



## ITN Digital Britain Submission

### Introduction

ITN is the biggest independent producer of public service broadcast news in the UK. It has nearly 55 years experience of competing with the BBC to provide high-quality and impartial news and analysis which reaches more than 10 million viewers and users every day.

This experience of producing ITV News, Channel 4 News and ITV London has given ITN the understanding of how to target very different audiences with programming derived from an efficiently shared cost base.

Our editorial culture values independence, impartiality, inclusivity, innovation and efficiency. ITN embodies Ofcom's definition of 'strong institutions with public service at their heart' whose economic future it seeks to secure.

ITN has also evolved into one of the UK's most innovative multimedia companies with skills and experience in producing news and other content in video-rich packaging for mobiles and broadband. No other media company has evolved the range of partnerships ITN has developed and few other companies have acquired the same breadth of experience in assembling material to drive web usage and reach audiences beyond traditional news consumers.

Our global reputation and strong relationships with key international broadcasters ensures our award-winning journalism reaches opinion formers and mass audiences worldwide, giving a British view on world events.

ITN has provided plurality of public service news since its foundation and is well positioned to be a major producer of public service content in any future PSB architecture. No other news organisation can build on the same history, skill sets and success in diversifying successfully to capture audiences in a multi-platform world.

### 1. Executive Summary

- ITN has the size, scale and commitment to help shape the new PSB architecture. It will actively seek to supply broadcast and multi-platform news and other content to the new PSB organisation which emerges from the current discussions.
- Our existing customers ITV and Channel 4 are strongly committed to their national and international news services. But threats to commercial broadcast revenues and potential gaps in Channel 4's funding are likely to place a strain on the budgets for ITV News and Channel 4 News.
- Further risks arise from the heavy integration between ITN's national news services and ITV regional news, which currently includes shared content and newsgathering infrastructure. A reduction in regional newsgathering could lead to the diversion of ITV and Channel 4 resources at the expense of national and international news
- The search for a new model to provide independent regional news is an opportunity to create an improved public service by utilising ITN's broadcast and digital expertise in the UK's regions and nations. This is also an

opportunity to strengthen ITN and support provision of national and international news by increasing its scale and viability.

- We believe our key strengths are ITN's editorial independence and its commercial imperative to maximise efficiency. This suggests that ITN could be best situated outside a new public service organisation. However, ITN has adapted its ownership model in the past and our shareholders view this new phase of media policy with an open mind about the future role of ITN.

## **2. ITN at the heart of PSB delivery in a digital world**

The Digital Britain Interim Report looks at creating a sustainable public service organisation which builds on the strength of Channel 4 but revitalises and broadens its remit. It also sets out a requirement for multi-platform content delivery and for sustainable delivery of regional news in the future.

We recognise both the threats and the opportunities identified by the report and in Ofcom's analysis of public service broadcasting. Channel 4 has stated publicly that, without new sources of funding, it is unable to sustain its current level of PSB programming - including Channel 4 News. ITV's position on regional news is well-documented. Its Executive Chairman Michael Grade also addressed the future of national and international news in evidence to the House of Lords, saying it could not be guaranteed forever.

It is clear that there are no certainties for our commercial PSB customers at present, and the severity of the advertising downturn is forcing a wholesale reappraisal of the future for broadcasters and newspaper groups. We note that Lord Carter and Ed Richards have both said in recent days that more radical solutions might be required. We are prepared to move quickly to adapt the analysis we have set out in this submission should circumstances require. Our proposals should not be taken as final and unmoveable.

We recognise that the scope of Digital Britain directly covers one of our key services - for Channel 4. But we also make clear in our analysis that our current successful production model draws heavily on the synergies between Channel 4 and ITV News, and with ITV's regional news, with whom we share content and infrastructure. We explain in some detail how this integration works because it is important to recognise that threats to independent regional news could also have serious implications for our national services. We make proposals for ITN to have a major role in the provision of regional news for two key reasons:

Firstly, we believe this is the best way to continue to serve audiences across the UK with high-quality independent regional news and news in the nations. Secondly, we see this as a significant opportunity to strengthen the model that has produced high-quality national and international news on ITV and Channel 4.

Our analysis of ITN's potential relationship to a new public service organisation is based on two main issues - maintaining the independence of public service news and preserving the incentives to innovate and work efficiently that characterise our production model and existing services.

We believe our audiences receive significant value from ITN's editorial independence. ITN operates on a commercial basis and does not currently receive public funding either directly from government or from the licence fee to support our news services. We believe the freedom from a constant need to engage with

governments of all shades over future funding, allows our journalism greater freedom to challenge consensus, provoke debate and ensure a diversity of views and opinions. We have huge regard for the news services produced by the BBC, but we note that audience research tends to characterise the BBC as the 'official' or 'establishment' view of the world. In contrast, both ITV and Channel 4 News audiences recognise and value our independence and diversity of voice. Sometimes competing interpretations of impartiality can arise - as the recent debate over the DEC Appeal on Gaza illustrated - but we believe these differences are healthy and prevent a monolithic view of the world emerging.

This is especially important at a time when government is placing great emphasis on the importance of social cohesion. Our services reach different audiences from those reached by BBC News. ITV News tends to appeal to a demographic who might not otherwise watch television news. Channel 4 News has a strong following with ethnic minorities. Our ability to appeal to this diversity of audiences and to help keep them within the mainstream of British public life is an important justification for our continued editorial independence.

It is also probable that the structural difficulties affecting the UK's media will lead to greater concentration of ownership amongst newspaper and media groups at national, regional and local level. This will put greater pressure on the capacity to create British content for British audiences. Meanwhile, the security of income for the BBC is allowing it to increase its share of public service funding which, without further public policy intervention, is likely to increase its share of news audiences. We believe that both these developments could narrow the range of public debate, with unfortunate consequences for democratic participation and social cohesion.

