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19th December 2019

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

Re: BAI Annual Review of Performance and Public Funding ("ARPPF") of RTÉ and TG4 2018

Dear Minister,

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

The Authority was assisted in its work by Mediatique ("the Consultants") in conducting annual performance reviews of RTÉ and TG4 for 2018. As in previous years, the reviews encompass an assessment of the extent to which each corporation has fulfilled the commitments made in the relevant period in respect of its public service objects, and the adequacy or otherwise of public funding to enable the corporation to meet its public service objects.

The Consultants' report for 2018, (*Annual Review of Performance and Public Funding of Public Service Broadcasters 2018*), is enclosed with this correspondence. Reviews of both public service broadcasters (PSBs) are contained within the report.

In writing to you, I also wish to take the opportunity to respond to you on issues raised in your letter of 18th October 2019, regarding the BAI's Annual Review of Performance and Public Funding of the PSBs 2017, which was considered by the Authority at its meeting held on 28 November 2019. In particular, I will address in greater detail key points raised in respect of the PSBs' performance among younger audiences and in areas such as audience trust.



1. Terms of Reference

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

- The extent to which each PSB has fulfilled its commitments in respect of its public service objects, as set out in its Annual Statement of Performance Commitments 2018;
- The extent to which each PSB utilises public funding efficiently and effectively, and the extent to which creativity is fostered and sustained;
- The extent to which each PSB has used the public funding which it has received, in pursuit of its public service objects (rather than in pursuit of its objective to exploit commercial opportunities), with a view to assessing whether any overcompensation has occurred;
- The extent to which each PSB provides value for money, the adequacy, or otherwise, of public funding for each PSB to enable it to meet its public service objects, and the extent to which each PSB has complied with EC policy in respect of the maintenance of surpluses.

The terms of reference for this review also included a bench-marking exercise, which compared the PSBs' key economic metrics with PSBs based in other jurisdictions.

2. Context of, and Approach to, the Review

The BAI and its appointed consultants, Mediatique, commenced work on the 2018 annual review in early July 2019 and concluded the vast majority of the associated fieldwork and data analysis by the first week of September 2019.

In conducting the review of TG4's performance, the consultants focused on the primary areas set out in the broadcaster's 2018 annual statement of performance commitments ("ASPC"). The broadcaster's performance in 2018 was reviewed across the following five thematic areas, which were previously agreed between the BAI and the PSBs as an appropriate framework for consideration by the BAI of the broadcaster's ASPC:

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

As detailed in the report, following recommendations made in recent ARPPFs, RTÉ have streamlined, rationalised and subsumed their commitments and targets for 2018. This change is welcomed and



supported by the BAI. Accordingly, the three key thematic areas covered in the review incorporate the five thematic areas listed above and are as follows:

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

You will recall that a supplementary piece of analysis – “Audience Yield” was piloted and trialed by the BAI as part of the 2017 ARPPF. This analysis was also undertaken for both PSBs in the 2018 ARPPF.

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

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

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

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

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

RTÉ's “revised” strategy

This review considered the performance of the broadcasters in 2018 having regard to their commitments and objectives as set out in their existing Five-Year Costed Strategies, submitted to the Authority as part of the BAI's Five-Year Review of Public Funding, which concluded in 2018. The broadcasters' respective strategies covering the period 2018-2022 remain the only **existing** costed and detailed strategies formally submitted to, and assessed by, the BAI.

The BAI is aware that RTÉ has recently announced a revision to its current strategy and has been in discussions with you and your officials in respect of new proposals to address on-going deficits. The BAI received only a preliminary briefing by RTÉ in this regard before the broadcaster's plans were made public but after the conclusion of the BAI's Annual Review. For this reason, the BAI's Review 2018 does not contain any references to these current developments and the Authority's recommendations can only be made with reference to the BAI's funding recommendations arising from RTÉ's objectives



as set out in its Five-year Strategy submitted to the BAI in the context of our Five-year Review of Public Funding 2018.

However, it is the Authority's intention to review RTÉ's most recent strategy and financial projections in undertaking its Annual Review of 2019 – this we expect will start early in 2020.

In line with our statutory functions pursuant to sections 100 and 103 of the Broadcasting Act 2009, the BAI would be happy to assist the Minister, if required, to provide any relevant statutory advice needed to proposed future changes in the number and nature of services provided by RTÉ.

3. Authority Observations arising from the ARPPF 2018

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

TG4

Audience Performance:

The review noted that TG4's commitments relating to content performance were split between the PSB's two audience poles, in line with its twin-pole strategy of targeting both a wider audience across Ireland as well as its core audience of habitual Irish speakers. The majority of its targets, focused on the wider national audience pole, were achieved. However, this was not replicated for core audience targets, where only 14% of targets for broadcast hours were achieved and only three of 16 programming development targets (19%) were met. This is a matter of concern for the BAI. However, the Authority is also mindful that this impact on audiences can be directly attributed to the broadcaster not being in a position to fully realize and execute its objectives as set out in its Five-year Costed Strategy (2018-2022) because of funding constraints. In the view of the Authority, this performance captures, quite starkly, the link between funding and the achievement of TG4's strategic objectives.

