

Statement by the Department of Communications, Climate Action and the Environment
Meeting of Joint Oireachtas Committee on Communications, Climate Action and the Environment

Tuesday 10th December 2019

Introduction and Thanks

First of all I'd like to thank the Chair of the Committee, Deputy Naughton, for inviting the Department to participate in today's meeting. I hope today's exchange will be of benefit to the Committee in its understanding of funding issues regarding public service broadcasting.

I'll make a brief opening statement, and then following the contributions from RTÉ, my colleague and I will be available to answer questions.

Background

There have been significant changes in the broadcasting sector in the past decade. These include the rise of digital advertising via search engines and social media, advances in content streaming services and changes in the way people access audio visual content. While these changes have improved the accessibility and quality of content, recent developments such as disinformation highlight the importance of trusted and reliable sources of publicly available information.

Both public and private broadcasters have been affected by these developments in terms of the impact on advertising revenues. Share of advertising spend in the digital sector has risen from 7% in 2007 to a current figure of 40% in an environment where it is estimated that Google and Facebook obtain 75% of all digital sector advertising spend. Changing advertising trends arising both from the recession and from Brexit have resulted in a decline of approximately 33% in commercial revenues available to Irish broadcasters since 2009 with media convergence and the resultant shift to digital advertising impacting heavily upon broadcasting and print media in particular.

The decline in advertising revenue, coupled with challenges around the TV licensing collection model, such as the unacceptably high evasion rate, currently running at 12.83%, the exclusion of 10% of households who don't have a TV and the relatively high collection costs of 7%, is having a critical impact on RTE's revenues and have resulted in a position where the financial sustainability of the organisation is now under immediate threat.

RTÉ Strategy

In order to address its current financial position RTÉ has put together a revised strategy to cover the next four years that will include a number of changes to its current portfolio. These include:

- Cost reduction
- Further land and asset sales
- Increased public funding
- Future proofing its offering

- Offering live experiences with ticketed events

In recognition of the current financial situation at RTÉ the Minister requested that NewERA evaluate the revised RTÉ strategy with a view to assessing RTÉ's viability. In its report NewERA agreed that the current financial situation at the broadcasters is unsustainable.

The Department is in ongoing contact with senior management in RTÉ regarding their financial position and their proposals for reform. The detail of these matters is currently being considered by my Department in conjunction with NewERA officials and colleagues from DPER, and the Minister intends to bring forward a Memo to Government on the matter shortly.

Public Funding Increases

An additional €10m in public funding has been allocated to RTÉ over the past two budgets. This includes an additional €8.6m made available in Budget 2019 through a combination of an increase in exchequer funding for Public Service Broadcasting, which replaced TG4's TV Licence funding, and an increase in the amount paid by the Department of Employment Affairs and Social Protection for free TV Licences. This builds on the increase in funding for Public Service Broadcasting in 2018, funded through a €1.64m increase in the Department of Employment Affairs and Social Protection contribution for free TV licences.

TG4 was allocated an additional €443,000 in Exchequer funding for 2019, in addition to the additional €2m in current and capital funding it received in 2018, bringing the total increase since the start of the 5 year review period to €2.443m. TG4 was also allocated a once off capital grant of €985,000 in 2018 for its expenditure relating to Bliain na Gaeilge.

The increased contribution from the Department of Employment Affairs and Social Protection in both 2018 and 2019 also benefits An Post and the Broadcasting Fund. The Broadcasting Fund is a fund administered by the BAI that includes the Sound and Vision scheme which supports high quality programmes on Irish culture, heritage and experience, programmes to improve adult literacy, and archiving schemes. The Scheme benefits the broadcasting sector as a whole, including independent production.

TV Licence Reform

In their report published of November 2017, the Joint Oireachtas Committee on Communications, Climate Action and Environment recommended that Revenue collect the TV licence and the replacement of the current TV licence with a Broadcasting Charge. In response the Working Group on the Future Funding of Public Service Broadcasting was set up by Government Decision in July 2018 to examine options for the future funding of Public Service broadcasting.

