

Joint Committee on Communications, Climate Action and Environment

**Consultation on the Funding of Public Service Media,
Tuesday November 22nd 2016**

Opening Statement by Dee Forbes, Director-General RTÉ

Chair and Committee members: thank you for the opportunity to discuss the future and funding of public service media in Ireland.

Your invitation is timely, as the issues are pressing and important for all of us.

Media organisations in Ireland are under very serious financial strain. RTÉ, with its broad remit and a reliance on commercial revenue to cover 50% of the cost of fulfilling that remit, is no different.

In Ireland's case, the reasons for the financial challenges facing media are multifaceted, some specific to us and some consistent with trends across the developed world.

Most of the challenges facing the media industry are for us to solve. The digital age is dramatically changing audience behaviour and audience expectations. Audiences now expect, and can now get any media they want, free of charge, when they want it, on multiple devices. The internet is powering all of this change and as broadband speeds increase and price decreases the pace of change will increase further.

Digital advertising is now the fastest growing category of advertising globally. The move into digital advertising was an obvious strategy for traditional media companies as they built their online services, but this has been greatly complicated by the emergence and dominance of social media services.

Facebook and Google between them are now taking approximately 80% of global digital advertising revenues, while investing almost nothing in original journalism, programming or content. Indeed their entire business models are built on selling targeted advertising around other peoples work, with little or no compensation for the original producer.

Like the rest of the developed world audiences in Ireland have embraced new video-on-demand entrants like Netflix and Amazon, and new on-demand services from Sky, Virgin and others.

So far, broadcast television and radio has been more resilient than other media types against this digital disruption and, notwithstanding the advent of all this new technology, consumption of linear broadcast television and radio remains high among the population as a whole, even if it is shrinking somewhat among younger audiences.

Despite much of the hype coming from the digital media industry, around 90% of all television viewing in Ireland was to live television (averaging three hours, seven minutes per day). Figures for radio listening in Ireland show that over 80% of people in Ireland listen to the radio every day, for an average of almost four hours per day.. That is over seven hours per person on average spent consuming so called 'dying media' everyday. One might ask are they doing anything else!

The competition therefore for audiences and revenue among broadcasters in Ireland is now fierce and, on television, has massively increased.

RTE has always had to compete with the best funded commercial and public service broadcasters in the world. Sky, the BBC, Channel 4 and ITV have been accessible to the majority of homes in Ireland for years.

The purchase of Virgin by Liberty Global and the subsequent takeover by Virgin of both TV3 and UTV Ireland now means that all national commercial television in Ireland is owned by one highly resourced international media organisation. This will bring new commercial competition to RTE, although it's not clear yet if this new dispensation will lead to any significant increased investment in Irish programming or commissions from the independent production sector in Ireland.

The commercial radio market has seen similar consolidation, with the ownership of that market now dominated by both Denis O'Brien's Communicorp and most recently Rupert Murdoch's NewsCorp.

Between them they now own both national commercial talk radio stations, one regional licence, and eight local commercial stations. Combined they retain an audience share of over 30% of all adults, and a considerably higher share of

younger listeners. Both men also retain significant interests in other media properties in Ireland.

While increased choice benefits audiences in Ireland, the growth of the phenomenon of 'TV opt out' advertising has been much less beneficial. Enabled by the European single market, 50 channels now sell advertising in Ireland. 39 are wholly international (largely UK) channels that invest little or nothing in Irish content. Combined they now take €50 million (nearly a quarter of all Irish television advertising revenue) out of the country.

While RTÉ operates with half the advertising minutage of our commercial rivals, we have always met these competitive threats head on and by European standards RTÉ retains a healthy share of audience in both radio and television.

As someone who has worked in international television for 20 years, I believe that the quality of much of RTÉ's programming stands up with the best in the world. Choice means that it has to.

2016 in particular showcased this quality, with a range of unique cultural and creative content to mark the centenary commemorations, as well as the General Election, the Euros, the Olympics and Paralympics and of course the Six Nations and the GAA Championships.

However the creative and journalistic challenges never stop. RTÉ must continue to challenge itself, take risks and innovate if it is to continue maintain its relevance and sustain its connection with the public. That is our challenge.

The appetite for quality has not diminished with the arrival of much greater choice. Along with investing in new digital channels and services, which RTÉ has been doing successfully over the past number of years, making creative and distinctive programming is ultimately our best complement to digital opportunities and increasing competition.

The key focus for RTÉ will always be investment in high-quality Irish programming, Irish storytelling and Irish journalism.

This is what makes us distinctive for audiences in Ireland. In any given year RTÉ produces or commissions approximately 80% of Irish television programming.

Simply put, without RTE's investment in programming, Ireland, in television terms, would just be another market dominated by UK and US programming, much like Canada has become relative to the United States.

There is a ratio of over 10-1 in terms of cost between home-produced programming versus acquired programming. Therefore, the less resources RTE has...

- the less distinctively Irish our schedules become;
- the less programming we can commission from the independent production sector;
- and the less commercially viable we become as a dual-funded public service media organisation.

Along with the creative and journalistic challenges, the commercial challenge is ever present. While digital expansion and increasing competition amplify the commercial challenges, they have been made much more difficult by Ireland's recent economic difficulties and the current uncertainty thrown up by unpredicted political events.

Advertising has improved over the past couple of years, but Brexit is now having a direct impact. Television advertising has been severely hit both here and in the UK. Just last week the *Financial Times* reported that ITV blamed uncertainty over a hard or soft Brexit for a sharp drop in advertising revenues, which it warned could fall by as much as 7 per cent in the final quarter of 2016.

