

IRTC.CENT 1.19 - 340



SCOTCH HOUSE, HAWKINS STREET, DUBLIN 2. TELEPHONE: (01) 718211
NEW ADDRESS: MARINE HOUSE, CLANWILLIAM COURT, DUBLIN 2
TELEPHONE: (01) 760966

6 February 1989

Mr Ray Burke TD
Minister for Communications

Dear Minister

I enclose copies of documentation in connection with the charges being sought by RTE for providing transmission services to Century Communications for the independent national radio station.

The matter is now extremely urgent as contracts for the provision of the new transmission equipment must be signed in the next few days if the new station is to make the proposed start-up date of May 1. In the circumstances I would appreciate your urgent observations/decision on the charges being sought.

Yours sincerely

Sean Connolly
Secretary

IRTC.CENT 1.19 - 341

RTE TRANSMISSION CHARGES

Please see the attached copy of RTE 'quote' for transmission of the new independent national radio station and the copy of letter from Century Communications.

There is substance in the Century argument about double-payment for the transmitter network.

The network, which was developed over a long number of years is state property, the control of which is vested in RTE. It has already been paid for and continues to be paid for by licence fees of the citizens of the country. That RTE should have control of it seems an historical accident - it is likely that when RTE took it over the possibility of other users was not envisaged. For comparison see the situation of the airports which are managed by a separate company from the national airline because it was always evident that more than Aer Lingus would use the airports. To allow RTE to charge other users for the use of the transmitters in the way proposed provides them with an unfair commercial advantage.

In the interests of the Oireachtas decision regarding an independent station the transmission facilities should be made available at a rate which will enable Century to run the station.

The following points are also of note:

- Only 63% coverage is truly commercial; the remainder is akin to public service broadcasting although it requires the bulk of the transmitters to achieve.
- The RTE proposal is to charge £364,000.00 for full maintenance of 14 transmitters/transposers. Given that modern equipment requires very little maintenance, say two visits per year, this works out at £13,000 per visit or say an additional 12-14 heads of staff to carry out visits which RTE people would

==
=

probably do in any event to service its own transmitters.

- Downtown Radio in Northern Ireland pays the BBC £100,000 for the use of 4 mountain-top transmitter sites. Pro rata this suggests a figure of about £350,000 for RTE. Century suggests £375,000.

- RTE is suggesting a capital investment of £747,000 (say £1m to include installation costs and project management) for hardware which has a lifespan of over 20 years. They wish to amortise this over 5 years. Over 20 years the cost is about £94,000 per annum if normal business criteria are used. (In this context it is worth noting that the contract between IRTC and Century must offer their studio/transmission equipment to an incoming broadcaster at commercial rates in the event of the collapse of the Century station, the withdrawal of the franchise or its non-renewal at the end of the franchise period. This should guarantee the RTE position.

In the circumstances fees of, say, £400,000 for transmission charges and £100,000 for hardware and installation/project management seems appropriate.

National FM Radio
Transmission Coverage.

Capital and Annual Charges for Inclusive Option

1. Once-off project/installation charges

The independent broadcaster will pay for all the new transmission equipment at cost within 20 days of receipt of invoices from Suppliers.

A once-off engineering design/project management fee of IR £250,000 for a four year project will be payable to RTE as follows:-

Year 1	50%	£125,000
Year 2	30%	£ 75,000
Year 3	15%	£ 37,500
Year 4	5%	£ 12,500

Installation charges of IR £125,000 will be invoiced as the work progresses as per Appendix 1.

2. Annual Charges:

	IR £000.
Access to and facilities at 14 sites:	185.
Full maintenance:	364.
Communications and Links:	80.
Overheads 10%:	63
	<hr/> 692

The charges at 1 and 2 above are at October 1988 prices and will be index linked. The independent broadcaster will be directly responsible for the cost of power and spares required for their transmission network.

