

# Mediatique

## **Broadcasting Authority of Ireland**

A report on market structure, dynamics and developments in Irish media

Supplied in support of the BAI's consultation on its Broadcasting Services Strategy

December 2017

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## **Executive summary**

### Introduction

- The Broadcasting Authority of Ireland ('BAI') is the regulator of the Irish broadcasting market.
- Among other statutory duties under the Broadcasting Act (2009), the BAI is required to prepare a Broadcasting Services Strategy ('BSS') covering the provision of broadcasting services in Ireland. The BAI's current BSS was agreed in 2011. The new BSS will reflect the current Strategy Statement in force (2017-19) covering the BAI's key objectives around plurality, diversity, support for indigenous content and promotion of content in the Irish language.
- Mediatique was commissioned to provide a detailed overview of current and future developments in the Irish broadcasting landscape, and to consider the likely trajectory over the next five years. This work is aimed at informing the new BSS and, in particular, helping the BAI define its approach to regulation in the light of market dynamics over time.
- Our brief included consideration of consumer behaviour, platform and distribution developments, changes in technology and evolving business models associated with broadcasting.
- We were asked specifically to analyse the sustainability of revenues that underpin expenditure on audio and visual content, particularly Irish content, and to consider whether the current regulatory framework needs to evolve in line with market dynamics.
- Within our wider work, the BAI has asked for analysis on two specific topics – prospects for the launch of commercial digital terrestrial multiplexes carrying TV channels to supplement those already available on Saorview; and whether the BAI, working with industry and Government, should seek to promote digital audio broadcasting ('DAB').
- The present report constitutes our view of current and future trends and developments in the Irish broadcasting landscape. It includes consideration of a range of policy options the BAI may consider over the short to medium term, and a set of recommendations for future action.

### The current landscape

- The Irish broadcast media market is mature and competitive, with multiple business models, scores of operators and a wide range of both domestic and international audio and video content. It is characterised by evolving consumer behaviour around content consumption (where and when desired), increasing fixed line and mobile connectivity, and growing device take-up, including of smartphones, tablets and connected TVs. New behaviours are most marked among younger demographics.
- 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 22 community stations. RTÉ, the publicly and commercially funded public service broadcaster ('PSB'), is the leading radio broadcaster in Ireland, with four national FM stations (Radio 1, 2FM, Raidió na Gaeltachta, and lyric fm); it also broadcasts a further five digital-only station brands.
- The commercial radio sector is largely made up of small independent players with the exception of Communicorp, which operates both of the non-RTÉ national stations (Today FM and Newstalk) and Wireless Group (owned by News UK, a subsidiary of News Corporation), which operates local stations in major cities across Ireland.
- RTÉ is also the primary TV broadcaster in Ireland. A second PSB – TG4 – provides an Irish language TV channel, and there are two community TV channels, in Dublin and in Cork. The national commercial Irish broadcaster,

TV3, operates a portfolio of channels. Irish households are also able to receive the Houses of Oireachtas TV, and a combination of UK and international channels (including the BBC, Channel 4 and Sky One), depending on which TV platform/service the household uses.

- There are four pay TV operators, led by Sky and Virgin. Around two thirds of the 1.6m Irish TV households pay a monthly subscription for TV; the remainder rely on digital terrestrial TV, digital (free-to-air) satellite or a combination. Some 500,000 Irish households subscribe to monthly subscription video-on-demand ('SVOD') service Netflix.
- This mix of channels and services provides Irish consumers with a wide choice of viewing options (broadcast, catch-up, on demand) on multiple devices (at home and on the move) although it does present challenges for the sustainability of Irish content funding, as international channels and SVOD operators, for example, are able to generate income from the Irish market but invest very little (if anything) in Irish content.
- As with most European nations, the Irish broadcast market is subject to public intervention in the form of funding and oversight:
  - All TV households must pay a licence fee, which is primarily used to fund RTÉ. A proportion of the licence fee proceeds is ringfenced to fund schemes (operated by the BAI) for the production of Irish TV and radio programmes and a further amount is paid over to TG4. RTÉ is also obliged to provide content to TG4.
  - The broadcast market is subject to a formal licensing regime overseen by the BAI, which licenses commercial and community broadcasters in TV and radio (excluding, therefore, RTÉ and TG4).
  - The Irish market is subject to ownership and control limits and a range of content and advertising rules, consistent with overall relevant European regulation.
- Such intervention is arguably more pertinent in Ireland given its size and nature. The market is characterised by a relatively small population and a language shared with much bigger markets, the UK and the US, making it a target for foreign English-language channels without any formal commitment to investment in local content. Without access to public funding, there is no clear likelihood that the market would deliver significant amounts of content tailored specifically to local audience needs.
- In the past five years, relative weakness in the advertising market has coincided with continued austerity around the licence fee. With the licence fee frozen, RTÉ's income from its share of the licence fee reduced markedly and persistent weakness in commercial revenue generation, there has been a concomitant reduction in RTÉ's expenditure on content, including on programmes for TV and radio commissioned from the challenged independent production sector.
- Despite some reversal of the austerity cuts in Budget 2017 and Budget 2018, RTÉ's licence fee income remains well below the pre-2008 level, in both nominal and real terms. Moreover, commercial revenue has yet to return to pre-recession levels.
- Pay TV dynamics are also evolving with a recent shift from big bundles of pay TV (with or without broadband and telephony from single supplier) toward skinny propositions and a significant impact from new entrants such as Netflix and Amazon in the SVOD market. Traditional and new forms of pay TV subscription contribute very little (outside sport) to Irish domestic content, even if these providers enrich consumer choice and variety.

#### Future developments

- In common with all territories, the landscape is subject to a set of structural challenges that have led to increasing complexity and competition in the provision of video and audio services. These relate to consumer behaviour, technology and changing business models.

- Broadcast viewers and listeners are increasingly able to access content from new providers across a range of networks and connected devices. This extends choice in Irish households but adds a degree of complexity to the landscape, not least by aiding the entry of international players to the market.
- In the medium term, we do not expect fundamental, critical shifts in behaviour and technology beyond what the current trend line would imply. Nonetheless, the direction of travel in consumer behaviour, amplified as younger demographics move into future life stages with at least some of their current digital behaviours intact, will create challenges for the broadcast landscape.
- On this basis, traditional providers of media services will need to continue to evolve their business models. TV broadcasters have already done so in relation to launching HD services and broadcast VOD (e.g., TV3 Player, RTÉ Player) and experimenting with new forms of dynamic advertising but there will be more pressures to come. Commercial radio, arguably has more to do, given the relatively limited evolution to date in strategies and business models and the pace of change among listeners, especially younger ones.
- The current media landscape in Ireland continues to sustain the creation of a significant amount of indigenous content, both on radio and on television. Bolstered in particular by the expenditure of RTÉ, TV3 and TG4 and commercial radio companies, amplified by funds made available through the Broadcasting Funding schemes administered by the BAI (Sound and Vision funds), we estimate that around €225m was spent in 2016 on indigenous Irish broadcast content (not counting Irish sport). More than 70% of this was spent on television content.
- The ability of broadcasters and content aggregators to invest in Irish content on a sustainable basis depends in turn on their ability to generate revenues in an environment of significant disruption and challenge.
- The key revenue streams that continue to fund Irish content are subscription, advertising and the licence fee. Two of these revenue segments (the licence fee and advertising) have been under significant threat, with implications for the profitability of commercial operators in the relevant segments of the Irish market and for the amount spent on original content more generally.
- In revenue terms, we predict a transition over the next few years toward greater adoption of lower-cost pay TV packages, and hybrid services including linear and non-linear content, at the expense of large-scale pay TV propositions. This will see overall pay TV revenues per household decline, even as new models such as SVOD grow. On current trends, pay TV will deliver lower margins over time, although this is unlikely to have an impact on Irish content expenditure as pay TV providers are not significant contributors to indigenous content today.
- Advertising, similarly, will be under pressure. Commercial radio revenues (including those accruing to RTÉ) have declined significantly since the recession, to €127m in 2016, compared to €140m in 2007. TV advertising has similarly been weak, dropping from a pre-recession high of €311m in 2007 to €240m in 2016. Our analysis suggests that advertising for both radio and TV will be flat at best over the next five years, following downturns in 2017 and 2018.
- Barring any change to the licence fee (collection and/or modernisation) the two mainstays of Irish AV content funding – public funding and commercial advertising – will be further threatened on current trends.
- We have identified a number of means by which the TV and radio sectors might themselves innovate to improve revenue generation – including concerted radio industry co-operation to re-position radio as a premium advertising product; greater integration of broadcast services with non-linear propositions and social media; and further exploration of new business models such as podcasting and tailored or programmatic advertising. However, these innovations are unlikely on their own to deliver significant gains.
- Meanwhile, the competitive landscape for commercial radio remains variable across the country. Outside Dublin, there are fewer stations available to the average listener and potential gaps in formats and genres.

While there is scope to award 1-2 additional FM licences, this would not on its own easily address the unevenness in current commercial radio provision.

### Regulatory challenges and options

- There are a number of regulatory developments that might enhance the ability of the Irish media sector to develop and fund Irish content, to secure and strengthen the balance between international and domestic AV content and to meet public service objectives around plurality, diversity, and citizenship values.
- An important development may be the changes to the licence fee contemplated by Government currently, and other reform around public funding, including so-called ‘re-transmission’ fees (the payment by pay TV platforms to suppliers of free-to-air channels, including RTÉ). How these affect the ability of RTÉ, TG4 and other organisations to fund original content could be transformative. The nature of PSB funding and the role of RTÉ in particular are the subject of the BAI’s five-year PSB Review and are not within the scope of the present report.
- The key policy options identified in our report include:
  - Further improvements to the BAI’s administrative capabilities, including faster response times on regulatory engagement and more regular communication with stakeholders.
  - Potential changes to the regulatory environment governing commercial radio, including further detailed review of the prospects for promoting a full-scale launch of DAB, introducing new FM services, considering the case for further modest deregulation of ownership restrictions and liberalising the rules governing local opt-outs for advertising.
  - Introducing a new content funding levy applied to Irish and international broadcasters that carry Irish advertising, including channels operating under licence within the European Union but outside Irish direct jurisdiction (so-called ‘opt-out’ channels).
  - Preparing for a post-Brexit regulatory environment, particularly in the context of licensing TV channels under Section 71 of the Broadcasting Act, in the event that channels currently licenced in the UK seek to be licensed in Ireland.
  - Proceeding with the proposed reform of the BAI levy mechanism which underpins the funding of the BAI’s operations (as proposed by current draft amendments to the Broadcasting Act); this reform may also help in the transition to a post-Brexit era, as channels moving from Ireland to the UK may seek an Irish licence, and thereby become subject to a reformed BAI levy.
  - Keeping a watching brief on search and navigation trends, including consideration of whether, in a post-Brexit scenario, the BAI review its licensing policy in relation to Electronic Programme Guides.
  - Inaugurating a regular (annual) report on the Irish media and communications markets, tracking platform penetration, device take-up, consumer usage and revenue generation.

## Contents of this report

1. Project scope and introduction .....	7
2. Current structure and dynamics in the Irish broadcasting landscape .....	9
3. Needs and preferences of broadcasting audiences in Ireland .....	40
4. Future structure and dynamics in the Irish broadcasting landscape.....	51
5. Future models and sustainability of independent broadcasting in Ireland .....	61
6. Future policy options: digital terrestrial television and digital radio in Ireland .....	73
7. Future requirements for broadcasting regulation in Ireland.....	82
8. Findings and recommendations.....	90
9. Appendices .....	94

## Important information

*Mediatique is a research and advisory firm working across the media and communications sectors. It may work or have worked for companies and organisations mentioned in this report.*

*The views, analyses and conclusions expressed herein are those of Mediatique and no other party, and should not be construed as representing, in whole or in part, the opinions of the BAI.*

*Any opinions, forecasts or estimates herein constitute a judgement as at the date of this document. There can be no assurance that future results or events will be consistent with any such opinions, forecasts or estimates; no representation or warranty, express or implied, is made regarding future performance.*

*In preparing this report, Mediatique reviewed a number of public sources as well as interviews with organisations and stakeholders. The sources used by Mediatique in the compilation of this report are believed to be accurate but Mediatique takes no responsibility for the accuracy of information derived from third-party sources.*

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**Table of figures**

Figure 1: Comparable country data, selected metrics, 2016 (or latest full year available).....10

Figure 2: Internet connectivity in Ireland, 2012-17.....11

Figure 3: Ownership of connected devices, 2012 – 2017 (% of total population) .....12

Figure 4: TV homes by platform, 2013 – 2017 (% of TV homes) .....14

Figure 5: TV homes, 2012 - 2017 (% of total households).....15

Figure 6: Communications services bundling, 2012 - 2017.....16

Figure 7: VOD access 2013 - 2017 (% of TV households) .....17

Figure 8: Dynamics within the pay TV market, 2013 - 2017 (% of TV homes) .....19

Figure 9: Live television viewing, 2012 - 2016 (average minutes per day).....20

Figure 10: PVR ownership and broadcaster VOD access, 2012 - 2017 .....20

Figure 11: Consolidated television viewing, 2012 - 2016 (minutes per day) .....21

Figure 12: Video viewing by format, Adults 15+, 2017 (% of total minutes).....21

Figure 13: Share of TV viewing on the TV set, 2016 (% of total minutes) .....22

Figure 14: Share of TV viewing by broadcaster group, 2016 (% of total minutes).....23

Figure 15: Total content spend by broadcaster, 2016 (€m) .....24

Figure 16: RTÉ original content spend by genre, 2007 and 2016 (€m) .....24

Figure 17: RTÉ spend on independent commissions and total hours by breakdown (statutory/non-statutory), 2016 (€m) .....25

Figure 18: TG4 total content spend by genre, 2007 - 2016 (€m) .....26

Figure 19: Total value of projects availing on Section 481, by genre 2011 - 2016 (€m) .....28

Figure 20: Value of Oireachtas Grant to Irish Film Board, 2008 - 2016 (€m) .....29

Figure 21: Timeline of commercial radio licensing, 1988 - 2017.....30

Figure 22: Radio licences, 1988-2017.....31

Figure 23: Mean daily minutes of live radio listening, 2010 - 2016 .....32

Figure 24: Mean daily minutes for radio listeners and population, 2010 - 2016 (mins) .....33

Figure 25: Total audio consumption by type by age group, 2016.....33

Figure 26: Radio consumption by device for Adults 15+ and Adults 15 - 24, 2014 – 2016.....34

Figure 27: Radio reach (%) by daypart, Jan - Dec 2016 .....35

Figure 28: Radio station reach, Adults 15+, 2012 – 2016.....36

Figure 29: Share of listening, 7am-midnight, by radio station group, 2012 versus 2016 (%) .....36

Figure 30: Breakdown of RTÉ’s radio hours by genre, 2015.....37

Figure 31: Sound & Vision spend per sector, 2012 - 2017 (€m).....38

Figure 32: Sound & Vision 3 grant payments and projects by broadcaster, 2016-2017 (€).....39

Figure 33: Forecast consolidated TV viewing minutes (average per person per day) .....51

Figure 34: Adults 15+ population weighting, 2016 - 2022 .....52

Figure 35: total TV consumption, all devices, 2022 (% of total minutes).....53

Figure 36: TV platform forecasts – share of TV homes, 2022 .....54

Figure 37: SVOD penetration by TV home main platform, 2022.....56

Figure 38: Average daily minutes of live radio listening, 2010 – 2022.....57

Figure 39: Share of audio listening, 2022 (% of total listening minutes, excluding music video) .....59

Figure 40: Total advertising expenditure in Ireland, 2011 - 2016 (€m).....63

Figure 41 - GDP / TV advertising expenditure real-terms growth, Ireland, 2005-2016 (2005=100).....64

Figure 42 - TV advertising expenditure real-terms growth vs CLI growth, Ireland, 2005-2016 .....64

Figure 43: RTÉ total income versus content expenditure, 2007 - 2016 (€m).....66

Figure 44: DAB timetable .....76

## 1. Project scope and introduction

### Background and methodology

- 1.1 The Broadcasting Authority of Ireland ('BAI') is the regulator of the Irish broadcasting market. It licences TV and radio channels and stations other than RTÉ, TG4, the Houses of the Oireachtas channel and the Irish Film Channel<sup>1</sup>, and is the content regulator for all broadcast content, overseeing codes and rules and enforcing them.
- 1.2 It administers Broadcasting Funding schemes dedicated to the support of Irish originated content and is responsible for annual performance reviews of RTÉ and TG4 and for broader five-yearly reviews of public service funding (extending to a consideration of the strategic plans of RTÉ and TG4, the adequacy of public funding and international benchmarks). More generally, it is a source of thought leadership and research into issues affecting the media landscape.
- 1.3 The BAI has a critical role in encouraging plurality and distinctiveness of media provision in Ireland, promoting content in the Irish language and ensuring the creation and distribution of content that is culturally relevant for Irish audiences.
- 1.4 Among other statutory duties under the Broadcasting Act (2009), the BAI is required to prepare a Broadcasting Services Strategy ('BSS') covering the provision of broadcasting services in Ireland. The BAI's current BSS was agreed in 2011. Given changes in the broadcasting landscape since that time, the BAI is seeking to develop an informed view on market outcomes in the short to medium term as an input to its revised, updated strategy. The new BSS will reflect the current Strategy Statement in force (2017-19) covering the BAI's key objectives around plurality, diversity, support for indigenous content and promotion of content in the Irish language.
- 1.5 Mediatique was commissioned to provide a detailed overview of current and future developments in the Irish broadcasting landscape, and to consider the likely trajectory over the next five years, to inform the BAI's approach to regulation in the light of structural change.
  - Our brief included consideration of consumer behaviour, platform and distribution developments, changes in technology and evolving business models associated with broadcasting.
  - We were asked specifically to analyse the sustainability of the revenue models that underpin expenditure on audio and visual content, particularly Irish content, and to consider whether the current regulatory framework needs to evolve in line with the identified market dynamics.
  - Within our wider work, the BAI has asked for analysis on two specific topics – prospects for the launch of commercial digital terrestrial multiplexes carrying TV channels to supplement those already available on Saorview; and whether the BAI, working with industry and Government, should seek to promote digital audio broadcasting ('DAB').
- 1.6 The present report constitutes our view<sup>2</sup> of current and future trends and developments in the Irish broadcast landscape, informed by a range of sources:
  - We analysed several third-party data sources to identify current outcomes and trendlines and to consider policy developments and options, including JNLR, Nielsen, ZenithOptimedia and a range of reports published by the Department of Communications, Climate Action and Environment, ComReg

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<sup>1</sup> Not launched to date.

<sup>2</sup> The views in this report do not necessarily represent those of the BAI, and Mediatique is not providing advice on future regulation other than for the consideration of the BAI. It is not Mediatique's role, and nor should it be inferred, to determine policy choices to be communicated to Government, which is solely the responsibility of the BAI.



and RTÉ. We also reviewed an array of previous reports and analyses produced by and for the BAI, and reviewed stakeholder submissions on various topics where relevant. Key published sources used in our research are referenced in the text or footnotes.

- We also considered international benchmarks to identify potential future developments in the Irish market, and policy responses where relevant, including close neighbour the UK, other European Union member countries (with a focus on smaller markets within this cohort) and more widely.
- To inform our work, we commissioned Kantar Media to undertake a survey of Irish households to determine consumer preferences, behaviours and viewpoints on the broadcast market; this included eliciting claimed current and future media consumption behaviours and opinions on the quality of distinctiveness of broadcast media provision.
- We undertook detailed interviews with primary sources across the Irish market including stakeholders from TV and radio broadcasters, platform operators, production companies, advertising agencies, industry groups and policy makers. We gauged stakeholder views on current and future developments in the Irish market, and implications for sustainability of business models in broadcasting. A list of key primary sources is set out in the appendices.

1.7 On the basis of the evidence collected through the means outlined above, we have provided forecasts of key metrics for the period 2017-22, as a base case. Other outcomes are of course possible, and we have identified a potential scenario within the model period that could arise as a result of more disruptive shifts in behaviour and/or changes in technology and consumer propositions.

### Report structure

1.8 The structure of this report reflects the issues we were asked to address:

- **Section 2** sets out the current structure and dynamics of the Irish broadcasting landscape, including the role of key broadcasters and platform operators, and the likely trends in viewing and listening;
- **Section 3** details the findings of our consumer survey, setting out the key needs and preferences of Irish audiences including viewpoints on the importance of Irish content;
- **Section 4** sets out how the structure and dynamics of Irish broadcast markets are likely to change over the medium term, including forecasts of viewing and listening outcomes by 2022;
- **Section 5** analyses the potential implications of market developments on the sustainability and plurality of Irish broadcasting, including the impact of changes to revenue outcomes in the medium term;
- **Section 6** provides in-depth analysis of the prospects and implications of further expansion of digital broadcasting in Ireland, including digital terrestrial TV ('DTT') and digital audio broadcasting ('DAB');
- **Section 7** analyses the potential policy options that the BAI might pursue to improve the ability of the broadcast sector to meet the challenges it faces;
- **Section 8** lists a number of recommendations for the BAI arising from this review
- A list of primary sources and a glossary of key terms are included as appendices.

## 2. Current structure and dynamics in the Irish broadcasting landscape

### Overview of the current broadcasting landscape

2.1. Ireland remains a country strongly attached to broadcast radio and TV: 82% of adults 15 years of age or older in Ireland listen to radio stations every day, while more than two-thirds of all individuals aged four and older watch live TV channels every day.<sup>3</sup>

- 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 22 community stations.<sup>4</sup> RTÉ, the publicly and commercially funded public service broadcaster ('PSB'), is the leading radio broadcaster in Ireland, with four national FM stations (Radio 1, 2FM, Raidió na Gaeltachta, and lyric fm); it also broadcasts a further five station brands in DAB.<sup>5</sup>
- The commercial radio sector is largely made up of small independent players with the exception of Communicorp, which operates both of the non-RTÉ national stations (Today FM and Newstalk) and Wireless Group (owned by News UK, a subsidiary of News Corporation), which operates local stations in major cities across Ireland.
- RTÉ is also the primary TV broadcaster in Ireland, with four primary national channels (RTÉ One, RTÉ2, RTÉ News Now and RTÉjr)<sup>6</sup>; RTÉ's channels account for 27% of all TV viewing in 2016; of the top-20 programmes shown on Irish TV in 2016, all were on RTÉ.
- A second PSB – TG4 – provides an Irish language TV channel, and there are two community TV channels, in Dublin and in Cork. The national commercial Irish broadcaster, TV3, operates a portfolio of channels (TV3, TV3+1, 3e and be3<sup>7</sup>). Irish households are also able to receive the Houses of Oireachtas TV, and a combination of UK and international channels (including the BBC, Channel 4 and Sky One), depending on which TV platform/service the household uses.
- This mix of channels provides Irish households with a wide choice of viewing options, although it does present challenges for the sustainability of Irish content funding, as international channels are able to generate income from the Irish market but invest very little (if anything) in Irish content.

2.2. As with most European nations, the Irish broadcast market is subject to public intervention in the form of funding and oversight:

- All TV households must pay a licence fee, which is primarily used to fund RTÉ. A proportion of the licence fee proceeds are ringfenced via Broadcasting Funding Schemes (operated by the BAI) for the production of Irish TV and radio programmes, the archiving of historical and culturally relevant broadcast

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<sup>3</sup> 2016 figures. Radio reach is based on 15+ daily reach (JNLR) while TV reach is based on individuals 4+ (TAM Ireland). There are 1.6m TV households in Ireland and a total population of 4.77m.

<sup>4</sup> These include Community, Community of Interest and Special Interest categories, but exclude "institutional" stations (e.g., hospital radio).

<sup>5</sup> RTÉ 2XM, RTÉ Gold, RTÉ Junior, RTÉ Pulse and RTÉ Radio 1extra. The national FM stations are also carried on DAB. Potential coverage is around 54% of households but only 20% of homes have a digital radio.

<sup>6</sup> RTÉ also operates two HD channels – RTÉ One and RTÉ2 – and one '+1' variant, RTÉ One +1, broadcasting the main channel's schedule an hour later. RTÉ has indicated it will seek approval to launch a second +1 service linked to RTÉ2.

<sup>7</sup> be3 was formerly UTV Ireland. TV3 broadcasts an HD variant of its main channel in cable and satellite homes. 3e and be3 are in HD exclusively on Virgin cable. TV3 has a +1 variant on all platforms, while TG4 has a HD channel on both cable and satellite. TV3, TV3+1 and 3e all have the status of 'commercial broadcaster' under section 70 of the Broadcasting Act (2009); be3 operates under a Section 71 content provision contract initially awarded to UTV Ireland.

programme material, and a further amount is paid over to TG4. RTÉ is also obliged to provide content to TG4.<sup>8</sup>

- The broadcast market is subject to a formal licensing regime overseen by the BAI, which licenses commercial broadcasters in TV and radio (other than PSB broadcasters such as RTÉ and TG4).
  - Regulation also provides for ‘priority’ on TV platforms for the main PSB channels, a key factor in bolstering PSB viewing shares.
  - The Irish market is subject to ownership and control limits and a range of content and advertising rules, consistent with overall relevant European regulation.
- 2.3. Such intervention is arguably more pertinent in Ireland given its size and nature. The market is characterised by a relatively small population and a language shared with much bigger markets, the UK and the US, making it a target for foreign English-language channels<sup>9</sup> without any formal commitment to investment in local content. Without access to public funding, there is no clear likelihood that the market would deliver significant amounts of content tailored specifically to local audience needs.
- 2.4. In common with all territories, the Irish media landscape is subject to a set of structural challenges that have led to increasing complexity and competition in the provision of video and audio services. Broadcast viewers and listeners are increasingly able to access content from new providers across a range of networks and connected devices where traditional (Irish) content may not be as prominently displayed. This includes accessing video-on-demand services from the likes of Netflix and Amazon, or audio services from Spotify, Deezer or iTunes.
- 2.5. These developments extend choice to Irish households but add a degree of complexity to the landscape, not least by aiding the entry of international players to the market. The Irish broadcast market is therefore increasingly characterised by content provision and consumption across a range of networks, providers, devices and business models.
- 2.6. Current and future outcomes in Irish broadcasting will ultimately be driven by consumer and producer decisions relating to these changing dynamics and models. In broad terms, viewers and listeners are demanding increased functionality and choice, while content aggregators and suppliers (both legacy players and new entrants) continue to seek competitive advantage through changes to content strategy, business models, means of search and navigation, consumer price points and branding.
- 2.7. Ireland has broadly similar characteristics to a range of European cohort markets, with the exception of its radio consumption, which is markedly higher than in other parts of the EU. A range of useful metrics is summarised in the table below.

**Figure 1: Comparable country data, selected metrics, 2016 (or latest full year available)**

Metric	Ireland	Austria	France	Germany	Italy	Norway	Switzerland	UK
Population (m)	4.77	8.74	66.90	82.67	60.60	5.23	8.37	65.64
GDP per capita (\$)	64,175	44,758	36,857	42,161	30,661	70,868	79,886	40,367
Fixed broadband penetration**	69%	68%	72%	86%	55%	84%	95%	87%
Pay TV penetration**	65%	35%	76%	56%	32%	96.5%*	95%*	62%

<sup>8</sup> The licence fee was first shared with TG4 as part of the Government’s austerity programme following the recession, whereby a proportion of TG4’s direct grant was replaced by funds from the licence fee previously provided to RTÉ. These payments were partially reversed in Budget 2017 and Budget 2018.

<sup>9</sup> These non-Irish channels are licensed outside the Republic (usually the UK), and are able to distribute their services on cable and satellite to Irish households.

Metric	Ireland	Austria	France	Germany	Italy	Norway	Switzerland	UK
Tablet penetration***	52%	56%	50%	49%	63%	48%	47%	60%
Smartphone penetration***	76%	78%	77%	78%	89%	78%	72%	72%
TV viewing per day (minutes)	235	196	224	222	254	167	120	216
Radio listening per day (minutes)	252	120	171	180	214	78	120	163

Source: World Bank, Ofcom ICMR, JNLR, PwC Media Outlook, Nordicom, Nkom, Mediapulse, Akamai

\* This is inflated by extent of basic cable penetration. \*\* % of total TV households. \*\*\* % of total population

## Current developments – drivers of change

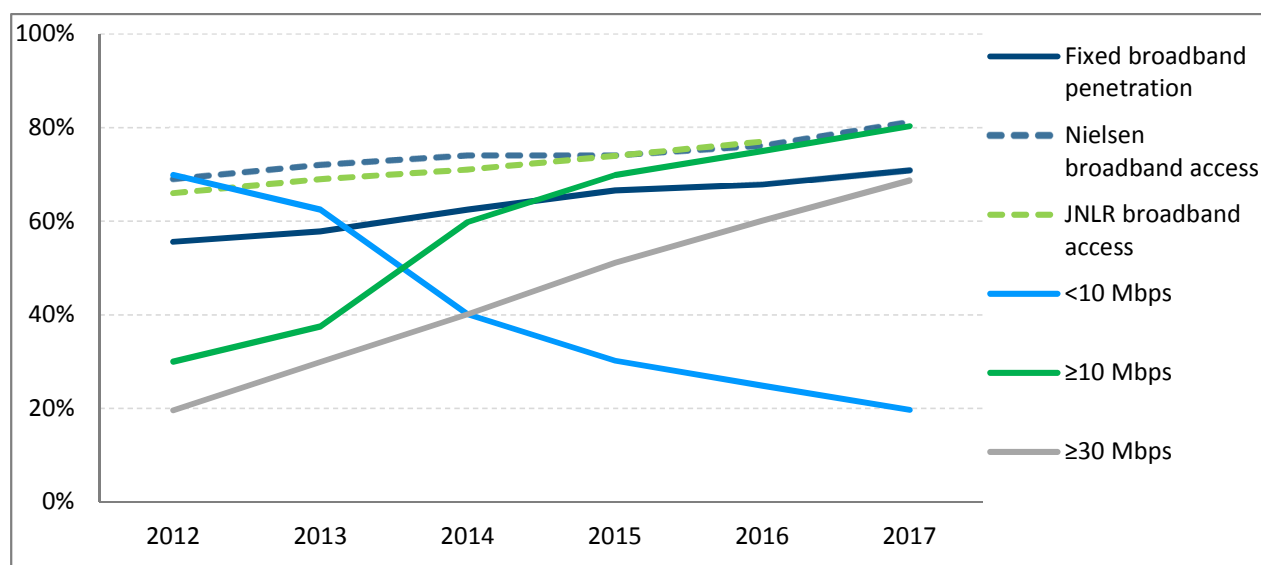
2.8. The Irish broadcast media landscape, as in all mature media territories, faces both challenges and opportunities relating to a number of major structural and behavioural shifts. We identify below the key drivers of change in the provision and consumption of video and audio services.

### Technology and connectivity

2.9. The 1.6m Irish households are increasingly connected, with broadband penetration at a high level and download speeds increasing year-on-year – in turn allowing individuals to access internet-delivered services which are viable complements to, or substitutes for, traditional broadcast media.

- Household fixed broadband penetration rose from 56% in Q2 2012 to 71% in Q2 2017, although JNLR and Nielsen survey data suggests household access to broadband (including mobile broadband) is up to 10 percentage points higher.
- Internet speeds have been rising steadily, with 80% of fixed-line connections delivering a headline download speed of at least 10 Mbps by Q2 2017. Although real-life download speeds rarely match headline speeds, an advertised speed of 10 Mbps can be considered adequate for the reliable delivery of high-quality video from an online video service such as RTÉ Player or Netflix, which actually operate acceptably at lower speeds.

Figure 2: Internet connectivity in Ireland, 2012-17



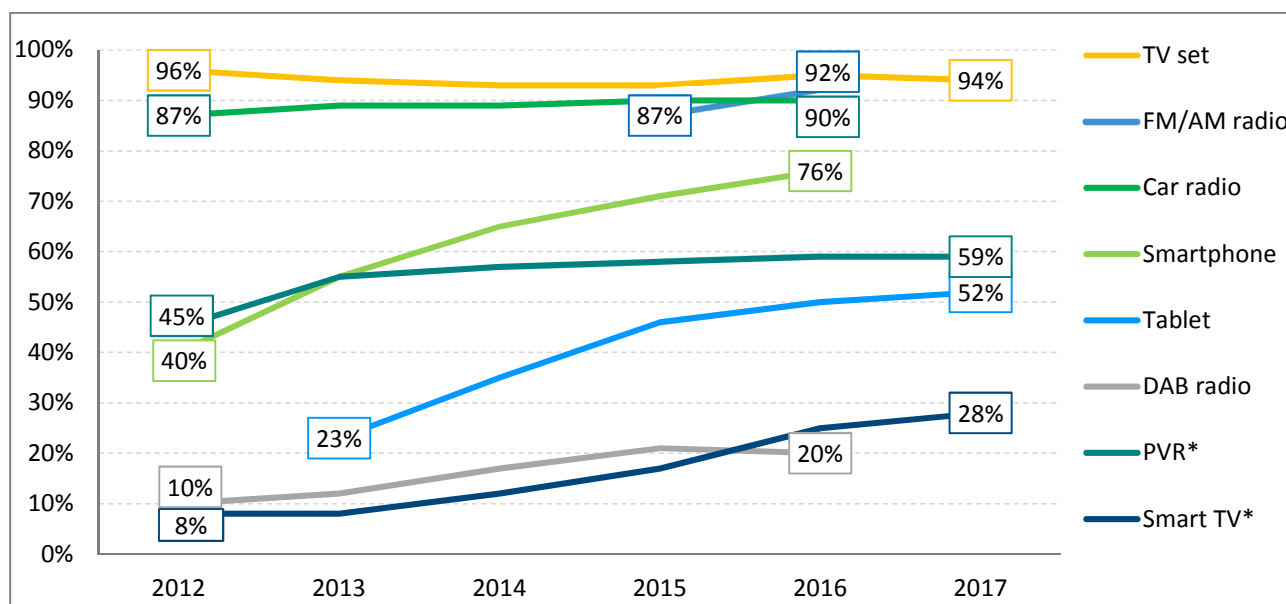
Source: ComReg (Q2 data for each year); JNLR (Jan-Dec, except 2014 which is Jan-Sept); TAM Ireland/Nielsen TAM (September reports to 2015, July data for 2016-17)

Note: Broadband penetration/access = by household; broadband speeds = as a percentage of all fixed broadband connection. Broadband speeds are all headline speeds, which may be significantly higher than actual download speeds

Ownership of connected devices

2.10. As internet penetration has risen, so has ownership of internet-connected devices such as smartphones, tablets, and smart TVs – particularly among younger and wealthier individuals.

Figure 3: Ownership of connected devices, 2012 – 2017 (% of total population)



Source: JNLR (Jan-Dec, except 2014 which is Jan-Sept); TAM/Nielsen (September reports to 2015, July data for 2016-17)  
 Note: \* = penetration in TV homes. All other data are for all households. TV set ownership includes 'No TV homes' (where applicable), so differs slightly from TAM/Nielsen TV penetration figures

2.11. Ownership of traditional broadcast receivers (TV sets and radios) has remained relatively constant alongside increasing penetration of connected devices; such connectivity is in tandem with broadcast services. TV providers, including platform operators and content owners, are increasingly enabling consumers with greater control over their viewing experiences. Personal video recorders (PVRs) are now in approximately 59% of homes - allowing viewers to record and store content - and on-demand services are now available to anyone with a broadband connection.

Changes to consumer behaviour

2.12. Individuals are seeking more control over their media consumption experiences, increasingly seeking access to content across multiple devices at home and on the move – anytime, anywhere.

2.13. This is part of a broader demand-side shift towards greater functionality, including on-demand services, the ability to record and playback content, high-definition video and the ability to search, store and share content.

2.14. In practical terms, consumers are making greater use of on-demand services and viewing/listening outside the traditional broadcast window and on multiple devices in and out of the home. Broadcast services also face pressures on its share of leisure time from new activities such as social media and gaming.

Changes to corporate strategy

2.15. Content owners and aggregators continue to evolve strategies in response to (and in some cases to foment) market changes. Content aggregators are increasingly seeking to deepen relationships with viewers, securing rights across multiple windows and creating online brands that allow wider distribution.

- Traditional broadcast players such as RTÉ have launched their own on-demand services as a means of maintaining engagement with viewers and listeners.
  - Growth in connected media has reduced barriers to entry for content aggregators, and the Irish video market has witnessed significant market entry by new international operators and vertical players seeking to launch video services to complement hardware or other online services. The likes of Netflix and Amazon now provide over-the-top (OTT) on-demand access to deep libraries of high-quality content.
  - As a result, content is now packaged in several ways, including via multiple outlets across free and pay, subscription and discrete payments.
  - This in turn has had a significant impact on upstream content supply markets, particularly on content windowing (exclusivity periods, duration of holdbacks, length and extent of windows), leading to higher prices for a range of content, driven by greater competition, and a resultant spike on co-productions (including with new entrants).
- 2.16. Regulated broadcasters face both opportunities and challenges from an evolving and converging media landscape. This in turn has potential implications for public service outcomes, including diversity, plurality and the sustainability of content made and distributed in Ireland.
- 2.17. The landscape that the BAI oversees is therefore increasingly crowded, competitive and complex. The developments that we have identified have led to disruption and change in the broadcast market and set the conditions for further change over time.

**In the remainder of this section we provide an overview of the current structure and dynamics of the TV and radio sectors in Ireland. In each case, we set out the distribution landscape (platforms, devices), consumption outcomes (video viewing and audio listening) and profiles of key content suppliers.**

### The TV landscape

- 2.18. The Irish free-to-air PSBs are the RTÉ channels (RTÉ One, RTÉ One+1, RTÉ2, RTÉ News Now, and RTÉ Jr) and TG4, with specific remits and privileges (e.g., priority on electronic programme guides, access to DTT spectrum and public funding).
- 2.19. The Houses of the Oireachtas TV channel is also a PSB under the Broadcasting Act 2009, and therefore it is specifically granted a DTT berth, although it is not regulated in the same way as RTÉ and TG4 and indeed is subject to oversight from the Joint Administration Committee.<sup>10</sup>
- 2.20. TV3, and its sister channels TV3+1 and 3e, hold a ‘television programme service’ contract issued by the BAI under section 70 of the Broadcasting Act 2009, and are given capacity on the RTÉ DTT multiplex. be3, part of the same group as TV3, is the only free-to-air (‘FTA’) channel issued a ‘content provision contract’ under section 71 of the Act; ahead of its launch under its old name UTV Ireland, the channel was granted access to DTT on the multiplex operated by RTÉ by the Minister, who deemed the channel to have the “character of a public service” under section 130. All other channels in Ireland are available on satellite, cable and IPTV, and are in nearly every case licensed outside Ireland and are available in the Republic under European Country of Origin (‘COO’) rules respecting licences held elsewhere in the European Union.

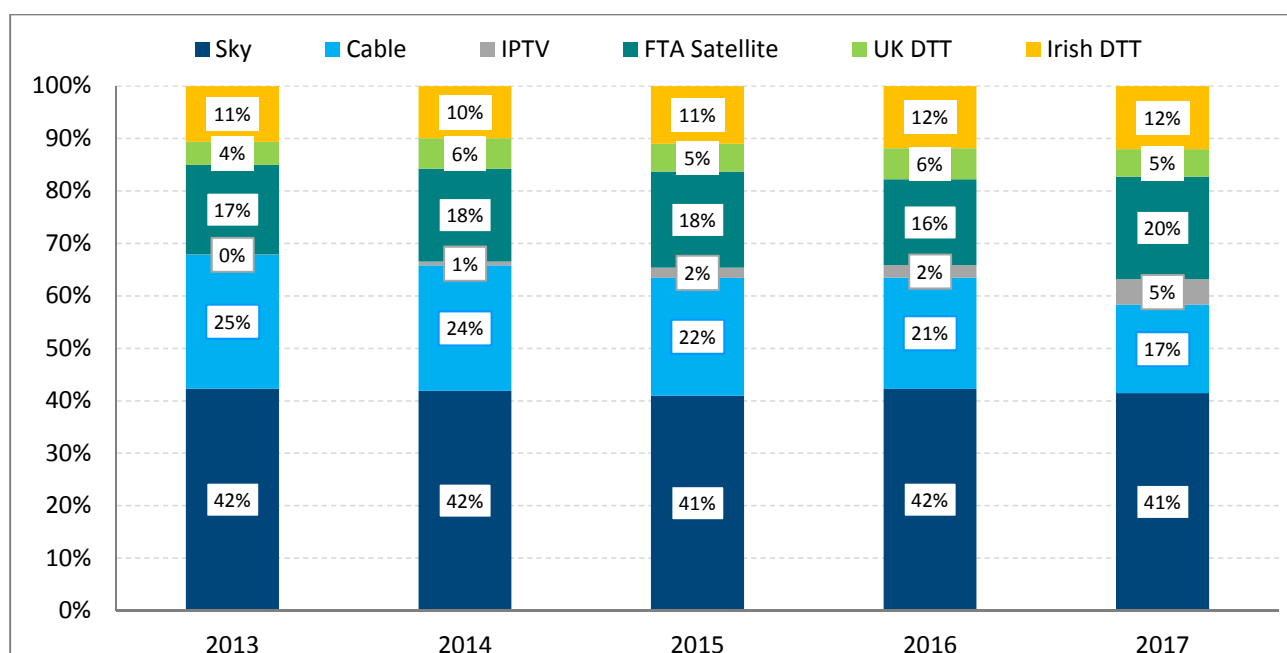
<sup>10</sup> The Irish Film Channel is also deemed a Public Service Broadcasters under the Act although the channel has not launched to date.

- 2.21. The FTA digital terrestrial TV market is relatively small compared to many other markets (e.g., the UK, Spain, Italy and France), with a majority of households electing to pay for TV services (or to use free satellite) in particular to access popular UK channels.
- 2.22. Over the past five years, viewers have benefited from greater choice of content, prices and providers, as well as increasing choice over when and where they can watch video content.

### The platform market

- 2.23. Irish households are able to receive TV services from a number of suppliers pursuing a range of models. Pay services from Sky and Virgin remain the largest platforms, with FTA satellite and DTT (via Saorview and Freeview) offering free alternatives with fewer channels and less functionality. Internet Protocol TV (IPTV) is also emerging as a competitive alternative mode of TV transmission via eir TV and Vodafone.
- 2.24. Recent trends demonstrate growth in the popularity of free TV options at the expense of pay TV, which nonetheless continues to dominate the platform market. While Ireland has only experienced a relatively small decline in pay TV penetration - 65% of homes took pay TV services in 2017, compared to 69% in 2013 – this still brings into question consumers’ continued willingness to pay for TV services. Moreover, the aggregate pay penetration figures hide an important dynamic – a decline in traditional ‘big bundle’ pay TV subscriptions, particularly for Virgin, and a growth in the penetration of ‘skinny bundle’ propositions from IPTV providers.