As yet the impact of a Trump Presidency is unknown, but at the very least it is creating further uncertainty.

RTE's financial retrenchment since 2008 has been well documented, so I don't plan to go into it now. I have added as an appendix to this submission a couple of charts which I think tell a clear story of RTE's cost-reductions over the past few years. We can discuss this in more detail if you wish.

But the Committee needs to be aware that we are currently significantly under-investing in key areas of output due to our very tight financial position – drama, arts and culture output, foreign news, and children's programming are all areas that we want to strengthen.

Of course RTE must continue, like any business, to reduce costs, and we will, but we now do not have enough resources to remain competitive or, in the

longer term, relevant, let alone be the engine that drives the broader Irish creative economy.

It's important for the Committee to understand that it is not just RTÉ saying this, all the independent reviews that have been conducted over the past few years confirm this reality.

These reviews have been comprehensive. They analysed, internationally benchmarked and reviewed in detail almost every aspect of what RTÉ does and how it does it. As you will be aware a number of very clear conclusions and recommendations have emerged from this review period:

- RTÉ has been judged to be efficiently run against best international benchmarks and the scope for further cost reductions is limited.
- Given the complex dynamics in the Irish media market, Indecon have concluded that RTÉ is likely to continue to lose market share over the next 4-6 years, limiting its capacity to significantly grow commercial revenue in the medium term.
- The BAI have recommended that public funding to RTÉ should be increased in both their five year review and more recent annual reviews. New Era also recommended that consideration be given to increasing public funding to RTÉ.
- As concluded by Crowe Horwath, RTÉ must invest more in digital services to sustain and enhance its public service contribution in the medium to longer term. New Era echoes this view.
- New Era suggested that options regarding the use in part or whole of the RTÉ site in Donnybrook should be explored as a source of funds for capital investment.

RTÉ would agree with each of those key observations and recommendations.

So where does all this leave us.

My predecessor, on the anniversary of 50 years of Irish television a couple of years ago, said that this sector was at a crossroads and that policy makers had to act or much was at risk of being lost.

His call was not listened to. There has been little or no action, and there has, until today at least, been little serious public discussion with policy makers about what should and could be done, or indeed what is even at risk.

I therefore very much welcome today's discussion and I hope it can lead to some real decisions and action.

But what decisions?

There are market interventions that are worth considering.

- The Department, as reported recently, appear to be looking at ways of addressing the impact of 'opt out' advertising. This is very welcome, as any intervention that could increase investment of commercial revenues into Irish programming and the independent production sector in Ireland would be very welcome.
- Similarly in other markets, France in particular, there have been moves to introduce levies on distributors and telecommunications companies to support public funding of public service media.
- Changes to must-offer/must-carry and copyright legislation, which we understand the Government is currently considering, will potentially level the playing field in negotiations between broadcasters and platforms, which should lead to much fairer compensation arrangements between them.

There is also great scope for reform on of public funding.

- The current Television Licence fee system is no longer fit for purpose.

Evasion currently stands at around 15% and the number of homes classified 'no TV homes' for the purposes of the TV Licence Fee stands at around 8%. In aggregate this results in over €50 million per year lost to public service media and therefore to the creative industries in this country.

This is a huge loss to Irish programming, and to potential jobs in the independent production sector.

While RTÉ continues to hold the view that a household based licence decoupled from any device, as has been introduced recently in Germany, is the most sensible solution, there are other reforms to the current system which could dramatically improve performance. These include tendering the collection agent contract, rebuilding the TV Licence database, and removing the outdated television set exemptions.

The UK, which had a very similar system to Ireland, has shown that a series of integrated reforms can lead to dramatic improvements in collection performance.

- Budget 2017 saw a welcome partial unwinding of direct cuts to RTÉ's public funding that happened during the recessionary period. In Budgets 2011 and 2014 cuts totalling €20 million were made to RTÉ's funding; €6 million was reinstated in Budget 2017, which was very welcome, but there is more needed there.

Any of these interventions are predicated on the assumption that policy makers believe that public service media is something worth sustaining and enhancing.

I am conscious of the human difficulty for politicians in reconciling the need to increase investment in RTÉ, no matter how compelling the argument, and the role that RTÉ has in questioning, challenging and investigating all those in public life.

I am conscious too that there are arguments for allocating public funding to organisations other than RTÉ. Notwithstanding their private ownership and commercial purposes, clearly other media organisations perform elements of public service, whether that be commercial radio stations or local and national newspapers.

RTÉ would welcome a discussion on these issues and will argue the case for independent public media. All I would ask is that we move these discussions forward.

The time for endless reviews has passed. What we need now is action.

Inaction will have far-reaching consequences for journalism, for national cultural expression, and most alarmingly for public debate and politics.

David Remnick, the editor of the *New Yorker* magazine, noted last week that *'we now live in a collapsed media structure that has caused us to live in our own silos of reality'*.

Social media, highly commercial and market focused multi-platform news channels, and the financial strain on traditional media organisations, including public service media, are eroding the very notion of a trusted public space, impartial and balanced.

At its best, public service media provides a compelling response to the challenges and opportunities of the digital era, to the changes and challenges of fragmenting societies, and to the growing public disconnection from institutions. In a world increasingly dominated by international media and content, strong indigenous public service media is essential if we are to support and preserve vibrant local cultures and distinctive identities.

We need the resources to do all of these things well, and to protect all that is important.

Thank You.

RTÉ Licence Fee Income and Commercial Revenue 2008 - 2015



RTÉ OPERATING COSTS 2008 - 2015