The key recommendations of its report are:

- That the TV licence be put out to public tender as soon as the enabling legislation, the Broadcasting Bill, 2017, is enacted. It will be necessary to offer a fixed term contract of 5 years in order to make it feasible for the successful tender to invest in the database and collection improvements;
- That at the end of the contract period, the licence fee should be replaced by a device-independent charge to support public service content on a sustainable basis.

It was felt by the group that due to a number of issues surrounding the implementation of a device independent charge, an interim measure was needed in order to address the issue in the shorter term. Those issues included owner liability for LPT as against occupier responsibility for a broadcasting charge; how to charge commercial premises; perception issues around collecting with LPT; and how the charge would be collected from social and local authority housing. In addition, a fixed term contract of 5 years would make it feasible for the successful tender to invest in the TV Licence collection database and associated collection improvements.

The Government has accepted the working group's recommendations and is currently bringing forward an amendment to the Broadcasting Bill that will enable the collection of the TV licence to be put out to public tender.

Broadcasting Bill 2019

On 18th July 2019 the Government approved the publication of the Broadcasting (Amendment) Bill 2019 in addition to the bringing forward of an amendment at Committee Stage to provide for the appointment of an agent through a public procurement competition for the collection of the TV licence fee.

The proposed amendments to the Broadcasting Act 2009 will allow for the Broadcasting Authority of Ireland to be part funded up to a maximum of 50% from TV licence receipts. It is intended that any consequent reductions in broadcasting levy contributions would be applied 'across the board' by the BAI so that all broadcasters would benefit in equal proportion from the measure. It is proposed that doing this will provide scope to exempt smaller community radio stations from the broadcasting levy altogether. The Bill allows for the Minister to decide what percentage of the levy to fund from TV Licence Receipts.

In addition, it will allow the BAI to accrue a level of working capital to meet its day to day expenses without the need to pursue a costly and burdensome borrowing facility and grant authority to the BAI to determine exemptions and deferrals to the levy depending on the qualifying income of individual broadcasters and the level of regulation they require.

It will give the BAI greater flexibility regarding which broadcasters are covered by the levy and to what extent. This will create a legislative environment by which new broadcasters, including for example, any that might wish to relocate to the state after Brexit, can be levied appropriately in terms of contributing to the cost of their regulation. A number of broadcasters have relocated EU services to Ireland already in light of Brexit, the main ones being SIS (Sports Information Services) and SSBL (who operate FreeSports). The BAI have licensed 4 section 71 contracts in the past 10 months. The BAI remains in contact with a number of large UK based broadcasters who are considering relocating to Ireland if a No Deal Brexit materialises.

The amendment Bill also addresses a gap in the existing legislation whereby the holder of the section 70 contract is exempted from the requirement to apply for a licence for any additional services it chooses to offer. It seeks to ensure that any new services could not operate on an unregulated basis and clarifies that they would require a section 71 licence.

In order to further support community and local radio the Bill will allow for the creation of a new funding scheme that would permit the granting of bursaries to journalists in these stations, which are the starting point for many journalists' careers. It is intended that circa

€500,000 would be made available by the BAI that would support 20 annual bursaries of €25,000 each.

Lastly, the Bill repeals sections 103 & 251 of the Copyright and Related Rights Act 2000 as the public policy objectives for which they were introduced, mainly to support the roll-out of cable television services in Ireland, have been achieved. In addition, television services are now available over a wider range of platforms, including satellite, which do not benefit from a similar exemption. The proposed repeals have been agreed with the Minister for Business, Enterprise and Innovation.

The Bill went through second stage in the Daíl on the 21st October and is expected to be brought to committee stage in the New Year.

Thanks and welcome questions

I hope that this assists the Committee's consideration of the relevant issues. I would like to thank the Committee members, the Chair and the Clerk and his staff for considering this matter.

I and my colleagues look forward to answering your questions, and the Department looks forward to assisting the Committee in any way it can in its future considerations.