.

2.54 While the impact of new technology and increased connectivity (and the developing consumer behaviours that emerge as a result) have been observable for some time, there are clear signs that these trends are accelerating, as our review of key drivers in this section show.

Technology and connectivity

2.55 The presence of faster internet speeds and equipped devices is not a new phenomenon; progress in the industry has been moving at pace for a significant period. However, these enablers of change grow year on year and are continuing to have a decisive impact on consumer habit and choice.

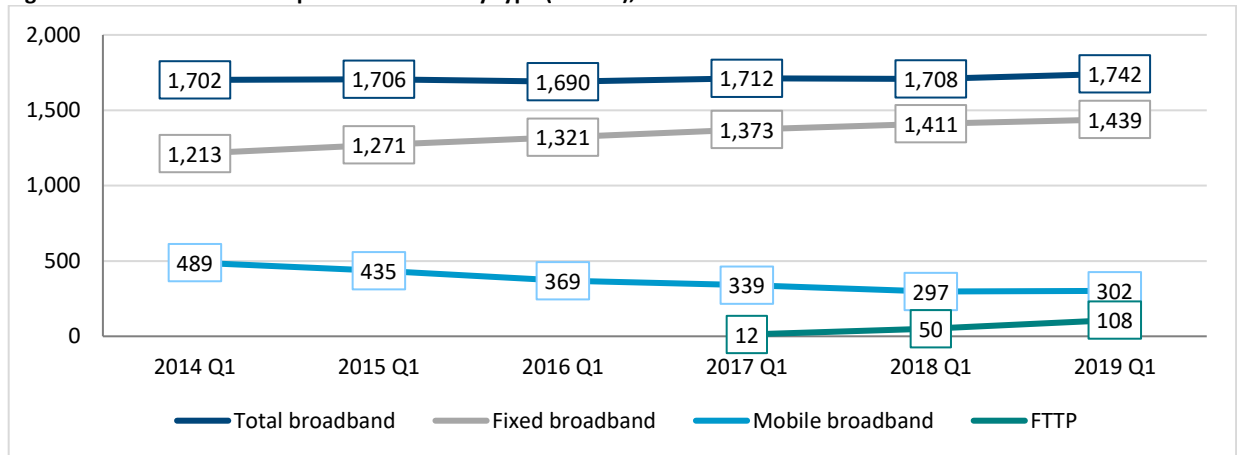
2.56 The number of total broadband subscriptions demonstrates this; in 2018 there were over 1.4m fixed broadband subscriptions in Ireland, up from 1.3m in 2017, which represented a household penetration level of over 90%.⁴⁹ Average download speeds increased as infrastructure improved and fibre optic broadband was adopted by more consumers. The shift is increasingly allowing individuals to access internet services (SVOD, among others) which are compelling alternatives to traditional broadcast media.

2.57 Total broadband access in Ireland also continued to grow, reaching over 1.74m subscribers (total includes fixed broadband subscriptions and mobile subscriptions) by the end of Q1 2019. This growth was despite the ongoing decline in mobile broadband subscriptions; handheld devices that are Wi-Fi-enabled has lessened the need for a mobile broadband subscription.

2.58 Fibre optic broadband subscriptions, a subcategory of fixed broadband subscriptions, enjoyed superlative growth, doubling the numbers of its subscribers in a year since 2018 Q1 (c.50k in 2018 Q1 vs. c.100k in 2019 Q1).

⁴⁹ ComReg, *Irish Communications Market: Quarterly Key Data Report (Q1 2019)*.

Figure 15: Broadband subscriptions in Ireland by type (in 000s), 2014-2018



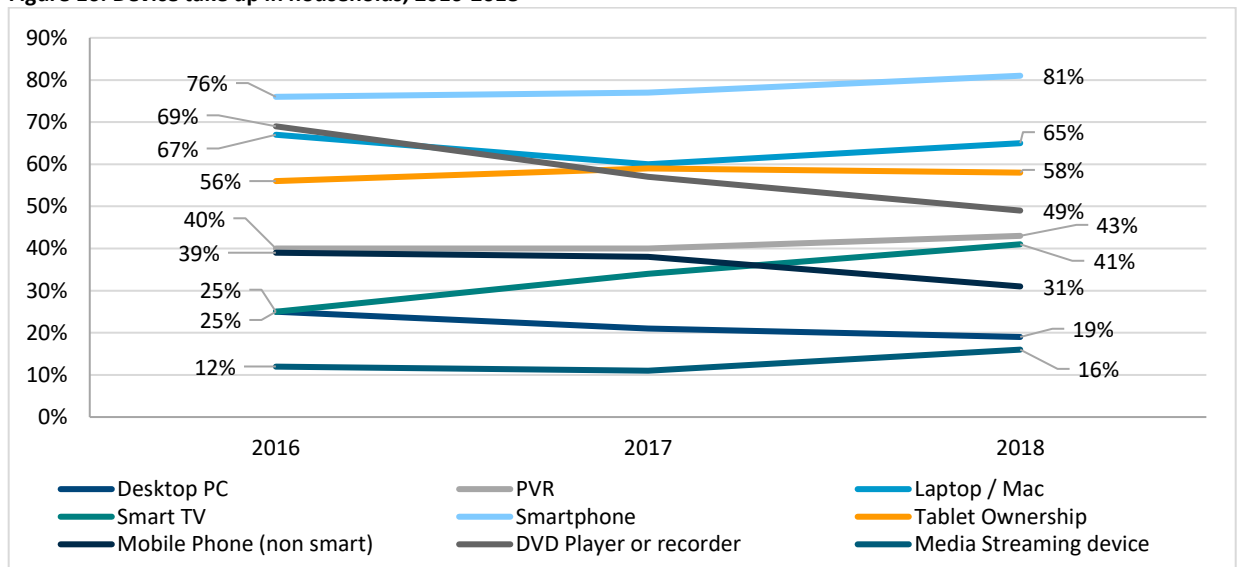
Source: ComReg.

Device take up

2.59 Accompanying increased internet connectivity is the greater take up of devices (both mobile and in the home) that are internet-enabled. Faster broadband speeds and the increased availability of FTTP broadband has encouraged the use of more sophisticated hardware such as Smart TV sets (present in 41% of households in 2018, compared to 25% of homes in 2016) and media streaming devices (present in 16% of homes in 2018 versus 12% in 2016). The presence of media streaming devices is highest (at 21%) for those aged between 16 and 49.⁵⁰

2.60 At the same time, devices that are not digitally enabled are regressing at a similar pace; DVD players in homes are disappearing at a rate of -8% year-on-year, whilst mobile phones (non-smart) have suffered a -7% year-on-year decrease in ownership. The trend lines in device penetration (2016-18) are summarised in the Figure below.

Figure 16: Device take up in households, 2016-2018



Source: B&A Audience Tracker Survey.

⁵⁰ B&A, Audience Tracker Survey 2018.

Changes to consumer behaviour

- 2.61 The Irish media market is dynamic, competitive and sophisticated in terms of device and platform take-up and the consumer behaviours these enable. As with other mature markets, Ireland has seen a significant shift in behaviour toward non-linear consumption (e.g., of SVOD, catch-up services and box sets), on TVs, PCs and portable devices. This has been supplemented by a significant increase in use of online video sites (e.g., YouTube) and social media more broadly.
- 2.62 These developments are unsurprising, given the degree of enablement characterising Irish consumers. Provided with the opportunity to consume content when and where desired, consumers, particularly younger ones, have altered their behaviours accordingly.
- 2.63 Despite these changes, broadcasting has remained remarkably robust. The direction of travel is clear, however, as younger demographics have reduced their TV viewing in favour of other online usage, including SVOD, short-form videos, and social media. Declines in traditional viewing among younger people are, moreover, accelerating.
- 2.64 In this context, new gatekeepers are very likely to emerge, with their own search and navigation functionalities and incentives to drive consumption outcomes unrelated to old-fashioned concepts of ‘priority’ for Irish-originated content. Reductions in the ‘findability’ of such content will have significant implications for revenue generation and content funding models in the Republic.
- 2.65 In sum, the changes these behavioural shifts imply carry significant risks for the Irish PSBs, reliant on traditional commercial revenue sources and public funds.

Implications of market trends in the short term

- 2.66 Our analysis of dynamics suggests a number of key themes for any consideration of current and future developments.
- **Technology and connected devices** have had a transformative impact on media markets, and this is set to continue.
 - **Consumer behaviour**, particularly when adjusted for demographics, will evolve further, and this is likely to continue to favour on-demand and non-linear consumption at the expense of broadcast schedules.
- 2.67 Likely to be a reinforcing element in these developments will be changes in **search and navigation**, with traditional ‘prominence’ losing salience in favour of consumer or platform-driven navigation (displacing electronic programme guides with social recommendation, search algorithms and paid-for prominence). These new gatekeepers are likely to be global players, preponderantly from the US.
- 2.68 Content trends will continue to weigh on traditional broadcasters, particularly the impact on the availability of content for FTA distribution and on the cost per hour of content generally. In the Irish context, where global players are unlikely ever to commit significant funds to Irish origination, these trends appear to suggest it will become increasingly difficult to ensure a wide range of content targeting an Irish audience is produced, absent changes to PSB structures and funding.⁵¹

⁵¹ Under revisions to European legislation, global players may be required to commit additional funds to European content but this is never likely to offset declines in content origination in Ireland. See footnote 52.

Policy context in 2018

- 2.69 Finally, it is useful to consider three developments in the policy arena, with implications for the way in which PSB should be reviewed and evaluated.
- The first concerns the ongoing debates over the funding of public service broadcasting, in the light of persistent calls for reform of funding models and the quantum of public assistance.
 - The second pertains to evolving views on the treatment of ‘new entrants’, including social networks and online video providers (in the context of changes to European legislation and Ireland’s own policies on the treatment of Irish-domiciled companies).
 - The third, inevitably, is Brexit.
- 2.70 On funding, previous reviews – in 2013, 2014, 2015, 2016 and 2017 – have all concluded with proposals to increase funding to both RTÉ and TG4. With the exception of capital funding grants and the recent provisions (far less than the support recommended in reviews), these proposals have not been adopted by Government. The consequences have resulted in different responses at TG4 (where expenditure plans were scaled back in line with funding below the recommended amounts) and RTÉ (where the lack of progress has resulted in persistent operating deficits).
- 2.71 Plans to level the playing field between new entrants and legacy operators (around rules regarding citizen and consumer harm and on more equal tax treatment) are in train but not yet fully realised. More immediate addressing of asymmetries between legacy and new entrant players might be earlier to emerge, if the Irish government (and regulators) pursue plans to extend prominence rules from the broadcast and pay TV arenas to include smart TVs and other new entrants.⁵²
- 2.72 Brexit’s impact is more immediately pernicious. While the structural factors at work (increased competition both upstream (in terms of content sourcing and cost inflation) and downstream (competition for audiences) are significant, they are being amplified by the market uncertainty around the near-term future. Advertising revenues are being affected first and foremost, and this has immediate implications for the commercial revenue models of RTÉ and (to a far lesser extent) TG4.
- 2.73 In light of the market trends and policy context outlined here, we turn in the following section to a detailed consideration of the ASPCs of the two PSBs, including a full review of the audience yield approach as outlined in the 2017 review.⁵³

⁵² Ireland is in the process of transposing changes to the Audiovisual Media Services (‘AVMS’) Directive into national legislation. Among changes are new rules governing the amount and prominence of European content on VOD services and, for the first time, bringing video sharing sites such as Google into a regime to prevent harm to children and remove or sanction incitements to hatred.

⁵³ While the Review had not been published by the Government at time of writing, a copy was provided to Mediatique, along with a detailed framework written by the previous consultants, outlining the approach and application of the audience yield exercise.

3. Annual Statement of Performance Commitments Reviews

- 3.1 The core of our work is the review of each PSB's Annual Statement of Performance Commitments. TG4's commitments are the subject of Section 4 and RTÉ's are covered in Section 5.
- 3.2 By definition, the level of detail in our report is consistent with the number and range of commitments each PSB has established for 2018 and on the agreed targets. In each relevant section, we analyse in detail the metrics that the PSBs have set for themselves, assessing the adequacy of these commitments against the five thematic headings in the ASPC framework agreed by the BAI and the PSBs. These headings are:
- Audiences: Impact and Reach
 - Content: High Quality and Distinctive
 - Transparency and Efficiency
 - Trust and Good Governance
 - Irish Language Promotion and Development
- 3.3 This framework has become less applicable in recent years as the PSBs have amended their commitments and targets in line with recommendations from previous reviews; however, the thematic headings above highlight the BAI's own priorities for adjudication and are of significant importance from a regulatory perspective. Indeed, TG4 continue to structure its ASPCs in line with these headings, while RTÉ has updated to a more streamlined structure of *Audience*, *Content* and *Sustainability*.
- 3.4 Following the two detailed sections on ASPCs, we then consider the adequacy of the PSB's commitments to inform future reviews and lay out the results of our further tests on efficiency and the adequacy and sustainability of PSB funding.
- 3.5 There is a fair degree of consensus (as expressed in our confidential stakeholder interviews) that PSB remains a critical part of the Irish media landscape and needs protection and adequate funding. This is particularly the case in the face of competition from global players which do not invest in indigenous content but do take market share from those which do. There is no clear agreement on the quantum of that required funding, however, and the commercial competitors to RTÉ in particular are concerned about the behaviour and impact of publicly funded players able also to generate commercial revenues.

A note on audience yield methodology

- 3.6 We have also calculated audience yield for the PSBs' services, which permit us to judge the 'efficiency' of delivery of services to difference audiences.
- 3.7 The audience yield analysis seeks to assess whether the mix of content and services provided by the PSBs is the most efficient mix in terms of capturing audiences and fulfilling their public value obligations. It does this by standardising the amount of consumption per a given level of spend. For this review, following the framework established by previous consultants, the level of spend has been set as one euro, and thus the unit for measuring audience yield is "user hours per euro". This allows us to make comparisons across platform types (TV, radio, online) as well as between platforms themselves (for example, between RTÉ One and RTÉ 2).
- 3.8 The audience yield methodology provides the PSBs with an additional tool for assessing their services and can help to inform their content strategies. It cannot, however, address the full range of metrics facing a PSB, particularly in terms of the public value and impact of a given genre or service. Throughout the report, unless otherwise indicated, we use 'efficiency' to refer to the results of audience yield

analysis but it should be noted that any analysis must be considered in conjunction with these other public service factors (public value, impact) in order to fully reflect the PSBs' strategies and content investments.

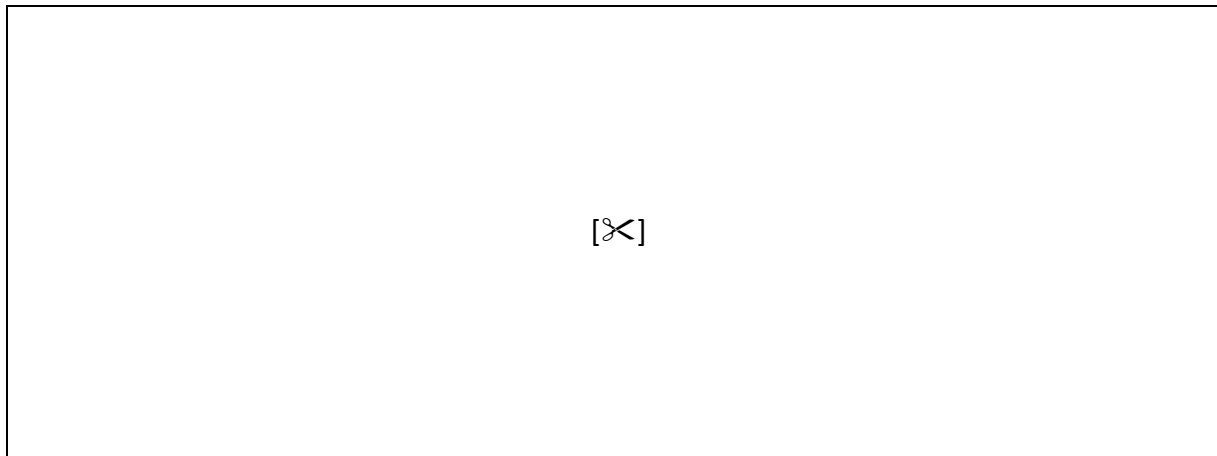
- 3.9 We determine audience yield data for RTÉ's TV, radio and online services on the basis of gender, demographic and social class (e.g., ABC1 versus C2DE). We have collected and followed the methodology outlined in the 2017 review on the allocation of genre and 'indigenous' programming to peak/off-peak and to RTÉ One +1.
- For TG4, we match the gender, demographic and social grade break-down and also divide by "audience pole" (discussed more fully below in Section 4).
 - For RTÉ, we calculate both the 'gross' and 'net' yield – that is, we offset relevant programming costs by commercial revenues (which reduce the burden on public funding). This serves to underline both the 'efficiency' of expenditure on content but also the degree to which commercial revenues are maximised so as to reduce the pressure on public funding. This net calculation is described in greater detail in the section on audience yield for RTÉ below (given the relatively small share of total income for TG4 derived from commercial revenues, we do not calculate net yield for TG4).
- 3.10 We note that JNLR only collects data for audiences 15+, which means radio yields will not be comparable to those calculated for other media (TV through TAM Ireland, related to individuals aged 4+ in TV households and online measurement, currently based on self-reported survey data). As a result, we have set 'universe' for TV viewing at the TAM TV Households individuals aged 4+ and for radio as the total number of adults (aged 15+) in Ireland.

4. Review of TG4’s Annual Statement of Performance Commitments 2018

- 4.1 TG4 – Ireland’s second PSB channel – provides Irish language content across the island of Ireland. As well as its TV channel, it operates a streaming service (TG4 Player/Seinnteor TG4), and a range of children’s services including a player, Cúla4, and 10 mobile apps. As a publisher-broadcaster, all its original productions are commissioned via independent production companies.
- 4.2 The year 2018 represented the first in the implementation of TG4’s new ‘twin pole’ audience strategy, which differentiates the consumer preferences of habitual Irish speakers from those of a wider, national audience. Having split consumers into ‘core Irish language’ audiences and ‘wider national TV’ audiences, the strategy aims to appeal to both but in very different ways. For the former, audience expectations are high, requiring good-quality, Irish language content across a full range of public-service genres. This core audience tends to be made up of more frequent viewers of TG4, but they are concentrated in Gaeltacht regions. For the latter category of national audiences, TG4 have stated they will focus on three genres in particular to encourage less frequent users of TG4’s services (or non-habitual Irish speakers) to view the channel. These genres are: contemporary factual; sport; and national live music and cultural events.
- 4.3 As the first year of the new strategic period, it is worth considering the overarching strategic objectives set out in TG4’s *Statement of Strategy 2018-2022*, and in particular the distinction between the ‘Preferred’ and the ‘Flat Funding’ strategies.
- TG4’s five-year strategy sets out eight strategic goals to be accomplished over the following five years, with the aim of growing national audience reach and share, stimulating the use of the Irish language, growing Ireland’s creative audio-visual sector, developing its own commercial capabilities and supporting the development of new talent by 2022.
 - In order to be successful, it has set out 25 strategic initiatives, “...each of which is designed to address the challenges and opportunities [facing TG4] and to enable TG4 to achieve its goals and vision by 2022.”⁵⁴ Collectively, these 25 initiatives make up the Preferred strategy. To deliver these initiatives, TG4 was asking for the restoration of pre-recessionary funding (and for funding to rise in line with inflation over 2020-2022).
 - For 2018, this meant an increase in current funding of [€], followed by smaller increases in funding in the years following.

⁵⁴ TG4, *Statement of Strategy 2018-2022*, p. 10.

Figure 17: TG4's Preferred Strategy funding requirements, 2017-2022



Source: TG4.

- 4.4 TG4 had also come up with a counterfactual strategy, known as the Flat Funding strategy, to summarise TG4's options in the event that no additional funding was made available over the period. Even before 2018, TG4 found itself in a position in which there was little or no flexibility in its operating budgets, meaning that any additional initiatives required additional resources.
- 4.5 Without such funding being forthcoming from Government, TG4 indicated that, while its mission, vision, and eight strategic goals would remain in place, it would be unable to deliver fully on the 25 strategic initiatives. Instead, the Flat Funding strategy would see TG4 focus entirely on the initiatives set out for the Preferred strategy that required no incremental investment.⁵⁵
- 4.6 For 2018, TG4 found itself in the difficult situation of having been given a funding increase (of €1m in additional current funding and a €965k special grant for *Bliain na Gaeilge*), but not enough to cover cost elements of the 25 initiatives set out in its Preferred Strategy, i.e., [X]. It was thus left with a [X] 'deficit' on the funding it needed to fulfil all the strategic goals set out in the five-year strategy.
- 4.7 However, in 2017, TG4 performed well against the majority of the targets set out in its 2017 ASPC. Because of this, some targets for 2018 were thus increased, even on targets set out for the Preferred Strategy. It is thus within this context (higher targets, even against a budget below expectations) that TG4 wrote its Annual Statement of Performance Commitments.
- 4.8 After the publication of the 2018 Annual Statement of Performance Commitments and before the completion of the 2018 Review of Performance, TG4 made a number of changes to their forthcoming 2019 ASPC in line with recommendations from the BAI's 2017 review.⁵⁶ This included the streamlining of targets and greater clarification between targets and metrics. The work was completed in 2018 and, in order to ensure continuity and comparability between the 2019 ASPC and the 2018 Review of Performance, the targets that had been excised from the 2019 ASPC were not included in the 2018 Review of Performance. Mediatique's mandate for this review was to assess TG4's annual performance as against the targets and metrics laid out in their 2018 ASPC.

⁵⁵ TG4's Preferred Strategy initiatives and those for a Flat Funding scenario are laid out in Appendix 1.

⁵⁶ We discuss the implications of the timings of these reviews against PSB's own timeframes from the publication of both their Annual Statement of Performance Commitments and the Reviews of Performance at para 6.29.

- 4.9 While we are cognisant that TG4 is pro-active in responding to – and implementing – the recommendations from performance reviews, we do not believe it is appropriate for us to take into account changes on an interim basis between target-setting and target-assessment. To do so calls into question the validity of an external review.
- 4.10 As such, we aimed for a rigorous approach to these issues and to the assessment of performance for both PSBs. Our methodology was to start with the list of targets set out in the 2018 ASPC and to judge (based on the data given the reviews of performance) the extent to which these targets had been met, while taking into account the commentary provided by the broadcasters. Our guiding principle at all times was the 2018 ASPC and it was through the lens of those targets that we based our conclusions as to the overall health and efficiency of both PSBs. In the instances where data was missing or where it was not obvious what should count as a target, our primary step was to defer to the 2018 ASPC. Where we were still unsure, we used a triaging system (as detailed in 4.12 below). For TG4, where targets were not addressed in the 2018 Review of Performance, we have noted these as “data unavailable” and they have not counted towards TG4’s overall performance score. This issue applies to relatively few of TG4’s targets and are clearly signposted for clarity. We will further address the streamlining of targets and clarification around metrics in the 2019 review.

Performance against 2018 Commitments

- 4.11 In 2018, TG4’s Annual Statement of Performance Commitments included 17 individual commitments under five thematic headings: *Audiences – Impact and Reach; Content – High Quality and Distinctive; Promotion and Development of the Irish Language and Culture; Transparency and Efficiency; and, Trust and Governance.*
- 4.12 Each of TG4’s commitments are assessed through a range of key performance targets chosen by TG4 each year. These are both qualitative and quantitative and, for many of the commitments, the targets are numerous. In order to address adequately TG4’s priorities, we have parsed the targets through a triage system, identifying those targets that are: 1) quantitative and trackable year-on-year (i.e., enough data is available in the 2018 performance review to assess whether the target has been fully achieved or not) or are qualitative and where there is a basis to judge fulfilment or otherwise; 2) those that do not meet this requirement (for example, where TG4 does not itself provide data or any other basis on which to judge fulfilment); and 3) those in between (where there is some doubt about the target and/or whether it has been achieved. We concentrate in this report on the first category.
- 4.13 Beyond this, we note that TG4 included a range of “strategic initiatives” in its 2018 ASPC. For the most part, these have been included as individual targets, and this has been notated where appropriate in our analysis below.
- 4.14 For one commitment (13; “Ensure we make the best use of our public funding and deliver efficiency and value-for-money”) under Transparency and Efficiency, we have opted to approach the entire commitment as a whole, rather than as individual targets. This is because targets are numerous, interlinked and should really be considered as a budget rather than targets. While it is helpful to judge actual performance against budget, it does not truly reflect whether TG4 is acting efficiently and making best use of public money. Thus, instead, we have re-examined these commitments in Section 7.
- 4.15 Bar TG4’s thirteenth commitment, TG4 has set itself 248 targets. Below we set out how well TG4 performed against these commitments during the year, by category.

Audiences – Impact and Reach

Commitment	Target
1. Maintain share with national television audiences and our strong position with Irish language audiences ⁵⁷	5 targets fully achieved 6 targets not achieved 3 targets no data available ⁵⁸
2. Grow non-linear audience engagement by investing in digital content and social media	13 targets fully achieved 1 target almost achieved 2 targets ongoing 1 target not achieved 10 targets no data available ⁵⁹
3. Develop our partnerships to broaden our multi-platform distribution and audience availability	4 targets fully achieved 3 targets ongoing
4. Enhance our media brand and improve audience awareness and appreciation	7 targets fully achieved 2 targets not achieved (delayed)
5. Achieve the regulatory access sub-titling for 2017, enhancing accessibility for our audiences	11 targets fully achieved 1 target ongoing

4.16 For 2018, the audience-related commitments reflect the twin-pole strategy to increase satisfaction among the core audience while growing its share of the national audience.

4.17 Within *Audience – Impact and Reach*, there were three targets related to the core audience (measuring reach, satisfaction and TG4 Player usage) and seven related to the national audience (measuring reach, audience share, and TG4 Player audience). Of the three core audience targets, 85% reach and a high satisfaction rating were met; although TG4 Player usage among the core was down (33% against a target of 40%, and down from 38% the previous year).

4.18 Of the national audience targets, weekly reach and average daily share were both missed: the former measuring 30% against a 35% target and the latter at 1.76% of a 1.9% target. Concerningly, both metrics have fallen since 2017. However, the number of hours watched on TG4 Player target was easily met, and TG4’s position in the Top 10 most watched channels in Ireland (7th) was met. There was no data on the three remaining targets⁶⁰ set out for national audiences (number of TG4 hours with >100k reach, number of TG4 hours with >70k reach, and audience reach in Northern Ireland), so we have excluded these from our analysis.

⁵⁷ This includes the four targets specifically for children and young people.

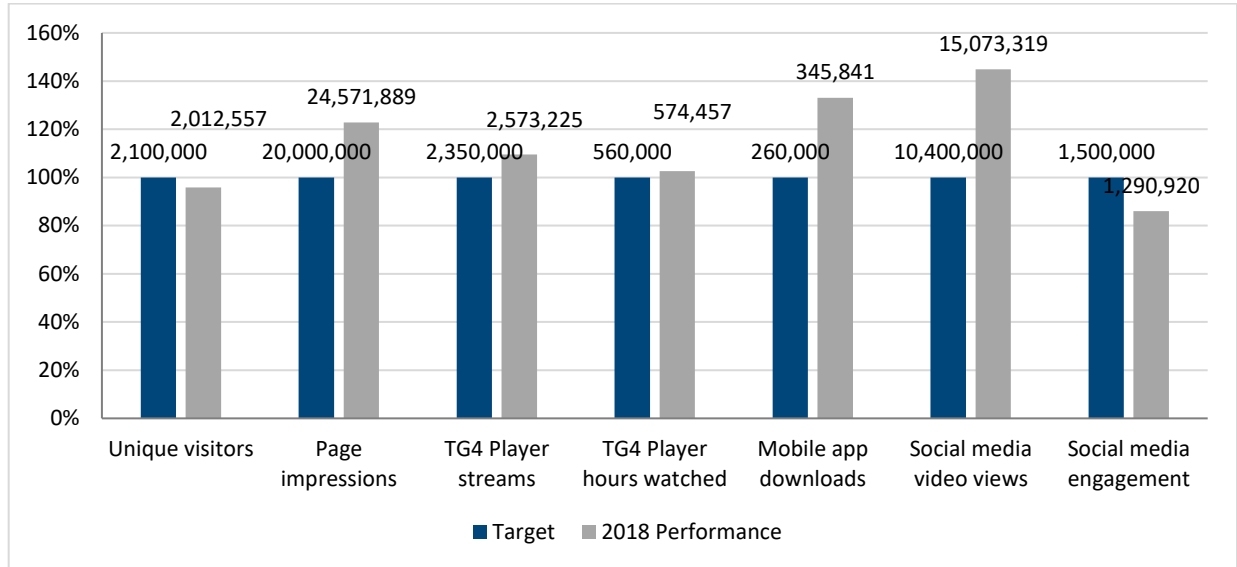
⁵⁸ These are the number of TG4 hours with >100k reach, number of TG4 hours with >70k reach and Northern Ireland audience reach. These were not reported in the Review of Performance for 2018 in line with TG4’s changes to their 2019 ASPC, as recommended by the 2017 review.

⁵⁹ These are the national:international breakdown of unique visitors to the website and of TG4 Player streams, long-form:short-form breakdown of social media video views and four targets for children and young people non-linear engagement. These were not reported in the Review of Performance for 2018 in line with TG4’s changes to their 2019 ASPC, as recommended by the 2017 review.

⁶⁰ The three targets not included in TG4’s Review of 2018 Performance were not “key” targets. For several of TG4’s commitments, some targets are marked as key targets, denoting greater priority. In this section, we have addressed all targets available, although we have marked those deemed to be key targets.

4.19 TG4’s targets for growing non-linear audience engagement were ambitious, and almost all were fully met. These are set out in the chart below. It should be noted that the targets for unique visitors and social media engagement were not met, although unique visitors came within 95% of meeting the goal.

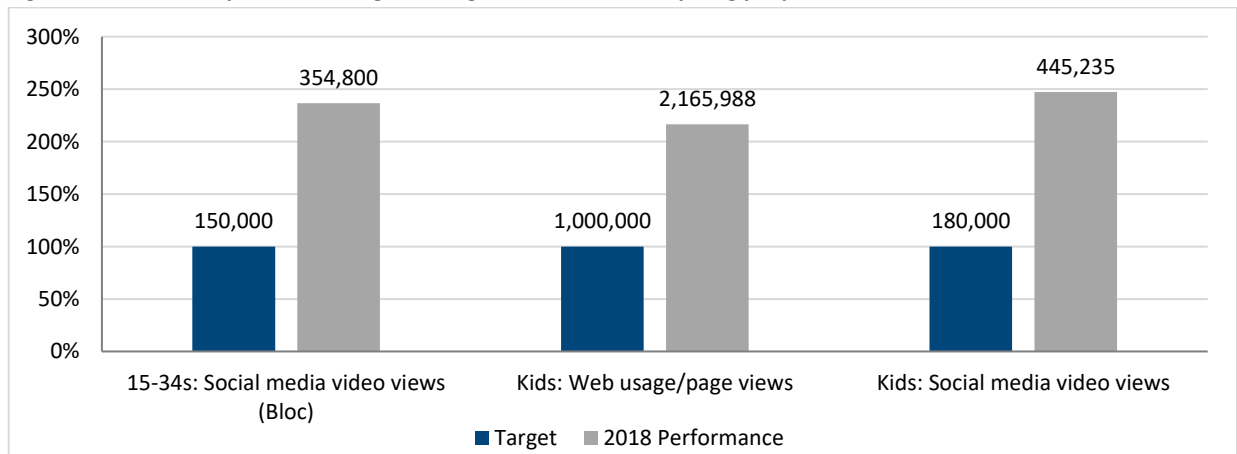
Figure 18: TG4’s non-linear targets and 2018 performance



Source: TG4 Review of 2018 Performance.

4.20 Across linear and non-linear, TG4 set out 10 further targets to improve engagement with children and young audiences. Non-linear performance easily outpaced linear performance among targets (see below). For example, video views to *Bloc* – a new Irish language short-form video content hub for 15-34 year olds across a range of social media platforms – outperformed its target by 237%.

Figure 19: TG4’s 2018 performance against targets for children and young people



Source: TG4 Review of 2018 Performance.

4.21 For broadcast TV, weekly reach for both children and younger audiences missed their targets (12.5% against 13.5% for the former and 15% against 18% for the latter). Average all day share was also missed for young audiences (1.1% of 1.3%) but achieved for children (0.9% of 0.9%). This meant an almost 6% growth in average all-day audience share among children from 2017. Three targets set out in the 2018 ASPC have not been included in the TG4’s performance review and so have been excluded from analysis here; these were Cúla4 YouTube views among children, TG4 Player streams among children, and app downloads among children.