Figure 4: TV homes by platform, 2013 – 2017 (% of TV homes)



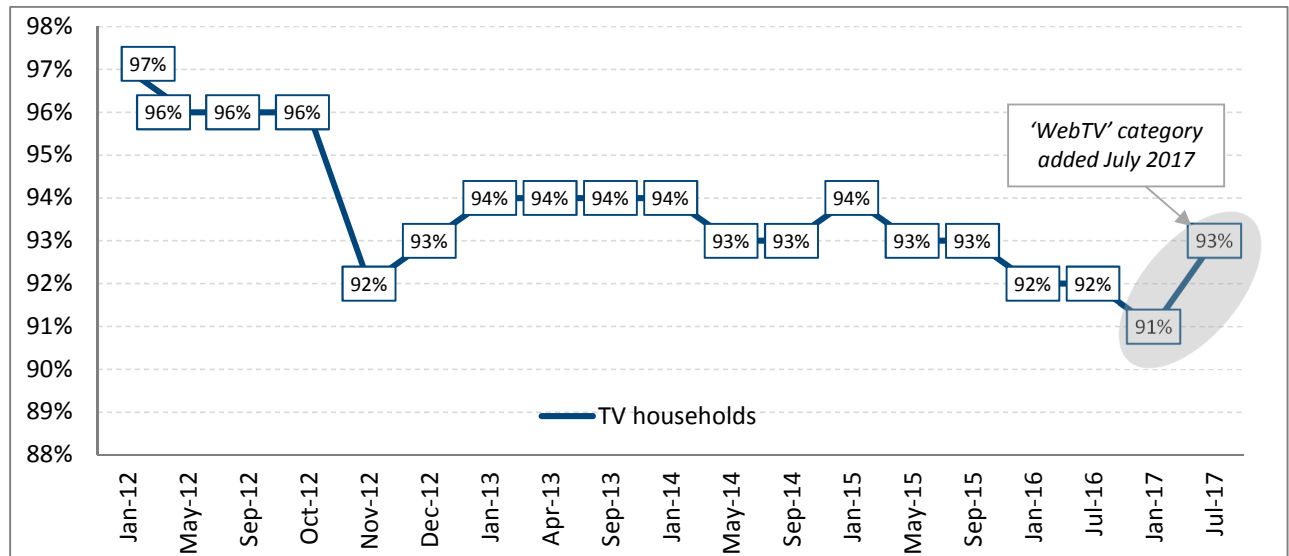
Source: TAM Ireland/Nielsen TAM Establishment Surveys (Sept reports for 2013-15; July-Dec reports for 2016-17)  
 Notes: From July-December 2017, the FTA Satellite includes ‘WebTV’, defined as “broadband homes with no standard reception type than can view broadcast content online through a smart TV or connected device”

For all years, the FTA satellite category includes viewers who receive TV channels through Sky equipment but do not pay a subscription (commonly known as ‘churned Sky’ viewers). Until January 2017, TAM included these viewers in the Sky category, so we have used Establishment Survey data to make this change retrospectively to the platform universes for previous years.

- 2.25. Recent data confirm an increase in the number of homes that do not have a TV set. The increased availability of TV content – whether free, paid, or illegally watched – over the internet and on multiple devices means that some consumers see no need to watch TV through traditional reception methods on a TV set.



Figure 5: TV homes, 2012 - 2017 (% of total households)



Source: TAM Ireland/Nielsen TAM

2.26. From July 2017, TAM Ireland have included a new category – ‘WebTV homes’ – in the FTA satellite grouping. According to Nielsen, “WebTV homes have broadband and either a Smart TV or peripheral attached to a TV set”<sup>11</sup> – that is, these homes do not have a standard reception method but still have the capacity to watch TV content on their TV sets. As of July 2017, there were 31,000 homes in the WebTV grouping. Before this point any WebTV homes would have been categorised as ‘No TV homes’, so the change in methodology has served to boost headline TV penetration slightly. TV content is still watched by some in the ‘No TV homes’ category: the July 2017 data reports that 28,000 such households had access to Netflix, while 19,000 had access to RTÉ Player.

*Pay TV dynamics*

2.27. Recent growth in household take-up of free TV has come despite the relative lack of investment in and development of the Saorview platform – for example, PVR penetration among Saorview homes is only 2%, compared to 90% in pay TV homes.<sup>12</sup> OTT players such as RTÉ Player could only be accessed freely on the TV set via smart TVs or streaming dongles until the launch of Saorview Connect in late 2017 – and despite the relative difficulty (compared to more user-friendly pay TV options) of accessing all desired Irish and UK channels through FTA satellite and aerial combinations.

2.28. The availability of UK channels on pay TV platforms may continue to be a key balancing factor for the continuing appeal of pay TV, however. Channels such as BBC One and Channel 4 are not available on Saorview and consumers are sufficiently willing to pay to receive these channels that the pay TV market is unlikely to suffer considerable further decline, even if free platforms do innovate and improve. Moreover, there is appetite for sport, film and entertainment premium content (e.g., Sky One, Sky Sports) that is only available behind a pay wall.

2.29. However, it is the case that many Irish consumers are adept at using workarounds to access the main UK channels for free, in addition to Irish channels. Some homes use ‘combi-boxes’, which combine aerial and satellite feeds to deliver Irish and unencrypted UK channels (via free-to-air satellite) to the same set-top box (Saorview Connect, the hybrid IP service, has both a DTT and a satellite tuner), or choose to toggle input feeds

<sup>11</sup> TAM Ireland/Nielsen TAM, ‘Understanding TV data’, 2017.

<sup>12</sup> TAM Ireland/Nielsen TAM Establishment Survey, July 2017.



on the TV, allowing them to receive Saorview via their inbuilt receiver or a set-top box ('STB'), and unencrypted UK channels through satellite or Freeview (depending on location). Thus:

- 74% of FTA satellite/WebTV homes receive the BBC and Channel 4, while 69% receive the Irish PSB channels;
- Nearly all Saorview and Freeview households say they can access the Irish PSB channels; and
- Overall, 93% of TV households receive the Irish PSB channels, while 83% receive the BBC and Channel 4.<sup>13</sup>

2.30. On a more practical level, equipment penetration protects pay platforms to some extent, as many of their customers would struggle to receive free Irish and UK channels without investing in aerials or satellite dishes.

- Only 8% of cable and 28% of Sky households have an aerial, whether connected to a TV or not, hampering their ability to receive FTA Irish channels if they cancelled their pay TV subscription<sup>14</sup>;
- While all Sky households could technically receive FTA UK channels via their existing Sky satellite dishes, most cable customers would have to buy a new dish or an aerial.

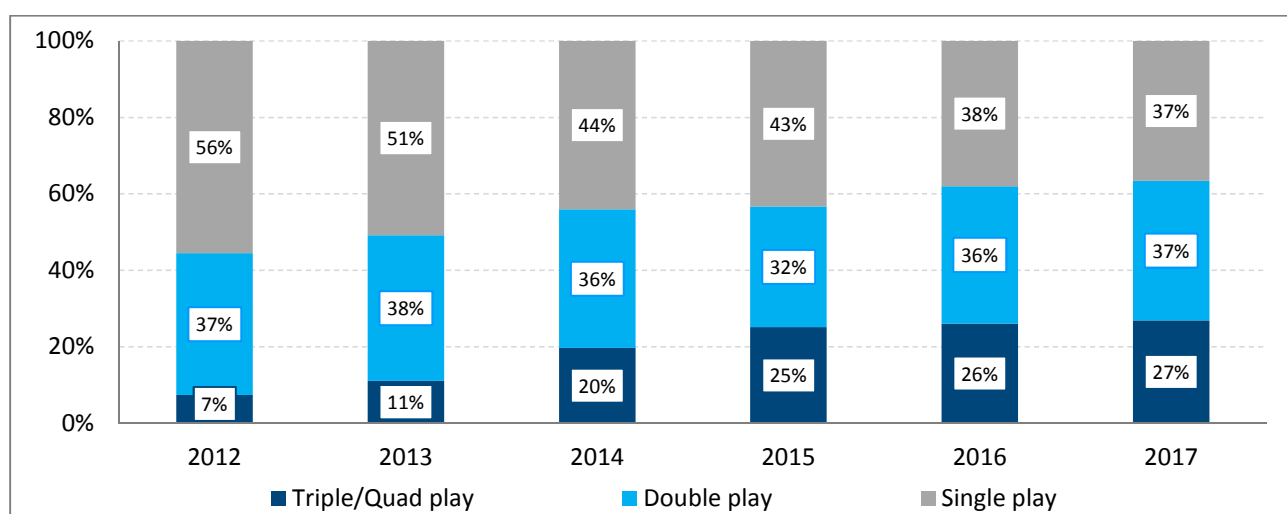
2.31. But most crucially, it is the convenience and ease of use which, combined with technological superiority in the form of PVRs and VOD access as standard, offer one of the greatest advantages over FTA options – even those which allow viewing of UK channels through convoluted means. For some customers, avoiding the inconvenience of using a combi-box or toggling, streaming via a dongle, or recording onto a generic hard drive (or not at all) means a monthly TV subscription is worth paying.

*Communications services bundling*

2.32. Virgin Media and Sky have been joined by eir and Vodafone in offering broadband, fixed and mobile telephony and TV services. These communications bundles allow operators both to extract more value from existing customers while reducing 'churn' (that is, customers leaving an operator), and to woo new customers with propositions based on price and/or the convenience of having multiple services from one supplier.

2.33. As data from ComReg shows, customers are now taking extra services from their providers in larger numbers.

**Figure 6: Communications services bundling, 2012 - 2017**



Source: ComReg (all data for Q2 of each year). Double and triple/quad play subscriptions include all possible combinations of broadband, fixed telephony, mobile telephony and TV; not all subscriptions will include a TV package

<sup>13</sup> Ibid.

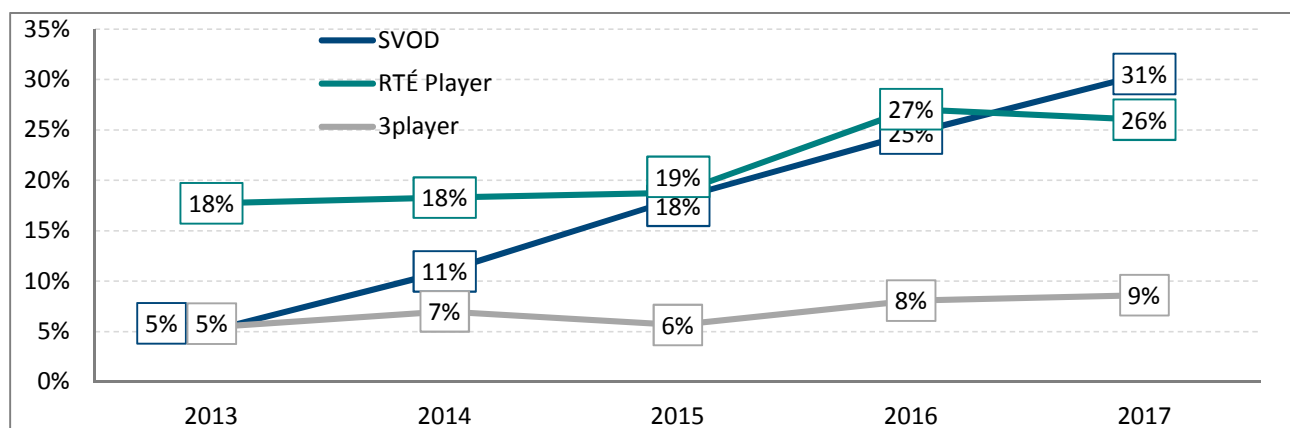
<sup>14</sup> Ibid.

- 2.34. The move to bundled provision and the entry of new operators with legacy fixed-line interests have combined to shift the focus of most network operators from TV to connectivity (fixed and mobile broadband). According to this view, TV is coming to be seen as more of a bolt-on to a core communications services package than a service in its own right, and in some ways commoditised.
- 2.35. This trend is reflected in the low prices of basic TV services – incremental to connectivity contracts – from Vodafone and eir, recognising that premium services with more channels are available for an additional fee.
- Since both providers are fixed-line and mobile operators without long histories in TV, their aim is to maximise the value they can extract from these network assets, especially given the high sunk costs and future capex associated with this infrastructure.
  - Retaining customers who could be lured away by competitors’ connectivity propositions is essential in achieving this aim. IP-delivered TV and the associated benefits of bundling are a means to this end, rather than the core focus of these providers, although this may change as customer bases and investments in content – such as sports rights – grow.

*New players in the pay TV market*

- 2.36. Traditional pay TV providers and FTA platforms now face competition from new entrants in the form of OTT providers – the most common form being subscription video-on-demand (SVOD) services from the likes of Netflix and Amazon. These allow users to stream or download films and TV programmes in return for a monthly fee. They are characterised by rolling monthly contracts and a lack of physical equipment. Increasingly, however, they are available on the TV set via a smart TV or internet-enabled STB (including via Virgin’s pay TV STB).
- 2.37. In Ireland, by far the largest SVOD player is Netflix, which can now be found in nearly a third of households. Launched more recently, Amazon Prime Video and Now TV have lower subscriber numbers but are backed by large budgets and libraries of quality content.
- 2.38. Alongside SVOD services, broadcaster VOD players, such as 3player and RTÉ Player, have grown their user bases. Both free and subscription VOD services offer TV-quality content that can be viewed unbound by the temporal and location restrictions of traditional linear TV and through search and navigation mechanisms untethered to standard EPGs; that is, viewers can watch on multiple devices and whenever they want (subject to rights restrictions on content availability). Access to these VOD services is growing, as we illustrate below, as viewers become increasingly connected.

Figure 7: VOD access 2013 - 2017 (% of TV households)



Source: TAM Ireland/Nielsen TAM. SVOD = (2013-15) regular subscription to download/stream TV content, (2016-17) have access to Netflix – this is used as a proxy for all SVOD due to TAM question changes

- 2.39. The growth of SVOD services has increased despite limitations on internet penetration and speeds and the lack of availability on certain TV platforms.
- Sky does not have a native Netflix application integrated into its set-top boxes, while free TV users generally lack any STB-integrated SVOD functionality.<sup>15</sup> Devices such as streaming dongles are good alternatives but are generally considered to offer a poorer user experience than an integrated STB, while smart TV take-up is still low.
  - Indeed, the need for workarounds on TVs may generate higher levels of viewing on second screens (e.g., tablets and smartphones), and furthermore may encourage the decoupling of traditional TV from VOD in the minds of consumers, given the physical steps (toggling to dongles, watching on tablets etc.) they take to watch content. In any case, the implications for video consumption are clear – many Irish consumers are using VOD services in spite of the obstacles they may have to overcome to do so.
- 2.40. Pay TV households are more likely than other categories to have a Netflix subscription. This reflects the higher average wealth of these households, their greater level of accustomedness to paying for content, and a higher propensity to have the correct equipment and connectivity to use SVOD. This also demonstrates the complementary nature of SVOD services, which provide an additional layer of content and choice to those households that already value having access to a wide range of video content.
- 2.41. A growing number of non-pay TV households are augmenting free TV with SVOD subscriptions, a trend enabled by improving connectivity and the widespread ownership of internet-enabled devices.
- As one might expect, SVOD penetration is lower among free TV households. These consumers tend to be older, less likely to have smart TVs or other means of accessing OTT services, are less likely to have internet access, and generally have a greater unwillingness to make regular payments for any TV content.
  - There is, however, a clear group of consumers for whom SVOD services and free TV together offer a better mix of cost-effectiveness, quality, or both. For some of these households, SVOD services are a substitute for pay TV services.
- 2.42. If we count TV households that pay for SVOD but have no pay TV subscription as ‘pay TV homes’, the total base of TV households who pay for any TV service in 2017 would be 70%. In that sense, SVOD services play a similar role to skinny bundles in altering the aggregate pay TV average revenue per unit (‘ARPU’).

#### *The shift towards ‘skinny’ content packages*

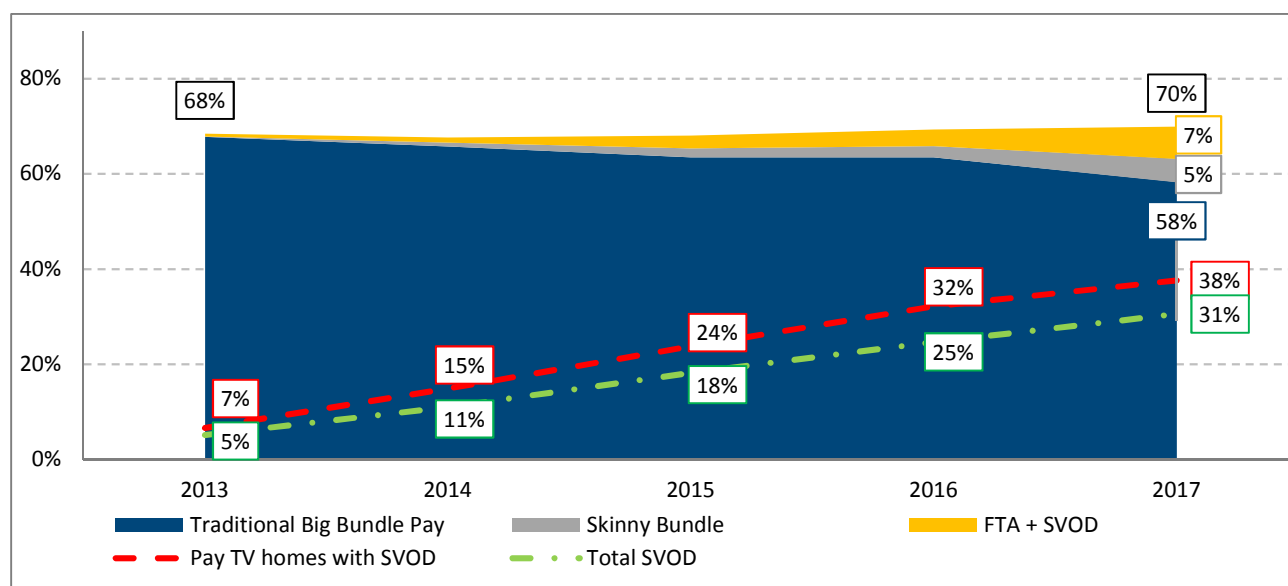
- 2.43. Declining consumer willingness to pay for TV does not always manifest itself through the growth of FTA platforms. Some customers find traditional pay TV expensive and do not like having to pay for channels in a large bundle they do not often watch. As a response to this, and thanks to the entry of new operators, the make-up of the pay TV market has begun to alter. Skinny TV services, which offer fewer channels in return for lower prices, are being adopted by some consumers at the expense of the big bundles of channels traditionally associated with pay TV operators.
- 2.44. This is a trend seen in other developed markets, such as the USA with AT&T’s DirecTV Now and Dish Network’s Sling TV, and in the UK where BT and TalkTalk have launched their own skinny TV packages through the YouView platform.

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<sup>15</sup> We expect Sky to reach a distribution arrangement with Netflix in the near future. We return to this point in Section 4.

- 2.45. In Ireland, the trend was kick-started by the IPTV operators, whose imperative was to offer an attractive value proposition in order to protect and expand their existing customer base (telephony and broadband), requiring TV services which could play this role without necessitating the high upfront investment or ongoing operational costs associated with traditional pay TV. At the same time, these operators could capitalise on emerging consumption trends, through the inclusion for example, of on-demand content (films, TV box sets).
- 2.46. Both as a reaction to competitors’ strategies and in recognition of trends in consumer behaviour, traditional pay TV companies have taken steps themselves toward increasing the options available to their customers:
- Virgin’s €20 Freedom TV service’s proposition rests on a core of popular TV channels (including BBC, Channel 4, and Sky One) and its on-demand and ‘TV Anywhere’ capabilities, coupled with flexible contract terms.
  - Sky launched its Now TV OTT service in 2017, offering premium on-demand content alongside live TV channels, which has ‘passes’ instead of contracts (although no Irish version of the Now TV box with integrated DTT tuner sold in the UK is available).
- 2.47. The introduction of new and lower-cost TV packages has had the effect of diluting the aggregate ARPU of the Irish pay TV market. As we illustrate below, big bundle pay penetration – and its associated higher ARPU – has declined, partly at the expense of the newer skinny bundle propositions from IPTV providers.

**Figure 8: Dynamics within the pay TV market, 2013 - 2017 (% of TV homes)**



Source: TAM Ireland/Nielsen TAM

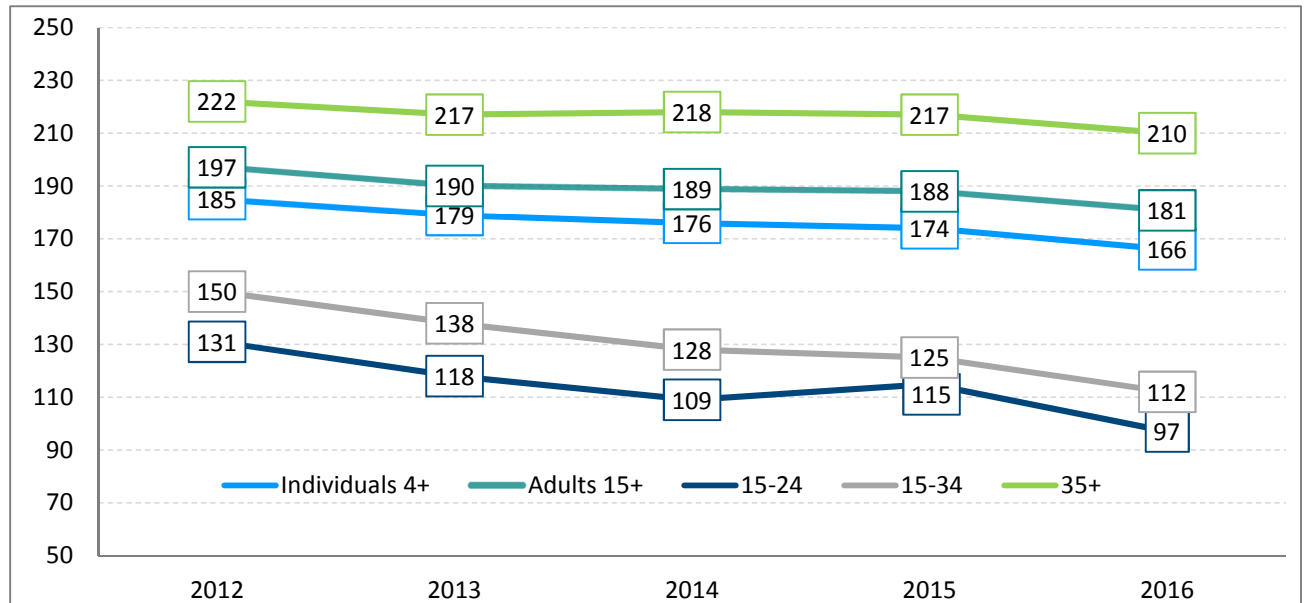
Definitions: Traditional Big Bundle Pay = Sky + Cable homes (subscription foreign satellite homes (c.1% of TV homes) not included); Skinny bundle = IPTV (Virgin Media’s Freedom TV is assumed not to have had an impact on historical TAM numbers); FTA+SVOD = homes with IDTT, UKDTT, or FTA Satellite + SVOD subscription; SVOD = (2013-15) regular subscription to download/stream TV content, (2016-17) have access to Netflix – this is used as a proxy for all SVOD due to TAM question changes; Pay TV homes with SVOD = % of pay TV households with an SVOD subscription

### Consumption of TV content – viewing outcomes

- 2.48. The additional choice and functionality offered by TV platforms and access to connected media have led to material changes in the nature of TV viewing; TV households are no longer confined to accessing broadcast channels on the TV set at the time scheduled by controllers. Combined with a range of other behavioural shifts (e.g. growth in use of social media), this has led to a decline in live TV viewing.

2.49. A relatively moderate decline in television viewing amongst all adults hides the pace with which younger people in particular are watching less live TV than in previous years.

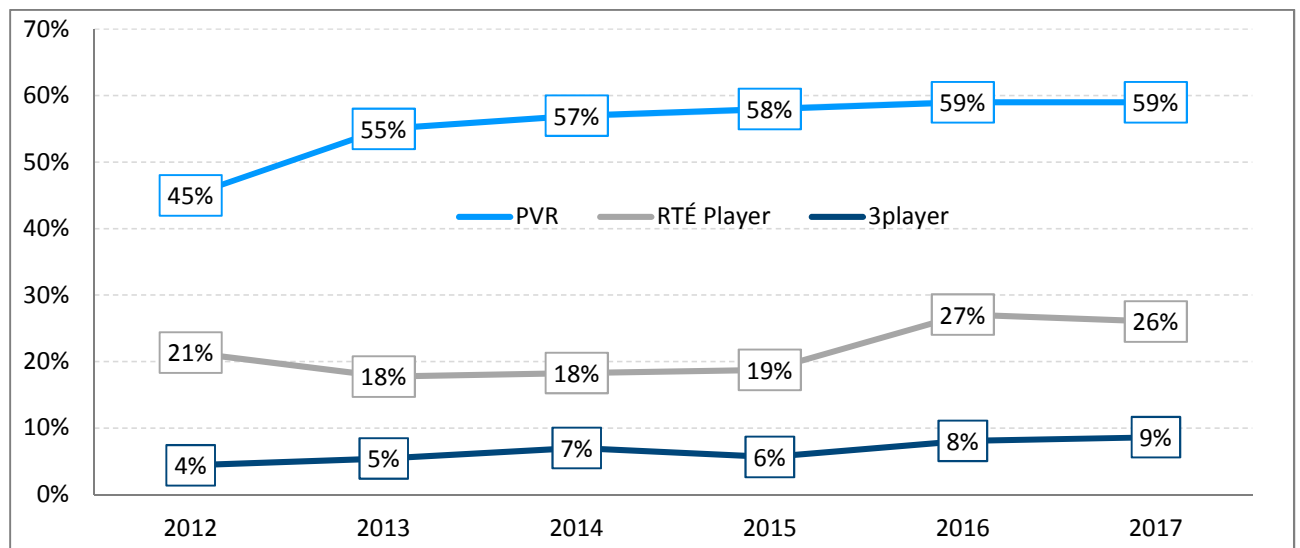
Figure 9: Live television viewing, 2012 - 2016 (average minutes per day)



Source: TAM Ireland/Nielsen TAM.

2.50. Viewers are increasingly consuming TV content in a time-shifted basis. Time shift viewing (TSV), comprising recorded viewing on Personal Video Recorders (PVRs) and catch-up TV viewing within seven days of broadcast, has risen as PVR ownership and VOD access have increased. Broadcaster VOD players such as RTÉ Player and operator services such as Sky On Demand offer catch-up and on demand viewing, and have grown their user bases as more viewers gain awareness of and access to them, through improved connectivity and device ownership.

Figure 10: PVR ownership and broadcaster VOD access, 2012 - 2017



Source: TAM Ireland/Nielsen TAM. PVR: household penetration. Players: 2012-15, use of players; 2016-17, access to players

2.51. With the growth of TSV, consolidated TV viewing has fallen at a slightly slower rate for all adults, although this is again thanks to the contribution of older viewers to the overall figures.<sup>16</sup>

Figure 11: Consolidated television viewing, 2012 - 2016 (minutes per day)

		2012	2013	2014	2015	2016	2012-16 CAGR
Adults 15+	Live	197	190	189	188	181	-2.1%
	Time shift	18	18	19	22	21	3.3%
	Consolidated	215	208	208	210	201	-1.6%
	% time shift	8.4%	8.7%	9.1%	10.4%	10.2%	
15-24	Live	131	118	109	115	97	-7.2%
	Time shift	17	15	14	15	12	-8.3%
	Consolidated	148	133	123	130	109	-7.4%
	% time shift	11.5%	11.3%	11.4%	11.5%	11%	
15-34	Live	150	138	128	125	112	-7%
	Time shift	24	24	21	21	18	-6.9%
	Consolidated	174	162	149	146	130	-7%
	% time shift	13.8%	14.8%	14.1%	14.4%	13.8%	
35+	Live	222	217	218	217	210	-1.4%
	Time shift	15	15	18	22	22	10%
	Consolidated	237	232	236	239	232	-0.5%
	% time shift	6.3%	6.5%	7.6%	9.2%	9.5%	

Source: TAM Nielsen/Nielsen TAM

2.52. TAM Ireland does not split TSV into recorded and VOD viewing. We have applied a range of international benchmarks and operator data to estimate the split between these two elements: we estimate that, of the 10.2% of 2016 Adults 15+ viewing that was time-shifted, 8.7 percentage points (just over 85%) was recorded and watched on a PVR and 1.5 percentage points (nearly 15%) was watched on-demand.

2.53. The persistence of live TV, even as PVR and VOD access increases, and despite pervasive commentary in the trade and general press heralding the end of traditional TV, is certainly notable. However, it does not tell the full story of video consumption in Ireland.

- The live, TSV and consolidated viewing data shown above only covers viewing of traditional broadcast content on a TV set and within 7 days of broadcast.
- It therefore excludes important elements of viewers’ total video diets: SVOD services like Netflix, short-form video on sites such as YouTube, and any content viewed on screens other than a TV set (including, for example, traditional broadcast content viewed on PCs, tablets and smartphones).

2.54. We illustrate below data from TAM’s VISTA project, which aims to give a fuller view of total video consumption by fusing existing viewing data with survey information on viewing habits.

Figure 12: Video viewing by format, Adults 15+, 2017 (% of total minutes)

	Adults 15+	Adults 15-24	Adults 25-34	Adults 35+
Live TV (TV set)	64	33	42.1	72.6
Live TV (other device)	3.7	8.4	5.1	2.7
Recorded TV (TV set)	11.8	7	13.5	12.2
Recorded TV (other device)	0.2	0.4	0.3	0.1
Broadcast players (TV set)	1.8	0.9	2.7	1.7

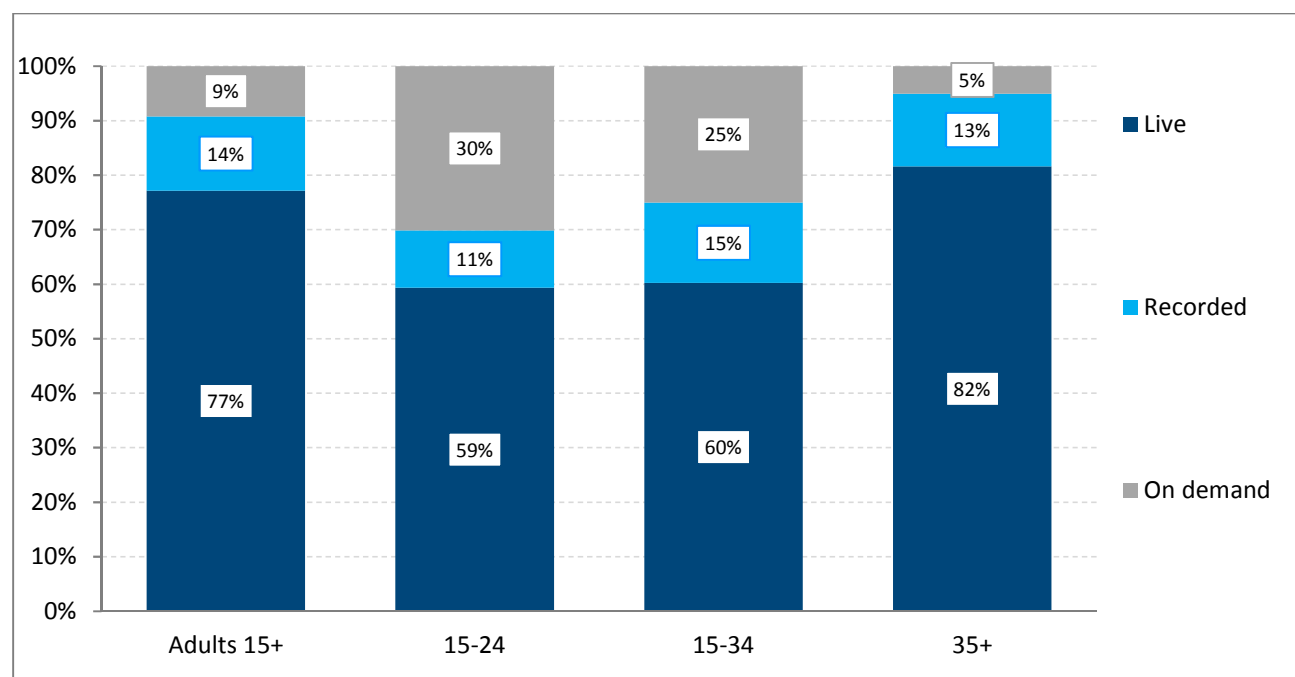
<sup>16</sup> Consolidated viewing includes live, recorded, and VOD viewing of broadcast content on the TV set, viewed within seven days of original broadcast and matched back to that broadcast. This is the current ‘gold standard’ for TAM, although TAM is evolving its metrics to include video consumption on other devices via the VISTA project.

	Adults 15+	Adults 15-24	Adults 25-34	Adults 35+
Broadcast players (other device)	2.2	7.9	3.4	1.2
Pay per view (TV set)	0.5	0.7	1.8	0.2
Pay per view (other device)	0.3	0.7	0.3	0.2
Short-form video (TV set)	4.5	4.8	7.1	4
Short-form video (other device)	6.6	20.8	13.2	3.3
Standalone online video service (TV set)	0.3	0.4	1.6	0
Standalone online video service (other device)	3.1	10.5	6.8	1.4
Other (TV set)	0.7	3.2	1.9	0.1
Other (other device)	0.4	1.4	0.4	0.3

Source: TAM Ireland A/V Data Solution – VISTA Phase 1. These data are representative of percentages of total minutes consumed on an average day. 'TV set' includes viewing on TV sets in the home. 'Other device' includes PC/laptop, tablet, smartphone and TV sets out of the home. 'Broadcast Players' includes catch-up and on-demand players such as RTÉ Player. 'Short-form video' includes videos on online sites such as YouTube and Facebook. 'Stand-alone online video service' includes services such as Netflix and Amazon Prime. 'Other' includes DVDs, other streaming and illegal downloads

2.55. On this basis, TV content can be tracked across a range of devices, and alongside new forms of content. Extending TAM’s ‘gold standard’ measurement of viewing on the TV set, we have tracked a broader definition of TV viewing on all devices, excluding short-form, DVDs and illegal streaming. On this basis, live TV (across all devices) accounted for 77% of all relevant viewing in 2016, with recorded content accounting for 14% and on-demand viewing (including catch-up, SVOD and pay-per-view) at 9%.

Figure 13: Share of TV viewing on the TV set, 2016 (% of total minutes)



Source: TAM Ireland A/V Data Solution 2017 – VISTA phase 1; Mediatique estimates

2.56. Even on this enhanced definition, broadcast television viewed on the TV set dominates total video viewing but it is clear that younger consumers in particular are embracing the greater choice that technological advancements and the launch of new services have given them.

2.57. Alternative devices and formats are prominent among younger viewers, including high volumes of short-form content on mobile devices. Indeed, alternative screens (mobiles, tablets, PCs) are actually more popular than TV screens for consumption by younger demographics of some forms of content, including short-form video, broadcast players, and stand-alone video services such as Netflix. Fundamentally, this reflects the ways in

which younger people use other devices for multiple tasks and activities; for many, watching video on connected devices and tablets comes as naturally as (or more naturally than) using a TV set.

*Consumption of TV content – channel shares*

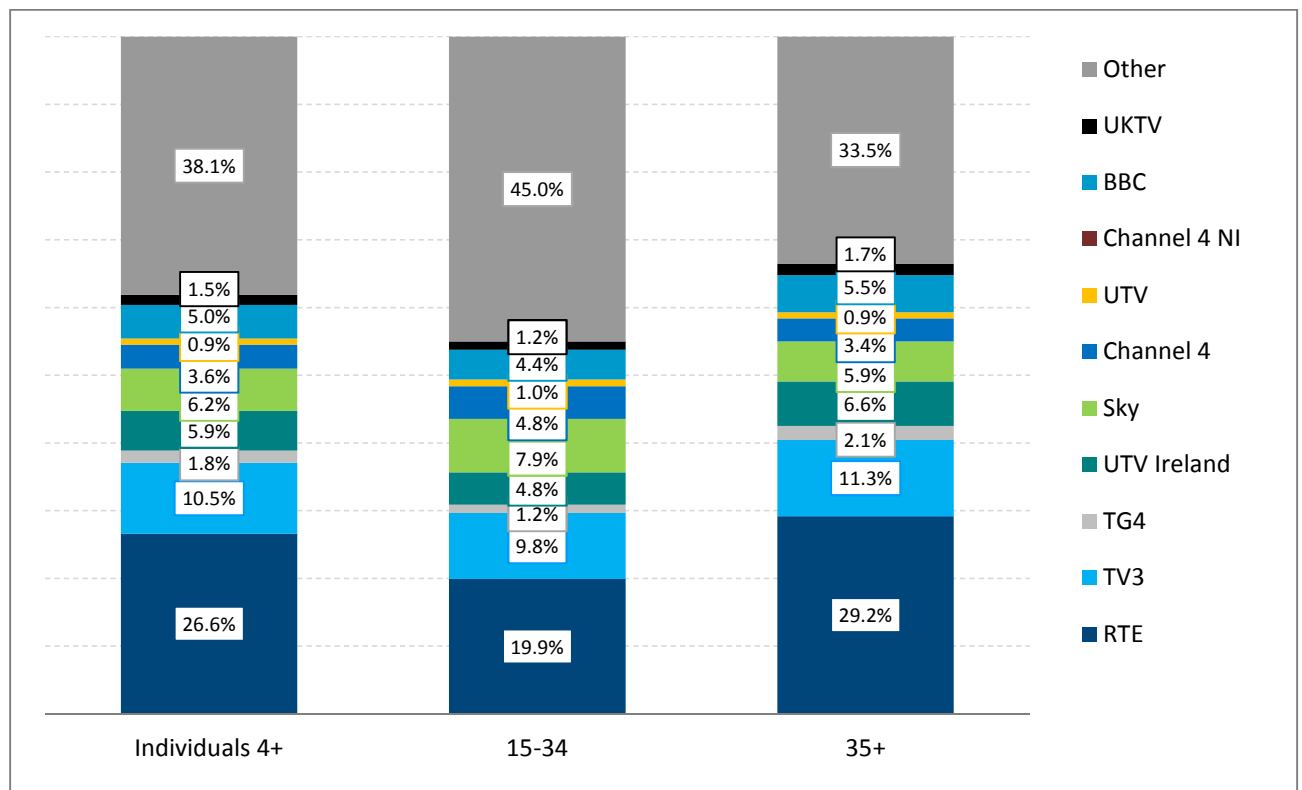
2.58. The Irish PSBs, led by RTÉ, still dominate TV viewing among all age-groups, despite a decline in their overall share from 2012 to 2016.

- PSB viewing share has stabilised recently, with both RTÉ and TG4 recording slight increases in 4+ viewing share from 2015 to 2016.
- Younger viewers tend to watch more of channels further down the EPG, such as MTV and Comedy Central, which contribute towards the increased share of ‘other channels’ viewing among 15-34s, relative to RTÉ in particular.

2.59. The PSB channels perform best on Saorview, thanks both to audience preferences and the smaller range of channels available compared to pay TV platforms: RTÉ One more than doubles its share of viewing on digital terrestrial TV over digital satellite, as does TV3.

2.60. Just over 17% of viewing in 2016 was to the opt-out channels (those, like Channel 4 and Sky One, simulcasting the UK broadcast feed but taking Irish advertising), up from around 10-11% at the start of the decade.

**Figure 14: Share of TV viewing by broadcaster group, 2016 (% of total minutes)**



Source: TAM Ireland/Nielsen TAM. ‘Other’ includes unspecified multi-channels. UTV Ireland was renamed be3 in January 2017

*TV content production and aggregation – key players*

2.61. Broadcasters and platform operators alike invest in a range of content, both in production and aggregation, in order to secure competitive advantage.

2.62. Total expenditure on TV content in Ireland for 2016 was an estimated €582m, broken down as:



- €342m on acquisitions – including spend on non-Irish sports, channel affiliates, and programme and licence acquisitions (including movie studio content) from Ireland and Rest of World<sup>17</sup>;
- €83m on Irish sports (from RTÉ, TG4, TV3, Sky and eir); and
- €157m on original (non-sport) first-run Irish content, including €43m spent on News and Current Affairs programming, the vast majority of which is spent by the PSBs and TV3.

2.63. RTÉ and Sky maintain the largest content budgets, although the spending priorities among pay TV operators and the PSBs varies significantly.

- RTÉ and TG4 spend more than 50% of their total content budgets on non-sport original content. Likewise, TV3 spends almost 50% of its total content on original content.
- By contrast, the content budgets of Sky, Virgin Media, eir and Vodafone are almost entirely comprised of sport and acquired content.

Figure 15: Total content spend by broadcaster, 2016 (€m)

Broadcaster/platform	2016 content budget	Breakdown of budgets, by source		
		Original	Irish Sport	Acquired
RTÉ	€185m	64%	22%	14%
TG4	€24m	50%	38%	22%
TV3	€55m	48%	16%	36%
Sky	€242m <sup>18</sup>	1%	8%	91% <sup>19</sup>
Virgin Media	€52m	0%	0%	100%
Eir	€21m	0%	24%	76%
Vodafone	€3m	0%	0%	100%

Source: Mediatique, company reports, press and trade estimates

Where data on Irish programming is not available, we have estimated the total UK + Ireland content expenditure and attributed a proportion of this to the Irish market equal to the percentage of customers in Ireland out of the total UK & Ireland customer base

2.64. Expenditure on original Irish TV content is therefore dominated by the PSBs, led by RTÉ. We now look at each of RTÉ, TG4, Community TV, the pay TV operators and finally new entrants in the context of content expenditure.

### RTÉ

2.65. Recent financial pressures at RTÉ’s have led to material budget constraints and reductions in content expenditure across nearly all genres.

Figure 16: RTÉ original content spend by genre, 2007 and 2016 (€m)

Genre	2007	2016	CAGR 2007 - 2016
News and Current Affairs	42.0	36.8	-1.64%
Sport	41.6	41.5	-0.03%
Arts	1.1	1.8	6.35%
Religious	4.0	2.1	-7.74%
Education	0.2	0.1	-8.30%
Other Factual	37.9	25.5	-4.83%
Drama	39.2	21.2	-7.40%

<sup>17</sup> There is no public data on the amount that Sky, Virgin, Eir TV and Vodafone pay for content, and the figures here are our estimates, based on industry intelligence and triangulation among public sources. In the case of Sky, we have used UK and Ireland total content expenditure, as reported by Sky PLC, and pro-rated this by the relevant size of Ireland within the combined markets.

<sup>18</sup> Sky’s Irish content budget includes our estimate of €136m for non-Irish sport (i.e., a proportion of Sky’s total UK and Ireland sports budget adjusted for the Irish market) and a proportion of Sky’s total UK and Ireland non-sport budget, similarly adjusted.

<sup>19</sup> For the purposes of this table, ‘acquired’ includes Sky investment in non-Irish sport.

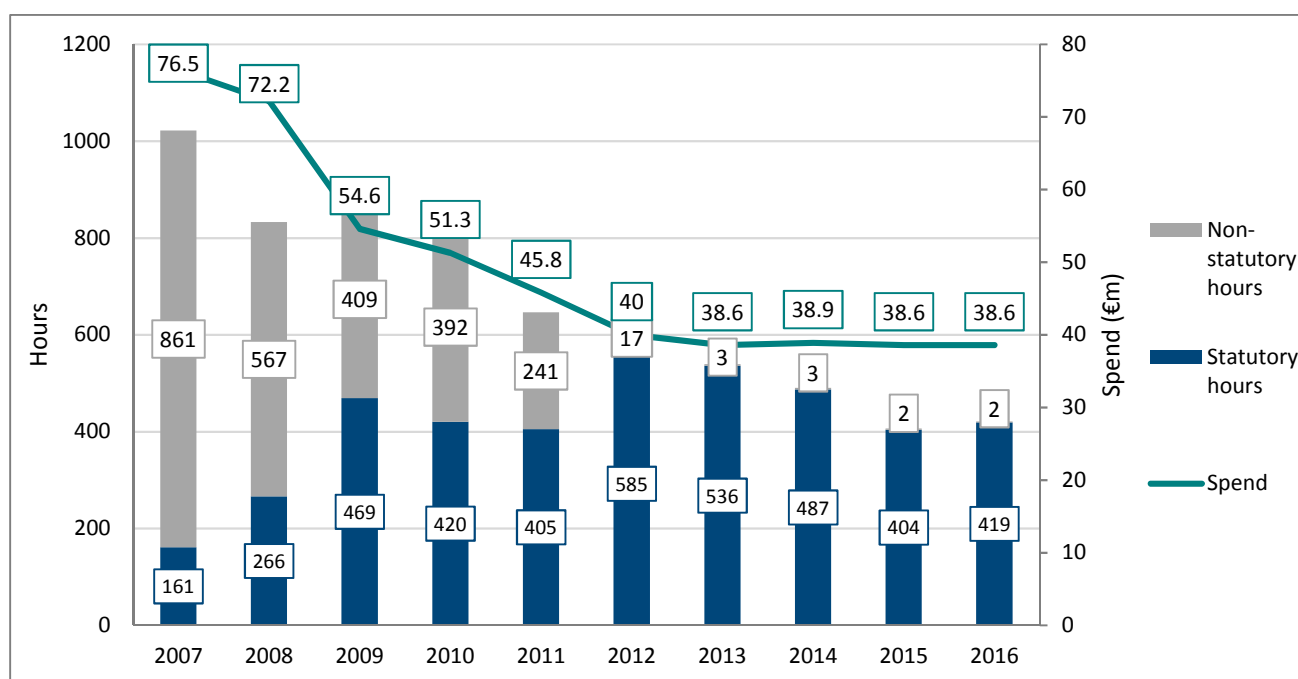
Genre	2007	2016	CAGR 2007 - 2016
Entertainment	34.4	23.2	-4.80%
Young People's	15.4	5.7	-11.68%
Music	3.2	1.4	-9.82%
<b>Total original content</b>	<b>219.0</b>	<b>159.3</b>	<b>-3.90%</b>

Source: RTÉ Annual Reports

2.66. The majority of RTÉ’s budget is spent in-house (approximately €120m in 2016), and across a range of genres. RTÉ is obliged under the Broadcasting Act 2009 to spend a minimum statutory amount each year on independently produced television and radio programmes. For 2009, the statutory amount was set at €40m, linked to inflation over time.

