



Scottish Screen Response to the Department for Culture, Media and Sport Consultation on Sustainable news; in the Nations, locally and in the regions

Background

Scottish Screen is the national government-backed agency responsible for developing all aspects of screen industry and culture across Scotland, focusing on the following five priority objectives:

1. **Education** – to ensure that people of all ages and backgrounds are inspired and equipped to analyse, appreciate, explore, create and share screen media;
2. **Enterprise and Skills** - to ensure that there are appropriate levels of skilled individuals and viable companies to sustain all aspects of the screen industries across Scotland;
3. **Inward Investment** - to promote Scotland as a dynamic, competitive and successful screen production hub;
4. **Market Development** - to ensure that the widest range of screen product reaches and is appreciated by a diversity of audiences;
5. **Talent and Creativity** - to identify nurture, develop, support and progress Scotland's screen talent and screen production companies.

Scottish Screen has had significant success in driving forward screen policy in Scotland over the past thirteen years. However, the convergence of skills, technology, participation and finance, and the divergence of audiences and markets for the screen and wider creative industries, demands that public policy evolves to reflect a new and emerging world. Scotland's response to that new world is a new organisation, Creative Scotland, providing a once in a generation opportunity to refocus support for talent, businesses and audiences across the creative spectrum¹, including the screen industries. Creative Scotland will inherit Scottish Screen's roles and responsibilities (and those of the Scottish Arts Council) in 2010.

Scottish Screen welcomes this opportunity to respond to the questions raised by the Department for Culture, Media and Sport in its consultation on Sustainable news; in the Nations, locally and in the regions, as follows:

¹ The current definition of the creative industries used by the Department of Culture, Media and Sport includes 13 industries: Advertising, Architecture, Art and antiques markets, Computer and video games, Crafts, Design, Designer Fashion, Film and video, Music, Performing arts, Publishing, Software and Television and radio.

1. Do you agree that securing plural sources of impartial news for the Nations, locally and in the regions should be a key priority?

We agree that plurality is essential, not only at the UK level but also for Scotland. However, it needs to be stressed that securing plurality of PSB supply should not be restricted to news alone. It is abundantly clear that PSB needs much more than news coverage to fulfil its role in serving the needs of a devolved Scotland as a component Nation of the UK.

On this matter, we agree with the views expressed by Ofcom's Advisory Committee for Scotland in response to the Digital Britain Interim Report:

"The choices that are to be made – which are regarded as very important in Scotland - have a considerable bearing on the vitality of the creative economy in Scotland. They also have a profound relevance for the support offered for Scottish democracy through securing a plurality of news and journalism, which all the evidence shows is highly valued by the Scottish public. We take the view that it is essential both to reinforce the scope and scale of television and radio production north of the border and also to secure a diversity of information and cultural programming."²

We also note with interest the omission of England from the list of Nations in paragraph seven of the current consultation document on sustainable news:

"The Government believes that it is this plurality in news, a range of editorially independent voices, that remains important. It is vital that audiences have a range of trusted, independent and impartial sources of news from and about the Nations (i.e. Northern Ireland, Scotland and Wales), locally and in the English regions."³

The omission from this reference of England as a Nation – as opposed to the English regions – is significant in that it would appear to indicate an implicit recognition that UK news provision on the PSB networks *does* meet the needs of England as a Nation. The same is patently *not* true of a devolved Scotland, for example on important issues affecting people's everyday lives, such as health and education. As Scottish Screen stated in its response to Ofcom's PSB Review last year⁴, both the Scottish Broadcasting Commission's (SBC's) interim report on the Democratic phase of its investigations⁵ and the King report for the BBC Trust⁶ provide convincing evidence of the failure of PSB to

² Ofcom Advisory Committee for Scotland, Digital Britain – The Interim Report: A response from the Ofcom Advisory Committee for Scotland (ACS), 6 March 2009, at http://www.culture.gov.uk/images/publications/Ofcom_Advisor_CommitteeforScotland_DBIRResponse.pdf.

³ Department for Culture, Media and Sport, *Consultation on Sustainable news; in the Nations, locally and in the regions*, June 2009, par.7, at http://www.culture.gov.uk/images/consultations/cons_sustainableindependentnews.pdf.

⁴ Scottish Screen's response to Ofcom's 2nd PSB Review, Phase One, at http://www.ofcom.org.uk/consult/condocs/psb2_1/responses/ss.pdf.

⁵ Scottish Broadcasting Commission, *Interim Report on Democratic Phase*, May 2008, at <http://www.scottishbroadcastingcommission.gov.uk/Resource/Doc/4/0000393.pdf>.