TG4's targets for growing non-linear audience engagement were ambitious, and almost all were fully met. Across linear and non-linear, TG4 set out a series of targets to improve engagement with children and young audiences. Non-linear performance easily outpaced linear performance among targets. For broadcast TV, weekly reach for both children and younger audiences missed their targets. Average all-day share was also missed for young audiences but achieved for children. The Authority welcomes TG4's focus on younger audiences but notes the broadcaster's active acknowledgement of fragmented audience consumption in their commitments and targets for the reasons set out above and as highlighted in your letter to the BAI of 18th October last.



As expected, TG4 performed well in terms of its Irish language commitments and targets. It is noteworthy that a nationally representative survey selected by TG4 strongly believes that TG4 supports and promotes the Irish language (92%).

Audience Yield:

In terms of Audience Yield, in 2018 as compared to 2017, TG4's national programming delivered slightly better yield. However, core audience yield fell in 2018, meaning that, overall, TG4's total audience yield across its content portfolio dropped year-on-year (to 2.6 from 2.8 user hours per euro). As noted in the report, while overall yield is lower, this may not reflect the granular implementation of TG4's new twin-pole strategy. The BAI also emphasizes that the Audience Yield methodology and analysis does not include more intangible PSB attributes such as public value and impact.

Budgetary position:

As detailed in the report, TG4's performance in 2018 is a direct result of the broadcaster not being in a position to execute all aspects of its costed Five-Year Strategy, due to funding constraints. However, the BAI notes that TG4 has employed a practice of not running deficits and has instead chosen to work within its allocated funding, notwithstanding the impact of this approach on the achievement of its agreed organisational strategy. This has subsequently affected the broadcaster's performance and ultimately the quality and quantity of Irish language content delivered to Irish audiences.

The BAI also notes that the Consultants concluded that TG4 operated within its means for the year and, consequently reached most of its targets for efficiency and spending of public funding solely on its public purposes.

RTÉ

With regard to RTÉ, the Authority welcomes the broadcaster's high-level, more strategic focus in its commitments and targets, following recommendations in previous reviews. The review notes that across its 34 targets, RTÉ fully achieved 22 targets and largely achieved 7 more, meaning a remainder of 5 targets were not achieved in 2018.

While a majority of targets were achieved, the BAI is increasingly concerned with RTÉ's missed targets in respect of its financial performance and, in particular, its practice of running deficits. The Authority is of the view that RTÉ should take all necessary steps to ensure that it operates within its allocated funding in the future.

Young Audiences:

The BAI notes that RTÉ's 2018 performance commitments put more focus on under-served audiences (18-34 years olds) and on the broadcaster's performance in the delivery of its non-linear services. As



pointed out in your letter of response to the 2017 ARPPF, this is a crucial challenge facing Irish broadcasters and one that needs to be substantively addressed given the growing fragmentation of younger audiences and the increase in consumption of on-demand and subscription services in Ireland. This is a challenge facing not just Irish public service broadcasters but other broadcasters in Ireland and throughout Europe. However, in order to do so in a sustainable way and in such a way as to allow the broadcaster to continue to serve its existing audiences, there is a requirement for funding and time to allow RTÉ to transition effectively.

Linear Services:

In terms of RTÉ's performance across linear services, the BAI noted that the broadcaster continues to broadly maintain its reach and share. However, the Authority noted with concern that RTÉjr's reach among 4-7-year-olds has continued to decrease (to 13.2% in 2018 from 15% in 2016), and that Raidió na Gaeltachta similarly struggled to maintain reach. The BAI welcomes RTÉ's commitment to develop other metrics, such as "time spent". Such metrics are increasingly important for PSBs to measure and can often provide greater insight on the depth and range of audience consumption in an increasingly fragmented audiovisual landscape.

Trust:

You highlighted trustworthiness in your letter of response to the 2017 ARPPF, and the BAI wholly agrees that this a key area of performance for the Irish PSBs. With this in mind, it is worth noting that RTÉ met their 2018 target for maintaining the public perception that RTÉ provides trusted News and Current Affairs content, although performance has dropped from 87% of respondents agreeing to this statement in 2014, to 82% in 2018. The BAI considers trustworthiness to be a most important value in public service broadcasting and, as such, is a key performance measure.

