

Charges by RTE and BTE for services to commercial broadcasters*overheads 5%*

Minister,

1. The I.R.T.C. has again written to you
 - (i) enclosing a copy of a letter from Century Communications seeking a Ministerial Directive under Section 16 of the Radio and Television Act;
 - (ii) complaining about delays in the provision of links for local radio stations and the high cost of those links.

2. RTE provide a National FM network. Their main transmitters operate at the following powers - Mount Leinster 400Kw, Mullaghanish and Maghera 320Kw, Truskmore 250Kw, Kippure 100Kw, Clermont Carn 80Kw, Three Rock and Holywell Hill 12Kw. These high powered transmitters are considered necessary to provide a comprehensive National Radio Service.

3. The I.B.A. in the U.K. does not provide a comprehensive national service. It provides facilities ^{for major centres} to cover the main centres of population but it is not concerned about ensuring universal coverage. In 1986 ^{radio transmitter} the latest date for which we have information - none of its transmitters operated at more than 10Kw, the vast majority operated at lower powers.

4. Century's main arguments and RTE's position on the main items for the FM service are as follows:-

Access to facilities

Century Century offer - nil. Current ^{RTE} £185,000. ^{Century argue that} All of the existing facilities at RTE's sites have been developed with licence fee monies and as national facilities they should be provided free to Century.

RTE did not propose any reduction in those charges. They argue that these facilities have been developed with borrowed money. These facilities have to be replaced in due course. The appropriate depreciation charge for each type of facility is made in RTE's Accounts and that these charges are met year by year from licence fee and other income in that year. RTE argue that to exempt Century from paying its appropriate share of these charges would amount to a direct subsidy by RTE to Century which you have already ruled out.

5. Maintenance

30,000 min
+ £1,000 per visit. after £k
30 visits

RTE originally quoted £344,000 p.a. subsequently reduced to current quote £320,000 for a full maintenance service.

Century offer £30,000 p.a.

Departmental research (copies of memos attached) indicates that the figures quoted by RTE are not unreasonable. The transmitters being used by RTE are very high powered by comparison with those being used by Downtown and are sited in more difficult locations. Downtown pay IR £117,000 for a maintenance contract for 5 transmitters, the largest of which operates at 10Kw. Indeed, Mr. Tinman of Downtown, without any prompting, offered an opinion that a charge of £800,000 stg. would not be unreasonable for a national 14 station FM network covering 26 counties.

6. Links power spares

	<u>RTE proposal</u>	<u>Century offer</u>
Links	80,000	80,000
Power + Spares	115,000	115,000

7. Capital Equipment (transmitters combiners project, project management and installation costs)

Century and RTE agree that the cost of the capital equipment would be of the order of £747,000. Century appear to ignore the project management and installation costs, totalling £375,000.

Century allege that RTE quoted, on 2 November, a cost of financing capital investment at 7% per annum. Century want that interest rate to be applied and the cost written off over a 20 year rental period.

RTE when approached initially indicated that over a 4-5 year leasing period it might be possible to get a bank to do a deal with a 7% interest coupon, depending on the capital allowances involved. RTE are adamant that there is no possibility of borrowing at 7% over 20 years. RTE's Exchequer borrowings are costing an average of 12%. They hope that it will be possible to re-finance these borrowings at somewhat less than that figure but they see no possibilities of getting 20 year money at 7%.

RTE say that while they will actively co-operate with Century in bringing the project to completion, it is primarily a matter for Century to select its own equipment and to finance the purchasing and installation costs of that equipment.

8. Overheads

RTE had sought a contribution of 10% to its overheads. It has agreed to reduce that figure to 5% - £34,000.

Century have offered a total fee of £78,000 for "provision of service".

9. AM Service

RTE indicated that its costs for AM service for Dublin and Cork were as follows:-

engineering design/project management fee	£70,000
installation charges	£40,000
Transmitters and equipment to be purchased by Century.	
Annual charges:	
Access and facilities	£67,000
Full maintenance	£35,000
Overheads 10%(presumably this would now be reduced to 5%)	£10,000
	<u>£112,000</u>

Century appear to have ignored these costs and assumed that they were included in the FM charges.

