



## **UNITED FOR LOCAL TELEVISION**

### **Submission to Digital Britain**

A response to  
*“Digital Britain – The Interim Report”*  
published 29/01/09

**Meeting audience demand**

**Providing a voice to local communities**

**The size, scale & support to be viable**

## Foreword

On 14 January 2009, a delegation from United for Local Television (“ULTV”) met with the Rt Hon Andy Burnham MP, Secretary of State for Culture Media and Sport, to discuss the opportunities for the development of public service local television.

Following that meeting, and at the Secretary of State’s suggestion, ULTV initiated discussions with a wide range of parties, most notably the regional press and the BBC but also RDAs, Screen Associations, universities and the Local Government Association. The discussions were largely informal but the reaction to the suggestion of a local public service network on Freeview was enthusiastic. It is probably the first time so many diverse organisations have been involved in active dialogue about developing a new tier of television focused on local communities.

The content of this submission reflects these discussions. It also draws upon much of the work ULTV undertook in 2008 in responding to Ofcom’s Second Public Service Broadcasting Review.

In 2008, the *Scottish Broadcasting Commission*, the *National Assembly for Wales Broadcasting Committee* and *Ofcom* all produced proposals for the advancement of public service broadcasting (PSB). Whilst there was broad consensus that PSB is important, there was little consensus about how it should be protected and enhanced in the run up to digital switchover (“DSO”) and beyond.

Parliamentary democracy in the UK is founded on the principle of elected representatives being accountable to their constituents. But how many opportunities do constituents have to see and question their elected representatives, from all tiers of government, on television? Across the whole of the UK there is a widespread perception that news and current affairs is dominated by Westminster. Even in London, the ‘local news’ bulletins rarely venture very far beyond City Hall.

The Government rightly recognises that existing interventions in local media are in need of review. ULTV welcomes the OFT’s current review of the local and regional media ownership rules and the John Myers review of local radio content. ULTV additionally welcomes the OFT’s consultation on contract rights renewal which depresses advertising yields throughout the TV industry.

Members of ULTV throughout the United Kingdom are in the process of establishing ‘working groups’ to develop plans for the launch of local TV services. Many of these groups are locally or regionally based and many discussions are inevitably subject to commercial confidentiality.

ULTV was established with the aim of bringing together individuals and organisation from the public, private and voluntary sectors who share the common objective of achieving ‘public service’ status for local TV. The next phase of ULTV’s development is to continue to advance dialogue with other organisations not previously active in the campaign or in broadcasting.

This report is compiled by ULTV management but reflects many of the wider discussions that have recently been held with colleagues in the industry and beyond. I am grateful to all organisations for generously donating their time, their insights and their views. I very much hope this report, alongside other submissions from the local media sector, will be of use to policy makers seeking to strengthen and enhance local participation and democratic engagement through digital media in the coming decade.

**Jaqui Devereux**  
**Spokesperson, United for Local Television**  
12 March 2009

## Response to Digital Britain The Interim Report

### The challenges and opportunities for local media

- 1.1 There was a time when policy makers were concerned that, in many localities, one newspaper had a near-monopoly over local classified revenues; one ILR<sup>1</sup> controlled radio advertising and ITV enjoyed a “*licence to print money*”. At that time, nobody would have known what a search engine was, never mind conceived of one dominant global player.
- 1.2 There remains one market in which a traditional media operator does still enjoy a near-monopoly in local markets – TV advertising. ITV1 is still the only station in the UK to sell terrestrial TV locally.<sup>2</sup> As a result, ITV1 charges a premium to local businesses to the extent that the vast majority are priced out of the market.
- 1.3 The development of digital platforms brings with them the challenge of new competitors and fragmented audiences. However, they also bring the opportunity of more economic entry levels, greater opportunity for citizen participation and the ability to reach new audiences innovatively through continuously connected devices.

### Structural changes in the market

- 1.4 It is a challenging time for traditional media companies of all sizes. This month (March 2009), it was announced that, inter alia:
  - the publisher of free titles in much of the West Midlands, Observer Standard Newspapers, fell into administration;
  - advertising revenues to date in 2009 are 35.9 per cent below 2008 for Johnston Press;
  - GMG Regional Media is cutting 150 jobs at MEN Media in the North West and 95 jobs at Surrey & Berkshire Media in the South East;
  - 2008 operating profits fell 27.2% on 2007 at Archant;
  - the Local Radio Company is seeking to raise up to £1.51m in a discounted rights issue to continue trading; and
  - ITV plc intends to cut another 600 jobs.
- 1.5 There is no question that traditional media operators will have to continue to explore opportunities to restructure and re-evaluate their businesses to put them on a sustainable footing in the digital era.
- 1.6 This submission responds almost exclusively to its main area of interest – the options for developing long-form public service content for local communities (“local TV”). ULTV is compiling a further report on the social benefits of local TV for the Secretary of State for Culture, Media and Sport and intends to submit this to DCMS in April 2009.

### The future of public service broadcasting

- 1.7 One of the purposes of digital switchover was to open up terrestrial broadcasting to new entrants. However, access to Freeview is not currently seen as a viable option for providers of arts, childrens, factual or many other genres of channels meeting PSB purposes that are independent of the incumbent PSB operators, The main barrier to entry preventing the launch of new services is the undersupply and consequent cost of Freeview capacity.<sup>3</sup>

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<sup>1</sup> Independent Local Radio

<sup>2</sup> The exception being a handful of local TV services

<sup>3</sup> The Freeview brand is owned by DTV Services Limited but, in this document, is used to refer to all UK digital terrestrial television (“DTT”)

- 1.8 The price of Freeview capacity, which has doubled in the past five years, reflects market confidence that no other platform will come close to delivering the reach or impact of this platform for the foreseeable future. It is not yet known what impact Next Generation Access (“NGA”) networks may have on alternative digital TV platforms in the long term. In the short term, NGA networks are likely to prove expensive and only partially available and the incremental social value (over current generation broadband) is still to be assessed.
- 1.9 There is no question that the incumbent PSB operators face challenges including falling advertising yields. However, digital problems cannot be solved by analogue solutions. ULTV sees Digital Britain as an opportunity to improve upon Analogue Britain and not an opportunity to protect the incumbent PSB institutions from the impact of new competitors. Indeed, it could be argued part of the problem facing existing institutions is the oversupply of digital media, leading to fragmentation of audience and revenues, not undersupply.
- 1.10 The BBC represents a major intervention in the market and the chief protection against market failure. Many also argue that further intervention is required to guarantee competition against the BBC. On the other hand, others argue that the existence of the BBC itself crowds out the private sector.<sup>4</sup> ULTV wishes to see the BBC remain at the heart of PSB provision but would caution that further intervention should be targeted at the most important genres ‘in danger’ of undersupply and in a manner that is intended to encourage, rather than discourage, new entrants and other market provision (see confidential Annex 3).