IRTC.CENT 1.19 - 344

National AM Radio
Transmission Coverage

Capital and Annual Charges for Inclusive Option

1. Once-off Project/Installation charges

The independent broadcaster will pay for all the new transmission equipment at cost within 20 days of receipt of invoices from suppliers.

A once-off engineering design/project management fee of IR £70,000 will be payable for Dublin and Cork and IR £70,000 for Athlone.

Installation charges of IR £40,000 for Dublin and Cork and IR £50,000 for Athlone will be invoiced as the work progresses at each site.

2. Annual Charge:

	Dublin & Cork	Athlone
	IR £000.	IR £000.
Access and facilities at sites	67.	80.
Full maintenance	35.	33.
Overheads 10%	10.	11.
	<u>112</u>	<u>124</u>

The charges at 1 and 2 above are at October 1988 prices and will be index linked.

The independent broadcaster will be directly responsible for the cost of power and spares required for their transmitters.

	<u>Once-off Charges</u>				
	Total	Year 1	Year 2	Year 3	Year 4
Project management	250,000	125,000	75,000	37,500	12,500
Installation	125,000	50,000	50,000	21,000	4,000
	<u>375,000</u>	<u>175,000</u>	<u>125,000</u>	<u>58,500</u>	<u>16,500</u>

	<u>Phasing of Annual Charges</u>				
	Full Annual	Year 1	Year 2	Year 3	Year 4
Access to Facilities at 14 sites	185,000	73,260	73,260	31,265	7,215
Full maintenance	364,000	144,100	144,100	61,500	14,300
Communications & Links	80,000	31,700	31,700	13,500	3,100
Overheads (15%)	63,000	25,000	25,000	11,000	2,000
	<u>692,000</u>	<u>274,060</u>	<u>274,060</u>	<u>117,265</u>	<u>26,615</u>

Annual Charge (cumulative)		274,060	548,120	665,385	692,000
(payments off and annual)		449,060	673,120	723,885	708,500

Note 1: Hardware capital charges for transmitter etc. equipment will be borne by operator. The estimated cost is £747,000 which would be spread over four years as follows:

Year 1:	£356,000
Year 2:	£231,000
Year 3:	£ 97,500
Year 4:	£ 62,500

Note 2: Independent broadcaster will be directly responsible for the cost of power and spares required for network. This is estimated at approximately £140,000 a year when full network is in place.

IRTC CENT 1.19 - 345

CENTURY COMMUNICATIONS LIMITED

15 KILDARE STREET, DUBLIN 2, IRELAND. TELEPHONE (353.1) 615900 FAX (353.1) 615149.

Mr. Sean Connolly,
The Secretary,
Independent Radio and Television Commission,
Scotch House,
Hawkins Street,
Dublin, 2.

17th January, 1989.
JJS/ra.

Dear Mr. Connolly,

I enclose a copy of the IBA fax just received here this morning. In addition I would like to make the following observations.

1. The transmission system for public service broadcasting is an investment that has already been paid for by licence fees. It is maintained by the licence fees, it is not the property of RTE, they are merely the custodian of a national asset. The additional costs associated with public service broadcasting, as opposed to commercial broadcasting, the difference of delivering a signal to 63% of the country or 98.5% of the country is what licence fees have been traditionally about, and I feel that this argument is irrefutable.
2. In our discussions with RTE they told us that they could finance the capital investment in equipment at a cost of 7% per annum. However, they sought to amortise the equipment over the five year period whereas it has a life of twenty years. The cost of amortising £100 of investment at 7% over twenty years is £9.44 per annum.
3. I would also draw your attention to the Sunday Tribune press report that the "Downtown" transmission charges for the whole of Northern Ireland is £100,000. The IBA advise me that this involves four transmitters. Our proposal of £375,000 as a transmission charge is consistent with the "Downtown" transmission cost.

