

A submission to Digital Britain

NEWS CONSORTIA - AN ANALYSIS OF OFCOM'S PROPOSALS

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Introduction

1. This report examines Ofcom's proposals for *Independently Funded News Consortia* ("IFNCs") to supply nations/regions news to ITV1 or another network.
2. The report has been produced for the *Digital Britain* team at DCMS/BERR. It relies upon information in the public domain and has not had access to confidential data from either Ofcom or any other parties.
3. The main conclusions of the analysis are set out below.

Conclusions

1. Ofcom's analysis of the costs and benefits of holding a public service broadcasting ("PSB") licence is not fit for purpose. If either stv group plc ("stv") or UTV Media plc ("UTV") handed back their PSB licences they would lose their right to access the ITV network schedule. It is not certain they would manage to secure access to replacement digital terrestrial television ("Freeview") capacity in their respective franchise areas. They would also lose priority in the TV listings ("EPG") on all platforms, forcing them to sit alongside niche TV channels. In addition, they would suffer fines and other costs. There is no serious question that for either stv or UTV to voluntarily surrender their PSB licences would be a suicidal course of action, destroying viable businesses. Ofcom's conclusion that the value to stv of continuing to hold its PSB licences is now approaching "*deficit*" is so flawed it is negligent.
2. Similarly, for ITV plc, its portfolio channels are relatively marginal to its core business, which rests upon ITV1 maintaining its current advertising yields and volume. If another commercial broadcaster were to pick up ITV plc's regulatory assets, the revenue it would lose from the resulting audience fragmentation is almost certain to be higher than the cost of producing nations/regions news for its franchise areas. This loss of revenue, together with the fines and other costs it would incur, suggest there is no realistic prospect of ITV plc surrendering its PSB licences early. Even if it were to do so, it is difficult to conceive of circumstances in which Ofcom would fail to identify other parties willing to take over the Channel 3 licences complete with nations/regions news obligations.