In summary, we believe that the continued editorial independence of our services should be a priority for policy-makers, and also that to receive public money directly could risk compromising that independence.

The second key element of our analysis centres on the need to preserve our incentives to innovate and work efficiently. We set out in this document how ITN has led news broadcasters in the introduction of digital technology and flexible working. This has required considerable investment from our customers but has allowed them to benefit from lower production costs without compromising quality.

We believe that ITN's commercial status has been fundamental to this commitment to efficiency. We have a duty to our shareholders to make profits. But we also have strong and enduring loyalties to our customers and to our viewers to make the best possible news programmes. These imperatives are successfully incorporated, in our view, in our existing contractual relationships with Channel 4 and ITV, and we strongly believe that all contracting parties benefit.

If a new public service entity contained some element of public funding, we believe it would want to achieve the same balance between maximising efficiency and maintaining high-quality. In particular, it will face new demands for accountability and transparency; being able to demonstrate to the public that money is well-spent will be a fundamental requirement. One way to achieve this would see the new entity commissioning content from independent suppliers through the same kind of contractual relationship that ITN has currently with its core customers.

In summary, we believe maintaining commercial imperatives within the new entity's commissioning structure would help guarantee that public money is spent efficiently.

Taken together, these two key priorities, of editorial independence and maximising efficiency, suggest that ITN would be better situated outside a new public service entity. Long-term contracts - to allow for regular significant capital investment - could be offered on a contestable basis for the provision of national, regional and potentially sub-regional or local news in the nations.

However, ITN and its shareholders would certainly consider other models of engagement. Our ownership structure and the composition of ITN has changed significantly over time, and we have demonstrated great adaptability and willingness to change. To protect the public services we provide, we know we may be required to do so again.

We do not yet know who or what might make up the entity, whether it would have public or private status or both, or what its funding model might look like. Our business could have some potential synergies with proposed entity partners and we would approach these with an open mind, as we would any potential opportunity.

We understand very clearly that assumptions are changing rapidly both in the commercial media industry and in terms of public spending and public policy. We are ready to work with Ofcom, DCMS and other partners to develop a response that protects the public value of our services.

The next section will look at the new challenge of managing regional news.

### **3. Regional News**

ITN firmly believes in the value of regional coverage. We endeavour to put people at the heart of our journalism, to make our stories as relevant as they can be, and regional and local news is often the most relevant of all.

Moreover, the news currently gathered regionally and in the nations by ITV newsrooms forms an important part of the content on ITV and Channel 4's national services. Our sharing of content and infrastructure with ITV allows ITN to focus its resources on big national and international stories, whilst ensuring that our viewers won't miss out on stories that our own cameras can't get to. The viewers of ITV National News and Channel 4 News have a powerful vested interest in the continuation of a strong, independent PSB news service in the nations and regions.

We do recognise that viewing habits are changing, and that audiences are finding new ways to consume our content. We have pioneered the launch of new digital services on mobile and broadband, and introduced new low-cost models of production to support these. We lead the way in combining new digital production technology in our newsrooms with more efficient ways of working using multi-skilled, multimedia production teams.

We want to bring this vision and energy to the production of regional news content. We believe that the immediate focus must be on creating a sustainable base to support regional news on television, for that is where the audience is, and, in our view, will remain for some years. But we now have a window of opportunity to find ways to deliver similar public value through online services based on independent, impartial and inclusive coverage. We believe there is a public interest in encouraging audiences to use new online services with the same values and avoid a drift away from civic engagement and a cohesive society.

We have a flexible and open approach to these challenges, and have demonstrated that we can work with many different partners, public or private, news or non-news, broadcast and non-broadcast, regional, national and international to develop successful services.

We have identified some key principles that we believe should be central to the discussion about a new model of production for PSB regional television news and online services.

**Firstly, the content itself must be of public value.**

There are a number of different ways to assess this, one of which is the value that the public itself puts on independent regional news. Ofcom commissioned audience research for its PSB Review which suggested that viewers regard regional news of more social importance than any other TV content except national news. They also regarded it as more important to their household than comedy, soaps and sport. (*Assessing the likely impact of ITV's Regional News Proposals – Essential Research, June 2008*).

We also believe that the provision of independent, impartial news on television continues to have significant democratic value. The Electoral Commission's report on the 2005 election stated that '*almost 90% of people used the television as their main source of election news*'. Whilst the importance of online news to political campaigning will increase in future elections, we believe that television will remain the best way to reach large audiences of voters for some time to come.

The continuing size of the audiences for television news allows programmes to fulfil a number of important democratic functions:

- Ensuring political information reaches large numbers of people
- Representing the opinions of a range of communities, organisations and political groups
- Communicating to a wide and diverse audience to build shared understanding
- Building an inclusive society through coverage of minority issues
- Holding those in power to account
- Enabling citizens to see, hear and interact with their political leaders
- Providing a forum for debate

Regional news programmes are recognised by politicians of all parties for their value in election campaigning. They allow more discussion of local issues, and for closer examination of policies as they apply to the individuals in a particular area. We believe that a significant amount of content local to the viewer in any programming will continue to be required if this democratic role is to be fulfilled.

Regional news also has significant value for conveying important information to a large audience at times of emergency or national crisis. On these occasions, the integrated structure of the current ITV Regional news network also allows for additional newsgathering resources to be sent to the affected area.

