

CENTURY COMMUNICATIONS LIMITED

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The Honourable Mr. Justice Seamus Henchy,
Chairman,
Independent Radio and Television Commission,
Marine House,
Clanwilliam Court,
Dublin 2.

20th February, 1989.
LC/uh.

Dear Chairman,

Thank you for seeing us at such short notice to-day when you were kind enough to give us a copy of the Minister's letter dated the 16th of February. As stated in our letter of the 17th of February, we are convinced that £375,000 for a full transmission service is fair and reasonable and the suggested charge by RTE would render the entire project economically unviable.

The original quotation from RTE dated the 1st of November, 1988 provided for a full FM transmission service providing the same level of coverage as RTE 1 and 2. The transmission requirements for the National Independent Commercial Radio are the same as for RTE and we are convinced for the reasons set out in our submission that the only way to provide the service is through the use of the National Transmission Network managed by RTE. The quotation given to us by RTE on the 1st November, 1988 was £1,140,000 for FM service only.

We have considerable difficulty in reconciling the different RTE quotes and can only conclude that the Minister's letter of the 16th of February, 1989 constitutes as it states in paragraph two no more than a reduction of £78,000. Furthermore we believe those figures quoted for 1989-1992 are misleading in that they do not include rent of equipment, project management fees, installation costs, power and spares.

Before we made our submission to you on 15th December, 1988 we held several meetings with RTE as managers of the National transmission system. We told them the view of our advisers the IBA, that the cost of providing us with this facility in accordance with the criteria set out in the letter 1st November, 1988 was less than £300,000 per annum. As you know, we stated in our submission a figure of £375,000 in order to avoid any possibility of it being suggested that we were seeking the service at cost.

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DR. JOHN OLIVER BARRY, JAMES JOSEPH STAFFORD, T. Wogan C. de Burgh
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Having had the IBA assess our transmission requirements, we calculated on the advice of IBA, the cost of providing the same national FM coverage and including AM transmission in Dublin and Cork, to be as follows:

	<u>IR£ per annum</u>
(a) Rent of Transmitter, Combiners etc.	70,218
(b) Maintenance	30,000
(c) Power & Spares	115,000
(d) Linkage	80,000
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Total	295,218
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(e) SAY	300,000
Fee to RTE for provision of service	75,000
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Total Transmission Cost per annum	375,000
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We comment here on the key areas of cost:

1. RTE quoted on the 2nd of November, 1988 a cost of financing the capital investment at 7% per annum. There is no dispute that the life of the equipment is 20 years and we have calculated the annual rental to be £9.40 per annum for 20 years for each £100 of capital required. RTE advised us on 11th January, 1989 that the cost of transmitters, combiners and the other equipment necessary to provide the transmission service would be £747,000. Advised by the IBA, we accept that these costs are of the right order. This would amount to an annual rental charge of £70,218 and the integration of our transmission requirements into the National network in this manner is both logical and sensible.

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2. RTE's quote on 11th January, 1989 for access to the National Transmission Network was £185,000 per annum. We are unable to determine what, if any, reduction in this is reflected in the figures contained in the Minister's letter of the 16th inst. The principle of public service broadcasting is the provision of a service to each citizen irrespective of the economics of doing so. Century as a National Franchise holder is bound to this concept. The citizens of Ireland, in paying licence fees, funds inter alia the gross cost of the National Transmission Network. Public service broadcasting commenced in Ireland in 1926 and the existing National Transmission system has evolved over the last 63 years.

The cost by whatever accounting criteria one chooses must at this stage be written off as "sunk costs". That RTE as the National Broadcasters should seek to recover as custodian of the transmission system a fee from Century for their benefit as broadcasters is in effect seeking a subsidy from Century. Accordingly it is inappropriate that any cost should be levied on us for this access.

3. RTE quoted on 11th January, 1989 £364,000 per annum for the maintenance of the additional equipment required to provide Century with National Coverage. We are unable to determine what if any reduction in this has been made in the Minister's figures in his letter of the 16th inst. The IBA have assessed the additional cost involved for maintaining the Century equipment and concluded that it should not be more than £30,000 per annum.
4. The cost of providing the first leg of the programme distribution circuit from our Dublin studios to the transmitters at Three Rock and Kippure lies outside the present discussions with RTE. An Bord Telecom costs have not yet been resolved but we consider that any charge beyond that equivalent to the one-off capital cost of provision of those circuits by radio link, estimated to be around £40,000, would be unsustainable and would further jeopardise the viability of the project. Further the economic provision of land links for the distribution of a news service to other stations will be critically dependent on An Bord Telecom tariffs.

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The concept of RTE as custodians of the National Transmission Network acquiring the transmitters and renting them to us at 7% per annum over their economic life of 20 years as set out in their letter of the 1st of November, 1988 is acceptable, as indeed is the figure quoted in their letter of 11th January 1989 for the use of their linkage at £80,000 per annum for the period that we continue to use it. Equally acceptable is actual cost recovery of power and spare parts used, originally estimated by RTE at £115,000 per annum and subsequently revised on the 11th January 1989 to £140,000 per annum. The main issues in dispute remain the access to the National Transmission facilities and the cost of maintenance of the system.

It is difficult to understand how anybody can dispute our offer of £375,000 for national coverage when the transmission cost for a Dublin Local station covering a third of the population is quoted by RTE at £40,000 per annum and even that figure is currently being challenged by the applicants as excessive. Furthermore, rental levied by the IBA for coverage of the whole of the North of Ireland, at Stg. £100,000 per annum, shows that our own figures are of the right magnitude.

It appears therefore that we are unable further to progress the negotiations with RTE and accordingly we respectfully request the Commission to seek a Ministerial directive in accordance with the Commissions powers under Section 16 of the Radio and Television Act 1988.

We are pleased to note that you share our view that the suggested transmission charges are excessive and until the problems above set out can be dealt with, we will not be in a position to conclude the negotiations on the Broadcast contract or meet our target date of the 1st May.

Yours sincerely,


Laurence Crowley
Chairman