#### **Public intervention must take account of costs and risks**

- 1.11 The market impact of intervention in small localised markets can be greater than in much larger markets which may be more able to sustain a number of different players.
- 1.12 Public intervention has traditionally promoted localness on ILR and, to a degree, on regional ITV. As we approach DSO, the Government must be careful to ensure that interventions support, rather than hinder, operators seeking to build a sustainable business supplying local public service content.
- 1.13 Local authorities have the ability both to assist and to damage local news providers through their communications spend. Rules intended to protect local radio content and media plurality may have the opposite to the desired effect. Moves to support regional news on ITV, whose core business is no longer in regional programming, may be to the detriment of other providers seeking to develop viable business models across media platforms.
- 1.14 A contribution to public purposes is not a justification for intervention regardless of the risks of regulatory failure. ULTV is concerned that public intervention should support – and not damage – plurality of public service provision and the independence of the media from political influence.

#### **The viability of most FTA services rests upon securing access to Freeview**

- 1.15 Examining all TV distribution platforms in the UK, Freeview can be seen to be the greatest success story by far. Today, **over two-thirds** (67.2 per cent) of all UK homes have a Freeview device connected to at least one TV set.<sup>5</sup> This is a remarkable statistic given that Freeview is still not available to around 27 per cent of the UK population.

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<sup>4</sup> For instance, Channel 4 Chief Executive, Andy Duncan, told the FT Digital Media & Broadcasting Conference on 9 March 2009: “An increasingly dominant BBC threatens to diminish British creativity and, therefore, Britain’s place in the global creative industries.” The full speech is at <http://www.channel4.com/about4/pdf/090309-Andy-Duncan-speech-FT-Digital-Media.pdf>

<sup>5</sup> *The Communications Market: Digital Progress Report, Digital TV, Q3, 2008*, Ofcom, December 2008

- 1.16 It is reasonable to assume that, as DSO progresses, the vast majority of UK households will have access to Freeview on at least one set either via an integrated tuner or a set-top-box. It is important to note that many of those interested in launching new local TV stations on Freeview perceive that access to secondary sets, such as kitchen sets, will be important to maximise audience reach.
- 1.17 Freeview's contribution to the achievement of PSB purposes is indisputable. The ability of commercially-funded free-to-air ("FTA") broadcasters to invest significant amounts in original UK production depends, almost entirely, on their audience share and associated advertising revenues. The audience share of the incumbent PSB operators (and their portfolio services) is 90 per cent in Freeview-only homes but less than 60 per cent in homes connected to satellite or cable. The business model of the UK's main FTA services remains predicated upon securing access to the widest possible distribution and their continued dominance of the DTT platform.<sup>6</sup>

### **The six Freeview multiplexes use spectrum worth hundreds of millions**

- 1.18 The pact between analogue broadcasters and society rested upon the granting of UHF spectrum in return for PSB programming commitments. In contrast, exactly the same UHF spectrum, still extraordinarily valuable, is gifted to the 'commercial' Freeview multiplexes operated by SDN and Arqiva but with almost no meaningful PSB commitments attached.
- 1.19 It is widely acknowledged that lack of access to effective distribution platforms is the principal reason why local TV has historically failed to develop in the UK. ULTV argues that secure access to Freeview will be critical to the successful development of local TV. ULTV notes, in particular, that regulatory assets were the most popular form of PSB funding identified by Ofcom in its PSB research.<sup>7</sup>
- 1.20 It is within the power of Government to reserve video streams on any of the six Freeview multiplexes, including the so-called 'commercial' multiplexes, for services meeting PSB purposes.<sup>8</sup> It is equally within the power of Government to require Ofcom to ensure that interleaved spectrum, almost all of which is to be held by a monopoly Band Manager, is used to deliver public service purposes. These are valuable regulatory assets which have **already** been granted by the state but which risk not being optimised for the delivery of maximum public value.
- 1.21 In aggregate, the retained and interleaved spectrum represents a subsidy worth hundreds of millions of pounds per annum and, with appropriate regulatory oversight, a potential continuing source of regulated revenue for UK content for many years to come.

### **Government support for local TV**

- 1.22 Government interest in local TV pre-dates any discussion about deregulation of regional programming obligations on ITV. This Government came to office with a commitment to develop local TV on Freeview and acted on this commitment by placing enabling provisions in Section 244 of the Communications Act 2003.
- 1.23 In March 2005, the main benefits of local TV were succinctly summarised by then DCMS Minister, Lord McIntosh, when he told the Scottish Local TV Forum:

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<sup>6</sup> ITV plc's Annual Report and Accounts 2008 even lists increased penetration of non-terrestrial platforms as a "risk" facing the business: "Risk description...Digital switchover results in increased satellite and cable penetration at expense of digital terrestrial distribution with consequent lower viewing share for ITV channels"

<sup>7</sup> "Participants support the idea of funding PSB through gifted spectrum which was described as discounted airspace" – *The future of Public Service Broadcasting, A deliberative research report for Ofcom prepared by Opinion Leader* (August 2008)

<sup>8</sup> At DSO, more capacity will become available on Freeview as a result of mode change by the two commercial multiplexes held by NGW/Arqiva and by Five moving from SDN to Multiplex 2.

