



To: Digital Britain Team
DCMS

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stv response to interim Digital Britain report

stv welcomes the opportunity to comment on the Digital Britain Report at this pivotal time for PSB in Scotland. We provide our views as the regional Channel 3 licensee broadcasting wholly within Scotland, committed to continued PSB delivery on closed broadcasting networks and online.

Throughout 2008, we made detailed Submissions at each stage of Ofcom's statutory PSB Review. Our most recent submission to Phase 2 in December 2008 was publicly available, and has been provided to DCMS for information.

The interim Digital Britain Report sets out 22 actions and five objectives. It is a comprehensive, transparent work stream which we value for mapping a path towards a new PSB architecture for Britain. stv too has mapped out its vision. We base our operations on transparency as detailed below, and from what we understand we believe that our objectives are aligned with those of Digital Britain:-

- Commitment to delivering a relevant schedule for Scotland in high quality local, Scottish and national news, and non-news programming, and providing a strong counterpoint to the BBC in Scotland;
- Unequivocal desire to remain within the Channel 3 network based on fair, simplified and modernised networking arrangements;
- Ability to contribute to new platforms and networks – for example a new UK PSB-2 network and/or any new Scottish digital channel such as that proposed by the Scottish Broadcasting Commission;
- Build on our track record in content creation to promote diversity, creativity and innovation which will never be sourced from London-centric producers alone;

- Continued development of our online businesses, creating and distributing rich online content and migrating viewers online, combined with new commercial initiatives such as online services in the classified market at a national and local level throughout Scotland.

Underpinning that strategy is our policy of network opt-outs which recognises the hunger of our audience for high quality Scottish content alongside rich network offerings, and an ambition to seek new and innovative ways to fund Scottish programming.

We recognise that digital connectivity and creating a broadband Britain is one of the driving forces of the Report, but we address our comments to the stated third objective:

- **UK content for UK users: content of quality and scale that serves the interests, experiences and needs of all UK citizens, in particular impartial news, comment and analysis.**

We agree with the findings of the interim Report:-

- in the context of any future PSB model, adequate provision of PSB delivery has to be secured for the devolved nations;
- so far as Wales, Scotland and Northern Ireland are concerned, no one size fits all;
- intervention will be essential to meet the expectations and requirements of UK viewers;
- fundamental role of impartial news and plurality of supply sources within the devolved nations;
- need for UK original content of scale impact and high quality;
- aim to secure dispersal of production, and promote creative clusters;
- PSB delivery not just on traditional closed broadcast platforms.

stv is part of the solution and is a key component of the Scottish media ecology. For fifty years stv has been at the heart of PSB delivery across Scotland. We are in favour of evolution not extinction of existing businesses which demonstrate growth and show potential. We have worked hard and innovatively to position our businesses¹ for growth, transition to digital and now survival in the economic environment of UK 2009. Our 2008 Preliminary results published on the 26 February 2009 confirm:-

1. financial targets for 2008 met;
2. delivery on 10 out of 12 of our KPIs with 5 exceeded;

¹ Across broadcasting, content creation and new media

3. debt re-structuring and cost cuts already implemented; and
4. to support sustainability of online PSB delivery, launch on 8 February of new online products – classified advertising on www.stvjobs.com.

We agree entirely with the Report's summary of the role for regulation or intervention² - **“The role for regulation or intervention is not to prevent the emergence of new business models or to preserve old and unsustainable ones. It is to contribute constructively to the transition”**.

There are three areas in particular where stv needs engagement and involvement from Government to ensure continued delivery of PSB content:

Regional News

- Whilst Ofcom acknowledged that partnerships may enhance the prospect for viability of Channel 3 news in the short term, the regulator³ identified the pressing need for intervention to sustain news in Scotland in the long term, stv calls for urgent confirmation of the need for direct funding to bolster sustainable models, and take account of European developments which recognise that dual funding models are acceptable as recipients of state aid, and that European rules recognise the delivery of PSB remits over multi-platforms. Whilst we recognise that new Guidelines are still under discussion in Europe, they are nearing completion, and anticipate the extension of the PSB remit for the digital age whilst remaining state aid compliant where funding is concerned⁴.

Creative clusters and stimulation of UK original content production

- remove burdensome regulation around non qualifying independent producers to stimulate growth. stv has put forward an argument, sound in law and in policy, that the commissioning power of the associated broadcaster must determine who qualifies as an independent producer. This issue was raised recently during a House of Lords Debate on broadcasting in Scotland, where Lord Carter himself stated:

“we are exploring this through our work around public service broadcasting in the nations, and I am hopeful that we will have something determinative to say on this issue very soon”⁵.