For example, on 7<sup>th</sup> July 2005, the Editor-in-Chief of ITV News (an ITN employee) was able to request neighbouring ITV Regions to redeploy satellite trucks to the London area. These extra resources allowed ITN to produce an enhanced service for viewers of the regional news in London. It also enhanced the ITV National News and Channel 4 News services, both of which produced additional programming. Similarly,

when serious flooding affected the West Country in 2007, important information was disseminated via regional television news. Neighbouring regions redeployed satellite vehicles to assist with live coverage to feed back immediate pictures from the most affected areas.

**Second, public money should only be used to support the production of regional television news where the market will not provide it.** ITV's assertion that regional news will be unsustainable in the near future suggests this is almost a reality.

**Third, we think any model must acknowledge the reality of competition from a well-funded BBC.** Broadcasting and online media are highly competitive environments where new content is just a click away. ITN has always competed vigorously, principally against the BBC, and has made up for an imbalance in resources by encouraging innovation and efficiency. That imbalance is going to grow further without public policy intervention, making it harder to offer news content that can compete with the BBC. This in turn creates a risk that viewers and users will see a quality gap emerge and switch or click away.

The 2003 Communications Act gives Ofcom the responsibility for ensuring that the national and international news provider for Channel 3/ITV has sufficient resources to '*compete effectively with other television news programmes broadcast nationwide in the United Kingdom*'.

We believe a similar principle should exist with regard to regional news and news in the nations. A service with comparable resources will maintain viewers and justify the rationale for providing any public support. There is some evidence in the research commissioned for Ofcom's PSB Review (*Assessing the likely impact of ITV's Regional News Proposals – Essential Research, June 2008*) that viewers believe independent regional news could be stronger. As a consequence, we believe that Parliament should consider extending Ofcom's remit to allow it to fulfil a new responsibility for ensuring that regional news providers '*compete effectively with corresponding television news programmes broadcast in the United Kingdom's nations and regions*'.

**Fourth, any model should recognise that scale of production is a necessary component to produce an efficient, high quality, universal service.**

In our view, this applies at both a national and a regional level. Any policy solution should encourage scale in content sharing, production technology, newsgathering, and support systems (e.g. health and safety, legal, compliance, etc.)

**Fifth, any new model should have as a key objective the ambition to develop new talent and new production companies in the nations and regions.** Commissioning structures and budgets should incorporate this objective and offer production support to maintain and enhance quality.

We believe the proposals we have set out below – for ITN to take over the production role currently filled by ITV Regions - meet these criteria.

#### **ITN's Proposals – 'More Local, More Available, Better News'**

Ofcom and the Government have indicated that funding could be made available to sustain regional news programming under the new PSB organisational structure. ITV has made clear that it cannot sustain funding of regional news beyond 2012, but has

said it is willing to continue to make time available within the ITV1 network schedule for regional news programming on a similar scale to today.

ITN is ideally positioned to take over operational management and development of broadcast and broadband regional news in competition with the BBC. Such a service should have a commitment to serious regional and local political coverage as well as to regular breaking news. Above all there should be a focus on developing new regional and local partnerships which could inject new dynamism and innovation into multi-platform news delivery and greater engagement of communities in regional and local affairs via interactive broadband services.

ITN would commit to operating the most extensive multi-media regional news organisation after the BBC, able to compete head-on with the BBC in terms of reach, timeliness and quality of output.

We offer a vision which will sustain and enhance the public value of independent public service news in the nations and regions, and stimulate the development of new digital services.

The opportunity here is to help inject new vigour and excitement into regional and local affairs. Cross-promotion from television to broadband websites leads audiences not only to broader sources of information but to locations where they can engage actively in debate about issues of concern.

ITN is uniquely placed to build partnerships and become the accountable catalyst for innovation in this sector, pulling together local press and regional television under its umbrella to gather video news for local websites, local television opt-outs, mobile services and other online outlets.

We would develop multi-platform regional and local news production and would seek a range of appropriate partnerships to assist in newsgathering and distribution. These partnerships could include local or regional newspapers, radio stations and digital TV producers.

Strong partnerships of this kind would be the ideal way to provide the infrastructure and capabilities to successfully develop attractive web and digital TV propositions on a local level. This sort of collaboration would provide an economically viable framework for provision and also offer a policy solution to help protect local newspapers.

ITN is setting up a new business unit, ITN Regional, to develop its strategy for operating regional news programming and to pursue further dialogue with potential strategic partners.

In a market where suppliers of content are increasingly diverse, it will be important to identify a 'keeper of the brand' responsible for maintaining the integrity and quality of the product. Given ITV1's need to deliver true mass audience reach head-to-head with the BBC, we understand that continued access to network schedule will depend on delivery of programming with production values, presentation and reporting skills which are compatible with the requirements of a mainstream television network.

ITN would be able to continue production of broadcast-quality regional news programming which would be of a high standard, acceptable to the ITV network and also meeting ITN's established editorial standards.

We would be prepared to take over much of the current ITV regional news infrastructure, but only if we retained flexibility to establish other cooperative arrangements in some locations in order to achieve the greater newsgathering reach and cost efficiencies that can be obtained through key partnerships.

We believe that it is preferable that this service should continue to run on the ITV network, to build on the existing historic brand loyalties and maintain the sizeable audiences. But the model we put forward could be broadcast on other channels, and has sufficient flexibility to allow the devolved nations to produce more substantial integrated programming including a mix of their own news with other national and international stories supplied by ITN.

These are the key elements of our proposals as far as they affect the English Regions. Insofar as ITV Wales is currently part of ITV Plc, we have included it in our proposals for ITN to produce regional news coverage for ITV1. But we have also commented separately and in more detail below to offer additional ideas for developing independent television news in Wales.

We cover Scotland and Northern Ireland separately in our proposals for the devolved nations.