- 4.22 TG4 also included seven qualitative targets to aid the development of non-linear platform engagement, five were fully met (creation of *Bloc*, the *Molscéal* app, and *Spórt TG4* social media) while two (related to TG4’s social media content and the kids’ portal, *Culacaint*) are ongoing in 2019.
- 4.23 Similarly, the related targets of “Develop our partnerships to broaden our multi-platform distribution and audience availability”, were either met or ongoing. These included:
- Partnerships with Sky, Virgin Media, Eir, Saorview and Vodafone to ensure distribution of TG4 content;
 - TG4 Player availability on RTÉ and BBC Northern Ireland services, and greater personalisation features and use of box sets on the platform;
 - Discussions to review TG4’s prominence on Northern Irish EPGs;
 - Development of the YouTube channel (with a focus on traditional music, kids’ content and sport).
- 4.24 In order to accomplish the commitment of enhancing the media brand, TG4 created nine targets which sat across the themes of: Board Brand Forum, agency tender, measurement, TG4 design and identity and marketing campaigns/events. Not achieved was the delivery of an attitudinal tracker survey (which TG4 aims to deliver in 2019) and the development of new On-Air idents was postponed until 2019. The remainder were all accomplished.
- 4.25 TG4 amply achieved its targets for sub-titling with 68% of the linear broadcast service having sub-titles, against an in-house target of 60% and a BAI-mandated target of 57- 63%. A further 10 targets related to new procurement contracts, best practice and stakeholder engagement were all achieved except one relating to TG4’s engagement with RTÉ to ensure all content from RTÉ for broadcast on TG4 meets the BAI specified target for TG4. This target relies on negotiations which are ongoing.
- 4.26 Under Section 120 of the Broadcasting Act 2009, RTÉ must provide TG4 with 365 hours of Irish language programming each year. In the year under review, this target was not met, with RTÉ [X].⁶¹
- 4.27 The programming delivered was predominantly NCA content in the form of *Nuacht TG4*, TG4’s nightly news bulletin produced by RTÉ News and Current Affairs, and *Timpeall na Tíre*, as well as further in-house content from RTÉ and commissioned content across a range of genres. There has been a divergence of opinion in recent years as to how best to value the content provided, and to ensure an efficient delivery of the required material each year. For its part, TG4 set out a requirement in its ASPC to conclude negotiations with RTÉ to agree a value by the end of 2018. These negotiations were not finalised in the year and resumed in 2019.⁶²
- 4.28 Both PSBs face immense pressures over their content output (in terms of market competition and cost inflation). This pressure is only heightened for Irish language content, particularly in light of An Coimisinéir Teanga’s ruling on RTÉ’s contravention of its statutory duties with regard to live TV programming.⁶³
- 4.29 Communications Chambers suggested in the BAI’s recent five-year review that the Irish media landscape is too small to benefit from market competition between the two PSBs.⁶⁴ Particularly in relation to Irish language programming, we agree that a greater degree of coordination (in terms of commissioning,

⁶¹ Some of the implications for TG4 are discussed in Audience Yield Analysis in Section 4.

⁶² [X].

⁶³ We provide additional commentary on this ruling in Conclusions in Section 5 on RTÉ’s ASPC.

⁶⁴ Communications Chambers, *Review of Funding for Public Service Broadcasters*, 2018, p. 72.

production, aggregation and distribution) would strengthen the public service value provided by both PSBs in this regard. Formalising the content requirements (TG4) and potential content provisioning (RTÉ) is, however, the necessary base upon which future negotiations must be conducted.

4.30 We note that this is the direction of travel in 2018. Content from TG4 is available via the RTÉ Player, and for 2019, RTÉ is in train to provide [X] hours (equivalent to [X] in value).

Content – High Quality and Distinctive

Commitment	Target
6. Invest in strong factual, live music and cultural content and enhance our sports brand and content to maintain national audience share	10 target broadcast hours fully achieved 8 target broadcast hours not achieved 16 programming development targets fully achieved
7. Improve the broadcast schedule and programming for habitual Irish speakers	2 target broadcast hours fully achieved 12 target broadcast hours not met 3 programming development targets fully achieved 13 not achieved
8. Engage in partnerships to further develop the content available to audiences and our creativity	7 targets fully achieved 1 target not achieved
9. Invest in content technology and systems to develop our services and distribution	7 targets fully achieved 4 targets ongoing

4.31 Following the twin-pole audience strategy, the first tenet of the *Content – High Quality and Distinctive* commitments is to invest in content, specifically to grow national audiences. According to its *Statement of Strategy 2018-2022*, TG4 had intended to increase its investment in content by [X] for the national audience. However, due to a lower-than-requested funding increase for 2018,⁶⁵ TG4 was only able to invest an additional [X] in national audience content.

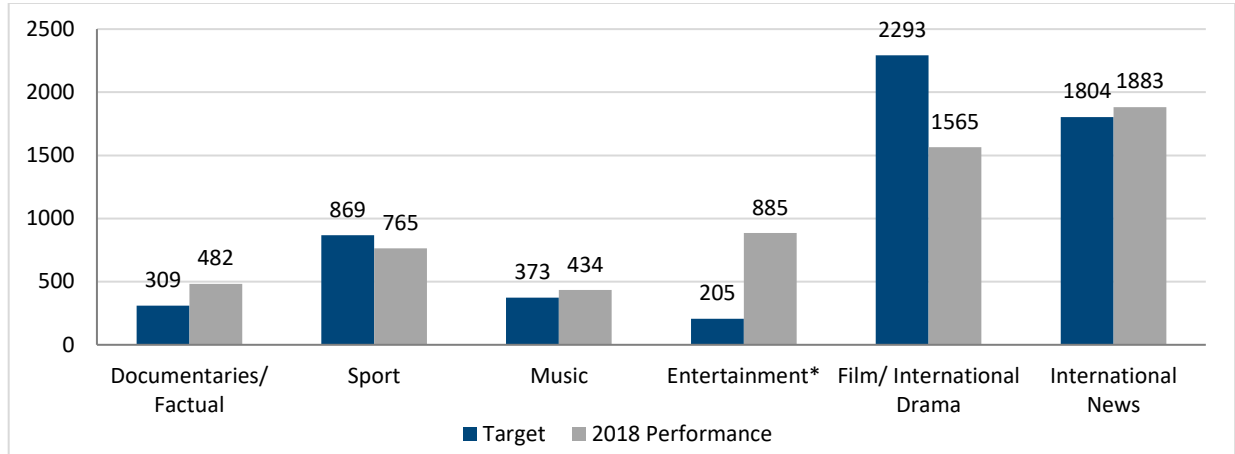
4.32 Despite this, some of the 2018 ASPC targets were higher than the 2018 targets in the Preferred Strategy as set out in the five-year strategy.⁶⁶ Overall, total target hours in the 2018 ASPCs for national audiences were 5,853 (versus a Preferred Strategy total of [X]).

4.33 Across these genres, targets were mostly met. Within Sport, actual hours came in 12% lower than targeted. It should be noted that the graph below suggests Film/International Drama also missed its target dramatically. However, the target for Film/International Drama is artificially inflated with Licensed Entertainment target hours which were included in this category in the ASPC. If we thus collate Entertainment and Film/International Drama target hours and performance hours, we have a more nuanced understanding of the situation: 2,450 actual performance hours across the categories against 2,498 target hours. While this is still below target, it is within 98% of reaching it, far less dramatic than the graph might suggest.

⁶⁵ This is discussed more fully below.

⁶⁶ Documentaries/Factual increased from 233 hours to 309 hours; Music from 343 to 373; Film/International Drama from 2,273 to 2,293 and International News from 1,801 to 1,804. Sport targets stayed the same and Entertainment target hours decreased from 280 to 205.

Figure 20: Broadcast hours for wider national audience (targets against 2018 performance)

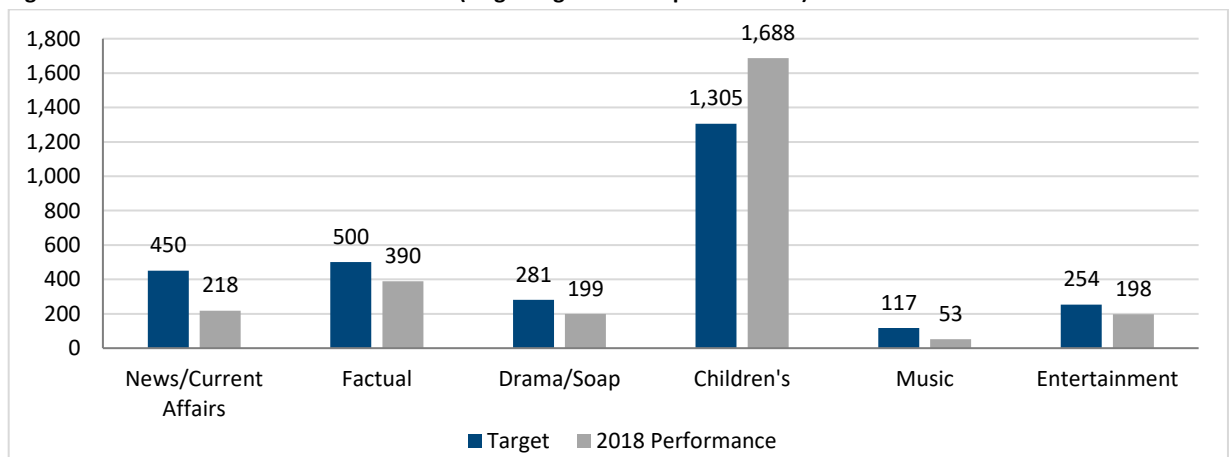


Source: TG4 Review of 2018 Performance. Note: The 205 target hours are Produced/Versioned hours only and do not include the target hours for Licensed Entertainment content which are instead included in the Film/International Drama target.

4.36 Linked to the output above, TG4 also had 16 programming development targets. These were qualitative in nature, linked to the commissioning of individual programmes (for example, broadcast of the 8x60' *Tabú*, the *Opry* series, significant Irish language coverage of various sports events, and the return of *The Underdogs*). These targets could be treated either as discrete from or part of the targets for broadcast hours. We have decided to see them as their own targets, even while appreciating that they feed into target hours.

4.37 According to TG4's *Statement of Strategy 2018-2022*, in addition to the [€] funding increase for content for national audiences, [€] was intended for improving the broadcast schedule for core TG4 audiences. As previously noted, core audiences require a much broader range of content and also a greater proportion of commissioned and produced content. With limited additional funding, TG4 only spent an additional [€] on core audience content. Because of this, target hours of core audience content for 2018 were revised down from the 2018 targets set out in the five-year strategy. Even with these downwards revisions, with the exception of Children's (30% over target thanks to new commissions), none of these targets was met.

Figure 21: Broadcast hours for core audience (targets against 2018 performance)



Source: TG4 Review of 2018 Performance.

4.38 Furthermore, a range of *qualitative* targets were set out to improve the broadcast schedule. These included raising the profile of *Nuacht TG4*, airing a current affairs programme, developing feature length films via Cine4, and commissioning new documentary strand *Cuisle* as well as broadcasting four

commissioned programmes for children. These were mostly met, but given the key targets for broadcast hours, these targets have all been assessed as not achieved (in line with TG4’s own assessment).

- 4.39 The third commitment under the banner of *Content – High Quality and Distinctive* is to “engage in partnerships to further develop the content available to audiences and our creativity”. Eight targets, each relating to a potential partnership body (e.g., RTÉ, BAI, the ILBF, the *Irish Post*, sports bodies such as the GAA and LGFA), were created. Of these eight, seven were fully met, with TG4 delivering a second round of Cine4, 14 projects with ILBF support and 13 projects with BAI support, delivery of the Irish Post Awards, and continued sponsorship of the LGFA. The only partnership yet to be concluded was with RTÉ, although TG4 notes that “extensive engagement was undertaken”⁶⁷ and that the commitment will be carried through to 2019.⁶⁸
- 4.40 The targets for content technology investment are complex in that, while the main goal is to accomplish a given project fully, TG4 must endeavour not to spend too much over the allocated spend per project. The table below sets out where projects have been achieved in relation to how much was spent on them. Some were fully achieved and came in under-budget, some were over-budget, and some were not completed owing to time constraints and other funding priorities.

Figure 22: TG4’s capital investment targets versus actual performance (in €000s), 2018

Capital investment	Target (€000s)	Actual (€000s)	Accomplished?
Archive	[X]	[X]	Not fully – no hardware purchased
Content distribution	[X]	[X]	Yes
Studio 2 camera tracking	[X]	[X]	Yes
NCA graphics upgrade	[X]	[X]	No – delayed until 2019
Studio 4 upgrade	[X]	[X]	No – delayed until 2019
Deep archive storage replacement	[X]	[X]	Yes
Mediagenix Whats On API integration	[X]	[X]	Yes
Remote player server	[X]	[X]	Not fully – will be complete in 2019
Upgrade of iOS apps	[X]	[X]	Yes
New app launch			Yes
App analytics			Yes
Other capital investment	[X]	[X]	Yes
Total	[X]	[X]	

Source: TG4 Review of 2018 Performance.

⁶⁷ TG4, *Review of 2018 Performance*, p. 21.

⁶⁸ More information on the relationship between RTÉ and TG4 is given in paras 4.26-4.30 of this section.

Promotion and Development of the Irish Language and Culture

Commitment	Target
10. Grow our investment in the Irish language independent production sector	8 targets fully achieved 1 target ongoing 1 target not achieved
11. Expand our Irish language archive and its access to the public	9 targets fully achieved
12. Deliver a range of unique initiatives to support the Irish language and culture	12 targets fully achieved 1 target almost achieved 1 target ongoing

4.41 TG4’s investment in the Irish language independent production sector mainly takes the form of commissioned programming. In 2018, 85% of its content spend (€24.028m) was spent on the sector in this way, an increase of almost 11% on 2017’s actual spend on commissioned programming (€21.7m) and fully meeting the target for this area (€22.568m). Public funding came in at €34.775m – meeting its target – and thus expenditure on commissioned programming made up 69% of public funding received – also meeting the target of 67% for 2018.

4.42 For 2018, TG4 also enacted the first-year plans for its Statement of Strategy commitment to “support the development and internationalisation of the independent production sector, especially in the regions, delivering social and economic benefits for Ireland”. These plans included:

- Additional investment in commissions;
- Three new multi-annual agreements;
- Second round of Cine4 delivered;
- Establish minority stake in new co-production fund;
- Establish initiatives to develop production skills/script development for Irish language speakers;
- Develop both new and existing talent within the industry.⁶⁹

4.43 All but two of the above were fully achieved: only one new multi-annual agreement was delivered from the second category however, and the new co-production fund will commence in 2019 (rather than in Q4 2018 as targeted).

4.44 TG4 has been developing an Irish language Digital Archive since 2014. For 2018, a number of targets were put in place to expand the archive; in particular in relation to music, documentary and News & Current Affairs content. All nine targets were met and the scheme will continue in 2019 and 2020 thanks to the successful securing of additional funding from the BAI to do so.

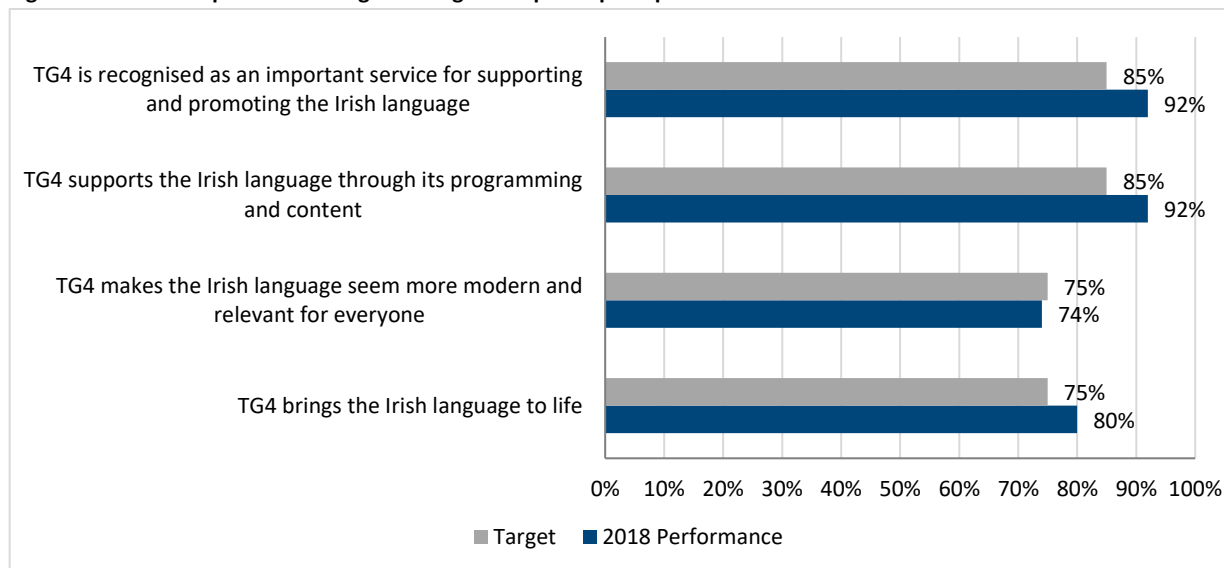
4.45 The final commitment under this heading is to deliver a range of unique initiatives to support the Irish language and culture. These targets were qualitative and multitudinous, covering a range from community level engagement (with local events for new programmes, support for community events and a partnership with *Bliain na Gaeilge*), engagement with Creative Ireland (ongoing), engagement as part of the Government’s *Irish Language Strategy 2010 – 2030*, and through the partnership with the LGFA to broadcast more senior and intermediate championships. Lastly, in partnership with

⁶⁹ Within the talent development section of TG4’s 2018 ASPC, there were several sub-sections or “targeted actions”. For clarity, we have assessed talent development as a single overall target, rather than based on these sub-sections.

TechSpace/Roinn na Gaeltachta, TG4 ran the first TechFéile to promote the development of young talent. All these targets, bar Creative Ireland engagement which is ongoing, were achieved.

4.46 As part of this commitment, TG4 surveys a nationally representative sample each year to gauge public perception on how well TG4 supports and promotes the Irish language. All categories but one were met or exceeded.

Figure 23: TG4 2018 performance against targets for public perception



Source: TG4 Review of 2018 Performance.

Transparency and Efficiency

Commitment	Target
13. Ensure we make the best use of our public funding and deliver efficiency and value-for-money	See below
14. Grow advertising, sponsorship and other commercial revenues	2 targets fully achieved 1 target not achieved
15. Embed the new organisation structure and continue to develop our culture, skills and talent	6 targets fully achieved

4.47 Commitment 13 is assessed by breaking it down into its constituent parts of:

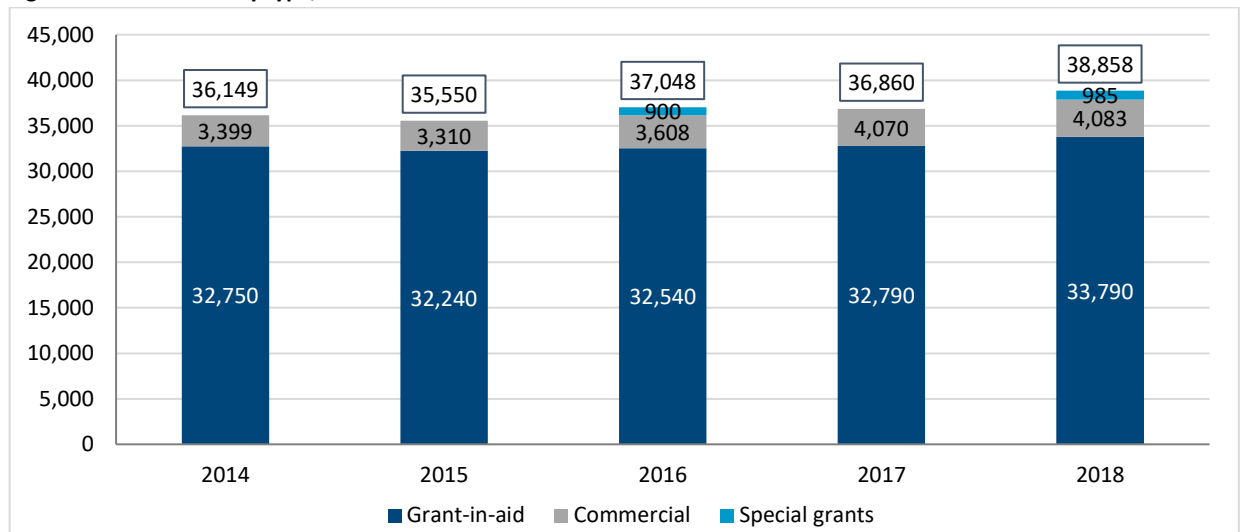
- **Best use of public funding:** Assessed through compliance with State Aid Rules, ensuring public funding is used for public service objects only and the attribution of a minimum of 70% of TG4’s public funding to Irish language content.
- **Value-for-money:** Assessed through programming spend, per-hour costs, level of investment in the independent sector⁷⁰ and an evaluation of the economic impact of the company.
- **Efficiency:** Assessed through the allocation of expenditure in various segments (including programming, staff costs and overheads) as a share of total costs, and through the completion of efficiency initiatives.

4.48 Before assessing whether this commitment was adequately met, it is important to understand the financial context in which TG4 is operating. Figure 19 shows how flat public funding has been over the

⁷⁰ As set out in Commitment 10.

past five years, and that, while commercial income is increasing (at a CAGR of 4.7%), the proportion of total income it represents means it cannot mitigate the lack of growth in public funding.

Figure 24: TG4 income by type, 2014-2018⁷¹

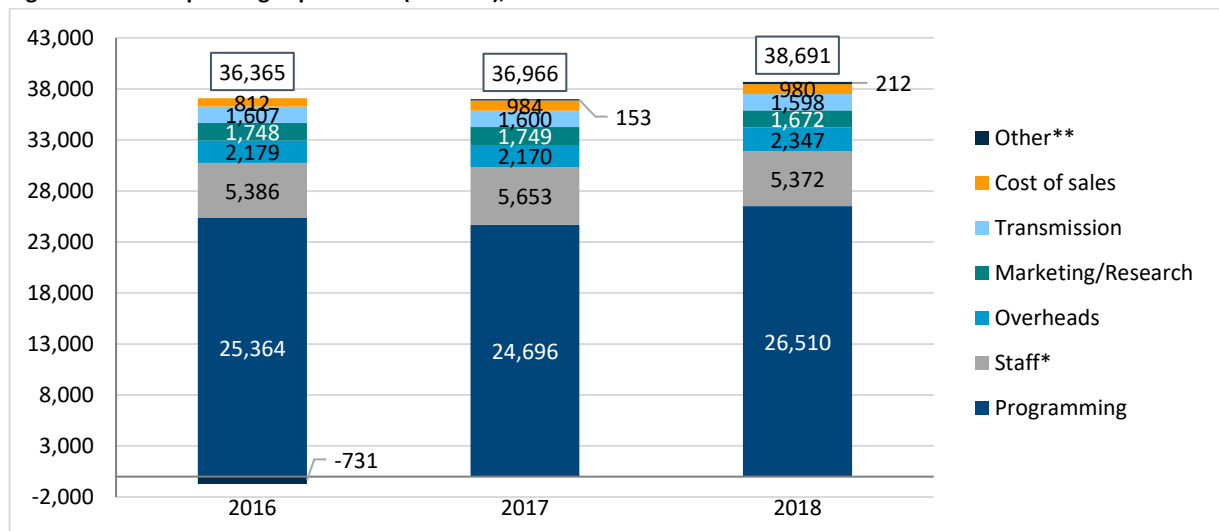


Source: TG4 annual reports.

4.49 Compared with previous years, 2018 saw an incremental increase in its funding due to an additional €985k for *Bliain na Gaeilge* as well as an additional €1m in Grant-in-aid. However, under its Preferred Strategy as set out in the TG4’s 2018 – 2022 Statement of Strategy, TG4 needed current funding from government to rise to €36.741m in 2018, i.e. an increase of €3.95m.⁷²

4.50 In 2018, TG4 spent €38.69m on operating costs. The majority (68.5%) of which went towards programming costs.⁷³

Figure 25: TG4’s operating expenditure (in €000s), 2016-2018



Source: TG4 Review of 2018 Performance. * Staff figure is net of capitalised costs. ** Other contains Depreciation, Amortisation of Grants and TG4’s own “Other” category. Because Amortisation is included, we have used a net figure here, hence why in 2016, Other was negative: €731k.

⁷¹ A further breakdown of TG4’s commercial income over the same period can be found in Figure 31.

⁷² Further information on Preferred versus Flat Funding strategies can be found in paras 4.3-4.4.

⁷³ Note this figure does not include staff costs which are set out below.

4.51 Having set out the overarching picture of TG4’s finances, we can now assess Commitment 13. The first indicator – best use of public funding – is for the most part assessed by funding targets in euros and as percentage of overall operating expenditure. The targets are set out in the table below.

Figure 26: TG4’s target spend versus actual performance (in €000s) in key expenditure categories, 2018

Measure	Target (% of opex)	Actual (% of opex)	Met?
Spending on all content	€25.3m (69%)	€26.51m (68.5%)	Yes
Commissioned content (ex. staff costs)	€20.2m	€23.8m	Yes
Commissioned content (inc. staff costs)	€27.11m (73.8%)	€28.31m (73.2%)	Yes
Transmission costs	€1.63m (4.4%)	€1.598m (4.1%)	Substantially
Staff costs ⁷⁴	€5.58m (14.8%)	€5.372m (13.9%)	Substantially
Overheads	€2.34m (6.3%)	€2.347m (6%)	Substantially
Spending on Irish language content	€25.39m (75.1%)	€25.83m (76.4%)	Yes

Source: TG4 Review of 2018 Performance.

4.52 In 2018, TG4 also fulfilled the conditions of only using public funding for public service objects and complying with State Aid Rules for PSBs. As noted in other sections of this review, these conditions are requirements and are not usefully considered as targets, given they are obligations rather than optional. However, we concede it is helpful to keep in mind each year.

4.53 Value-for-money is measured through programme spend, per-hour costs, the level of investment in the independent production sector and the economic impact of TG4. Taking each individually, we see that TG4 performed well in 2018, spending €26.51m on all content, of which €24.028m was spent on Irish language produced/versioned programming.

⁷⁴ Staff costs are net of capitalised costs, as per TG4’s Review of 2018 Performance.

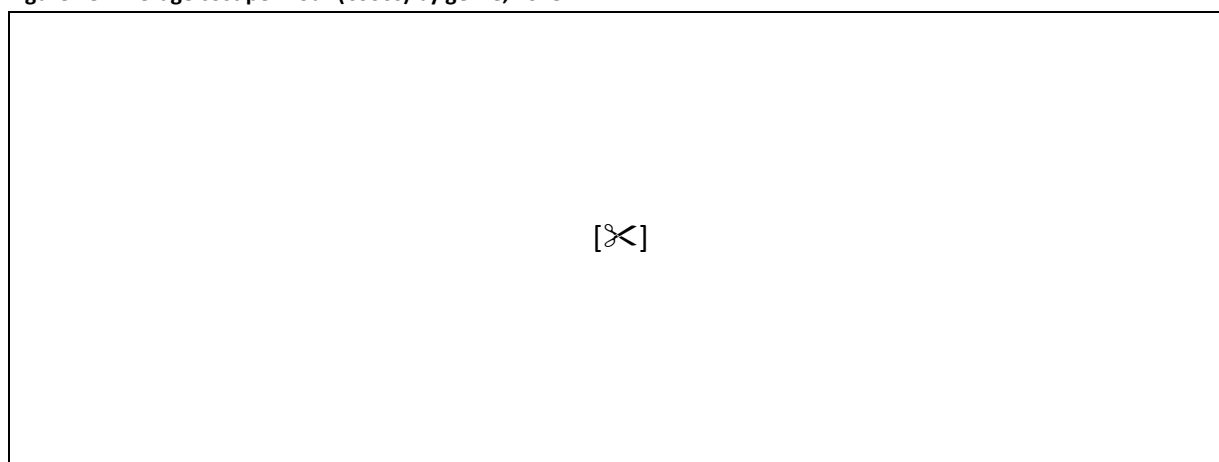
Figure 27: TG4's target and actual spend (in €000s) by genre, 2018

Genre	Target spend (€000s)		Actual spend (€000s)	
	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]
Total	22,342	1,750	24,028	1,587

Source: TG4 Review of 2018 Performance.

4.54 The cost per broadcast hour for all broadcast hours was €5,250 in 2018, exactly on target and up from €5,000 in 2017. The cost per broadcast hour for commissioned programming remained flat at €10,000, against a target of €11,000 for 2018. The cost per viewer hour rose from [X] in 2017 to [X] in 2018, against a target of [X].

Figure 28: Average cost per hour (€000s) by genre, 2018



Source: TG4 Review of 2018 Performance.

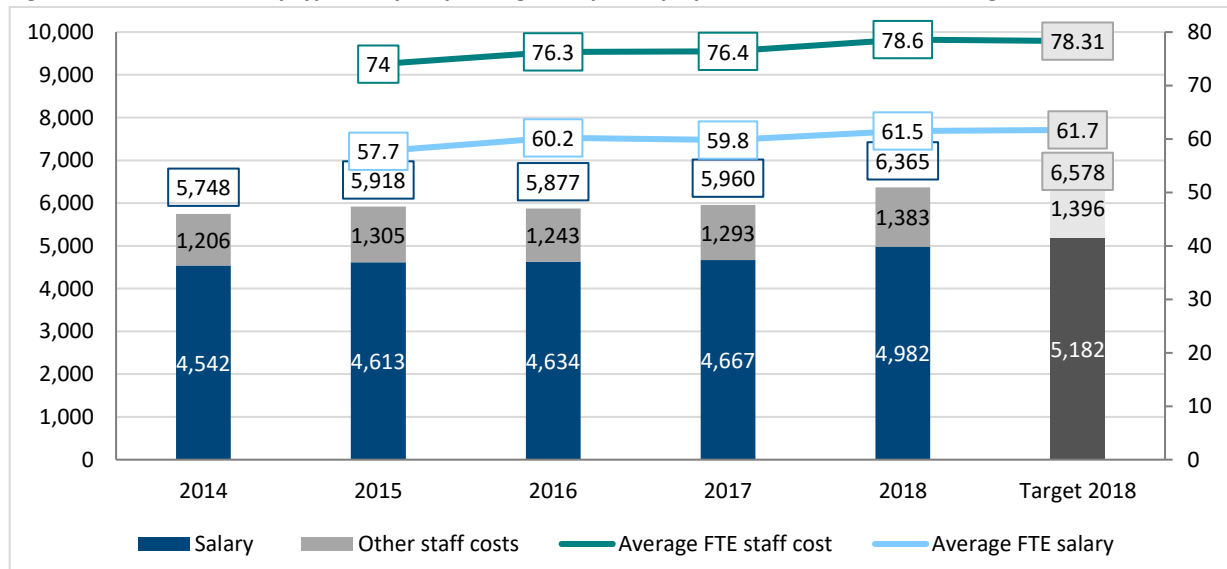
4.55 The final segment of value-for-money is an assessment of TG4's economic impact. TG4's total (direct, indirect and induced) contribution to national earnings was €62.2m in 2018, with an employment impact of 786 jobs. For every €1 of investment from TG4 in Irish creative industries, €2's worth was added to the economy.

4.56 Efficiency is assessed through the allocation of expenditure in three segments: programming, staff costs and overheads, and through the completion of efficiency initiatives. We have already seen how TG4

spent 76.4% of public funding on Irish language content (€25.83m) and spent €28.31m on all programmes and content (including staff costs) – equivalent to 73.2% of operating expenditure. Thus TG4’s targets for programming expenditure have been met. Further, overheads of €2.347m (6% opex) was also on target.

- 4.57 Staff targets compose staffing levels as well as the costs. In 2018, TG4 set targets for 70 full-time permanent, 4 part-time permanent and 10 temporary staff for a total of 84.⁷⁵ In reality, TG4 had 72 full-time permanent, 3 part-time permanent and 6 temporary staff for a total of 81.⁷⁶
- 4.58 This had an impact on staffing costs (set out in the table below). In 2018, target salary costs, target total staff costs, and average full-time equivalent (FTE) salary were not met, although all targets were within 5%.

Figure 29: TG4 staff costs by type, and yearly average cost per employee, 2014 - 2018 and 2018 target



Source: TG4 Review of 2018 Performance.

- 4.59 TG4 fully achieved the efficiency initiatives set out in its 2018 ASPC document. These included continued restructuring of the organisation; evolving production roles to enable creation of more non-linear and social media content; developing new content distribution systems; upgrading iOS apps and developing data analytics.⁷⁷
- 4.60 Overall, TG4’s thirteenth commitment to “ensure we make the best use of our public funding and deliver efficiency and value for money” was achieved during the year.
- 4.61 The two other commitments under the *Transparency and Efficiency* heading are more straightforward. TG4 was very successful at growing its advertising and sponsorship income in 2018 which rose to €2.77m, a 6% growth from the previous year, attributable to more direct sales during the year. “Other commercial”⁷⁸ however, did not grow as forecast, and actually fell over 9% from 2017’s €1.46m to

⁷⁵ We have used FTE figures here. In headcount terms, these are: 70 full-time permanent, 5 part-time permanent and 10 temporary staff.