2.67. Reductions in RTÉ’s total content budgets have led to a decline in the hours of content being produced with independent Irish production companies.

Figure 17: RTÉ spend on independent commissions and total hours by breakdown (statutory/non-statutory), 2016 (€m)

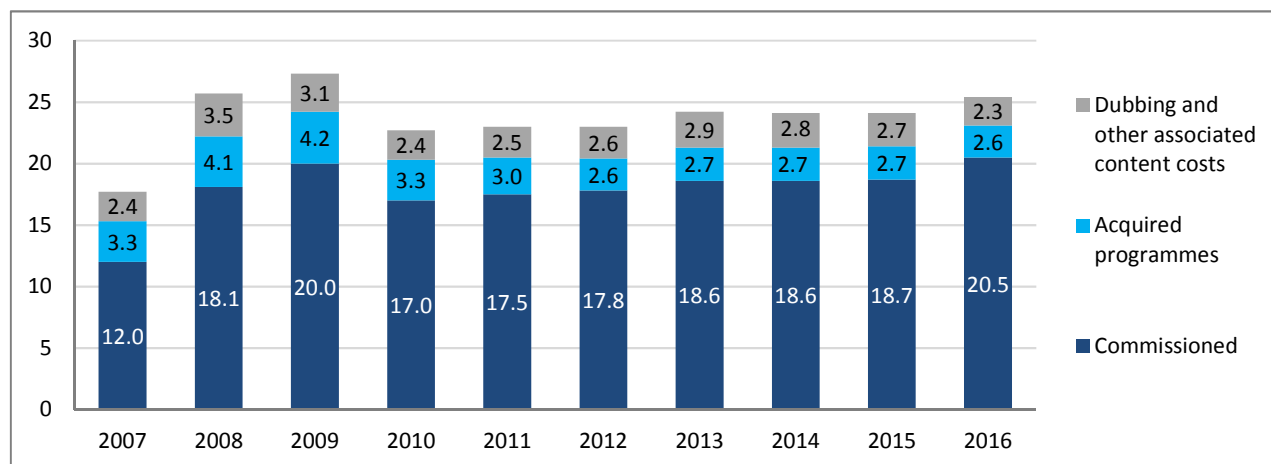


Source: RTÉ Annual Reports

TG4

2.68. TG4 operates as a publisher-broadcaster, and as such all of its original productions are commissioned via independent production companies. In 2016, TG4 spent roughly 90% of its total content budget on commissions, with the residual amount on acquired content. Despite the recession and pressures on its income, TG4 has managed to increase the amount spent on commissions.

Figure 18: TG4 total content spend by genre, 2007 - 2016 (€m)



Source: TG4 Annual Reports

2.69. Just less than 10% of TG4’s annual funding comes from advertising, sponsorship or other commercial income streams. To generate commercial impacts, TG4 has traditionally targeted non-Irish speaking audiences by relying on Irish sports programming. Only 58% of total broadcast hours were in the Irish language in 2016.

TV3

2.70. Under its contract with the BAI, TV3 and its sister channel 3e have certain content obligations although no mandated quotas or targets (be3 is regulated under a different licence<sup>20</sup>). TV3 state their intention is to provide 25% - 33% original Irish production annually and to commit 15% - 25% of the total Irish programming budget annually to independent Irish production companies.

2.71. According to Screen Producers Ireland, the TV3 schedule comprises approximately 40% of Irish produced content and have recently increased the volume of commissions from independent producers<sup>21</sup>.

Community television

2.72. The BAI currently licences two community television channels broadcasting in Ireland: Cork Community TV and Dublin Community TV. A third, Province 5 TV, which was based in Navan, is no longer running.

2.73. Funding for community television is very limited, with no core funding from the BAI and very little by way of viable advertising revenues. Due to a lack of funding, community TV spends very little on content, and relies almost exclusively on Sound and Vision funding to produce television content.

Pay TV operators

2.74. The budgets of the four pay TV operators – Sky Ireland, Virgin Media, eir and Vodafone – go predominantly on premium sport, films, affiliate channels and acquired programming. We estimate that Sky spends around €310m on original content in the UK and these programmes are available to Sky’s Irish subscribers.

<sup>20</sup> “Contracts granted by the BAI under Section 71 are for content only and do not carry an automatic right to carriage on a platform. From a programming perspective, the programme service obligations associated with Section 71 extend only to compliance with statutory Codes and Rules and with the European Audio-Visual Media Services (AVMS) Directive requirements relating to European and Independent Production works.” <http://www.bai.ie/blog/2014/02/27/bai-signs-content-contract-with-utv-ireland/>.

<sup>21</sup> SPI Annual Report 2016.

- 2.75. The vast majority of pay TV operators' content expenditure in Ireland is on non-Irish content, apart from sport. Moreover, there is a degree of circularity: Virgin and eir pay Sky for the right to retail Sky Sports, while Vodafone pays in order to offer eir Sports.
- 2.76. Of the four main operators, only Sky invests directly in Irish content at present.
- We estimate that Sky spends around €22m annually on Irish content; however, the vast majority of this expenditure goes towards Irish sports rights (estimated at about €20m), leaving only €2m (at most) for all other Irish originations.
  - Analysis of their schedule output shows Sky has produced only two programmes in Ireland since 2014; the comedy drama series *Moone Boy* and factual entertainment series *50 Ways to Kill Your Mammy*.<sup>22</sup>
- 2.77. There may, however, be changes ahead. In the context of the threat from content-rich global SVODs, Sky and Virgin are increasingly moving into original content production, and this may include Ireland.
- Sky has announced a €2m Irish fund, with a particular focus on factual entertainment, 'scaled entertainment' and comedy, with the intention of retaining UK and Irish rights and selling international rights via its distribution arm Sky Vision.
  - Meanwhile, Virgin is intending to co-commission with TV3 a new drama that would run as a VOD proposition in the UK and Ireland following an initial broadcast on TV3 (with a reported available budget of c€500,000 an hour<sup>23</sup>).

#### *The role of new players*

- 2.78. Non-Irish companies play a significant role in the content value chain – both upstream and downstream. There has been pressure from both sides of the Atlantic, with global SVOD players such as Netflix and Amazon entering the market, as well as UK-based channel groups selling opt-out advertising without contributing meaningfully to Irish content production.
- 2.79. In 2016, the SVOD players operating in Ireland had a combined global content budget of \$9bn (€8.5bn) and are expected to spend close to \$12bn (€11bn) in 2017. The majority of this funding goes to US-based studios and producers, although in recent years there has been a concerted push into producing content in new territories.
- This includes opportunities for co-production agreements between local broadcasters and global players – for example, RTÉ's *Rebellion*, co-produced with the Sundance Channel, was licensed to Netflix worldwide.
  - Equally, there are encouraging signs that Netflix and other global players are being attracted to Ireland to take advantage of Section 481 funding. The tax break's four-pronged focus on animation, TV drama, documentary and film fit well with global players' focus on mass appeal content for its diverse audience bases, and it is conceivable that local partners could attract more funding from larger transnational players.<sup>24</sup>
  - 2018 will see the worldwide release of two children's animations assisted by the scheme, Amazon's *The Stinky and Dirty Show* and Netflix's *Llama Llama*. This may encourage a greater degree of spend within the country itself.

<sup>22</sup> This has now been licensed in over 150 countries by Sky's distribution arm, Sky Vision.

<sup>23</sup> This is significant by Irish standards; however, new-entrant VOD operators routinely spend several multiples of this per hour for original content (e.g., Netflix has spent £100m for two series of *The Crown*, or around £5m an hour).

<sup>24</sup> See following section, *Other funding sources*, for details on Section 481.

2.80. Ultimately, however, programmes funded by these global players, even if taking advantage of Irish tax credits, may not in fact lead to the creation of truly local Irish content (i.e., commissioned, made and broadcast in Ireland, using Irish crews and talent).

*Other funding sources*

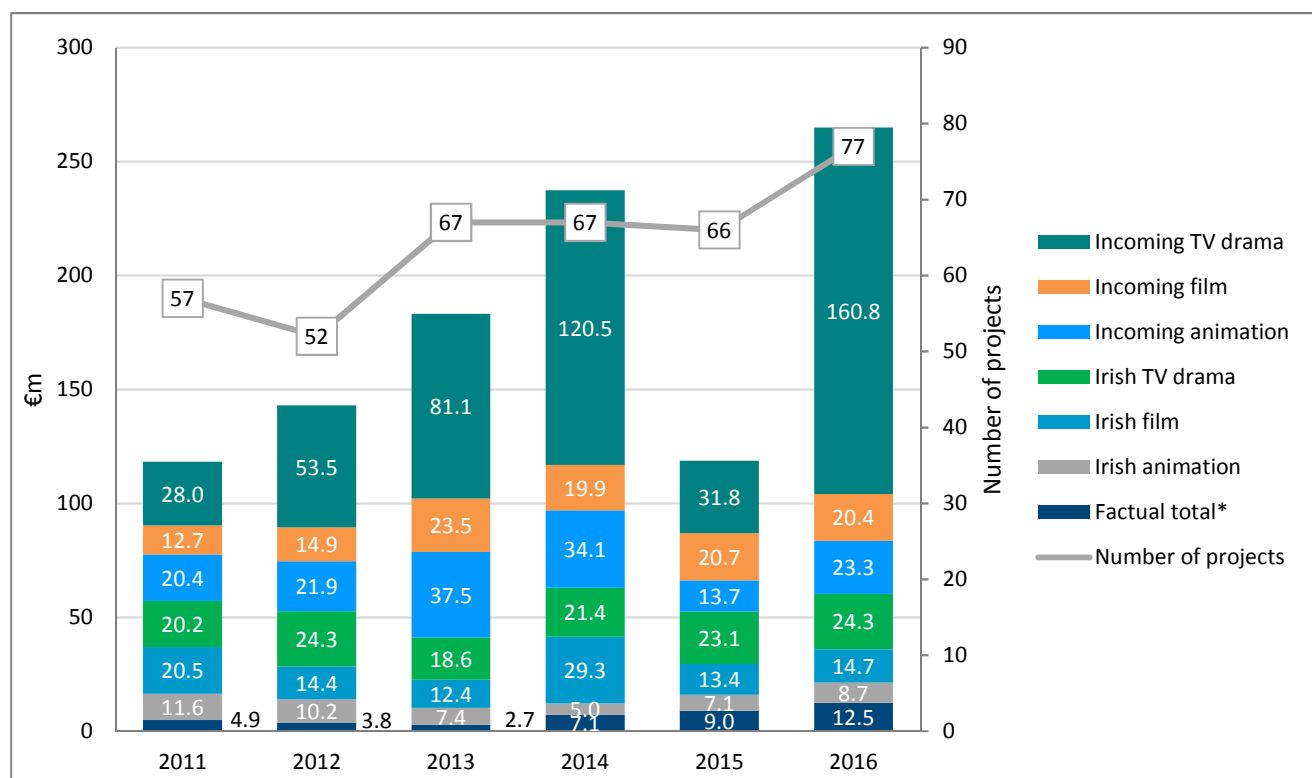
2.81. Finally, there are funds available for TV content production in addition to those derived directly from or on behalf of the broadcasters – namely, Section 481, the Irish Film Board (IFB) and the Irish Language Broadcast Fund.<sup>25</sup>

2.82. Section 481 of the 1997 Taxes Consolidation Act is a tax incentive to promote the Irish film industry by fomenting investment in indigenous productions, particularly incoming projects which make a significant contribution to the economy. There are four categories which qualify for s481 certification: feature films, TV dramas, animated content and factual.

2.83. In 2015, the legislation adjudicating the scheme was amended, adapting it from an investor-led model to a corporation tax credit model. As it currently stands, relief is given at 32% of the lowest of: eligible expenditure<sup>26</sup>; 80% of the total production cost; or €70m.

2.84. Since 2011, the value of productions availing of s481 relief has grown considerably (CAGR of 17.5%). The total value of productions in 2016 was €265m, representing 77 projects.

**Figure 19: Total value of projects availing on Section 481, by genre 2011 - 2016 (€m)**



Source: SPI Annual Reports

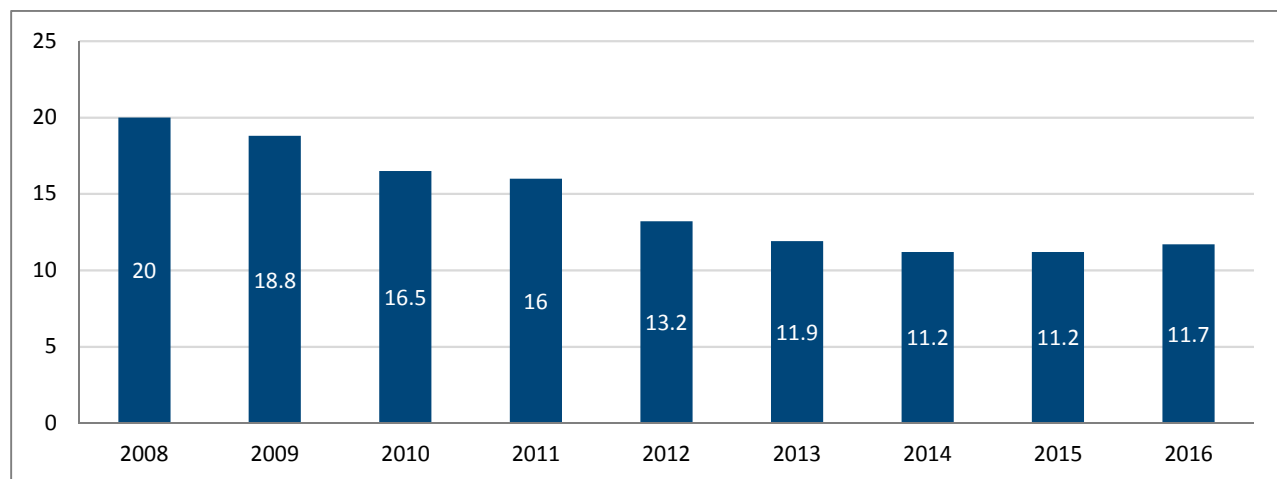
\* Factual total is not split into Irish and incoming projects and so is given collectively here

<sup>25</sup> Given that Sound and Vision provides funding for both TV and radio, we cover this following the section on the Radio Landscape, below.

<sup>26</sup> Includes employment of eligible individuals or expenditure on goods, services or facilities within the State on production.

- 2.85. S.481 has been successful at encouraging production into Ireland; however, the value of Irish productions has not followed the same growth trajectory.
- 2.86. Screen Producers Ireland noted in 2016 that “the value gap in 2016 between indigenous projects and incoming projects was €111.6m or 239% ...The trend of continued growth of incoming projects and stagnation of indigenous productions is a potential risk to the continued development of the industry. The stagnation of indigenous production could be linked to the stagnation of available national funding [e.g., from commercial and PSB funders], the fact that amounts available from the IFB have not changed substantially since 2011, and the lack of development funding.”<sup>27</sup>
- 2.87. TV Drama has witnessed the starkest disparities in project values. Irish productions have stayed relatively flat, rising to only €24.3m in 2016 from €20.2m in 2011, versus the dramatic jump in value of incoming TV Drama projects over the same period from €28m to €161m.
- 2.88. Given that RTÉ and TG4 are the only two channels to have invested significant sums in original Irish TV drama, it seems clear the funding constraints they have experienced over the past decade have been a major cause for the divergent trends between domestic and incoming productions funded through s.481.
- 2.89. A similar picture is also visible in the types of projects getting funding from the Irish Film Board.
  - Established as a state agency for film funding under the Irish Film Board Act 1980, the Irish Film Board (Bord Scannán na hÉireann) is a development agency promoting Irish filmmaking. It operates under the Department of Culture, Heritage and the Gaeltacht via an annual capital grant which, for 2016, was €11.7m. Funding is invested in script development, film production, cinema distribution and industry support. The IFB accept a wide definition of film under their various funding initiatives, including: feature films, feature documentaries, TV animation and TV drama development.<sup>28</sup>
  - The Oireachtas grant which provides their funding has decreased year on year since between 2008 and 2014, rising again in 2016 and 2017.

Figure 20: Value of Oireachtas Grant to Irish Film Board, 2008 - 2016 (€m)



Source: SPI Annual Reports

- The IFB have declared that these financial constraints mean they are only able to support ‘high-end international TV Drama’.<sup>29</sup> This has meant additional risks for productions supported by the IFB to

<sup>27</sup> SPI Annual Report, 2016.

<sup>28</sup> Irish Film Board Five Year Strategy, 2016 - 2020.

<sup>29</sup> SPI Annual Report, 2016.

become overly reliant on incoming productions rather than Irish productions, given the constrained nature of current Irish broadcaster funding.

- 2.90. Finally, there is some money available for Irish language content from Northern Ireland via the Irish Language Broadcast Fund. Set up in 2005, funding comes from the UK’s Department of Digital, Culture, Media & Sport (DDCMS) via Northern Ireland Screen.
- The Fund is currently in a four-year period of funding running from 2016 to 2020. The ILBF supports a minimum of 55 hours of Irish language content annually, the majority of which is broadcast on either TG4 or BBC Northern Ireland.
  - In 2016, TG4 received €1.427m from the ILBF, funding a total of 46.5 Irish language broadcast hours. TG4’s share of the total annual funding was 54.9%, with most of the remainder going to BBC NI (approximately €840,000 or 32.3%).

The radio landscape

- 2.91. As with the TV sector, the radio market faces challenges as a result of increasing connectivity and shifts in consumer preferences. Radio provision is part of a wider market for audio listening which now covers music and other audio content from a range of providers and models.
- 2.92. Radio is popular in Ireland in terms of reach and aggregate listening. However, the market is mature and there are signs it may be starting to succumb to the technological and consumer changes that have been noted in television. Nowhere is this clearer than in the differences in radio consumption among different demographics, with younger listeners tuning in less over time.
- 2.93. There has also been weakness in the prices advertisers are paying for radio advertising spots – which are seen increasingly as a second-order media purchase and commoditised. These shifts have only exacerbated pre-existing pressures on radio advertising revenues which contracted sharply after the 2008 financial crisis.

*Market structure*

- 2.94. Ireland’s radio industry is extensive, with public service broadcasting from RTÉ’s four FM radio stations, and a system 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 22.
- 2.95. The commercial radio sector developed over the course of the 1990s and through to the 2000s, following liberalisation of the independent sector introduced via the Radio and Television Act 1988. The BAI and its predecessors<sup>30</sup> have been active in licensing new services – key dates and developments are summarised in the table below.
- 2.96. Over the period from 1991 to 2016, commercial radio’s share of display advertising revenue has increased from 3.7% to 10.8%.

**Figure 21: Timeline of commercial radio licensing, 1988 - 2017**

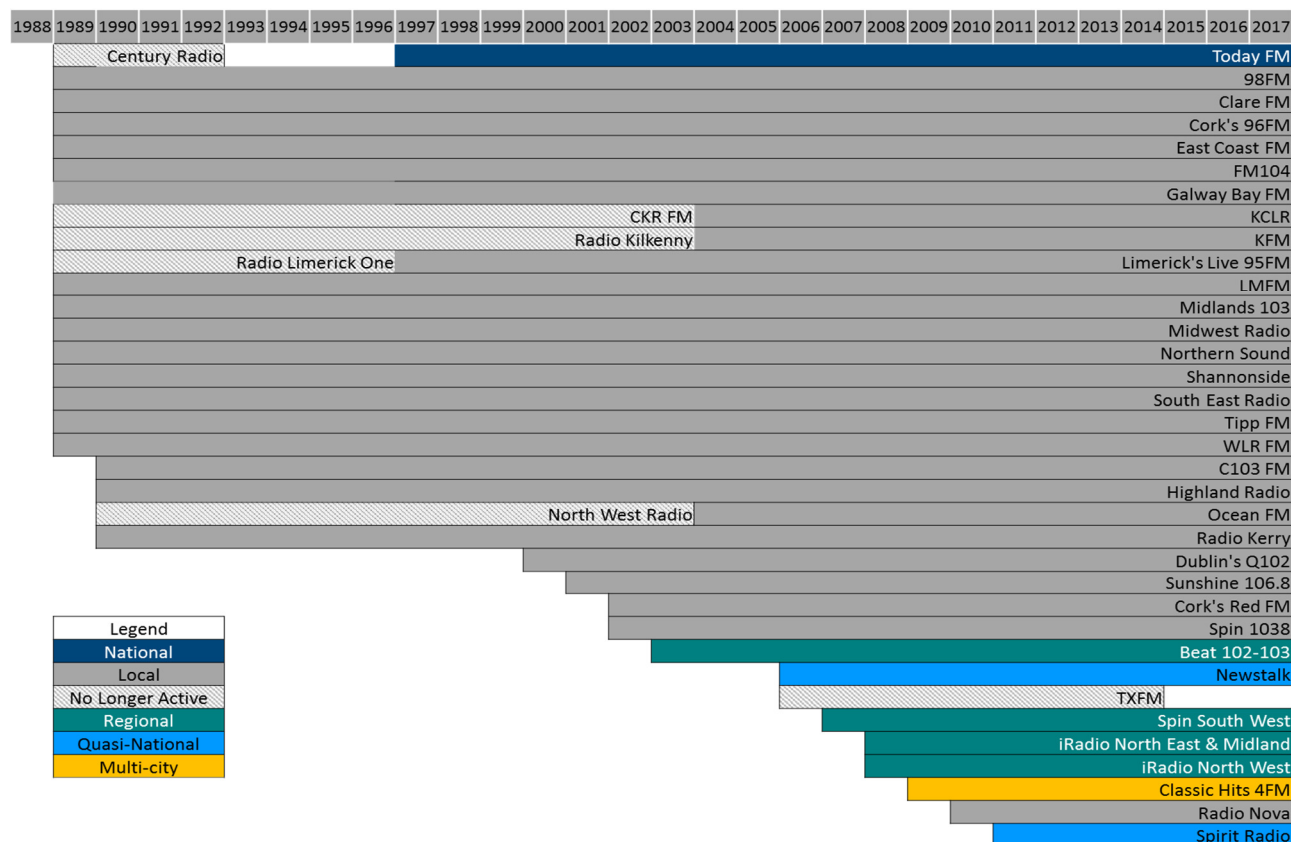
<b>1988</b>	The Radio and Television Act of 1988 establishes the Independent Radio and Television Commission, setting the bases of the development of the independent radio sector
<b>1989</b>	IRTC Broadcasting Plan establishes independent radio broadcasting; provides for one national independent service (100-102 Century Radio) and 25 local radio licences
<b>1992</b>	100-102 Century Radio closes down as a result of significant financial losses

<sup>30</sup> The Independent Radio and Television Commission (‘IRTC’) and the Broadcasting Commission of Ireland (‘BCI’).

1996	IRTC re-advertises the national radio contract, and awards it to Radio Ireland
1999	IRTC Broadcasting Plan provides for more local services in Dublin and Cork, and establishes the first youth regional service on a pilot basis (BEAT FM)
2002	BCI re-licenses the local radio network, with small changes informed by the statutory expression of interest process.
2005	BCI plans three more regional services, thus completing the national network, plus two quasi-national services, a new multi-city service and niche services in Dublin.
2009	The Broadcasting Act 2009 establishes the Broadcasting Authority of Ireland and requires it to set the strategy for the provision of independent broadcasting services in Ireland
2012-16	The BAI’s plans provide for the re-licensing of 27 commercial radio services, most of which were licensed using the ‘fast track’ licensing procedure

Source: BAI, Indecon, Mediatique

Figure 22: Radio licences, 1988-2017



Source: BAI, Mediatique

2.97. Community radio was first established in 1995, and there are now 22 licences around the country, with the potential for more to come. Funding comes from a combination of local businesses and community groups (including via contributions from a small amount of advertising) and grants, with significant support available in certain areas of the country from the Community Services Programme (CSP), administered by Pobal. The CSP gives grants to community businesses that deliver services and create employment for people from disadvantaged groups, supporting 425 community companies and co-operatives. It works in communities where “public and private-sector services are lacking, for example through geographical or social isolation, or because of demand deficits (i.e. where demands not being met by existing services).”<sup>31</sup>

<sup>31</sup> <https://www.pobal.ie/FundingProgrammes/CommunityServicesProgramme/Pages/CSP%20Home.aspx>.



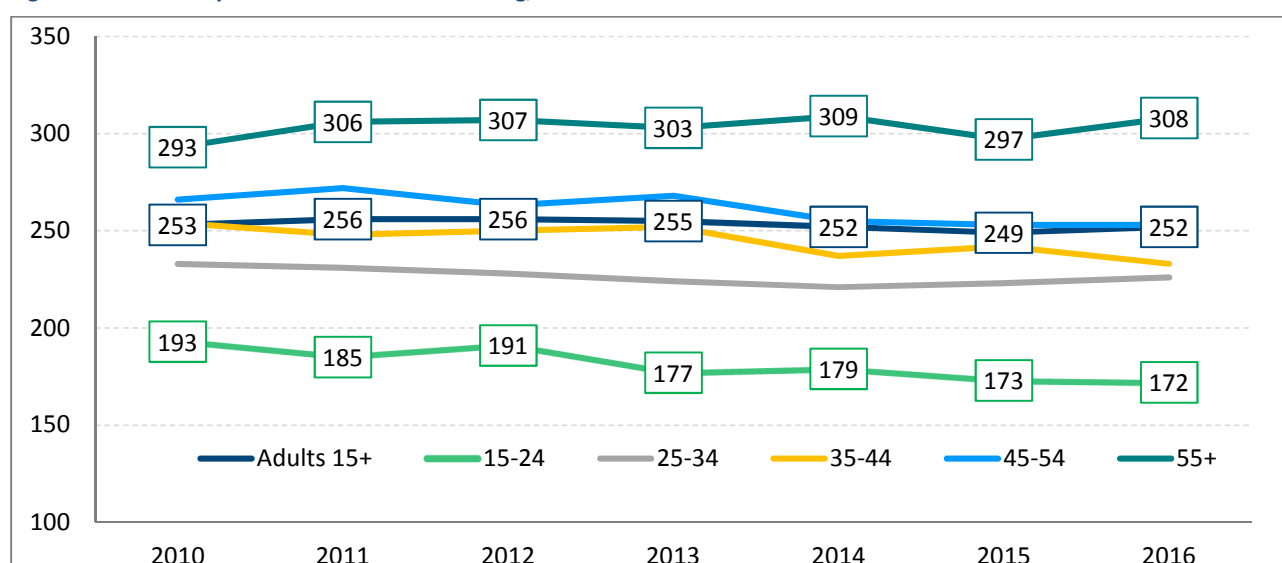
2.98. The community sector is heavily dependent on donations and volunteers. The sector also receives significant assistance from CRAOL, the Community Radio Forum of Ireland, which offers, among other services, training and research and BAI funding. CRAOL receives support from the BAI through the Network Funding Scheme, of which the BAI is the sole funder.

*Radio consumption – listening time*

2.99. Ireland is still a radio nation. Beyond the well-performing portfolio of PSB stations, independent operators enjoy widespread popularity at national, regional, and local levels. Reach remains strong (82% for Adults 15+ in 2016), while individual presenters are household names.

2.100. While overall listening among those adults reached by radio has been relatively stable since 2010, this obscures a significant drop in radio consumption by younger listeners.

Figure 23: Mean daily minutes of live radio listening, 2010 - 2016



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

2.101. The industry uses two core measurements for the overall radio market – reach (those in the JNLR panel who listened to any radio ‘yesterday’<sup>32</sup>) and mean daily minutes of listening for those reached by radio (from which each station’s percentage share is calculated). These are useful standalone metrics but viewed in isolation they do not fully illustrate the changes in radio consumption. When combined, they give a better indication of the strength of radio among the whole population. Since mean daily minutes measures radio’s popularity among those who are reached by radio (‘radio listeners’) on an average day, multiplying mean daily minutes by reach gives a figure for the whole population – that is, the resultant figure will include the impact of the lack of listening by those who are not reached by radio on an average day.

2.102. For example, in 2016 the mean daily minutes for those adults reached by radio was 252 and radio’s reach was 82%, making the figure for the whole population 207 minutes. This methodology can be applied to data from previous years, giving a better understanding of the impact that the combination of reach and mean daily minutes have had on radio listening among the whole population.

2.103. In the case of the youngest demographics in particular, declining reach heavily compounds the effect of a drop in mean daily minutes per reached individual: not only are there fewer overall listeners but those who do are listening to fewer minutes each per day. However, this trend is again somewhat counterbalanced

<sup>32</sup> ‘Yesterday’ reach is used by JNLR to represent reach on an average day. Source: JNLR methodology report, April 2017

by older listeners, who are still enthusiastically embracing radio and contribute to relatively flat overall figures for the Adults 15+ category.

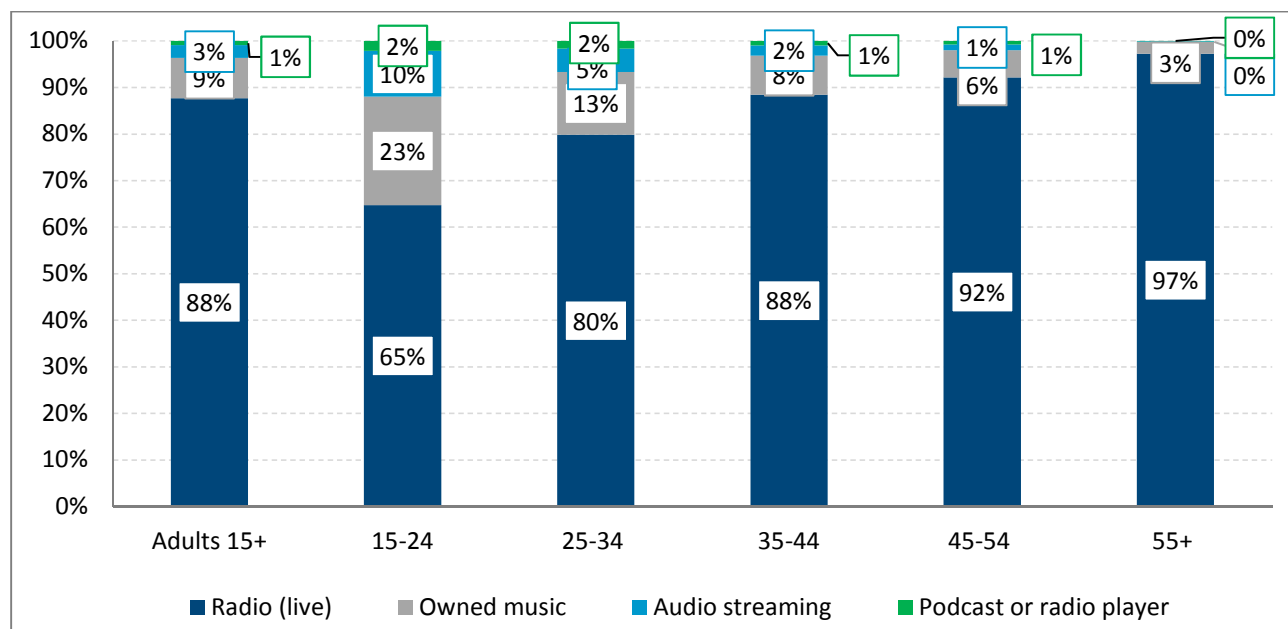
Figure 24: Mean daily minutes for radio listeners and population, 2010 - 2016 (mins)

	2010	2011	2012	2013	2014	2015	2016	CAGR (%)
<b>Adults 15+</b>								
Minutes (listeners)	253	256	256	255	252	249	252	-0.1%
Reach	85%	85%	84%	83%	84%	83%	82%	-0.6%
Minutes (population)	215	218	215	212	212	207	207	-0.7%
<b>15-24</b>								
Minutes (listeners)	193	185	191	177	179	173	172	-1.9%
Reach	81%	80%	78%	76%	78%	76%	75%	-1.3%
Minutes (population)	156	148	149	135	140	131	129	-3.2%
<b>55+</b>								
Minutes (listeners)	293	306	307	303	309	297	308	0.8%
Reach	88%	88%	89%	87%	88%	88%	88%	0.0%
Minutes (population)	258	269	273	264	272	261	271	0.8%

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

2.104. The JNLR now tracks overall audio consumption; it is therefore possible to see the role that radio plays alongside other forms of audio for different age groups. Within this broader definition, radio is still by far the largest component of total audio consumption for all ages, and accounts for nearly all the listening of older consumers.

Figure 25: Total audio consumption by type by age group, 2016



Source: JNLR Media and platform report 2016. Respondents were asked, "Now thinking about yesterday, about how much time did you spend on each of the following activities?". Shows consumption among the whole population, not just those reached by each format. NB these proportions are based on reported, not measured use, and should be treated with some caution

2.105. Younger age groups do spend more time listening to alternative audio sources but radio still dominates. This is partly thanks to the average duration of radio listening by each reached user, compared to other

sources. For example, not only does radio have superior daily reach over streaming services among 15-24s (75% vs. 23%) but each reached radio listener also consumes more radio minutes per day than each reached streaming user consumes streaming minutes – 136 compared to 68.<sup>33</sup>

2.106. It is also the case that streaming service uptake and use is markedly higher among ABC1s and County Dublin residents than other social classes or regions.

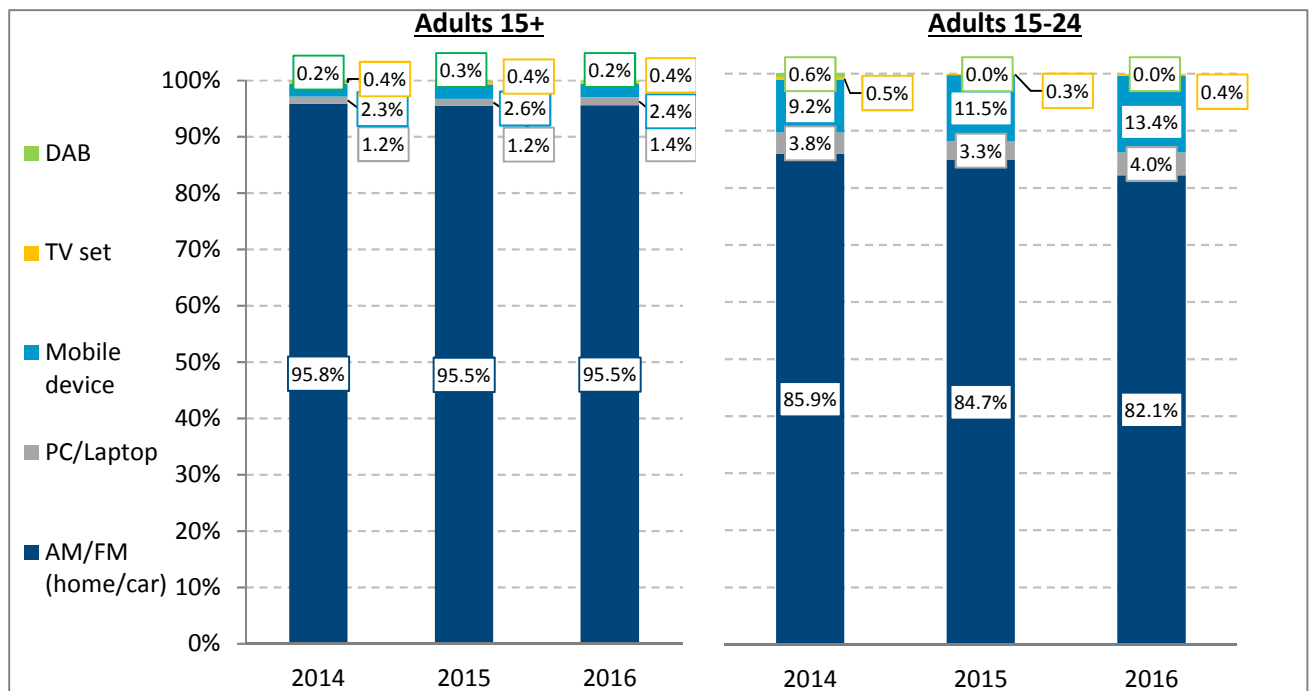
2.107. Alternative audio does not account for all the gap between the radio listening of younger and older consumers; age-specific factors such as free time, lack of alternatives, and the appeal of alternative (non-audio) activities have long played a role here (as with TV viewing). However, the observed decline in live radio reach and minutes among 15-24s does point to owned music, streamed music and podcasts as an increasingly common destination for these lost listeners and minutes.

*Radio consumption – devices and networks*

2.108. Most radio listening takes place on traditional sets (standalone or in-car), even among younger age groups. This reflects the preponderance of these devices among consumers, the times of day in which most radio listening takes place, and listener habits:

- In 2016, 92% of households had any FM/AM radio and 90% had an in-car radio, comparing to a DAB radio set penetration of only 20%<sup>34</sup>.
- Despite the recent growth in DAB take-up among the population from 10% in 2012, it still only accounts for a small proportion of overall listening, partly because 55+ listeners – who are proportionally heavier listeners of radio – are less likely to own DAB sets.

Figure 26: Radio consumption by device for Adults 15+ and Adults 15 - 24, 2014 – 2016



Source: JNLR Media and platform report 2016. 2015-16 data is for Jan-Dec; 2014 is for Jan-Sept

<sup>33</sup> JNLR, Media and platform report 2016, February 2017. These minutes are reported rather than measured, so the radio minutes do not correspond to standard JNLR figures.

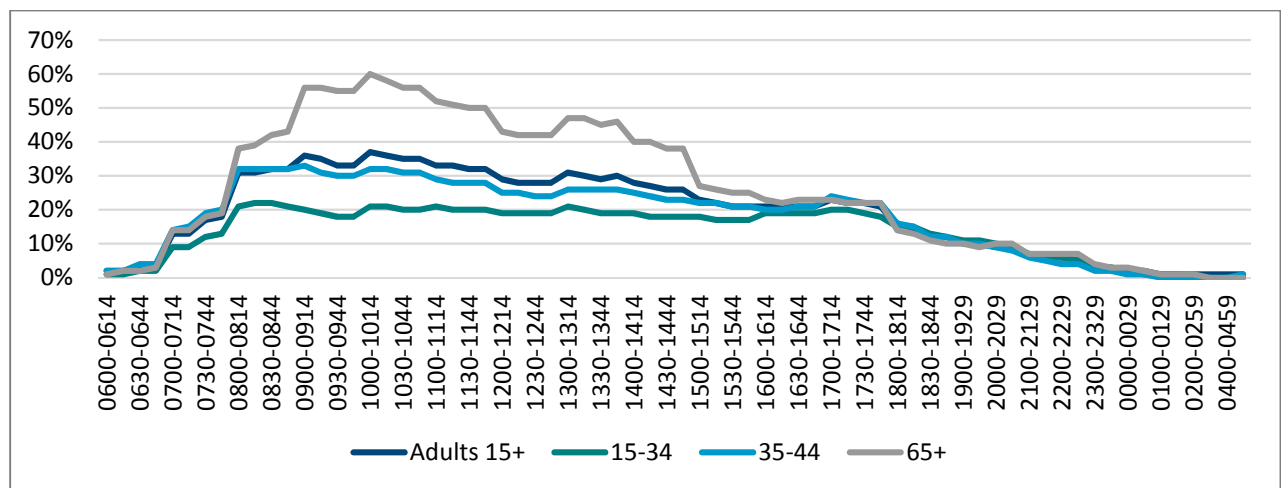
<sup>34</sup> JNLR, Media and platform report 2016, February 2017.

2.109. Mobile devices (e.g. smartphones, MP3 players) and computers are popular among younger listeners, illustrating their growing desire to consume audio on mobile devices, even if this is over WiFi in the home/workplace/place of study, rather than by using mobile data while out and about.

- However, despite relatively widespread ownership of smartphones, overall radio listening on these devices is constrained by mobile data allowances and cost, low uptake of Irish online/app based radio, and pre-existing user habits (that is, most consumers are accustomed to listening through traditional sets, and they are more likely to listen to the radio at times of day when they have access to traditional/car radios).
- It may also be the case that many consumers think of smartphones more as devices for listening to music (owned or streamed), and more recently podcasts too, rather than for live radio. If this is so, it may be reflective of the reliance that these alternative audio sources have on smartphones for their reach and frequency of use, and of the technological and marketing investments major international companies have made to ensure that consumers see their smartphones and these audio services as one.

2.110. Radio reach among working-age listeners peaks during the morning, including rush hour and, increasingly, Irish workers are using cars to get to work, making car radios a particularly important method for listening to radio. CSO data from the 2016 Census show that 65.5% of workers drove to work or were a passenger in a car, up from 54.9% in 1986.<sup>35</sup>

Figure 27: Radio reach (%) by daypart, Jan - Dec 2016



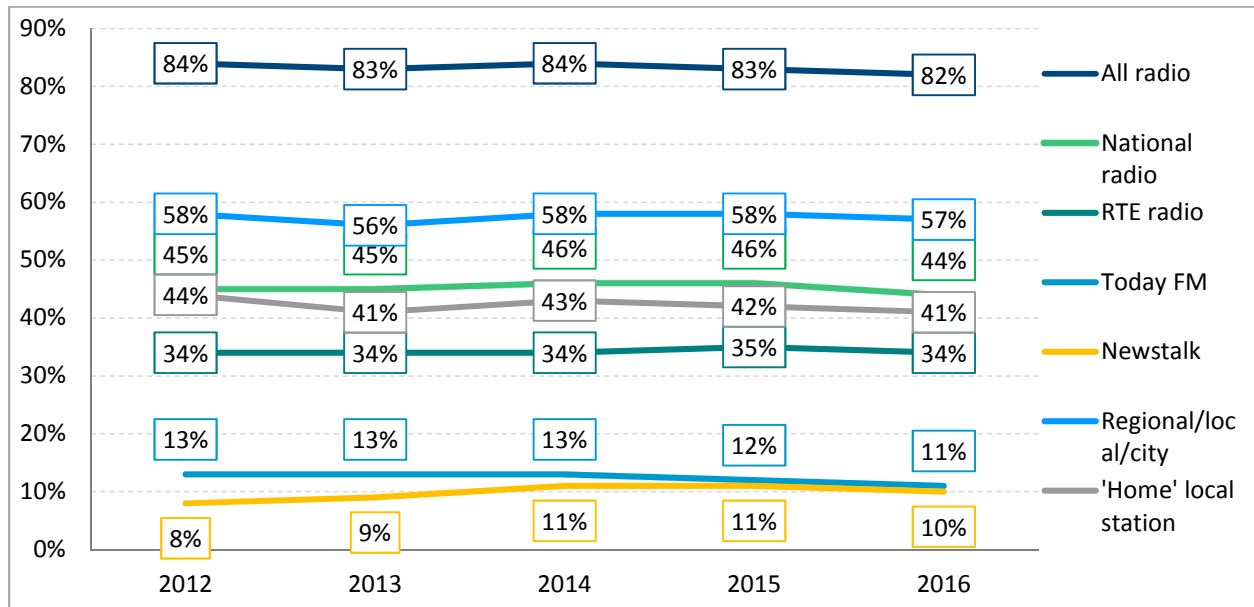
Source: JNLR

*Radio market players – share of consumption*

2.111. While the overall radio market has undergone notable changes recently, the role of key players has remained relatively static. Commercial radio, particularly through regional and local stations, maintains its lead over PSB radio, while RTÉ’s top stations are still the most popular nationally.