*"We envisage that local television will play a valuable role in keeping communities informed and in particular, help keep in touch those most socially isolated members of the community who may not have access, or are uneasy about using, new technology. Local television will also bring economic benefits to areas in terms of employment and training...."*

- 1.24 Shortly afterwards, Tessa Jowell, wrote to the Association of Community TV Operators in April 2005:

*"...we plan to carry out research and analysis regarding the future prospects for local television....We intend to consult later this year, once this work is done, so as to be ready to make an order on the licensing regime for local digital television services in 2006".*

- 1.25 Government policy on local TV has always recognised that the market has failed to deliver adequate provision and is most likely to continue to do so in the absence of appropriate intervention.

### **Ofcom work on local TV**

- 1.26 Ofcom's first PSB Review recommended further analysis of the policy options for local TV. Ofcom stated:

*"The English regions are often too large to be relevant to most viewers, who tend to live most of their day-to-day lives within at most 25 miles of their homes and be most interested in news and community issues within that range.... If there were ways of delivering cost effective TV services at this level, we believe they would be significantly more compelling than current regional provision."<sup>9</sup>*

- 1.27 The main piece of work carried out by Ofcom on local TV was the *Digital Local* report of January 2006.<sup>10</sup> In general, advocates of local TV welcomed this report as a belated discussion of the issues, albeit it was not a formal consultation and made no policy proposals. *Digital Local* set out potential "public purposes" for local content services, listed the main policy options and made the recommendation that:

*"Government assesses policy options and considers whether and how to support local services on all digital platforms"*

- 1.28 Jointly with DCMS, Ofcom commissioned an analysis of local TV business models from Spectrum Strategy Consultants (now Spectrum Value Partners). The report's main conclusion was that local TV cannot be viable without access to Freeview:

*"...the greatest impact is felt when DTT is extracted, suggesting that this platform is core to the delivery of a profitable service..."<sup>11</sup>*

- 1.29 Research carried out for Ofcom's digital dividend review ("DDR") demonstrated overwhelming public demand for local TV across all ages and demographics. Deliberative research demonstrated strong demand for universality in provision:

*"The vast majority of participants opted for a future where everyone would have access to one service, as this was felt to be the fairest option"<sup>12</sup>*

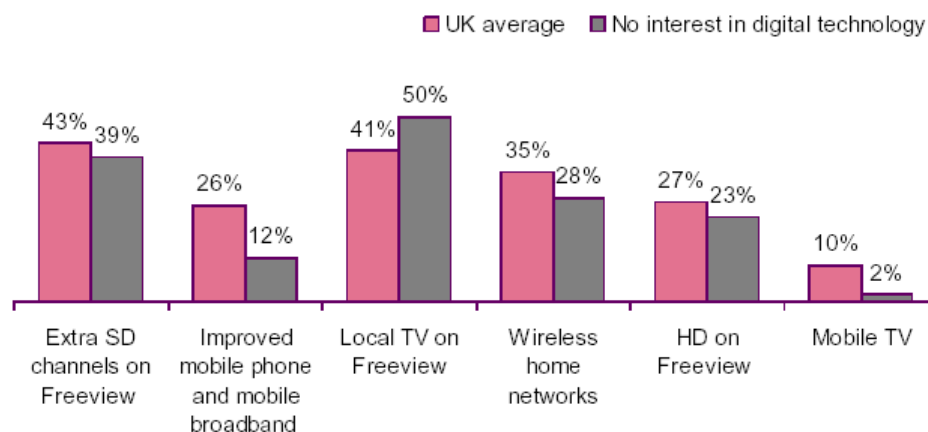
<sup>9</sup> Ofcom (2004), *Review of Public Service Broadcasting phase II*

<sup>10</sup> Ofcom (January 2006), *Digital Local - Options for the future of local video content and interactive services* (discussion document)

<sup>11</sup> Spectrum Strategy Consultants (November 2005), *The economics of delivering local digital audio-visual and interactive services*

<sup>12</sup> Ofcom (November 2007), *Digital Dividend Review Market Research 2007 Executive Summary*

1.30 The DDR research confirmed the view that local TV could have a special role to play in promoting Digital Britain. Importantly, local TV was the one digital service demanded by even the most ‘reluctant adopters’ of digital technology as demonstrated by the chart below.<sup>13</sup>



Source: Ipsos MORI survey 2007 UK Base: 1,049, no interest in technology: 217

1.31 In its DDR statement, Ofcom concluded further analysis of the policy options would be required in the PSB Review:

*“We have decided not to intervene (to reserve access to DDR spectrum for citizen focused content) but we believe it is important to consider the issues faced by such services that generate broader social value. We will do so in our second PSB review.”<sup>14</sup>*

1.32 Three years after *Digital Local*, Ofcom’s PSB Review statement of January 2009 concluded:

*“Further work is required to consider the need for intervention to support public service content at a local level.”<sup>15</sup>*

1.33 Despite this clear recommendation, work on local TV did not feature anywhere in Ofcom’s draft annual plan for 2009/2010. Since it was formed, Ofcom has not conducted a single dedicated consultation on the enabling policy options for local TV.

1.34 A continuous commitment to further review “*public service content at a local level*” is of little practical use to a local media sector facing its worst crisis since the war. For more than six years, Ofcom and Government have consistently promised to review the policy options for local TV. However sincere this intent, a review is not an effective substitute for a policy.