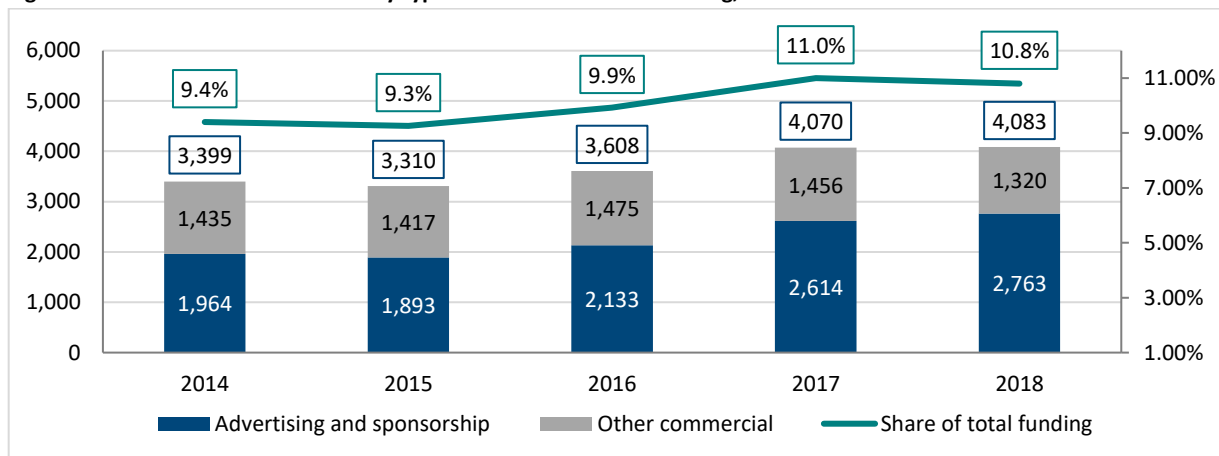
⁷⁶ In headcount terms: 72 full-time permanent, 5 part-time permanent and 12 temporary staff.

⁷⁷ We look at TG4’s efficiency more broadly against the performance of other PSBs in Europe, in our comparative benchmarking; see Section 7: Efficiency, Adequacy and Sustainability of Public Funding.

⁷⁸ Other commercial comprises facilities charge outs and other sundry income.

€1.32m. Because of this, the target was not achieved. Overall, the strength of the advertising and sponsorship income was enough to mitigate the loss in other commercial and the final target – total commercial income – was met, with actual performance at €4.09m against a targeted €3.933m.

Figure 30: TG4's commercial income by type and % share of total funding, 2014-2018



Source: TG4 annual reports.

4.62 In the course of 2018, TG4 continued its reorganisation of the company structure and staff processes. All targets were sufficiently met and the following were achieved:

- Public Relations and Marketing were combined under one function head;
- Production roles have been expanded to include non-linear platforms;
- Annual staff appraisals are now in place, with goals and targets set by staff;
- Ongoing engagement with staff on content policy; and
- A forum was established for managers to discuss new initiatives, improve processes and address concerns.

Trust and Good Governance

Commitment	Target
16. Ensure greater diversity and inclusiveness as part of our broadcast agenda and strategy	4 targets fully achieved
17. Ensure best practice governance and compliance with all Codes and regulations	41 targets fully achieved 8 targets ongoing

4.63 As part of its efforts to ensure greater diversity and inclusiveness in the broadcast agenda and strategy, TG4 focused on three qualitative targets and one quantitative metric within its ASPCs for 2018. Of the former, all three were met. These were:

- **The greater portrayal of women on screen and in lead roles:** accomplished through the Cine4 scheme, where all lead roles in the drama productions went to women;
- **A long-term collaboration with the Ladies Gaelic Football Association (LGFA):** TG4 continue to act as championship sponsors, broadcasting senior and intermediate matches while supporting youth engagement via an activity day at Croke Park and continued social media campaigns to improve women’s football’s prominence;
- **Nollaig na mBan concert in Belfast:** produced and broadcast on 6th January 2018.

- 4.64 The final target within this commitment was to maintain public perception (collected via the B&A Brand Tracker survey⁷⁹) that “TG4 represents diversity and alternative viewpoints” at 27%. In its Statement of Performance, TG4 change the survey to an internally commissioned Ipsos MRBI survey, where 58% of respondents agreed with the statement above. While this seems positive, these surveys cannot be substituted across the relevant years, as data from the B&A Brand Tracker survey for 2018 would suggest that only 23% of its respondents would answer the same way. This would mean that TG4 had not achieved this target.
- 4.65 Within the final commitment to “ensure best practice governance and compliance with all Codes and regulations”, there are 49 targets across eight segments: Board, other internal, DCCA, BAI, statutory requirements, audience needs and expectations, industry and environmental sustainability and compliance. For the most part, the targets that have been set within this commitment are “hygiene factors” rather than indicators of performance.
- 4.66 Nevertheless, we are confident that these targets were met sufficiently in 2018 but note that three targets are ongoing; with completion anticipated in 2019. These are: the implementation of a new audience appreciation measure; ongoing negotiations with industry stakeholders (in particular, Screen Producers Ireland and RTÉ); and TG4’s continued participation in “Screen Greening” – an environmental initiative to reduce waste and make the industry more sustainable.

Audience yield⁸⁰

Hours and spend

- 4.67 TG4 spent €23.8m on commissioned content in 2018, and an additional €1.6m on licensed content. RTÉ provided TG4 with content worth an additional [X] during the year, leading to an overall total of [X].
- 4.68 TG4 do not publish a breakdown of content expenditure by audience pole. However, for the purposes of our audience yield analysis, we have allocated funding to the poles as below. This forms the basis of our work in this section.

⁷⁹ A copy of the report is published on the BAI’s website: <http://www.bai.ie/en/download/134346/>.

⁸⁰ Because of the relatively small size of TG4’s commercial revenues, we have not analysed net yield (i.e., the yield after accounting for off-setting commercial revenues) for TG4. Equally, the categories of “Non-Linear” and “Other” have been excluded from analysis.

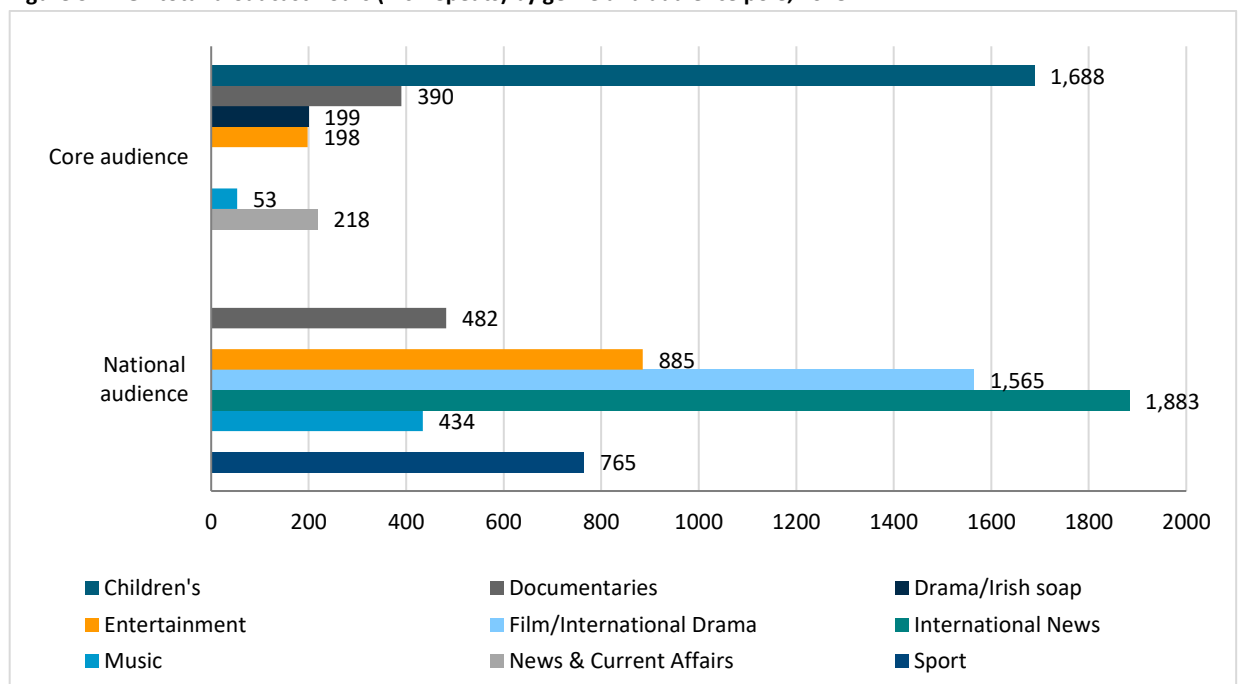
Figure 31: Content spend (€000s) by genre and audience pole, 2018

	Core Irish language audience			Wider National audience		Total spend
	Produced/ versioned	Licensed	RTÉ contribution	Produced/ versioned	Licensed	
Documentaries	[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] ⁸¹	[X]
New & Current Affairs	[X]	[X]	[X]	[X]	[X]	[X]
Total	[X]	[X]	[X]	[X]	[X]	[X]

Source: TG4 Review of 2018 Performance.

4.69 This spend produced 8,760 hours of broadcast content, split across the two audience poles: 2,746 hours of core audience programming (100% of which was produced/versioned) and 6,014 hours of national audience programming (of which 1,926 hours were produced/versioned, while the remained (4,088 hours) was licensed content).

Figure 32: TG4 total broadcast hours (inc. repeats) by genre and audience pole, 2018



Source: TG4 Review of 2018 Performance.

4.70 There is limited scope for comparisons with 2017, given 2018 marks the first full year of implementation of the twin-pole strategy. However, it is notable that total hours for the national audience pole have

⁸¹ [X]

increased 12.2% (from 5,632) in 2017, at the expense of broadcast hours for the core audience pole (down from 3,128 hours). This led to a slight dip in overall produced/versioned hours (4,844 to 4,672), as while all core audience hours are produced/versioned, the majority of national pole programming is licensed.

4.71 The reformation of TG4’s content priorities into the twin-pole strategy was intended to boost consumption among a wider national audience while retaining the loyal (but small) core audience. Data from Nielsen suggests the desired outcome did not materialise: TG4’s average all day share declined 6% to 1.76% and weekly reach fell three percentage points to 30%. However, an analysis of consumption per euro expended suggests TG4’s content is gaining efficiencies in delivering target audiences and viewer engagement cost effectively.

Consumption

4.72 Viewing data for TG4 is split between the core audience and the national audience. Core audience viewing is measured primarily through the Fios Fise survey, while national audience viewing is measured through TAM/Nielsen. While it is likely that data from TAM/Nielsen (i.e. that pertaining to the national audience) contains a degree of core audience viewing, this is likely to be a small component of the data. In order to reflect accurately the consumption patterns of the core audience, TG4 relies on Fios Fise survey data, which provides greater granularity on how this audience is behaving.

4.73 TG4 reached just under a third of Individuals 4+ weekly in 2018. Reach was relatively stable between the genders and social classes, however there were large demographic variations: weekly reach among children (4-14 year olds) was just 12.5% versus almost 54% for the over-55s. This mirrors to a significant degree the trends in viewing we see across the total TV landscape, where older demographics account for more viewing when compared with younger cohorts.

Figure 33: Weekly reach (TG4 and total TV) by demographic, 2018

	Indivs (4+)	4-14	15-34	35-54	55+	Male (4+)	Female (4+)	ABC1	C2DE
TG4	29.6%	12.5%	14.9%	31.3%	53.6%	31.0%	28.3%	27.3%	31.6%
Total TV	86.0%	80.8%	76.1%	90.2%	94.1%	84.6%	87.3%	85%	86.7%

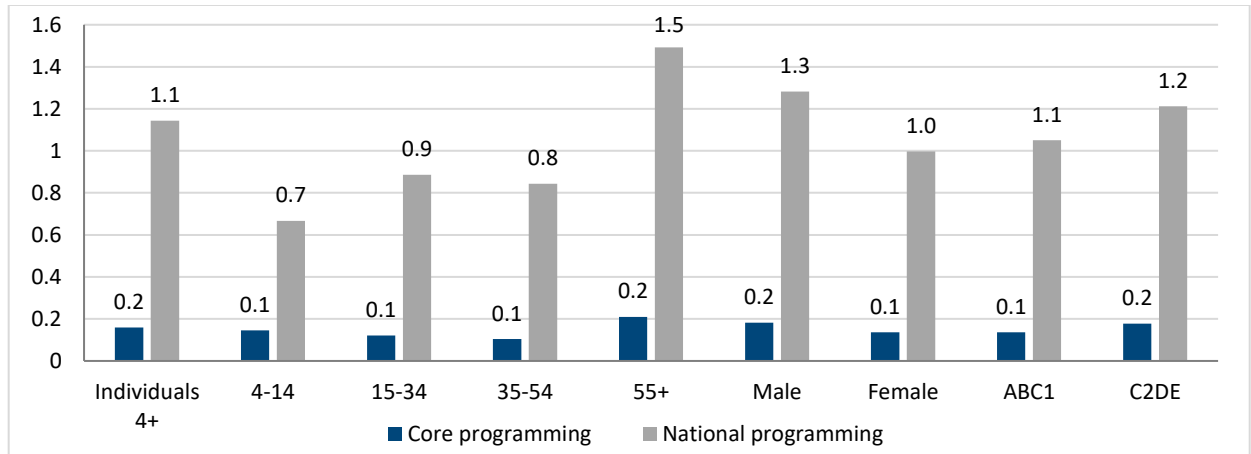
Source: TAM Ireland/Nielsen TAM.

4.74 According to Fios Fise data,⁸² reach among the core Irish language audience was 85% in 2018. By genre, reach among this audience pole was headed by News & Current Affairs (54% reach), Drama/Irish Soap (45% reach) and Music (28% reach).

4.75 Viewers averaged 1.3 hours of viewing per week, up 6 minutes from 2017’s 1.2 hours of viewing per week. This was not split evenly between core and national programmes; while the former delivered 0.2 hours of weekly viewing, the latter delivered 1.1 hours.

⁸² Fios Fise is an audience measurement panel to track reach and demand in Irish-speaking areas for TG4 and Raidió na Gaeltachta.

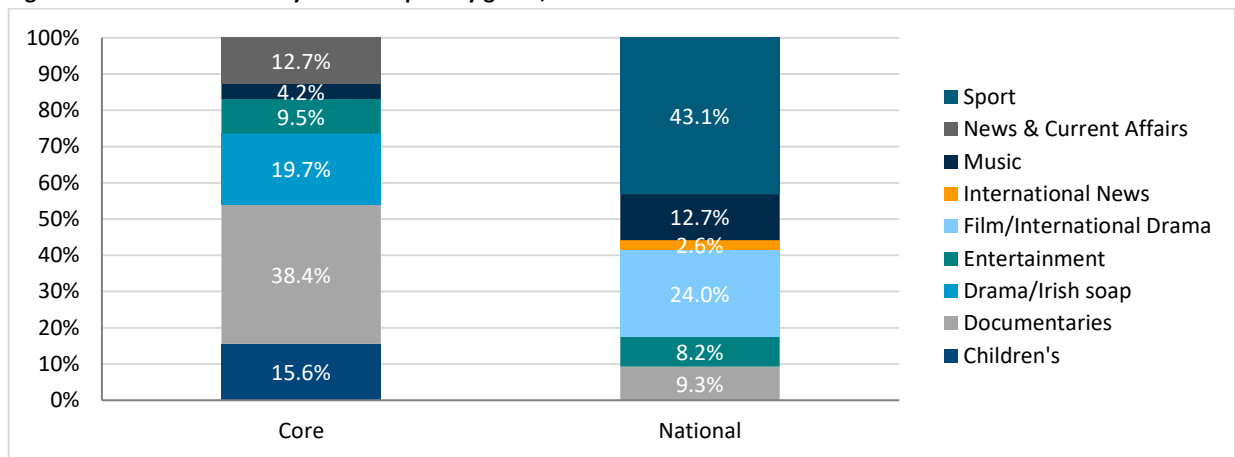
Figure 34: Average weekly hours per viewer by audience pole, 2018



Sources: TAM Ireland/Nielsen TAM, Mediatique.

- 4.76 Compared with 2017, TG4 saw its weekly reach decline slightly. Across all individuals it dropped 3 percentage points from 33%. However, because of the uplift in average weekly viewing, viewer hours – i.e. the total number of hours watched by all viewers on the channel – has remained roughly the same. For 2018, viewer hours for TG4 were 85.8m, split 10.5m for the core audience and 75.3m to the wider national audience.⁸³
- 4.77 A breakdown of total user hours by audience pole demonstrates the clear differences in viewing priorities. In particular, Documentaries and Drama/Irish soap dominate core audience viewing while Sport and Film/International Drama dominate national audience viewing.

Figure 35: Total user hours by audience pole by genre, 2018



Source: Mediatique.

- 4.78 Due to the twin-pole allocation of funding, not all genres are represented in each pole. Certain genres, for example Children’s, Drama/Irish soap, Film/International Drama, International News, News & Current Affairs and Sport, are allocated *in toto* to one pole or the other. Others, such as Documentaries, Entertainment and Music, are split across the poles. It is important to bear in mind that while the twin-pole strategy is useful in deciding how to allocate resources to target audience segments, in practice, audiences do not conform to the twin-pole strategy when they are consuming TG4 content. A viewer

⁸³ For 2017, overall viewer hours were 85m, split 15m for the core audience and 70m for the wider national audience.

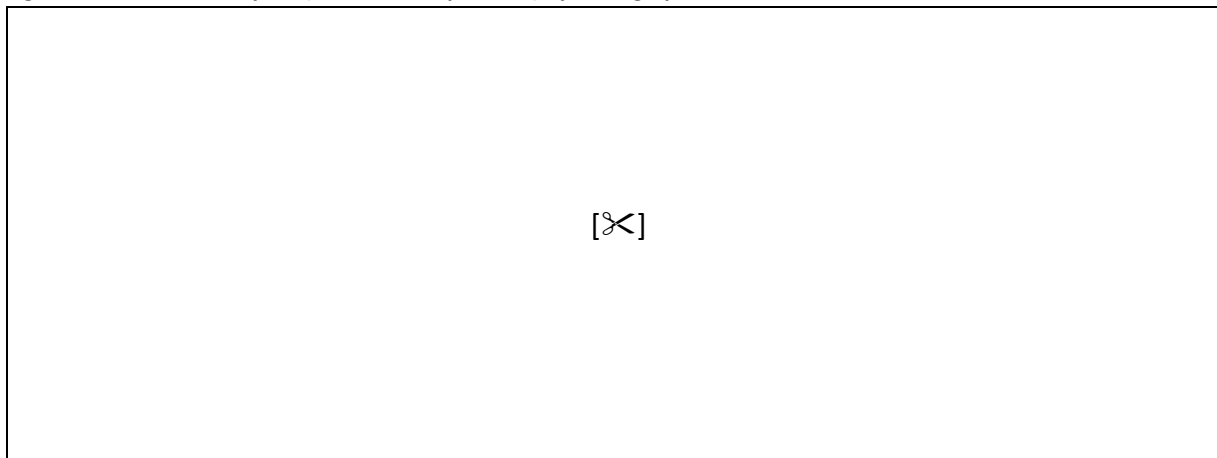
who would be characterised as a core audience member is likely to also watch Sport on the channel, even though TG4 attributes the entirety of Sport viewing to the national audience pole.

- 4.79 In order to overcome this issue, our audience yield analysis follows the same logic of TG4’s twin-pole strategy: we treat core audience and national audience data separately. For the core audience, we use viewing data from Fios Físe as a proxy; for the national audience, we use TAM/Nielsen viewing data as a proxy. While it is possible that there is a statistically significant proportion of core audience viewing within the TAM/Nielsen data, we have assumed this is not the case, and indeed the results below show the extent to which audience outcomes differ by using these different sources.

Yield analysis

- 4.80 Audience yield represents the amount of viewing delivered by a given level of spend by the broadcaster. It demonstrates the efficiency with which TG4 is serving various audiences. Total viewing (in user hours) divided by total spend gives us “user hours per euro”, i.e., the number of hours watched by audiences generated by a single euro’s worth of content expenditure.
- 4.81 The yield measure is useful both to track efficiency of programming expenditure in and of itself and to compare and contrast levels of costs effectiveness by genre and by audience. It is thus a tool to inform audience and investment strategies (although it cannot provide a sole answer to whether a particular mix of content investment optimises public value outcomes).
- 4.82 For every €1 spent on programming costs, TG4 delivered [X] hours of viewing per individual. By audience pole, the audience yield for core audience content was [X] user hours per euro, versus a national audience yield of [X] user hours per euro.

Figure 36: TG4 audience yield (in user hours per euro) by demographic, 2018



Source: Mediatique.

- 4.83 Across all genres, TG4 delivered more user hours for the over-55s, male audiences and C2DE audiences than their counterparts. The tables below demonstrate the user hours delivered across genres (and by audience pole) by a euro of spend.

Figure 37: Audience yield (in user hours per euro) by genre and demographic for core audience pole (including RTÉ contribution), 2018

Core audience	Indivs (4+)	4-14	15-34	35-54	55+	Male (4+)	Female (4+)	ABC1	C2DE
Children’s	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Documentaries	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Drama/Irish soap	[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]
News & Current Affairs	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: Mediatique.

4.84 Compared with the core audience pole, the audience yields for the wider national audience pole are much larger; [X].

Figure 38: Audience yield (in user hours per euro) by genre and demographic for national audience pole, 2018⁸⁴

National audience	Indivs (4+)	4-14	15-34	35-54	55+	Male (4+)	Female (4+)	ABC1	C2DE
Documentaries	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Entertainment	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Film/International Drama	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Music	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Sport	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: Mediatique.

4.85 On the face of it, Entertainment and Film/International Drama for the national audience pole appear the most efficient genres in converting spend into audience viewing. This is likely due to the low cost of licensing acquisitions in this genre. In 2018, TG4 spent [X] Film/International Drama content which produced 18m user hours. In contrast, TG4 spent a similar figure [X] Documentaries for the core audience pole which produced just 4m user hours.

4.86 Equally, Sport is not a particularly cost-efficient genre for national audiences (buying the least user hours among all individuals), possibly due to the high cost of sports rights.

4.87 It is clear from the data above that older audiences are well-served by TG4, as they are by TV in general, while younger audiences are more expensive to reach.

4.88 However, audience yield analysis does not suggest that TG4 should divert all funds to the most efficient genre(s). Audience yield analysis aims to assess whether, on the whole, the PSBs are adequately serving

⁸⁴ All RTÉ contributing costs are associated with programming for the core audience pole and so there is no change when excluding them.

all audiences, and whether their content spend is getting more efficient over time. Knowing the answer is useful to establish priorities and strategies over time, as one measure (among many) of public value and efficiency.

- 4.89 Every year, RTÉ is mandated to provide 365 hours of TV content to TG4. In 2018, RTÉ provided [X].
- 4.90 By stripping out the financial value of the contribution from RTÉ (thereby only using TG4’s own spend), we can reveal the audience yield for what TG4 itself spends. Doing so means the overall audience yield jumps from [X]. Comparatively, in 2017, excluding RTÉ’s contribution caused the yield to [X].

Figure 39: Audience yield (in user hours per euro) by genre and demographic for core audience pole (TG4 costs only), 2018⁸⁵

Core audience	Indivs (4+)	4-14	15-34	35-54	55+	Male (4+)	Female (4+)	ABC1	C2DE
Children’s	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Documentaries	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Drama/Irish soap	[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]

Source: Mediatique.

- 4.91 As mentioned above, while the twin-pole strategy is useful for determining expenditure and broadcast hours, it does not reflect the reality of audience viewing. For example, we know that Sport in particular appeals to those categorised as core audience, even though the totality of the spend is allocated to the national audience pole.
- 4.92 The data from TG4 shows the average audience for Sport among the core audience. By adding this audience back into the audience yield analysis for this genre, we can make the measurement more accurate so that it reflects the entirety of the audience.⁸⁶

⁸⁵ RTÉ’s contribution provides the sole source of funding for certain genres, [X]

⁸⁶ Sport was the only category where we conducted this analysis. Going forward, a similar exercise could be done with Music programming where total programme spend was likewise allocated to the national audience pole.

Figure 40: Audience yield (in user hours per euro) for Sport, 2018

	Indivs (4+)	4-14	15-34	35-54	55+	Male (4+)	Female (4+)	ABC1	C2DE
National	[<]	[<]	[<]	[<]	[<]	[<]	[<]	[<]	[<]
National + core	[<]	[<]	[<]	[<]	[<]	[<]	[<]	[<]	[<]
Implied core	[<]	[<]	[<]	[<]	[<]	[<]	[<]	[<]	[<]

Source: Mediatique.

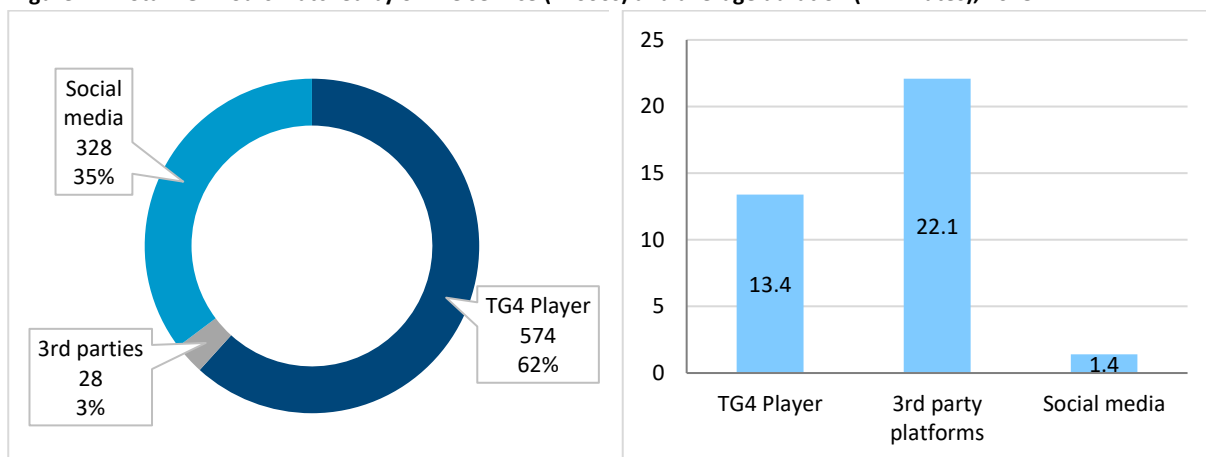
4.93 Among the core, Sport performed best among Males and the C2DE social grade, in each case adding 36 minutes of viewing per euro spent.

Online

4.94 Producing an audience yield metric for TG4’s online services is not possible owing to lack of applicable data. However, we have provided below an analysis of online consumption in 2018.

4.95 Overall, TG4’s online services performed well in 2018, meeting nearly all its targets under Commitments 1 and 2. In particular, the website saw 24.6m page impressions from over 2m unique visitors. TG4 Player logged 2.6m video views in the year and short-form video views on social media reached 14.5m. Cumulatively, TG4 Player, video on social media, and TG4 content on third-party platforms were watched for a total of 930,969 hours.

Figure 41: Total TG4 hours watched by online service (in 000s) and average duration (in minutes), 2018



Source: Mediatique.

4.96 Time spent with video content online was unsurprisingly dominated by TG4 Player, followed by social media. Time spent viewing via third-party platforms is currently a small percentage of total online hours watched. However, third-party platforms have a larger average session duration than the other categories; at 22.1 minutes, it is almost double that of TG4 Player (13 minutes). This was calculated by dividing total minutes viewed by total engagements/sessions. Whilst not perfect, it provides us with a broad understanding of how audiences interact with TG4 content across different environments.

4.97 In 2018, TG4 made catch-up content available on Virgin Media and Saorview Connect, while TG4 Live content is available on Sky, Virgin, Eir, Saorview and Vodafone. Further negotiations with Sky, Virgin Media and Eir will hopefully result in further integration on these platforms.

4.98 As TG4 acknowledges in its five-year strategy, non-linear engagement is crucial, particularly with younger audiences. In 2018, children accounted for over 445k video views on social media, equating to

10,077 hours of watched TG4 content. In addition, *Bloc* accounted for 354.8k video views, equating to an extra 8,030 hours.

Conclusions

4.99 Overall, TG4 performed well against all the targets it set for the year. Leaving aside the targets for TG4’s thirteenth commitment in the Transparency and Efficiency section, we analysed a total of 248 targets for TG4.⁸⁷ Of these, 173 were fully achieved, with an additional 3 almost achieved. Equally, 19 were ongoing at the end of 2018; data was unavailable for 10⁸⁸; and 43 targets were not met.

4.100 TG4 uses the thematic framework set out by the BAI, as below.

Themes	Performance commitments	Total targets	% fully achieved
Audiences: Impact and Reach	Maintain share with national television audiences and our strong position with Irish language audiences	14	36%
	Grow non-linear audience engagement by investing in digital content and social media	27	48%
	Develop our partnerships to broaden our multi-platform distribution and audience availability	7	57%
	Enhance our media brand and improve audience awareness and appreciation	9	78%
	Achieve the regulatory access sub-titling for 2017, enhancing accessibility for our audiences	12	92%
	Total	69	58%
Content: High Quality and Distinctive	Invest in strong factual, love music and cultural content and enhance our sports brand and content to maintain national audience share	34	76%
	Improve the broadcast schedule and programming for habitual Irish speakers	30	17%
	Engage in partnerships to further develop the content available to audiences and our creativity	8	88%
	Invest in content technology and systems to develop our services and distribution	11	64%
	Total	83	54%
Irish Language Promotion and Development	Grow our investment in the Irish language independent production sector	10	80%
	Expand our Irish language archive and its access to the public	9	100%
	Deliver a range of unique initiatives to support the Irish language and culture	14	86%

⁸⁷ Due to the sheer number and structure of targets – particularly strategic initiative targets – there are some that could be counted as a single target or many. For the most part, we have erred on the side of fewer, so there may be disparities here with other sources.

⁸⁸ For targets where data was unavailable, we have included these in the table below as missed targets, however, these could also be excluded from the data altogether.

		Total	33	88%
Transparency and Efficiency	Ensure we make the best use of our public funding and deliver efficiency and value-for-money		<i>See below</i>	
	Grow advertising, sponsorship and other commercial revenues		3	67%
	Embed the new organisation structure and continue to develop our culture, skills and talent		6	100%
	Total		9	89%
Trust and Good Governance	Ensure greater diversity and inclusiveness as part of our broadcast agenda and strategy		4	100%
	Ensure best practice governance and compliance with all Codes and regulations		49	84%
	Total		53	85%
	Grand Total		247	68%

Audiences: Impact and Reach

4.101 Overall, TG4 fully achieved 58% of the targets across its two audience-related performance commitments, while a further 10% (seven targets) were either almost achieved or ongoing. This was the only category where data was unavailable for 13 targets set out in the ASPC; however, we are satisfied that these were adequately addressed by the data provided for other targets.

4.102 In 2018, targets measuring core audience performance did well, although TG4 Player usage was down year-on-year in this category. For the national audience, both reach and share fell, although given market trends, this is not to be unexpected.

4.103 Indeed, TG4 recognises the role of non-linear performance in mitigating the under-performance of linear. To this end, it set seven non-linear targets which were almost fully met. This suggests its targets should be raised further in the future.

4.104 Equally, and following the recommendations set out in previous reviews, TG4 have included several targets aimed at bolstering children and young audiences. As above, performance among linear targets was mixed, although the qualitative strategic initiatives to develop youth-focused social media and non-linear platforms were all achieved.

Content: High Quality and Distinctive

4.105 The two main content performance commitments were split between the two audience poles, in line with the new twin-pole strategy. Performance was equally divided. The wider national audience pole achieved the vast majority of its targets (10 of 18 targets for broadcast hours were achieved or bettered (56% success rate) and all 16 programming development targets were fulfilled).

4.106 This came at the expense of core audience targets, where only 14% of targets for broadcast hours were achieved and only 3 of 16 programming development targets (19%) were met. It is vitally important that enhancing the provision for national audiences does not come at the expense of core Irish language audiences, as TG4 itself recognises. Meeting targets on both elements of the twin-pole strategy requires adequate funding, however (which has not been forthcoming in recent settlements).

4.107 While wooing national audiences is both cheaper (as more licensed and therefore cheaper content can be used) and has greater potential to increase commercial funding (through advertising, sponsorship, etc), the landscape for national audience viewing is a lot more competitive than for Irish language core

audience viewing. Going after national audiences should thus be seen as *additive* to TG4’s main public service remit (of providing high-quality Irish language content to Irish-speaking audiences), when budget and time allow, rather than substitutable.

4.108 Serving Irish speakers of all abilities is a fundamental part of TG4’s obligations; however, in a landscape where overall TV viewing is declining year-on-year and funding settlements have been below recommended levels, delivering content for core audiences should be seen as the priority. The twin-pole strategy (which is consistent with TG4’s mandate and objectives) requires adequate funding to be fully realised.

Irish Language Promotion and Development

4.109 The best performing category, Irish Language promotion and development fully achieved 88% of its targets for 2018. In particular, audience perception that TG4 supports and promotes the Irish language is very high (92%).

4.110 There was a good range of initiatives – from the community level to the level of government and from talent fostering to new approaches to commissioning and funding new Irish language content.

4.111 In all, these performance commitments were well-met by TG4 this year.

Transparency and Efficiency

4.112 TG4 performed well against its three performance commitments for transparency and efficiency in 2018. For the most part, this was due to better than expected growth in advertising and strong adherence to target spending for the year.