<sup>35</sup> Central Statistics Office, Census of population 2016 – profile 6 commuting in Ireland.

Figure 28: Radio station reach, Adults 15+, 2012 – 2016



Source: JNLR. Daily reach.

2.112. The traditional popularity of non-national commercial stations among younger listeners also remains strong, although these listeners are increasingly likely to listen to non-national commercial stations other than their local stations, perhaps reflecting the role that regional stations such as iRadio, Spin South West and Beat 102-103 play in the market.

Figure 29: Share of listening, 7am-midnight, by radio station group, 2012 versus 2016 (%)

Radio station group	Adults 15+		15-34	
	2012 share	2016 share	2012 share	2016 share
RTÉ radio	31%	31%	15%	17%
Today FM	9%	7%	13%	10%
Newstalk	5%	6%	3%	5%
Regional/local/community	56%	56%	69%	68%

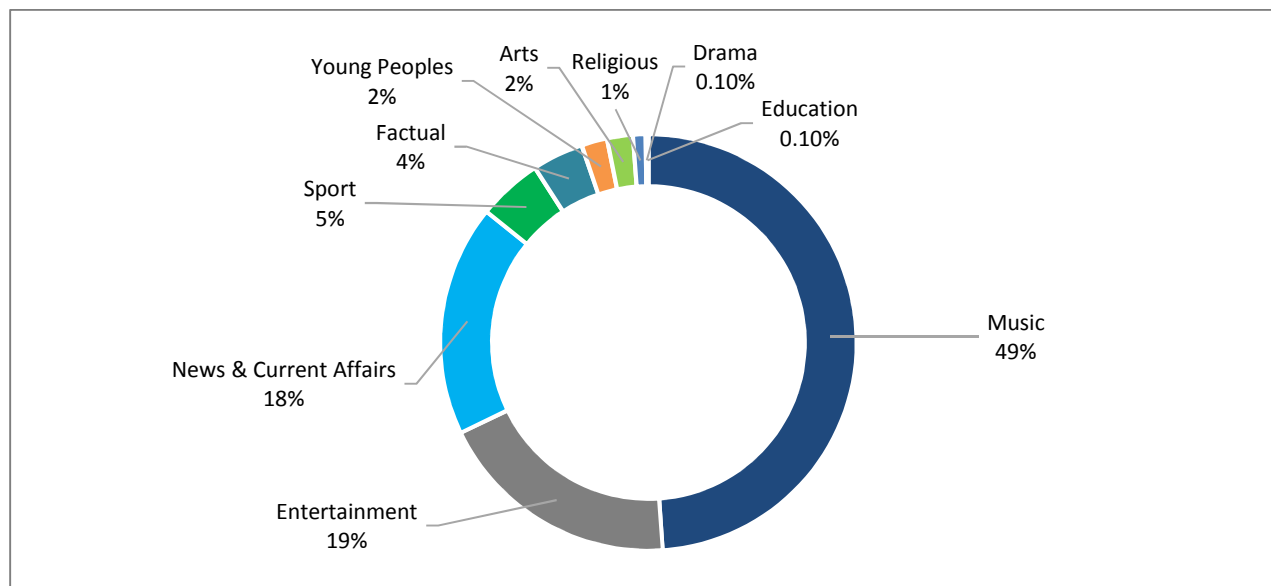
Source: JNLR

Radio market players – content providers

2.113. Irish national/quasi-national stations provide a mix of speech-driven and music-driven formats. Under the Broadcasting Act 2009, local stations are required to provide a minimum of 2 hours news and current affairs programming during peak listening times (classified as 7am to 7pm) and a level of 20% news and current affairs programming across the schedule. There are, however, derogations available subject to approval by the BAI; these have been offered to music-driven, youth and niche services. These derogations have not been taken up by all qualifying stations permitted to do so; notably regional service iRadio.

2.114. RTÉ is the major investor in radio content in Ireland, with a total budget of €60m in 2016. In-house production accounts for 99% of RTÉ radio broadcast hours, across a range of genres, as we illustrate below.

Figure 30: Breakdown of RTÉ's radio hours by genre, 2015



Source: Indecon PSB Review 2015

- 2.115. The commercial radio sector supports some independent radio production, although there is no statutory requirement for them to do so.
- 2.116. Community radio stations collect very little in terms of revenue; content is created largely through volunteer activities and local community support.

*Sound and Vision*

- 2.117. The Sound and Vision Scheme has been vital for the radio sector, adding an additional €1.29m into radio production annually over the past two years, down from €2.1m funding in 2013. This money supports projects across the full range of Irish radio stations.
- 2.118. However, the fund very specifically supports not just one medium but rather both radio and television.
- 2.119. The fund has been in place since 2005 and supports the creation of high-quality audio-visual content in Irish culture and heritage; it also sponsors programmes to improve adult literacy<sup>36</sup>. The Scheme is funded through the TV Licence Fee, with the BAI collecting 7% of the annual value of the Licence Fee to fund both television and radio projects.
- 2.120. Currently in its third iteration, Sound and Vision 3, the scheme will run for the five years from 2015 to 2019 and comprise thirteen roughly bi-annual funding rounds for both TV and radio. The amount awarded in a given round varies significantly but it is expected to average €12m annually.
- 2.121. For both television and radio programmes, the Scheme can award up to 95% of the total of eligible costs for the programmes worth up to €20,000 (radio) or €50,000 (television). For more expensive shows (up to €40,000 for radio, €250,000 for television), this is capped at 85%.

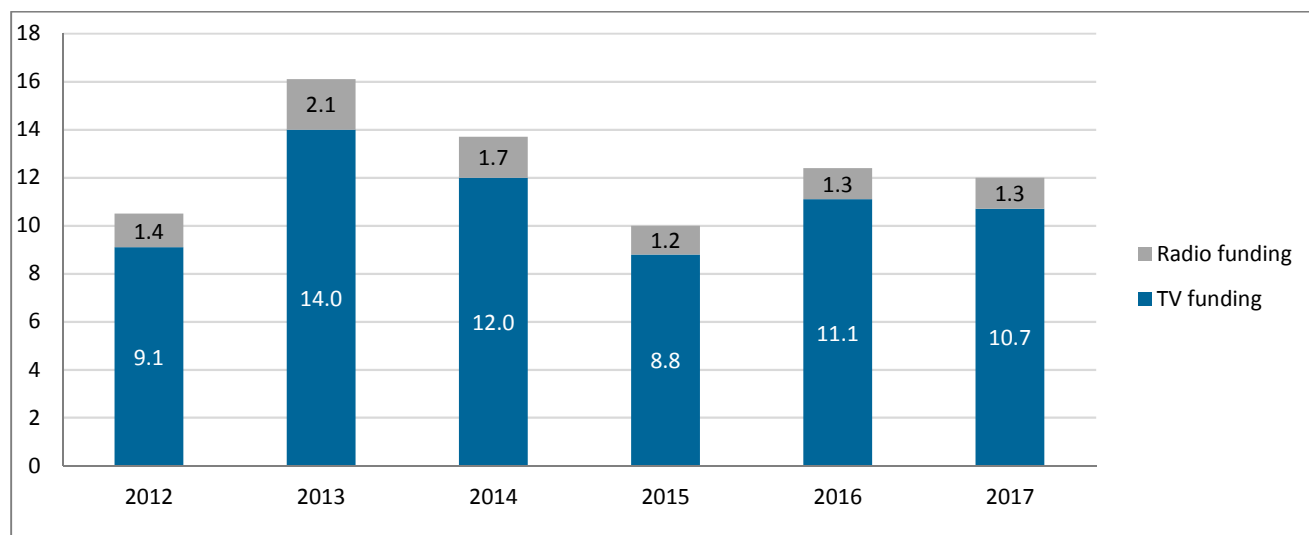
<sup>36</sup> A further breakdown of funding priorities: (a) Irish culture, heritage and experience, including (i) History (including history relating to particular areas, groups or aspects of experience, activity or influence), (ii) Historical buildings, (iii) The natural environment, (iv) Folk, rural and vernacular heritage, (v) Traditional and contemporary arts, (vi) The Irish language, (vii) The Irish experience in European and international contexts; (b) New television or sound broadcasting programmes to improve adult or media literacy; (c) Global issues impacting the Republic of Ireland or countries other than the Republic of Ireland; and (d) Programming fitting any of the above categories in the Irish language.

2.122. Applicants to the Sound and Vision 3 Scheme may be individuals or legal entities, including broadcasters. Awards from Sound and Vision are given directly to successful applicants to create content.

- In order to qualify for funding, most applications<sup>37</sup> must have an eligible broadcaster attached to the project; for radio, this means an RTÉ service or any station licensed through the BAI; for television programmes, these must be broadcast on a free television service providing near-universal coverage across Irish households, or as part of a community content provision contract (i.e. Community TV).
- Because of this, while it is possible to attribute Sound and Vision funding to broadcasters, such attribution is misleading, as the funding contribution is not income for the broadcaster *per se* but an additional source of content within the broadcast schedule.

2.123. Since 2012, the BAI has completed 18 rounds, of which two have been single focus – Round 12 (2012) was radio only and Round 22 (2015) was a specialist round for Animation and Education across radio and television. The remaining rounds targeted both sectors. Annual funding across the five-year period is summarised below.<sup>38</sup>

Figure 31: Sound & Vision spend per sector, 2012 - 2017 (€m)



Source: BAI.

2.124. Due to the requirement for an attached broadcaster, it is of little surprise that RTÉ and TG4 were the named broadcaster in the case of 68% of all television payments issued in the past two years, equivalent to 61% of the total value of all Sound and Vision 3 funding.

2.125. The vast majority of the funds issued, however, were received by independent production companies and not by the broadcasters’ in-house production departments. For example, RTÉ received just over €183,000 grant payments for in-house TV production and €19,925 for radio production whilst being the attached broadcaster for close to €10m in Sound and Vision funding for independent radio and TV producers.

<sup>37</sup> Applications for Drama or Animation projects, in which the grant requested represents less than 50% of eligible costs, do not require a letter of commitment from the broadcaster at application stage.

<sup>38</sup> The scheme can also – at its discretion – use funding for “ancillary measures” that support its objectives, as per Section 5.6 of the Sound and Vision 3 Scheme. Examples of ancillary measures include the *MEDEA Education Project*, *Song of the Sea* film multi-media exhibition at the Butler Gallery and *Cine4*, a partnership between the BAI, Irish Film Board and TG4 to grant up to €25,000 in development aid to original feature films in the Irish language. As ancillary measures do not always result in broadcast material, these grants have been left out of the overall funding figures given for Sound and Vision 3.

Figure 32: Sound & Vision 3 grant payments and projects by broadcaster, 2016-2017 (€)

Broadcaster	Sector	Total grant payments issued	Proportion of total payments received via independent producers
RTÉ TV	TV	€9,591,554	98.1%
TG4	TV	€5,181,884	100%
TV3	TV	€3,573,476	98.9%
Community radio	Radio	€1,013,074	30.2%
Setanta/Eir	TV	€901,400	100%
UTV Ireland	TV	€859,500	100%
Community TV	TV	€851,678	89.3%
National, regional and local radio	Radio	€1,027,082	76.9%
RTÉ radio	Radio	€540,656	97.1%
CBBC	TV	€352,500	100%
BBC Northern Ireland	TV	€281,500	100%
Oireachtas TV	TV	€158,450	100%
Irish TV	TV	€21,500	100%
<b>Total</b>		<b>€24,354,253</b>	<b>94.8%</b>

Source: BAI. Excludes ancillary spend.



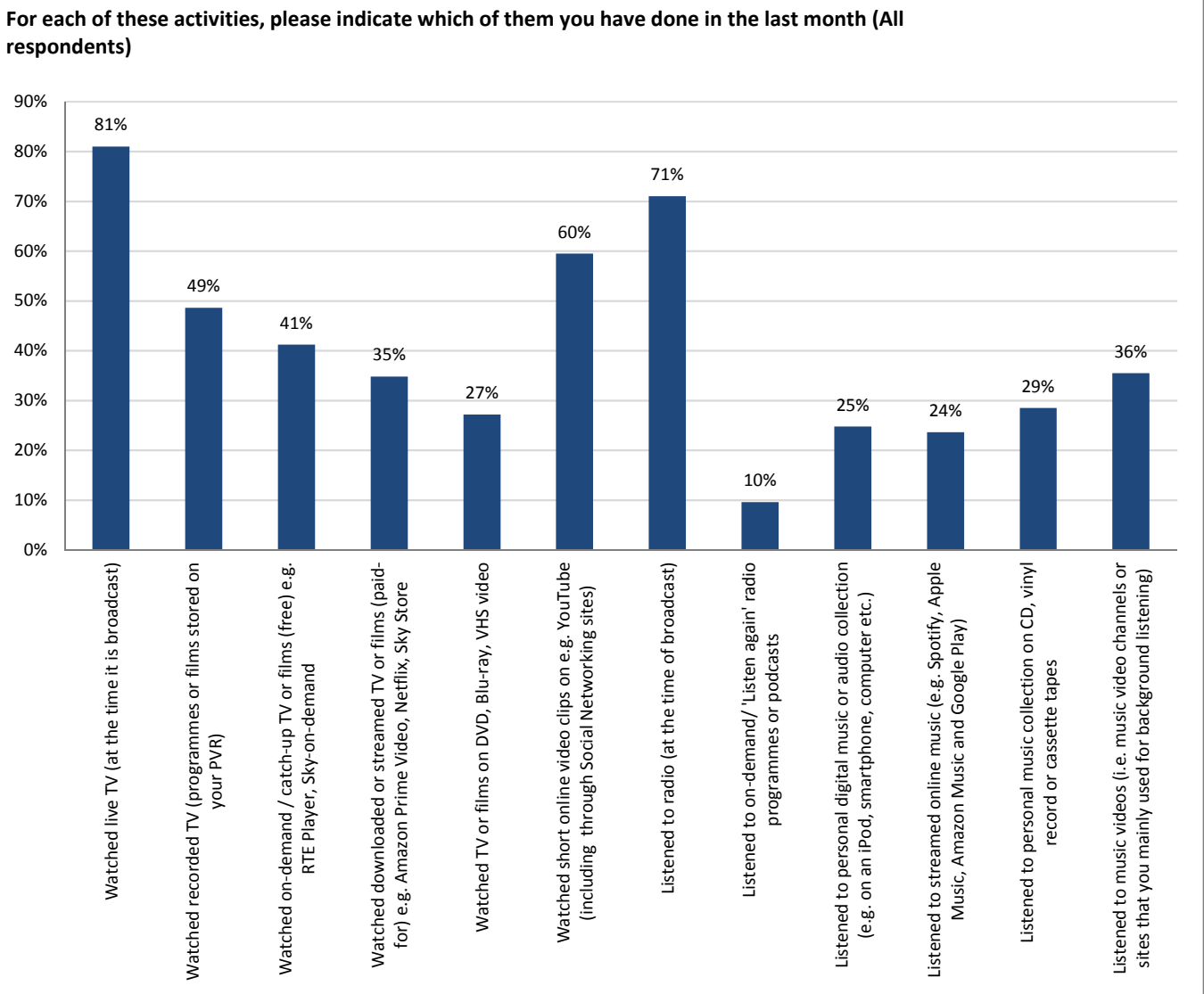
### 3. Needs and preferences of broadcasting audiences in Ireland

#### Rationale and methodology

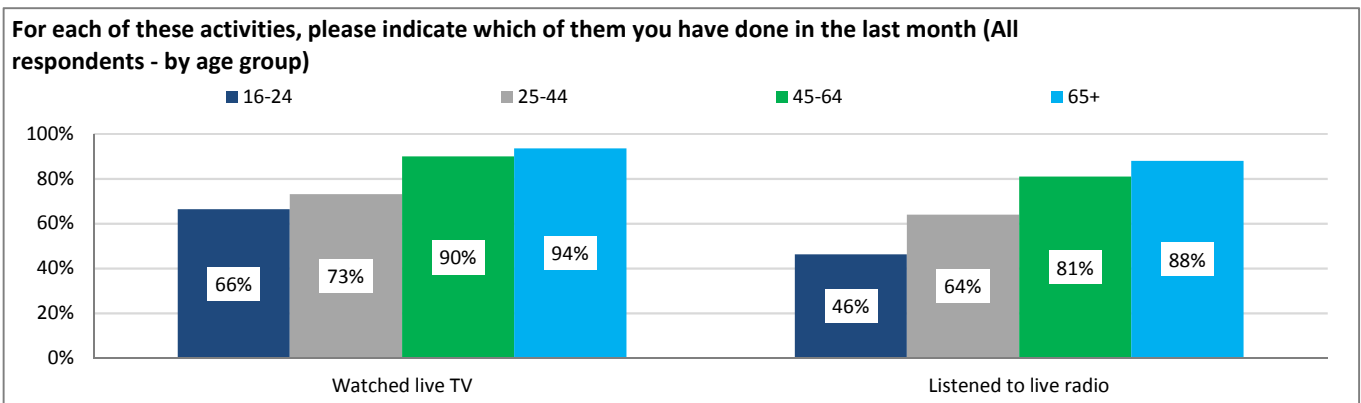
- 3.1. We were tasked with identifying the main needs and preferences of broadcast viewers and listeners in Ireland. To this end, we commissioned Kantar Media ('Kantar') to undertake a consumer survey to interrogate individuals about their claimed behaviours and viewpoints.
- 3.2. The survey was structured in four main areas:
  - Claimed usage of media activities, including video and audio services.
  - Content preferences by station/channel type and genre.
  - Views on the quality, distinctiveness and scale of provision of broadcast services in Ireland.
  - Views on satisfaction with the amount of Irish content available on different media in Ireland.
- 3.3. Kantar constructed the survey to be representative of the Irish population, weighted by age, gender and TV service market share. The survey was undertaken in October 2017 using a combination of online and telephone interviews to a total sample of 1,515 adults living in the Republic of Ireland.
- 3.4. Claimed behaviours will often vary from actual consumption outcomes due to differences in definition and inaccuracies in reporting. Respondents may typically under-report their usage of certain media, particularly if such usage is habitual; this can lead to variances in the claimed amount of daily TV viewing or overall radio listening, compared to industry data, for example.
- 3.5. The survey results give us insight into the underlying drivers of consumption outcomes, as well as highlighting attitudes towards current service providers and range of content available. In this light, we are able to identify potential gaps in provision, and potential concerns around the quality and distinctiveness of Irish content; in turn, highlighting potential opportunities for new entrants or changes in the strategies of existing providers.
- 3.6. The responses are also used to inform our forecasts of future market outcomes, which we outline in section 4 of this report.

#### The Irish media consumer

- 3.7. Kantar initially asked respondents about their current media consumption, in relation to usage and time spent, including changes over the last 12 months.
- 3.8. The survey reveals a wide range of media consumption across all Irish households, with broadcast media (live TV and radio) being the most widely used.

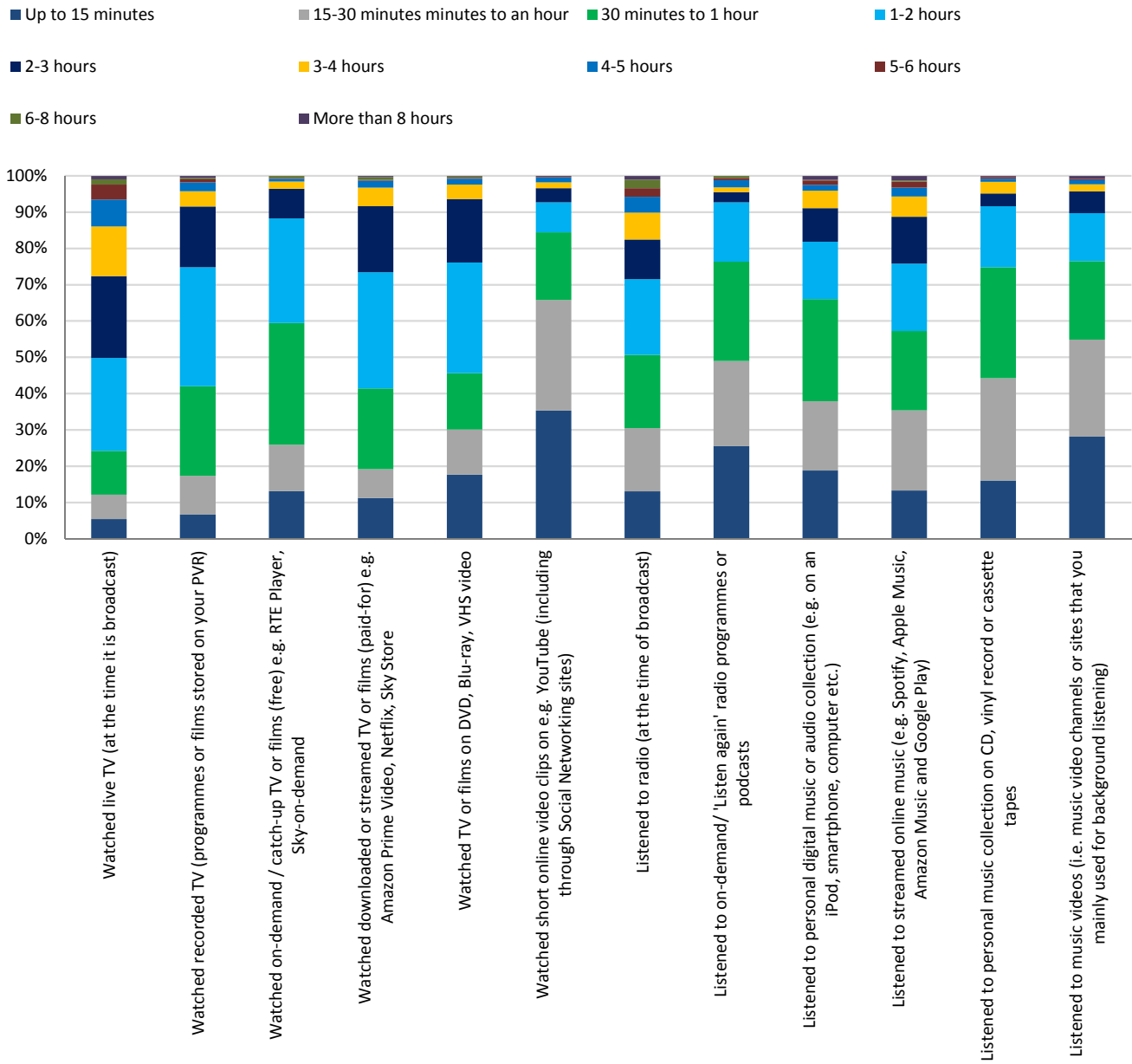


3.9. Engagement with live broadcast media varies significantly by age group, however; while a healthy majority of all age groups watch live broadcast TV channels, the difference between young adults and the oldest age groups is material. The difference is even more stark in relation to live radio.



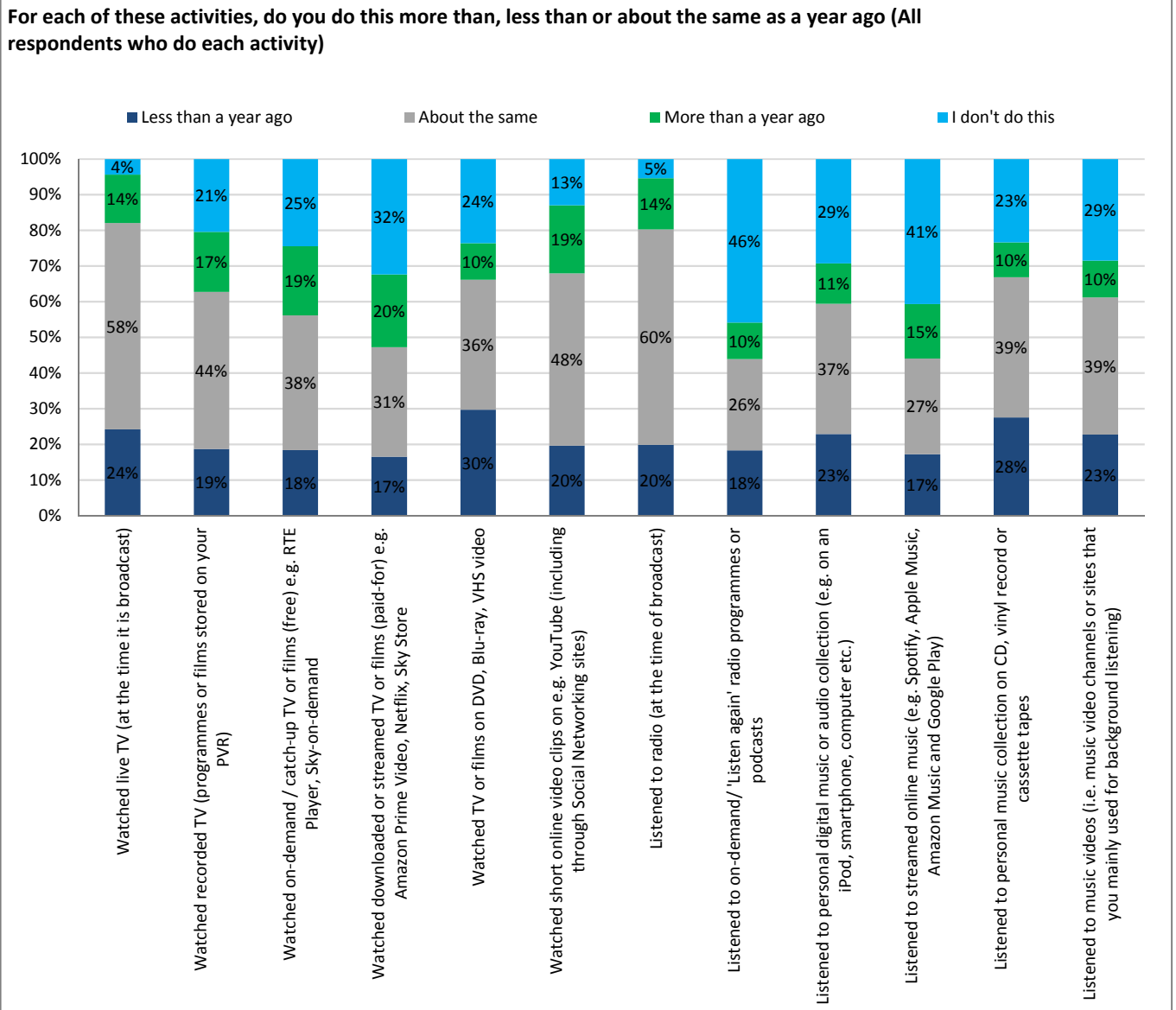
3.10. The responses reveal wide differences in time spent with each media. Perhaps unsurprisingly, viewers of live TV tend to spend more time with this medium than others; emerging media activities such as short-form video or music videos are more suited to snacking in short time periods. In overall terms therefore, traditional broadcast media still accounts for a significant proportion of overall media activity.

For each of these activities, how long do you spend doing this on an average day?  
(All respondents who do each activity)

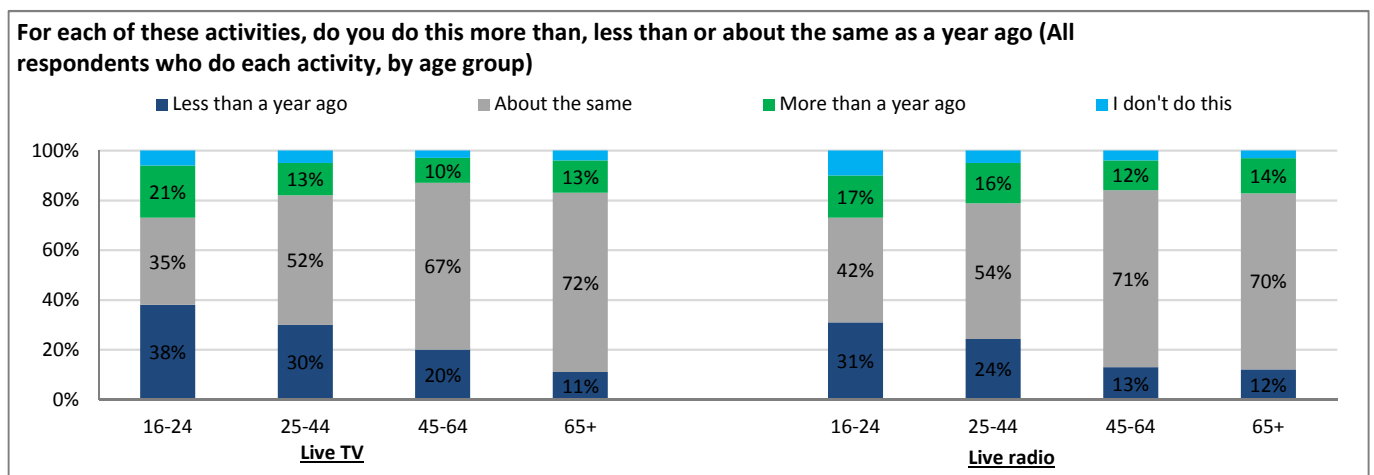


3.11. The responses reveal a relative level of stability in consumption of broadcast TV and radio.

3.12. The majority of respondents claim to watch and listen to the same amount of live TV and radio as they did last year; however, between 20-30% of respondents have reduced their consumption. The most material declines in claimed activity relate to physical media, including DVDs and CDs. In turn, the biggest increases in claimed activity relate to on-demand video, including catch-up, paid-for subscriptions and short-form video.

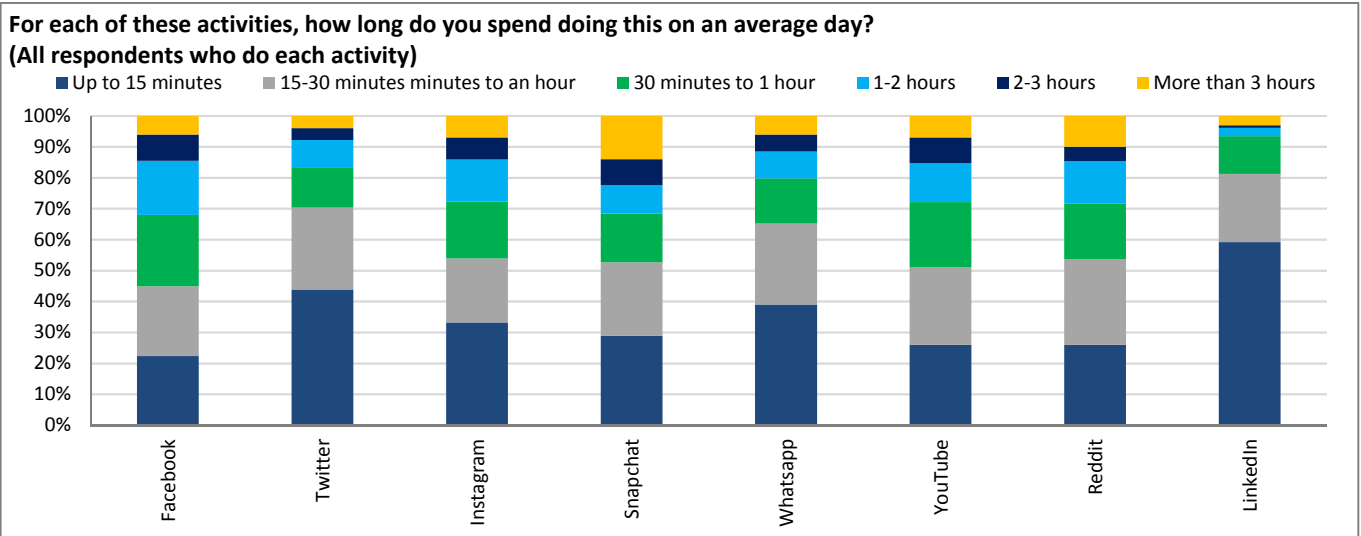
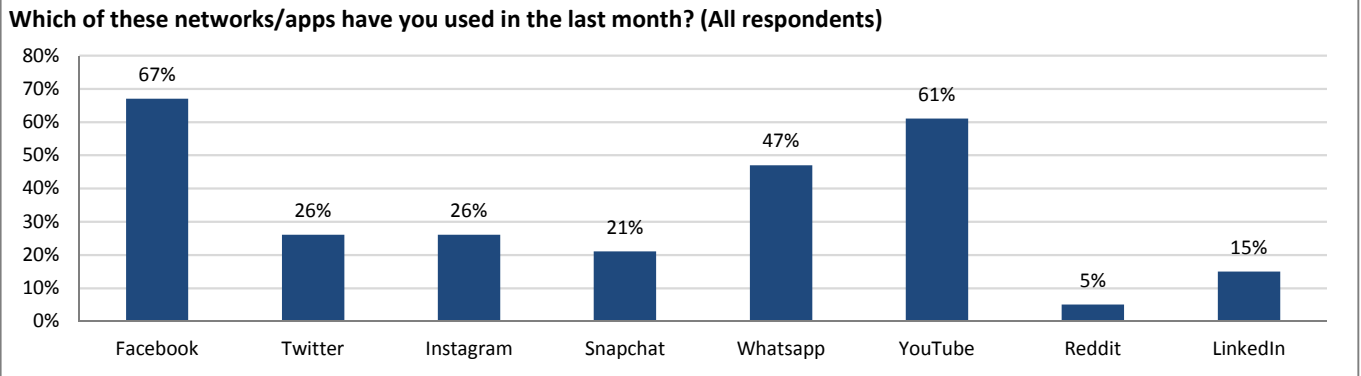


3.13. When broken down by age group, younger viewers and listeners have reduced their claimed consumption of broadcast TV at a faster rate than their older counterparts.



3.14. The survey also asked respondents about their use of particular new media applications and services. This revealed usage of a wide range of services across social media, messaging and video content. Facebook and

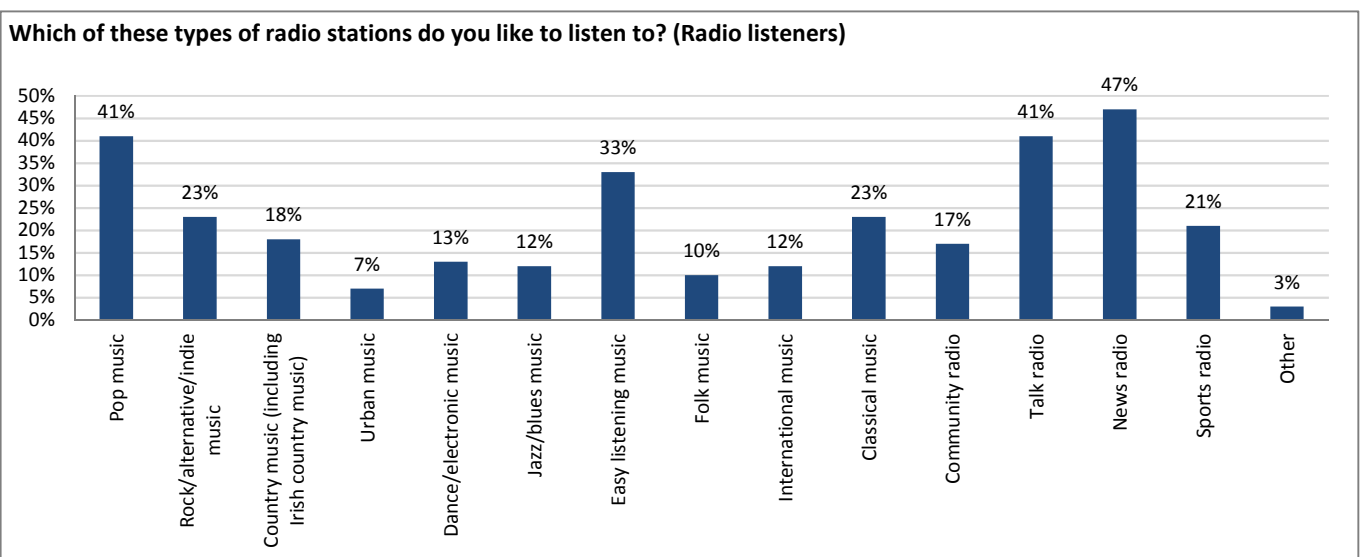
YouTube are the most used applications, although most users will spend relatively modest amounts of time engaging with these applications each day.



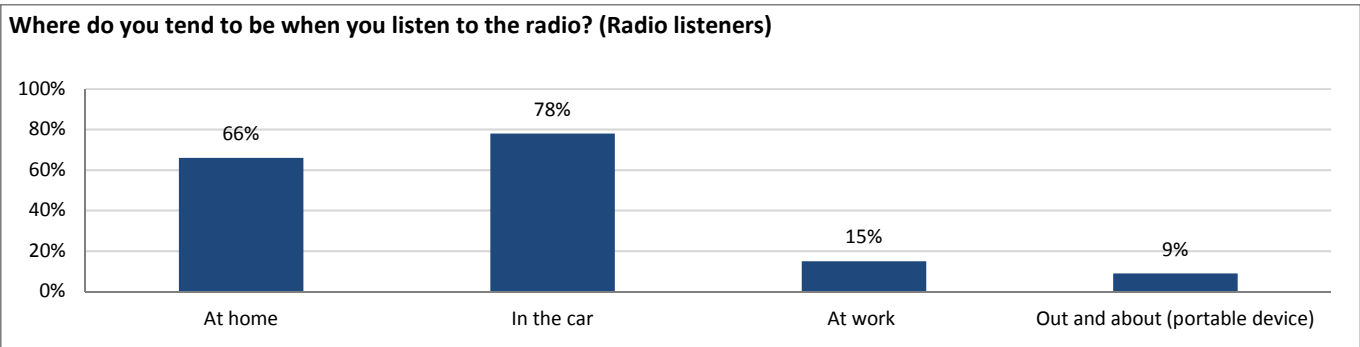
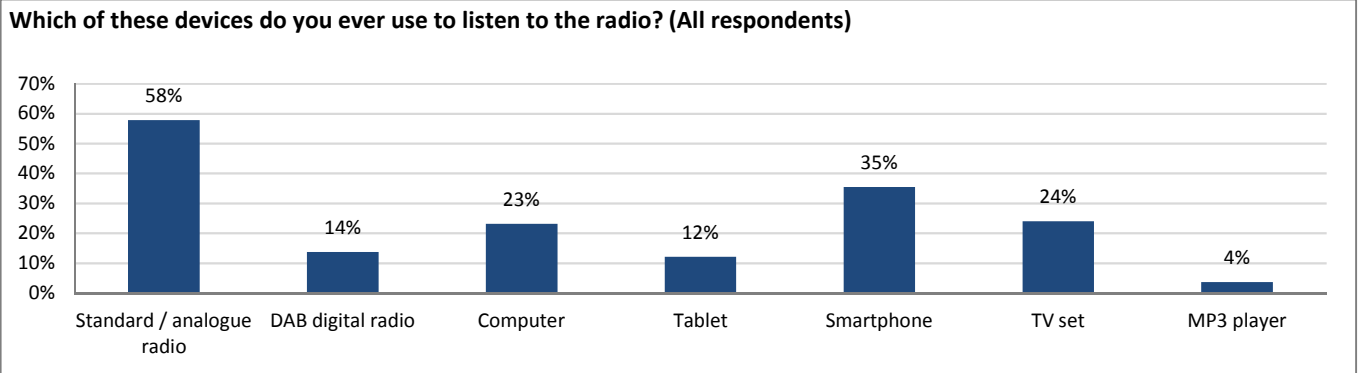
The Irish radio listener

3.15. Kantar asked respondents about their specific behaviours and opinions on Irish radio.

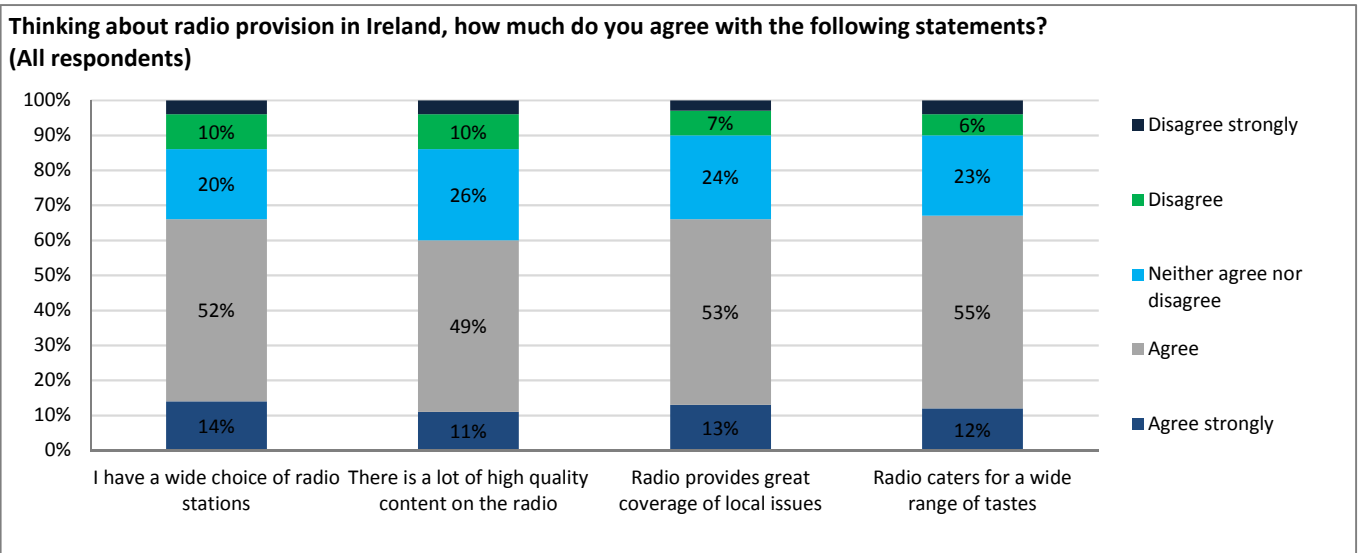
3.16. The survey responses reveal a broad range of tastes in content and genre among radio listeners; news, talk radio and popular music are the most listened to categories of radio station, although such preferences are not mutually exclusive with other categories.