Should Digital Britain wish to explore these ideas further, we would need to have more detailed discussions with our existing customers to ensure that the integrity and value of their own services is maintained in any new model, and that any sharing of content and infrastructure beyond the existing ITN model is of mutual benefit.

### **Budgetary Assumptions**

We noted the request from DCMS in its letter of 17<sup>th</sup> February to support proposals with financial analysis. Unfortunately, this has proved extremely difficult for us to achieve. This is partly because of the tight timescale, but also because the budgetary information in our current contracts with ITV and Channel 4 is subject to commercial confidentiality.

Any budgets we produced to support our new proposals would be commercially sensitive, and of potential benefit to our competitors. As a result, we have limited ourselves to setting out some general assumptions that we believe may assist this process. We are of course able to discuss budgetary assumptions in greater detail in bilateral discussions, should this be deemed useful.

Ofcom itself has suggested that replacement funding to provide news for the devolved nations and the English regions could be £30-£50 million. This is broadly consistent with the figures presented by ITV Plc, but crucially would be contingent upon the editorial specifications for each service. Increasing the number of live regional programmes to pre-2009 levels would clearly have an impact on costs.

ITV has recently invested millions of pounds in digital production equipment, including editing, graphics and cameras. Purchasing this equipment from ITV would potentially reduce start-up costs somewhat. Furthermore, broadcast production in particular is technology-led, and ITN invests money every year to ensure its services remain competitive in the ability to broadcast live and cost-effectively. Future funding must allow for regular capital investment.

Transmission costs are currently borne by ITV, at national, regional and sub-regional level. Should new services continue to be broadcast on ITV1, it is unclear where transmission costs would lie.

Accommodation costs are a significant component of the cost of regional news. They will vary significantly from region to region and will also depend on whether there are continued synergies with ITV, other broadcasters or indeed other potential non-broadcast partners.

We note that the BBC has made partnership proposals *'to deliver potential benefits to the commercial PSB's'*. (BBC Trust December 2008). These cover sharing footage, infrastructure, technology and support services.

ITN works closely with the BBC at a national level to share content when appropriate. There is currently a contractual agreement which allows ITN to share footage from the BBC helicopter. Regular pooling arrangements also exist on major stories which include sharing pictures, cameras and satellite trucks.

We would be very interested in discussing how this might operate at a regional level and believe it could bring some efficiencies in newsgathering costs. Limits exist, however – in our experience sharing interviews, for example, can defeat the principle of plurality. We need to be able to ask our own questions of interviewees or we can no longer offer an independent and differentiated service.

We would also wish to examine any ideas the BBC has for sharing infrastructure such as premises and production equipment. We arranged reciprocal visits to the BBC and Channel 4 multimedia newsrooms in 2008. These revealed that both parties could learn from each other. The BBC has had the experience of integrating news channels and an online news operation with the flagship bulletins. ITN has pushed ahead with efficient multi-skilled working amongst flexible teams. If a regional partnership could bring new benefits without losing us these efficiencies, we would welcome constructive engagement with the BBC.

In summary, we believe the proposals we set out below are broadly consistent with the funding assumptions made by Ofcom. But until it's clear on which channel these services would be broadcast, and therefore what transmission and accommodation costs need to be included as part of the annual running costs, we cannot be any more precise.

ITN has also examined a range of ideas for lower-cost production models for regional news and content. We now have considerable experience of producing television news channels for ITV and Setanta, and 24/7 digital services for mobile and broadband. We know we could apply these models in the regions and the devolved nations, and have already discussed some commercial options with newspaper groups.

We do however believe that any publicly-funded independent regional news service must be able to offer comparable quality to the BBC or else risk losing audiences and thereby the justification for public funding. They must also offer something that the market cannot fund, and they must not stifle innovation and entrepreneurship. We recognise the responsibilities that go with being the trustees of public money, and we would not want to offer a product that was not perceived to be high-quality and deserving of public support.

## **Regional news programming – key objectives**

As outlined, our proposal assumes funding of between £30m and £50m and the commitment from ITV to make available the same schedule slots on the ITV1 network for regional programming as exist today. Though small in terms of overall public spending, the difference between those two figures for a news organisation is significant. We would be less able to deliver high quality content at the lower end of that range, and that in turn could impact on ITV's willingness to make part of its schedule available.

Operating at this budget level, ITN would maintain the existing 9 regional programmes and late bulletins in England and Wales (Wales, London, Granada, West, Thames/Meridian, Yorkshire, Central, Anglia & Border/Tyne Tees).

ITN would regard the current sub-regional structure allowing opt-outs in 6 of the 9 regions as the minimum level of sub-regional coverage. (3 areas have 15 minute opt-outs, 3 have 6-minute opts.). Our ambition would be to extend the amount of sub-regional and local content to increase the duration of these opt-outs, subject to achieving the necessary funding through new synergies and efficiencies.

ITN would run core newsgathering and production in each of these regional hubs, maintain a national network of satellite trucks and shared digital infrastructure, which would in turn facilitate continued content-sharing between regions, nations and the national services produced by ITN for ITV and Channel 4. We would merge this with ITN's own digital infrastructure which includes a network of satellite trucks, technology for transferring video, audio and text content, and 24/7 engineering support.

We would seek to establish a Local Production Fund in each of the regions, with a ring-fenced budget, to commission video content from local suppliers, including newspapers and independent production companies. ITN would provide production support and training to maintain quality and ensure the content is consistent with the brand values of the news service. This would function in a similar way to the Channel 4 News Independent Fund (see below).

By working closely with these Local Production Fund partners, synergies could be identified to reduce newsgathering costs, including by co-location of local journalists and shared technology. Similarly, we would also look to work with the BBC to identify opportunities for sharing infrastructure and newsgathering costs whilst preserving an independent editorial approach.