4.113 There is a question as to how best to interpret budgetary targets; in some categories overspend can provide a positive public service outcome (for example, in categories such as commissioned content spend), whereas overspend might be less desirable for other categories, (such as overheads). Further, there are benefits both ways for categories of operational spend such as staff costs. At the same time, TG4 is obliged to provide a balanced budget and overspending in one area necessarily means cutting costs in others.

4.114 Therefore, in order to adequately analyse the targets in this category (and in particular the commitment to “ensure we make the best use of public funding and deliver efficiency and value for money”), we have focused on looking at the data holistically – i.e., at the ‘health’ of TG4’s budget as a whole.

4.115 Overall, TG4 operated within its means for the year and, consequently hit most of its targets for efficiency and spending public money solely on public purposes.

4.116 It should also be noted that of the additional public funding it gained in the year – €1.985m – it spent the majority (83%) on additional programming across the national and core audience poles. While in future, we would suggest re-assessing the split of funding for each pole,⁸⁹ this commitment to spending additional funding directly on content is commendable.

Trust and Good Governance

4.117 Of the many targets (49) falling under the commitment to “ensure best-practice governance and compliance with all Codes and regulations” within the Trust and Good Governance section, it is clear that many of the targets listed are actually requirements, not electives. While it can be prudent to keep

⁸⁹ See paras 4.106-4.109.

track of fulfilling statutory duties, compliance reporting and Board expectations, it is open to debate how useful it is for these obligations to be treated as performance commitments.

4.118 Having said that, we are happy to see ambitious and quantifiable targets for diversity and inclusion, particularly given the BAI's focus on promoting diversity and plurality.⁹⁰ Going forward, TG4 may wish to consider diversity and inclusiveness targets off-screen as well as on-screen.

Audience yield

4.119 Audience yield is a tool applied retrospectively that, while useful for ranking performance across genres/audiences/services and informing future allocations, cannot be relied upon accurately to predict future yield. Our comments here should therefore not be seen as recommendations for future content strategies.

4.120 Across TG4, older audiences, male audiences and C2DE audiences were served slightly better than their counterparts. Especially with regard to age, this is likely due to the overall make up of TV viewing more generally, where older audiences tend to watch more TV.

4.121 In terms of genres, the top three best-performing for the core audience were Documentaries, Music and Children's, whereas for the national audience, the top three were Entertainment, Film/International Drama and Documentaries. These trends held across demographic categories with a few exceptions; among the wider national audience, Sport was best-performing genre among 15-34 year olds, and for 4-14s and 15-34s of the core audience, Children's content was best-performing and second-best-performing respectively.

4.122 Shifting spend to these two genres in future is in keeping with TG4's five-year strategy. Having said that, increasing spend – if not accompanied by a proportionate or out-performing increase in audience viewing – is likely to mean audience yield decreases for the year the budget has been raised. This is worth bearing in mind when assessing audience yield year-on-year.

4.123 Against 2017, we see that national programming delivered slightly better yield, with [X]. However, core audience yield [X], meaning overall TG4's total audience yield across its content portfolio [X].

- This is only concerning as it pertains to under-served audiences (i.e., 4-14 year olds and 15-34 year olds); in both the core and national audiences, yield decreased or was flat (it increased for the over-55s in the national pole). However, the decline in yield for 4-14s (flat in national and small decrease to 0.04) came in a year where the Children's content was [X].⁹¹ This would suggest commercial efficiency has actually solidified in this genre.
- Thus, while overall yield is lower, this may be hiding implicit efficiencies gained from TG4's new twin-pole strategy. As well, yield as a concept does not provide any clarification of hard-to-quantify aspects of PSB attributes such as value and impact.

4.124 We return to issues of relative cost efficiency in our separate section on benchmarking of key expenditure categories across RTÉ and TG4 (see Section 7). Similarly, the adequacy of TG4's 2018 ASPC and recommendations for the future are set out in later sections of this report.

⁹⁰ BAI, *Strategy Statement 2017-2019*.

⁹¹ In both cases, these include the RTÉ contribution [X].

5. Review of RTÉ's Annual Statement of Performance Commitments 2018

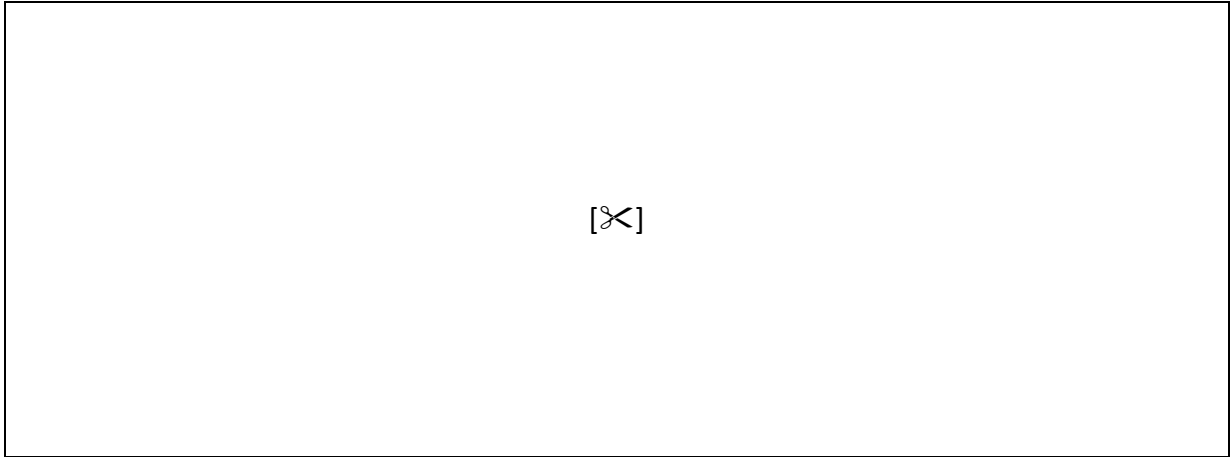
Performance against 2018 Commitments

- 5.1 RTÉ is the leading TV broadcaster in Ireland, with four primary national channels (RTÉ One, RTÉ2, RTÉ News Now and RTÉjr). It 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 two online brands: RTÉ Player (for video) and RTÉ Radio Player (for audio). 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 Following feedback from previous reviews, RTÉ has significantly reduced both the number of commitments in 2018 and the number of related targets. RTÉ prepared its 2018 ASPC in alignment with its 2018-2022 Statement of Strategy: *Renewing RTÉ for the next generation*.
- 5.3 Going into the 2018 – 2022 period, RTÉ finds itself in a difficult situation. Shifts in media consumption, arising from the interplay of technology and consumer preferences, have destabilised RTÉ's relatively protected position in the Irish media landscape. It faces intense challenges both upstream (content sourcing and cost inflation) and downstream (increased competition from domestic and international players) in a market where its core commercial funding stream, advertising, has yet to return to pre-recessionary levels (in part due to declining linear audiences and other structural changes but more recently affected by political uncertainties arising from lack of resolution in the Brexit debate). RTÉ's commercial income was €100m less in 2018 compared to 2008.
- 5.4 Meanwhile, no additional public funding has been forthcoming to mitigate the losses from the declines in commercial revenue. As stated in the 2018 Annual Report: "The dual funding system, which has underpinned RTÉ's remit and helped sustain the broader creative audio-visual sector in Ireland over many years, is now under impossible strain. This is unsustainable."⁹²
- 5.5 It is within the context of these difficulties that the five-year plan was created. It attempts to address the immediate unsustainability of the broadcaster going forward with a radical restructuring, known as the 'one RTÉ' model, aimed at de-duplicating areas of overlap and generally streamlining the organisation, in order to deliver cost savings and operational synergies. A Voluntary Exit Programme (VEP) was set up to facilitate the transition.
- 5.6 2018 represents the first year of transition to this structure, and thus all reporting has been completed against this new model. The restructuring, coupled with other cost reductions made possible through VEP scheme, are forecast to save RTÉ up to [€<] annually from 2019-2022.⁹³ In any scenario, however, the five-year strategy involves additional costs. RTÉ assumed growth in commercial revenue. This was relatively modest, in line with market trends.

⁹² RTÉ, *Annual Report*, p. 20.

⁹³ RTÉ, *Statement of Strategy 2018-2022*, p. 118.

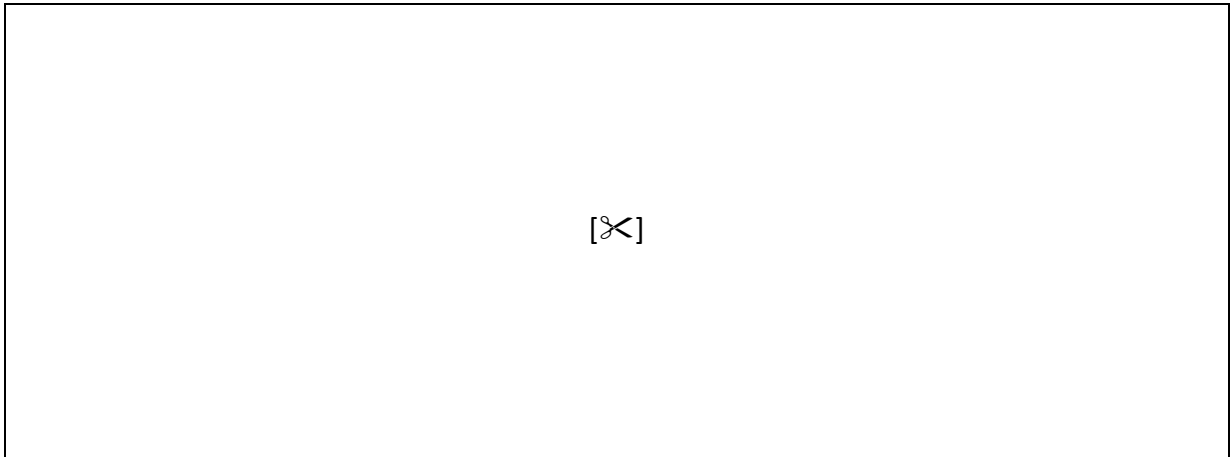
Figure 42: RTÉ forecast commercial income (in €m), 2017-2022



Source: RTÉ Statement of Strategy 2018-2022.

5.7 RTÉ also required growth in public funding: in particular, the full reversal of the cuts made under the National Recovery Plan 2011-2014, and licence fee reformation (including an upwards adjustment to account for inflation). This would lead to total public funding reaching [X] by the end of the strategy period (2022), compared to €179m in 2016 and €186m in 2017.

Figure 43: Additional forecast income by type, and total public funding (line) (in €m), 2018-2022



Source: RTÉ Statement of Strategy 2018-2022.

5.8 However, a small reversal of austerity-era cuts (including in the number of ‘free’ licences covered by Government) has made very little difference to date, with public funding ahead by €9.4m since the era of stalled public funding, and with licence fee reform now unlikely to be implemented before the mid-2020s.⁹⁴

5.9 It is within this context that RTÉ’s 2018 ASPCs were created. Given the effective stagnation in funding, commitments were set in line with 2017 performance, with RTÉ arguing any out-performance above the previous year would not be feasible on the actual budget. In the event, having set its budget on the basis of expected funding increases (commercial and public) and even with the delivery of cost savings as outlined, RTÉ delivered an operating deficit of €13m in 2018.

5.10 The six performance commitments are grouped under three headings, as follows:

⁹⁴ The €9.4m in increased public funding compares to the BAI’s call in 2018 for a minimum of €30m a year in additional public funds.

- **Audience – 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
- **Content – Captivate audiences through a more varied mix of quality content 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 public service media through a sustainable RTÉ**
 - Protect the future of PSM through a sustainable RTÉ

5.11 Because RTÉ’s ASPCs have been significantly slimmed down for 2018, we can go through each one individually, before considering the overall performance of each commitment. Likewise, the majority of RTÉ’s targets are quantitative, meaning the interpretation of whether a target is successful or not is straightforward. It should be noted that where performance for 2018 came within 5% of reaching its target, these have been categorised (following RTÉ’s interpretation) as “largely achieved”.

5.12 Across the 34 targets, RTÉ fully achieved 22 and largely achieved 7 more, meaning a remainder of 5 targets were not achieved in 2018. These are discussed below.

Audience

Commitment	Target		Result
1: Put the audience at the centre of decision-making ⁹⁵	Maintain public perception that RTÉ is <i>relevant to people in Ireland today</i>	≥80%	79% <i>Largely achieved</i>
	Maintain public perception that RTÉ has <i>high quality content and services</i>	≥75%	73% <i>Largely 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%	≥90%	95% <i>Fully achieved</i>
	% weekly reach of RTÉ among 18 – 34 year olds	≥90%	92% <i>Fully achieved</i>
	% weekly reach of RTÉ among 35 – 54 year olds	≥90%	94% <i>Fully achieved</i>
	% weekly reach of RTÉ among 55+ year olds	≥90%	97% <i>Fully achieved</i>
	Maintain RTÉ television share (Adults 15+, All Day)	26%	26.2% <i>Fully achieved</i>
	Maintain RTÉ radio share (Adults 15+, All Day)	≥30%	30% <i>Fully achieved</i>
	Grow RTÉ’s average weekly reach via mobile and online	≥52%	52% <i>Fully achieved</i>

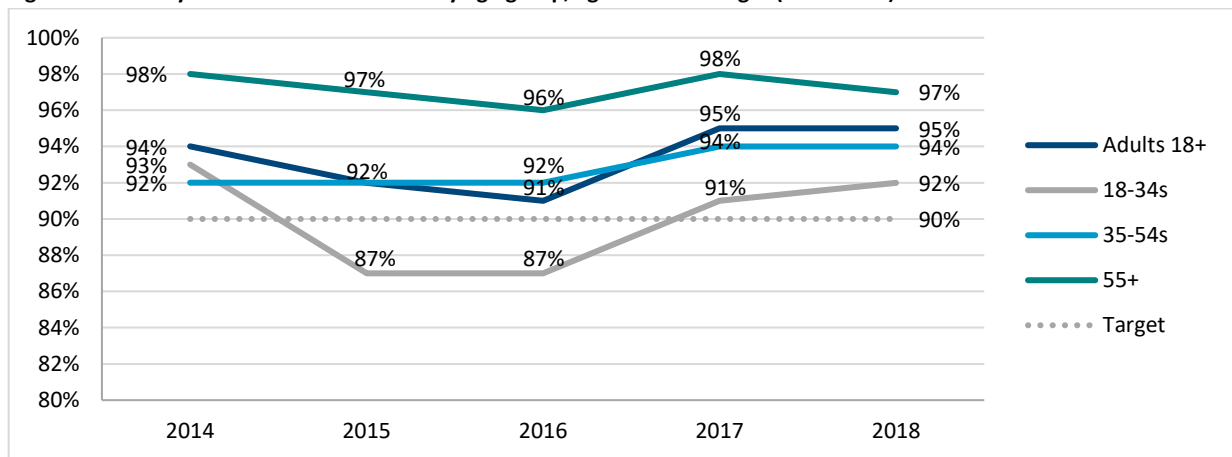
⁹⁵ All public perception targets are sourced from RTÉ’s “Brand Tracker” which since 2017 has been provided by Red C Research and Marketing. Amendments to the methodology (in particular, the switch from telephone surveys to face-to-face interviews) in 2017 mean some figures are not directly comparable year-on-year.

Grow RTÉ’s average monthly streams via mobile and online	≥8m	9m <i>Fully achieved</i>
Maintain public perception that RTÉ programmes and services are easily accessible on a range of devices	≥70%	76% <i>Fully achieved</i>

5.13 RTÉ set 11 targets across its two Audience commitments and fully achieved all bar two of them. The two missed targets – “maintaining public perception that RTÉ is relevant to people in Ireland today” and “maintaining public perception that RTÉ has high quality content and services” – were, however, largely achieved and each came within 5% of the target.

5.14 Within the Audience segment, four of the 11 targets concern weekly reach for all RTÉ services among different age cohorts. These targets were well-achieved, with weekly reach among 55+ year olds particularly high at 97%. Whilst these targets have almost consistently been met for the past five years, they are still useful for highlighting performance across demographics, and to provide RTÉ with a more nuanced understanding of which audiences are being over- and under-served. Mediatique see no reason to alter these targets upwards in future ASPCs, given that 90% weekly reach is already very high.

Figure 44: Weekly reach of all RTÉ services by age group, against ASPC target (2014-2018)



Source: RTÉ Statement of Strategy 2018-2022.

5.15 The remaining five targets (maintaining TV and radio audience share, growing monthly online usage, maintaining perception that RTÉ is easily accessible) fit well with RTÉ’s overall strategy for 2018 and beyond; protecting linear audiences while innovating to grow audiences online. In particular, it is notable that RTÉ’s average monthly streams grew (to 9m from 7.5m in 2017), as they had fallen from 2016 (7.8m) the year before.

5.16 It is, however, worth noting that the ≥70% target for “maintain public perception that RTÉ programmes and services are easily accessible on a range of devices” has been revised down dramatically since 2017 where the target was ≥80%. Performance in the year had come in lower – at 72% of those surveyed – however, it does not necessarily follow that the performance commitment for the next year, i.e., 2018, should be set at under the actual performance.

5.17 During 2018, RTÉ put into motion several strategies related to protecting linear audiences and growing online engagement. This included a plan to extend the hours of RTÉ One +1 and to launch RTÉ2 +1, the scoping and creation of the Digital Lab (to create high-quality short-form content across RTÉ’s online services) and the relaunch of RTÉ Player. While the effects of some of these initiatives could not be fully realised within the year (the RTÉ Player, for example, was relaunched only in December 2018), it means

RTÉ is on track to fulfil the objectives set out in the 2018 – 2022 Strategy Statement to “re-imagine RTÉ as a digital-first public service media organisation fit for the 21st century.”⁹⁶

- 5.18 Of the two commitments under the audience heading, “be where the audience is” performed better; not missing a single target. The targets do well at demonstrating the accessibility of RTÉ’s services across a range of media, including TV, radio and online.
- 5.19 Equally, the commitment to “put the audience at the heart of decision-making” was very close to being fully achieved, with both targets coming within 5% of the pass-mark. Public perception can be volatile and the extent to which it is within RTÉ’s control to influence is perhaps lessened. Nevertheless, the two targets remain adequate indicators of RTÉ’s annual performance.

Content

Commitment	Target		Result
3: Provide trusted, challenging and engaging content	Maintain public perception that RTÉ <i>provides trusted News and Current Affairs content</i>	≥80%	82% <i>Fully achieved</i>
	Maintain public perception that RTÉ <i>generates national debate/political discourse*</i>	Qualitative	Achieved <i>See below</i>
	Maintain public perception that RTÉ <i>keeps me well informed*</i>	≥80%	78% <i>Largely achieved</i>
4: Champion Irish culture	Maintain public perception that RTÉ <i>is an important part of Irish life</i>	≥80%	80% <i>Fully achieved</i>
	Maintain public perception that RTÉ <i>enables me to connect with national events</i>	≥80%	81% <i>Fully achieved</i>
	Maintain public perception that RTÉ <i>devotes the right amount of time to children’s programmes</i>	≥50%	51% <i>Fully achieved</i>
	Maintain RTÉjr weekly reach among 4 – 7 year olds	≥14%	13.2% <i>Not achieved</i>
	Maintain public perception that RTÉ <i>provides a comprehensive service for Irish speakers</i>	≥55%	65% <i>Fully achieved</i>
	Maintain RTÉ RnaG weekly reach among adults (15+)	≥3%	2.3% <i>Not achieved</i>
5: Celebrate diversity and cultivate Irish talent	Grow public perception that RTÉ <i>reflects current Irish society*</i>	≥80%	76% <i>Largely achieved</i>
	Grow public perception that RTÉ <i>has a range of new faces and voices on air*</i>	≥62%	58% <i>Not achieved</i>
	Maintain high proportion of RTÉ Radio’s FM output as first-run indigenous	≥80%	91% <i>Fully achieved</i>

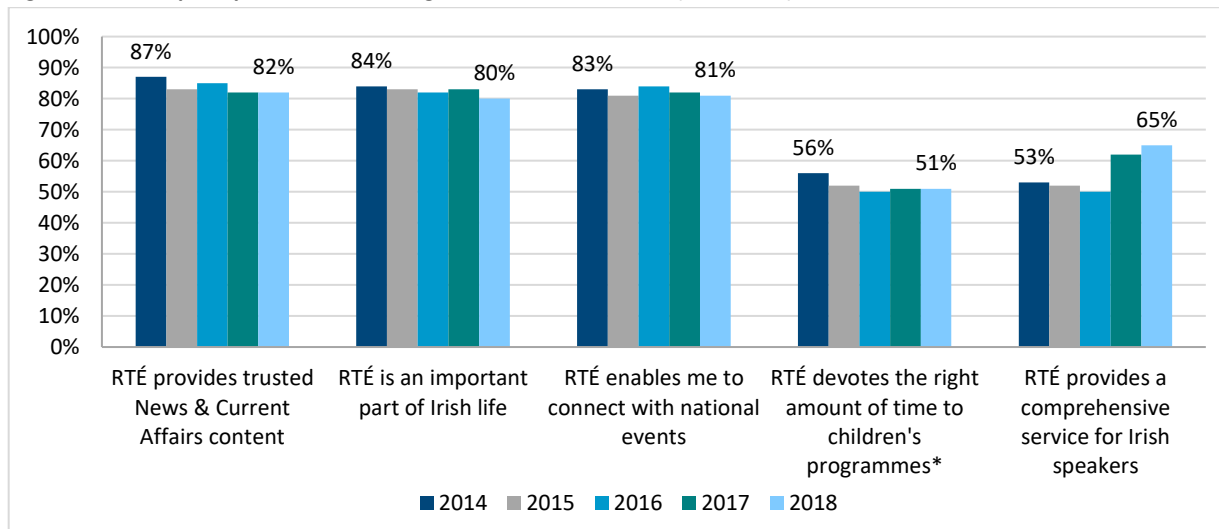
⁹⁶ RTÉ, *Statement of Strategy 2018-2022*, Chair’s Note, p. 6.

Maintain high proportion of indigenous hours as a % of total peak-time hours on RTÉ One	≥75%	76% <i>Fully achieved</i>
Meet statutory requirements, fulfilling obligations under s116 of the Broadcasting Act 2009, and increase spend subject to public funding increases	€39.7m	€39.7m <i>Fully achieved</i>
Grow public perception that <i>RTÉ One is good for Irish drama*</i>	≥70%	68% <i>Largely achieved</i>
Maintain public satisfaction with the <i>quality of culture and arts on RTÉ*</i>	≥66%	67% <i>Fully achieved</i>
Maintain public perception that <i>RTÉ provides a broad range of orchestral music*</i>	≥56%	57% <i>Fully achieved</i>

5.20 RTÉ created three commitments under the Content heading for 2018, with 17 targets across them. Performance across the segment was reasonably good, with 11 targets fully achieved, three largely achieved and three not achieved.

5.21 12 targets under the content heading related to public perception of RTÉ performance. These measurements are collated and monitored by RTÉ in its yearly Brand Tracker. Of these, we can follow the year-on-year trajectory for five (see below).⁹⁷

Figure 45: Public perception with following statements, 2014-2018 (RTÉ ASPCs)



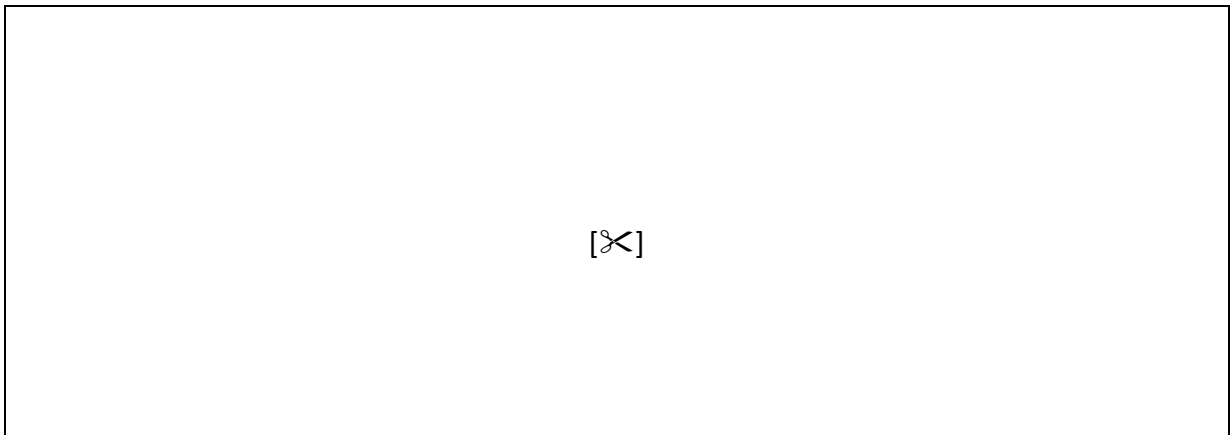
Source: RTÉ Statement of Strategy 2018-2022. * For previous editions, wording was “RTÉ offers a broad range of content and services for children”.

5.22 This demonstrates the relative stability in public perception over the time period, *albeit* with small declines in each category except “RTÉ provides a comprehensive service for Irish speakers” which has increased dramatically from 53% in 2014 to 65% in 2018 (against a target of 55%). RTÉ achieved all of these targets.

⁹⁷ The remainder are either new additions to the Brand Tracker or not comparable to previous editions. For example, previous versions of ASPCs split out these targets on a per channel basis, rather than a collective RTÉ-wide target.

- 5.23 However, as part of the shake-up of its ASPC strategy – and in line with *Strategy 2018-2022: Renewing RTÉ for the next generation* – RTÉ has included seven new targets related to public perception. These are marked with an asterisk in the table above. These targets were less successfully achieved, with only three being fully met. However, one of those missed targets “RTÉ generates national debate/political discourse” was not measured through audience surveys but rather qualitatively through RTÉ’s own judgement. In its report, it provides little evidence to demonstrate *how* the target had been met, other than to say that it was. In future, inclusion in the Brand Tracker is recommended.
- 5.24 A further performance commitment was to “maintain [a] high proportion of RTÉ Radio’s FM output as first-run indigenous”, with an 80% target. This was [X] of RTÉ Radio’s FM content in 2018 being first-run indigenous.
- 5.25 Equally, RTÉ did maintain a high proportion of indigenous hours across total peak-time hours on RTÉ One; [X] against a target of 75%. As is to be expected, there were large variations between genres (see below).⁹⁸ In particular, News & Current Affairs/Weather is wholly indigenous, whereas genres such as Drama and Young People’s are made up of a much higher proportion of acquisitions.

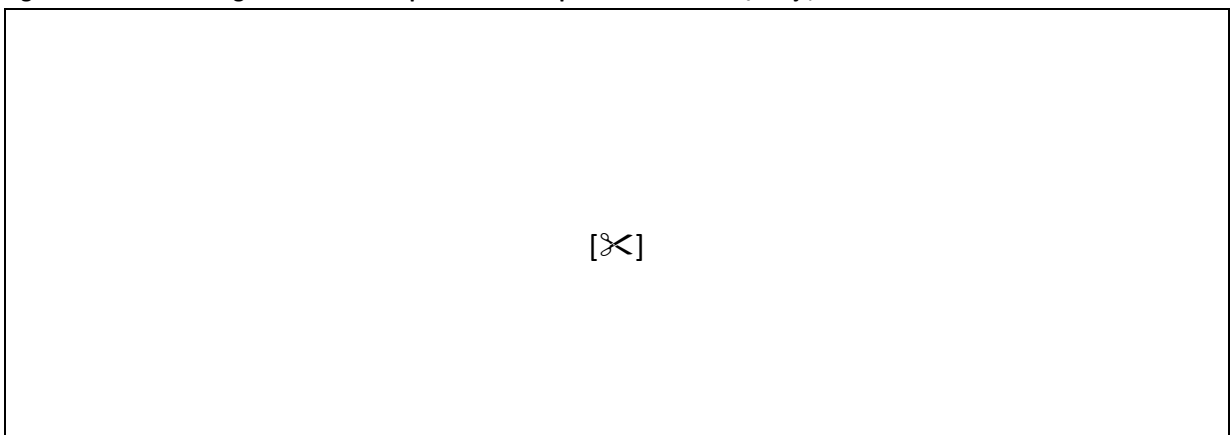
Figure 46: Share of indigenous versus acquired hours in peak-time on RTÉ One, 2018



Source: RTÉ.

- 5.26 A similar exercise for RTÉ2/RTÉjr demonstrates a lower level of indigenous hours in peak-time: just under [X], although again there were large variations between genres.

Figure 47: Share of indigenous versus acquired hours in peak-time on RTÉ2/RTÉjr, 2018

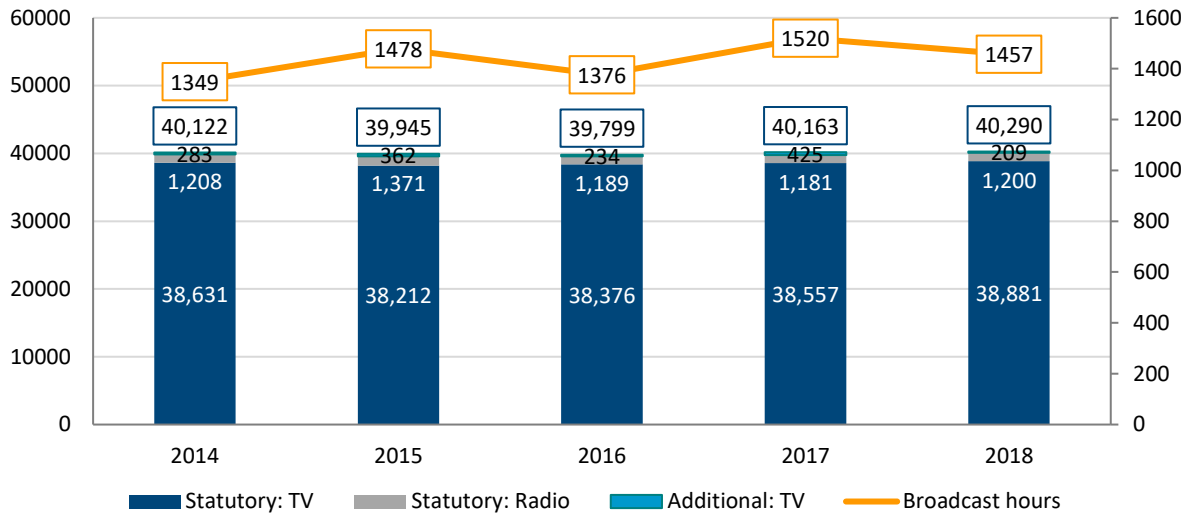


Source: RTÉ.

⁹⁸ RTÉ counts acquisitions from inside Ireland as “indigenous” programming.

5.27 In 2018, RTÉ met the statutory requirements set out in Section 116 of the Broadcasting Act 2009, spending €40.29m on independent production commissions against a target of €39.7m. Despite pressures in the content market, the number of broadcast hours commissioned each year has risen slightly year-on-year (2% CAGR), even as total spend has stayed essentially flat (0.1% CAGR).

Figure 48: RTÉ spend on independent production commissions (statutory and additional⁹⁹), 2014-2018



Source: RTÉ annual reports.

- 5.28 RTÉ also tracks the weekly reach of two of its services that are under threat for various structural and systemic reasons. These are RTÉjr and Raidió na Gaeltachta.
- 5.29 RTÉjr weekly reach among the 4-7s dropped further from 14% in 2017 to 13.2% in 2018, meaning its target was not met. It has been clear for some time that younger audiences are shifting to new platforms, away from linear TV and that RTÉjr is likely to bear the consequences of this consumer shift sooner than other channels which are relatively protected through the much higher average age of its audience.
- 5.30 RTÉ commissioned research in 2018 to understand how better to reach children and young people and will implement any recommendations stemming from the research conclusions in 2019 and beyond. For example, RTÉ Player’s “Kids Mode” provides a safe, ad-free platform for kids to access non-linear RTÉ content across a range of media devices.
- 5.31 Raidió na Gaeltachta also failed to meet its weekly reach target, getting to 2.3% of 3%. RTÉ has suggested that changes to RnaG’s schedule may have caused the drop in audience reach. They have also argued that JNLR is not the most appropriate tool with which to measure RnaG’s performance, given high density of listenership in Gaeltacht areas and low levels of listening nationally. Going forward, data from Irish language panel Fios Físe will be able to provide more detailed audience metrics for the station, focusing on Gaeltacht areas, to provide data analysis on RnaG’s actual target audiences.
- 5.32 In 2018 RTÉ was investigated by An Coimisinéir Teanga over a perceived lack of Irish content on RTÉ services. Whilst this is outside the scope of this report, we note that the Commissioner’s report found

⁹⁹ There was no expenditure on additional radio commissions above the statutory requirements each year.

RTÉ to be in breach of its obligations only with regard to Irish made programming on linear broadcast television. Raidió na Gaeltachta and Irish language broadcast TV news were found not in breach.¹⁰⁰

5.33 Altogether, the three content-related commitments were a mix of fully achieved, almost achieved and not achieved. For the most part, however, performance was good and, of the three targets not met, two related to weekly reach on platforms (radio and TV) that experienced a pattern of decline in recent years.