### Those who cannot read or write gain their information from television

1.35 It is a stated priority of the UK Government to enhance basic literacy and numeracy skills for adults.<sup>16</sup> The Leitch Review of Skills in 2006 recommended a great increase in the pace of skills acquisition in order to keep the UK competitive. Objectives for 2020 included a new

<sup>13</sup> Ofcom (November 2007), *Digital Dividend Review Market Research 2007 Executive Summary*

<sup>14</sup> Ofcom (December 2007), *Digital Dividend Review – A statement on our approach to awarding the digital dividend* (statement)

<sup>15</sup> Ofcom (January 2009), *Ofcom’s Second Public Service Broadcasting Review: Putting Viewers First* (statement)

<sup>16</sup> The Skills for Life strategy for improving adult literacy and numeracy skills for England was launched in 2001 by the Department for Education and Skills (DfES) now the Department for Children, Schools and Families

target that 95 per cent of all UK adults achieve the basic skills of functional literacy and numeracy, an increase from levels of 85 per cent literacy and 79 per cent numeracy in 2005.<sup>17</sup>

- 1.36 Those who struggle with reading and writing gain nearly all of their information from television. The functionally illiterate are one of the least likely groups to use the internet as a resource for local information. The unemployed and those on low incomes are also disproportionately less likely to have a home internet connection.
- 1.37 The greatest demand for local TV comes from low income sub-groups, the over-65's and those with minimal interest in digital technology. In the latter category, a remarkable 50 per cent of the entire group rate local TV on Freeview as their preferred application.<sup>18</sup> That is why one of the most appropriate mediums to promote local education, training, employment opportunities and other public services in any given area is a free-to-air terrestrial local TV station.
- 1.38 As the Government knows, approximately 39 per cent of UK homes who have access to broadband choose not to subscribe. For many of these homes, television is likely to remain the primary provider of news and information including, importantly, the promotion of the benefits of acquiring broadband to access further public service content.

#### The demand for local TV

- 1.39 In the UK, whilst often covering large geographic footprints, nations and regions news programmes are an established popular source of news and information. According to Ofcom's own research only 11 per cent of adults use radio as their main source for local news, compared to 47 per cent for TV.<sup>19</sup>
- 1.40 Ofcom's DDR Research demonstrated that local TV on Freeview was the **number one** new application demanded by consumers, ahead of both "extra SD channels" and "HD on Freeview".<sup>20</sup>

#### Importance to you personally of services that could use digital dividend spectrum<sup>21</sup>

Order of popularity	Application	Mean average score out of 10
<b>1</b>	<b>Local TV on Freeview</b>	<b>6.3</b>
2	Extra SD channels on Freeview	6.2
3	Better mobile phone coverage and mobile broadband	5.9
4	Wireless home networks	5.7
5	HD on Freeview	5.6
6	Mobile TV	3.3

- 1.41 The citizen demand for local TV on Freeview (and not just on broadband) has been consistently confirmed in the research conducted for Ofcom's 2008 PSB Review. This

<sup>17</sup>To download the full report visit [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

<sup>18</sup> Ofcom (November 2007), *Digital Dividend Review Market Research 2007 Executive Summary*, London: Ofcom

<sup>19</sup> Ofcom (May 2008), *The Communications Market 2008: Nations and Regions English Regions*

<sup>20</sup> Ofcom (November 2007), *Digital Dividend Review Market Research 2007 Executive Summary*, London: Ofcom

<sup>21</sup> Q8.3a "For each of these services please score each on a scale of 0 to 10, where 10 means extremely important and 0 means not at all important to you personally" (mean scores are shown). Source: Ipsos MORI survey 2007 Base: UK adults 1,049

research showed that **86 per cent** of all adults would like more non-news programming about their region/area than is shown on the main channels.<sup>22</sup>

### **BBC Trust research supports local TV on Freeview rather than broadband**

- 1.42 The BBC Trust<sup>23</sup> believes that “*sustaining citizenship and civil society...is regarded by licence-fee payers as one of the (BBC’s) most important purposes*”. It also recognises “*significant gaps*” in the BBC’s performance. The BBC could “*do more to help (viewers) understand constitutional affairs*”. It records “*an increased interest in local (output)... spanning news, entertainment and factual content...the perception of under-performance is common to all age- and socio-economic groups*” (1.3.2 and footnotes). In particular, “*the demand for local news is strong*” (1.3.10).
- 1.43 Importantly (1.3.13) “*convenience of access is a critical factor to broadband and represents a barrier to use, both in terms of access and the way in which people consume local news...low income groups are generally less-well represented on-line.*” (1.3.14)... “*Research findings consistently support demand for local news delivered via television but spectrum scarcity and costs limit the BBC to Broadband.*”

### **The one source of local revenue which is largely untapped is local TV**

- 1.44 Views differ on how much further local publishing revenues will decline and how fast. What is clear is that the one source of local revenue which is largely untapped by most traditional local media operators is local TV.
- 1.45 stv group plc, operators of the two Scottish licences independent of ITV plc, is increasing its local revenues even whilst other revenues are falling, as increasingly local advertisers turn to TV:

*“We have continued to grow our regional position despite the current advertising market, achieving regional sales up 11% year on year, and out-performing the national trend. Our target for Regional Advertising Market Share was 21% and I am pleased to report that we achieved 22% for the year, up from our 2007 level of 20%.”<sup>24</sup>*

- 1.46 Local TV offers the opportunity to existing local media providers (and others) to develop local content services funded, at least in part, by advertising revenues which might otherwise be expected to be directed at media which do not support professional and impartial news provision such as outdoor or the web. Local TV further offers opportunities to local media providers to strengthen and cross promote their other local media products and, critically, to add financial value to public service content already being produced for other platforms.

### **Existing Community Radio services demonstrate the importance of partnerships**

- 1.47 The Government introduced Community Radio in recognition that it could encourage citizen participation on a scale unmatched by traditional local radio stations. The result has been extraordinary, not just in the number of stations licensed (191 to date) but in the quality of output of the 131 now on air.
- 1.48 Ofcom has sampled 67 Community Radio stations with a combined total income of £6.8m. Although representing only a very small proportion of the UK population, this represents income which is, almost entirely, new to the UK broadcasting sector. The average

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<sup>22</sup> Ipsos MORI (April 2008), *The audience’s view on the future of Public Service Broadcasting*, Q35, 2,260 interviews with all UK adults aged 16+, October – December 2007

<sup>23</sup> BBC Trust (November 2008), *Local Video Public Value Assessment*

<sup>24</sup> stv group plc (26 February 2009), *Preliminary Results 2008*

Community Radio station's turnover is around £101,000 rising to over £145,000 for the 19 stations which have been on air for more than two years. On average each Community Radio station has 74 volunteers who give a combined total of around 214 hours volunteer time a week per station.<sup>25</sup>

- 1.49 Public funding provides 53 per cent of the Community Radio sector's income as set out in the table below.