A key focus would be to ensure that the news agenda covered important local political issues, including business, crime, health and education, as well as sport and weather. Our infrastructure means we would also be able to provide coverage of regional political stories originating in Westminster or requiring Westminster content from an integrated newsroom in Millbank.

ITN would also work with Ofcom and local stakeholders to establish new methods of accountability and transparency at a regional and local level.

The additional news content that ITN would produce would be available to our commercial archive ITN Source. It would also be freely available to Channel 4 for use in documentary, current affairs and factual programming as per the terms of our current contract, creating more public value. Where we could secure commercial

revenues, these would strengthen the overall business model for regional news production.

## **Digital Services**

ITN would ensure production of news content for each region through the day, delivering text/stills/video products designed for websites and mobile devices.

Partnerships with regional newspapers groups have already been discussed in detail. ITN has a blueprint for cooperation which would enable it to help build video production capability with selected publisher partners which are developing video and other multi-media content for their own websites. This could be a way of anchoring some regional news production within other media organisations and achieving cost savings which could be diverted into coverage.

ITN already has extensive experience of working with newspapers, delivering news feeds to websites covering breaking news, entertainment, sports and lifestyle. It also has a partnership with the Daily Telegraph, involving ITN producing much of the video content on the Telegraph website, which is a potential model to be followed at a regional level or local level.

ITN pioneered delivery of video news to mobile phones and is on every UK mobile platform with video content today. ITN is also a leader in web news: ITN's news channel on YouTube is consistently among the top 10 channels and usually rated ahead of the BBC. ITN's video news is among the most heavily used content on MSN and Yahoo.

ITN would increase the amount of regional news content available online with the provision of more text written by regional journalists and increased video content. We would use blogs and social networking to increase the participative value of this content, to engage people in political and other local issues.

We would ensure that broadcast newsrooms at each of the regional hubs became multi-media production centres, developing online skills amongst the existing broadcast journalists. This is the model we are following in our national newsrooms.

ITN also believes there are significant opportunities to use local production hubs to create non-news content for local public service providers. ITN already produces broadcast and online news services for Teachers TV to give teachers on the ground a greater insight into key education issues. Engagement with primary and secondary school pupils is achieved through our partnership with Espresso Education on a weekly news bulletin tied into the national curriculum. ITN is also involved in discussions to create content for regional health authorities. Local production could benefit the local creative economy and stimulate new talent, whilst still benefiting from ITN's economies of scale and expertise.

The market for online and digital news services is still immature and undeveloped, particularly at the local and regional level. It is unclear what services the market will be able to support and fund, and the current recession in advertising makes it even harder to make judgements about where public intervention will be justified. These issues were examined in detail by Ofcom in its Market Impact Assessment of the BBC's plans for local video services. This stated that:

*1.4 Overall, we conclude that the launch of the proposal would have a significant negative market impact on commercial providers. We expect the impacts on these*

*services, as they are currently provided, to be no more than about 4% of annual revenues. However, our main concerns are about the effect of the BBC's proposal on future commercial innovation in online local news, sports and weather services.*

ITN welcomed the BBC Trust's decision not to approve the launch of these services and believes it's still too early to justify significant public intervention by the BBC to develop new services. On that basis, it is our view that the new independent public service organisation must act with similar caution in the provision of online services.

Furthermore, we also recognise that in the short term, public opinion would be more likely to support an increase in the minutage for sub-regional content on regional news, and raising the quality of the existing television services broadcast on the ITV network.

We do believe though - as a significant provider of digital content to websites and mobile services – that there should be a strategy for increasing the provision of independent regional news in digital media. We recognise the generational shift in the way content is consumed – including news – and believe that we must ensure regional news is accessible. We also believe it has the potential to engage users in interactive debate about public policy matters.

### **News in the Devolved Nations**

ITN has long-standing and close partnerships with the Channel 3 franchise holders in Scotland and Northern Ireland, and with ITV Wales which is part of ITV Plc. We have shared content and newsgathering infrastructures with UTV and STV for many years. Furthermore, since ITV National News scaled back its bureaux in Belfast and Glasgow, it has relied on UTV and STV for reactive coverage of breaking news events, as has Channel 4 News. In return, these broadcasters can access picture gathered by ITN, and they are both part of the wider ITV content-sharing group.

These relationships are very important to ITN. They inform our editorial coverage, and critically allow for immediate coverage of events in Northern Ireland, Scotland and Wales. Without these agreements, ITN would have to divert resources spent on original or international coverage. Both we and our viewers have a stake in the future provision of independent public service news in the devolved nations.

We believe there is the potential to build new relationships which could meet the ambition of the devolved nations to maintain independent news coverage, and which could be integrated with ITN's national and international news coverage.

### **News for Wales**

We agree with the view of the Welsh Assembly in its response to Ofcom's PSB review, which sees *'plurality in television news as an essential element of the PSB framework in Wales as well as in the rest of the UK'*.

We agree too that the first preference for maintaining regional news coverage in Wales should be on ITV1 as we indicated above. The Assembly calls for financial incentives to ITV to maintain slots for news and current affairs, which ITN would support. It suggests that news programmes *'could be produced by a third party and channelled via a funding organisation based in Wales'*.

Many of the points made previously with regard to the English Regions also apply in Wales. Scale of production is important to maximise both efficiency and quality. The

current ITV model of content and infrastructure sharing across regions and nations helps to deliver this, and we have recognised that in our proposal for ITN to take over the operation of news services in the English Regions.

We believe this proposal could also work effectively in Wales, but we recognise that the Welsh Assembly's stated aims to offer *'a wide range of programmes including drama, comedy and other programmes reflecting distinctive aspects of Welsh culture'* suggest the potential for developing a broader production base.