Sustainability

Commitment	Target		Result
6: Protect the future of Public Service Media	Meet annual budget	[X]	(€13m) Not achieved
	Deliver RTÉ’s portfolio of services within budgeted operating costs	[X]	€339.8m Fully achieved
	Operate RTÉ’s commercial activities efficiently to maximise the net return of RTÉ’s public service activities	[X]	€150m Largely achieved
	Maintain public perception that RTÉ is good value for money	≥55%	52% Not achieved
	Maintain public perception that RTÉ is valuable to Irish society	≥85%	84% Largely achieved
	Maintain public perception that RTÉ is trustworthy	≥75%	75% Fully achieved

5.34 Of all RTÉ’s performance commitments, the category of sustainability performed the least well overall, with only two of six targets fully met. Half of the targets in this section are quantitative and half relate to public perception.

5.35 Taking the public perception targets first, only one – on trustworthiness – was fully met, at 75% of those surveyed. Another – on RTÉ being valuable to Irish society – was within 2% (or 1 percentage point) of being met at 84% of an 85% target. Finally, maintaining public perception that RTÉ is good value for money was not met, coming in at 52% of respondents. This is concerning given it is already much lower than the other public perception targets and has fallen year-on-year from 56% in 2017. We agree with RTÉ’s assessment that public perceptions “are informed by a complex set of causes and dynamics ... [and that] it is a difficult number to directly influence”; however, it will be important to address this further in future.

5.36 The quantitative targets for this section are inter-related and therefore have a knock-on effect upon one another. RTÉ uses three top-line figures from its annual budget as its targets for the year: operating costs, commercial income and net surplus/deficit.

5.37 RTÉ delivered its portfolio of services at a cost of €339.8m (before amortisation and depreciation), just inside the budget allocation of [X]. This was the only financial target RTÉ fully met for 2018.

¹⁰⁰ Further information on the Commissioner’s report can be found in the conclusion of this section, paras 5.109-5.117.

- 5.38 Although it was fully achieved, the cap on spending was not sufficient to make up for pressures in RTÉ’s commercial income year-on-year. In 2018, income from all of RTÉ’s commercial activities, including advertising, sponsorship, content/merchandising, transmission and facilities, came to €150m. Compared to 2017, this was down only slightly (from €151.5m). However, RTÉ had set a fairly ambitious target to grow commercial income in 2018 and thus actual performance did not meet the target ([<]).
- 5.39 Partially as a result of insufficient reining in of spending but in greater part due to a lack of growth in commercial revenues, RTÉ did not manage to come within the [<] deficit limit set as a target, instead posting a €13m deficit for the year.
- 5.40 The 2018 exercise followed the year in which RTÉ made an extraordinary gain from the sale of part of the Donnybrook estate. This transaction led to a surplus after tax of €42.1m in 2017, after a restructuring charge of €29.6m. While welcome, the offsetting funds may not under State Aid rules be used to cover operating losses and must be allocated to distinct, one-off expenses (non-recurring). In 2018, a number of capital investment projects, some long delayed because of chronic under-funding) were budgeted from the proceeds of the land sale.

Audience yield¹⁰¹

- 5.41 For the audience yield analysis for RTÉ, we start by examining each medium (TV, radio and online) separately, before collating the analyses of each into a single examination of RTÉ’s overall performance. This is important as the purpose of the audience yield framework is ensuring not that all audiences are served equally by individual genres on each platform/channel, but that, as a whole, RTÉ is adequately serving all audiences, with a recognition of the potential to be over or under-serving audiences and with a view taken on relative efficiency and cost effectiveness.
- 5.42 We again note that yield is only a tool, and one that can inform programming expenditure choices but cannot itself address the full range of metrics facing a PSB – for instance, value and impact. We understand, however, that RTÉ is using the concept of yield to help develop its strategic ‘prioritisation’ for 2019 and beyond, as it fundamentally reforms its size, scope and structure to accommodate the lack of increased funding and the limited scope for cost cutting short of restructuring entire services.¹⁰²

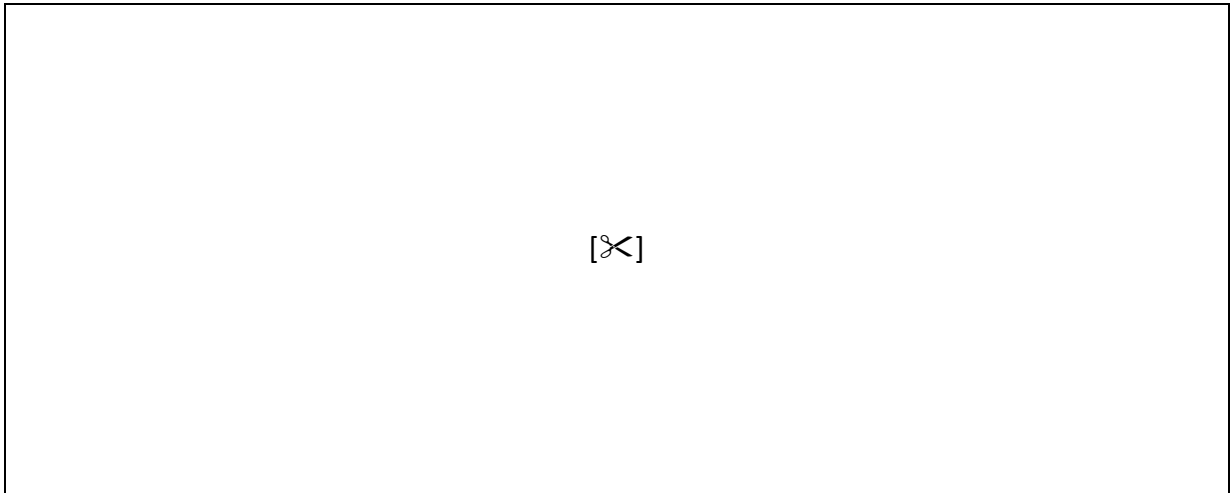
TV: Hours and spend

- 5.43 For this analysis, we looked at RTÉ’s four main channels: RTÉ One, RTÉ One +1, RTÉ2 and RTÉjr. Because of the content overlap between RTÉ One and RTÉ One +1, and between RTÉ2 and RTÉjr, we have for the most part treated these together: as RTÉ One (incl. +1) and RTÉ2/jr.
- 5.44 In 2018, RTÉ spent €179.8m on TV content for these channels. Of this, €155m (86%) was spent on commissioned content, with an additional €24.8m on acquisitions from the island of Ireland and abroad.

¹⁰¹ For a brief overview of methodology, please refer to A Note on Audience Yield Methodology in Section 3.

¹⁰² The impact of this ‘prioritisation’ will be covered in the 2019 PSB Review.

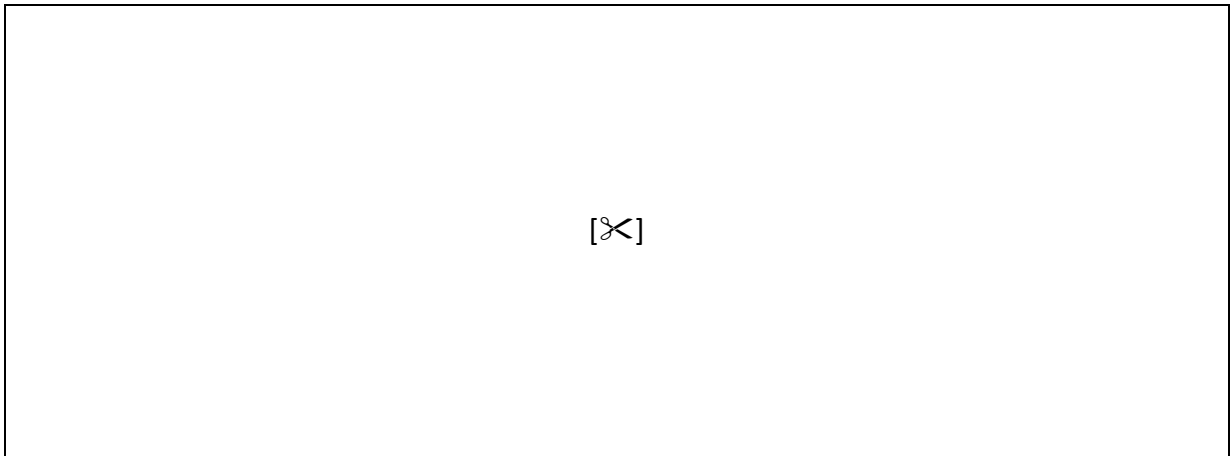
Figure 49: RTÉ’s TV content spend by genre, 2018



Source: RTÉ.

5.45 This spend delivered 22,269 hours of TV content across RTÉ One, RTÉ 2 and RTÉjr.¹⁰³

Figure 50: Broadcast hours by genre and type, RTÉ One and RTÉ2/jr, 2018



Source: RTÉ.

TV: Consumption

5.46 In 2018, RTÉ TV channels achieved a weekly reach of 95% among Irish adults, flat year-on-year with 2017. While there are minor demographic variations, weekly reach has remained fairly stable over the trailing five-year period.¹⁰⁴

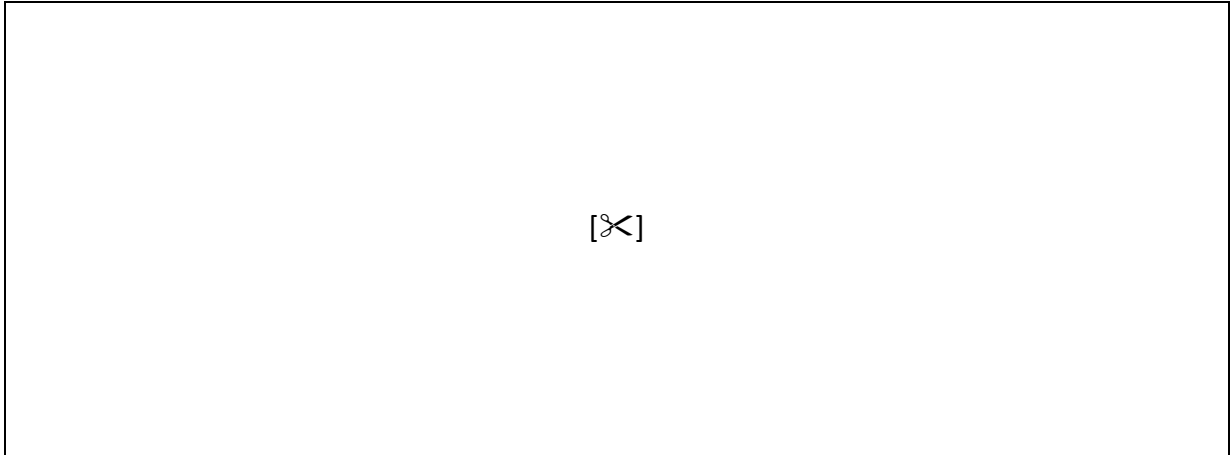
5.47 Irish individuals (4+) watched an average of 7.1 hours across RTÉ’s four main channels per week. Of this total, [X]¹⁰⁵

¹⁰³ This includes repeats. RTÉ One +1 has been excluded here but accounted for an additional 2,190 hours.

¹⁰⁴ See Figure 45.

¹⁰⁵ RTÉ counts in-house productions, commissioned content and acquired content licensed from within the country as “Indigenous”. We have followed this approach in our audience yield below, on the basis that the vast majority is commissioned (or produced in-house), with Irish acquired representing 2.4% of total spend within the category of Indigenous.

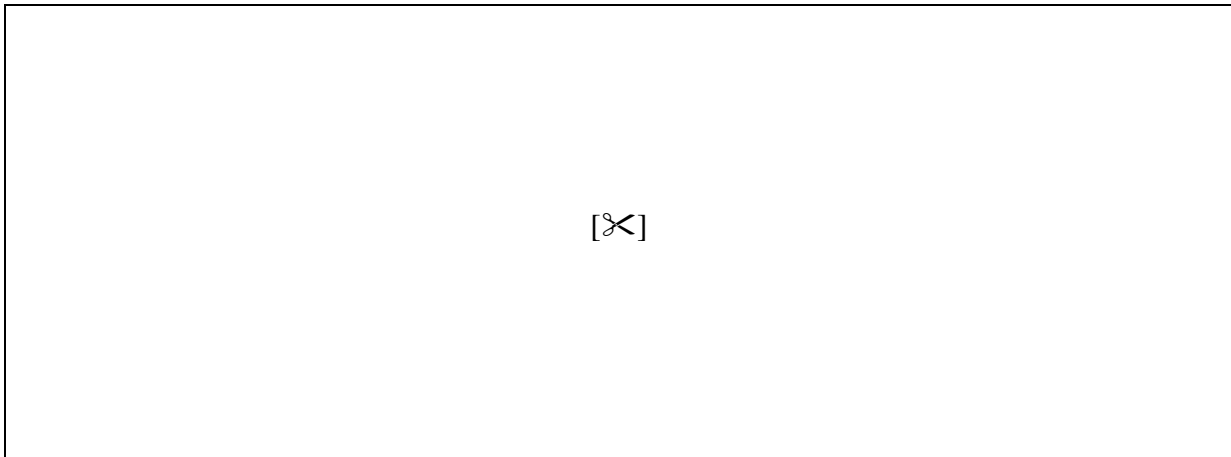
Figure 51: Weekly hours of viewing to indigenous content by channel and demographics, 2018



Sources: TAM Ireland/Nielsen TAM, Mediatique.

- 5.48 It is clear that, as with TG4, older demographics are watching more on RTÉ channels each week than the average. The over-55s also over-index slightly on RTÉ One versus RTÉ2. In contrast, children (4-14) watched an average of [X] per week across RTÉ’s TV channels, and over-indexed, unsurprisingly, on RTÉ2/jr which accounted for 39% weekly hours against an average for all Individuals 4+ of 23%.
- 5.49 Against figures from 2017, weekly hours of viewing to indigenous content are significantly down; from [X].
- 5.50 However, user hours for the year are identical: 749.3m for indigenous content against 749.3m in 2017. An additional 819m hours from acquired content¹⁰⁶ brought total broadcast viewing hours for the year of 1.569bn. For this section, our analysis focuses on RTÉ’s indigenous content.

Figure 52: User hours (in m) for indigenous content in peak and off-peak on RTE channels, 2018



Sources: TAM Ireland/Nielsen TAM, Mediatique.

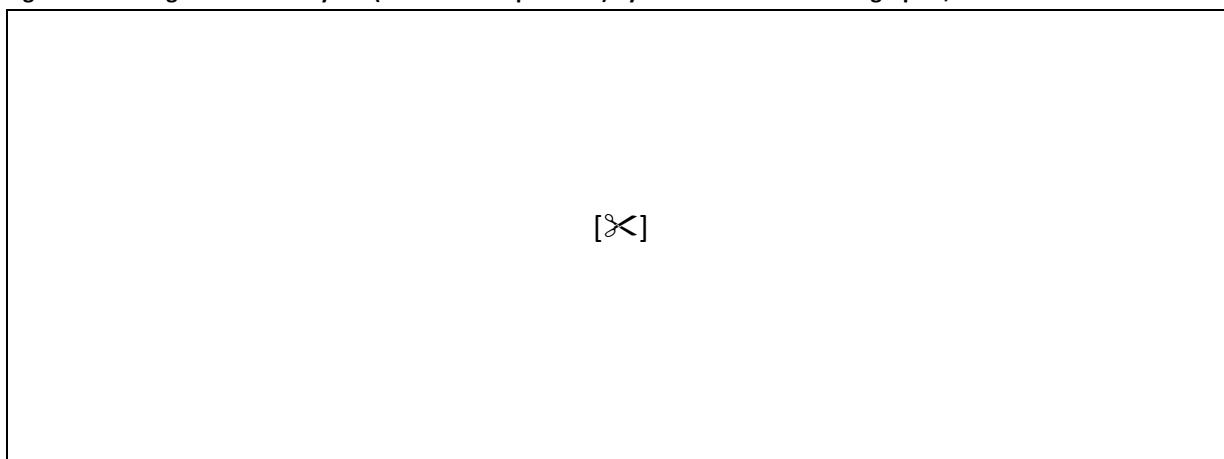
- 5.51 The most popular genres in peak were News & Current Affairs, Entertainment, Factual and Sport. These genres were also the most popular in off-peak, albeit in a slightly different order: Factual, News & Current Affairs, Sport and Entertainment.

¹⁰⁶ While acquired content accounts for more user hours, this is an artefact of fewer acquired hours than indigenous hours on RTÉ channels and the much lower costs of acquired content. RTÉ spends 87% of its entire content budget on Indigenous programming.

TV: Yield analysis

- 5.52 In 2018, for every euro RTÉ spent on indigenous TV programming, RTÉ delivered [X] hours of viewing. This is [X].
- 5.53 However, the gap between RTÉ One and RTÉ2/jr has closed relative to 2017. Last year, RTÉ One delivered [X] hours versus RTÉ2/jr's [X].
- 5.54 This year, RTÉ One has come in slightly lower at [X] user hours per euro, versus RTÉ2/jr's [X]. Equally, RTÉ2/jr has a higher yield than RTÉ One among 4-14 year olds and 15-34 year olds (as it also did last year).

Figure 53: Total gross audience yield (in user hours per euro) by RTÉ channel and demographic, 2018



Source: Mediatique.

- 5.55 Given that viewing for RTÉ2 has grown (29.8 to 30.8 average audience (000s))¹⁰⁷ while its budget has been adjusted [X], an increase of [X] user hours per euro on RTÉ2/jr would suggest RTÉ is becoming more efficient with its content spend on these two channels. A breakdown of audience yield by genre for each of the two channel groupings is listed below.

Figure 54: Gross audience yield (in user hours per euro) for RTÉ One and RTÉ One +1, 2018

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]
Sport	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Young People's	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Total	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: Mediatique.

¹⁰⁷ Average audiences for RTÉjr decreased slightly from 3.6 to 3.4; not enough to affect increases for RTÉ2.

Figure 55: Gross audience yield (in user hours per euro) for RTÉ2 and RTÉjr, 2018

RTÉ2/jr	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]
Total	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: Mediatique.

- 5.56 On RTÉ One and its +1 counterpart, there are a few universals that apply across genres; older, female and C2DE audiences register greater audience yield than their counterparts (with the one exception of Sport where male audiences boost yield above female audiences). Even in the genre of Young People's, the over-55s represent greater gross yield. This in part demonstrates the limits of audience yield which is very responsive to volume of viewing.
- 5.57 On RTÉ2 and RTÉjr, these trends still hold. It should be noted that Young People's audience yield is much lower for RTÉ 2 and RTÉjr than on RTÉ One as almost all of the genre budget is spent on the former two channels while for RTÉ One, a very small budget for Young People's programming is artificially inflated by programming where its cost has been allocated to RTÉ 2 or RTÉjr.
- 5.58 The super-serving of older demographics is particularly visible when comparing genres; in only one category (Young People's) are younger demographics served more efficiently than older demographics.

Figure 56: Audience yield (in user hours per euro) for RTE indigenous TV content by genre, 2018

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.

- 5.59 This has implications for RTÉ going forward. Again, analysis of RTÉ's audience yield does not seek the equalisation of audience yields between demographic categories, rather it seeks to show where additional budget might be spent in order to create the most value for audiences (and thereby improve content efficiency). In other words, when looking at genre differentials, we are less interested in the differences between categories (where older audiences are likely to always be over-served) and more

interested in finding the most popular genres for each group, and in particular, for those under-served audiences.

5.60 [X]

5.61 [X]¹⁰⁸

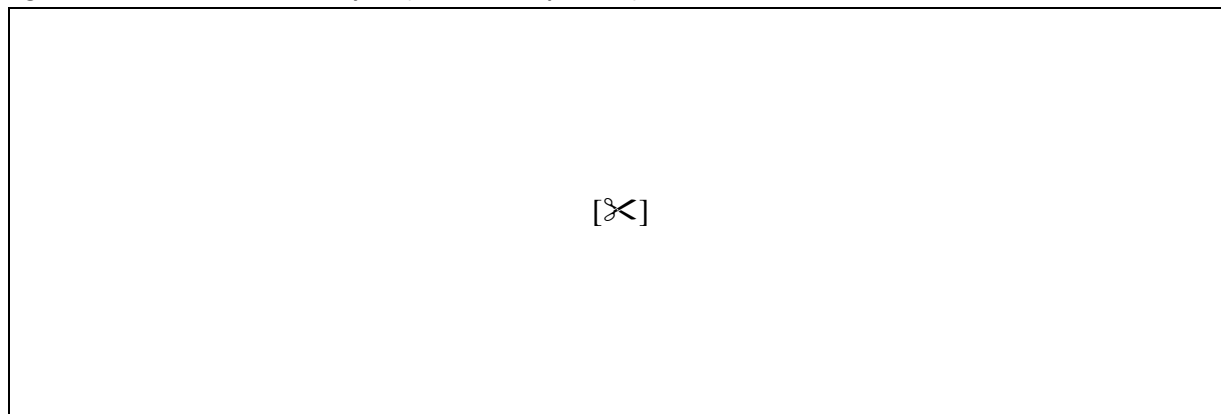
5.62 The above analysis uses total programming costs in user hours per euro calculations. However, RTÉ operates a hybrid model and is thus funded by both public money via the licence fee and commercial income. Commercial income thus subsidises the cost of programming to the public purse. In stripping out the commercial surplus assigned to each channel (as reported in RTÉ’s Annual Reports), we can calculate the net cost of content to licence fee payers of the relevant consumption. This is known as the net yield.¹⁰⁹

Figure 57: Net audience yield (in user hours per euro) for RTÉ channels, 2018

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]
Total RTÉ	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: Mediatique.

Figure 58: Gross and net audience yield (in user hours per euro) for RTÉ channels, 2018



Source: Mediatique.

5.63 While audience yield is a useful tool for comparing content in a systematic way, it cannot identify the cause of changes year-on-year. There is unlikely to ever be a single cause for changes in audience yield drawing, as it does, on a huge number of factors including ones that are hard to qualify such as the

¹⁰⁸ See Conclusions for further thoughts on how best to apply audience yield analysis.

¹⁰⁹ Under the CC methodology, content costs are identified, and then used to establish the gross and net yield across audiences. Gross yield is the total audience against total content costs (i.e., excluding other costs of delivering the service) and net yield is total audience against content costs less commercial surplus. The latter isolates the ratio of public expenditure on content against audiences achieved, placing the focus wholly on the content spend (the key means of delivering public value) rather than on a range of other, non-programming costs.

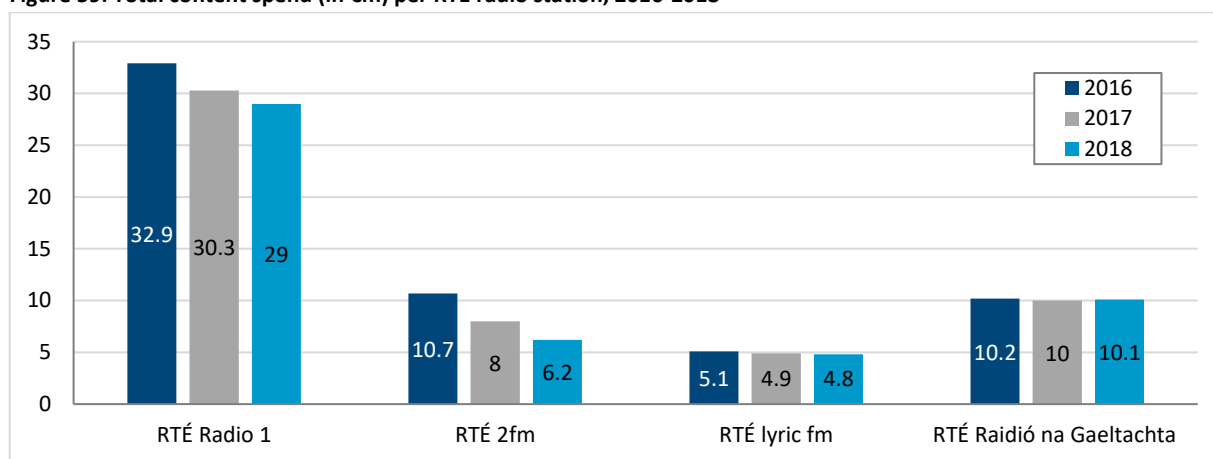
quality of TV programmes, how much the audience values particular shows, or where they usually watch them. All these factors could influence the audience yield.

5.64 It is for this reason that we have not attempted to provide an over-simplification of these issues, except to note that a lower net yield, coupled with a flat gross yield, could suggest commercial efficiency has improved.

Radio: Hours and spend

5.65 In 2018, RTÉ spent just over €50m on radio programming. The majority (€29m) went to RTÉ Radio 1, with €10.1m for Raidió na Gaeltachta, €6.2m for 2fm and €4.8m for Lyric fm. With the exception of Raidió na Gaeltachta, all RTÉ FM stations have seen their budgets fall year-on-year.

Figure 59: Total content spend (in €m) per RTÉ radio station, 2016-2018



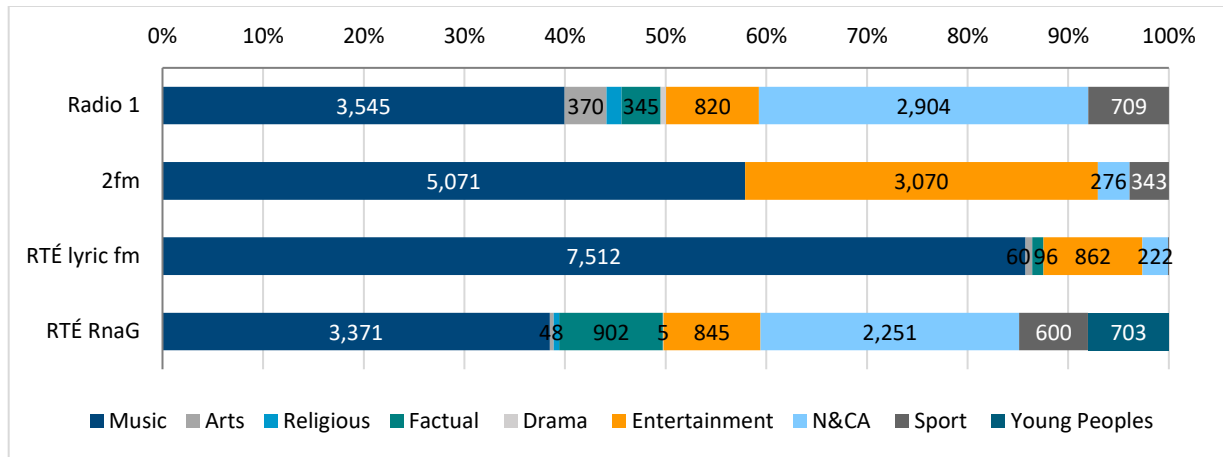
Source: RTÉ annual reports.

5.66 This expenditure was used to create 35,150 hours of content of RTÉ’s radio stations.¹¹⁰ Music dominates the broadcast schedules of Lyric fm and 2fm, representing 86% and 58% of the total schedule respectively.

5.67 For Radio 1 and Raidió na Gaeltachta, Music is likewise the best-represented genre although for both these stations, the broadcast schedules are composed of less than 40% Music, with News & Current Affairs as the second most popular genre; 33% and 26% respectively.

¹¹⁰ 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 2018 were 8,870 (consistent with previous years).

Figure 60: Total hours of broadcast output by genre for RTÉ radio stations, 2018

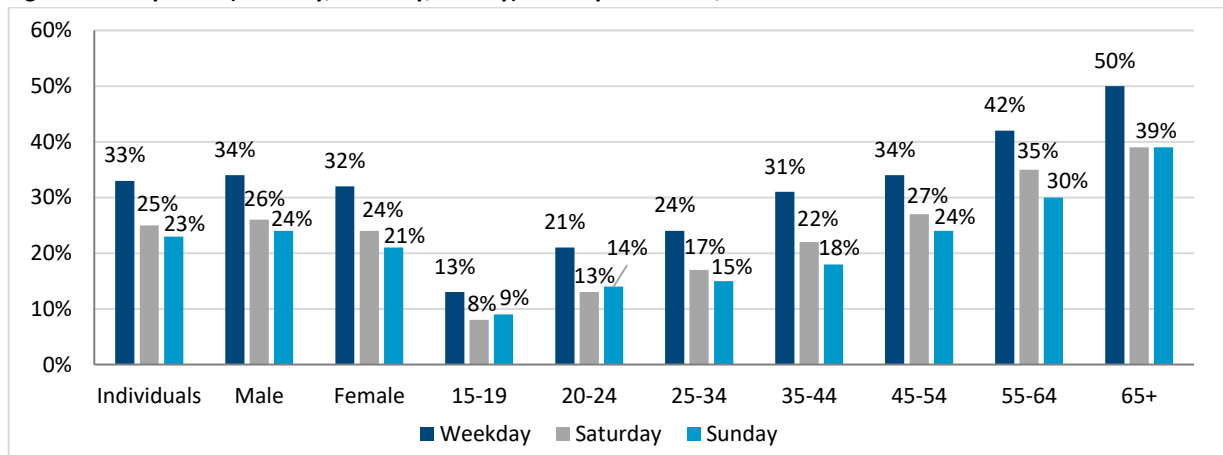


Source: RTÉ.

Radio: Consumption

5.68 RTÉ radio consumption remained high in 2018, with a weekday daily reach of 33%. There are demographic disparities, with younger cohorts listening less and older cohorts listening more. Weekday daily reach is as low as 13% for 15-19 year olds, against a 65+ daily reach of 50%.

Figure 61: Daily reach (weekday, Saturday, Sunday) for "any RTÉ radio", 2018



Source: JNLR.

5.69 Naturally, this has an impact on average hours of listening per week. Cumulatively, the over-65s listen to an average of 15 hours of RTÉ radio each week, the majority of which is time spent with RTÉ Radio 1 (13.3 hours). Conversely, the over-65s spend the least time with 2fm (on average 24 minutes a week). 2fm is the only TV or radio RTÉ service which engages younger cohorts more than older cohorts: for 15-19 year olds, 20-24 year olds and 25-34 year olds, 2fm is the RTÉ station with which they spend the most time in the average week.

Figure 62: Average weekly hours of listening by age group for RTE radio stations, 2018

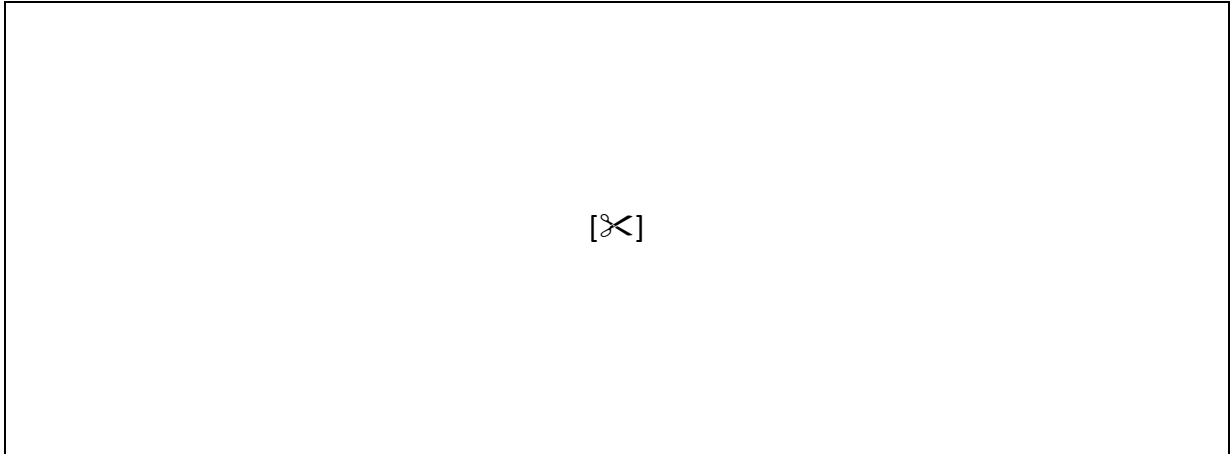
Station	15-19	20-24	25-34	35-44	45-54	55-64	65+
Radio 1	[X]	[X]	[X]	[X]	[X]	[X]	[X]
2fm	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Lyric fm	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Any RTÉ radio	1.8	3.6	5.0	6.0	7.2	10.7	14.9

Source: JNLR. Average weekly hours of listening for Raidió na Gaeltachta have not been calculated.

5.70 Indeed, 15-19 year olds spend 67% of the time they spend listening to any RTÉ radio with 2fm. This compares with under 3% for the over-65s. However, the over-65s listen to over eight times more radio each week than 15-19 year olds.

5.71 This is clearly borne out in the total annual hours of listening for each station. In all, RTÉ’s four radio stations accounted for 1.3bn hours of listening in 2018. Of this, Radio 1 accounted for 933m hours, 2fm for 290m, Lyric fm for 81m and Raidió na Gaeltachta for 13m hours.