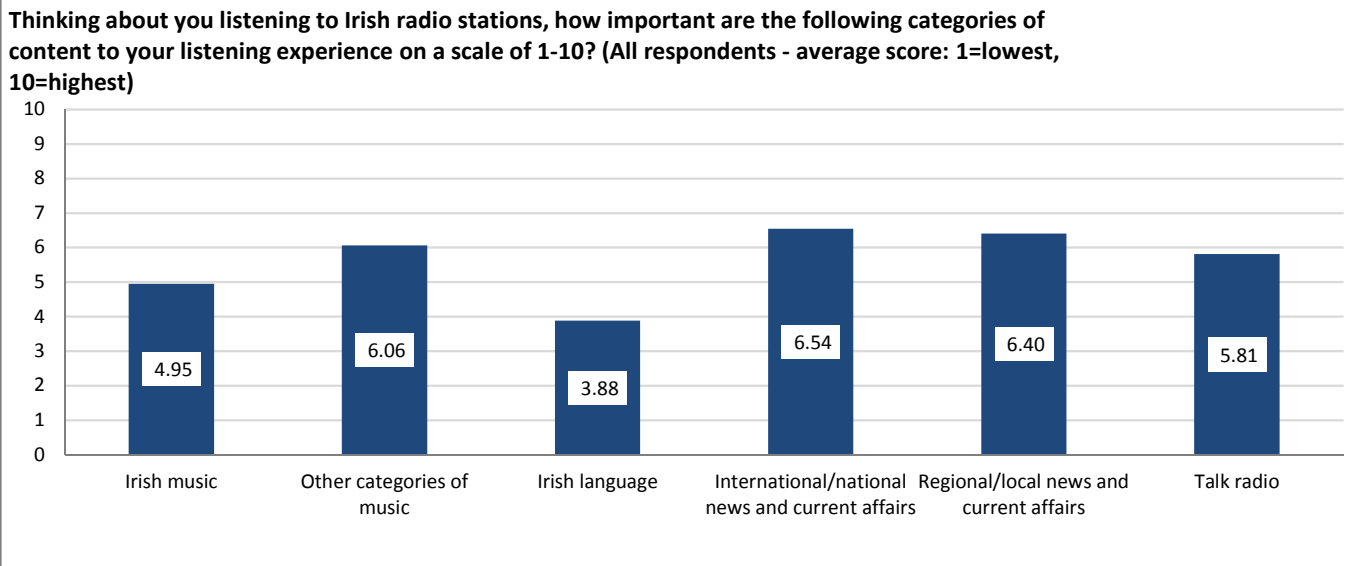
3.17. Traditional analogue transmission is the most heavily used basis for listening to radio in Ireland, although radio listening increasingly takes place on devices other than a traditional radio set. Most listening occurs either at home or in the car, consistent with listening trends in all media markets. DAB digital radio remains a nascent network at present, and its future take-up will depend ultimately on policy decisions and the roll-out of digital receivers.



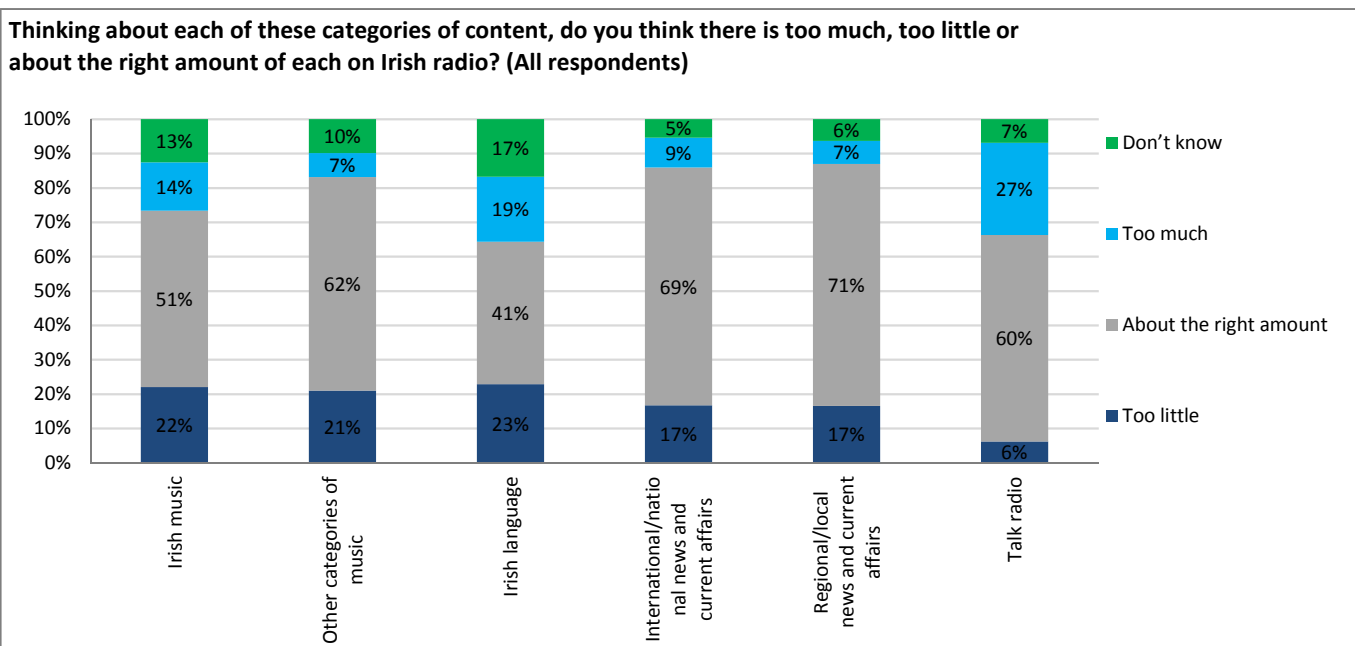
3.18. When asked for their opinions on the quality and choice of radio stations in Ireland, only a small minority of respondents expressed dissatisfaction with the sector. Responses suggest that most Irish households were satisfied with the range of radio stations available in Ireland, and the quality of content available on them.



3.19. Kantar asked respondents about the importance of particular categories of content on Irish radio, including content specifically targeted at Irish listeners. All categories of news were broadly viewed as important, although few respondents stated that Irish language or Irish music content was important to them.

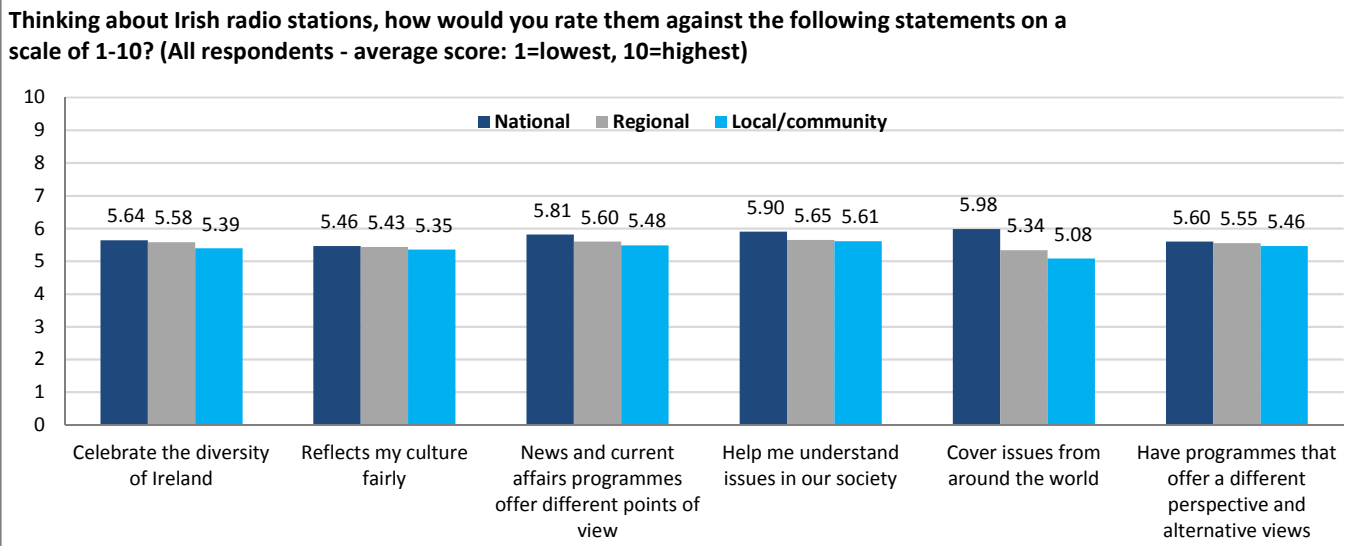


3.20. Respondents stated that Irish radio had broadly the right amount of these categories of content, although a material proportion of responses stated that there was too much talk radio and too much Irish language content available to Irish audiences.



3.21. The survey asked respondents to rate Irish radio stations on their delivery of diversity, different viewpoints and issues. There was broad consensus that all categories of radio station delivered on such measures to an average degree; when asked to give an indication of delivery on a scale out of 10, average scores across all measures were in the range of 5-6 out of 10. National radio stations were marginally viewed as more effective at offering diversity and plurality.

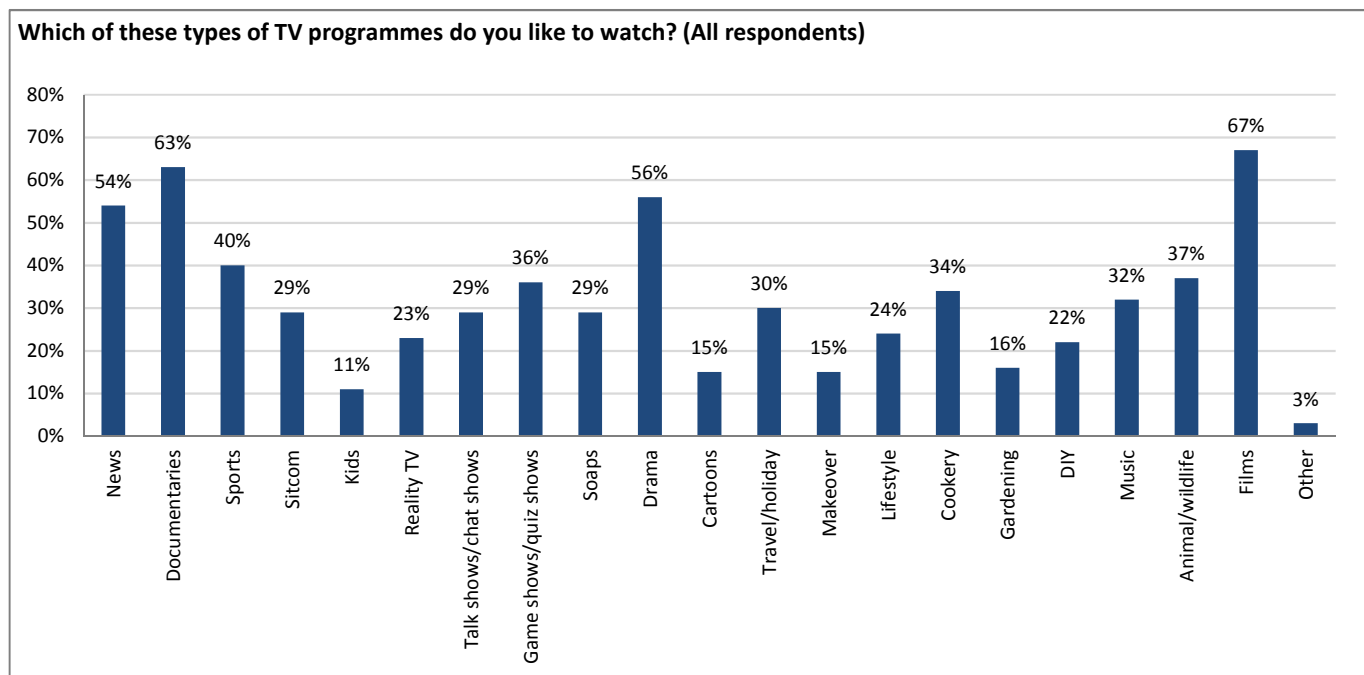




The Irish TV viewer

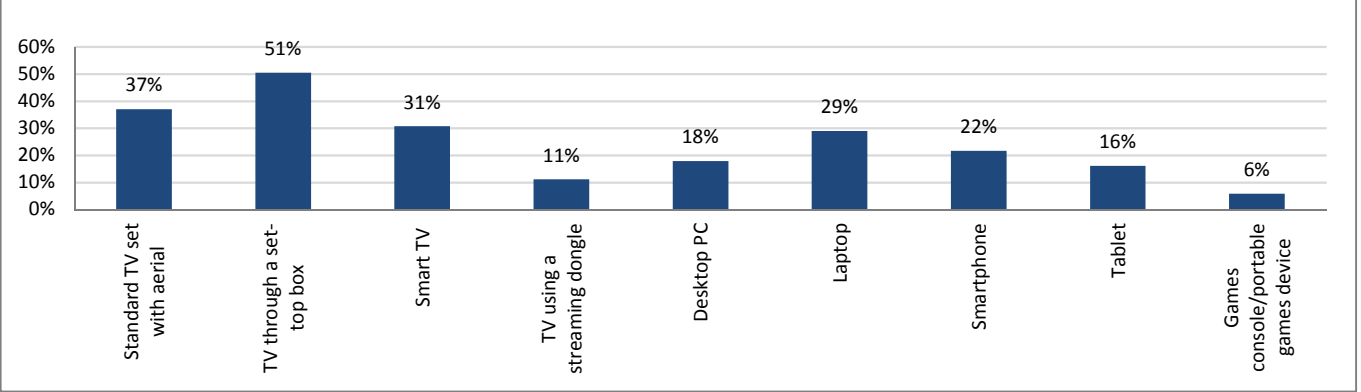
3.22. Kantar asked respondents about their specific behaviours and opinions on Irish TV.

3.23. The responses reveal a very wide range of tastes among TV viewers, across multiple genres. Films, documentaries and TV programmes in news, drama and sport were the most popular genres on TV.



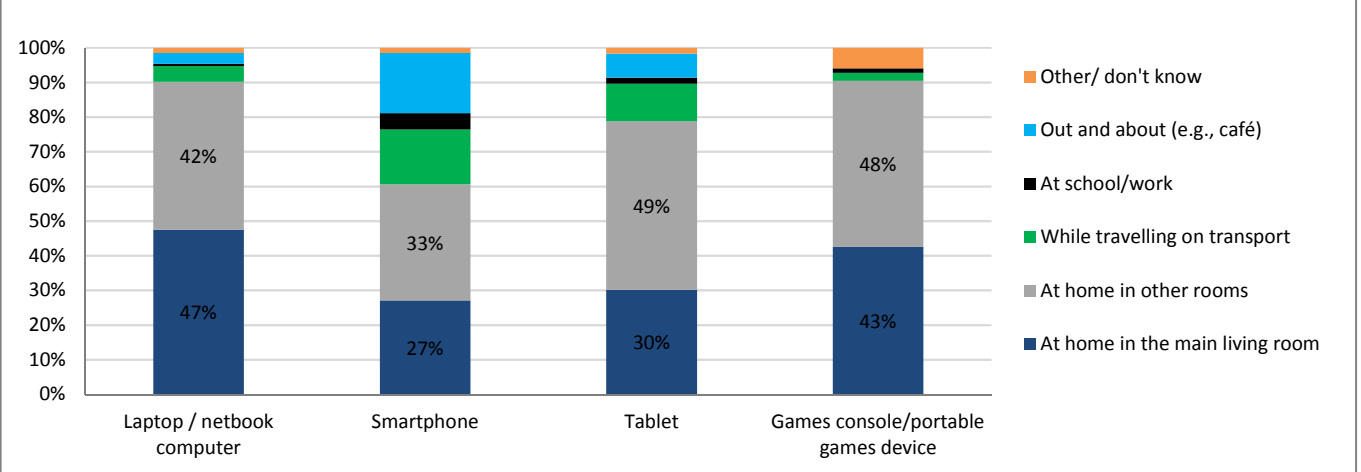
3.24. Confirming our market data set out in section 2 of this report, the Kantar survey confirmed a wide range of devices in use to watch TV programmes. Set-top boxes – for example, from Sky, Virgin or Saorview – were the most used devices but portable and connected devices are increasingly used to watch video content.

### Which of these devices do you ever use to watch TV? (All respondents)



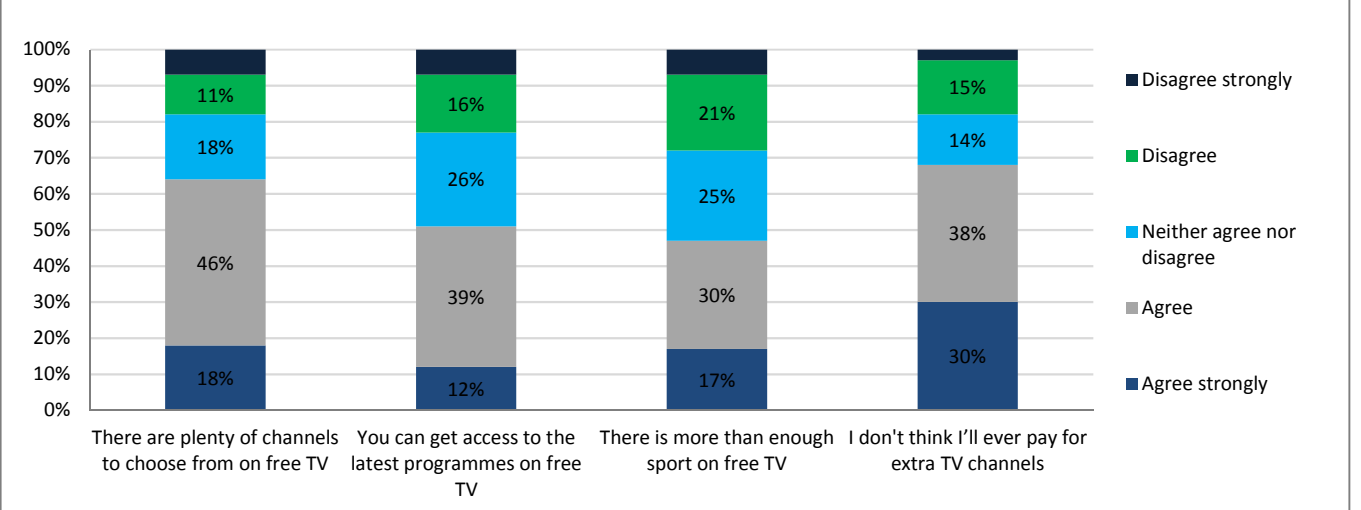
3.25. The majority of connected and portable devices are still used within the home to watch TV; in most cases these are used in a room other than the main living room. This suggests that most delivery to connected devices uses internet connections (including Wi-Fi) in the home.

### Where do you use each device for watching TV most often? (Respondents that use each device)

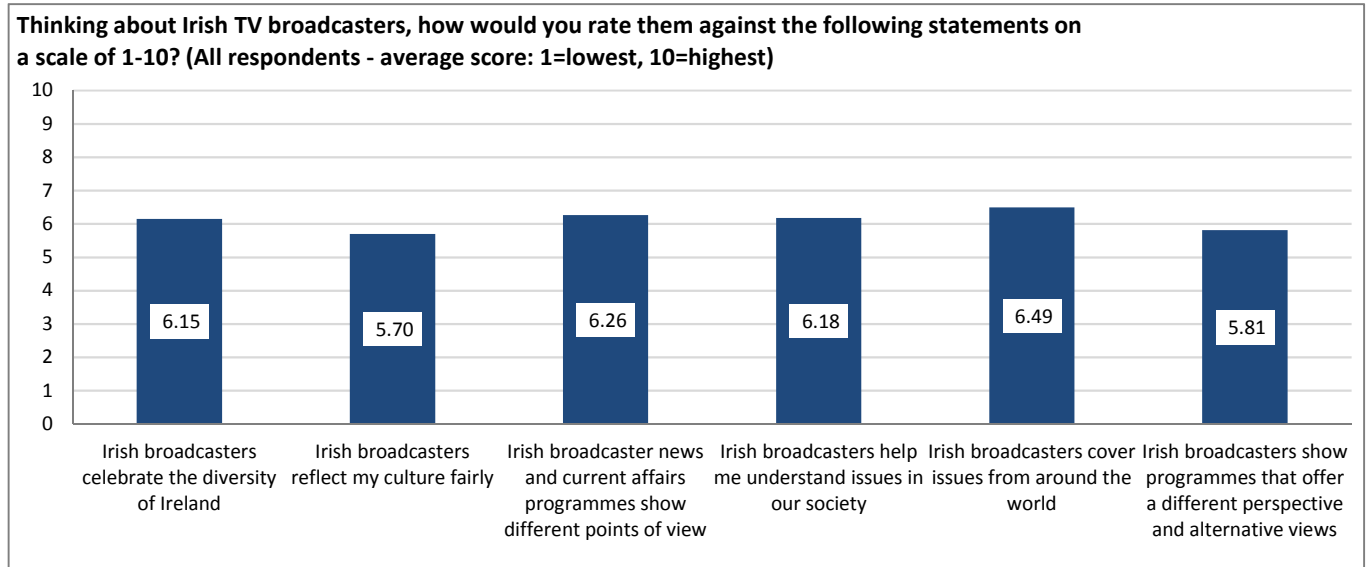


3.26. When asked for their opinions on the quality and choice of free TV channels in Ireland, only a small minority of respondents expressed dissatisfaction. However, more than a quarter of respondents stated that there was not enough sport on free TV, although the same proportion of respondents did not suggest ever subscribing to a pay TV service.

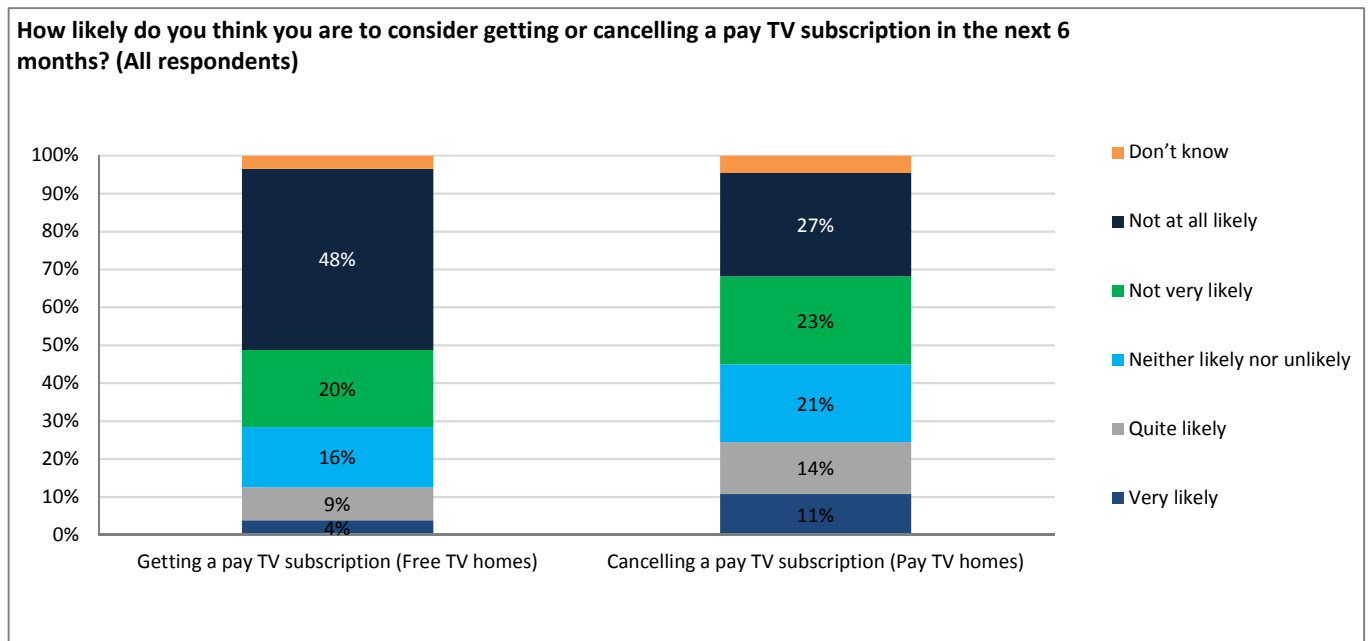
### How much do you agree with the following statements? (All respondents)



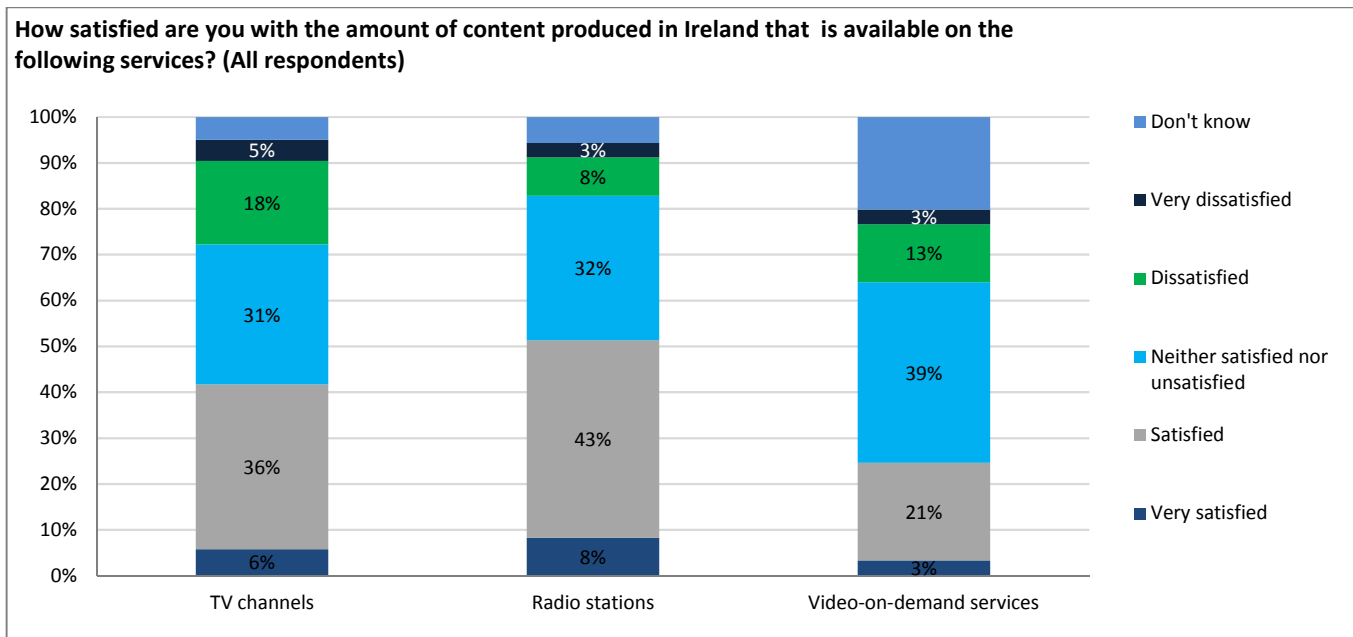
3.27. The survey asked respondents to rate Irish TV broadcasters on their delivery of diversity, different viewpoints and issues. There was broad consensus that TV broadcasters delivered on such measures to an average degree – when asked to give an indication of delivery on a scale out of 10, average scores across all measures were in the range of 5-7 out of 10, marginally higher than the scores allocated to Irish radio stations.



3.28. From a TV platform perspective, respondents were asked about their likelihood of changing their TV service over the next 6 months, either signing up for a new pay TV subscription or cancelling an existing subscription. Less than 15% of free TV homes were likely to consider getting a pay TV subscription; and less than 25% of pay TV homes were likely to consider cancelling their pay TV subscription. This suggests a higher propensity for TV households to move away from traditional pay TV subscriptions in the short term.



3.29. As a comparison across all categories of media, respondents were asked about their satisfaction with the amount of Irish content available on TV, radio and on-demand services. A minority of respondents stated dissatisfaction with the amount of Irish-produced content available, although dissatisfaction was highest among video-on-demand services (unsurprising given the role of international players such as Netflix and Amazon Prime in this category), followed by TV channels (again unsurprising given the presence of UK and US channel portfolios in the Irish market) and then radio.



Summary and implications

3.30. The Kantar survey suggests that Irish households have a fair degree of satisfaction with the nature of broadcast provision in Ireland. It confirms a number of useful findings:

- Media consumers undertake an increasing range of activities, although both broadcast TV and broadcast radio remain the largest media in terms of activity and time spent. The scale of such activity varies by age group, with younger age groups reducing their consumption of broadcast media at a faster rate than other groups; however, even among the youngest adults, TV and radio remain two of the most used media.
- In-home use of traditional broadcast equipment (standard analogue radio, TV via an aerial, set-top boxes) remain the primary means of receiving and consuming video and audio content; although take-up and use of connected devices continue to increase.
- Irish audiences claim a wide range of tastes and preferences for video and audio content. News, talk, popular music and easy listening are the most popular radio genres. Film, news, documentaries, drama and sport are the most popular TV genres.
- Irish audiences claim broad satisfaction with the range and quality of content available on broadcast media. There is no consensus around major gaps in provision - in broad terms, audiences believe that there is the right amount of content provision in key genres including Irish music, Irish language and news.
- There is some scope for Irish broadcasters to improve the way they reflect Irish culture and diversity, and to increase the amount of available content that is made in Ireland; although on average, most audiences are happy with the performance of TV and radio broadcasters.
- In summary, the survey reveals an increasingly complex picture of content consumption within a landscape that is still primarily led by broadcast media. There is overall satisfaction with the nature and range of broadcast content provision, and the output and performance of Irish broadcasters.

#### 4. Future structure and dynamics in the Irish broadcasting landscape

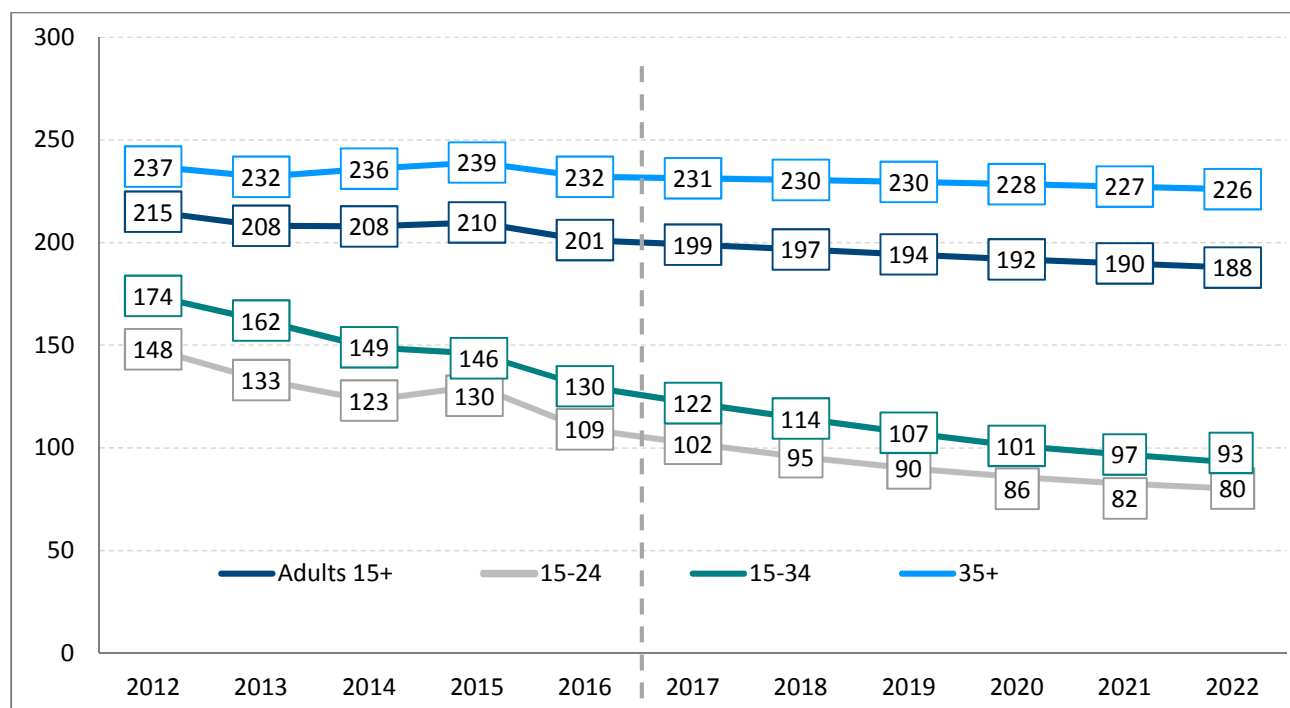
- 4.1. The Irish broadcast market has already seen significant disruption from the emergence of connected media and shifts in audience behaviours.
- 4.2. We have assessed the extent to which further changes in enablement, consumer activity and the strategies of new entrants will affect future market outcomes. In this section, we consider the outlook specifically for the TV and radio landscapes by 2022.

##### Future outcomes in the TV landscape

###### Viewing outcomes – live TV

- 4.3. Over the coming years, we expect penetration of connectivity and connected devices to increase, in turn continuing to drive consumption of video content on a non-linear basis.
- 4.4. In overall terms, viewers will continue to watch long-form TV content through a combination of live channels, PVR playback and VOD viewing. Consolidated viewing on the TV set (across all three of these categories) is likely to decline further but at a slower rate than over the past five years.
- 4.5. Recent market outcomes provide a useful benchmark for considering future outcomes, and the rate of decline in live viewing is already slowing, reflecting the enduring appeal of live TV and a rise in the proportion of 55+ viewers compared to other ages, both of which will play a role in moderating the decline.

Figure 33: Forecast consolidated TV viewing minutes (average per person per day)

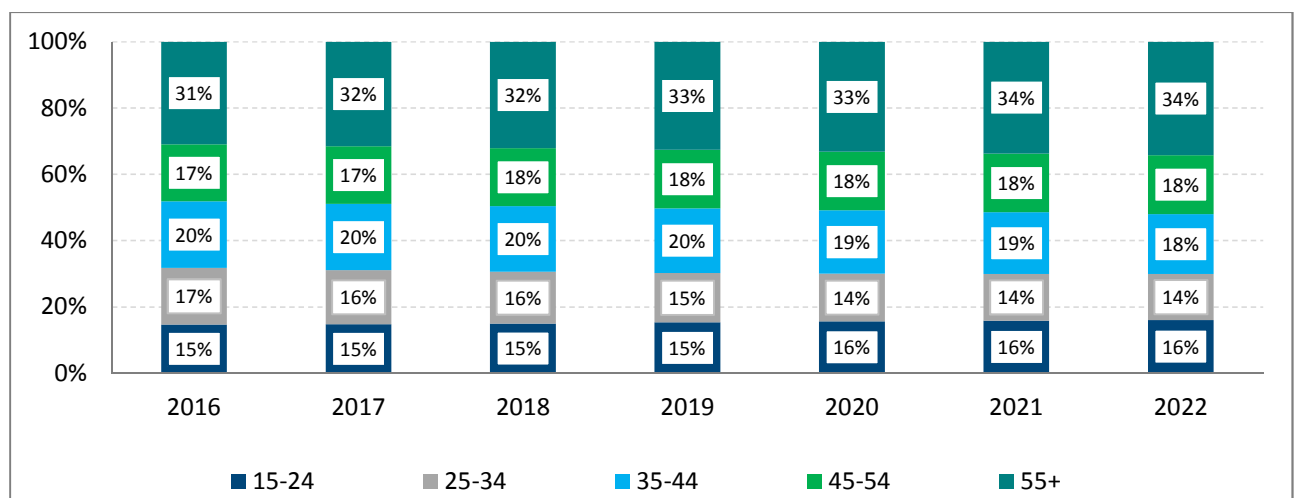


Source: TAM Ireland/Nielsen TAM; Mediatique forecasts

- 4.6. In the period to 2022, we forecast that live viewing will decrease among all ages, while PVRs and especially VOD services will become more popular ways of watching broadcast content on TV sets. The rate of such change will be mitigated by the limits of enablement, the conservative nature of late adopting households, the appeal of live TV in key genres and the protections afforded mainstream PSBs in relation to their relative prominence on EPGs.

- 4.7. While we expect live viewing to decline, this will be slower among younger viewers than trendlines suggest. Viewers in the 15-24 category already devote only a small portion (33%) of their time to watching live TV on the TV set and are already well-accustomed to accessing alternative sources of video.<sup>39</sup>
- 4.8. Live viewing among 35+ adults is forecast to decline slowly – but at a gradually increasing rate, as access to and uptake of alternatives becomes more widespread, and as the ranks of the 35+ group are boosted by people transitioning from the 15-35 group (nearly 400,000 from 2017-22).
- 4.9. Individuals bring behaviours associated with their previous age group to each new age group that they join as they get older (a negative influence on live TV viewing); at the same time, they tend to make new lifestyle choices as they age that favour TV viewing (a positive influence). Viewing generally decreases between the ages of 10 and 40 – due to the time constraints of school, work and family – but increases thereafter – as these commitments wane.
- 4.10. Live TV will remain the major component of all TV viewing, reflecting key behavioural and strategic factors:
  - Consumers will continue to value the collective experience of watching high-quality scheduled TV on TV screens, supporting live viewing statistics.
  - The sustained popularity of live TV will go beyond just news and major sports matches; fundamentally, broadcasters’ business models will remain rooted in the delivery of professionally produced TV channels over broadcast networks, and how they produce and deliver TV will continue to play a major role in how people consume it.
- 4.11. Live TV viewing will also be sustained by the increasing proportion of the 15+ population that will be older viewers, who tend to watch more live TV.
  - CSO population forecasts also show an increase in viewers in the 15-24 category in the period to 2022, suggesting that the middle age-groups are being squeezed, and continuing the trend to a somewhat polarised market where the contrasting viewing behaviours of older and younger viewers are particularly evident thanks to these groups’ relative prominence.
  - By applying the dynamic demographic weights to our viewing trend lines, we determined the average TV viewing figures across live and PVR playback consumption among all individuals.

Figure 34: Adults 15+ population weighting, 2016 - 2022



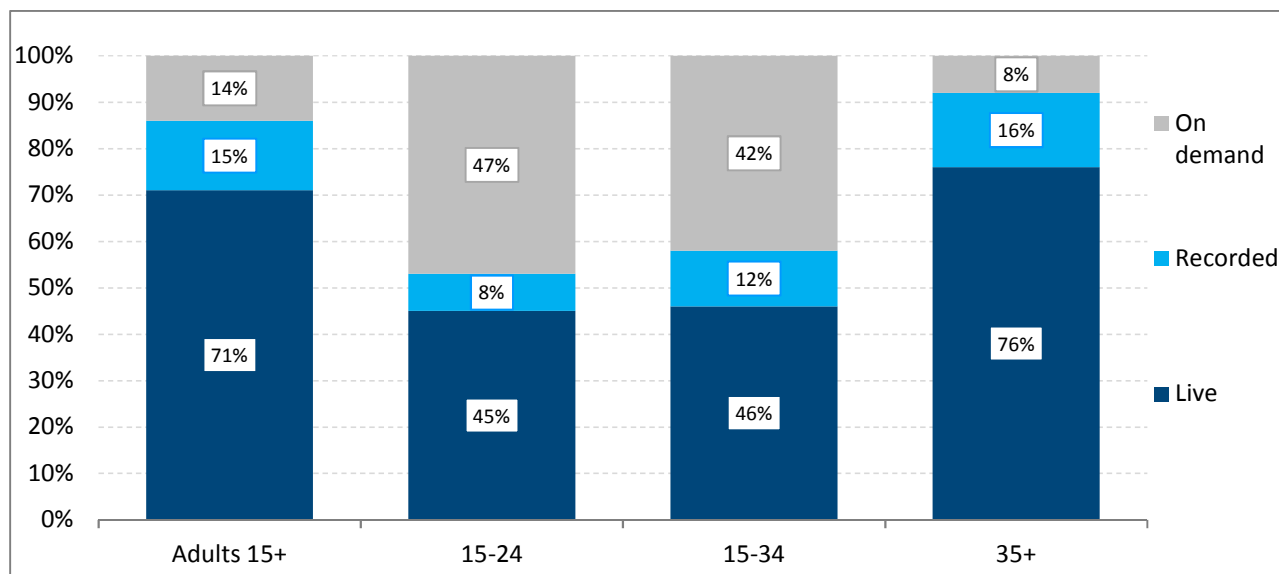
Source: CSO M2F2 forecasts

<sup>39</sup> Source: TAM Ireland A/V Data Solution – VISTA Phase 1. 33% of all video or 47% of our revised forecast definition, which excludes short-form video, DVDs and illegal streaming.

*Time shift viewing – and overall outcomes*

- 4.12. Time-shift viewing (measured as a proportion of total TV consumption) among 15-34s has been largely flat over the past five years. We expect the scale of TSV to rise due to an increase in VOD viewing among all ages and PVR viewing among the 35+ group, and thanks to TSV’s relative stability compared to live viewing.
- 4.13. The growth of PVR viewing is limited by the already high penetration of these devices among pay TV households. While we expect both total PVR penetration and usage (by households with PVRs) to increase over the period – from 59% to 62% and 14% to 15% respectively, FTA TV households will remain far less likely to have or use PVRs.
- 4.14. Moreover, emerging viewing trends are affecting the perceived value of PVRs to some consumers, especially younger ones.
- It is now common for many viewers to think of watching a show after the fact (or to search for something to watch without any specific programme in mind), rather than planning to record it in advance, lending more support to catch-up and on-demand services than PVRs.
  - The percentage of homes with both internet-connected TVs and PVRs will grow, as will the percentage of homes with internet-connected TVs only. On the other hand, the percentage of homes only equipped with PVRs will drop, suggesting that opportunities for dilution of PVR viewing by VOD will grow.
- 4.15. As a result, our analysis confirms that viewers will continue to move away from a complete reliance on broadcast television towards new forms of consumption – particularly among younger age groups. However, by 2022, viewing of live TV will still represent 87% of all video consumption on the TV set (from 90% in 2016).
- 4.16. While this forecast represents a good measure of viewing of broadcast content on the TV set, it does not capture the full extent of viewing behaviours, particularly among younger viewers. We expect viewers to increasingly watch TV content (including via SVOD and other models) away from the TV screen, taking advantage of greater opportunities to view on other connected devices.
- 4.17. Using our expanded definition of TV viewing – viewing on any device (excluding short-form, DVDs and illegal streaming), we expect live TV to represent 71% of all video consumption (from 77% in 2016). Recorded TV will remain an important method of non-live consumption as PVR ownership rises.

**Figure 35: total TV consumption, all devices, 2022 (% of total minutes)**

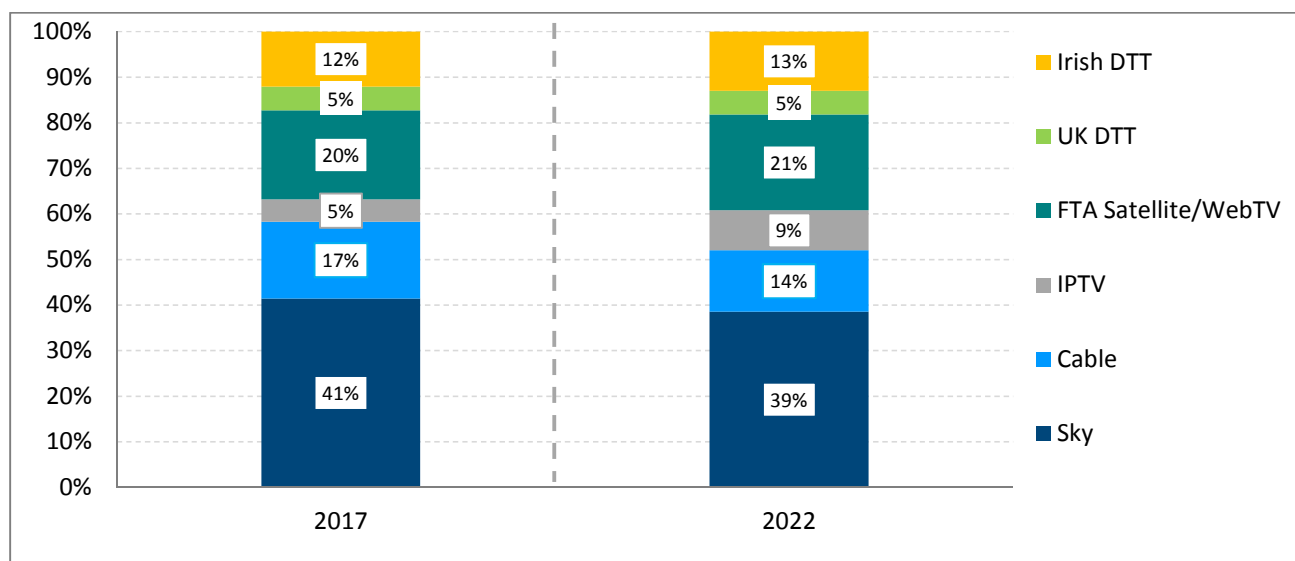


Source: Mediatique forecasts

TV delivery

- 4.18. Taken together, the current TV licencing definitions and the prevailing trends in consumption behaviour – towards on-demand viewing on non-TV devices – suggest that TV penetration will continue to decline. We forecast a slow decline, from 93.5% in 2017 to 91.5% in 2022.<sup>40</sup> Despite a forecast decrease in TV penetration, the total number of TV homes should increase by an average of 0.4% a year, reaching 1.62 million by 2022.<sup>41</sup>
- 4.19. Irish households will continue to have access to a range of TV services from multiple providers. However, we suggest that the structure of the platform market will remain broadly similar in terms of market share over the medium term.
- 4.20. We do not believe that there will be a fundamental shift away from the TV set, which will remain the primary device for video consumption within the home. Neither will there be a wholesale shift to the consumption of long-form video on mobile devices or tablets in the home as these will never be the best-available screen for watching high-quality long-form video.
- 4.21. Platform operators will continue to play a role as gatekeepers, particularly given the prevalence of bundled TV and network services, and their broad defensive strengths. There will be innovation and evolution within the platforms, as operators invest in functionality to reflect developments in technology and consumer preferences. This may have particular implications for search and navigation on new TV and VOD platforms.
- 4.22. The key change between now and 2022 will be a continuation of the shift away from traditional expensive subscription pay TV towards cheaper bundles, FTA TV or SVOD services.