Should that option be chosen, ITN would cooperate closely to maintain the benefits of content-sharing with neighbouring regions and a shared infrastructure.

In particular, we believe our proposal for a Local/National Production Fund in each regional hub offers a mechanism to commission high-quality content produced by local independent production companies or newspaper groups. This is intended to develop new talent and new businesses and could benefit the Welsh creative economy.

We also believe there is a potential for integrated news programming including Welsh, UK and international news. ITN's digital infrastructure allows for file-transferring of our national and international reports which could then be integrated with Welsh coverage in a programme broadcast from Wales.

Finally, we have noted the BBC Trust's offer to provide English-language news to S4C. We believe that were such a proposal to be adopted, it would miss an opportunity to strengthen plurality of coverage in Wales. Were ITN to be involved in producing news for Wales on ITV1, then we believe we could offer a high-quality distinctive service to S4C maximising economies of scale.

### **News for Scotland**

The Scottish Broadcasting Commission has carried out an in-depth investigation which examined the future of independent news provision in Scotland. This articulated concerns that the current system *'has under-provided Scottish content and in which the level of plurality in news but more particularly non-news has been drastically cut back over recent decades'*. (Submission to Ofcom PSB Review from the Minister for Europe, External Affairs and Culture – The Scottish Government)

The Commission said that *'a new Scottish network consisting of a digital channel and online dimension is the appropriate solution to plurality in public service broadcasting'*. This would be in addition to Channel 3 and complementary to Channel 4.

We note too that STV – with whom we have worked closely for many years – has called for the federal model of ITV to be retained, and for direct funding of regional news to address declining ad revenues.

ITN could work with either or both models of public provision of independent news content in Scotland. As we have stated earlier, we believe account should be taken of the value of scale, and of content and infrastructure-sharing both within Scotland and across the UK. We believe our reputation for high-quality news, our experience of newsgathering over many decades, and our leadership in digital production would make us a strong partner.

There is the potential for integrated programming including Scottish, national and international content. It would be possible to insert ITN news stories into a running-order and agenda that reflected the editorial requirements of a Scottish rather than a UK audience. We could also discuss the possibility of accessing our correspondents in the UK and overseas for live contributions into an integrated Scottish news. We would need to seek approval from our existing customers where this involves using staff dedicated to their bespoke services, and to find a funding model that supported additional programming.

Should there be a desire to involve ITN in the production of broadcast or online news in Scotland, then we would suggest our ideas for a Local/National Production Fund and for cross-media partnerships could be successfully employed. We would welcome the opportunity to produce content specifically for Scottish audiences.

### **News for Northern Ireland**

Independent regional news in Northern Ireland, produced by UTV, the ITV franchisee, is a high-quality product which has strong viewer loyalty and a greater audience share than BBC Northern Ireland. ITN would support attempts to maintain this quality, and we continue to enjoy a close partnership with UTV. As stated above, ITN relies on UTV for reactive video of breaking news stories in Northern Ireland and shares its own content and newsgathering infrastructure. We would like this relationship to continue and note that it allows both ITV News and Channel 4 News to focus their own resources on original and international coverage.

We see similar potential to that outlined above for integrated news programming producing Northern Irish, UK and international coverage for a Northern Irish audience. We would be willing to explore this further or to find other ways in which we could support news for Northern Ireland to ensure it continues to benefit from existing synergies.

## **4. Strengthening the ITN Production Model**

ITN is one of the UK's leading independent producers of public service news content. We want to become the leading independent producer of public service content – news and non-news, broadcast, digital and online – in the post-DSO world.

The core values of ITN are public service values. Our ethos is the provision of independent, impartial, innovative, universal, high-quality news and other content. These values originate from our enduring relationships with our public service customers, their news brands and their audiences (viewers, listeners and online users). These values are held with conviction and passion by our journalists.

ITN embodies Ofcom's definition of a strong institution which has public purposes at its heart. ITN has continued to underpin its commercial diversification with a public service agenda. It has become a co-shareholder in Teachers TV and produces educational news for the channel and its interactive website. ITN is also a shareholder in Espresso, the supplier of digital education content and teaching systems to more than 10,000 primary schools. ITN's development of news products for web platforms including Yahoo, MSN, YouTube and Google has made news accessible and attractive to younger people who might otherwise never look at newspapers or TV news programming.

Maintaining contracts with both ITV and Channel 4 provides us with the scale to compete effectively on costs and quality with the BBC and Sky News, to the

continuing benefit of our audiences. This scale is founded on a content-sharing partnership (which also includes ITV regional news), shared production facilities and a shared regional, national and international newsgathering infrastructure.

The ITN business model provides a template for building a production base for high quality news and current affairs, news in the Nations and regional news, and a continuing contribution to innovation and diversity as defined by the Digital Britain team in its letter of 17<sup>th</sup> February 2009.

The ITN model has proved its public value over time, with considerable benefits to UK audiences. It has also given ITN a global reputation for high-quality newsgathering, which in turn has secured revenue-generating partnerships with international broadcasters such as CNN and NBC. It has allowed ITN to build new businesses that generate revenue outside the UK, including our digital archive ITN Source, ITN Consulting and our documentary arm, ITN Factual.

There is a significant opportunity to strengthen that business model by extending it from the provision of national and international news to regional news and news from the devolved nations.

In summary, the government's commitment to universal broadband services should be matched by a commitment to provide a universal and free service of independent, impartial television news, broadcast and online covering all UK nations and regions. This is what current news services have delivered in an analogue environment, and we believe it has made a vital contribution to citizenship, social inclusion and diversity.