Yours faithfully,



James J. Stafford
Director

FROM IBA-U 822378

(TUE) 01. 7. '89 12:12

NO. 9 PAGE 1/3

Facsimile Number:- 0001 615149

*Received 17-1-19
12:47pm*

FACSIMILE

**IBACS INDEPENDENT BROADCASTING AUTHORITY
CONSULTANCY SERVICES**

Crawley Court, Winchester, Hampshire SO21 2QA, U.K.

FAX: (U.K.) (0) 962 822378
(INTL.) + 44 962 822378

NEFAX 4500, CCITT GROUP 3
45 SECONDS — AUTOMATIC OPERATION

TO: CENTURY COMMUNICATIONS LTD. ATTN OF: MR. JAMES STAFFORD


NUMBER OF PAGES: THREE DATE: 17/01/89 TIME: 1200 GMT

ORIGINATOR'S NAME: MR. JOHN THOMAS DIRECT LINE: (0) 962 822 374

NOT RECEIVED COMPLETE, PLEASE TELEPHONE: (U.K.) (0) 962 822375 OR TELEX: 477211 IBAWIN G
(INTL.) + 44 962 822376

Herewith our memorandum commenting on the costs of the transmitter service given in your Fax message of 13th. January.

Best Regards,


J.A. THOMAS,
IBA Consultancy Services.

+ Attachment

F629, JAT/smhb

MEMORANDUM ON THE COSTS OF THE TRANSMISSION SERVICE

1. The proposition is that the whole of the transmission service should be equipped, supervised and maintained by RTE. The reasons for this are spelt out in Section 5.3.6 of the Application.

2. These activities can be broken down under four headings:

- i) provision of the necessary transmission plant
- ii) supervision and maintenance of the service
- iii) consumption of electricity and spares
- iv) distribution of programme

Each is considered in turn.

3. Provision of Plant

This can again be broken down under two headings. Firstly, there is a certain amount of new plant to be acquired and installed, mainly the transmitters themselves and the means of coupling them into the existing arrangements. RTE have already confirmed that they will be prepared to purchase this on behalf of the licensee and to pass on the suppliers' invoices at cost. There will be some work involved in installing the plant for which RTE should be re-imbursed their reasonable staff costs, on the basis that the staff involved are denied to RTE for that time.

Secondly, there is the matter of sharing the existing infrastructure of the site and its access, the buildings, the mast, the transmitting antenna etc. Section 5.3.6 of the Application sets out the arguments that these existing assets should be made available to be used without charge.

4. Supervision and Maintenance

It will be necessary to integrate the supervision, control and maintenance of the service into the present RTE arrangements. There is an element of capital cost which we have taken under para.3. That apart, we have considered the additional costs which RTE will incur as a result of having these responsibilities, i.e. those costs which they will have to meet only as a consequence of their involvement with the new service and which would not otherwise arise. These would include any increase in site rentals, rates and insurance costs due to the presence of the new equipment. However, we would expect only marginal increases in costs under these headings.

- 2 -

Increased maintenance costs would arise due to additional visits to service the new equipment together with any extra payments for emergency call outs and any overtime incurred. We understand that RTE plan to carry out maintenance of the new equipment without increasing their staff resources and it has been assumed that any training costs and any new test equipment that may be required, have been included in the total capital costs for the new plant. It is also assumed that RTE will provide for the same level of transmission availability as the existing services. On this basis, the additional maintenance costs arising for the new equipment will be modest and should not exceed, say, IR £30,000.

5. Spares and Power Consumption

RTE have previously estimated these from their own knowledge of the equipment to be used and have again said that these will be charged at cost. We have examined the RTE figures and we have concluded that the estimated costs are substantiated.

6. Distribution of Programme

RTE have sensibly proposed to carry the programme to the transmitters on their existing network. This will involve some capital expenditure which we have again taken into account in para.3 above. That apart, there is a need to provide for the maintenance of that plant, a cost which would not otherwise have been incurred by RTE. They have proposed a fee of IR £55,000 p.a. for this aspect of the service which we believe to be justified.

F628.JAT/smhb
17th. January 1989