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<sup>25</sup> The data in this paragraph is sourced from Ofcom (March 2009), *Community Radio: Annual Report on the Sector*

*Funding sources for 66 Community Radio stations sampled by Ofcom<sup>26</sup>*

Funding source	Amount	Percentage of total
Local authorities	£1,054,047	16
Community Radio Fund	£483,859	7
Other public funds	£2,050,619	30
Non public sources*	£3,180,769	47

\*includes volunteer support in-kind

- 1.50 To give just one example, research commissioned by Express FM in Portsmouth gives the station a 21 per cent weekly adult reach. The station was developed in partnership with Portsmouth City Council, Highbury College, University of Portsmouth and the NHS. Express FM encourages active participation by groups from local schools, students with learning difficulties, individuals with disabilities and young people with behavioural problems.

### Existing local TV services put partnerships into practice

- 1.51 From 1997 until 2003, the Independent Television Commission (“ITC”) issued a number of location-based restricted service licences (“RSLs”) in areas where ‘spare’ UHF frequencies were identified. Upon taking over from the ITC, Ofcom ceased to issue any new RSLs but, eventually, agreed to a series of variations to existing licences to enable them to continue to access spectrum and, in principle, agreed to permit analogue transmissions to be replaced by digital for the remaining duration of the licence term. There are currently RSLs broadcasting analogue local TV services in Manchester, Oxford, York, Cardiff, Belfast and Leicester.
- 1.52 There have been a number of attempts to launch local TV services on cable although these have generally been hampered by low household penetration across much of the UK. One of the most successful cable channels is Channel 7, a community interest company, targeting Virgin Media homes in North Lincolnshire and broadcast from the Immage Studios which are owned by a subsidiary company of Grimsby Institute of Further and Higher Education.
- 1.53 Existing local TV services (whether or not run on a ‘profit distributing’ basis) already work closely with universities, colleges and community groups who contribute high quality programming to the schedule. It is undoubtedly the case that many existing and prospective Community Radio groups would be willing and able to contribute programming to a local TV channel together with a wide range of other groups supported by the public, private and voluntary sectors.

### What is the Channel 6 proposal?

- 1.54 The Channel 6 proposal was developed by ULTV throughout the course of 2008. At its core, the proposal is for a new ‘sixth’ public service network (alongside the current Channel 3, Channel 4 and Channel 5 licences) with a remit to supply local news and other programming and promote citizen participation. ULTV proposed Channel 6 ‘franchise’ areas be determined by Ofcom following research and consultation with individual ‘beauty contests’ held to award each licence.<sup>27</sup>
- 1.55 ULTV believes that a network of Channel 6 stations would be capable of providing a local voice that fulfils all the main objectives of public service broadcasting – informing ourselves,

<sup>26</sup>Ofcom (March 2009), *Community Radio: Annual Report on the Sector*

<sup>27</sup> ULTV submitted a briefing paper on “How Channel 6 would work” to the second phase of Ofcom’s PSB Review which is in the public domain: [http://www.ofcom.org.uk/consult/condocs/psb2\\_phase2/responses/ultv\\_annec.pdf](http://www.ofcom.org.uk/consult/condocs/psb2_phase2/responses/ultv_annec.pdf)

reflecting cultural identity, increasing knowledge and supporting tolerance and understanding. By providing opportunities for training, employment, local advertising, public service information and citizen participation Channel 6 would empower viewers, not only enabling them to feel part of the media but encouraging them to be more involved in their own community.

- 1.56 Channel 6 would guarantee that all citizens have access to at least one channel dedicated to local news and information. The service would be granted the benefits associated with public service status including ‘must carry’ on Freeview, cable and, subject to the approval of the BBC Trust, the iPlayer. Priority status on the DTT electronic programme guide (e.g. “channel 6”) is an important part of the proposal.

#### **What role could existing local providers play in Channel 6?**

- 1.57 In recent weeks ULTV has sought to further broaden support for the Channel 6 proposal and has initiated discussions with a range of parties including local media owners, the Newspaper Society, the BBC, the Local Government Association, Regional Screen Associations, RDAs, individual local authorities, public services, universities and trade unions.
- 1.58 ULTV regards Channel 6 as an important opportunity for existing local media operators to expand their businesses profitably. ULTV is actively engaged in discussions to encourage existing media owners to play a role in developing Channel 6 either by applying for licences (on their own or as part of local consortia) or by working with stations to supply news under contract or to share resources. ULTV suggests that operational and production experience in local markets should feature as part of the award criteria when issuing Channel 6 licences.

#### **Technical options for local TV in Scotland and Northern Ireland**

- 1.59 The Scottish Local TV Federation is a trading name of the Institute of Local Television Limited, an advisory, research and consultancy company active in Scotland and a member of ULTV. At the request of the Scottish Local TV Federation, this submission does **not** address in detail the main options to deliver local TV in Scotland. ULTV understands that the Scottish Local TV Federation intends to submit to Government its own document which will propose local TV is delivered on a new 7<sup>th</sup> Freeview multiplex in Scotland using frequencies available in the retained spectrum.
- 1.60 Ofcom has confirmed that there is likely to be more ‘interleaved’ spectrum in Scotland (and possibly also Northern Ireland) that is ‘in group’ and capable of delivering a new high-capacity Freeview multiplex than in England and Wales. This opens up the possibility of different technical solutions to deliver local TV in different parts of the UK.
- 1.61 As set out below, ULTV is calling for a video stream on an existing universal ‘PSB’ multiplex to be reserved for local TV in England, Wales and Northern Ireland (“NI”). It is understood that a 7<sup>th</sup> multiplex **may** prove to be an alternative and viable option to deliver universal local TV in NI. If a video stream on a ‘PSB’ multiplex is not required for local TV in Scotland or NI, ULTV suggests this may be used to deliver dedicated services for these nations such as BBC Alba (in Scotland), RTE/TG4 (in NI), or other relevant national services such as those proposed by the Scottish Broadcasting Commission or stv.
- 1.62 Further, ULTV is calling upon Ofcom to research and consult objectively on the options for additional local TV stations in the interleaved spectrum (see 1.85-1.94 below).