### **ITN and Public Service Values**

ITN has been producing impartial and independent news for ITV since 1955 and Channel 4 News since 1982. Our editors, journalists and technicians share an ethos for high-quality public service content, independent and impartial. They are committed to serving an inclusive audience and have pioneered on-screen diversity. They are competitive, efficient and innovative, and they share an extraordinary confidence in the value of their product. They have a vocational commitment to news, in the profound belief that their job is to find things out, to let the public know, and to hold the powerful to account.

They revel in competing with the BBC and Sky News and believe that independence and passion are key to delivering the best possible product for their audiences. This is a precious culture, which continues to influence other news broadcasters both here and abroad.

ITV News reaches 8 million people each day, many of whom might not otherwise see the news at all, let alone watch bulletins that will lead on Zimbabwe for a week because they believe it's an important story. This is the people's news, balancing the need to be relevant to the lives of its millions of viewers with an editorial imperative to tell people what's important, however difficult or challenging that may be. ITN also brings the same values to its London News service for ITV.

After the BBC, more people get their news from ITV than any other supplier. What they get is impartial, engaging and motivated by a sense of duty and citizenship. Public service values; supported by commercial flexibility and innovation.

Channel 4 News fulfils a particular role in the broadcast ecology. Independent,

international, provocative, challenging consensus, and bringing a mainstream, inclusive agenda to a diverse audience. This is a programme which is driven by a commitment to provide original journalism with high production values, to engage a younger audience in a contemporary style. It shares ITN values with its colleagues in ITV News, but has its own distinctive set of Channel 4 News values.

### **The ITN Business & Production Model**

Producing public service news for ITV and Channel 4 is the very rationale of ITN. For most of its staff, this is what ITN is for – independent news. These contracts – a direct consequence of public policy even though they are indirectly funded through advertising - provide around 60% of the company's revenue. The key contracts include ITV National News, ITV London News, Channel 4 News (including More 4 News) and Setanta Sports News.

ITN employs nearly 500 journalists and technicians to produce these news services. Working closely with its customers, ITN was the first news broadcaster in the UK to convert its national newsrooms to digital production facilities. It has pioneered multi-tasking amongst its production teams, enabling it to deliver a high-quality product in the most efficient way. This early digital conversion allowed ITN to pioneer new digital services on mobile and broadband. This production model continues to lead the industry in delivering quality and efficiency.

In 2008, ITN created new multimedia newsrooms for both its major news services, with an investment of several million pounds from ITV and Channel 4. Central to this process was the introduction of a new file-based digital production server which allows for high-quality broadcast and online production. This makes it much faster and more efficient to take video content and upload it online, and in higher quality. It demonstrates the synergies that can be achieved in producing broadcast and online content from the same newsroom.

This new system uses technology produced by the American company AVID, which is also used across the whole ITV Regional network. ITV National and Regional newsrooms and Channel 4 News thus use the same digital production tools, the first time this has ever happened. They also use the same newsroom computer systems for processing incoming wire-copy and data, creating running-orders and writing scripts. This allows video, audio and text content to be shared efficiently, and also allows journalists to work in any newsroom in the wider group. It gives the wider group greater purchasing power to give customers better value for money. For similar reasons, ITN also uses same cameras as ITV Regional News.

ITN has a deep relationship with the ITV Regional News services. It's based on a principle that content is shared, including with Channel 4, on a reciprocal basis. This allows ITV National news and Channel 4 News to offer the widest-possible UK coverage, without having to invest their own resources in a network of domestic bureaux. In return, ITV Regions are allowed to access ITV National and Channel 4 News content. Teams from all three services work in a collaborative fashion when newsgathering to avoid duplication and maximise the amount and variety of content gathered. ITN's own regional teams, which both ITV and Channel 4 News possess, work from ITV Regional newsrooms to minimise costs and enhance cooperation.

Another aspect of this relationship allows mutual use of ITN and ITV Regions satellite trucks, in effect creating a network from Plymouth to Glasgow. This shared network and sharing of content allows viewers and users in the West Country to see and use content relevant to their area that may have been gathered in Scotland. This

relationship works on daily basis for stories that happen on the border of different regions, and where both regions want to access the same content.

Without this relationship both ITV and Channel 4 would have to spend considerable sums to match the current regional coverage they can offer. In practice, broadcasters are unlikely to commit greater resources. ITN would therefore have to either reduce the regional content on its national bulletins or cut back a different area of coverage such as international news. Scale is vital in our industry, and the current national/regional relationship is an important contributor to the scale of ITN's production base.

### **The Channel 4 News Independent Fund**

This is part of the ITN Business Model which may have particular relevance to the current debate about public service broadcasting post DSO. It is a fund which sits within the overall budget for news coverage allocated to Channel 4 News, and currently stands at around £1.6 million. It has to be spent commissioning content from independent production companies across the UK, and cannot be spent on ITN newsgathering. The purpose is to stimulate the development of new talent within the industry from a diversity of regions, ethnic groups and backgrounds. With this fund, Channel 4 News has commissioned original journalism from companies large and small and from all parts of the UK. The range of contributors has included Mentorn, October Films, Chameleon (based in Yorkshire) and Guardian Films.

ITN employs a Commissioning Editor within the Channel 4 News team, supported by an Executive Producer and the full ITN news production infrastructure. This includes compliance and legal advice, (many of the reports commissioned feature investigative journalism) health and safety protocols (reports include foreign stories often in areas of higher risk including Somalia, Iraq, Afghanistan), editorial support, and post-production support such as high-quality graphics. It is the responsibility of the production team at Channel 4 News led by the Commissioning Editor to ensure that this non-ITN journalism is consistent with the brand values and quality sought by the customer Channel 4.