Reflecting the importance of this value, the Authority has tracked the PSBs' performance through various types of research. For example, The Reuters Institute Digital News Report 2018 emphasised that RTÉ is the most trusted news brand in Ireland, adding that "at 71%, Irish consumers are more trusting of 'most news'" compared to the EU average (62%). In addition, the BAI-commissioned PSB Audience Perception Tracker Survey noted high performance by RTÉ in trust-related attitudinal statements. In some cases, RTÉ's performance increased between 2016-2018. For example, in 2016, 56% of the average Irish audience associated RTÉ content with Trust and Liberty of Expression, whereas this increased to 62% in 2018.

Audience Yield:

In terms of Audience Yield, compared to 2017, the gap between RTÉ One and RTÉ2/jr has 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. 2018 also saw a similar boost in content efficiency in radio content (particularly for 2fm and Radio 1).



Budgetary position:

As mentioned earlier, RTÉ's target for their 2018 annual budget was not met. The deficit for 2018 was €13m, compared to the target of €11.8m. RTÉ has consistently run deficits over the past number of years and the BAI has been consistent in its insistence that this practice should not continue. The situation facing RTÉ is therefore critical and requires urgent attention by the broadcaster to bring spending into line with revenue.

Overall conclusions

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

As demonstrated in the Mediatique report, neither RTÉ or TG4 has been in a position to implement fully their objectives, as outlined in the broadcasters' Five-Year Strategies (2018-2022). Because they have not had the required level of funding, as recommended by the BAI in its 2018 Five-Year Review of Public Funding, the broadcasters are faced with difficult decisions. In the case of TG4, the broadcaster has scaled back its ambitions and will not deliver all aspects of its strategy. RTÉ, on the other hand, has continued to run significant deficits.

The Authority is most concerned at the net impact, which is ultimately the diminishing provision of public service content to Irish audiences. In the current climate of disinformation and "fake news", stable and sustainable public service broadcasting is viewed as being more necessary than ever. The BAI is also mindful that Irish audiences rely on public service broadcasting not just for news and current affairs programming. Public service broadcasting has a wider role in fostering democratic debate, in reflecting Irish culture, identity and language and in connecting Irish citizens with the rest of the world.

As detailed in the review and noted in your letter regarding the 2017 ARPPF, the PSBs face a series of challenges brought about by the further fragmentation of audiences and the growth of non-linear media consumption. The BAI is keenly aware that audiences are changing the way they consume content. However, the Authority is also aware that broadcasters need to change the way they engage with

audiences in a measured and responsible manner. As detailed in the review, simply reducing like-for-like investment in content destined for older audiences in favour of younger ones does not necessarily lead to better outcomes. In other words, reach and usage are likely to drop among older users to a greater extent than new audience engagement can compensate, resulting in an overall reduction in yield.

It is the BAI's conclusion, therefore, that a further diminution of the position of public service broadcasters could significantly impact older and less well-off Irish audiences. The Authority emphasizes the need for RTÉ and TG4 to be adequately funded in order to implement the phased transition needed to become modern, digitally connected, accessible and universally-relevant PSBs.



Finally, the BAI welcomes the Government's recent decision to establish a Commission on the Future of Irish Public Service Broadcasting. The Authority is keen to contribute to the work of the Commission and concurs with the Minister's view that the significant challenges facing public service broadcasting, as outlined in this letter and as reflected in the terms of reference of the proposed Commission, need to be discussed and addressed in a substantive and timely manner.

4. BAI Funding Recommendations

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

In summary and taking account of all the evidence in the Review of the broadcasters' performance in 2018, the Authority is satisfied that the broadcasters broadly achieved their targets for the period.

The BAI notes the recommendations arising from the BAI's Five-Year Review of Public Funding, submitted to you in June 2018. In that context, you will recall that the Authority recommended that RTÉ receive an increase in its annual public funding of €30m per annum (effective from 2018). In the case of TG4, the BAI recommended an increase of €6m per annum in public funding, over and above TG4's 2017 public funding provision. We recommended that this increase should have full effect from 2018 and onwards over the period of TG4's strategy.

The Authority welcomes the Minister's recent decision to increase the level of public funding available to RTÉ in 2020 and beyond. Reflecting this decision and arising from the BAI's 2018 Annual Review of Performance and Public Funding, the BAI now makes the following recommendations in respect of 2020 public funding for TG4 and for RTÉ:

- **TG4:** in the case of TG4, a funding increase in 2020 of **€5.557m per annum** is recommended - being the €6m recommendation made by the BAI in 2018 but adjusted for the public funding increase (current) committed in the 2019 period (€0.443m).
- **RTÉ:** in the case of RTÉ, a funding increase of **€12.1m** - being the €30m per annum recommendation made by the BAI in 2018 less previous and planned public funding increases committed by Government in the 2019 and 2020 periods, totaling €17.9m.

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



5. Commercially-sensitive Information

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

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

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

Yours sincerely,

A handwritten signature in black ink that reads 'Pauric Travers'. The signature is written in a cursive style and is positioned above a solid horizontal line.

Professor Pauric Travers
Chairperson

Encl.