#### **Technical options for England, Wales and Northern Ireland**

- 1.63 ULTV’s starting position is that access to local news and current affairs on television should be universal. It would not be equitable if, in some areas, constituents are able to see their

elected representatives, councillors, MPs, public service providers, business leaders and prominent members of the community engaged in debate on local TV but, in other areas, they are not.

- 1.64 Ofcom has confirmed there is likely to be only one method of ensuring local TV is universal across England and Wales – by reserving capacity on a ‘PSB’ multiplex in the retained spectrum. It is possible that the same video stream will also be required to deliver universal access to local TV in Northern Ireland but an alternative option may be (subject to frequency availability and coordination with the Republic) to establish a universal ‘7<sup>th</sup> multiplex’ for NI which could carry local TV and/or other services (see 1.61 above).

#### **How much capacity is required for local TV?**

- 1.65 ULTV believes the main public purposes of local TV are likely to be delivered by a standard definition service. However it is important to discuss exactly how much capacity may be optimal to establish local TV – one 24 hour video stream, part of a video stream or more than one video stream? Could there be different demands in different areas?
- 1.66 ULTV proposes at least one 24 hour video stream be reserved for local TV. The repetition of local programmes during the course of a 24 hour schedule is one of the key factors in making local TV viable around the world, reducing the cost-per-hour of programming and maximising Impacts for advertisers. It also provides the opportunity for viewers to tune-in to see the local programming of appeal to them, at their own convenience and a time of their choosing.
- 1.67 It is technically possible for every single Freeview transmission site to form the basis of a separate Channel 6 franchise area. However, Ofcom believe this is likely to be expensive. According to Ofcom, there are 67 major Freeview transmitter sites in England, Wales and NI where it would be straightforward, adopting so-called ‘add/drop’ technology, to form separate Channel 6 franchise areas. It is also vital to consider sustainability and smaller transmitter sites could be aggregated with larger ones if it is felt this would create economically viable franchise areas.

#### **Could any spare capacity be made available on a universal multiplex?**

- 1.68 It is widely acknowledged that the BBC are not fully utilising their ‘red-button’ video streams at least one of which could be re-assigned immediately to enable Channel 6 to launch in England, Wales and NI pre-DSO.<sup>28</sup>
- 1.69 Post-DSO, the two multiplexes controlled by NGW/Arqiva will be required to change their transmission mode which will generate capacity for new video streams to be made available. Potentially, part of this capacity could be reserved for the non-PSB portfolio channels provided by ITV plc or Channel 4. In addition, a UK-wide video stream is freed up on Multiplex A (“SDN”) when Five moves to Multiplex 2 at DSO and SDN has announced “plans to accommodate a tenth video stream during 2009”.<sup>29</sup> Further, it is at least questionable whether Five USA and Fiver should continue to enjoy reserved capacity on SDN given they have no obligation to deliver any PSB purposes or invest in original UK production.<sup>30</sup>
- 1.70 This demonstrates there are a multitude of options to ‘free up’ capacity on a universal ‘PSB’ multiplex for Channel 6 both pre-DSO and post-DSO. The consumer demand for local TV is here and now and granting a video stream would provide a significant boost to the local

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<sup>28</sup> DSO – digital switchover

<sup>29</sup> ITV plc (4 March 2009), *Results for year ended 31 December 2008* (regulatory announcement to London Stock Exchange)

<sup>30</sup> In addition, Ofcom has, to date, chosen not to take the advice of its consultants, Zetacast Limited, who have suggested all channels offering regional opt-outs should be moved to one multiplex to maximise spectral efficiency. This is to enable the maximum use of ‘statistical multiplexing’ which offers efficiency gains to all multiplexes carrying UK-wide services.

media industry seeking to develop new revenue streams. It would be absurd to wait six years (when Channel 3 and 5 licences are due to expire) to reserve universal capacity for Channel 6 by which time ITV1's English regional programming will, almost inevitably, have diminished further.

- 1.71 A video stream for Channel 6 is available now, pre-DSO, using spectrum already reserved by government for the achievement of PSB purposes (and therefore with no incremental cost to the Treasury).

#### **Who might be expected to apply for a Channel 6 licence?**

- 1.72 The Channel 6 proposal offers opportunities to existing media operators and others active within the community, such as local authorities or public bodies to form consortia. Existing RSLs and independent producers might be expected to apply for licences, as might other media operators such as local newspaper or radio groups (commercial and/or community). ULTV would suggest that holding a Channel 6 licence should not jeopardise independent producer status.
- 1.73 ULTV would suggest that existing Channel 3 licence holders should not be permitted to hold Channel 6 licences. A major purpose of the Channel 6 proposal is to enhance the plurality of TV advertising outlets in local communities – not to enable ITV to maintain their monopoly hold over local TV airtime.

#### **How much local programming would be on Channel 6?**

- 1.74 The original analogue transmission infrastructure was never intended to deliver ultra-local TV and, given that Freeview uses the same sites, it can be seen that some of the areas covered by Channel 6 operators may be quite large. Only broadband can realistically deliver local video at a post-code level. ULTV recognises that there are a range of options to deliver more granular services on Freeview, ranging from multiple video streams (so that everyone in the larger population area can choose the service most local to them), to targeted programming within the course of a 24 hour schedule.
- 1.75 Unlike ITV1, which must cover the whole of a region in the course of one daily news programme, it would be possible to provide a range of programmes over a peak-time period which would be of interest to all communities targeted by one "Channel 6" on Freeview – both geographic communities and communities of interest. This could mean, for instance, a dedicated news programme for viewers in one area followed by a separate news programme targeting viewers in another. It could also involve a diverse range of programmes targeting people of different ages, ethnicity or interests within the coverage area as a whole.
- 1.76 Transmission signals do not tend to recognise administrative boundaries which themselves do not always tend to recognise natural communities. Nevertheless, it is to be expected that neighbouring stations will work together to share news content and other programming, where relevant, as already happens from time to time between local radio and print newsrooms.
- 1.77 The use of directional antenna in the interleaved spectrum at some DTT transmission sites may enable smaller-scale services to also launch (see 1.85-1.94 below).