Our experience has taught us that smaller production companies often have good ideas but lack the scale necessary to provide their own legal, health and safety and technical expertise. For this reason, we use the Fund to commission high-value films and investigations for which we then provide production support.

The Independent Fund aspect of the ITN business and production model forms part of our proposals for a template for regional news and news in the Nations.

### **ITN's Commercial News Partners**

The amount of free news content available, both in the UK and worldwide, keeps prices low. Furthermore, news content lacks the exclusivity that is intrinsic to producers of sports, music, film and entertainment, and which consequently allows them to demand higher prices. As a result, scale is as important in the distribution and sale of content as it is in the production. ITN has developed the commercial side of its business to extract additional value from content produced for the core services.

ITN has long-standing relationships with international broadcasters who are customers for our content. They use both domestic and international content. They can also use content from ITV Regional News, and access regional satellite trucks.

These customers include Reuters, CNN and NBC. Our agreements with these and other international broadcasters also allow ITN to use their content to enhance our international coverage. NBC has recently moved into the same building as ITN to maximise efficiency by sharing infrastructure costs.

ITN is contracted to provide GMTV with camera crewing and satellite trucks.

ITN has been producing the 24-hour Setanta Sports News Channel since November 2007. Some content is shared, but the greatest efficiency is achieved by sharing infrastructure costs, including satellite trucks, engineering and technical support.

In addition to our traditional broadcast customers, we now produce online content for a variety of different outlets including The Daily Telegraph, Google, Yahoo and YouTube. Some of these contracts are based on ITN being paid a production fee. Others are revenue-sharing arrangements in which ITN is entitled to a share of the advertising sold around our content.

In 2005, ITN purchased a shareholding in Espresso, a company producing video-based educational content for schools. Espresso continues to expand, and currently supplies content to 10,500 primary schools, more than 50% of schools in England. Espresso is currently expanding into international education markets.

ITN produces a weekly news bulletin for young children, which it distributes via broadband direct to schools. It also uses ITN video content to create interactive features supporting the teaching of the National Curriculum.

In 2008, ITN began producing news and information content for Teachers TV. This digital channel is funded by the Department for Children, Schools and Families and is available on satellite, cable and broadband. ITN is part of Education Digital, an independent consortium which manages the production and delivery of the channel.

ITN sees considerable potential in developing new public service content and information services to support the delivery of public policy. ITN's scale as a news production company, our commitment to quality, and our ability to innovate in digital media are important competitive advantages. They benefit the consumers of the content, and they benefit the tax-payer by delivering quality with value.

### **ITN Source – selling archived content around the world**

ITN Source is the most diverse commercial video archive in the world, with over one million hours of iconic footage and creative moving imagery which dates from 1896 to the current day. This includes news, drama, celebrity, comedy, music, wildlife, natural history and film, and is growing at a rate of over 20 hours of digitised content a day.

ITN Source represents the footage libraries of Reuters (including historic newsreel collections), ITN, Channel 4, ITV Productions, British Pathe, Fox News and Fox Movietone, Channel 9 News, UTV, Setanta Sports News and other specialist collections. It is based in London, and also has sales offices in New York, Berlin, Paris, Sydney and Tokyo.

The main customers for our archived content are traditional broadcasters, who typically buy content for use in documentaries and factual programming. But ITN Source is also developing in online and corporate markets, where demand for video content is increasing all the time.

## **5. Conclusion: The ITN Production Model - a template for the future?**

We have set out a comprehensive description of the ITN Model as it currently applies because it has produced successful public service programming for nearly 55 years.

We also believe that the period of final transition from analogue to digital broadcasting and content distribution contains both risks and opportunities for this model. The risk is that this model could be weakened, and with it the culture of public service values and the scale that helps generate both efficiency and high quality for our customers, viewers and users. The opportunity is to strengthen this model, and use it as a template for maintaining high-quality broadcast regional news and news in the nations and developing new digital services alongside.

Some key principles which underpin the ITN model, and which we believe should be part of future public service news provision are:

- A commitment to provide independent and impartial, universal broadcast and digital news content at national and regional level.
- A recognition of the public value of the existing news services on ITV and Channel 4 and their ability to reach diverse audiences.
- Existing broadcast news brands at national and regional level are strong and enduring. A new model would be more likely to succeed if it can maintain those brands and the brand loyalty they attract.
- Public service news provision at regional or national level will fail if it is not perceived to be of a comparable quality to the BBC.
- Any new production models for regional news and news in the nations should be grounded in the public service values of impartiality, independence, innovation, inclusivity and universality.
- Scale of production is a necessary component to producing an efficient, high quality, universal service whether at national or regional level.
- Any new model should have as a key objective the ambition to develop new talent and new production companies in the nations and regions. Commissioning structures and budgets should incorporate this objective.
- A public-private partnership works. If funding and commissioning is run by a public-sector body, production would ideally be the preserve of private companies with a commercial incentive to operate efficiently.
- The BBC's expansion into new news markets must continue to be subject to close scrutiny on competition grounds to avoid damaging a new model for the production of regional news and news in the nations.
- Any policy solution must also protect local newspapers, and give them an opportunity to develop complementary business models for producing digital content.

ITN is excited by the opportunities which the new PSB proposals open up for development of news and other public service content in the future. It is eager to engage with Government to shape an optimum structure for continued provision of the kind of high-quality news for which ITN is renowned.

ITN believes the proposals pave the way for regeneration of regional news provision for broadcast and broadband markets and for a blaze of innovation in provision of multi-platform content and interactive services which can invigorate regional and local democracy. We are confident that we could produce a first-class regional service within the £30 - £50 million budget range proposed by Ofcom.

ITN is ready and eager to engage and to help create the digital PSB future the Government's report now makes a possibility.