Figure 63: Total user hours (in m) by demographic per RTÉ radio station, 2018

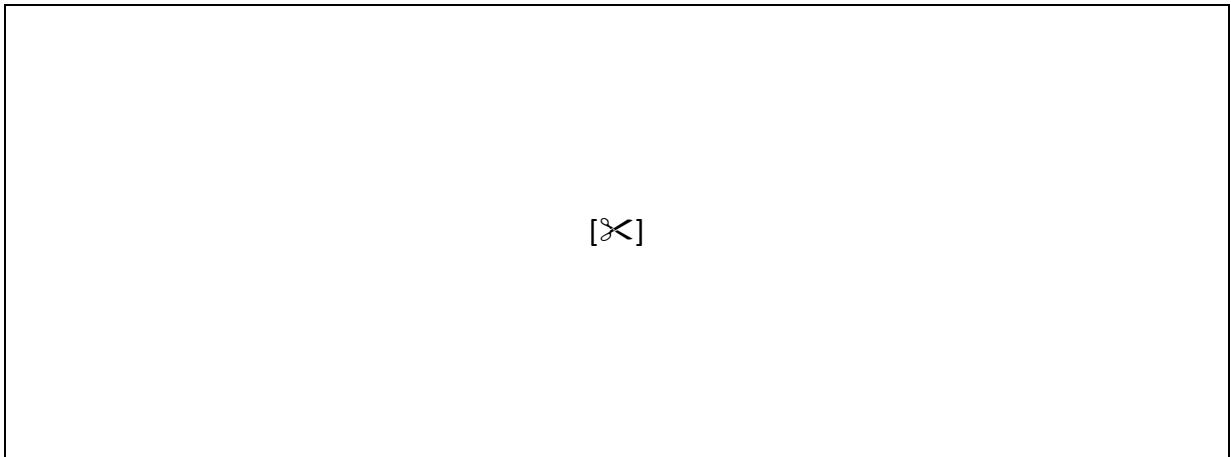


Source: Mediatique.

Radio: Yield analysis

5.72 Given the much lower production costs associated with radio content, and its enduring popularity (even despite small declines in overall listening), the hours of radio listening per euro spent by RTÉ is much higher than hours of TV viewing per euro.

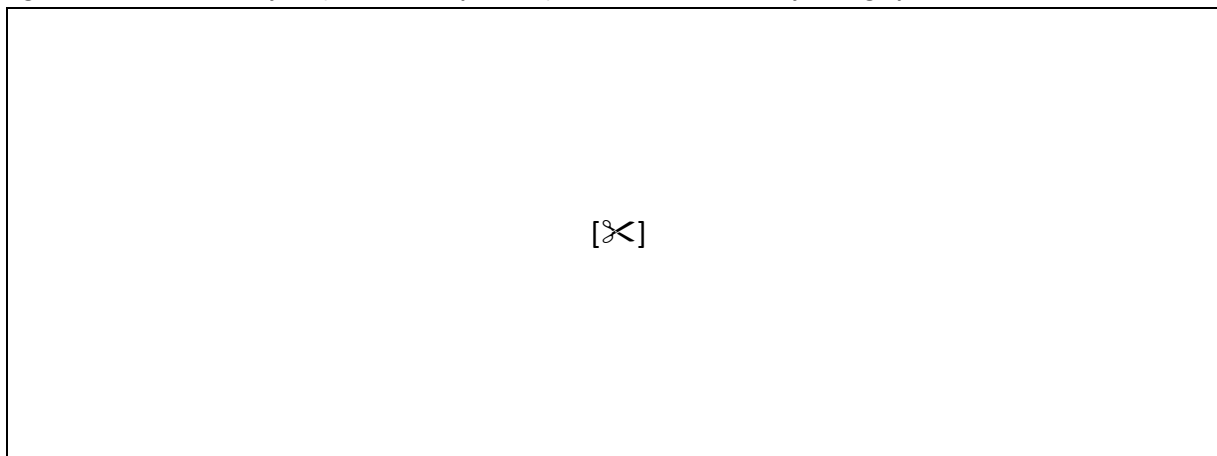
Figure 64: Gross audience yield (in user hours per euro) for RTÉ radio stations, 2018



Source: Mediatique.

5.73 However, the disparity between radio stations is much higher than between TV channels. Raidió na Gaeltachta accrues [X] hours of listenership for every euro spent, versus 2fm’s [X] hours for the same price. These changes are even starker when we break down the channels demographically.

Figure 65: Gross audience yield (is user hours per euro) for RTÉ radio stations by demographic, 2018



Source: Mediatique.

5.74 As we’ve seen, 2fm performs much better with younger audiences than the three other channels; achieving [X] of listening among 15-34 year olds per euro. Perhaps more surprising, Lyric fm achieves more 15-34 year old hours than Radio 1 by station spend.

Figure 66: Gross audience yield (in user hours per euro) for RTÉ radio stations by genre and demographic, 2018

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]
Sport	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Young People’s	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: Mediatique.

5.75 As would be expected, Music is the best performing genre at [X] hours per user (across all adults), followed by Entertainment, Sport and News/Current Affairs and Weather.

5.76 Against the audience yield analysis from 2017, as set out in the Communications Chambers 2017 review, Radio 1 and 2fm have seen increases in their audience yield ([X]). Lyric fm dipped slightly from [X], while Raidió na Gaeltachta fell [X]. This is most likely due to budget differentials between stations. Between 2017 and 2018, 2fm’s content budget was cut by 28% - from just under €8m to €6.2m. Radio 1’s 5% cut (from €30.3m to €29m) is comparatively mild, and Raidió na Gaeltachta’s budget was actually increased from €10m to €10.1m. With radio audiences fairly stable year-on-year, this squeezing to radio programming costs are the most likely explanation for variation in audience yield since 2017.

5.77 The differences we see between radio stations in terms of the audience yield they deliver are made even starker when the commercial surplus is removed.

Figure 67: Net audience yield (in user hours per euro) for RTÉ radio stations by demographic, 2018

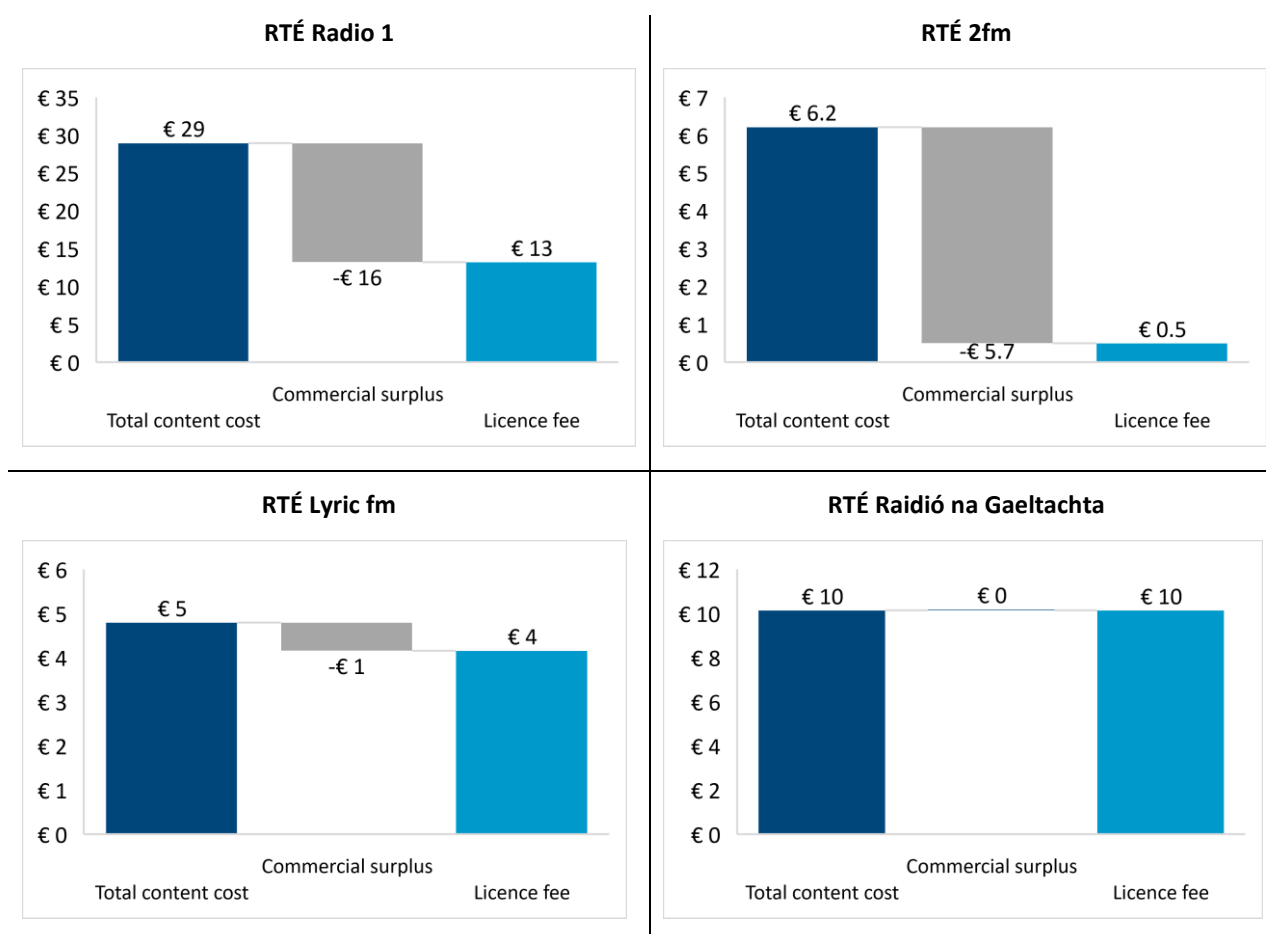
Genre	Indivs (15+)	Male (15+)	Female (15+)	15-34	35-54	55+	ABC1	C2DE
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Radio 1	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
2fm	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Lyric fm	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Raidió na Gaeltachta	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]
All stations	[X]	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: Mediatique.

5.78 2fm’s audience yield of [X] user hours per euro is a consequence of how much advertising revenue they deliver. It is almost enough to cover its total programming costs, bringing its licence fee spend to just €496k. In contrast, Raidió na Gaeltachta brings in no advertising revenue and thus its audience yield remains the same.

Figure 68: Total content spend, commercial surplus and implied licence fee attribution (in €m) for RTE radio stations, 2018¹¹¹



Source: Mediatique.

Online: Hours and spend

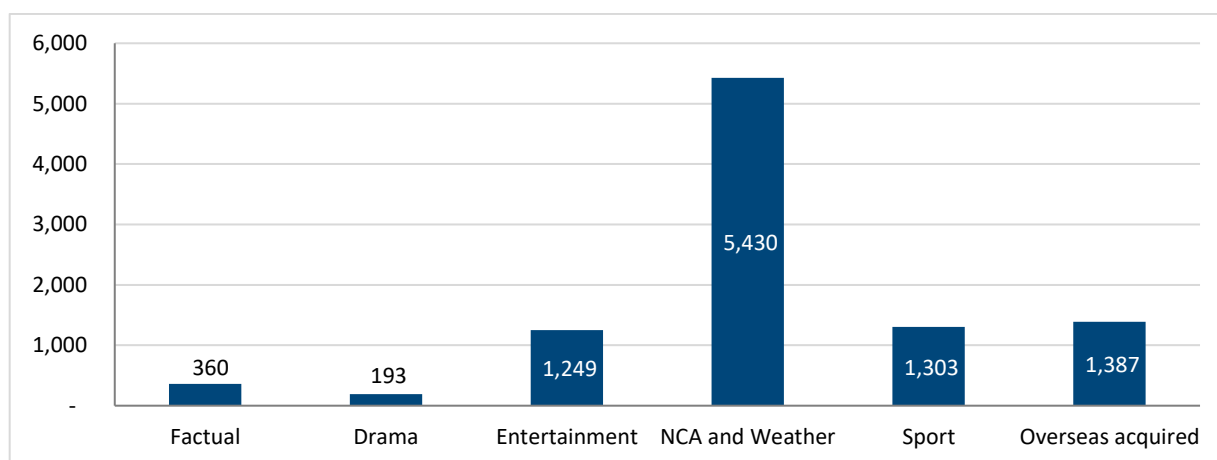
5.79 In 2018, RTÉ spent €8.535m on its online services, including RTÉ.ie and RNN. An additional €1.387m was spent on acquired content, leading to an overall spend on online services of €9.92m. This was markedly higher than the spend on online services in 2017; €4.969m.

¹¹¹ See Footnote 109.

5.80 The majority of RTÉ’s expenditure on online services is spent in-house, with external commissions accounting for €539k. These costs are mainly incurred in digital-first content creation (i.e., the production of content whose primary channel is online), content repurposing (clips for social media, etc) and online rights acquisitions. Online services spend does not include any allocation from the costs of producing, commissioning and acquiring programming for TV and radio when this content is broadcast on linear first. Even where content is made available online post-broadcast (for example, accessible via the RTÉ Player), no costs are allocated to online services.

5.81 Going forward, RTÉ has signalled it is increasing its digital-first non-linear programming, and in particular, transitioning to a digital-first approach to news coverage. Because of this, online services are allocated a proportion of the cost of common news-gathering infrastructure.

Figure 69: RTÉ spend (in €000s) on online services by genre, 2018



Source: Mediatique.

5.82 Of the above spend, we have allocated “overseas acquired” to other categories in proportion to indigenous costs and assumed Factual and Drama spend has gone to RTÉ Player content. Thus, for RTÉ.ie and RNN, we are using €7.98m in content costs as our base.

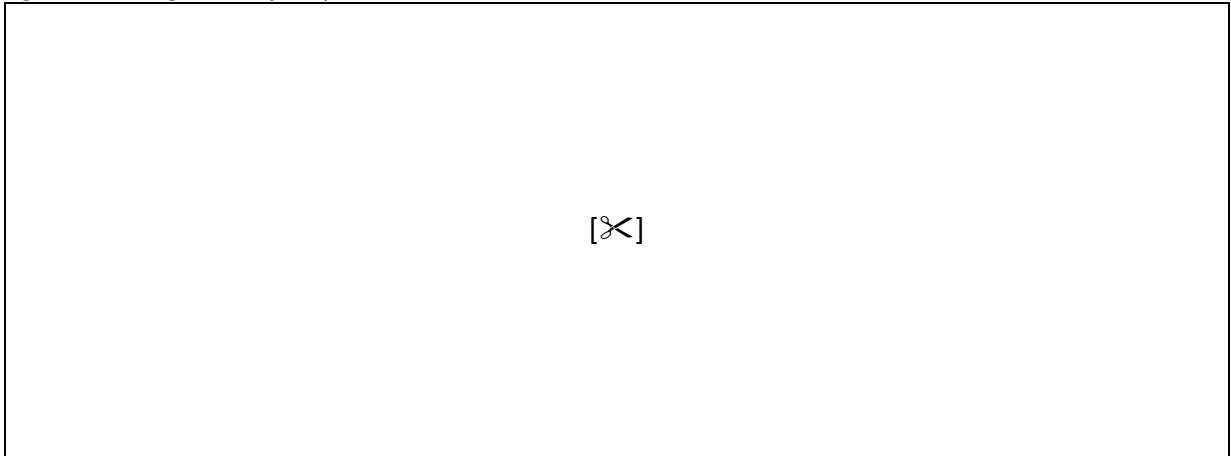
Online: Consumption

5.83 In 2018, RTÉ’s three online platforms, RTÉ.ie, RNN and RTÉ Player, recorded average monthly unique browsers as follows:

- RTÉ.ie: 6.3m
- RNN: 513k
- RTÉ Player: 1.35m

5.84 Data is limited and it is not possible to show how these monthly unique browsers break down demographically for RNN or RTÉ Player, however, RTÉ.ie shows an even split between genders and consistency across age cohorts.

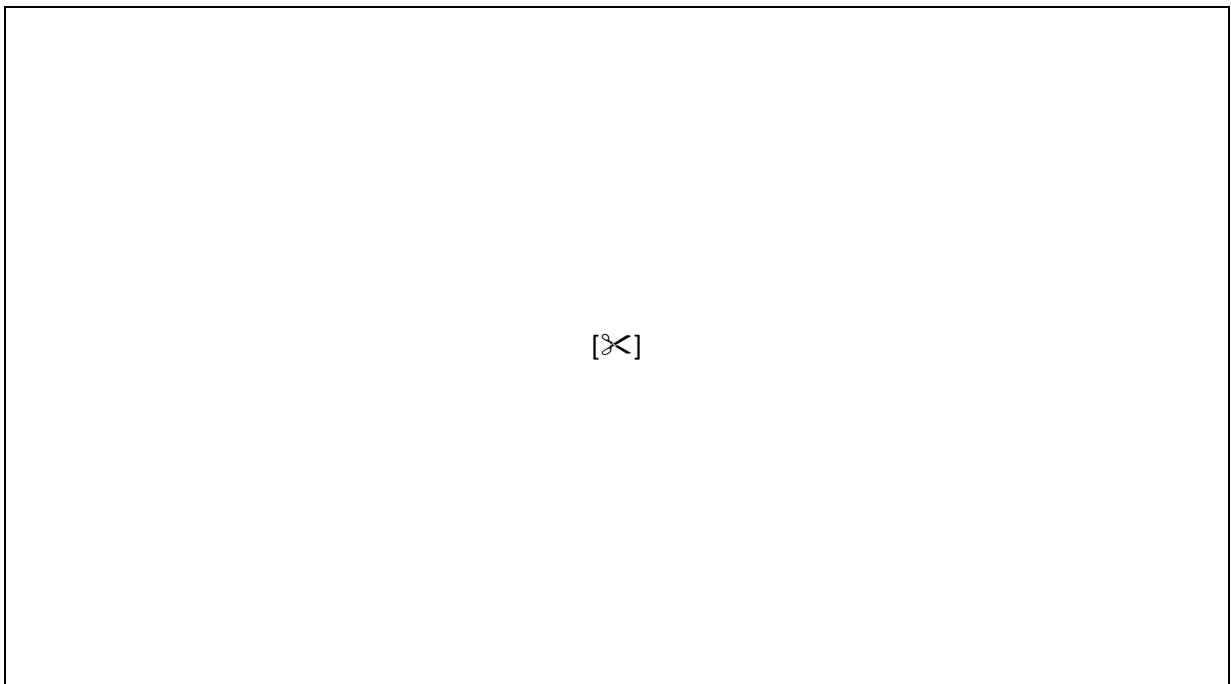
Figure 70: Average monthly unique browsers for RTÉ.ie, 2018



Source: RTÉ.

5.85 Average weekly pageviews were high for both RTÉ.ie and RNN, with RTÉ.ie averaging 14.3m pageviews each week, with RNN delivering 20.2m each week. Unsurprisingly, News content makes up the majority of pageviews on each platform.

Figure 71: Average weekly pageviews for RTÉ.ie and RNN by section, Jan - Aug 2018



Source: RTÉ.

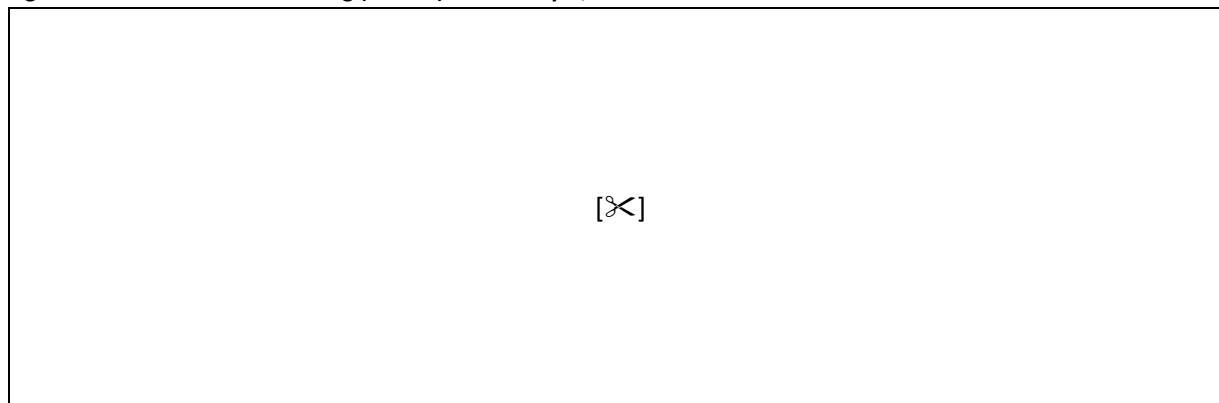
5.86 By contrast, RTÉ Player has an average weekly stream rate of just over 1m across all devices (smartphones, tablets, TVs and desktops). The most popular devices for watching were [X]. Note that this does not include third-party TV platforms where RTÉ Player is available within the platform itself.

5.87 On a weekly basis, assuming a viewer-to-stream ratio of 1.25, streams on smartphones, tablets and desktops delivered 472,669 hours of viewing.¹¹² If we assume that on average, the duration of a stream

¹¹² TAM/Nielsen already includes viewing via RTÉ Player on TVs and so these streams have been removed from the data to avoid double-counting. An average of 1.25 viewers per stream, as adopted by Communications Chambers in 2017, strikes us as sensible given ratios of viewer per session on different platforms and devices (more multiple users for larger screens, fewer for smartphones/tablets).

is roughly equal across genres,¹¹³ then we can calculate the total annual hours of watching delivered by each genre on the RTÉ Player. In 2018, audiences watched 19.7m hours of content on RTÉ Player.

Figure 72: Annual hours of viewing (in 000s) to RTÉ Player, 2018



Source: RTÉ.

Online: Yield analysis

5.88 The majority of the value of programming on RTÉ Player comes from content that has already had a linear transmission (i.e. on one of RTÉ’s main channels).¹¹⁴ Therefore, rather than provide an audience yield measurement for RTÉ Player *solus*, we have calculated the gross and net yield for all TV content with RTÉ Player hours included. It should be noted that this uses all content on RTÉ (i.e., both indigenous content and acquired content), and is thus slightly different from the majority of the analysis above which focuses solely on audience yield for indigenous content.

5.89 As seen above, in 2018, total broadcast viewing accounted for 1.569bn user hours for RTÉ. [X].

5.90 By calculating the gross audience yield with RTÉ Player’s contribution and without, we can show how much time RTÉ Player ‘tops up’ the audience yield of RTÉ’s TV content. Altogether, for every euro spend on TV content, the RTÉ Player accounts an additional [X] of viewing. When considering the net yield, RTÉ Player accounts for an additional [X] of viewing.

Figure 73: Gross audience yield “top-up” (in user hours per euro) for RTÉ Player, 2018

Genre	Factual	Drama	Entertainment	Music	NCA & Weather	Sport	Young People’s
Gross yield top-up	[X]	[X]	[X]	[X]	[X]	[X]	[X]
Equivalent in mins	[X]	[X]	[X]	[X]	[X]	[X]	[X]

Source: Mediatique.

Figure 74: Net audience yield “top-up” (in user hours per euro) for RTÉ Player, 2018

Genre	Factual	Drama	Entertainment	Music	NCA & Weather	Sport	Young People’s
Net yield top-up	[X]	[X]	[X]	[X]	[X]	[X]	[X]

¹¹³ This is likely to be an over-simplification given there are differences in per-genre programme duration (Young People’s content versus Drama or Sport, for example).

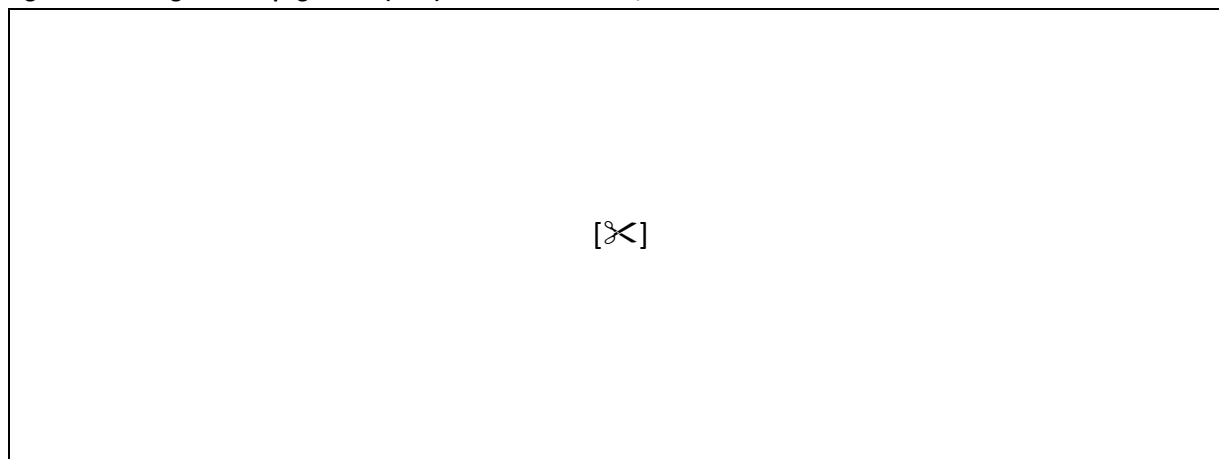
¹¹⁴ We have added €643k from the online services content spend to account for digital-first Factual and Drama content on RTÉ Player.

Equivalent in mins	[X]	[X]	[X]	[X]	[X]	[X]	[X]
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Source: Mediatique.

- 5.91 In both gross and net yields, the genres of Drama and Entertainment over-index; with Drama providing [X] of viewing for net audience yield.
- 5.92 For RTÉ.ie and RNN, a modified version of audience yield has been used: “pageviews per euro”. It is not possible to attempt to track time spent on these websites with the data currently available. Instead, we see pageviews per euro (in line with last year’s review) as a suitable metric to track going forward. It may be the case that a time spent metric becomes possible in future reviews.
- 5.93 Taken together, RTÉ.ie and RNN average 34.4m pageviews a week (see Figure 72). This leads to an average of 1.791bn pageviews annually. News content predominates in both cases, followed by Sport and then Entertainment as the second and third most popular genres in terms of absolute pageviews.

Figure 75: Average annual pageviews (in m) for RTÉ.ie and RNN, 2018



Source: RTÉ.

- 5.94 Due to disparities in accounting categories and website segments, it is only possible to provide audience yield breakdowns for three genres: News & Current Affairs/Weather, Sport and Entertainment. Otherwise, an overall pageviews per euro is given in the table below.

Figure 76: Pageviews per euro for RTÉ.ie/RNN, 2018

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

Source: RTÉ.

- 5.95 Compared with 2017, pageviews per euro are considerably down; from just under [X] for News & Weather. This is very likely due to a change in how costs for newsgathering were allocated in each year. Indeed, NCA & Weather costs rose from €1.7m to €5.43m over the period, the biggest contributing factor to the jump in overall spend on online services from €4.97m to €9.93m.
- 5.96 Net yield has not been calculated for online services.

Conclusions

- 5.97 For this year, RTÉ changed the thematic headings of its ASPC document to Audiences, Content and Sustainability. We have used these categories in our conclusions below, and we are satisfied that these

are compatible with the suggested ASPC framework created by the BAI and the PSBs for this annual exercise.

Themes	Performance commitments	Total targets	% fully achieved
Audiences	1: Put the audience at the centre of decision-making	2	0%
	2: Be where the audience is – provide universal access, optimise linear, and adopt digital first	9	100%
	Audience targets	11	82%
Content	3: Provide trusted, challenging and engaging content	3	67%
	4: Champion Irish culture	6	67%
	5: Celebrate diversity and cultivate Irish talent	8	63%
	Content targets	17	65%
Sustainability	6: Protect the future of Public Service Media	6	33%
	Sustainability targets	6	33%
Grand Total		34	65%

Audiences

5.98 In 2018, RTÉ narrowly missed both the targets dedicated to “put[ting] the audience at the centre of decision-making”. However, they were both close; only one or two percentage points off in each case. Equally, both targets were high for audience perception targets (75% and 80%). A methodological change on how audience data is collected was also noted by RTÉ in its own statements on performance for 2018. We would suggest that although these targets were not hit this year, they are nonetheless kept at this level going forward.

5.99 The second commitment “be where the audience is” performed very well, fully achieving all the relevant targets. We are pleased to see targets relating to younger audiences and, separately, to online and mobile. RTÉ may feel in the future that targets which combine the two are worthwhile and useful; for example, weekly reach (or other consumption-related metric) for young audiences across a range of platforms (i.e., including online and social media), may be worth tracking as separate targets.

5.100 We note that the second half of the commitment – “provide universal access, optimise linear and adopt digital first” – did not have any specific targets against which to measure progress. In the future, a few specific targets which detail how progress against these goals can be measured – and indeed implemented across a range of media, including TV, radio and online – would be beneficial.

Content

5.101 For the most part, RTÉ performed well against its content-related commitments, fully achieving 11 of 17 and almost achieving three more.

5.102 There were, however, a few exceptions that may cause some concern: in particular, RTÉjr reach among the 4-7s has continued to decrease (to 13.2% in 2018 from 15% in 2016), and RTÉ Raidió na Gaeltachta has similarly struggled to maintain reach. We recognise that, compared with some of RTÉ’s other services, consumption on these platforms is both already limited (by the ‘niche’ nature of service) and more vulnerable to viewing and usage trends observable more broadly in the media landscape. It is thus

commendable that RTÉ continues to focus on maintaining/growing these services as targets and would encourage their inclusion in future ASPCs.

- 5.103 Many of the targets in this section rely on audience surveys. For the most part, these perception-related targets have been set sufficiently high. However, in this category, it would be good to see further targets relating to RTÉ's content output.
- 5.104 In particular, there are strategies for content creation and production outlined in RTÉ's own five-year strategy that could be used in future. We note that RTÉ has already included a reference in its 2018 targets to increasing spending on commissioned content from Irish production companies but were unable to do so given a lack of funding.
- 5.105 Alternatively, RTÉ could consider including targets for content-related performance commitments from an input perspective, i.e. tracking cost-per-user (TV, radio and online) or cost-per-genre (in the same). Much of this analysis comes out of the data already being collected for the audience yield analysis so would not potentially represent a very taxing administrative burden on RTÉ. It would also be useful as a way of tracking, year-on-year, content efficiencies.

Sustainability

- 5.106 At the start of a new five-year strategy cycle, and after years of underfunding (both from public sources and due to structural and indeed cyclical pressures across the advertising market), RTÉ is under severe pressure to improve its sustainability going forward.
- 5.107 Performance in the year was mixed. Budgeted operating costs were met; however, the budget had been premised on higher commercial and public revenues and these were not forthcoming. As a consequence, the deficit at operating level was higher than originally predicted.
- 5.108 Going forward, RTÉ is unlikely to experience a recovery in commercial activities (or receive significant additional public money) such that the deficit is eliminated. Thus, we must assume that RTÉ will have to cut costs more drastically – with all its implications for RTÉ's current portfolio – as a way of ensuring sustainability in the future.

Irish Language – Promotion and Development

- 5.109 Under the new tripartite system for cataloguing performance commitments, RTÉ does not have a separate heading for Irish-language content. This does not mean that Irish language content is not recognised in the 2018 ASPC. Indeed, it is implicit throughout the performance commitments.
- 5.110 However, as the current review covers the year in which the Commissioner investigated RTÉ over its fulfilment or otherwise of its statutory duties with regard to Irish language content, we have included this section as an addendum to our main conclusions.
- 5.111 We do not intend to debate or discuss the Commissioner's findings (which would be outside our scope); instead, we want to suggest here how Irish language content might be better incorporated into RTÉ's performance commitments in the years to come.
- 5.112 We do so in recognition both of changing market trends (the shift from linear to non-linear) and of the presence of TG4 as a publisher-broadcaster of commissioned Irish language content (with ambitions to grow its Drama and Film spend if it has the funds to do so).
- 5.113 This is not to say that RTÉ's linear TV obligations are rendered void by the presence of TG4 (on the contrary). However, we suggest that RTÉ can extend its focus beyond linear broadcast TV hours (the only platform where RTÉ was found to be in breach of its statutory obligations in terms of Irish language

content) and deliver on its Irish-language mandate even as it pivots to become a multi-media, potentially digital-first, organisation.

5.114 In sum, we advise greater flexibility when it comes to judging RTÉ’s Irish-language commitments, and recommend that aggregate outcomes, across multiple platforms and including RTÉ and TG4 content together, be taken into account by those bodies (the Commissioner, the BAI) tasked with a review role in this arena.

5.115 All the same, we do recognise, as RTÉ itself does, that the PSB must increase its Irish language TV broadcast hours in the future.

5.116 Indeed, RTÉ have put forward a plan to dramatically increase the total number of hours of Irish language content across its linear channels from 2020 onward, across a range of genres:

- **RTÉ One:** Drama, Factual, News & Current Affairs, and Religion;
- **RTÉ2:** Children and Young People’s, Factual;
- **RTÉjr:** Children and Young People’s;
- **RTÉ News Now:** Sport and News & Current Affairs.

5.117 This will increase Irish language provisioning to in excess of 500 hours in 2020. It would be appropriate for RTÉ to codify these responses in its performance commitments from 2020 onwards.

Audience yield

5.118 As stated for TG4, audience yield works best as a retrospective tool for determining how efficient RTÉ has been year-on-year and our comments here should not be taken as specific recommendations for changes to content spend in future budgets.

5.119 Year-on-year, the direction of travel in terms of efficiency is good. However, the reasons for this are not clear-cut. For example, it is possible to be highly efficient simply by buying in cheaper content with wide commercial appeal. A check on this would be the requirement to meet PSB obligations, including offering a balanced schedule and a commitment to both indigenous programming and to external suppliers.

5.120 For TV, we see similar patterns to TG4, with viewing by older audiences and C2DE audiences costing less than other demographics (for RTÉ, there is very little discrepancy between male and female viewing).