#### **What types of local programmes could we expect to find on Channel 6?**

- 1.78 ULTV anticipates that local TV service providers would have two main public service obligations:
- (i) to provide local programming including local news; and

- (ii) to support training and participation within the communities they serve.

1.79 The local programming obligations on Channel 6 operators would be subject to review by Ofcom following public research and consultation. However, unlike ITV1, the main ‘USP’ of a local TV channel would be its local programming. An average viewer can be expected to typically switch on to Channel 6 for local news and other local content. It will therefore be in the interests of Channel 6 operators to maximise the quality and quantity of their local programming (including by forming partnerships with others in the public, private and voluntary sectors). It can be seen that the economic interests of a Channel 6 operator are far more likely to be aligned with local PSB obligations than is currently the case for ITV plc.

#### **What might a typical programme schedule look like?**

1.80 The local programme schedule for Channel 6 licensees would be developed following local research. ULTV recognises that a typical viewer may not watch Channel 6 all evening – to do so would imply the abandonment of all other consumption. However, there is a wealth of evidence demonstrating the demand for local news, supplemented by current affairs, sport and information. ULTV envisages that a local news magazine would be one of the flagship programmes produced by Channel 6 licensees. It is possible that a local news programme would be shown several times during the course of the evening (rebroadcast and/or repackaged).

1.81 The nature of local TV is that it is not difficult to supplement local news with other programmes at marginal incremental cost. If suitable facilities are available then filming additional programmes, for example interviewing local politicians, sports personalities or other members of the community, becomes a possibility. A local TV station is therefore able to become part of the fabric of a community, providing resources for citizens to produce programmes both for a linear service and for online.

1.82 Crucially, there are often many community organisations, universities, sports clubs, museums, churches/mosques/temples, youth associations, charities, small independents and individuals able and willing to contribute to local TV. Public service content of this nature is not easily discoverable if it is not part of a schedule. The primary benefit of a linear service is that local news acts as a ‘magnet’ for other programming covering topics such as the arts, sport, culture, history, wildlife and religion. A local newscast draws a high reach every day and then allows this to be inherited by other programming.

1.83 A Channel 6 network centre would be able to attract advertising to fund additional programmes, both sourced from its own local station members and acquired or commissioned.

1.84 Current advertising rules permit teleshopping airtime be used to provide ‘informercials’ – long-form commercials the same duration as programmes. It is to be expected Channel 6 operators will seek to work with Ofcom to use this airtime to promote local businesses and public services including, potentially, employment, education and training opportunities within the community.

#### **Does ULTV also support use of interleaved spectrum for local TV?**

1.85 Yes. Just as local radio comes in many shapes and sizes, so could local TV. ULTV subscribes to the principle that at least one local service should be universally available to all citizens. However, there may also be credible demand for further local TV stations, perhaps targeting one specific community – geographic community or community of interest. A patchwork quilt of additional local TV services (some potentially working with or even affiliated to “Channel 6”) could launch over time.

1.86 ULTV currently understands from Ofcom that even the best (in group) interleaved frequencies are unlikely to provide universal coverage for local TV in England, Wales and,

probably, Northern Ireland (although with careful re-planning near-universal coverage may be achieved in Scotland). Nevertheless, there are likely to be many areas where frequencies are available which could provide incremental local TV services

- 1.87 As well as targeting different types of communities, interleaved spectrum also has the capacity to potentially provide interactive services (e.g. text, audio or news loops) or genre services such as local sports, ethnic, music or minority language channels. It is even possible that in remote rural areas valuable services will emerge broadcasting for just a few hours a week.

#### **Ofcom's approach to the DDR is to create unregulated monopolies**

- 1.88 In its DDR statement of December 2007, Ofcom said it would auction about 25 of the best interleaved frequencies "*suitable but not reserved for local television*" in a largely unregulated, service-neutral, manner.<sup>31</sup> The whole of the remainder of the interleaved spectrum would be granted to one monopoly band manager via a beauty contest. As a result, the DDR spectrum that could most realistically be used to deliver local TV is likely to be monopolised in any given area by one profit-maximising operator (sometimes a multiplex operator but usually a Band Manager). Any third party seeking to deliver a local PSB service would be forced to negotiate with a monopoly controller of the local spectrum who would be under no obligation to release capacity in a manner that is fair, reasonable and non-discriminatory.
- 1.89 Rather than charge its true market value (probably close to nothing at many small relay sites where there is expected to be a surplus of interleaved frequencies), a Band Manager would be incentivised to refuse to release capacity until a monopoly rent is paid, forcing a service provider to seek additional funding.
- 1.90 Unregulated monopolies are rarely in the public interest but least of all when the monopolist is granted the power to hold society to ransom over such public policy objectives as the promotion of informed democracy and educated citizenship.

#### **So does ULTV support Ofcom's plans to auction interleaved spectrum and appoint a Band Manager with no regulatory protection for local TV?**

- 1.91 No. The auction process for geographic interleaved spectrum proposed by Ofcom takes no account of broader social value and discourages participation by local consortia formed to deliver social gain. Whilst Ofcom claimed in its DDR statement that this was because alternative applications to local TV also delivered the prospect of social gain, it is clear that these applications are unlikely to require use of 'in group' interleaved frequencies. Indeed, contrary to the "*application and technology neutral*" approach promised in the DDR statement, the first two auctions of geographic interleaved spectrum only permitted TV use.
- 1.92 With no obligation for a Band Manager or spectrum holder to make capacity available to local PSB services, Ofcom's proposals provide no impediments to speculators wishing to obtain the spectrum to extract monopoly rents. On 18 February 2009 ITV plc announced the sale by ITV Network (90.1 per cent controlled by ITV plc) of its 70 per cent consideration in JFMG to Arqiva, netting ITV plc £1m. Arqiva is widely expected to apply to remain the Band Manager, having made clear its desire to control the interleaved spectrum, notwithstanding its 'politically correct' decision not to intervene in the first two interleaved auctions (which followed warnings that this could influence Ofcom's approach to future awards).
- 1.93 A large part of the cleared spectrum would have to be acquired to provide 'in group' frequencies suitable for DTT. If Arqiva were to successfully apply to be the Band Manager

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<sup>31</sup> Ofcom (December 2007), *Digital Dividend Review – A statement on our approach to awarding the digital dividend*

this would, in effect, restrict third parties entering the market for provision of DTT capacity in many parts of the UK.