Figure 36: TV platform forecasts – share of TV homes, 2022



Source: TAM/Nielsen, company reports; Mediatique forecasts

The mix of free and pay

- 4.23. Driven by Saorview and FTA satellite uptake, we expect the proportion of free TV homes to increase at a moderate rate. The non-pay platforms have proved their resilience in spite of their apparent disadvantages compared to pay TV offerings; the trend is clearly not towards more traditional pay TV uptake.

<sup>40</sup> The long-term impact of the introduction of the WebTV category on TV penetration is yet to be seen. If a significant number of homes continue to be classified as WebTV homes rather than No TV homes, headline TV penetration may show more stability.

<sup>41</sup> Based on CSO M2F2 population growth forecasts and current household size.



- Saorview has grown steadily since 2013, and we expect this to continue – helped by increasing innovation in the platform with the launch of Saorview Connect in late 2017, and by consumer demand for free TV – albeit slower than the pre-2017 rate.<sup>42</sup>
  - UK DTT will continue to be popular in the areas where it is available, which also puts a limit on its potential growth. Its numbers will rise at close to the same rate as the increase in new TV homes.
  - More homes are expected to access TV through FTA satellite dishes, although this ‘platform’ suffers from not actually being an official platform, and the consequent marketing and innovation that this would bring. The appeal of this option for current pay TV homes is limited by the lack of built-in PVR and connectivity on offer, beyond simply the choice of channels.
- 4.24. Free TV platforms may also benefit from expanded consumer choice and trends towards ‘self-bundling’ in the marketplace. In addition to this core of free channels, consumers may create their own bundles of TV content, adding one or more SVOD subscriptions. Free TV platforms that innovate and offer access to OTT content on the TV set – whether free or paid – will be best placed to capitalise.
- 4.25. The concomitant of moderate growth in free TV is a small decline – forecast to be around 2-3 percentage points – in pay TV penetration.
- 4.26. In support of recent trends and earlier observations about the state of the pay TV market, the Kantar survey results show that pay TV is more threatened than free TV by declining uptake and customer churn.
- 24% of Sky, Virgin and IPTV respondents said they were very or quite likely to consider cancelling their contracts in the next six months.
  - Only 10% of respondents with free TV services said they were very or quite likely to consider subscribing to pay TV in the same period.
- 4.27. Overall, however, pay TV will be sustained by the attractiveness of the consumer proposition – access to more channels (including UK channels), equipment functionality and user-friendliness; bundling of TV services with connectivity contracts – creating stickiness which counters incentives to churn; and general consumer habituation with pay TV platforms. Low levels of FTA reception equipment ownership (aerials and satellite dishes) among pay TV homes also lowers the risk of churn, as outlined earlier.
- 4.28. Within the pay TV market, IPTV-delivered skinny bundles should grow but the pace will abate. Quarterly IPTV subscriber growth has slowed throughout 2017 and cable has effectively stemmed its losses (and grew subscribers in Q3 2017), suggesting that those customers most inclined to leave one service or take up a new one have done so already.
- 4.29. In particular, eir will benefit from cross-selling opportunities and the competitiveness of its pricing, coupled with free premium sports channels. To some extent, their possible growth is capped by the reach of their fibre infrastructure, especially given that their TV uptake has already been strong: 31% of their c.580,000 fibre-connected homes take eir Vision TV.<sup>43</sup> More important, however, are the possible responses from competitors, who have significant bundling and pricing power.
- 4.30. While Virgin Media has already launched its version of a skinny bundle – its €20 Freedom TV package – Sky has yet to feel the same competitive and consumer pressures. Sky’s Now TV OTT offering is nearly double

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<sup>42</sup> Since the new Saorview Connect STB can receive FTA satellite signals, some Saorview homes who buy this new ‘combi-box’ may be reclassified as ‘FTA satellite’ homes by TAM, which could lead to some rebalancing of the two categories in the future. In any case, it is expected that the number of homes receiving Irish channels through Saorview (standalone or in combination with another service) on their primary set will rise faster than the increase in new TV homes.

<sup>43</sup> Eir corporate results, 31 March 2017.

the price of that in the UK (after currency conversion), while it has not unbundled its sports channels in Ireland, as it has done in the UK. We would expect that the entry of new players and likely pricing competition will have a small impact on Sky’s share of the total market over the period to 2022, as its less committed (and possibly lower ARPU) customers reconsider their options. This loss should be more than compensated – in subscriber numbers, if not revenues – by the growth of Now TV.

SVOD

4.31. Building on the growth of the past five years, we expect SVOD services to be in around 47% of homes by 2022. SVOD penetration tends to follow a pattern of high growth in the early and middle years (once a baseline of consumer understanding and trust is established) – driven by increasing connectivity, consumer awareness and marketing, followed by flattening growth as increases in connectivity slow and the base of consumers most likely to subscribe is exhausted.

- On these forecasts, around 770,000 TV homes (plus 38,000 ‘No TV homes’) will subscribe to at least one SVOD service in 2022.
- Total Irish SVOD subscriptions (including overlap between services) could be up to 20% higher, depending largely on the success of Amazon Prime Video and Now TV.

Figure 37: SVOD penetration by TV home main platform, 2022

	2017	2022
No TV homes	25%	28%
Irish DTT	11%	20%
UK DTT	17%	29%
FTA Satellite/WebTV	23%	39%
Cable/IPTV	41%	62%
Sky	36%	55%
<b>TV homes (total)</b>	<b>31%</b>	<b>47%</b>

Source: TAM/Nielsen; Mediatique forecasts. 2017 percentages use Netflix as a proxy for total SVOD; 2022 percentages account for all services but do not include overlapping subscriptions (e.g. a household subscribing to both Netflix and Amazon Prime Video counts as one SVOD home)

- 4.32. SVOD services will continue to be most popular among pay TV subscribers.<sup>44</sup> Those platforms that can offer a core of popular channels and easy ways to access multiple sources of on-demand content are likely to benefit disproportionately from any further trends towards cord-cutting or self-bundling by consumers.
- 4.33. Significant growth will come from free TV homes – particularly as the trend towards free TV and SVOD combinations advances but higher growth on these platforms will be hindered by lower connectivity and a preponderance of consumers who are generally less inclined to use on-demand services.
- 4.34. SVOD will continue to be popular among non-TV homes, growing at a CAGR of 6% per year, although scope for further SVOD subscription growth as a percentage of this category is limited by the already high penetration (25% of non-TV homes had Netflix in 2017) and the addition of the WebTV category, which sees some of the most likely to watch TV content reclassified as TV homes.

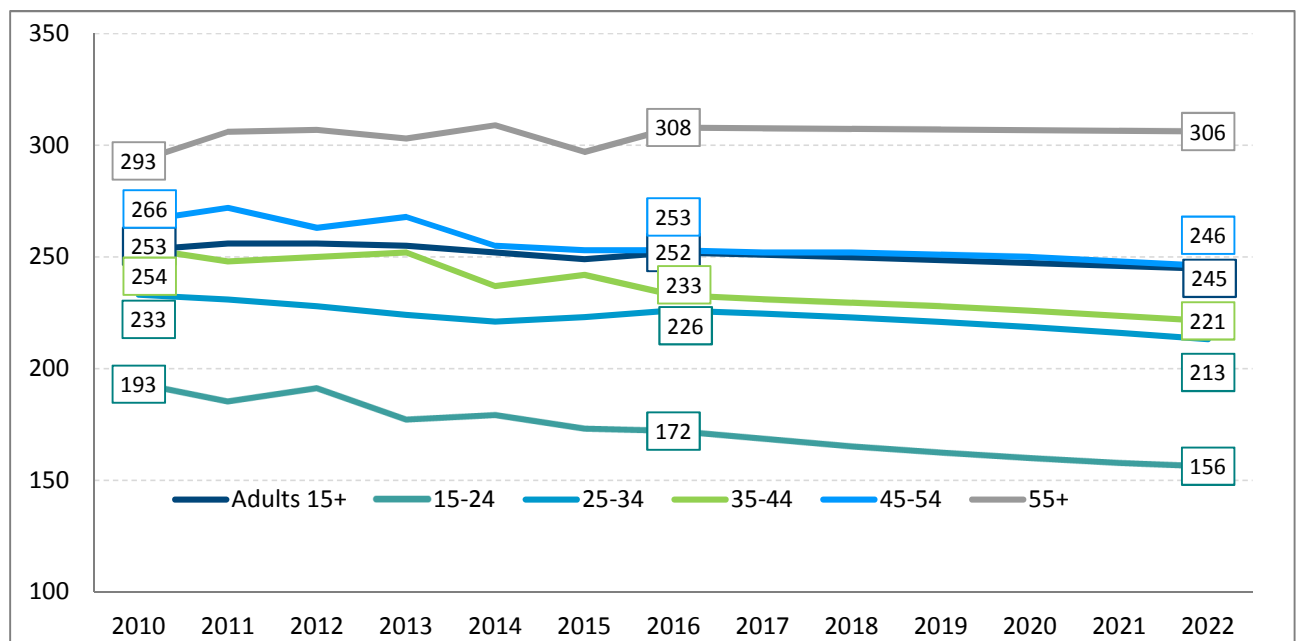
<sup>44</sup> This will be enhanced by the availability of the Netflix service on Sky, which we expect to occur in the near future.

## Future outcomes in the radio market

### Live radio listening

- 4.35. The Irish audio market is set to become increasingly converged and crowded, as more listeners gain access to new forms of audio entertainment on connected devices.
- 4.36. Nevertheless, live radio will remain strong in Ireland, in part as a result of the habitual and ambient nature of radio listening particularly in the car and at home. Listening outcomes will also be heavily supported by the continuing listening preferences of older listeners which counterbalance declines among younger age-groups.
- 4.37. We forecast that average daily listening minutes will fall slightly to 245 from 252 by 2022, while reach will finish the period at 81%, only 1% down on 2016.

Figure 38: Average daily minutes of live radio listening, 2010 – 2022



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

- 4.38. This forecast is informed by extrapolation of recent trendlines and corroborated by responses in the Kantar survey which confirm that those listeners in younger age-groups are listening to less live radio than before.
- 4.39. However, the Kantar survey also confirms that Irish audiences think highly of radio in general and there was no clear consensus among respondents that radio provision is seriously deficient in choice, quality of content, coverage of local issues, or ability to cater for a diverse range of tastes. Although listeners in the 16-24 (and to a lesser extent 25-44) age-groups were more likely to dissent.
- 4.40. While the rate of decline in reach and minutes among 15-24s is expected to begin to slow, for the other categories (excluding 55+) negative growth rates will rise towards the end of the period, having begun to stabilise before this. This is primarily due to consumers transitioning upwards between age-groups but it also reflects the low current levels of awareness, reach, and use of alternatives outside the 15-24 group, all of which are likely to increase.

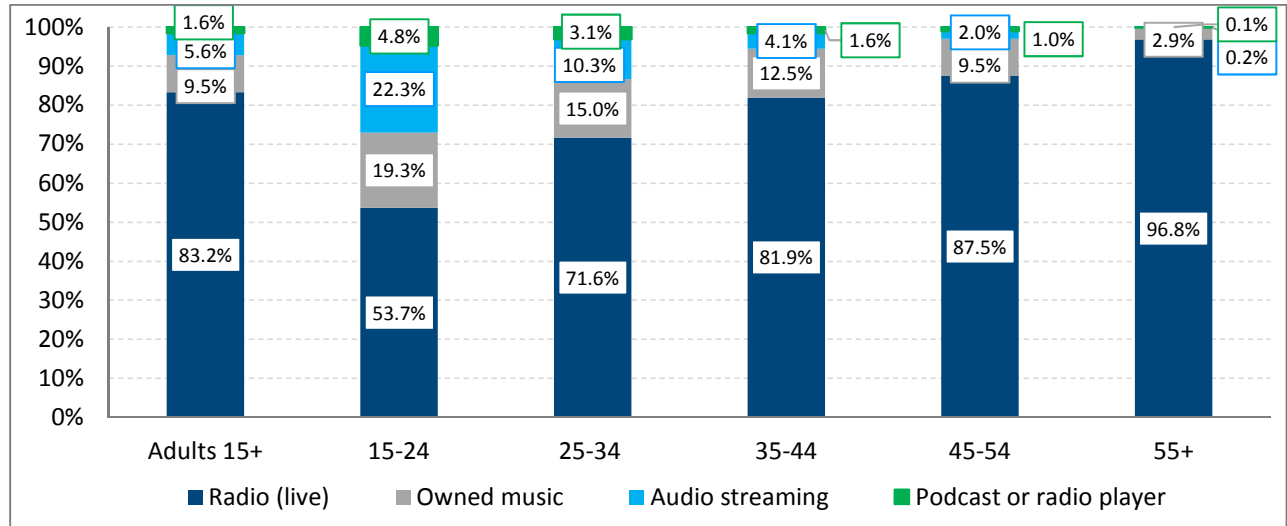
*Other audio listening*

- 4.41. We expect all three other audio formats tracked by JNLR – owned music, podcasts/radio catch-up, and streaming – to grow in popularity over the period to 2022, as connectivity and device penetration improve, and as consumer awareness and willingness to use these formats spreads.
- 4.42. Audio streaming is likely to be the source of most of the growth in alternative audio.
- Since the Irish launches of Deezer in late 2011, Spotify in 2012, and Apple Music in 2015, streaming services have grown to achieve daily and weekly reaches of 7% and 15% in 2016 (23% and 42% for 15-24s).<sup>45</sup>
  - Reach and usage are still lower among 25+ consumers; we expect both to rise from this low base in spite of traditional limitations on the pace and universality of adoption of new technologies and formats by older listeners.
- 4.43. Owned music will see growth in reach among 25+ consumers but is expected to decline in reach and minutage among younger viewers as they increasingly favour streaming services such as Spotify.
- 4.44. Podcasts and the use of radio players have been growing strongly in western countries, although their use is generally confined to specific segments of listeners – especially the young, educated, liberal, and middle-class.
- Their growth in Ireland should be strong, driven by prevailing trends towards consuming on-demand content on various devices, and given the strength of radio and specifically talk radio in the country.
  - Much will depend, however, on the strategies of major broadcasters, who are best positioned to produce and market podcast content, and who also have the most to gain from building cross-format brands.
- 4.45. Survey evidence on these alternative audio formats is unclear; there are not clear majorities of respondents saying they spend more (or less) time consuming a particular format this year compared to last year. Taken together with the fact that current reach is much lower for podcasts and streaming than for radio, this suggests that growth in these formats will mostly come from increased reach rather than from existing users listening to more minutes per day.
- 4.46. Our analysis assumes a reduction in average daily minutes per listener for the older age-groups, accounting for the likelihood that later adopters will on average use a new technology/format less frequently or for shorter durations.
- 4.47. While alternative audio formats are forecast to grow in popularity, the impact on radio listening should not be overstated. There are stabilising characteristics to the market, such as consumers making new lifestyle choices as they grow older and growth in listeners in the 55+ category, which serve to sustain live radio listening.
- 4.48. As a result, we forecast that live radio will still account for 83% of all audio listening by 2022, although materially less among younger age groups – as our 2022 forecasts illustrate below.

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<sup>45</sup> JNLR Media and Platforms report, 2016.

Figure 39: Share of audio listening, 2022 (% of total listening minutes, excluding music video)



Source: Mediatique

- 4.49. This outcome confirms that broadcast radio happily coexists with other forms of audio consumption.
- 4.50. Indeed, Ipsos MRBI’s 2015 report for the Independent Broadcasters of Ireland (IBI) showed that people attach different attributes to radio and other audio.<sup>46</sup> While music listening is considered an important aspect of radio, news and current affairs programming was also a key attraction to radio. Even within the music category, band, song and genre discovery was more associated with radio than other audio among all respondents.
- 4.51. This coexistence is further emphasised by the same 2015 report’s investigation of the times of day in which consumers listen to radio and different types of audio.
- While ‘other audio’ grew in popularity throughout the day and was more used than radio from the evening onwards, radio dominated heavily during daylight hours, especially during the morning.
  - This is partly due to continued access to and use of traditional radio sets or car radios at these times but it is also due to consumer enjoyment of and preferences for genres like talk and current affairs during the day, whereas different behaviours and routines during the evening hours offer more opportunity for alternative audio (or other media, such as TV) to compete.
  - Similar themes emerged in our survey. International and national news/current affairs, regional and local news/current affairs, and talk radio all ranked as more important genres for radio listening experience than music.
- 4.52. For these reasons, we expect that overall minutes spent listening to audio will increase by 2022, as listeners take advantage of the ability to access more content (e.g., via playlists, personal curation, search) and the additional opportunities to listen, including on portable devices outside the home.
- 4.53. These observations do present challenges for the broadcast market, however. In some ways it is remarkable that analogue radio has remained so strong in an age of technology and choice but many do see personal audio and streaming services as offering more choice, breadth, and control – a prevailing trend of the age, and one seen in TV with the growth of on demand viewing. Moreover, it is clear from JNLR data and our forecasts that the gulf between younger and older listeners is unlikely to narrow, prompting further concerns about the future beyond 2022.

<sup>46</sup> Ipsos MRBI, Irish Audio Landscape Research, 2015.

Other scenarios

- 4.54. The forecasts we set out in this section reflect our views about likely developments in technology and consumer take-up in the period to 2022. These forecasts illustrate a marketplace that is increasingly complex and crowded but one characterised by evolution.
- 4.55. Market outcomes after 2022 are likely to involve a greater degree of disruption as the impact of changes in consumer behaviour have more material impacts on market structure and dynamics.
- 4.56. Other outcomes within the period to 2022 are of course possible if the pace of change accelerates or exogenous factors disrupt current dynamics in a more material way. This might be characterised by changes in the key market drivers – for example:
- Above-trend further take-up of broadband, faster connection speeds and accelerated use of connected devices;
  - A greater move towards self-bundling, with no slow-down in the take-up of SVOD services; and
  - Further new entry from disruptive players – including social media networks – seeking to launch AV services alongside their core services.
- 4.57. Such outcomes would necessarily lead to a greater set of challenges for the broadcast market including a more pronounced decline in the consumption of live TV and radio, a growing reliance on AV consumption on connected devices, an increase in the number of non-TV homes and a greater reliance on international content aggregators. Moreover, it is likely that revenues would be even more challenged than in our base case, with negative implications for expenditure on indigenous content.
- 4.58. The implications for sustainability, plurality and content funding would be material in this case. However, we suggest that the likelihood of such outcomes is mitigated by behavioural and habitual factors that continue to limit the chances of more disruptive outcomes in what is a relatively short time frame.

## 5. Future models and sustainability of independent broadcasting in Ireland

### The current position

- 5.1. In light of our forecasts for key platform and consumption outcomes over the next five years, we turn now to the issue of revenues, and whether the identified trends will continue to support independent broadcasting in Ireland, and how future models may evolve in light of these.
- 5.2. The sustainability of these business models has already been identified by the BAI as critical. Writing in its five-yearly review of PSB in 2013, the regulator said that:  
*“...the need to increase the range and level of Irish made content derives from a detailed consideration of the increasing range of services available now and in the future to Irish audiences; the growing imbalance between external and Irish-made content; the recognition that the presence of Irish content in the new media is vital, especially so that it is available to younger people; an understanding of the particular needs for children’s content with local and cultural relevance; and an appreciation of the significance for public policy development of an Irish presence in the broadcasting environment that is strong, competitive, varied and enduring.”<sup>47</sup>*
- 5.3. The current media landscape in Ireland continues to sustain the creation of a significant amount of indigenous content, both on radio and on television. Bolstered in particular by the expenditure of RTÉ, TV3 and TG4 and commercial radio companies, amplified by funds made available through the Sound and Vision Scheme administered by the BAI, we estimate that around €225m was spent in 2016 on indigenous Irish broadcast content (not counting Irish sport). More than 70% of this was spent on television content.
- 5.4. The ability of broadcasters and content aggregators to invest in Irish content on a sustainable basis depends in turn on their ability to maintain revenues in an environment of significant disruption and challenge.
- 5.5. The key revenue streams that continue to fund Irish content are the licence fee, advertising and subscription. These revenue segments have all been under significant – and, in some cases, severe – threat, with implications for the profitability of commercial operators in the relevant segments of the Irish market and for the amount spent on original content more generally. We assess the current dynamics of these sources of content funding in turn.

### *The licence fee*

- 5.6. The most recent period has seen no increase in the income derived from the licence fee. Short of a change in collection and/or a modernisation in the way in which it is applied, licence fee income is also likely to remain flat over our forecast period.
- 5.7. However, there may be scope for a change in support for public funding as the underlying economy improves even as pressure points in the sustainability of commercial business models remain apparent.
- 5.8. Proposals to modernise the licence fee are currently the subject of Government review and include changes to the collection method for the licence fee and the possibility of extending it to cover non-linear consumption of public service content. The Government is also reviewing changes to the way the levy is applied to fund the BAI’s administrative costs, in order to reduce pressures on licence holders, and a potential change to ‘must offer/must carry’ legislation that might enable commercial negotiations between FTA broadcasters and pay TV platforms, leading to the payment of re-transmission fees.

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<sup>47</sup> Section 124 Review, 2013, page 10, <http://www.bai.ie/en/news-and-information/publications/>.

## Advertising

- 5.9. As in most mature media markets, broadcasting advertising income has been under pressure in Ireland as a result of structural and cyclical challenges. However, the depth of the recession that took hold in 2008, coupled with Ireland's specific characteristics (a small nation sharing a linguistically porous border with much larger markets), has meant that the challenges in the advertising sector specifically, even as the underlying economy improved from 2014, have been peculiarly acute.
- 5.10. Since 2007, when TV advertising reached a high of €311m and radio advertising hit €140m, the trend has been downward for both TV and radio advertising over the ten years.
- The two years to the end of 2007 saw a compound annual growth rate (CAGR) of 20% for TV and 18% for radio.
  - Between 2007 and 2016, TV advertising declined by an average CAGR of 3%, ending 2016 at €241m, with radio down an average of 1% CAGR in the period, to finish 2016 at €127m.<sup>48</sup>
- 5.11. Despite the declines in engagement by younger audiences and the challenge of digital music propositions, radio in Ireland has been relatively strong compared to other markets – at least from a reach and listening perspective. However, it is clear that the ability of the industry to secure a premium price for its large audiences is constrained, and this has been true not only of the purely commercial radio sector but of RTÉ (with its hybrid funding model) as well.
- 5.12. Similarly, TV has generally held up remarkably well in viewing terms, despite the structural factors we identified in the relevant sections of this report above. However, overall TV advertising revenues have now fallen below pre-recession levels. In recent quarters, there have been clear signs of a growing structural challenge to traditional business models, not least around consumption of broadcast TV and radio in the aggregate. Unsurprisingly, advertisers report growing use of digital media, and this will soon have a more fundamental impact on traditional broadcast advertising than has been the case to date.
- 5.13. Underscoring the point, digital media grew by a CAGR of 16% in the past 10 years climbing from €78m in 2007 to €376m in 2016. The appeal of digital media, specifically the promise of superior consumer engagement with reliable data as a foundation, has driven down the income of newspapers and magazines in particular.<sup>49</sup> More recently, broadcasters report pressures on traditional advertising related to advertiser/agency preferences for digital over broadcast.

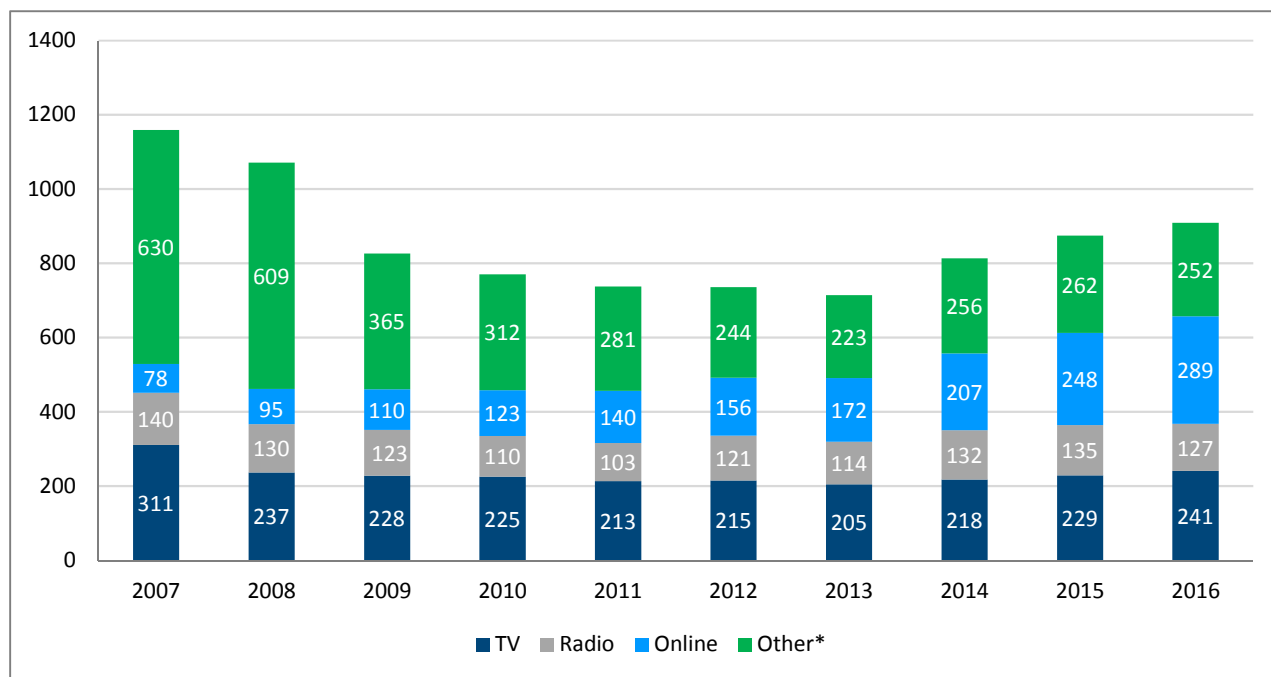
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<sup>48</sup> To ensure comparability, we have used the estimates provided by ZenithOptimedia for historical periods. We stress that there is a range of figures even for historical periods, reflecting differences in the treatment of discounts and commissions. For example, the 2016 figure of €241m from Zenith compares to €231m from Carat. Some local advertising (outside the agency model) is not captured in these figures; such advertising is broadly limited to local commercial and community radio stations. All numbers here are expressed in nominal terms.

<sup>49</sup> While outside the scope of our analysis, it is worth reflecting on the experience of print since the recession in Ireland. From €466m in 2007, print (newspapers and magazines) declined to just €172m by 2016, a fall of more than 60%.



Figure 40: Total advertising expenditure in Ireland, 2011 - 2016 (€m)



Source: Zenith Optimedia. \* Other includes Newspaper, magazine and outdoor/transport advertising expenditure

- 5.14. 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.<sup>50</sup> These impacts have hit just as the Irish ad market had appeared to be recovering – if not to pre-recession levels then to a more reliable rate of year-on-year growth.
- 5.15. Consensus estimates for 2017 see TV advertising income declining year on year by around 5%, with radio declining at an even quicker rate. This compares to the UK TV ad market decline in 2017 at a forecast 5% for the full year, as indicated by the main UK commercial broadcaster ITV in its nine-month results announcement in November 2017.<sup>51</sup> Commercial radio trends are by contrast divergent, with the UK market enjoying a c4% growth year on year in 2017, compared to a decline of up to 7% forecast for Ireland.<sup>52</sup>
- 5.16. While 2018 is forecast by agencies to be better for both radio and TV – in part reflecting an improving UK outlook as the Brexit uncertainties give way to actual outcomes – the broad pattern remains relatively challenged. In the five years ahead under consideration in this report, it will be hard to argue in favour of any improvement beyond flat growth between now and 2022.

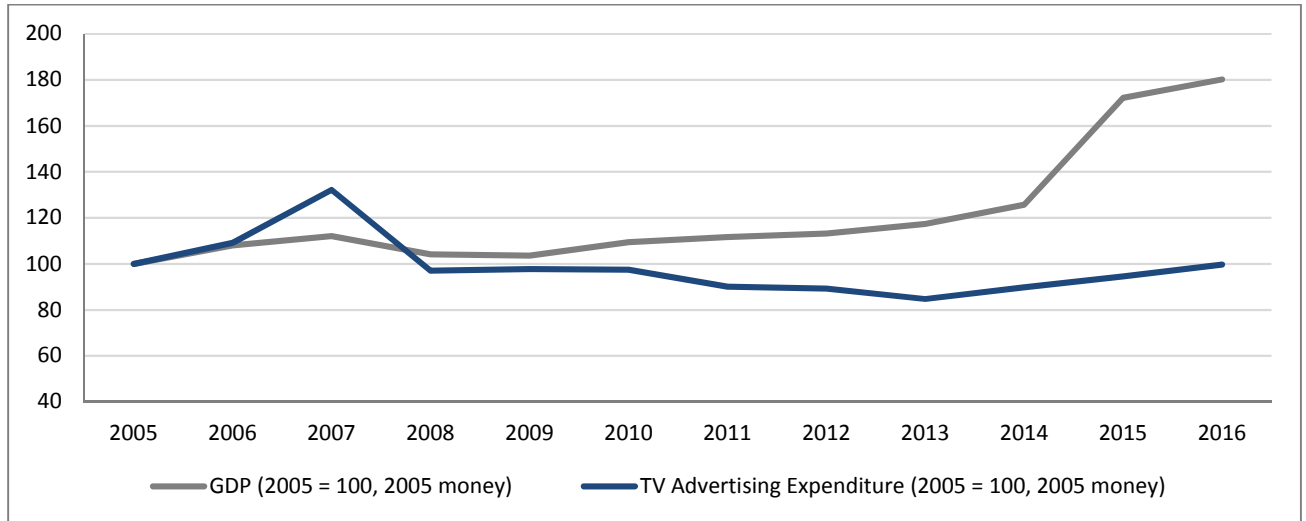
*Advertising –the impact of structural factors*

- 5.17. Trends in advertising markets – and TV advertising in particular – have traditionally been explained by macroeconomic cyclical factors such as economic growth, interest rates, consumer expenditure levels and business and consumer confidence indices.

<sup>50</sup> This observation was widely reported in our stakeholder interviews by both agencies and broadcasters.  
<sup>51</sup> See the 9-month trading update published by ITV Plc at <http://www.itvplc.com/~media/Files/I/ITV-PLC/documents/reports-and-results/ITV%20plc%202017%20Q3%20Trading%20Update.pdf>.  
<sup>52</sup> The markets are more distinct across the UK and Ireland than is the case with TV; radio advertising is more local/domestic in structure and dynamic.

5.18. Since the most recent recession, however, the link has been, at least in part, broken, as tighter advertising budgets collided with changing media consumption habits. Our analysis confirms that growth in TV advertising and GDP have diverged in recent years – both in Ireland (as we illustrate below) and in other mature territories.

Figure 41 - GDP / TV advertising expenditure real-terms growth, Ireland, 2005-2016 (2005=100).

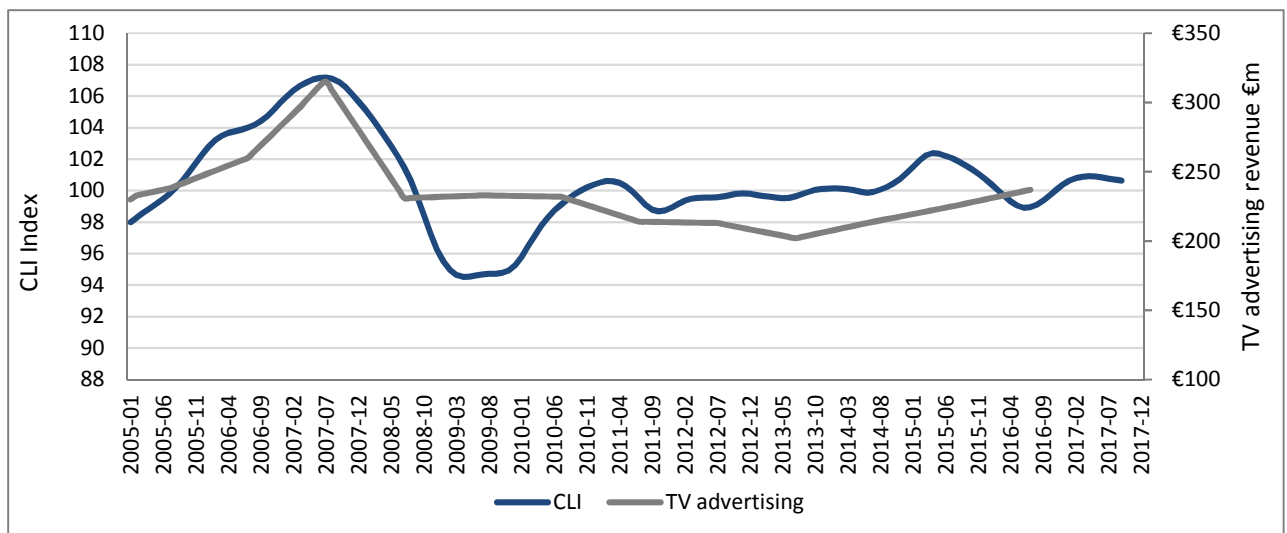


Source: ZenithOptimedia, OECD, Mediatique

5.19. Similar low levels of correlation are found between TV advertising expenditure and household spending, and between TV advertising expenditure and household disposable income per person.

5.20. There seems to be a stronger correlation between TV advertising expenditure and indices of consumer and business confidence, and between TV advertising expenditure and the OECD Composite Leading Indicator<sup>53</sup>, which provides a qualitative measure of the health of a country’s economy. However, even this measure cannot explain all trends in TV advertising expenditure.

Figure 42 - TV advertising expenditure real-terms growth vs CLI growth, Ireland, 2005-2016



Source: ZenithOptimedia, OECD, Mediatique

<sup>53</sup> The CLI is a composite index aimed at anticipating economic cycles and fluctuations around the overall economy’s long-term trend; it incorporates a number of quantitative and qualitative indices to try and predict business cycles.

- 5.21. In recent periods, the Irish CLI has reduced, reflecting potential signs of economic pessimism in Ireland and concerns around Brexit; this may ultimately feed through to advertising outcome and hence explain why, in the light of growing GDP, the Irish TV advertising market is facing a downturn.
- 5.22. However, the above trendlines suggest that the links between economic indicators and advertising growth are potentially under some stress as a result of emerging structural challenges facing the broadcast market.
- 5.23. Many of the broadcast market developments we have identified in our analysis will fundamentally change the way audiences access and select media and associated content/services. In all mature media markets, these will become more important influences of advertising expenditure over time.

#### *Subscription – pay TV and SVOD*

- 5.24. Subscription revenues grew significantly in Ireland, from about €450m in 2007 to a peak of €650m in 2012, despite the intervening years of recession. By last year, following a significant decline in traditional pay TV penetration, particularly cable, the market is estimated to have fallen again to about €560m.<sup>54</sup>
- 5.25. The recent weakness is owing chiefly to migration in recent periods away from traditional pay TV packages toward the skinny bundles of broadband, telephony and TV offered by Eir, Vodafone and more latterly Sky's OTT offering, Now TV.<sup>55</sup>
- 5.26. In any event, pay TV operators have made relatively little contribution so far to Irish content funding outside sport – even if Virgin and Sky in particular are large local employers and Virgin more recently is a net investor in Irish content following its acquisition of free-to-air broadcaster TV3.
- 5.27. We estimate that SVOD platforms – including Netflix, Amazon and Now TV – generated around €30m in Ireland in 2016, with this figure set to rise significantly over the next few years. Netflix alone is now estimated to be available in c500,000 Irish households.
- 5.28. Looking forward, we assume that subscription revenues will continue to grow, even if margins will be under pressure given consumer preferences for smaller packages of TV. At the same time, SVOD is likely to take a growing share of the pay segment of the market.

#### Sustainability of content funding

- 5.29. Without commercially viable models (and/or increased public funding), the ability of the domestic market to fund Irish content of various kinds – drama, documentaries, news, whether on TV or radio – may be challenged.
- 5.30. As evidence of the crucial link between revenue and content funding, the past five years have been typified by declining income to RTÉ and a concomitant fall in content expenditure by the main PSB provider.

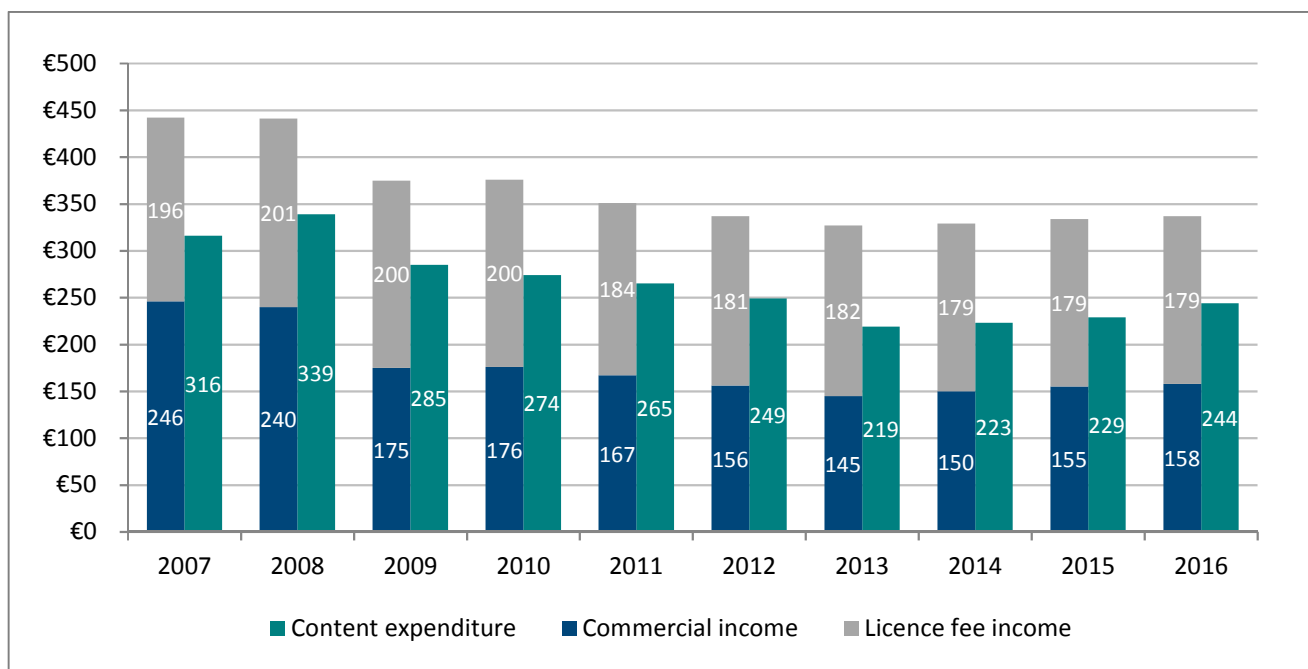
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<sup>54</sup> Our subscription number includes all the revenues generated by any TV provider, including associated telecom and broadband income. It does not include revenues generated by selling telephony and broadband services without TV.

<sup>55</sup> The pay TV market is not audited. We used a number of sources to analyse the pay TV revenues historically, including Virgin (formerly UPC) and Sky annual reports and (for 2012 and 2013) the figures provided in the 2013 Annual Public Funding Review by Oliver & Olhhaum : [http://opac.oireachtas.ie/AWDData/Library3/CENRdoclaid13102015\\_102525.pdf](http://opac.oireachtas.ie/AWDData/Library3/CENRdoclaid13102015_102525.pdf).

- Owing to under-collection of the licence fee and RTÉ’s obligations under the Government’s austerity programme following the start of the recession in 2007, the amount available to RTÉ from public funds has declined from c€200m in 2008 to €179m in 2016, a decline of 11%.<sup>56</sup>
- Radio and TV advertising declined over the same period, with RTÉ’s commercial revenues in that period falling to €158m from €240m.<sup>57</sup>
- In turn, RTÉ’s expenditure on content has fallen from €339m in 2008 to €244m in 2016. RTÉ’s investment in original Irish TV and radio content was €292m in 2007; by 2016, this was just €218m, a drop in nominal terms of 25%.

Figure 43: RTÉ total income versus content expenditure, 2007 - 2016 (€m)



Source: RTÉ Annual Reports

5.31. TG4 spent €20m in 2016, up from €17m in 2007 – with the rise reflecting the effects of TG4’s increased funding from the licence fee and its own cost cutting programme. However, this is in no way sufficient to offset declining investment at RTÉ.

5.32. In commercial TV, public data on content expenditure is sparse for commercial broadcasters and pay TV operators (e.g., TV3, Sky and multi-channel brands).

- We estimate that pay TV operators (Sky, Virgin and to a much lesser extent Vodafone and eir TV) spent €250m on content in 2016, including sports rights, production costs for non-Irish sport, acquisitions and third-party carriage fees.<sup>58</sup>

<sup>56</sup> RTÉ received, net, around 85% of funds raised through the licence fee, with the remainder allocated to the collection costs (An Post), the Sound and Vision Scheme and TG4. Budget 2017 and Budget 2018 reversed some of the cuts to the licence – restoring c€7.7m of €20m in past reductions, largely through restoring direct funding of TG4 to the benefit of RTÉ.

<sup>57</sup> RTÉ has limits on its minutage for both radio and TV advertising, capping the amount it is able to earn commercially. RTÉ has also experimented with various pricing models in recent years, ranging from fixed to variable pricing and involving airtime sales bundling and cross selling. We do not propose here to review these models, which were the subject of detailed analysis by Indecon in its report on the Irish advertising market in 2013. <https://www.dccae.gov.ie/en-ie/communications/publications/Documents/71/Economic%20Analysis%20of%20Advertising%20Market%20-%20Indecon%20Report.pdf>.

<sup>58</sup> The calculation is based on market intelligence regarding the expenditure on third party content by Sky and Virgin across the combined markets of the UK and Ireland, and then pro-rating by population and household size. We have removed from the

- In addition to these categories of content expenditure, Virgin spends an additional amount for content on its FTA services (TV3 and its sister channels).<sup>59</sup>
- We estimate that the UK opt-out channels had revenues of around €40m in 2016, out of a total advertising market of around €240m; however, they do not invest any income directly into the Irish market.