² according to the Report, specifically to preserve a healthy content market in the digital age, but in our view the role should not be applied selectively to one aspect only, but to delivery all of the above findings

³ Ofcom is an evidence based regulator and its final Statement has acknowledged the role and performance of stv in Scotland, particularly in regional news delivery – Final Statement and Recommendations: Published 21 January 2009, paragraph 9.42

⁴ http://ec.europa.eu/comm/competition/consultations/broadcasting_communication_en.pdf

Paragraph 51 – *“In order to guarantee the fundamental role of the public service media in the new digital environment, public service broadcasters may provide audio visual content in the form of linear services over new distribution platforms, provide special interest programmes, as well as media services that are not “programmes” in the traditional sense, such as on-line information services and non-linear or on-demand services, subject to appropriate safeguards”*.

⁵ Lords Hansard for 25 February 2009

The wording of the AVMS Directive is clear and unambiguous, and Ofcom the industry regulator has already made findings that stv exercises no effective control over commissioning decisions at network level⁶. It is the intention (and wording) of the European Directive that it is those broadcasters with effective control over commissioning whose production companies should not have independent status. If others, not within the definition are labelled as “broadcasters” by Member States, that will prevent those persons from being independent producers from enjoying the stimuli which is the Directive’s objective. stv has always acknowledged it exercises control over its regional opt outs, but not over bringing network commissions into Scotland. It is essential to create a level playing field for stv.

- recommend a contestable pot for funding of UK original content from the Nations as a further counterbalance to metrocentric commissioning power and in the interests of diversity, innovation and plurality.

Effectively regulate to provide necessary support and facilitate change

- Government and regulator value blue skies thinking, but it is equally important to acknowledge what is worth saving, and take steps to protect it, namely the regional structure of ITV. stv and ITV plc both agree that a new arrangement which better reflects the current relationship between Licensees is appropriate, and we are in active discussions to develop new arrangements. However, given the vast difference in scale between parties and ITV plc’s dominant position within the network, stv has no leverage in the negotiations to arrive at a new deal. To ensure a fair and reasonable settlement, including the protections afforded to stv through the 2003 merger undertakings triggered by the Carlton/Granada merger, stv needs urgent engagement from regulator and Government. Above all, to recognise the future delivery of PSB online, stv requires regulatory support to ensure fair and transparent acquisition and exploitation of new media rights within the commissioning framework of ITV for the benefit of all Licensees, and not just for the platform www.itv.com operated by ITV plc. stv has made significant investments in new media - in both people and technology - and stv’s site – www.stv.tv - has seen growth in online traffic of 400% across 2008.

Conclusion

Digital Britain is evaluating the impact of digitisation and new technologies on public service broadcasting. The development of digital platforms brings both threats and opportunities for all players, but the economic downturn, and severe reduction in advertising revenues further impacts the ability of commercial broadcasters to deliver PSB. There is an urgent need for swift and decisive action. stv is committed to our vision to be broadcaster of choice in Scotland – on traditional platforms and new ones. We are working tirelessly to develop strong innovative relationships with our advertisers and strong loyalty with our viewers. The relationship dates back 50 years, but it is

⁶ Ofcom Paper for decision by the Content Sanctions Committee 13 October 2009, paragraph 73 - specific finding of “no effective control”. *“ITV plc is by far the biggest company within the ITV Network and exercises effective control over commissioning”*.

strengthening it for the future which is our focus, not the past. Our impact can be judged by a recent success in a promotional initiative over the Christmas and New Year period for blood donors which shows where we will take the initiative to engage our whole business and use the stv brand effectively and appropriately. It was a true public service initiative involved programming, commercial & online all working together ... see Appendix.

End

Appendix

Stv Station Promotion – Give Blood

- 20 second On-Air Promo
- Planned appeal for blood donors over festive period
- Link to stv.tv/giveblood microsite for more info – where to donate and how
- online campaign videos and tv ads
- We even turned our logo red!

Screen grab



Result

“We're so pleased with how it went, it's generated the biggest number of donor registrations ever in a single day (including when we went to emergency appeal in October 2003). To achieve this over the Christmas period was a remarkable feat and the relief we all felt when we closed shop on