5.121 Compared to last year, the gap in audience yield between RTÉ One and RTÉ2/jr closed, following an increase in yield for RTÉ2/jr. This is most likely due to a decrease in RTÉ2’s budget year-on-year (and a less than like-for-like decline in viewing, although again, there are probably multiple other factors at work here). We see a similar boost in content efficiency in radio content (particularly for 2fm and Radio 1).

5.122 Yield for online content is still somewhat nascent although shows early signs of promise, in particular the ‘top-up’ from RTÉ Player that accrues to TV content.

5.123 Altogether, RTÉ serves most audiences reasonably well, although it is inescapably the case that RTÉ’s audiences skew older (in line with broader TV trends). Younger audiences are served slightly better by RTÉ2 than RTÉ One on TV and very well on 2fm compared to Radio 1. This will be worth bearing in mind given that younger audiences tend to be more commercially valuable across both media. It will be helpful in the future to perform demographic analysis for online content as well, although we are confident the general audiences for online services skew younger as well.

5.124 The extent to which older audiences are over-served is up for debate given that on TV and radio older audiences are responsible for a quantum more viewing/listening than younger audiences. The priority with an audience yield analysis is thus to identify those genres where audience yield is highest among currently underserved audiences (and for the most part here we mean younger audiences).

6. Adequacy of performance commitments

- 6.1 There are four methodologies for analysing the adequacy of the performance commitments of the PSBs.
- 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.
 - The second is an evaluation of whether the targets they have set for themselves are sufficiently “stretching” or whether the level of performance reached in a given year would have been expected from the PSBs. 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 third is a brief overview of international benchmarks and whether these provide recommendations for other commitments that might be considered by both RTÉ and TG4.
 - Finally, we assess whether the commitments undertaken by the PSBs in 2019 and beyond remain fit for purpose. This is crucial in the context of 2018 being the first year of the new Statement of Strategies where no material additional public funding has been forthcoming.

Statutory requirements

- 6.2 RTÉ and TG4 must prepare their ASPCs through the framework laid out by the Broadcasting Act 2009 which specifies their commitments must be prepared in accordance with its objects (as defined in Sections 114 and 118 of the Broadcasting Act 2009 respectively), any extant statement of strategy and any extant public service statement.
- 6.3 Overall, both PSBs adequately addressed their statutory objects from 114 and 118 in their 2018 ASPCs. 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.
- 6.4 Further, RTÉ and TG4 are required under Section 102(2) to address the following within their commitments:
- Original children’s programming, commissioned and produced by the corporation, relevant to the social and cultural needs of children in Ireland and including animation and children’s programming in the Irish language, to be broadcast by the corporation;
 - Irish language programming to be broadcast by the corporation;
 - Science and technology programming to be broadcast by the corporation;
 - Magazines and books to be prepared and published in pursuance of the corporation’s public service objects, and
 - The recorded audio material to be compiled, published and distributed in pursuance of the corporation’s public service objects.
- 6.5 RTÉ and TG4 both adequately addressed children’s programming and the needs of Irish children, with TG4 setting specific quantitative targets to improve engagement with children and younger audiences as well as original commissions and re-versioned programming. RTÉ also sets a target to maintain RTÉjr’s weekly reach and to specifically support domestic animation as part of the wider children’s and young people’s strategy. Likewise, science and technology programming were adequately covered by both PSBs.

- 6.6 In terms of Irish language programming, RTÉ and TG4 must clearly be treated differently. For TG4, a certain level of Irish language content is implied, and the twin pole strategy should not be considered a degradation of its overall commitment to the Irish language that sits at the heart of its mission and purpose. For RTÉ, 2018 was a year in which they were investigated by An Coimisinéir Teanga over a perceived lack of Irish language content. While the results of the investigation are outside the scope of this report, RTÉ took the time to re-commit itself to Irish language content, in particular through Raidió na Gaeltachta, online/social media and podcasting and through a new phase of its partnership with TG4 to provide *Nuacht RTÉ le TG4*.
- 6.7 Magazines and books are not mentioned by either TG4 or RTÉ in their ASPCs; due to very little, if any, publishing being undertaken by either broadcaster during the year. Recorded audio material, however, made up a substantial segment in both, as RTÉ and TG4 have committed to digitising their Archives; a process that will continue over the coming years.

Statement of Strategy

- 6.8 On top of these specified statutory requirements, both RTÉ and TG4 must have consideration of their own statement of strategy and public service statements. For the former, this is in reference to *Strategy 2018-2022: Renewing RTÉ for the next generation* and *RTÉ: Public Service Statement 2015*, and, for the latter, *TG4 Statement of Strategy 2018-2022* and *TG4 Public Service Statement 2011*.
- 6.9 The performance commitments set out in the 2018 ASPCs are very much in line with the strategy statements for each of the PSBs, mainly due to the fact that 2018 represents the first year of a new strategy statement.
- 6.10 However, it is worth noting here that Section 7 of this report will deal with how a lack of public funding will quickly render these targets unusable and how strategy statements will have to be revised in the context of no more public funding being forthcoming. Likewise, both broadcasters' ASPCs for 2018 are largely in line with their most recent public service statements although for both broadcasters these are expected to be renewed soon.

“Stretch” targets

- 6.11 Having judged that the performance commitments for both RTÉ and TG4 are in line with both statutory regulation as set out in the Broadcasting Act 2009, and against their own internal strategy documents (in particular, their new five-year strategies), we turn to the question of whether the targets they have set for themselves are sufficiently rigorous.
- 6.12 Before beginning, it is important to acknowledge that the media landscape in which the PSBs are operating is evolving and PSBs around the world are struggling with increased market competition and consumers shifting away from traditional broadcast. Yet this also provides an opportunity for PSBs to be proactive and to set themselves ambitious targets for capturing new audiences (or, at the very least, audiences on new services/platforms), rather than simply trying to manage the rate of decline.
- 6.13 TG4 set itself a range of demanding targets in 2018, with roughly one-third higher than the targets set in 2017. It was particularly impressive that several of the targets set out in the 2018 ASPC were higher than those set out in the Preferred Strategy section of its *Statement of Strategy 2018-2022*. This was mainly due to better than expected results in 2017.
- 6.14 By its own admission, RTÉ's target for 2018 were in line with contemporary 2017 performance rather than ambitious:

“2018 was a year of transition, where RTÉ began the process of renewing itself and also when many of the foundations for transformation were laid. This transitional phase was therefore reflected in the level of ambition applied to a number of targets, where the longer-term ambition (e.g. in 2019 and beyond) is for growth and more stretching targets, however in 2018 the ambition was to maintain current performance levels.”¹¹⁵

- 6.15 We are satisfied that this is appropriate given that expected funding was not delivered for the year. Equally, given that some targets were not achieved in the year, it is clear that some targets were sufficiently ambitious. The PSBs do not operate in a vacuum, but within an ecosystem of competitors (both domestic and international), industry stakeholders and must contend with changing market dynamics. Although targets inform and direct the company’s internal agenda, external market forces can play a role in how easily (or laboriously) these targets are achieved. Therefore, when targets are not achieved, it can be as much a sign of a challenging market environment as a lack of (internal) success at the PSBs themselves.
- 6.16 Finally, we recognise that some of RTÉ’s targets were revised up from 2017 performance, in particular regarding public perception and digital performance. As stated in our conclusions, it would not be unreasonable to see specific strategic initiatives, target broadcast hours or target commissioning spend included in future reviews. Overall, we are happy that the performance commitments RTÉ set for the year were sufficiently rigorous and acceptable.

International benchmarks and recommendations

- 6.17 A core tenet of our review of the PSBs in Ireland has been to evaluate how comparable broadcasters in different territories use target setting in order to evaluate the appropriateness, adequacy and effectiveness of their respective funding.
- 6.18 We looked at a range of PSB benchmarks and evaluated them in the following ways: first, we investigated the method each broadcaster employs to report its performance against its annual targets. Second, we used a set of metrics, that were broadly applicable across each broadcaster, to evaluate the distribution of funds in each and thus gauge the relative performance of RTÉ and TG4.
- 6.19 We approached the selection of our set of PSBs with three criteria in mind: proximity to the Irish market (i.e., Europe); adjacency to a same language neighbour in a larger market; multi-language territory. We also believed it was appropriate to review a mix of ‘hybrid’ funding (commercial and licence fee) and exclusively public funding (licence fee only) models.
- 6.20 The PSBs reviewed are set out in a table below that gives an overview of model type, regulatory oversight, funding (type and forecast) and market share in respective territory. The case studies, as written in full, are included in the appendix.

¹¹⁵ RTÉ, *2018 Annual Statement of Performance Commitments*, p. 4.

Figure 77: Selected PSB case studies

Broadcaster	Oversight	Funding types	Funding forecast	Viewing share (listening share where applicable)
NRK <i>Country: Norway</i> <i>PSB model: Public</i>	Government and the Norwegian Media Authority	<ul style="list-style-type: none"> ▪ Licence fees ▪ Sponsorship 	↑	TV share: 38% Radio share: 37% (coverage)
ORF <i>Country: Austria</i> <i>PSB model: Hybrid</i>	Independent regulator (KommAustria), Austrian Regulatory Authority for Broadcasting and Telecommunications (RTR) and Austrian Communications Authority	<ul style="list-style-type: none"> ▪ Licence fees ▪ Advertising 	↑	TV share: 30% Radio share: 72%
SRG SSR <i>Country: Switzerland</i> <i>PSB model: Hybrid</i>	Constitution on Radio & Television (RTVA)	<ul style="list-style-type: none"> ▪ Licence fees ▪ Advertising 	→	TV share: 26-32% Radio share: 51-56% ¹¹⁶
BBC <i>Country: UK</i> <i>PSB model: Public</i>	Independent regulator (Ofcom)	<ul style="list-style-type: none"> ▪ Licence fees 	↗	TV share: 27% Radio share: 49%
BBC Alba <i>Country: UK/Scotland</i> <i>PSB model: Public</i>	Independent regulator (Ofcom – reviewed under BBC umbrella)	<ul style="list-style-type: none"> ▪ Licence fees 	↘	TV share: n/a
S4C <i>Country: UK/Wales</i> <i>PSB model: Public</i>	Independent regulator (Ofcom – reviewed separately from BBC)	<ul style="list-style-type: none"> ▪ Licence fees 	→	TV share: 0.1% ¹¹⁷
France Televisions <i>Country: France</i> <i>PSB model: Hybrid</i>	Government, Parliament and Independent Regulator (CSA)	<ul style="list-style-type: none"> ▪ Licence fees ▪ Advertising 	→	TV share: 28%
CBC <i>Country: Canada</i> <i>PSB model: Hybrid</i>	Independent regulator (CRTC)	<ul style="list-style-type: none"> ▪ Government funding ▪ Subscription fees ▪ Advertising 	↑	TV share: 7.6% (23% for ICI Radio Canada Tele) Radio share: 12.8% (24% for ICI Radio)
ZDF <i>Country: Germany</i> <i>PSB model: Public</i>	Independent regulator (KEF)	<ul style="list-style-type: none"> ▪ Licence fees 	↗	TV share: 17.1%

Source: Company reports and press reports.

¹¹⁶ Data from the three language variants (SRF, RTS and RSI) are submitted separately so here we have presented the range from all three.

¹¹⁷ 2018 viewing share data for S4C viewing share is unavailable; Ofcom published 2017 viewing share for S4C in its 2017 Annual Research Report. It is referred to here.

- 6.21 A key takeaway from the German PSBs’ approach to target setting and allocation of funding is the fluidity of the relationship they share with the independent regulator and local government. This is primarily enabled in two ways: first, the broadcasters employ an independent auditor (KEF) to review their performance using a multifaceted approach. In its more conventional duty, the KEF reviews the previous three years’ spend in parallel with its own forecasts for those years. Then, considering this review, it provides a recommendation to state governments on the state of the licence fee. This approach, structurally at least, bears similarity to the method that Ireland currently employs. However, it is enhanced because of the more central role that KEF adopts in the process.
- 6.22 KEF intercepts the Public Service Media’s declaration of intended spend before it reaches state government. It subsequently conducts its own review on whether the funding request is legitimate (making judgements on societal needs, responsibilities and compatibility), and issues a further report to state government declaring their own suggested licence fee. In 2007, KEF’s presence in this process was strengthened further: the Federal Constitutional Court passed a decision that required state parliaments to declare why (in the eventuality) they were departing from the recommendations of the KEF, entailing a more open dialogue and a more comprehensive review of the licence fee.
- 6.23 CBC and SRG SSR’s approaches to target setting are useful because they employ a tiering system that clearly demonstrates what is mandatory for the broadcaster, what is a tangible objective, and what is a guiding principle to underpin all elements. The approach provides clarity of action and is easily categorised by objective and department.
- 6.24 There are two main conclusions for RTÉ and TG4 to draw from this analysis: the fluidity of review structures and the use of tiering targets in order of prioritisation. We review in greater detail the approaches used by this benchmark group of PSBs in Appendix 2.

Conclusions

- 6.25 We found that the performance commitments for both PSBs were widely met and were appropriate, not only against the statutory obligations that the PSBs are required to make reference to each year but also in the context of the Irish media landscape.
- 6.26 Further, our analysis of international benchmarks shows that both TG4 and RTÉ set strong and meaningful commitments and, aside from the use of ‘tiering’ targets in line with the priorities for each and greater fluidity in how the reviews themselves are performed, there are no other forms of best practice that we might recommend in either case.
- 6.27 In terms of the relationship between TG4 and RTÉ on content supply, we recommend the continued commitment of both to Irish language content and to finalising (and formalising) how the value of such content will be calculated.
- 6.28 We have also made a very few further recommendations for the PSBs in how to form their ASPCs going forward. These are detailed in the tables below.

TG4 Recommendations:	Rationale:
1: Continue to simplify targets, focusing on quantifiable metrics	While the number of performance commitments is manageable, the number of <i>targets</i> within each commitment is still cumbersome and may divert attention from key priorities. Further, using quantifiable, “yes-no” targets allow for less uncertainty on target fulfilment
2: Weighting performance commitment and/or target priorities	Introducing a tiered system to prioritise the most important targets to achieve may help TG4 focus on its most urgent goals or on the initiatives with the most potential benefits
3: Alignment with efficiency targets informed by audience yield analysis	Already part of TG4’s ASPCs, further integration of the metrics used for audience yield analysis will avert issues of administrative over-burden by streamlining and refining what data needs to be collected in a given year
RTÉ Recommendations:	Rationale:
1: Inclusion of online metrics (‘time spent’)	The inclusion of online metrics, in particular along “time spent” metrics as for other platforms, would be beneficial in tracking a medium that will only grow in importance in the future. We suggest using industry standards such as analysis from comScore
2: Codify commitments with TG4 on Irish language programming	Already a key aspect for both PSBs, a greater standardisation of Irish language content-sharing would reduce administrative burden each year for both broadcasters

- 6.29 Due to the timing of these reviews – which are customarily written and published in Q4 of the year following the year in question – the recommendations may not be featured in the ASPCs immediately following: our recommendations cannot be applied for the 2019 ASPCs for TG4 or RTÉ. Instead, we have written these with the 2020 ASPCs in mind, and we have had sight of the 2019 ASPCs in order not to replicate recommendations that have already been taken on board.
- 6.30 There is no way to avoid this mismatch in timings; these yearly reviews are necessarily retrospective and, short of a fundamental restructuring of the entire review system, cannot be completed before the PSBs form their ASPCs for the following year.
- 6.31 We note that RTÉ has made many of the changes to their targets suggested by the Communications Chambers’ review of 2017. This is particularly in conjunction with the strategic prioritisation framework which from 2019 will be incorporated into the performance commitments themselves. Because of this, we have provided fewer recommendations for RTÉ this year, and would encourage them to continue to align their targets with suggestions from these yearly reviews.

7. Efficiency, adequacy and sustainability of public funding – further tests

Introduction

- 7.1 As part of our undertakings with respect to this review, we have been asked (consistent with the approach taken in previous annual and five-year reviews and with EU regulations and guidance¹¹⁸) to judge a number of factors related to 1) the efficiency with which the PSBs deliver their PSB objectives; 2) the degree to which commercial revenues are maximised to subsidise the attainment of these objectives, in a manner consistent with the dynamics of the competitive sectors in which the PSB operates; and the sustainability of current and planned expenditure in light of the likely level of both commercial and public funding.
- 7.2 The PSBs are also required to meet the test of generating operating surpluses no greater than 10% of the expenditure required to fund public services, and we have been asked to address this issue specifically.
- 7.3 These further tests sit alongside our evaluation of the results of the ASPC reviews of each broadcaster (some of which, by definition, related to aspects around efficiency, value for money, and the separate accounting of public and commercial funds).¹¹⁹

The Five-Year Strategies of TG4 and RTÉ

- 7.4 Our review takes place very shortly after Government took delivery of the BAI's Five-year Review of Public Funding 2018¹²⁰, which constituted an extensive analysis of both TG4 and RTÉ in relation to their public-service mandate, activities, level of engagement with consumers, value for money and strategic positioning. We do not propose to enter into a similar amount of detail on longer-term issues given the recency of that work and given that our focus is on 2018. We underline here that the prognosis in that report, and in particular the extent of the challenge faced by traditional broadcasters around declining reach and relevance, is compellingly articulated.
- 7.5 Although our focus is 2018, we are nonetheless being asked to provide a number of judgements which will require reference to how RTÉ and TG4 are likely to operate in the near future – not least whether the PSBs can deliver their services sustainably and whether the level of public funding they receive is adequate. This has become important in the context of 2018, the first year of the current five-year strategic plans for each of RTÉ and TG4, given that these plans were predicated on a positive public funding settlement that did not materialise. As a consequence, both 2018 and 2019 budgets set in these five-year plans have been rendered to a significant degree redundant.
- 7.6 In late 2017, RTÉ had laid out an ambitious vision of public service media in an era of technological innovation and shifting consumer behaviour, identifying the need for trusted journalism to counter the impact of fake news on social media, committing anew to Irish content and content producers and

¹¹⁸ European Commission, *Communication from the Commission on the application of State aid rules to public service broadcasting*, 2009 (<https://publications.europa.eu/en/publication-detail/-/publication/80dad7d3-5fc5-470d-9c88-1258a6b7e190>) and the result of a complaint raised by Newstalk in relation to the implementation of these rules (https://ec.europa.eu/competition/state_aid/cases/254086/254086_1921800_301_2.pdf).

¹¹⁹ See the relevant sections of our review of each broadcaster's ASPCs for an evaluation of these metrics where relevant (*Transparency and Efficiency* in Section 4 (TG4) and *Sustainability* in Section 5 (RTÉ)). The present section constitutes our response to the requirement on us specifically to consider whether the two PSBs deliver their public service objects on an efficient basis and whether public funding is adequate and the PSB undertakings sustainable.

¹²⁰ Communications Chambers, *op. cit.*

creating an RTÉ updated and upgraded technologically to engage audiences in light of evolving expectations and behaviours. This would require addressing connected, younger audiences but ensuring that older linear-biased audiences were not abandoned in the process. The key genres would be news and current affairs, drama and comedy, sport, entertainment and music, arts and culture, factual and programmes for children and young people. Drama, commitment to which has waned in recent years in line with financial pressures, would again be a main focus.

- 7.7 Delivering a balanced, innovative schedule in line with audience needs and expectations would be easier with the new ‘one RTÉ’ approach to commissioning, acquisitions, scheduling and marketing, additional investments in digital technologies (paid for from the proceeds of the Donnybrook land sale¹²¹), and a restructuring of the news division to promote digital first.
- 7.8 However, even with careful attention to costs, the five-year plan would cost money to deliver. RTÉ assumed both growth in commercial revenues over the period but also – crucially – a public funding settlement (specifically reform of the licence fee) in time to contribute significantly to RTÉ budgets from 2019. Assuming those revenues were generated, RTÉ undertook to spend at least 50% of the incremental public funding on content from the external sector, over and above its statutory obligations.
- 7.9 In the event, no significant increase in public funding was forthcoming in 2018 and commercial revenues were flat, as a result of declining linear audiences, increased competition, including from well-funded international players, and uncertainty associated with the political climate around Brexit.
- 7.10 For TG4, the aims outlined in its five-year strategy (2018-2022) were similarly ambitious but also required additional funding to realise. While less exposed to commercial pressures, TG4 did not, either, receive anticipated increases in public funding. TG4’s response was to scale back in line with reduced income, while RTÉ responded by delivering a higher deficit than originally anticipated.

2018 trading and its implications

- 7.11 In the case of RTÉ in 2018, key elements of PSB evaluation are of special significance given: the weak commercial revenues posted by RTÉ (and indeed more generally in the commercial advertising market in which RTÉ operates) due to a combination of structural and cyclical factors; the decision by Government not to accept the recommendation of recent annual reviews and the last five-year review to secure significant increases in public funding as a matter of urgency; and the access RTÉ has to considerable additional income from the sale of some of the land originally used as part of the RTÉ Donnybrook campus.¹²²

¹²¹ The land sale generated c.€99m of net proceeds in 2017, of which some was still available to be spent in 2018. As we outlined in earlier sections of this report, RTÉ has identified re-structuring costs (related to the introduction of the ‘one RTÉ’ strategy) and capital investments (including in technology) to a level that renders RTÉ compliant with the 10% limit on surpluses, given that these categories of expenditure meet the conditions of being earmarked in advance, non-recurring, ‘major’ and of limited duration. RTÉ has determined a use for the surplus consistent with these requirements up to the end of 2020. We specifically address this point in Overcompensation and commercial revenue maximisation, below.

¹²² In 2018, RTÉ’s receipts from the licence fee increased by €3m as a result of a part-reversal of the austerity measures that capped the number of ‘free’ licences Government paid for on behalf of certain households and a small increase in licence fees paid for (household growth and improved collection). The land sale generated c.€99.5m net of ‘sales-enabling’ costs in 2017; this income may not be used to fund content or ongoing, regular operating costs.

- 7.12 RTÉ has incurred significant deficits at the operating level for some years; in 2018, the shortfall was nearly €13m, compared to a loss of €6.4m in 2017 (before accounting for the net impact of the Donnybrook land sale) and nearly €20m in 2016. Throughout this period commercial revenues have been relatively modest, compared to pre-recessionary levels, declining from €158m in 2016, to around €150m in each of 2017 and 2018 (in line with muted outcomes in the broader TV and radio advertising sector).
- 7.13 Public funding has increased modestly between 2016 (€179m) and 2018 (€189m), but not by enough to offset commercial revenue weakness and to address the cumulative impact of operating deficits. The decision to partially reverse austerity-linked reductions in RTÉ’s public funding has contributed to the increase in RTÉ’s public income by around €10m over 2017 and 2018 – well short of the BAI’s call for an immediate injection of €30m a year.¹²³
- 7.14 For its part, TG4 has limited commercial revenue (representing around 11% of income in 2018) and its focus has been on content that is unlikely ever to be funded commercially. In addition, TG4 has not been running deficits, nor has it posted surpluses, in recent years (including in 2018 the year under consideration here).
- 7.15 When TG4 was not given as much in the way of additional funds as it requested (a request supported by the BAI and external consultants in the 2016 and 2017 annual reviews), it scaled back on expenditure in line with the lower-than-anticipated income. With the recent decision not to grant TG4 the full amount it has campaigned for in 2019 (€7.2m in additional funds to be dedicated to content investment¹²⁴), TG4 has again determined it would need to reflect the level of what it perceives as ‘under funding’ in its expenditure plans. (We note that the BAI called for an increase in TG4’s annual public income of €6m as a result of the recommendations it received from both the 2017 annual review and the 2018-2022 five-year review.)
- 7.16 Thus, for each of RTÉ and TG4 in 2018, public funding was less than anticipated and did not reflect the recommendations of prior reviews. At the same time, both PSBs have seen flat commercial revenue outcomes, in line with the broader market.

Overcompensation and commercial revenue maximisation

- 7.17 On the basis of our review, we can conclude that both PSBs met their obligations on surpluses – neither ran a surplus of more than 10% of budgeted costs attributable to delivering the public objects. Therefore, in neither case is there evidence of over-compensation.
- 7.18 We can see no case for arguing that RTÉ or TG4 did not pursue a policy of commercial revenue maximisation. Both commercial out-turns were broadly in line with the dynamics of the commercial markets (TV, radio, sponsorship and online) in which one or both operated.¹²⁵
- 7.19 In the remainder of this section of our report, we first review the operations of TG4 and RTÉ with the aim of determining whether they are broadly efficient in their delivery of their PSB objectives. We go

¹²³ BAI, *Statement on Five-Year Review of Public Funding*, 2018 (<https://www.bai.ie/en/broadcasting-authority-of-ireland-statement-on-five-year-review-of-public-funding/>).

¹²⁴ TG4 has undertaken analysis to show the economic impact (including regionally) of its content investments (see paragraph 7.30).

¹²⁵ RTÉ continues to be able to price its airtime at a premium owing to its relatively high (and stable) share of TV viewing and its lower minutage (making RTÉ airtime scarcer than for commercial competitors).

on to consider whether PSB delivery at current levels is sustainable under current funding expectations, and what the PSBs might need to do in the event that sustainability is not assured. This will require a judgement as to whether prospective income levels (commercial and public) are adequate to underpin current objectives; and options the two PSBs might follow under different scenarios.

Efficiency

- 7.20 The economic efficiency elements of our further tests relate chiefly to the ‘value for money’ provision of the PSBs content and services to viewers, listeners and users.¹²⁶ A critical aspect of our work has been to benchmark general cost categories against a relevant international cohort.
- 7.21 Data are not always available for the purposes of like-for-like benchmarking; however, broad indicators of margin for different elements of a broadcasting business are possible to identify and to track annually. Cost categories of use in this exercise have included content and programming costs; distribution and technology; marketing; administration; sales; and depreciation and amortisation.
- 7.22 We have looked at a range of European broadcasters, including those facing similar dynamics to those pertaining in Ireland – evolving consumer behaviour, increased take-up of devices, faster mobile and fixed-line connectivity – and with shared characteristics in terms of funding models (commercial, public and hybrid) and competitor set (presence of commercially funded rivals to PSB providers, including well-funded international operators). We also include cohort territories where there is more than one language (Belgium and Switzerland), sharing porous borders with bigger markets speaking at least one common language.
- As an initial step, we gathered published financial information for the sample cohort of companies; we then analysed their cost bases, by category and as a percentage of revenues to account for differences in scale and scope of operations.¹²⁷
 - Looking at the range of category spend as a percentage of total costs, we were able to assume a baseline range against which to measure the Irish PSBs. Data published by operators are subject to a range of definitions and are not always strictly comparable on a like-for-like basis. We have taken this into account when summarising the information in the table below. In order to benchmark the Irish PSBs appropriately, we have discounted the highest and lowest value in each category. For reference, these are shaded light grey in the table below. Categories where data was not available or meaningful are in dark shading.
 - BBC Alba and S4C have not been included in this analysis due to a lack of publicly available data and the fact TG4 have already undertaken a similar exercise on commissioning costs-per-hour in *TG4 Statement of Performance 2018*.

¹²⁶ An extensive report on RTÉ’s cost base, commissioned by Government and supplied by NewEra in 2013, found RTÉ to be broadly efficient compared to a European cohort. Our exercise for the purposes of the present annual review is for the 2018 period only and comes to similar conclusions.

¹²⁷ All financial information is derived from public sources, including annual reports (and annual accounts for non-European companies); we have also reviewed several shareholder presentations and analysts reports to source more detailed information where available.

Figure 78: International comparisons, European PSBs versus RTÉ and TG4 (in €m)

	NRK	SRG SSR	BBC ¹²⁸	RTBF	F.TV ¹²⁹	ZDF ¹³⁰	Range	RTÉ	TG4
Total revenue	624	1,429	4,541	370	3,087	2,188	n/a	339.1	38.9
Operating costs (opex)	622	1,417	4,608	355	3,193	2,291	n/a	339.8	38.5
Content costs as % of opex ¹³¹	63%	75%	70%	79%	65%	72%	65% - 75%	√* 77%	X 83%
Distribution & technology as % of opex	6%	7%	17%	16%	17%	5%	6% - 16%	√ 5%	√** 4%
Administrative costs as % of opex	n/a	5%	5%	n/a	n/a	n/a	5%	√ 4%	√*** 6%
Depreciation & amortisation as % of opex	5%	4%	n/a	4%	4%	3%	3% - 5%	√ 4%	√ 6%

Source: Company reports and press reports. N.B. Where a '√' or a 'X' has been written in the final two columns, this is to indicate whether RTÉ and TG4 scores have fallen within or very near the given range for each benchmarked metric. * Technically, RTÉ falls just outside the benchmark range but we judge this to be broadly in line. ** TG4's distribution and technology and expenditure ratio is in fact below the benchmark range. *** While TG4's administrative cost ratio falls just outside the benchmark range, the variation is very small.

7.23 Regarding RTÉ, we note that the company announced a cost-cutting exercise as part of the 'one RTÉ' re-structuring and in line with the five-year strategy (2018-2022), which was prosecuted throughout 2018. Of the target 200-300 jobs to be cut through voluntary exit, only 160 Voluntary Exit Programme ('VEP') departures were recorded between March 2017 (when the restructuring was announced) and the end of 2018, with very small savings on overall payroll expenditure (from around €152m in 2017 to €149m in 2018).

- Re-structuring costs of €29m were accounted for in 2017 fully covered by proceeds from the Donnybrook land sale. A residual €0.1m was charged against the 2018 exercise.
- The main thrust of the 'one RTÉ' programme was to ensure a streamlined corporate structure fit for purpose and able to more responsively adapt to the changing expectations and tastes of Irish viewers, listeners and users. Many changes have been made, including IP network upgrades, a further iteration of the RTÉ Player and new equipment to enable the launch of RTÉ's +1 TV services.

¹²⁸ The data in the table relates to BBC Public Service only. Although BBC PS recorded a deficit in 2018/19, this was offset by income from BBC Studios. The income BBC PS receives from BBCS is not included in the table because BBCS operates separately.

¹²⁹ F.TV's Distribution & Technology value is from 2017, the latest year for which data is available.

¹³⁰ Data for ZDF is from 2017, the latest year available.

¹³¹ In order to better approximate actual content costs, we have amalgamated programming spend with staff costs across all PSB categories except for the BBC and RTÉ (where content costs already include the staff costs where these relate to content production in their Annual Reports).

- RTÉ also undertook additional investment in its DTT network, including the costs (partially met by capital grants from Government) to clear the 700 MHz spectrum for mobile use in line with European requirements.

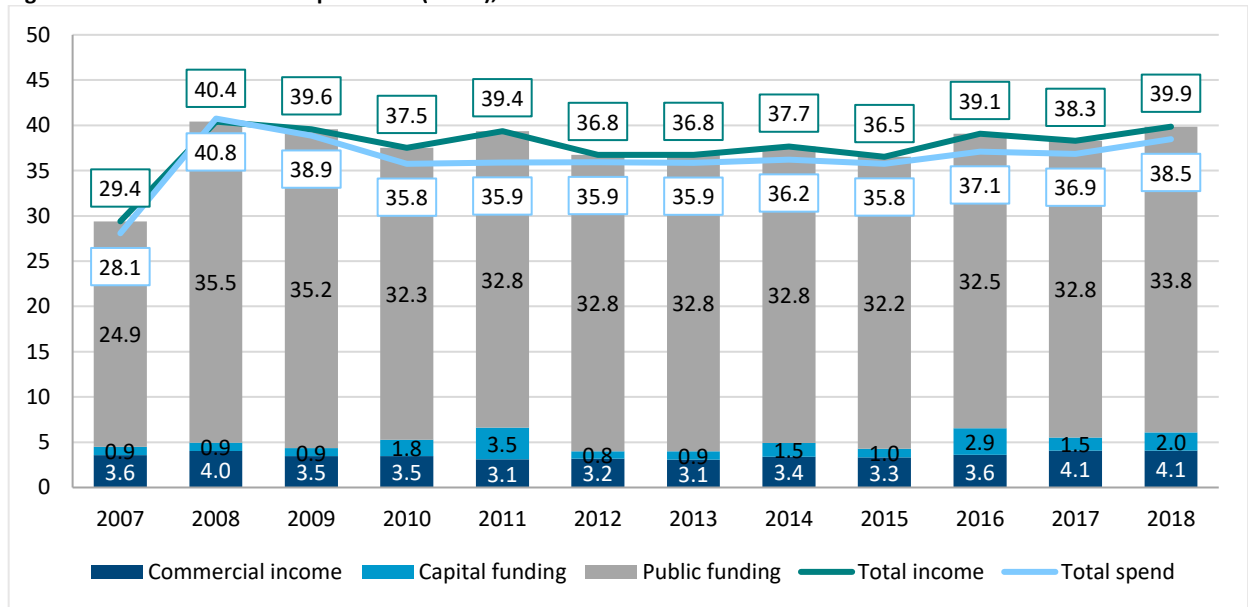
7.24 RTÉ’s cost were broadly in line with the benchmark margins across the categories, with content expenditure as its only out-of-range outcome (and only two percentage points above the benchmark). In the light of declared targets on staffing levels, there may be scope for a further 140 jobs to be cut (to meet the upper end of the 200-300 target established). Based on RTÉ’s average salary bill, this suggests further savings of around €5-7m net a year might be achievable if the VEP programme is fully taken up. This is not enough to offset the cumulative operating deficits of recent years, nor to meet the ambitions of the five-year strategy nor even to address the 2018 deficit on its own (€13m).