5.33. Content expenditure budgets for commercial radio are a matter of commercial sensitivity. Radio content costs in Ireland (excluding music licensing fees) are largely confined to funding DJ shows (music introductions, news, events, phones ins) and news bulletins and current affairs as part of the programming mix.

- NCA is usually broadcast on local radio, although some licences awarded more recently, including niche and ‘youth-focussed’ regional services, have been awarded derogations exempting them from the requirement to broadcast NCA or permitting them to lower the share of broadcast hours dedicated to such content.<sup>60</sup>
- A small number of radio projects (documentaries and drama) have been part-funded by the Sound and Vision Scheme for broadcast on community, local and national commercial radio stations. In addition, the speech format of the national station, NewsTalk, requires significant content investment related to its news and current affairs output in particular.<sup>61</sup>

5.34. Across the whole of the commercial sector, staff costs are around 50% of total costs, which includes come on-air talent such as presenters; ‘programming’ as a separate category represents around 10%.<sup>62</sup>

5.35. As a result of lower commercial revenues coming into the radio market, and notwithstanding some liberalisation of rules around branded content and relaxation of format requirements, sector profits have declined significantly compared to the pre-recession period.

- From operating margins of roughly 30% for many leading companies in the late 2000s, the current margin across the whole of the industry (national, city and local) is between 10 and 12%.
- It is not clear from public data whether content expenditure has been reduced in line but certainly overall radio budgets are under pressure.
- For their part, community stations take very little commercial revenue and as their listening is not tracked by JNLR there is no agency trading. Content is funded generally by a combination of local grants and donations, volunteer support and some Sound and Vision investment.

5.36. As the short-term outlook for broadcast revenue in Ireland remains challenged – with flat growth at best – the clear implication is that the amount dedicated to Irish content (short of significant changes to the licence fee and/or reduction or removal of the BAI levy) is unlikely to rise and may well be reduced further, at least in real terms.

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content total an amount we estimate is paid by Virgin for the Sky channels (having already calculated the amount Sky itself spends on acquired content for its own channel brands).

<sup>59</sup> Virgin does not publish any separate content expenditure figures for TV3. We estimate this to be on the order of €55m (including content origination and acquisitions).

<sup>60</sup>Some in the industry are calling for a further relaxation in licence terms to reflect the challenge to revenue models and/or a change in public funding, whereby a portion of the licence fee might go to the provision of local news and Irish-language content for radio. We return to the issue of public funding and radio licence term relaxation in our options analysis further on.

<sup>61</sup> Newstalk also provides a news syndication service to 18 local commercial radio stations.

<sup>62</sup> We have looked at returns to the BAI from commercial radio companies in the aggregate; a detailed break-down is not available in the public domain.

## The mix of services today and potential evolution

- 5.37. The Irish media market is currently competitive and vibrant, with more than 60 analogue radio services (including RTÉ, independent commercial, community and institutional radio), five digital-only radio stations and hundreds of TV channels across free-to-air and pay TV propositions.
- 5.38. Our consumer research suggests a majority of consumers is satisfied with the range of broadcast services on offer in TV and radio.

### *Radio*

- 5.39. Diversity of supply in radio is generally high, with a range of radio formats (music, news, speech) and geographies (national, regional, multi-city, local).
- 5.40. There is greater diversity in Dublin, where a number of niche stations broadcast alongside the national services from RTÉ and Communicorp. However, many areas in Ireland are able to receive just their local radio station, the regional service (youth music niche), the national and quasi national commercial stations (Newstalk, Today FM and Spirit) and RTÉ's radio stations. Outside Dublin and Cork, the only other exception are those areas falling into the multi-city category served by classic hits music service 4FM, available in the principal cities. DAB, available to only 54% of households, currently provides simulcasts of RTÉ's national stations and five digital-only services.<sup>63</sup>
- 5.41. Irish households are also now able to access a range of music services and audio content via connected media – including access to bespoke and archive content from Irish broadcasters.
- 5.42. Despite high reach and strong aggregate audience performance, radio is not immune to the challenges. Radio has already faced its own disruptive enemy in the form of music streaming services and general news, traffic and weather competitors online. If the media consumption patterns of younger consumers persist (and maintained even as these consumers age and enter subsequent life stages) then traditional media will continue to suffer unless it finds a suitable strategic response.

### *Television*

- 5.43. There are only three providers of true free-to-air TV channels – RTÉ, TV3 and TG4 – but these deliver a number of sub-brands, including RTÉ's two main services, its news and kids channels and +1 and HD variants, and TV3's main channel, two sister channels (3e and be3) and HD variants (the latter only on Sky and Virgin). TV3 has a targeted kids strand broadcast on be3.
- 5.44. The Irish TV market also features a number of UK channel brands available either via free-to-air satellite or encrypted on Sky and Virgin. These include the popular BBC channels and the Channel 4 portfolio (these channels can also be received by households within the terrestrial reception area of Northern Ireland). Households taking a pay TV service also have access to a range of additional channels, including those of Discovery, UKTV, NBCUniversal, as well as premium movies and sport from Sky, BT and Eircom.
- 5.45. Pay TV operators also offer a range of on demand content (and usually provide a personal video recorder as part of the underlying pay TV subscription), alongside SVOD players such as Netflix and Amazon which offer

<sup>63</sup> In addition to the coverage limitations (roughly Dublin, Limerick and Cork), DAB can only be received via a digital tuner – around 20% of households have the necessary devices, although cars increasingly come equipped with DAB even if consumers are not aware or do not avail themselves of the service.

contract-free access to movies and TV series (including original commissions in drama, comedy and documentaries), either via PCs, mobile devices, smart TVs or via an app on Virgin.

- 5.46. The pay TV operators Virgin and Sky both invest in local content – in particular Virgin, which owns both a pay TV platform and the leading commercial TV broadcasting group TV3. However, the traditional model for pay TV is under pressure from skinny bundles, and revenues are likely to decline, compounded by weakness in TV advertising; taken together, these challenges to the business models of both Virgin and Sky may lead them to spend less than currently on Irish content.
- 5.47. The increasing presence in the local market of two international categories of media player – the broadcasters of UK opt-out channels and SVOD services from the likes of Netflix and Amazon – also pose challenges for the suitability of content investment. These players may continue to secure a material share of consumer attention but are unlikely to invest directly in Irish content to any significant degree.
- 5.48. A scenario whereby both subscription models and TV advertising are structurally challenged might put even greater pressure on the public service providers RTÉ and TG4 (themselves facing funding gaps).

#### *The overall picture*

- 5.49. The combination of new-entrant activity and innovations from legacy providers is helping to condition consumer behaviour around the place and time of their media consumption, with implications for traditional business models such as spot advertising.
- 5.50. A challenging financial environment has not yet had any significant impact on the provision of domestic radio and TV services.
- The failure of UTV Ireland was offset by the purchase of TV3 by Virgin and the enlarged group's subsequent acquisition of UTV Ireland (since transitioned to become be3, a female-skewing entertainment channel).
  - One radio licence (TX Fm) failed to get any alternative bidders when the holders elected not to re-apply at the expiry of the licence in 2016.
  - Four Community/Special Interest stations have closed in recent years.
  - While operating profits have declined markedly across commercial radio since the recession, there are no signs of any other licensee currently preparing to abandon the field.<sup>64</sup>
- 5.51. However, there are some concerns among traditional broadcasters that increasing consumption of on-demand media from international providers, coupled with the erosion of both public and commercial funding models evident currently, may upset the equilibrium that presently characterises the Irish market.
- 5.52. The key unknown over the coming five years (and beyond) is the degree to which the current challenges are wholly cyclical or whether there are structural factors at work.
- These structural factors relate to changes in revenue streams across two broad areas – advertising (both linear and non-linear) and subscription (including emerging models such as SVOD and music streaming).
  - Factors at play include consumer preferences (e.g., catch-up TV, binge viewing, music streaming in preference to radio), further changes in technology (device take-up, changes in search and navigation

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<sup>64</sup> Five radio licences are due for expiry within the period under consideration in this Report (between now and 2022). We outline our analysis and observations about the advisability of issuing an additional FM licence in the short term in section 7 of this report.



tools, improved fixed and mobile network delivery) and business models (greater bundling of communications and media services, greater reliance on SVOD, TVOD and AVOD rather than broadcast and traditional pay TV).

- 5.53. Compounding these factors will be the changing requirements of advertisers, attracted by the promise of greater targeting through consumer data, and growing unwillingness even among consumer brand giants to pay a premium for television and radio as these broadcast media see viewing and listenership decline.
- 5.54. In the medium term, we do not expect fundamental, critical shifts in behaviour and technology beyond what the current trend line would imply. Nonetheless, the direction of travel in consumer behaviour and the anticipated impact of younger demographics moving into future life stages with at least some of their current behaviours intact will create challenges for the broadcast landscape.
- 5.55. On this basis, traditional providers of media services will need to continue to evolve their business models. TV broadcasters have already done so in relation to launching HD services and broadcast VOD (e.g., TV3 Player, RTÉ Player) but there will be more pressures to come. Commercial radio, arguably has more to do, given the relatively limited evolution to date in strategies and business models.
- 5.56. We set out below the potential for new service models and other changes propositions that might help broadcasters to withstand the revenue (and therefore content funding) challenges we identified above.<sup>65</sup>

#### New service models – television

- 5.57. TV broadcasters have already explored new propositions in response to consumer behaviour, via their on-demand services (RTÉ Player, TV3 Player) and in the on-demand propositions widely available via pay TV.
- 5.58. In addition, Virgin offers integrated access to Netflix via its platform and an array of other non-linear functionality, including a sophisticated PVR. As well as its PVR and on demand catch up and box set propositions, Sky offers the high-end Sky Q service, permitting subscribers to connect all TVs in the home (for recording and streaming content) and to watch in ultra HD.
- 5.59. Free-to-air innovation has been evident in the preparations for the launch of Saorview Connect, the hybrid IP-DTT service which will give users access to the catch-up services of the free-to-air Irish channels via an integrated electronic programme guide (and to the UK free channels such as the BBC, Channel 4 and Dave via a satellite tuner and 'now and next' EPG). In future, there are plans for a Saorview Connect TV (i.e., without the need for a separate set-top box), with a tuner and an IP connection.
- 5.60. While many of these innovations are not directly revenue-enhancing, they serve generally to promote the attractiveness of broadcast TV services at a time when alternatives (including content available via the internet without the need for a broadcast tuner or cable subscription) are proliferating.
- 5.61. TV broadcasters are also in the early stages of exploring new advertising models – specifically to incorporate programmatic trading, data integration and the bundling of linear and non-linear propositions. These include the work of Virgin and Sky around offering advertising in on-demand streams, fresh advertising in PVR playback and even insertion of targeted advertisements within the linear broadcast stream.
- 5.62. Taking the lead from new entrants such as Amazon and Netflix, legacy broadcasters are innovating in terms of navigation as well – including using consumer data to target and tailor on demand offerings.

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<sup>65</sup> In addition to self-help solutions, we set out a number of initiatives that might be considered by the BAI to improve the ability of the broadcast sector to meet the challenges ahead. These can be found in section 7 of this report.



5.63. All these innovations are a direct response the dual challenge of shifting consumer preferences (leading to less consumption of traditional broadcast content) and competition from digital media, offering more targeted messaging opportunities of growing interest to advertisers and their agencies. TV broadcasters will need to continue to pursue these and perhaps additional options if they are to withstand mounting pressures on their core business models.

#### New service models – radio

5.64. In contrast, the radio offering in Ireland has not evolved significantly in recent years, despite the challenge faced by radio broadcasters as younger listeners tune in to the medium less, in favour of music streaming and other digital propositions.

5.65. In some respects, stations and station groups are limited in the remedial actions they can take to improve listening and revenues. Advertising regulations narrow the options for revenue growth, while ownership rules restrict the extent of possible consolidation and the current FM licensing system limits scope for individual station expansion.<sup>66</sup>

5.66. However, in this present regulatory and market context, there are some business routes that commercial radio operators might pursue more aggressively. These include:

- Offering more curated and personalised playlists of music (under their various radio brands);
- A wider array of podcasts (including those based on local content of relevance);
- More innovative integration with social media – creating cross-media brands; and
- Changes to the proposition offered to advertisers and sponsors – more branded content (within current rules) and tailored sponsorship opportunities.<sup>67</sup>

5.67. Re-examining the proposition offered to advertisers and sponsors may be a path for individual stations but it is also a necessity for radio collectively. One critical innovation mentioned in many of our stakeholder interviews was the need to have more co-operation across the entire radio industry to make the case for the effectiveness of radio advertising. Many Irish radio operators agreed that a Radio Advertising Bureau (on the model of the UK's Radio Centre) might procure a re-pricing of the medium.

- A key objective of an Irish RAB would be to educate the advertising buy-side about the attributes of radio, to counter a growing belief among advertisers, planners and buyers that radio is less appealing than digital media (particularly among younger practitioners).
- There was a consensus that the commercial radio sector and RTÉ should consider jointly funding such an organisation, which might provide common data and analysis, training programmes and an innovation centre working on new propositions on behalf of the radio industry.

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<sup>66</sup> The BAI has recently confirmed its changes to the General Commercial Communications Code, under which financial 'health warnings,' which take up precious airtime at the end of adverts, will no longer count toward the 10 minute-an-hour minutage cap for commercial radio providers or the 15% overall limit of broadcast hours. The BAI also sought to introduce greater clarity between product placement and sponsorship, which may benefit commercial radio stations in the future. See: <http://www.bai.ie/en/bai-launches-revised-general-commercial-communications-code/>. More radical changes to the minutage environment have not been introduced, even after the BAI urgently advised Government to do so in its 2013 five-yearly PSB review. Nor has the BAI core recommendation on changes to the Broadcasting Act in relation to oversight of minutage restrictions been accepted (whereby the BAI would have control over setting commercial radio minutage in the same way that it may do so for TV minutage, subject to the EU AVMS framework).

<sup>67</sup> Some of these innovations were mentioned as being important by radio practitioners; however, they concede that little has been done to advance them to date.

- 5.68. One option for improving radio's attractiveness to consumers may be to introduce new or re-positioned formats, particularly for new radio services. While the Dublin market looks well served, many other areas receive a far more limited array of stations; there is scope for additional propositions (depending on frequency availability) that might address this relative lack of services. Considering potential gaps in the market, genres that have been suggested by stakeholders include country (Irish and American) and alternative rock (the latter having been tested for a time by TX FM).
- 5.69. Considering its key objectives in relation to licensing – diversity, sustainability, plurality and the efficient use of spectrum – the BAI recently issued a call for submissions on the possibility of issuing a new FM licence. The regulator did not specify either coverage or format and asked for the industry to make proposals. There is no consensus on the need for and timing of a new commercial radio licence award, however.
- The two major radio groups in the Republic, Wireless and Communicorp, both argue against such a move by the BAI, concerned that any new service would simply cannibalise the revenues of existing players at time when operator revenues and margins are already under severe pressure.
  - Other groups, including existing operators and new entrants, make the case in favour of the award of a new licence, with propositions ranging from an extension of current coverage for pre-existing brands to a new brand in targeted areas, up to and including major parts of the country.<sup>68</sup>
- 5.70. While radio expansion via FM could serve to increase consumer choice, digital radio may offer a superior route to increasing the attractiveness of radio through improved genre diversity and true innovation. If implemented properly, with cooperation across the industry, it would enable all consumers to access a wider range of radio stations. Ambitious commercial radio operators would have more opportunities for launching targeted sub-brands or specialist stations, developing new and innovative content, and improving overall reach – pathways which are more challenging through FM transmission and its associated licensing. Digital radio is discussed in greater depth below.

#### Further analysis

- 5.71. The measures above, including new advertising propositions, new content (catch-up, box sets, podcasts) and more integration with social media are potential means of addressing the challenges facing all broadcasters, whether in radio or TV. A range of other measures linked to regulation are also of potential importance in addressing the challenges facing the media sector (including, here, future protections around prominence, the prospect of a new FM licence for commercial radio, licence fee collection, the size and application of the BAI levy, potential new content funding levies extending to opt-out services and the future of balance of payments between FTA broadcasters and pay TV platform operators).
- 5.72. We look at some of these in greater detail in section 7 of this report.

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<sup>68</sup> We look at the prospect of a new radio licence in section 7 of this report, alongside commentary on the prospects for DAB.

## 6. Future policy options: digital terrestrial television and digital radio in Ireland

6.1 We were tasked with assessing the prospects for, and implications of, two regulatory and commercial options: further expansion in digital broadcasting via digital terrestrial television (DTT) and a reinvigorated roadmap toward the wholesale adoption of digital audio broadcasting (DAB).

### Digital terrestrial television in Ireland

#### *Background*

- 6.2 The experience in Ireland with digital terrestrial TV has been mixed, and despite several attempts, neither the BAI (nor its predecessor) has been able to procure a commercial DTT proposition to exist alongside the services provided by RTÉ, TG4 and TV3.
- 6.3 At the outset, and consistent with developments in the UK, the rest of Europe and elsewhere, there were plans to rely on commercial multiplex holders and PSB providers to operate a mixed pay and free model to encourage consumer take-up of digital receiving equipment. This was aimed at assisting in the promotion of a switch-over from analogue to digital means of TV reception, thus moving the entire broadcast system to the more efficient DVB-T standard and permitting the Government to sell off vacated analogue spectrum for alternative use.
- 6.4 The experience in other markets prior to switch over is instructive.
- Experiments with pay TV over DTT failed in the UK and Spain, rescued through efforts co-ordinated by the BBC (Freeview) and the Government (Spain).
  - In other markets, such as Norway and France, pay and free services were both offered to encourage migration. Austria moved to DVB-T under the sponsorship of ORF, the public service broadcaster, in a joint venture with a private sector partner.
  - The EU approach to digital switch over was platform neutral and far easier to finance (without recourse to public funds beyond for ‘help schemes’) in larger markets. Smaller territories seeking to migrate from analogue to digital terrestrial, particularly those where pay TV via cable and/or satellite was already well established (e.g., Ireland) faced disadvantages.
- 6.5 With the experience in particular of the neighbouring UK in mind, Ireland aimed to avoid the problems that led to the failure of ITV Digital in 2002.<sup>69</sup> In addition to the single multiplex assigned to RTÉ, it was assumed that three commercial multiplexes carrying an array of UK free-to-air and pay TV channels would appeal next to the more extensive offerings from Sky and (then) UPC. This was deemed to be particularly the case as the end of analogue signals in the UK (and the more targeted range of digital replacement channels over the air) would remove the ability of many Irish households to receive UK channels through an aerial – a service that around 60% of the Irish population had enjoyed for decades.
- 6.6 Against this background a formal DTT multiplex licensing round started in 2008, directed by BAI predecessor the Broadcasting Commission of Ireland. Three consortia submitted bids – and each in succession declined an offer to agree a contract with the regulator to launch the multiplexes. The timing of the licensing round was unfortunate, coinciding with the deep recession in Ireland that took hold in 2008.
- 6.7 In the place of a full-range combination of free and pay TV multiplexes, Ireland saw through the digital switch-over period (up to the end of 2012) with just one multiplex – run by RTÉ and carrying at the point of switch-

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<sup>69</sup> ITV Digital was an attempt at launching a pay TV service on DTT in the UK. It launched in 1998 as ONDigital, but was forced to enter administration in March 2002 as a result of low take-up.

over in 2012 the two main RTÉ stations RTÉ One and RTÉ2 (the latter in HD), RTÉ News Now, a shared channel with RTÉjr and RTÉ+1, TG4, TV3, and 3e.<sup>70</sup>

- 6.8 The DTT network was paid for by RTÉ, with capacity leased to third parties by RTÉ's transmission subsidiary 2RN. The service was marketed as Saorview. Announcing the end of the 2008 effort to licence commercial multiplexes (formally only the 2010, following the sequence of negotiations with the three successive bidders), the BAI said it would revisit the commercial multiplex question after digital switch-over.
- 6.9 RTÉ was awarded a second multiplex and used this additional capacity to launch RTÉ One in HD (in 2013, after DSO was completed). While there is available capacity to carry both TG4 and TV3 in HD, neither has elected to take this up. In early 2015, UTV Ireland, then owned by Northern Irish Channel 3 contractor UTV, launched on satellite, cable and Saorview (UTV Ireland was subsequently bought by Virgin/TV3 and re-branded as be3).<sup>71</sup> The Houses of Oireachtas TV, proceedings of the Government, was launched on Saorview in 2016, having been available prior to this on Virgin (UPC previously), Sky and online. To date, the Irish Film Channel, specifically awarded status in the Broadcasting Act, has not launched.

### *Policy options and challenges*

- 6.10 Among its duties as laid out in the Broadcasting Act (2009), the BAI must "...endeavour to arrange, as a matter of priority, for the establishment, maintenance and operation of 3 national television multiplexes, which multiplexes, in so far as it is reasonably practicable, shall be capable of being transmitted by digital terrestrial means to the whole community in the State."<sup>72</sup>
- 6.11 It last looked in detail at whether to establish these additional multiplexes in 2012 and 2013, culminating in a report (August 2013) commissioned from Oliver & Ohlbaum ('O&O'), which advised that there was no prospect at that time for a successful tendering of commercial multiplexes. The analysis in that report was robust and compelling, and a decision was taken to shelve plans for any licensing of additional multiplexes. For the present review, the BAI has asked us to consider whether circumstances have changed since that recommendation was received and acted upon.
- The 2013 report's authors outlined three business models for commercial multiplexes – enhanced FTA (Saorview Plus) a light pay proposition and a triple play-led offering. O&O also estimated the costs of distributing an optimal number of channel services in each scenario.
  - The report concluded that none of the approaches would be viable within a timeframe acceptable to bidders owing to a range of factors – the decline in advertising income since the recession; the overwhelming market share enjoyed by legacy pay TV operators (Sky and UPC/Virgin); the lack of incentives for triple-play operators to use a hybrid model for delivery of broadcast services; and the high costs of securing transmission services from monopoly provider 2RN.
  - In its counter-factual case, O&O also suggested that Saorview would struggle to maintain traction in Ireland without additional capacity to launch services competitive to those of other platforms (e.g., cable, satellite and IPTV).
- 6.12 Since 2013, advertising continues to be challenged as a primary means of funding broadcasters, while legacy pay TV operators (if now in fewer homes than in 2013) continue to dominate. The prospect of a hybrid DTT-

<sup>70</sup> RTÉ's national and digital-only radio stations are also carried on the RTÉ primary multiplex.

<sup>71</sup> UTV Ireland was awarded a broadcast licence under Section 71 of the Broadcasting Act (2009), and was deemed by the Minister to have "the characteristic of a public service" meaning it would be permitted to be carried on DTT. This status was retained after the acquisition of the UTV Ireland by TV3.

<sup>72</sup> Broadcasting Act (2009), section 131(4).

IP proposition from a triple-play provider looks unlikely, as all three new entrants in the triple play space – eir TV and Vodafone and Now TV – have elected to use IP streaming to deliver broadcast channels rather than to use Saorview as a foundation (as is the case with BT TalkTalk and a variant of Now TV in the UK). Both eir TV and Vodafone deliver the FTA channels (i.e., those on Saorview) via linear streaming over IP; Sky is aiming to do the same with an IP version of Sky Q in the future.

- 6.13 However, on two fronts, the O&O assumptions in its base case have proven too pessimistic.
- Advertising, while still weak relative to pre-recession levels, has recovered better than anticipated.
  - At the same time Saorview, without the benefit of any significant upgrade, was assumed to decline significantly, with primary households forecast by O&O to fall to 90,000 by 2020, compared to 180,000 at the end of 2012. In fact, with only modest improvement in line-up (the addition of UTV Ireland/be3 and the Oireachtas TV service, and – in line with O&O expectations – the launch of RTÉ One in HD), Saorview is now the primary service in 192,000 households. Therefore, the appeal of DTT is arguably greater (from this improved counterfactual) than predicted in O&O's analysis.
- 6.14 Despite this, the economics remain challenging for a Saorview Plus. As with the O&O analysis, we concur that the only source of likely demand for DTT slots would be the UK commercial free-to-air channels – the BBC, Channel 4, Channel 5, Dave, Quest, Pick, etc. Like O&O, we see no prospect for a new Irish channel to emerge in response to the availability of new capacity from an enlarged Saorview.
- 6.15 Of the UK FTA brands, the most popular are already available on an encrypted basis on Sky and Virgin, and freely available via free-to-air satellite in simulcast form – i.e., without 'opt-out' Irish advertising. It continues to be difficult to see why these channel groups would forego the revenues they currently receive from Sky and Virgin, and entertain the significant costs of transmitting on DTT, only to add a relatively small number of households to their reach. Of the second-tier FTA channels on UK free-to-air satellite, the increase in viewing and resultant revenues are unlikely to cover the costs of transmitting a separate Irish feed via DTT.
- 6.16 The benefits of launching new commercial multiplexes are significant from the point of view of consumers: easier access to free-to-view TV, better experience on an integrated EPG, increased choice. Equally, the key current incumbents (RTÉ, TG4 and TV3) would all be materially advantaged in the event that new commercial channels were to share the costs of the upgraded platform, thereby lowering the per-slot costs of all Saorview tenants. Moreover, even with more competing channels on the platform, Saorview could be expected to deliver a higher share for RTÉ, TG4 and TV3 than higher-capacity cable and satellite platforms, so any out-performance of Saorview arising from an improvement in the line-up would be beneficial. Indeed, the savings here might on their own be greater than any potential erosion of viewing of legacy PSB channels that would result from the launch of additional channels competing for viewing on Saorview.
- 6.17 However, the disincentives facing the channels market, and in particular the lack of rationale for the BBC, Channel 4 and Channel 5 brands to eschew pay TV subscription fees, are an enduring impediment.<sup>73</sup>

## Digital audio broadcasting

### *Background*

- 6.18 The prospect for an Ireland-wide DAB service was first raised in the 1990s, at the same time other European countries began to experiment with models to promote the attractions of digital over analogue for TV and

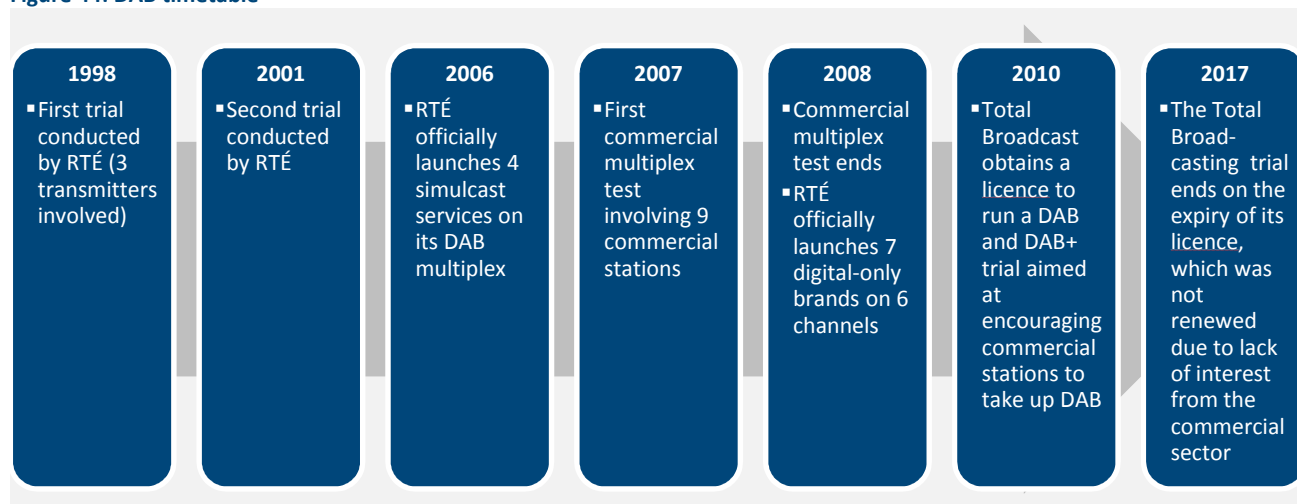
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<sup>73</sup> This is not to say that UK channels would not be interested in seeking Irish licences under Section 71 of the Broadcasting Act, particularly in a post-Brexit scenario. We look at the likelihood of this in our extended section 7: Future requirements for broadcasting regulation, below.

radio. Compared to many other countries in Europe, Ireland has seen very little progress in relation to DAB, despite the involvement of RTÉ in earlier trials and its promotion since 2007 of a single DAB multiplex.

- 6.19 Unlike in the UK, there has been no co-ordinated cross-industry promotion of DAB involving the PSB, commercial operators and government, nor has the BAI explicitly championed DAB as a replacement platform for Ireland’s FM radio stations.
- 6.20 Two major DAB trials took place, sponsored by RTÉ, in 1998 and 2001; then in 2006, RTÉ launched its national multiplex, targeting around 50% of the population served from three transmission sites (centring on Dublin and surrounding areas).<sup>74</sup> A second multiplex, carrying commercial services, was launched as a trial in 2007, carrying a number of leading commercial FM brands such as 98FM, FM104, Newstalk, Q102, Today FM and Spin 1038. Within a year, and as the recession took hold, the commercial trial was abandoned. ComReg licensed another commercial trial (Total DAB) in 2010, targeting the southeast, and carrying a range of commercial providers, including 4FM, Beat, Sunshine and Nova, as well as RTÉ 2Xm (in DAB+). The trial was significant in that it included a number of services in DAB+, the more efficient successor to DAB. It finally ceased in 2017, with its backers pointing to the lack of support from commercial operators.
- 6.21 In the midst of these DAB developments, the BAI was born. In the Broadcasting Act, the regulator was specifically tasked with requesting from ComReg multiplexes that would operate in addition to those awarded directly by ComReg to RTÉ (up to two). Thereafter, the BAI could request a national multiplex that it would subsequently licence to commercial radio providers and one further multiplex that could be either national or sub-national. Thereafter, ComReg and the BAI would consult on whether additional multiplexes should could be made available.
- 6.22 Provisions were made in the Act to encourage ‘incumbents’ (those already providing radio services) to simulcast their existing services in digital format, essentially by giving the BAI the ability to extend licences by up to six years from the time they were scheduled to expire.
- 6.23 In the event, none of these provisions has been deployed.

Figure 44: DAB timetable



Source: Mediatique

<sup>74</sup> The service was formally launched to the public in 2007. The multiplex line-up has changed over time but now includes simulcasts of RTÉ’s four national stations (RTÉ 1, 2FM, lyric fm and Raidió na Gaeltachta) and six digital only brands – 2Xm, Gold, Junior, Chill, Pulse and Radio 1extra, with Junior and 1extra sharing a single slot).



*Current position and prospects*

- 6.24 The RTÉ multiplex is the only DAB multiplex still in operation.
- Its technical coverage is around 54% of households (roughly Dublin, Limerick and Cork), although there is very limited usage at present as the number of digital radios in households and cars is very low by comparison to other markets in Europe.
  - Our own consumer survey (confirming the TAM Ireland estimate) suggests at most 20% of Irish households have a digital radio, although more households are able to receive the services via Saorsat and Saorview and some RTÉ digital-only stations, e.g., Pulse, Jr and 1extra, are also on Virgin.
- 6.25 At a time of restraint at RTÉ (where there are no current plans to develop DAB or DAB+ further) and uncertainty in commercial radio, there does not appear to be any significant appetite for DAB from the operators themselves. Moreover, commercial players have resisted the costs of digital as being incremental to their existing transmission costs in analogue with untested impact in share and revenue terms, and in the past have complained that RTÉ's pricing for DAB (as had been the criticism with DTT as well) was too high.<sup>75</sup> Community stations, moreover, may be interested in the prospect of digital distribution but cannot fund the likely transmission costs on current funding models.
- 6.26 Despite this context, there are likely benefits to consumers of the introduction of DAB multiplexes, and a case could be made, based on the experience in other territories, that at least some operators would be net beneficiaries as well. The consumer benefit is perhaps easiest to articulate for parts of the country currently underserved – e.g., outside Dublin and the surrounding counties.
- 6.27 A DAB solution would provide enough capacity to deliver more than just a simulcast of current radio stations – for example, new sub-genres (rock music from different decades, country and jazz within easy listening, 'serious' versus popular classical). These could be launched on one or more regional multiplexes as demand dictates. While there may be some cannibalisation of existing listening in parts of the eco system, the experience in other jurisdictions is that incumbents could in fact grow their audiences and – critically – generate real excitement around innovations in radio, supporting a re-pricing of the medium (this was certainly the case initially in the UK, prior to the 2008 recession<sup>76</sup>).
- 6.28 The other advantage from a consumer point of view is the ability to integrate more interactive opportunities into the digital radio kit – extensive content descriptions (song lists, next up), 'click' to buy or listen again. Digital radio can also be integrated with social media and with IP delivered services more generally, potentially activated through voice recognition (as with Amazon's Alexa).
- 6.29 From the provider's point of view, DAB provides not only additional opportunities to extend reach but potentially access to new revenue streams – for example, subscription audio, interactive advertising, potentially data capture and monetisation.
- 6.30 Two DAB+ multiplexes<sup>77</sup>, for example, would provide enough capacity for all radio stations (RTÉ, commercial and community) to be available nationally. At a stroke, the number of stations available to the average consumer would be more than 50.

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<sup>75</sup> A review by ComReg in 2013 concluded that the pricing of RTÉ's 2RN transmission arm was broadly fair but imposed conditions of transparency on the means by which DTT spectrum fees were determined.

<sup>76</sup> Radio revenues in the UK has been growing strongly in the past three years, after weakness in 2013 and the obvious effects of the recession in 2008.

<sup>77</sup> Given the limited roll out of DAB to date, Ireland is in the position of being able to move directly to the superior standard of DAB+ without the requirement to swap out a significant number of digital radios already sold. The car installation issue might be even easier, as we argue further on.

- This is a hypothetical case, however, and is not easily reconciled to the business models of the current operators. For example, local radio stations would be unlikely to be able to pursue current content strategies (targeting local communities) in the face of competition from neighbouring local licence holders and vice versa.
- In practice, therefore, it is far more likely that four regional multiplexes could be created to accommodate local stations. We set out below a potential blueprint for the configuration of these multiplexes.

Multiplex	Simulcast services	Existing digital national	New services	Total stations
<b>National Multiplex (D1)</b>	4 RTÉ 3 national/quasi-national 1 multi-city 4 upgraded regional	5 RTÉ	8 gifted slots (national/quasi-national, multi-city, regionals)	25
<b>Regional Multiplex A (NW)</b>	5 local 6 community	None	5 gifted slots	16
<b>Regional Multiplex B (NE)</b>	11 local 9 community	None	11 gifted slots	31
<b>Regional Multiplex C (SW)</b>	6 local 6 community	None	6 gifted slots	18
<b>Regional Multiplex D (SE)</b>	4 local 1 community	None	4 gifted slots	9
<b>Total</b>	60	5	34	99

- The four ‘regional’ station licences, along with the multi-city franchise (currently 4FM) would be promoted to a national multiplex, alongside the RTÉ services, and the three national and quasi national services.
- Each regional multiplex would carry all the local and community stations currently operating within the broader regional area.
- Each of the national and quasi-national licensees would be granted one additional slot on the national multiplex, giving them a total of six stations (of which three are simulcasts). The regional ‘upgraders’ and the multi-city incumbent would also be gifted an extra slot each, for a total of ten stations in these categories (five of them simulcast). As a result, there would be eight gifted slots awarded to the national, quasi-national, multi-city and regional licence holders.
- On the new regional multiplexes, certain brands might wish to address the totality of the relevant region; others may stay more focussed on their original target market locally even if their signal was available more widely. In this context, there might be scope for community stations to be carried at a preferential rate on regional multiplexes.<sup>78</sup> We might assume that all local commercial incumbents (26 stations) would gain an additional slot, taking the number of local commercial radio stations on the regional multiplex to 52 (of which 26 are simulcast). There would be room for all 22 community radio

<sup>78</sup> The multiplexes could rely on the transmission footprint established by RTÉ’s subsidiary 2RN and/or use upgraded sites currently operated by commercial radio stations for FM. There is also scope to employ new ‘small scale’ DAB technology and software, recently tested in the UK at the direction of Ofcom and potentially ideal for regional multiplexes in Ireland. <https://www.ofcom.org.uk/research-and-data/tv-radio-and-on-demand/radio-research/small-scale-dab-final-report>.



stations.<sup>79</sup> Any extra digital capacity not taken up by an incumbent would be available to award to other broadcasters, including new entrants.

### *Challenges and international lessons*

6.31 The current weakness in radio advertising, following nearly a decade of under-performance, has reduced the risk appetite of many commercial radio operators. Indeed, the two largest players, Communicorp and Wireless Group, are advising the BAI that a new FM licence is not required as there are already enough radio stations in Ireland.

6.32 On some international benchmarks, this may appear to be true.

- For example, in the mixed analogue-digital economy of the UK, where a third of radio listening is now to digital, there are 352 commercial stations (adjusting for double-counting of simulcast services). Converting this to a per-population ratio, and applying to Ireland, there should be around 25 commercially-funded radio stations in the Republic. In fact, there are 38, not counting RTÉ's digital portfolio and the community stations. The theoretical example outlined above would see a total of nearly 100 radio services on DAB (including community stations).
- The comparison with the UK risks obscuring important differences between the two markets, however. In the UK, the BBC (which does not take any advertising) operates not just national but also Nations and local English radio stations. In Ireland, there are no local RTÉ radio services. As well, the introduction of digital was a chance for the commercial sector to gain share at the expense of the BBC, as the ratio of PSB to fully commercial capacity swings heavily in favour of the latter in digital-only households. In Dublin, commercial radio is already more heavily represented than RTÉ in terms of a share of frequencies. Outside Dublin and its environs, however, the balance is less favourable to the fully commercial sector.

6.33 The international experience in DAB is mixed. Markets larger than Ireland have introduced DAB with relative ease (even if consumer take-up has not always followed).

- For example, Germany and Italy have taken DAB coverage to 56% and 75% respectively but set take-up is just 17% in Italy and 15% in Germany.<sup>80</sup>
- Norway, Denmark and Switzerland have all reached nearly all households in terms of coverage, with device take-up ranging from 46% in Denmark to 53% in Switzerland to 78% in Norway<sup>81</sup>.
  - Norway is scheduled to switch off FM in 2017 except for a small number of local stations, while the autonomous region of South Tyrol in Northern Italy has plans to start to do so this year.
  - Denmark is migrating to DAB+ at the end of 2017 but has put off setting a switch off date until digital listening has reached 50% of the total.
  - This is similar to the benchmark set by the UK government: 50% of listening but also digital national coverage must be equal to FM at switch-off and local DAB must be at 90% household coverage and available along major roads.

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<sup>79</sup> Pilot community stations are excluded here, but a roadmap to move them to DAB would be easy to establish for both pilot stations and pop-up propositions. We would assume community stations would be carried on DAB at no cost to them, subject to any funding plan that might be agreed to support the launch of a DAB service.

<sup>80</sup> Ofcom, International Communications Market Report 2016;

([https://www.ofcom.org.uk/data/assets/pdf\\_file/0027/95661/ICMR-2016-4.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0027/95661/ICMR-2016-4.pdf)).

<sup>81</sup> Source: WorldDAB.

- 6.34 These international examples do provide lessons for a potential roll-out in Ireland.
- A key lesson from the international experience is that a joint PSB-commercial involvement is a prerequisite for a successful roadmap to digital.
  - A further lesson is that content drives take-up – with increased choice, new formats and compelling services all contributing to digital out-performance in more mature digital territories.
  - Other tools widely adopted to promote digital have included: automatic renewals of underlying analogue licences for any incumbent prepared to simulcast services on digital; more liberal rules on formats and advertising; gifted additional capacity for incumbents to use as they wish for new services. It is unclear what the impact would be in Ireland should these various tools be brought to bear, and in any event it would require consensus building across the commercial, community and PSB segments, probably with the leadership of the BAI and the support of Government.
- 6.35 A final major concern around DAB is cost. The costs are considerable even for a limited DAB network – particularly so in smaller markets where revenues are by definition likely to be modest. Even in larger markets, the ‘dual illumination’ costs of analogue and digital were a brake on the speed of roll out.
- 6.36 Sector data reviewed by us suggest the costs of developing a first phase of national coverage (to 80%) would run to around €10m, although this would have to rise to achieve full coverage for both the national and four regional multiplexes.
- 6.37 Assuming amortisation and a full complement of stations, RTÉ has estimated it might cost €40-€50,000 per station per year for a national slot, and much less for berths on one of four regional multiplexes (community radio stations would be carried at no cost). In order to justify this, commercial radio licence holders are likely to require a range of incentives and financial assistance, including automatic licence renewal (thus removing the costly risks of potentially losing a licence in the medium term), less regulation on content and advertising for digital-only stations, and joint RTÉ-commercial-Government financial support to deliver the DAB network.

#### *Policy options*

- 6.38 The policy rationale for DAB seems relatively clear.
- DAB+ at national and regional level would give more citizens greater access to a range of existing and new audio services.
  - Commercial providers might gain greater certainty over their commercial futures (certainly in the event that analogue licences were automatically extended as is permitted in the Act currently<sup>82</sup>) and would have the capacity to add new services and explore new business models relatively cost effectively.
  - The Government (and the BAI) would fulfil their duties around the efficient use of spectrum.
- 6.39 Execution issues remain, however. We have spoken to a number of radio stations about the prospects for DAB and concede that there is no clear consensus. Some believe that DAB’s time has come and gone, with IP (particularly 5G mobile in future) more than able to take up the digital distribution challenge. Others say that mobile will not be a reliable delivery network in the short to medium term for listeners on the move, and that broadcast remains a clear preference for mission critical content distribution.<sup>83</sup>

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<sup>82</sup> The Broadcasting Act gives the BAI discretion to extend existing licences for up to six years in return for an agreement to simulcast an analogue station on a digital multiplex.

<sup>83</sup> Radio over 5G would present several practical challenges, in addition to the high costs of building the network (which would be borne by non-radio operators who are not incentivised to optimise the service for radio listening). For example, users would be obliged to pay for ongoing use of radio services (through mobile data), compared to DAB or FM where radio listening is free at the point of access; and while broadcast radio distribution is not affected by the number of people listening at any one time,

- 6.40 There are also differences of view on the likelihood that consumers can be incentivised to buy kit or that manufacturers (and importers) will ensure cars are equipped with DAB sets.<sup>84</sup>
- 6.41 Many are concerned that there is already over-supply (at least at the aggregate level) of radio stations, with too many chasing too little revenue. The operating profit trend line since the recession would appear to support this view. However, it must be recalled that reach and listening remain robustly resilient, despite new entrant competition for users and declining listenership among younger demographics in particular. It is rather in the pricing of the medium – still discounted compared to other markets – that the under-performance seems to materialise. A fresh bout of innovation – new services, new models – might well change the dynamics, and a DAB strategy may well be the catalyst needed.
- 6.42 There is likely to be more analysis required by the BAI (in concert with RTÉ and the commercial and community radio operators) before finalising any future DAB plan. It is our view that a DAB plan could be agreed and funded but only with the support of Government, RTÉ and the commercial sector, and with leadership provided by the BAI.
- 6.43 We look at the issue of a new FM licence for Ireland in section 7: Future requirements for broadcast regulation in Ireland and lay out in that section how the BAI might incorporate DAB into its medium term thinking about the commercial radio sector.

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radio over mobile could be impacted by capacity constraints as users attempt to access multiple services over the same network.

<sup>84</sup> One respondent related that Irish car importers are known to remove DAB kit in cars to reduce import duties and that this could be reversed easily; increasingly, cars made for the European market come with DAB and DAB+ as standard.