⁶ BBC Trust, *The BBC Trust Impartiality Report: BBC NETWORK NEWS AND CURRENT AFFAIRS COVERAGE OF THE FOUR UK NATIONS*, June 2008, at http://www.bbc.co.uk/bbctrust/assets/files/pdf/review_report_research/impartiality/uk_nations_impartiality.pdf.

keep pace with the realities of a devolved Scotland. Consistent with the findings of these reports, separate research for the Scottish Government found that 54 per cent of respondents in an extensive survey conducted to assist the work of the SBC stated that they "sometimes" or "rarely" found it clear in UK news programmes whether or not a news item applied to Scotland.⁷

The level of Scottish viewer dissatisfaction with current PSB provision is also evident from Ofcom's recently published Research Findings for its 2008 PSB Review⁸. Ofcom's results indicate the following negative gaps between Scottish viewers' ratings of 'Importance' and 'Satisfaction' for the following PSB purposes:

PSB Purpose	Scotland			England
	Importance	Satisfaction	Gap	Gap
Its regional news programmes provide a wide range of good quality news about my area	79%	48%	31%	24%
Aside from news, it provides a range of good quality programmes about my region/nation, made for people in my region/nation	64%	31%	33%	28%
It portrays my region well to the rest of the UK	70%	30%	40%	25%

The 'Gap' data for England are also included in the above table, although it is important to note that these responses are in respect of individual English *regions* rather than England as a Nation and so should not be regarded as directly comparable. The Scottish findings in relation to 'It portrays my region [sic] well to the rest of the UK' are especially concerning and clearly do not reflect well on current provision of networking programming from Scotland.

Given the scale of the population disparities of England and Scotland, it would be unrealistic to expect that a single news service can adequately address this disparity. Major rather than cosmetic changes are needed to ensure that Scotland has a plural supply of high quality, impartial news provision.

Scottish Screen would also wish to see the current under-provision of Scottish news in the Borders region remedied as soon as possible.

⁷ The Scottish Government, *Public Attitudes to Broadcasting in Scotland*, 2008, at <http://www.scotland.gov.uk/Resource/Doc/222294/0059796.pdf> .

⁸ Ofcom, *PSB Review 2008 Research Findings*, p.120 & p.162, at http://www.ofcom.org.uk/consult/condocs/psb2_1/annex6.pdf .

2. Do you agree that sustainable, impartial news in the Nations, locally and in the regions is likely to require some top-up public funding?

The old ITV model which combined substantial advertising revenues with a strong commitment to the PSB ethos within a genuinely regional structure has gone: the longer term future of stv therefore remains uncertain. However, although Scottish Screen is not convinced that the current structure of PSB allows for sufficient accountability for longer term public funding of 'for profit' organisations such as ITV and stv⁹, we do recognise the short term need for plurality of news provision in Scotland and for public funding to enable this. The provision of any such public funding will need to ensure full clarity and accountability regarding:

- the calculation of any subsidy, separating direct and indirect costs, explaining the basis of any opportunity costs, etc.;
- full accountability; and
- clarity on quality standards.

We would also make the same points regarding the need for full clarity and accountability of public funding in respect of other news media organisations involved in any broadcast consortia bid.¹⁰ The need for impartiality also needs to be stressed as an essential element of PSB news.

We reject the proposition that the licence fee is the only realistic source of funding for this purpose. Current PSB provision is funded from a range of sources, including direct funding via the Department for Culture, Media and Sport for S4C, while revenues from the planned sale of spectrum following DSO are a further potential source. Therefore we do not have much to say in response to questions 3 to 8 of the consultation (see below), as we disagree with the premise on which they are based.

The SBC, Ofcom's latest review of PSB and the Digital Britain report all agree on the necessity of plurality of PSB provision. Having considered alternatives under various scenarios, we are convinced that the SBC's proposal for a dedicated digital network for Scotland is the optimal solution. One of the main reasons for arriving at this view is the uncertain future for ITV and stv as PSBs. ITV's recent pronouncements and actions would suggest that they are far from committed to maintaining their PSB status for much longer, a position which would be unlikely to change in the event of a takeover, for example by RTL. Whether or not such a takeover occurs, the possibility of an ITV takeover of stv cannot be ruled out, particularly against a background of:

- the dramatic decline in stv's market capitalisation;
- the "squeaky wheel" effect of the ongoing disputes between ITV and stv over networking arrangements and whether ITV effectively subsidises stv or vice versa; and

⁹ See below.

¹⁰ We note for example the reported interest of Johnston Press, DC Thompson and the Herald and Times Group in the Scottish news consortia pilot project; see Press Gazette, *Scottish newspaper publishers in broadcast consortia bid*, 18 September 2009, at <http://www.pressgazette.co.uk/story.asp?sectioncode=1&storycode=44343&c=1> .