7.25 TG4, similarly is in line with the cohort in our key cost categories, with the exception of content (understandably higher given genre and language).

Adequacy and sustainability of public funding – TG4

7.26 TG4 has not operated in significant deficit in recent years. Instead, it has scaled back on investment plans when the level of funding it anticipated (and which was indeed recommended in prior reviews) was not forthcoming. In early 2019, TG4 requested additional funding of €7.2m per year (compared to the BAI’s proposed increase, recommended in 2018, of €6m) to meet its ambitious plans for the 2018-2022 period.¹³² The BAI advised that the investment be made in TG4’s core public services, with particular emphasis on Irish language content, but confirmed its support for the twin-pole national and core audience strategy being pursued by TG4.

Figure 79: TG4’s income and expenditure (in €m), 2007-2018



Source: TG4 annual reports.

7.27 TG4 has effectively spent within its means in line with reduced income in those years where under-funding occurred. While its preferred strategy (2018-2022) requires additional funding to realise, TG4

¹³² <https://www.tg4.ie/en/information/press/press-releases/2019-2/tg4-welcomes-new-broadcasting-amendent-bill-2019/>.

will only incur these additional costs to deliver on that strategy if additional public funds are forthcoming.

- 7.28 As with RTÉ, there appears little prospect of being able to rely on a significant recovery in TV advertising and sponsorship, which in any event only contributed 11% of TG4's revenues in 2018. As we reported in the ASPC sections of this report, TG4 moved to reduce its planned expenditure when funding in 2018 was below expectations; it indicates that it will again treat its strategic plans with the same discipline on the basis that further funding is not available. In the context of 2018, TG4 (correctly in our view) reduced some of its audience-related targets in line with the reduction in content investment that was no longer affordable owing to under-funding.
- 7.29 This suggests that TG4's funding is inadequate to deliver on its ambitions in the remaining period of its five-year strategy but that it is operating sustainably in terms of the avoidance of operational deficits. The BAI will want to consider whether the reduced commitments to services (and in particular those elements affecting Irish language content) are detrimental to TG4's overall delivery of the public objects. In our view, the preferred strategy (as the BAI supported in its call for increased funding from 2018) is suitably targeted and ambitious and deserving of additional funds.
- 7.30 This is particularly the case in light of TG4's clear impact on life in the regions – through job creation, cultural enrichment and the commitment it has to the Irish language. On financial impacts, TG4 has calculated it generated gross value added of €71m in 2018, of which €61m was delivered in the regions.¹³³
- 7.31 If, however, no further movement is discernible from Government, we applaud TG4's transparency in reducing public-service undertakings in line with under-funding. This will mean, however, that more fundamental decisions will need to be made about the role and appeal of the mandate TG4 represents. If the commitments TG4 is being asked to undertake are valuable to the broader Irish media sector, then they will need to be properly funded. If not, the impact is likely to be felt more widely – in the independent production sector that supplies TG4 as a publisher-broadcaster and in the regions of the country where TG4 has had such an impact on jobs, language and culture.

Adequacy and sustainability of public funding – RTÉ

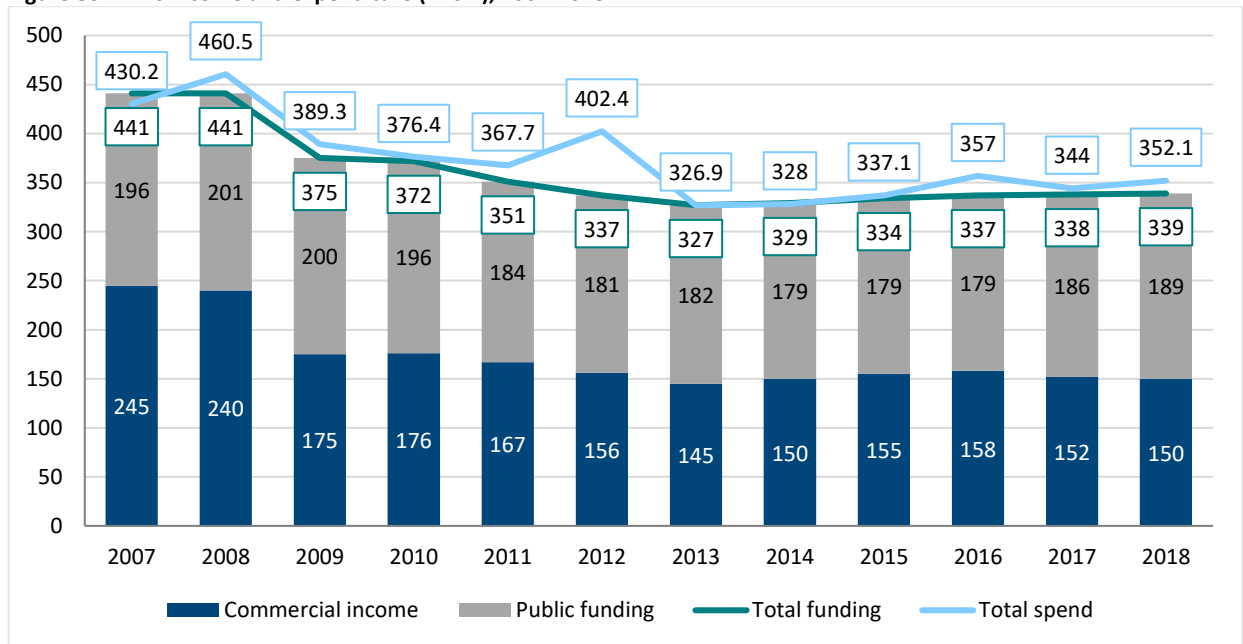
- 7.32 A similar debate on adequacy and sustainability will now take place concerning RTÉ, on the basis of the 2018 outturn and the implications of the Government's recent decision not to implement the BAI's recommendation for an immediate, interim increase in RTÉ's funding, in line with the recommendations of the external consultants in the five-year review.¹³⁴

¹³³ The methodology used in this analysis was similar to the Olsberg-Nordicity analysis for Government, which was widely accepted by industry and endorsed by the BAI. It tracked the multiplier impact of investments in Irish content across a number of audio-visual sub-sectors including TV, radio, film and games. The most recent comparative analysis for RTÉ comes from the 2016 Annual Report, which shows RTÉ's contribution to national output in that year was roughly €315m. and supported 2,900 FTE jobs (in addition to the 1,834 direct RTÉ employees for that year): <https://about.rte.ie/wp-content/uploads/2019/07/rte-annual-report-2016-web.pdf>.

¹³⁴ Communications Chambers, *Review of Funding for Public Service Broadcasters*, 2018. See paras 5.34-5.40 for a discussion of RTÉ's own ASPC commitments around sustainability, a number of which relate to its ability to deliver budgeted revenues from commercial activities and from the licence fee.

7.33 RTÉ’s deficits at operating level in recent years are a clear indication that available funding from a combination of commercial revenues and public money has not been adequate to meet the costs of service provision (and indeed previous reviews have concluded as much).

Figure 80: RTÉ’s income and expenditure (in €m), 2007-2018



Source: RTÉ annual reports.

7.34 The BAI proposed an immediate annual increase of €30m in RTÉ’s funding from 2018 but suggested that RTÉ be required to establish a “strategic audience-based service prioritisation framework” aimed at ensuring it invests in the right services for the right audiences (to maximise/optimize reach and relevance). This was consistent with the recommendations from the external consultants in the five-year review.

7.35 In particular, RTÉ has been encouraged to ensure that it is not ‘over-serving’ older audiences and providing too little in the way of services attractive to younger demographics.¹³⁵ The audience yield approach to ASPCs, alongside the new ‘one RTÉ’ structure, may permit a more informed ‘prioritisation’ of content funding options.

7.36 However, simply reducing like-for-like investment in content destined for older audiences in favour of younger ones does not necessarily lead to optimised outcomes (for example, reach and usage might drop among older users by more than new audience engagement can compensate), with an overall reduction in yield. Moreover, it has been the experience of other PSBs around the world that it is difficult to cut services even if they are of declining interest among under-served audiences given the resultant public outcry.

7.37 The annual reviews in 2015 and 2016, as well as the five-year review published in 2018, all recommended increases in the amount of funding for the two PSBs.¹³⁶ While neither TG4 nor RTÉ

¹³⁵ As we saw in the ASPC review for RTÉ, the PSB has already shifted expenditure in this way – for example, by reducing its expenditure on acquired programming (targeting a mass audience) and significantly increasing the budget for RTÉjr.

¹³⁶ The market review report authored by Mediatique, supporting the BAI’s Broadcasting Services Strategy, 2017, also recommended additional public funding for RTÉ.

received the recommended increases in these instances, the situation of RTÉ is far more serious as a result of chronic under-funding.

- 7.38 Taking a longer-term view, RTÉ's income is now c.€100m below its pre-recession high. In 2007, commercial revenues were €245m, while the licence fee contributed €196m, for a total of €441m. Ten years on, total revenues in 2018, the year under review in this report, were €339m.
- Of this, commercial revenues were just €150m in 2018, the year under review in this report, little more than half their 2007 level. The licence fee declined from a high of €201m in 2008 every single year until 2014, when it hit €179m, where it remained in 2015 and 2016. As we saw earlier, reversals of earlier cuts generated slightly more public funding to RTÉ in 2017 and 2018; in the latter year, the public revenue line was €189m.
 - Operating costs were cut year on year through to 2013, declining from €439m in 2008 to just €307m in 2013. Since then, costs have risen again – reflecting increased competition, the launch of additional services and programme inflation. RTÉ has been in deficit at the operating level (before extraordinary items) since 2015, having now accumulated losses in the four years to 2018 of €41m.
- 7.39 Based on earlier reviews, and its engagements with the BAI, RTÉ had predicated its operating plans in recent years on receiving the recommended funding settlements; in 2018, RTÉ set its ambitions and budgets accordingly. The result was a deficit of €13m. We understand that RTÉ will again operate at an operating deficit in 2019 (the full year will be the subject of its own annual PSB review in due course).
- 7.40 Now that Government has confirmed that any solution on public funding requiring reform of the collection of the licence fee is at least five years away, RTÉ faces a distinct dilemma.¹³⁷ The deficits of recent years, including in the review year of 2018, are not sustainable, and cumulative deficits at the operating level (adding to debt) cannot be met with the proceeds from the Donnybrook land sale.
- 7.41 Meanwhile, there seems little expectation of an improvement in the medium term in traditional advertising markets (TV and radio), for RTÉ or any traditional commercial provider, given audience behaviours, increased competition from Netflix, Amazon and others and the pressures from political uncertainty. The prospects of growing the online and broadcast video-on-demand revenue segment sufficiently and quickly to offset weakness in core markets are slim. The BAI-commissioned market review of 2017 forecast flat growth in advertising revenues over the entirety of the period to 2022; the outturn in 2018 bears that out.
- 7.42 Moreover, RTÉ will be constrained from investing in new business areas for two reasons – lack of available investment funds and regulatory constraints around encroaching further on commercial sectors (e.g., SVOD, high-end drama, interactive advertising) without the possibility of triggering public value impact assessments (which would take considerable time to complete).
- 7.43 Other revenue enhancements look just as problematic. For example, the Government has declined to support changes to legislation that might permit RTÉ to charge pay TV operators for its core channels (so-called 're-transmission fees'). RTÉ may be able to extract increased income from pay TV operators such as Sky, Virgin, Eir TV and Vodafone (and potentially new entrants such as Google-YouTube, Facebook and Apple as they further develop their audio-visual propositions). But these income streams

¹³⁷ The Government has indicated that there may be additional funds made available through the Sound & Vision fund (and perhaps from other funds set up under changes to the AVMS directive). This is unlikely to lead to a significant transfer of value to RTÉ and TG4 (or at least not on par with the requirements).

will be relatively modest unless and until RTÉ is able to charge for its linear TV channels (requiring changes to legislation to promote).

7.44 The remaining alternatives in the short term are stark. Unable to depend on improving commercial revenues and now facing a number of years before any relief appears from a reform of the licence fee, RTÉ will need to reduce its expenditure. This will be hard at a time when certain costs (content in particular) are rising, and when RTÉ is facing continued pressure on audiences and levels of consumer engagement.

7.45 There appears to us to be limited scope for small cuts across different operating segments of RTÉ (so-called ‘salami slicing’), which appear to be operating relatively efficiently. Saving the remaining €5-7m of staff costs identified in the VEP makes relatively little difference to the adequacy and sustainability challenges over time. The time may now have come when RTÉ needs to consider more aggressive cuts – of entire services, perhaps – and this will likely entail compulsory redundancies.

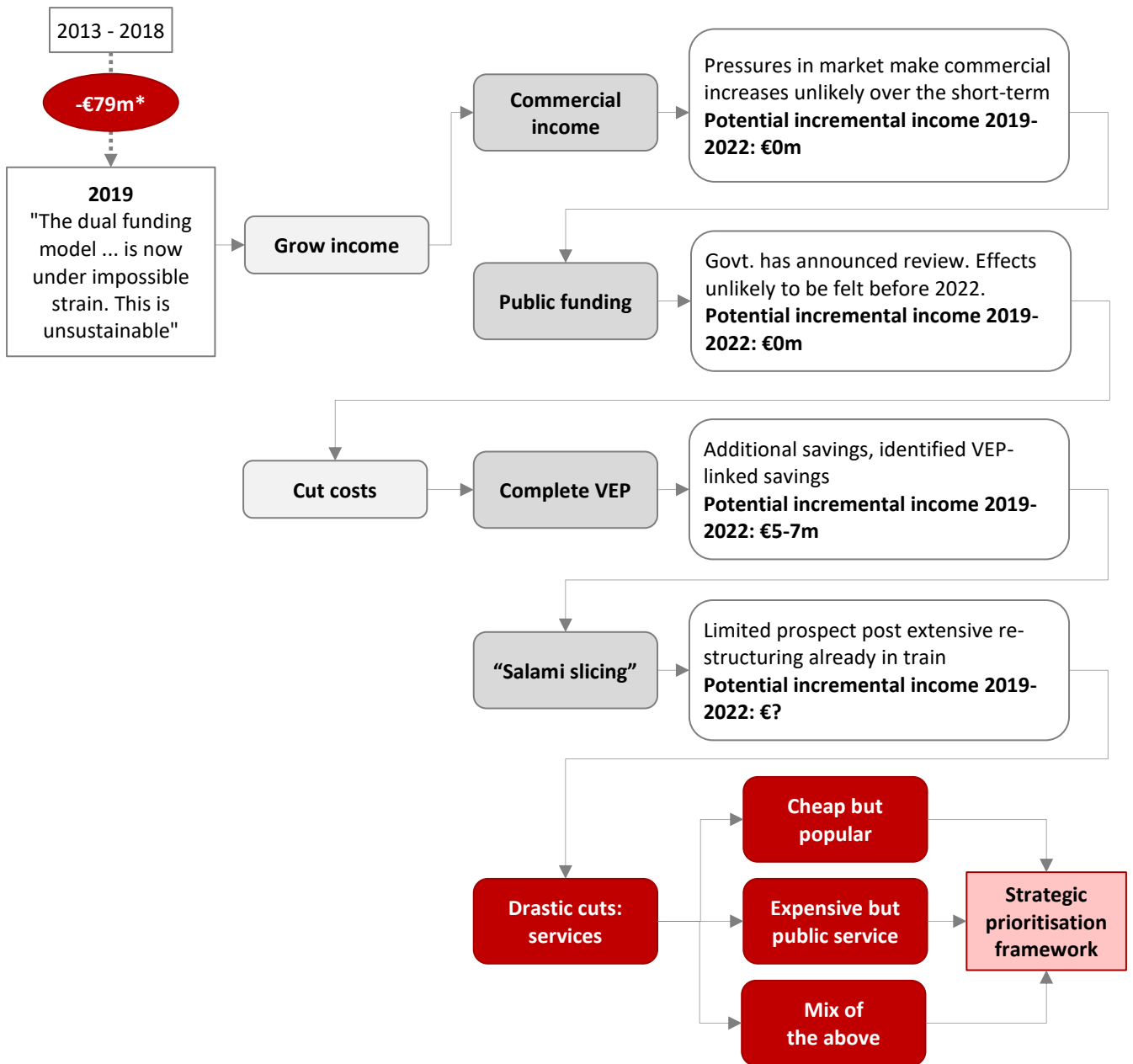
- This presents a number of interlocking challenges, however. If RTÉ cuts services that are popular (even if it saves money thereby), then it compounds the difficulties it faces in meeting reach and viewing/listening/usage targets. That, in turn, may well reduce income and the ability to invest in content and services in the future. A vicious circle looms of lower income, lower expenditure, lower reach/usage and still lower income.
- Conversely, RTÉ could cut less popular, relatively expensive services – those that generate lower engagement but are of high public value and unlikely to be funded by commercial players. However, that inevitably raises concerns about the role of RTÉ as a public-service entity. If it is not engaged in providing those services or content genres that otherwise would not be produced, then why does it receive public money at all?¹³⁸
- In our stakeholder interviews, some interlocutors expressed the view that RTÉ still spends too much on its talent, and on sports rights. We have seen no evidence that RTÉ pays substantially above the odds for either key talent or sports fixtures, which in any event are critical to its delivery of mass market audiences. However, a straitened RTÉ may well struggle to compete for the remaining sporting events that operate on a basis consistent with an FTA distribution model.
- There were also suggestions that RTÉ could save costs by out-sourcing even more of its content to the external sector. We note that the five-year review recommended a fundamental review of the balance of in-house and external supply, which the BAI endorsed (and which appears sensible to us as well).

7.46 RTÉ is not operating in a vacuum. Despite the significant reduction in its commitment to the external suppliers since 2008 (in line with its own content budget declines), RTÉ spent more than €40m with independent producers in Ireland in 2018. It also contributed programming valued at around [€] to TG4 in the year. Its ability to continue to provide this level of industry support is of course dependent on RTÉ achieving sustainability.

7.47 We summarise the challenges ahead for RTÉ in the schematic below:

¹³⁸ It is also important to recall that any proposed cuts to services will require Ministerial approval and Sectoral Impact and Public Value Assessment by the BAI and will not be straightforward or immediate.

Figure 81: Schematic of RTE's budget options¹³⁹



Source: Mediatique.

¹³⁹ The €79m lost between 2013 and 2018 is public funding only and comes from RTE's Statement of Strategy 2018-2022.

8. Conclusions and recommendations

- 8.1 We undertook a detailed analysis of the PSBs’ own targets and metrics, at the direction of the BAI. We concluded that RTÉ and TG4 largely met their objectives, despite significant financial pressures, including the combination of chronic under-funding from public sources and the challenging commercial market environment.
- 8.2 We further concluded that neither PSB was in breach of their obligations on overcompensation and commercial revenue maximisation.
- 8.3 We have made a number of observations in context and some specific recommendations on targets (see the Conclusions sections of the RTÉ and TG4 ASPC sections of this report). We also propose that the PSBs take into account our recommendations regarding their ASPCs in future periods (from 2020).

	Recommendations
TG4	<ul style="list-style-type: none"> 1: Continue to simplify targets, focusing on quantifiable metrics 2: Weighting performance commitment and/or target priorities 3: Alignment with efficiency targets informed by audience yield analysis 4: Codify commitments with RTÉ on Irish language programming
RTÉ	<ul style="list-style-type: none"> 1: Inclusion of online metrics (‘time spent’) 2: Codify commitments with TG4 on Irish language programming

- 8.4 Both PSBs delivered their public-service mandates efficiently, based on a number of metrics applied in their ASPC reviews and on our international benchmarking.
- 8.5 For 2018, TG4 was obliged to reduce its ambitions following under-funding and has indicated it will continue to live within its means. For the future, there will persist questions, therefore, about adequacy in terms of the public service mission of TG4.
- 8.6 TG4 has demonstrated it would make good use of additional funding, which helps regional development and nurtures cultural and linguistic aspects of Irish life. The BAI’s recommendation of €6m annually in incremental public funds remains valid. If this is not forthcoming, however, TG4 has shown it will continue to fit its ambitions to its available resources (even at the risk of under-delivery on its public service ambitions). This raises a challenge that policy makers will inevitably have to face.
- 8.7 In the case of RTÉ, the situation is grave. With the prospect of public funding reform now distant, commercial growth challenged and only limited scope to reduce costs through further efficiencies short of significant restructuring, it is clear that current funding is inadequate to ensure the delivery of RTÉ’s public services at their present level.
- 8.8 If RTÉ is to maintain its current level of provision without incurring further, unsustainable deficits, additional funding will be required. We see no reason at this juncture to change the recommendation of the BAI in 2018 (€30m), of which c.€10m has been provided in recent budgets. Therefore, an additional €20m per annum is the minimum recommended immediately. However, the reality is that RTÉ is extremely unlikely to receive this support, implying that RTÉ’s current model is no longer sustainable.
- 8.9 Barring a re-consideration by Government on short to medium-term funding, RTÉ will need to make significant changes to the size and scope of its operations and services if it is to restore its sustainable ability to engage with Irish audiences. That work will need to start immediately.

- 8.10 In making its decisions, it will benefit from two developments – the ‘one RTÉ’ re-structuring that permits RTÉ to think more holistically about investment and outputs; and the audience prioritisation framework through which content decisions can be judged and outcomes optimised. Mediatique is not in the position of advising how structural cuts (of services and programme genres) might be accomplished and with what impact on RTÉ’s public-value remit and its serving of Irish audiences. However, the warning is clear: cutting popular services may be counter-productive in terms of audiences and revenue maximisation; and cutting worthier, minority-interest services risks devaluing RTÉ’s public-service remit.
- 8.11 The 2019 PSB Review will necessarily require more detailed consideration of RTÉ’s strategic response to the perpetuated funding crisis.¹⁴⁰
- 8.12 For TG4, which has not been operating at a deficit and which has been in receipt of broadly consistent settlements in recent years, the sustainability argument does not arise in the way it does for RTÉ (although by definition, RTÉ’s difficulties could still have an impact on TG4 given the relationship between the two). TG4 does not have funds adequate to fulfil its preferred strategy but it operates on a sustainable basis, cutting costs and scaling back on ambitions in recognition of adverse funding settlements.
- 8.15 We summarise our key observations and conclusions in the table below.

¹⁴⁰ RTÉ is currently reviewing its strategy as a matter of urgency, using the strategic prioritisation framework in conjunction with the assistance of external consultants. The results of this will be reviewable in the annual PSB review of 2019, undertaken in 2020.

Figure 82: Key observations and conclusions

Market	<ul style="list-style-type: none"> ▪ In 2018 the activities of ‘new’ entrants was again evident in both platform and service categories, with further growth in the penetration enjoyed by global SVOD players Netflix and Amazon ▪ Pressures also built upstream, evidenced by content cost inflation ▪ Reflecting further competition for consumer attention, spend in advertising across traditional media (TV, radio, newspapers) dipped sharply for another a year, with print most adversely affected (the outcome was amplified by Brexit uncertainties) ▪ Total broadband subscriptions and internet connectivity levels were stable but <i>types</i> of broadband, and take up (specifically FTTP and mobile) continued to have an impact on how and where content was consumed (Smart TVs & mobile devices) ▪ Greater connectivity continued to widen the scope of networks, devices and services available to consumers (influenced by bundling strategies and displacement of traditional pay TV by IPTV/SVOD): these dynamics, in turn, enabled further shifts in consumer behaviour (disfavouring broadcast TV) ▪ TV reach and viewing declined further in the year; radio remained relatively resistant except among younger demographics ▪ PSBs saw further erosion in TV share, led by younger viewers
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	RTÉ	TG4
Financial performance in 2018	Revenue: €339.1m Operating costs: €352.1m (Deficit)/Surplus: (€13.0m)	Revenue: €38.9m Operating costs: €38.5m (Deficit)/Surplus: €0.4m
ASPCs largely met?	✓	✓
Commercial revenue maximisation	✓	✓
Overcompensation avoided?	✓	✓
In receipt of adequate public funding?	X	X
Sustainable on current funding levels?	X	✓
Incremental funding received in 2018	€2.43m¹⁴¹	€2.985m¹⁴²
Funding recommended for 2019 by the BAI (Five Year Review 2018)	€30m p.a.	€6m p.a.
Incremental funding received in 2019	€8.6m¹⁴³	€0.443m¹⁴⁴
Remainder of 2019 funding recommendation	€21.4m	€5.557m
Mediatique recommendation for public funding increase to achieve 2018-2022 Strategy	€20m p.a.	€6m p.a.¹⁴⁵

¹⁴¹ Made up of €1.43m from increased DEASP contribution, and €1m in increased licence sales during the year.

¹⁴² This includes €1m of current funding, €985k for *Bliain na Gaeilge* and €1m additional funding for capital expenditure. Capital expenditure is a non-recurring form of funding however and is not guaranteed for subsequent years. It can fund certain types of programming which can be capitalised.

¹⁴³ This includes €4.245m returned to RTÉ as TG4 are now fully funded by the Exchequer, and RTÉ’s share of €4.3m of the increased contribution of €5m from DEASP.

¹⁴⁴ Increase in current funding from Government.

¹⁴⁵ Our figure takes into account both the incremental funding in 2018 and the request for €7.2m of increased funding from TG4 presented to Government in 2019. Note that this request, and any result, will be reviewed as part of the ARPPF for 2019, conducted in 2020.

Appendix 1: TG4’s goals and strategic initiatives, Preferred Strategy versus Flat Funding

TG4 Goals for 2022	Preferred Strategy Initiatives (Flat Funding strategy in bold)
Grow national audience share and reach through better, more focused content	<ol style="list-style-type: none"> 1. Deliver stronger, more contemporary factual content 2. Further develop TG4’s sports brand and content 3. Strengthen further TG4’s national live music and cultural events content 4. Grow TG4’s investment in innovative non-linear content, both internally and from the independent production sector and other suppliers 5. Create a social media space for 18-34 year olds, to grow engagement with the Irish language and TG4 and to encourage user generated content creation 6. Develop a strong and vibrant TG4 media brand to enhance multi-channel engagement with TG4
Support the development and internationalisation of the independent production sector, especially in the regions	<ol style="list-style-type: none"> 7. Increase investment in multi-annual agreements 8. Establish Cine4 to bring high-quality, Irish language drama to cinemas 9. Support the development of diverse, Irish language audio-visual talent
Develop TG4’s commercial capabilities and opportunities	<ol style="list-style-type: none"> 10. Increase commercial revenue through advertising & sponsorship growth 11. Exploit opportunities arising from supporting the internationalisation of production companies working with TG4
Develop TG4’s skills and structure to ensure a competitive and vibrant organisation	<ol style="list-style-type: none"> 12. Embed the new organisation structure 13. Develop TG4 skills, talent and culture to address the evolving media landscape
Build an Irish language digital content infrastructure for learning, information and cultural services	<ol style="list-style-type: none"> 14. Preserve and provide public access to TG4’s Irish language and cultural archive for audiences worldwide 15. Establish an Education Portal as the central resource for Irish language learning and for the Irish language in education. 16. Establish an Irish language News & Entertainment short-form content hub.
Further develop multiplatform distribution and partnerships to ensure universal access to TG4’s Irish language content	<ol style="list-style-type: none"> 17. Develop partnerships and expand multi-platform distribution to support our vision of “TG4 Gach Áit/TG4 Everywhere” 18. Enhance our competitive position by investing in content technology and systems to develop our services and expand their cross-platform availability to audiences
Serve habitual Irish speaking audiences better, supporting the communities who speak Irish	<ol style="list-style-type: none"> 19. Enhance TG4’s broadcast schedule and programming strategy for habitual Irish speakers 20. Establish a Kids’ Portal, bringing together TG4’s Kids’ Player, games and apps and develop new portal content 21. Develop TG4’s community-based initiatives and content to deepen our presence and strengthen our brand in Irish speaking communities 22. Support and celebrate young talent who are developing their creative skills through media and technology
Support cultural diversity in a changing Irish society	<ol style="list-style-type: none"> 23. Ensure greater diversity and inclusiveness as part of TG4’s strategy and broadcast agenda 24. Continue to broadcast and nurture TG4’s partnership with women’s sport 25. Expand the broadcast of Gaelic games across age groups and communities

Source: TG4 2018-2022 Statement of Strategy.

Appendix 2: Case studies

Kommission zur Ermittlung des Finanzbedarfs der Rundfunkanstalten (KEF), Germany

- KEF is the commission for the evaluation of the public licence fee, for both the ARD and ZDF broadcasters in Germany. It was established in 1975 to reassure German citizens of the financial reliability of its core PSBs. Its task is to evaluate the requirements of the German Public Service Media to provide licence fee recommendations to the state parliaments in Germany.
- Based on their statements of planned expenditure, the KEF considers the broadcasters' actual needs, its opportunities to save and issues a report to state parliaments which includes a suggested licence fee for German citizens. For 2019, KEF's recommendation is that licence fees should be frozen at their current rate.
- The fee calculation follows this process: first, PSBs will submit a fee bid to the KEF. Second, the bids will be processed within the KEF with cost effectiveness and efficiency the two targets given most consideration. Finally, the KEF issues license recommendations to state governments who then decide on the final amount of the license fee.

Canadian Broadcasting Corporation/Radio-Canada (CBC), Canada

- The CBC has not been benchmarked by us in the same way as those referred to in the table above (on the basis that it is an international broadcaster and is too far removed from the models of both RTÉ and TG4). However, it does make interesting use of target-setting, objectives and efficiency reviews that are worthy of remark.
- CBC/Radio-Canada conducts internal reviews of its targets and objectives on an annual basis. These targets are tiered; some are compulsory in order to retain its licence as a broadcaster, others are internal targets which are tracked every year, and there is also a set of three broad priorities with no definite and/or tangible commitment.
- The first tier of targets is outlined by the Canadian Radio-Television and Telecommunications Commission ('CRTC'). These state the regulatory requirements for the percentage of Canadian content shown on television, both over the course of a broadcast day and in prime time.
- The CBC also reports internally on a set of targets that it has named its 'Performance Strategy 2020'. This is a set of targets under the categories of 'Audience', 'Infrastructure', 'People' and 'Financial'. These are detailed, specific and are measured every year. These are classified as either 'Met or exceeded', 'Partially met' or 'Not met'.
- The CBC has established a set of three broad priorities as it looks to its strategy for the coming year. These are: 'More Local', 'More Ambitious Canadian Programming' and 'More Digital'. These are not targets that are measured in the same way as the previous two, but rather statements of intent that can be referred to when announcing notable investment, statistics or changes to content strategy.

Swiss Broadcasting Corporation (SRG SSR), Switzerland

- SRG SSR's review of its targets and objectives is complex and is more simply viewed as two tiers of strategic imperatives: an umbrella business strategy and the mandating of that strategy in the form of targets applied on a day-to-day basis.
- The umbrella business strategy is made up of these six core objectives:
 - Cultivate an independent and challenging form of journalism;

- Expand its offering for a mobile, young and urban audience;
 - Step up contact with media users;
 - Target regional, national and international co-operation;
 - Live up to its responsibility for the media community;
 - Engage in innovation and increase its agility.
- This is the strategy from which the Enterprise Units (RSI, RTR etc.), the departments (Operations and Finance) and the subsidiaries (Technology and Production Centre Switzerland AG) derive their sub-strategies.
 - Beneath this broad set of aims, there is a more detailed set of category objectives around: ‘Mandate and legal position’, ‘Organisation and structure’, ‘Strategy and objectives’, ‘Quality’, ‘Media Scene’. Within these, there is greater detail on the legal mandates and the targets for each of the Enterprise units.

Appendix 3: Key recommendations from previous reviews, 2013-2018

Key recommendations	2013	2014	2015	2016	2017
TG4	<p>Metrics should focus on fulfilling five-year strategy</p> <p>Refine targets further</p> <p>Switch to quantitative targets</p>	n/a	<p>Include targets for maintaining market share and increased investment</p>	<p>Significant reduction in metrics</p> <p>Quantified targets for youth audiences</p> <p>Finalise fair trading code</p>	<p>Simplify targets</p> <p>Replace share with TVR/hours</p>
Public funding recommendation for TG4	In line with inflation	€0.2m	€0.5m	€0.25m – €0.75m ¹⁴⁶	€6m
Received?	No	No	No	€0.3m	€0.25m
RTÉ	Metrics should focus on fulfilling five-year strategy	n/a	<p>Reduce and refine metrics</p> <p>Increase investment in digital offering</p>	<p>Significantly reduce metrics</p> <p>Reduce its cost base (incl. via staff reductions)</p> <p>Link licence fee to CPI</p>	<p>Add “time spent” or “loyalty” target</p> <p>Consider whether share targets are appropriate</p>
Public funding recommendation for RTÉ	In line with inflation	€1.2m	In line with CPI-X	€1.8m ¹⁴⁷	€21.4m
Received?	No	No	No	No	€7m ¹⁴⁸

¹⁴⁶ Contingent on a commitment to use additional funds for targeted investment to attract younger audiences.

¹⁴⁷ Conditional on RTÉ implementing strict cost control measures and completing an independent examination of price elasticity of demand for its advertising.

¹⁴⁸ Part reversal of funding cuts – set out in Budget 2017 – made up of €5m in licence fee payments reverting to RTÉ from TG4, €1m from raising the cap on DEASP licences, and €1m in the increased number of licences issued.

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