10. Telecom Links

Telecom say that, until Tuesday last when they had their first real discussion with Century, they were quoting blind and gale figures at outer end of scale, a lot will depend on where the studios area, where the nearest telecom facilities are and whether new links have to be provided to transmitter sites. They say that the charges will reflect the costs to them of providing the service.

As for possible delays of 3-6 months in providing service, these may arise if new or specialist equipment has to be ordered. If equipment is available a service can be provided in days or weeks depending on the locations.

11. Departmental conclusion

Century have seriously underestimated the costs involved in matching RTE's FM service. The I.B.A.'s service in the U.K. and North is not comparable with RTE's service. The U.K. charges quoted by Century ^{and used as a basis} for provision of service in Ireland are not supported by an examination.

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Memo.

I spoke to Mr. I. Tinman, Managing Director, Downtown Radio, Northern Ireland about I.B.A. charges for radio transmission facilities.

He explained that the I.B.A. arrangements are complex and in course of change but that the following position obtains:-

- (i) Downtown Radio had 1 MF transmitter and 1x1Kw FM radio transmitter for coverage of their original franchise area. The primary rental charged by the I.B.A. for those facilities was £113,000 Stg. (£135,000 approx. Irish Punts).
- (ii) When Downtown's franchise was extended to cover all of Northern Ireland three additional FM transmitters (1x2Kw and 2x10Kw) were provided by the I.B.A. Downtown gave the I.B.A. a loan of £250,000 to fund construction. The I.B.A. was to repay the loan over 8 years in six monthly instalments. The primary rental was increased to £120,000 sterling approx (£144,000 Irish Punts).
- (iii) For the future Downtown Radio is buying back the five transmitters from the I.B.A. The station has negotiated a maintenance contract with the I.B.A. for three years at £98,000 sterling p.a. (£117,000 p.a. Irish Punts). Under the contract the I.B.A. will provide 24 hour cover. However, if replacement of any of the transmitters arises the cost will be carried by Downtown.

Without prompting from me Mr. Tinman expressed the view that a charge of £800,000 stg. p.a. would not be unreasonable for a 14 station national FM network covering the 26 counties. He drew attention specifically to the fact that Downtown's main transmitter operates at only 1 Kw because the Black Mountain site is an excellent site and 1Kw gives 30 miles radius coverage.

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15 February, 1989.

Transmitter Powers for 3rd National Network (VHF)

	<u>Kw</u>
Kippure	100
Mount Leinster	400
Mullaghanish	320
Maghera	320
Truskmore	250
Three Rock	12
Holywell Hill	12
Clermont Carn	80
Achill	6
Spur Hill	1
Caherciveen	6
Limerick (Woodcock Hill)	1
Fanad	8
Castletownbere	6

1 BA has no station with a
 transmitter above 10kw.
 1 BA does not provide a national
 network.

Memo.

Mr. J. Mason
 For info. 1/27

I spoke to Mr. Butcher, Independent Broadcasting Authority recently regarding their method of apportioning I.B.A. costs to independent radio.

Mr. Butcher began by explaining that the I.B.A. is statutorily obliged to keep the finances of independent radio separate from independent television. That said, however, he stated that in practice the I.B.A. operated a system of apportionment of costs which is not scientific by any means and that deliberately subsidises radio at the expense of television. He felt that anything the I.B.A. does would be of little help in trying to determine, for example, an appropriate ratio for the apportionment of common facilities between radio and television. He gave the following examples:-

(a) Engineering staff costs

The I.B.A. annually conducts a crude survey in which staff common to radio and TV are asked to apportion their time as between the two services. Anybody who says he spends 75% or more of his time on radio has his time apportioned as between the two services. Anybody spending less than 75% of his time on radio is charged in total to television. Out of an engineering work-force of around 1,400, significantly less than 100 would be charged to radio.

(b) Emergency cover in the event of transmitter failure

The I.B.A. will go to extraordinary lengths at any time to restore service to transmitters in the television network. In contrast if a radio transmitter were to fail, say at 6 p.m. it would probably not be attended to until the following day.

(c) Equipment/Spares

Equipment/spares that can only be associated with radio are charged to radio. Equipment/spares that have a common usage are charged to television.

Secretary,

The foregoing may be of interest.

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2 February, 1989.