- the eventual reversal of the recent negative cyclical effects (as opposed to the structural elements) of the advertising downturn, leading to a partial recovery in the TV advertising market¹¹.

Such a takeover – which stv would be bound to recommend to its shareholders if the offer delivered acceptable value – would inevitably see the disappearance of stv as a distinctively Scottish broadcaster. This illustrates the high risk and uncertainty associated with public investment into ‘for profit’ organisations in this arena. The core issue is not one of the acceptability of public funding¹², but rather of ownership.

We note that the UK Government appears to share our concerns on this matter, albeit expressed in the context of Channel 4’s future:

¹¹It should also be noted that the Office of Fair Trading has concluded that ITV still has persistent strengths in the TV advertising market in its recent advice that the Competition Commission should reconsider the Contract Rights Renewal (CRR) remedy:

- “Despite its general decline in market share, ITV1 still supplies the vast majority of mass audiences today although such audiences account for a lower proportion of overall viewing. This suggests that ITV1 may still be irreplaceable for some purposes.
- ITV believes that, despite their position in mass audiences, the same coverage and reach can be obtained without ITV1. There are, however, several weaknesses in the analyses presented which suggests that they cannot be relied on as conclusive proof that equivalent coverage and reach can be achieved without ITV1. Indeed, in some cases, the analysis seems to confirm that this is not always possible. The analyses are, however, useful for making comparisons. They suggest that there has been an increase in the amount of coverage and reach that can be achieved without ITV1 since 2003 and that ITV1’s advantage remains in delivering fast mass coverage in broad demographics.
- The CC also suggested that ITV1 may have other attributes which increase the quality of its impacts. Stakeholders have maintained that this remains the case today. Evidence suggests that ITV1’s audiences may be valuable for reasons other than reach or coverage, but again this seems to derive primarily from its provision of mass programming.
- Overall, therefore, evidence suggests that some advertisers remain dependent on ITV1 for access to mass audiences. We have little information on which advertisers require such access, although it is possible that many advertisers are dependent on mass audiences at some point or other. Neither do we have good information on the proportion of spend this represents. This makes it difficult to assess ITV1’s negotiation position.
- Nevertheless, on balance, it is our view that without any protection ITV’s negotiating position may be enhanced such that it could increase revenues on ITV1 to the detriment of advertisers and media buyers. Media buyers have grown in size, and substitutability has increased meaning that media buyers have more leverage than 2003 and the extent to which ITV can impose price increases on ITV1 has fallen, but this does not seem sufficient to fully offset ITV1’s position in mass audience programming. This means access to ITV1 is still required for a potentially wide group of advertisers and ITV’s threat to significantly worsen conditions for access to ITV1 for that spend still remains very powerful.”

- see Office of Fair Trading, *Review of the Contract Rights Renewal Undertakings: OFT Advice to the Competition Commission*, May 2009, pp. 89-90, at

http://www.of.gov.uk/shared_of/register_of_orders_and_undertaki/CRR-review/CRR_Review.pdf

¹² As Channel 4 illustrates.

“The Government has concluded that minority privatisation, even on terms that provided additional funding over the short to medium term, could not be assured of delivering the core public policy objectives over the long term.”¹³

So, although we recognise the short term need for plurality of news provision in Scotland and for public funding to enable this, we are convinced that the SBC’s recommendation of a new digital network for Scotland, as unanimously endorsed by the Scottish Parliament, should be the core element of PSB competition for the BBC in Scotland. Pragmatism and imagination – especially in relation to its funding - will need to be to the fore in achieving this outcome.

3. Do you agree that the Television Licence Fee should be used to support impartial news in the Nations, locally and in the regions in addition to BBC services?

We believe that more detailed evaluation of a broader range of funding options is required in order to answer this question - see 2. above.

4. Do you agree that any funding within a contained contestable element of the television licence fee not required for impartial news should potentially be available to fund other forms of essential public service content, or should such funding be limited to news?

No comment.

5. Are there alternative funding mechanisms that you believe would deliver the above objectives more effectively?

We believe that more detailed evaluation of a broader range of funding options is required in order to answer this question - see 2. above.

6. Do you agree with the proposal to set a maximum percentage of Television Licence Fee revenue which could be set aside as a contained contestable element?

No comment.

7. Do you agree that amending the BBC Agreement could provide the necessary protection to the BBC’s future funding and independence?

No comment.

¹³ Department for Business, Enterprise & Regulatory Reform and Department for Culture, Media & Sport, *Digital Britain – Final Report*, June 2009, p.19, at <http://www.culture.gov.uk/images/publications/digitalbritain-finalreport-jun09.pdf>

8. Do you agree that the use of any contained contestable element within the Television Licence Fee should be restricted to the public purposes set out in the BBC Charter?

No comment.

MK/KH