## 7. Future requirements for broadcasting regulation in Ireland

### Challenges ahead for the regulatory framework

- 7.1 In the next five years, the Irish broadcast market is expected to continue to evolve, in particular in the context of the growth of non-linear viewing and listening, revenue pressures on traditional subscription and advertising and further growth in the use of SVOD services, largely provided by US multi-national operators.
- 7.2 With traditional funding models – the licence fee, advertising and subscription – all subject to considerable threat, the ability of the market to continue to deliver the current levels and breadth of original Irish content must be in some doubt.
- 7.3 There are a number of ways in which market participants can address these challenges. In general, self-help measures for commercial radio and TV revolve principally around learning and applying the lessons of new entrants – engaging viewers and listeners on multiple devices and at times of their choosing, reforming commercial advertising opportunities to align with the expectations of advertisers and agencies and considering new content formats and products in line with consumer preferences and behaviours.
- As we detail in section 5 of this report, self-help measures for commercial radio include more aggressive exploration of digital business models (playlists, podcasts, direct retail, interactive advertising) and better alignment of commercial radio services with social media (e.g., incorporating audio feeds within Facebook, Instagram). With these as a strategic foundation, commercial radio also needs to re-position itself with media agencies, planners and buyers, making the case more forcefully for the appeal of commercial radio within the media mix. A focal point here might be a ‘Radio Advertising Bureau’ dedicated to fomenting a ‘re-premiumisation’ of radio impacts.
  - For TV, the innovations are in a similar vein – again, in response to new entrant competition (in the case of TV, from Netflix, Amazon) and changing consumer preferences. Making content available where and when consumers choose is already well advanced in Ireland; more must be done to ensure broadcasters remain relevant as content commissioners, aggregators and distributors.
  - The BAI can sensibly assist the industry by supporting these various initiatives where appropriate and ensuring that regulations do not unduly impede the sector’s own responses to structural challenge. This would include keeping the administrative costs of meeting licence obligations to a minimum.
- 7.4 More broadly, the BAI is viewed by its stakeholders as an informed, professional, responsive and expert regulator. It is seen by most interviewees in our primary research as having the tools required to respond to the challenges of the next five years and beyond.
- 7.5 Many respondents do call for greater discretion to be awarded to the BAI in certain areas – for instance in setting minutage rules without overly descriptive guidance from the Broadcasting Act. RTÉ suggests that the BAI’s advice on matters related to public service broadcasting be more formally determinative – rather than advisory. Either reform would require amending the Broadcasting Act.
- 7.6 There is also scope for the BAI to take a leadership role in ensuring that any improvements in the funding of public service content arising from initiatives such a modernised licence fee would accrue not only to RTÉ and TG4 but to other broadcasters, including commercial and community radio operators.
- 7.7 As part of our recommendations in section 8, we outline some areas where primary, statutory reform would be necessary for optimal outcomes to be achieved in the broadcasting market. We confine ourselves to relatively small areas of revision, and these should be viewed alongside those already forming part of intended amendments recently reviewed by the Oireachtas Joint Committee on Communications, Climate Action and Environment. Our other recommendations do not necessarily require statutory reform.

### Counter-factual – implications of no regulation

- 7.8 We submit that self-help on its own will not lead to optimal outcomes in relation to sustaining the market's ability to fund Irish content and to meet public service objectives around news, current affairs and the Irish language, as appealing as it is to leave developments to the market.
- 7.9 Some do argue that there is no longer a means of intervening reliably in the market (nor any need) to ensure certain key outcomes – around domestic content and promotion of the Irish language, for example. In this scenario, the combination of behaviour shifts, innovations in technology that ensure consumer tastes are catered for and new business models combine to address market dynamics without the need for regulatory intervention.
- 7.10 A model for no regulation might be one in which RTÉ is reduced to providing content in 'market failure' genres only (international news, children's, arts and religion) at far lower cost to the public, online services provide an amalgam of films, TV and other content on a subscription basis (largely sourced from outside the Republic), and commercial TV and radio broadcasters are constrained only by European frameworks and codes with no additional, national requirements or restraints.
- 7.11 No market, not even the most highly de-regulated, has left issues around spectrum deployment, content rules, origination quotas and ownership wholly to the market to determine. However, best practice in relation to governance and oversight does suggest the need to be as light touch and as evidence-based as possible, in order to ensure that market dynamics are not unduly or unnecessarily distorted. It is from this first principle that any incremental intervention must be carefully justified as to purpose, extent and impact.
- 7.12 This should inform the context of the policy options we go on to review.

### Policy options for the BAI

#### *External outreach and internal process*

- 7.13 There are two areas of purely administrative character which might be considered by the BAI.
- The first is to increase points of contact with stakeholders on a more formal, regular basis – e.g., regular quarterly meetings with licensees to discuss market trends and regulatory developments (domestic and international).
  - The second is to endeavour to work more quickly to respond to requested amendments to contracts and licence terms. We heard from several stakeholders that the BAI's processes can be slow and burdensome – for instance, when changes of management requiring BAI approval are requested.
- 7.14 The other suggested areas are a mixture of those already in train and a number of initiatives that the BAI is already considering and/or may wish to entertain.

#### *Encouraging innovation and flexibility*

- 7.15 Permitting the market to determine, to a large degree, the functioning of the sector suggests that self-help measures are a first and useful stage. The BAI can play an important role in encouraging innovation and flexibility, using existing regulations already in place and recognising new market models when considering contracts and licensing terms.
- 7.16 Some of this flexibility can be tested when licences expire and are up for potential renegotiation.
- Thus, when it comes to renewing the TV3 licence in the future, the BAI may wish to extract more detailed commitments on content funding and sourcing (including, for example, around the use of

external suppliers) in return for the continued ability of TV3 (under a renewed licence) to benefit from DTT access and the rights of ‘priority’ on TV platforms.

- As is already available subject to the BAI’s approval, radio stations can be given a ‘derogation’ from the requirement to broadcast news for at least 20% of relevant hours – a relaxation the BAI has offered to ‘youth’ stations regionally and to niche local stations in Dublin. The next five stations to face licence expiry (and therefore likely to seek to enter into a new licence) could all conceivably ask for derogations.<sup>85</sup>

- 7.17 The more liberal approach might also be applied depending on whether the BAI proceeds with the issuing of one or more additional FM licences (subject to genre and target audience).
- 7.18 Other radio sector liberalisation – in terms of content sharing and airtime opt-outs for multiple-City stations – has already been offered in principle by the BAI, and we assume any request by the existing multi-City licence holder (4FM) or any new licence applying for the right to serve multiple markets through advertising opt-outs would be considered, subject to a requirement to analyse the potential market impact.
- 7.19 We do not see a case for a fundamental change to ownership restrictions, which have already been the focus of extensive analysis and review by the BAI and Government. In the context of radio ownership rules, however, the BAI may wish to consider a potential change to the basis on which the ownership thresholds are defined. Currently, there is a limit to a numerical number of licences, irrespective of the size of the relevant broadcast target audience. It may be more sensible to weight the licences by size.

#### *Digital radio – DAB*

- 7.20 A bigger reform in commercial radio, and one that might address both diversity and sustainability objectives, would be for the BAI to sponsor the launch (belatedly) of DAB for commercial operators. In our view, this would address a number of important issues. Depending on the architecture of the service and associated elements, it would give under-served communities (essentially those outside Dublin and its environs) access to more (and more diverse) radio services, provide commercial operators with a means of evolving and improving business models and ensure in the future a far more efficient use of spectrum nationally.
- 7.21 Efforts to launch DAB in the past have suffered through the lack of commitment by the commercial sector. In our view, there would need to be careful consideration given to ways of incentivising current commercial operators to accept a fair proportion of the costs of launching DAB services and to agree to run the inevitable risks associated with ushering in increased competition in commercial radio.
- 7.22 Providing automatic licence renewal for any operator agreeing to simulcast on DAB is a significant incentive, as is the gifting of additional capacity (with lighter regulatory oversight) to incumbents.
- 7.23 These changes would be possible using the existing powers in the Act, which permit both the extension of existing licences by up to six years for those incumbent analogue licence holders who agree to simulcast services on a DAB multiplex and the gifting to incumbents of additional DAB slots to use as they wish. Offering relaxed rules for DAB-only stations on format and content sharing might also be put in place.
- 7.24 The BAI may even wish to secure from Government an amendment to the Act to permit even greater flexibility – for example, to confer automatic renewal of analogue licences (and not just an extension) for any holder broadcasting a simulcast service on DAB (and meeting all other underlying licence conditions).

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<sup>85</sup> These are the multi-City licence 4FM, the two iRadio regional ‘youth’ stations, and two Dublin ‘niche’ stations, Q102 and Nova.

- 7.25 In addition to encouraging commercial companies to take part, the BAI would want to ensure that RTÉ remains fully committed to DAB.
- In our initial thinking, we assume that Ireland moves directly to DAB+, taking advantage of the increased efficiency of this iterated standard.
  - This would provide enough capacity on RTÉ’s own multiplex to carry 25 national stations and RTÉ (through 2RN) would need to ensure commercially attractive and transparent terms of carriage.
  - Four regional multiplexes, covering the same licence areas as the youth regional FM stations in analogue, could carry local commercial and community stations and other new services and these might be held by commercial radio groups themselves, contracting with 2RN and/or third parties to build out the network.
  - The costs of this may be contained through use of small-scale DAB technology and software (as described above in our section on DTT and DAB).
- 7.26 DAB-only stations would be subject to much lighter-touch regulation (no NCA requirement; shared content permitted), and any capacity not used by incumbents could be offered to new entrants.
- 7.27 The small number of DAB sets sold already (c350k) would have to be upgraded by consumers. Various means of encouraging manufacturers and importers to ensure cars are equipped with DAB+ kit would need to be explored. We would expect the content offering in DAB would be so attractive that the upgrade (households and cars) would be relatively smooth.
- 7.28 Current local operators outside Dublin may be resistant to this plan, as they would face increased competition within the digital space. They may be encouraged, however, to view the value of renewed licences and the prospect of being gifted additional capacity with a wider coverage area as being adequate compensation. We note, too, that for a significant period of time, FM will continue to dominate radio distribution. By extending analogue licences in the way described here, local operators would continue to benefit from their local market position and could use this as a platform to build their digital business over time.
- 7.29 We also suggest that this approach would unlock new business models that incumbents and new entrants alike could exploit and could reverse some of the listening impairment seen in recent years among younger demographics. Erosion among this audience seems likely unless the industry innovates. DAB is not required for this but may well be an enabler and accelerant. International experience, which the BAI may wish to investigate further, attests to this point.
- 7.30 We would advise further work on all these issues, particularly from an audience perspective. While we did interrogate consumers on their views of services currently and in the future, it would be useful for the BAI to take an informed view about a much more specific offering – increased number of stations, wider choice, new services and functionality.
- 7.31 The BAI will also need to test our assertion that commercial operators would accept the challenges of DAB in return for sensible incentives, that RTÉ would bear its share of the costs, and that the risks to current analogue licence holders would be offset by returns from a digital proposition in the future.

#### *New radio licensing round*

- 7.32 The BAI may wish to make a decision on the appeal of an early revival of the DAB concept for Ireland before deciding on the timing of any new FM licensing round. The main reasons behind launching new FM services – improving diversity, plurality and spectrum efficiency – may in fact be better achieved and on a grander scale through a strategy of sponsoring a DAB+ platform.



- 7.33 Assuming the BAI elects instead to maintain a watching brief on DAB and to await commercial engagement, we see the appeal of launching a new FM licensing round. There are still areas of the country under-served by FM radio, and a number of genres (including country and alternative rock) that market operators believe would be commercially viable. We do not intend here to judge the submissions received to date from a technical or content proposition perspective (this would be beyond scope and remit).
- 7.34 Our key observation relates to whether the timing of a new licence is right given advertising trends and the likelihood of at least some cannibalisation of existing revenues in the sector. Relatively constrained revenues will be a hallmark of commercial radio for the next few years, and it is difficult to see how a new entrant would grow the market exogenously – although a station focussed on a currently underserved genre/audience would have the greatest chance of attracting new listeners over time, assuming sufficient investment and marketing. A radical re-alignment through DAB, ironically, is less disruptive in the short term as risks and opportunities would be broadly shared.
- 7.35 What is clear is that there is no room in the market for another broad-based radio station; any new additions would have to be more targeted, niche stations. Such a station would need a large franchise area to make up for the relatively low number of listeners it could achieve in each locality. This could be achieved either by extending the coverage of an existing operator with a format not currently widely available – potentially a less disruptive outcome given current market conditions – or by offering a sufficiently wide franchise area to a new operator able to demonstrate that it had strong financial backing and commitment to marketing the service broadly (while accepting that introducing a new and untested format inherently increases the risk of sustainability challenges).
- 7.36 The BAI would need to undertake a Sectoral Impact Assessment ('SIA') prior to proceeding with the licensing of any new service.

#### *Digital TV – DTT*

- 7.37 There is little prospect of unmet demand for DTT capacity currently or in the future. As we outlined in some detail above, the O&O analysis on whether to auction commercial DTT multiplexes remains valid, and its recommendations are still robust.
- 7.38 The key potential demand for DTT in Ireland was always likely to come from UK channels (long popular among Irish viewers). However, the leading brands in this group have already made lucrative arrangements to be distributed by cable and satellite; moreover, many of them take their UK feeds and simulcast these with Irish ads inserted. They do so without contributing to Irish content even if they do offer very attractive schedules that Irish consumers manifestly enjoy.

#### *The opt-out market*

- 7.39 The opt-out market is enabled by the European framework that governs cross-border distribution, which is underpinned by the COO principle established in the Audio-Video Media Services ('AVMS') Directive. The opt-out channels are able to broadcast into the Republic without licensing their channels locally and without meeting any other domestically imposed conditions.<sup>86</sup>

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<sup>86</sup> These channels must, however, be licensed by a regulatory authority within the EEA in order to be protected by COO rules. In the case of the opt-out channels, they are mostly licensed by Ofcom, the British regulator. Current discussions around permitting a levy on linear channels in some specific instances, as part of a reform of the COO rules under the AVMSD.



- 7.40 Consideration has already been given to the opt-out market by Government and in particular the extensive report commissioned from Indecon by the Department of Communications, Climate Action and Environment in 2017. In that report, the idea of imposing a levy that would capture opt-out channels is analysed in great detail. We concur that some kind of content funding levy on opt-out channels is desirable, always provided that the proceeds are deployed in ways that are legitimate, proportionate and reasonable.
- 7.41 Given that it is the lack of commitment to Irish content that characterises the opt-out channels, and in light of our analysis that the revenue streams most closely associated with funding domestic content are themselves threatened, we propose that any fees collected as a result of an Irish content funding levy applied (*inter alia*) to opt-out channels be channelled to a BAI-administered fund specifically set up to provide additional support to the making of Irish content.
- 7.42 In order to be acceptable on competition and fairness grounds, we assume that the content funding levy will need to be applied to all channels with Irish advertising – including RTÉ, TV3 and TG4. Moreover, it should be the case that any contributor to such a levy should also be permitted to apply to use funds generated by the levy. We assume that the fund might be operated similarly to the Sound and Vision Scheme.
- 7.43 The danger of increasing burdens on the PSB channels at the very time when their funding is otherwise challenged may seem counter-intuitive. It may therefore be advisable to apply any content funding levy on airtime by the share of ad minutage each channel delivers. This would protect RTÉ and TG4, whilst fully applying the levy against the high-minutage opt-out channels.
- 7.44 Moves to improve RTÉ's funding profile from other sources<sup>87</sup> will offset the negative impact of including RTÉ fully within a new content funding levy on airtime. Other mitigation would come from the ability of RTÉ to bid for a share of the money distributed to producers via the new fund, and a reduction in its own expenditure on certain content (e.g., Irish language programmes) in line with an increased investment on such content via the fund.
- 7.45 It is unlikely that all stakeholders support the idea of a content funding levy that would apply to the opt-out channels. For example, agencies and media buyers benefit from the fact that the opt-out channels are significantly cheaper (in terms of cost per thousand) compared to RTÉ and TV3 and are a brake on the ability of the premium channels to continue to inflate prices. Any content funding levy which encouraged channels to leave the opt-out market would be negatively viewed among many on the agency side. This suggests the need for careful consideration by the BAI of the quantum of such levy before committing to any such a plan.

#### *Preparations for Brexit*

- 7.46 The opt-out challenge may in any event be dissipated by the pending re-structuring of the relationship between Ireland and the UK as a result of Brexit, irrespective of any reform to the COO rules within the AVMSD. Once they have lost the COO protections currently available to them, it might be assumed that popular opt-out channels such as Channel 4 (and its sister brands), UKTV and the Sky family will seek to be licensed in Ireland in order to continue to broadcast with an Irish feed in the Republic. At this stage, the only available status would be Section 71 and the Government would be able to impose conditions on these licences.<sup>88</sup>

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<sup>87</sup> E.g., reform of licence fee collection and 'modernisation' through extending the application of the fee to include all households.

<sup>88</sup> Channels might elect to establish in another EU jurisdiction, of course. There is also a possibility that the EU and the UK agree terms for the inclusion of broadcasting in the terms of access in place post-Brexit. For instance, EEA-EFTA States (Norway, Iceland and Liechtenstein) are also subject to COO rules in relation to broadcasting activities since the AVMS Directive was

- 7.47 We wholly concur with the terms of the proposed amendment to the Broadcasting Act to bring Section 71 licensees into the account for the purposes of setting and collecting the BAI operating levy. At that point, the BAI may wish to consider whether Section 71 channels must also pay the broader content funding levy on airtime (supporting the additional content fund) as a condition of being licensed.<sup>89</sup>
- 7.48 In general, the BAI is likely to witness an increase in the number of channels seeking to be licensed in Ireland for the purposes of retaining their ability to distribute services without friction throughout the EU. Ofcom, in the UK, currently licenses more than 900 channel services that distribute to other EU countries using an Ofcom licence but that do not distribute in the UK.<sup>90</sup>

#### *Licence fee reform and re-transmission fees*

- 7.49 We are aware that the Government is considering changes to the collection of the licence fee and a potential extension of the fee to cover all households. We are also aware that there are plans in prospect for agreeing in advance how any increase in public funding be spent (for example, in favour of external production companies and to cover some of the costs of providing news and current affairs on commercial radio).
- 7.50 As we referenced above, the Government is also considering changes to legislation that may lead to commercial negotiations between pay TV operators and public service broadcasters to set the level of any payments made to channel suppliers (so called ‘re-transmission’ fees).
- 7.51 We understand that the case for retransmission fees and the implications of any change to licence fee collection and application will be considered as part of the ongoing five-year review by the BAI of public service funding and is beyond the scope of this report.

#### *European policy development and the case for a review of search and navigation mechanisms*

- 7.52 There are a number of developments at European level, where the BAI may wish to augment its contribution to the debate. The BAI has already been a very active participant in pan-European spectrum issues (most recently around clearing 700 MHz spectrum in advance of awarding new mobile data capacity from 2020) and in the debates on COO rules in an updated AVMS Directive.
- 7.53 Part of that debate has revolved around search and navigation trends in TV services, and the degree to which PSB content requires additional prominence protections on emerging new digital platforms. Given the pending review of non-linear prominence in the UK, via a workstream at Ofcom required by the recently enacted Digital Economy Act (2017), the BAI will want to track these developments carefully.
- 7.54 Depending on arrangements in place post-Brexit and the contours of any revised AVMSD, the BAI may consider reviewing licensing policy around domestic electronic programme guide (EPG) codes for pay TV

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included in the EEA treaty in 2012; the UK Government might reach a similar agreement with the EU. In this case, the strategy of relying on a requirement for opt-out channels to secure a domestic licence in Ireland may not be possible. Indecon recommended in any event that Ireland seek an amendment to the COO rules within the AVMSD to permit a levy on channels broadcasting from outside the State. Draft changes to the AVMSD would grant the ability of Governments to impose a levy on channels broadcast from another state but ‘targeting’ users in the relevant state.

<sup>89</sup> The intention to ensure that any future new service launched by a Section 70 broadcaster be required to hold a Section 71 licence. 3e, already launched, would be grandfathered. The BAI has already expressed its support for this sensible change: <http://www.oireachtas.ie/parliament/media/committees/communicationsclimatechangenaturalresources/publicservicebroadcasting/gsbroadcastingamendmentbill2017/20170711-BAI-Opening-Statement.pdf>. The BAI also indicates in this statement support for a broader reform of the levy, including applying it to Section 71 broadcasters and reducing the burden on commercial broadcasters by recourse to increasing the burden on the licence fee, subject to further analysis.

<sup>90</sup> Based on analysis conducted by Mediatique in 2016.

operators Sky and Virgin (in the event either seeks regulatory status in the Republic). Currently, the Technical Platform Services regime relating to Sky in the UK and Ireland, along with the Sky and Virgin EPGs, are not subject to separate regulatory oversight in Ireland.

- 7.55 We advise a close watching brief on issues around search and navigation for a number of reasons: the need to prepare for a post-Brexit regime (when operators may choose to come to Ireland); anticipating the role Government may ask the BAI to perform in regulating the inter-connection of prominence/priority rights and any ‘re-trans’ payments required of pay TV platforms by PSBs and the commercial broadcasters, particularly following a revised AVMSD; and, in the short term, helping market participants in Ireland understand the implications of the revised Codes in the UK announced separately by Virgin and Sky.<sup>91</sup>

#### *Market analysis*

- 7.56 Our work for the BAI has led us to make a final observation about the future regulation of the Irish market and the ability to pursue evidence-based oversight. Particularly in a post-Brexit world, and subject to an accelerating pace of change across the TV and radio value chains, the need for reliable sector data is greater than ever before.
- 7.57 Ireland would benefit from an annual audit of key data (production, distribution and consumption) that reliably informed the sector and all stakeholders of the key developments and dynamics of change using common, trackable and comparable data. We suggest this might be done in conjunction with ComReg. There are both gaps and incompatible data overlaps between the information generated by the BAI, ComReg and TAM Ireland. An annual Communications Market Report for Ireland would serve a clear and useful purpose in addressing these issues.

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<sup>91</sup> Virgin announced earlier this year that vacant EPG slots henceforth will be available for auction; Sky unveiled revised EPG guidelines in November 2017 that include radical changes to positions of channels, including the placement of all +1 variants at a new position at the 200s on the Sky EPG.

## 8. Findings and recommendations

- 8.1 The Irish broadcast media market is mature and competitive, hosting multiple business models, scores of operators and providing a wide range of both domestic and international audio and video content.
- 8.2 However, shifts in consumer behaviour and preferences, enabled by evolving technology, are putting pressure on the revenue models most closely associated with the funding of domestic Irish content.
- 8.3 In the past five years, relative weakness in the advertising market has coincided with continued austerity around the licence fee. With the licence fee frozen, and with RTÉ's income from its share of the licence fee reduced markedly, there has been a concomitant reduction in its expenditure on content, including on programmes for TV and radio commissioned from the challenged independent production sector. Despite some reversal of the austerity cuts in Budget 2017 and Budget 2018, RTÉ's licence fee income remains well below the pre-2008 level, in both nominal and real terms.
- 8.4 Pay TV dynamics are also evolving with a recent shift from big bundles of pay TV (with or without broadband and telephony from single supplier) toward skinny propositions and a significant impact from new entrants such as Netflix and Amazon in the SVOD market. Traditional and new forms of pay TV subscription contribute very little (outside sport) to Irish domestic content, even if these providers enrich consumer choice and variety.
- 8.5 Our analysis suggests that advertising will be flat at best over the next five years, following downturns in 2017 and 2018. Barring any change to the licence fee (collection and/or modernisation) the two mainstays of Irish AV content funding will be further threatened. On current trends, pay TV will deliver lower margins over time, although this is unlikely to have an impact on Irish content expenditure.
- 8.6 We have identified a number of means by which the TV and radio sectors might themselves innovate to improve revenue generation – including concerted radio industry co-operation to re-position radio as a premium advertising product; greater integration of broadcast services with non-linear propositions and social media; further exploration of new business models such as podcasting and tailored or programmatic advertising.
- 8.7 There are also key regulatory developments that might enhance the ability of the Irish media sector to develop and fund Irish content, to secure and strengthen the balance between international and domestic AV content and to meet public service objectives around plurality, diversity, and citizenship values.
- 8.8 Some of these are already in train in draft form as amendments to the Broadcasting Act, for example, licence fee reform and changes to the calculation and applicability of the levy used to fund the BAI. Others are being debated as part of those potential amendments (e.g., re-transmission fees) and still others are under consideration by the BAI and Government (the prospect for a levy payable by opt-out channels). Some changes being recommended here are revived from early policy reviews – for example, resumption of plans to promote DAB and the rationalisation of regulatory oversight of minutage across PSBs, commercial TV and commercial radio.
- 8.9 We summarise our key recommendations in the tables below, grouped by relevant category
  - Some of these recommendations would require government action, in the form of further amendments to statutory instruments; others could be pursued by the BAI on its own or in tandem with the industry.
  - We advise the BAI to undertake two consultations on issues affecting the broadcast market: on the opt-out levy and on DAB; and maintain a watching brief on EPG licensing policy and search/navigation.

Maintaining best practice as a regulator

- The BAI should optimise its engagement with stakeholders in the broadcast market and remain a source of thought leadership in the face of market change.

<i>Recommendation</i>	<i>Description</i>	<i>Rationale</i>	<i>Impediments / Execution Risks</i>
<b>Administrative efficiency</b>	<ul style="list-style-type: none"> <li>▪ The BAI should aim at removing any remaining administrative constraint and achieving faster decision making; it should increase the points of contact with the industry and set more rounds of Sound and Vision funding each year</li> </ul>	<ul style="list-style-type: none"> <li>▪ This would enhance regulatory efficiency, ensure that there is a constant stream of information between the BAI and regulated broadcasters</li> </ul>	<ul style="list-style-type: none"> <li>▪ Internal resources may not be sufficient to fully implement; BAI may wish to maintain distance from regulated companies</li> </ul>
<b>Preparation for Brexit</b>	<ul style="list-style-type: none"> <li>▪ The BAI should continue work on preparing for Brexit, and in particular for the (likely) migration to Irish jurisdiction of services currently licensed in the UK but broadcasting into Ireland and elsewhere in the EU, thus requiring the licensing of such services under Section 71 of the Broadcasting Act 2009</li> </ul>	<ul style="list-style-type: none"> <li>▪ This would ensure a level playing field in regulatory terms between international and domestic channels in a post-Brexit era and preempt a period of regulatory lacunae</li> <li>▪ It would also provide further funding sources for the BAI levy, further reducing pressure on other commercial levy funders</li> </ul>	<ul style="list-style-type: none"> <li>▪ International channels might seek to be licensed in EU territories other than Ireland to circumvent Irish regulation (difficult to achieve and expensive?)</li> <li>▪ Any agreement between the United Kingdom and the EU might provide for mutual recognition of AVMSD, which would probably result in little if any changes to the status quo</li> </ul>

Considering options for industry funding

- The BAI should investigate further ways in which the funding of local Irish content can be maintained or increased.

<i>Recommendation</i>	<i>Description</i>	<i>Rationale</i>	<i>Impediments / Execution Risks</i>
<b>Advertising minutage rationalisation</b>	<ul style="list-style-type: none"> <li>▪ The BAI should seek the ability to set minutage limits for all broadcasters that carry advertising - replacing the current 'tripartite' system</li> </ul>	<ul style="list-style-type: none"> <li>▪ This would ensure a level playing field among broadcasters, as well as allow the BAI to set appropriate minutage limits based on the category of broadcaster (limits which would still be consistent with European law on this matter)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Government may not wish to relinquish control over RTÉ minutage (therefore BAI might offer co-primacy?)</li> <li>▪ Dependent on statutory change</li> </ul>
<b>Content funding levy - including its application to opt-out channels</b>	<ul style="list-style-type: none"> <li>▪ The BAI should take the lead in recommending the structure and functioning of an Irish content funding levy on Irish broadcasters – including opt-out channels and any that obtain a s.71 licence following Brexit</li> <li>▪ The content funding levy should have clear objectives and rules, and be applied to all</li> </ul>	<ul style="list-style-type: none"> <li>▪ This would provide much needed relief to the funding of Irish content which has been under significant pressure over the past few years, and which is facing increased challenges from greater international competition and revenue pressures</li> <li>▪ Subjecting all broadcasters with Irish ads to the levy would ensure fairness; at the same time, all</li> </ul>	<ul style="list-style-type: none"> <li>▪ Likely to attract pushback from opt-out commercial broadcasters</li> <li>▪ Advertisers and agencies may argue it would encourage price inflation for commercial impacts generated by RTÉ and TV3</li> <li>▪ Likely to require further analysis and consultation as to the extent of the levy and its quantum, as</li> </ul>

<i>Recommendation</i>	<i>Description</i>	<i>Rationale</i>	<i>Impediments / Execution Risks</i>
	broadcasters (including RTÉ, TG4 and TV3) on a fair and non-discriminatory basis	those paying in should also have the right to apply to use the fund	well as the objectives of the fund (Irish language, distressed genres) <ul style="list-style-type: none"> <li>▪ Dependent on statutory change</li> <li>▪ BAI must consult</li> </ul>

## Investigating the further development of digital broadcasting

- The BAI should consider further options around digital radio, while recognising that options for further expansion of DTT are limited.

<i>Recommendation</i>	<i>Description</i>	<i>Rationale</i>	<i>Impediments / Execution Risks</i>
<b>Commercial DAB</b>	<ul style="list-style-type: none"> <li>▪ The BAI should consider and consult on prospects for an all-industry support for commercial DAB</li> <li>▪ An initial approach might be to propose one national and four regional multiplexes, with simulcast incentives (around licence renewal/extension) and awarding additional capacity to incumbents for new services; any capacity not taken up would be made available to new entrants</li> </ul>	<ul style="list-style-type: none"> <li>▪ There are diversity, plurality and spectrum efficiency reasons to introduce more commercial radio services, particularly to address urban/rural divide</li> <li>▪ DAB (and DAB+) is part of a EU-wide plan to switch to more efficient standards and to unlock a further digital dividend through an FM switch off</li> <li>▪ Commercial radio operators face growth constraints that DAB+ might help address</li> </ul>	<ul style="list-style-type: none"> <li>▪ It might need changes in the Broadcasting Act to reflect how multiplexes are shared or ought to be shared between RTÉ and commercial players</li> <li>▪ Commercial players have been reluctant in the past to support DAB on costs grounds</li> <li>▪ Local stations may be concerned about losing strong local positions (even after incentives are applied)</li> <li>▪ Dependent on statutory change</li> <li>▪ BAI must consult</li> </ul>
<b>Commercial DTT</b>	<ul style="list-style-type: none"> <li>▪ The BAI should confirm that commercial DTT will not be progressed at this time</li> </ul>	<ul style="list-style-type: none"> <li>▪ The case for commercial DTT was rejected in 2013 on grounds that have not changed since that time</li> </ul>	<ul style="list-style-type: none"> <li>▪ None</li> </ul>

## Considering the structure, ownership and licensing of broadcast players

- The BAI should consider changes to licence terms and ownership regulations to optimise flexibility and commercial opportunities in the radio market.

<i>Recommendation</i>	<i>Description</i>	<i>Rationale</i>	<i>Impediments / Execution Risks</i>
<b>New FM Radio Licence</b>	<ul style="list-style-type: none"> <li>▪ If DAB is not pursued imminently, the BAI should consider licensing one or more FM services – however, there is scope to delay the invitation to apply in order to give commercial radio operators a chance to improve profitability and growth prospects</li> </ul>	<ul style="list-style-type: none"> <li>▪ This would ensure efficient use of available spectrum, and promote growth of the independent radio sector; it would also contribute to plurality and diversity of content – and conceivably address the urban/rural divide</li> </ul>	<ul style="list-style-type: none"> <li>▪ It would require a market impact assessment by the BAI as it may be resisted by the two leading radio groups</li> </ul>

<i>Recommendation</i>	<i>Description</i>	<i>Rationale</i>	<i>Impediments / Execution Risks</i>
<b>Ownership restrictions</b>	<ul style="list-style-type: none"> <li>The BAI should consider changing the basis on which ownership restrictions are set for commercial radio– taking into account licence / target area size</li> </ul>	<ul style="list-style-type: none"> <li>Currently, large and small licences (by target audience) count toward the numerical limits; changing the basis may permit acceptable further consolidation to improve sustainability of licences and unlock appetite to support DAB roll out</li> </ul>	<ul style="list-style-type: none"> <li>Smaller operators may be concerned about more control ceded to companies already in pole position</li> </ul>
<b>NCA derogations and opt-out provisions</b>	<ul style="list-style-type: none"> <li>The BAI should engage with bidders and existing licence holders on making greater use of NCA derogations and the availability to offer opt-out airtime sales in different licence areas</li> </ul>	<ul style="list-style-type: none"> <li>As part of any further licensing of commercial radio propositions, the BAI might get more interest and support if NCA derogations and relaxed rules on opt-out selling are actively encouraged</li> </ul>	<ul style="list-style-type: none"> <li>These are already available, and their promotion should not be controversial</li> <li>Any changes could have significant impacts, however, and a review will be required before widespread implementation</li> </ul>

Reviewing specific policy areas and tracking industry data

- The BAI should consider undertaking further research on the changing ways in which audiences access content, and consider launching an annual review of developments in the Irish broadcast market.

<i>Recommendation</i>	<i>Description</i>	<i>Rationale</i>	<i>Impediments / Execution Risks</i>
<b>EPG priority rules / Search and navigation</b>	<p>The BAI should have a watching brief on the implications of recent innovations in search and navigation practices (which may be clarified in the new AVMSD); and stand by to review licensing policy in the event this is required post-Brexit (were platforms to elect to be licensed in Ireland)</p>	<ul style="list-style-type: none"> <li>There is a need to ensure consistency and continuity post Brexit with regard to EPGs and potential need to locate Sky, Virgin framework within Irish jurisdiction once the Ofcom EPG licences (which currently cover Sky and Virgin) and the Sky TPS no longer apply across the EU</li> </ul>	<ul style="list-style-type: none"> <li>Timing may be an issue – the BAI will need to see how the AVMSD is finalised and whether significant players such as Sky and Virgin seek to licence their EPGs in Ireland post Brexit</li> <li>Until then, the BAI is likely to benefit from following developments as Ofcom’s proceeds with its review of non-linear prominence</li> </ul>
<b>Communications Report of Ireland</b>	<ul style="list-style-type: none"> <li>The BAI should launch an annual communications report which sets out the key developments in the media and communications markets in Ireland</li> </ul>	<ul style="list-style-type: none"> <li>This would establish a knowledge bank for the industry and deliver a forum for tracking the pace and scale of change</li> </ul>	<ul style="list-style-type: none"> <li>Cost</li> <li>May require cooperation with ComReg</li> </ul>

## 9. Appendices

### List of interviews

We spoke to a wide range of players in the Irish market to gauge views on current and future developments and outcomes. Face-to-face and telephone interviews were undertaken in October-November 2017, and sources spoke to us on a non-attributable basis.

A list of the organisations interviewed is set out below.

2RN

Association of Independent Radio Producers Ireland

Broadcasting Authority of Ireland

Carat

Channel 4

COCO Television

Communicorp

Community Radio Forum of Ireland

Community Television Association

Core Media

Department of Communications, Climate Action and Environment

eir TV

Element Pictures

Freesat

Independent Broadcasters of Ireland

Kilkenny Community Radio

Midlands 103

Radio Nova

RTÉ

Screen Producers Ireland

Shinawil Productions

Sky

TG4

TV3 Group

Virgin Media Ireland

Wireless Group

We also spoke to a number of applicants for a new radio licence in Ireland.



## Glossary of terms

<b>5G</b>	Fifth-generation (latest) mobile standard for high bandwidth data delivery including video
<b>700 MHz</b>	Frequency band currently hosting elements of the UK’s digital terrestrial television service, slated for clearance from 2020 to make way for mobile data
<b>ARPU</b>	Average revenue per Unit – standard means of measuring pay TV income by household
<b>AV</b>	Audio visual – a short-hand reference to content made up of video and audio combined
<b>AVMS</b>	Audio-Visual Media Services – framework directive covering aspects of broadcasting (including advertising and content regulation; currently being debated for imminent revision
<b>BAI</b>	Broadcasting Authority of Ireland – one of two regulators (with ComReg) covering communications industries in Ireland
<b>Bit rate</b>	A unit of delivery of content via streaming over fixed and wireless networks (usually described in terms of megabits per second (Mbps)
<b>Broadcasting Act</b>	The 2009 Act currently in place to cover all aspects of the broadcasting environment in Ireland, including the role and scope of the BAI
<b>Blu-ray</b>	HD upgrade standard for digital versatile discs (DVDs)
<b>Broadcast players</b>	Online and connected TV services from broadcasters (e.g., RTÉ, TV3) offering streaming and on demand content
<b>BSS</b>	Broadcasting Services Strategy – a five-yearly document laying out key strategic objectives for the BAI and the broadcasting sector it regulates
<b>Cable</b>	The digital cable network operated in the UK as Virgin, delivering broadband, telephony and television via a fixed-line network of fibre optic (or coaxial) cable
<b>Catch-up TV</b>	The availability of content in the seven (BBC) or 30 (other broadcasters) days from initial transmission, via multiple devices
<b>ComReg</b>	Communications Regulator – one of two regulators (with the BAI) covering communications industries in Ireland; has specific remit for spectrum, fixed and mobile telephony and broadband
<b>Connected TVs</b>	A TV equipped with a tuner (DTT or DSAT) that is also connectable to the internet via a fixed or wireless link with the IP router in the home
<b>COO</b>	Country of Origin - rules permitting companies licenced in one European Union jurisdiction to operate in another
<b>DAB</b>	Digital Audio Broadcasting – the digital radio standard in the UK, providing more capacity and higher quality than possible with analogue radio
<b>Dongle</b>	Small device used to insert into a PC or TV to enable wireless reception of data over IP or broadcast, including linear and non-linear AV (example is Chromecast)
<b>DSAT</b>	Digital Satellite – the current platform for the delivery of TV channels and other services via satellite; the two main operators are Sky Digital and Freesat
<b>DTT</b>	Digital Terrestrial TV – the standard format for over-the-air terrestrial broadcast TV in European and other countries, branded as Saorview in Ireland and as Freeview in the UK
<b>Dual illumination</b>	The process of supply the same (e.g. TV or radio) service in multiple formats – typically in analogue and digital form
<b>DVB-T1, DVB-T2</b>	Digital Video Broadcasting – the standards used for the delivery of DTT, with DVB-T1 the initial digital standard and DVB-T2 a more efficient upgrade which (along with improvements in other standards) permits the broadcast of HD channels in many markets, including the UK; Irish DTT is transmitted in DVB-T1
<b>DVD</b>	Digital versatile disc – a consumer format for films, TV and other AV content to be played back on a household device
<b>EPG</b>	Electronic Programme Guide – the TV guides incorporated into TV platforms permitting users to navigate around the schedule and to access ancillary services such as recording, interactive, VOD, etc.
<b>FM – frequency modulation</b>	A method of delivering radio signals to receiving equipment, associated with high definition or higher fidelity services, located in the Very High Frequency (30MHz-300Mhz) bandwidth
<b>FTA</b>	Free to air – channels delivered via broadcast over the air at no incremental cost to the end consumer
<b>Freesat</b>	The brand name for the free-to-air satellite platform in the UK; owned by the BBC and ITV; also the name for the FTA satellite platform operated by BSkyB (known as Freesat from Sky)

<b>HD</b>	High Definition – generic term for picture quality based on a higher number of pixels conferring better resolution
<b>HDMI</b>	High Definition Multimedia Interface – a proprietary system to permit the delivery of data (including A/V content) via a dongle or connection to a set-top box, VCR or games console
<b>IP</b>	Internet Protocol – the foundational standard for the delivery of files over the internet
<b>IPTV</b>	Internet Protocol Television – a service of linear and non-linear content delivered over IP rather than broadcast
<b>JLNR</b>	Joint National Listenership Research – the joint (broadcaster and agency) ratings body for radio in Ireland
<b>Linear</b>	A term for the ‘traditional’ delivery of content on a scheduled basis, at a time of the scheduler’s choosing
<b>Minutage</b>	Generic term for the minutes of advertising available on commercial TV and radio, subject to caps under regulation
<b>MPEG-2, MPEG-4</b>	Motion Picture Expert Group standards for the broadcast of AV content; Irish DTT is transmitted at MPEG-4
<b>Multiplex</b>	A band of spectrum organised to permit multiple channels to be broadcast
<b>Must offer, must carry</b>	Rules set out to require a channel provider (typically available free to air) to offer its relevant channels, usually subject to terms; the platform (usually a cable operator) is equally required to carry the relevant channels
<b>Nielsen</b>	The agency responsible for collecting data for use in the ratings of television services in Ireland, published as TAM Ireland
<b>NCA</b>	News and Current Affairs – a key genre for TV and radio, often subject to quotas and other forms of content regulation
<b>Non-linear</b>	A term for on-demand or time-shifted viewing of material originally broadcast on scheduled services (e.g., covers all catch-up TV, PVR use, VOD, podcasts, etc.)
<b>Opt-out channels</b>	Channels providing a simulcast of a UK channel but with some of the airtime substituted for Irish advertising
<b>OTT</b>	Over the Top – the deliver via IP to a TV or set-top box via the internet rather than through the broadcast or closed network of a platform provider
<b>PC</b>	Personal computer – any computer used in the home; now can be extended to include laptops
<b>Podcast</b>	An audio programme available on demand via the Internet (and on mobile devices)
<b>PSB</b>	Public Service Broadcaster – in the Irish context, is defined as the channels broadcast by RTÉ and TG4
<b>PVR</b>	Personal Video Recorder – an integrated recorder permitting users to record programmes off air for viewing at a later time of their choosing
<b>Re-trans</b>	Re-transmission fees – payable by platforms to channel operators in return for the right to provide these to relevant customers
<b>Section 70, 71</b>	Relevant sections of the Broadcasting Act (2009) determining the status of certain broadcasters – Section 70 sets out the terms of the licence granted to a national commercial broadcaster (currently TV3, TV3+1 and 3e) and Section 71 relates to holders of a content provision contract (e.g., be3, formerly UTV Ireland)
<b>SD</b>	Standard Definition – a short hand for traditional picture quality on standard TV sets
<b>Smartphones</b>	Any mobile phone capable of receiving services (including video) over IP via wireless or WiFi networks
<b>Smart TV</b>	A TV set with a built-in WiFi or HDMI socket to permit fixed connection to the Internet
<b>Sound and Vision Scheme</b>	Funds run by the BAI to support the creation of Irish content on radio and TV; funded through a set percentage of the TV licence fee
<b>STB</b>	Set-top box – the operating system that runs pay TV platforms, normally connected to a TV set with its own tuner
<b>Streaming</b>	The delivery of files in digital format over the internet in real time
<b>SVOD</b>	Subscription video on demand – services available for payment of a (usually) monthly fee offering AV content streamed to PCs, mobile devices and OTT to pay TV platforms and connected TVs; best known example is Netflix
<b>Tablet</b>	A device connectable to the internet (either via 3G or WiFi) that constitutes a mid-point between laptops and smartphones
<b>TAM Ireland</b>	Television Audience Measurement – the TV ratings service provided by Nielsen and jointly administered with broadcasters and agencies
<b>TSV</b>	Time-shifted viewing – viewing of TV in playback mode, having been recorded off air
<b>VCR</b>	Video cassette recorder – a device used to play back a VHS tape or a DVD

<b>VHS</b>	Video Home System – tape-based technology permitting recording and/or play
<b>Vista</b>	Latest generation viewing data from TAM Ireland incorporating multiple device tracking to deliver cross-platform measurement
<b>VOD</b>	Video on demand – the delivery of content on a non-scheduled basis to users at a time and via a device of their choosing
<b>Web TV</b>	Category of TV households used by TAM Ireland to account for homes watching TV-like services without having a broadcast platform or tuner (e.g., watching RTÉ Player via a dongle or Smart TV)