- 1.94 Ofcom's DDR impact assessments did not even consider the possibility that the creation of a monopoly provider of the spectrum suitable for local TV in any given area might not serve the public interest. RSLs have always shared interleaved spectrum with PMSE users on regulated terms and there appears to be no good reason to end this arrangement.<sup>32</sup>

**So does ULTV call for both the retained spectrum and interleaved spectrum to be made available for local TV?**

- 1.95 ULTV believes that, in parts of the UK, interleaved spectrum could be used to *complement* a video stream on a PSB multiplex. However, interleaved spectrum is unlikely to be an effective *substitute* to retained spectrum in England, Wales and, probably, Northern Ireland. Ofcom has confirmed it does not believe it will prove technically possible to deliver a '7<sup>th</sup> multiplex' with universal coverage (i.e. using in group frequencies with the same power levels and same transmission antenna as the PSB multiplexes) throughout the UK.
- 1.96 The reason why the *opportunity cost* of a video stream on 'interleaved' spectrum is lower than a video stream on a PSB multiplex is the very reason why interleaved on its own is unsuitable for local TV – because it does not reach all UK citizens.
- 1.97 It is a defining principle of public service broadcasting that it is available, free at the point of use, to all UK citizens. In the 2008 parliamentary session, 156 MPs signed Early Day Motion 1013 calling for universal access to public service local TV for all citizens.
- 1.98 It is widely accepted that, in many areas, interleaved spectrum could be suitable for local TV to deliver incremental (e.g. geographically targeted) services. ULTV believes that, once all suitable DDR spectrum is awarded, ex post regulation is unlikely to prove adequate to enable local TV to reach its full potential. Ex ante regulation is therefore justified. ULTV calls upon Ofcom to re-examine its plans for the award of interleaved spectrum to minimise the risk that a spectrum holder or band manager will exploit their monopoly status. Where demand exists and suitable spectrum is available, ULTV argues that local PSB services should be granted access to interleaved spectrum on fair and reasonable terms.

**Would not subsidised spectrum be expensive?**

- 1.99 The main interventions used to support PSB in the UK are:
- (i) direct funding (as is used to support the BBC and minority language services such as S4C and BBC Alba); and
  - (ii) regulatory assets (as are used to support the BBC, S4C, commercially-funded broadcasters and Freeview's commercial multiplex operators).
- 1.100 Without reserved access to spectrum, local TV risks being placed in a position where, in many parts of the UK, it is simply unable to secure suitable long-term carriage arrangements. One of the advantages of subsidised spectrum is its lack of flexibility – it is difficult for a local TV service provider to be subject to political pressure if it enjoys security of tenure.
- 1.101 The state already subsidises the distribution of digital television and PMSE with gifted spectrum. New dedicated digital channels on DTT would not necessarily require additional subsidy but, rather, existing subsidy to be managed efficiently. By creating a false distinction between "PSB" and "commercial" Freeview multiplexes (there is no distinction in

<sup>32</sup> PMSE: Programme making and special events – a broad category mainly encompassing radio microphones and broadcast links

legislation), Ofcom and Government have allowed the value of UK-wide frequency assignments to be misappropriated generating supernormal profits for Freeview's commercial multiplex operators at the expense of the UK public.

- 1.102 The argument for reserved access to spectrum for local TV is clear: it will fill a gap in the democratic process by providing a much-needed and universal conduit for local news, views and information on the UK's number 1 TV platform – Freeview.
- 1.103 On 11 February 2009, the Committee of Ministers of the Council of Europe adopted the Declaration on the Role of Community Media in promoting social cohesion and intercultural dialogue. It drew attention to the desirability of allocating to community media a sufficient number of frequencies, both in analogue and digital environments, and ensuring that community broadcasting media are not disadvantaged after the transition to the digital environment.<sup>33</sup>

#### **Does local TV require primary legislation?**

- 1.104 There is already a licensing regime in place for local TV which permits digital transmission. The RSL scheme was introduced by Parliament in the Broadcasting Act 1996 (“BA96”) and confirmed in the Communications Act 2003 (“CA03”). Upon taking office, Ofcom unilaterally (without consultation) decided to stop issuing new RSL licenses either in analogue or digital form. Existing RSLs suffer from severe lack of security of tenure which impedes their ability to further invest in their services including adopting digital transmissions. However, there is nothing to stop Ofcom from immediately extending the licences of existing RSLs post-DSO or introducing new RSLs where there is credible demand and frequency availability.
- 1.105 The CA03 foresaw there could be a requirement for a further category of TV licence enabling services to be carried on DTT multiplexes alongside other TV services. The Secretary of State for Culture, Media and Sport (SoS) has the power, under section 244 of the CA03, to present an order to Parliament introducing a framework for local digital television.
- 1.106 The SoS also has the power to make an order under section 243 of the CA03. Such an order may specify modifications to sections 7 to 16 and sections 18 and 19 of the BA96. The requirement to obtain a multiplex operator's consent for new service obligations under section 12(2) of the BA96 is something that falls within the category of modification measures that may be covered by such an order.
- 1.107 These powers are known to Ofcom who, by way of example, have recommended the SoS use them to enable the Irish language service, TG4, to gain access to Freeview capacity in Northern Ireland. The same powers could be used to enable local TV to gain reserved access to Freeview in a similar manner.

#### **Exploiting the growth of connected devices**

- 1.108 The next generation of Freeview receivers will, in accordance with the 6th edition of the D-Book published by the Digital TV Group, include the potential for a “*network return channel that can enable broadband television streaming services (IPTV)*”. ULTV anticipates that broadband video on demand services will play an increasingly important role for all broadcasters. There is widespread agreement on the desirability of common standards for internet protocol TV in the UK and around the world.
- 1.109 In response to a Freedom of Information request, the BBC stated that the iPlayer cost £6 million to develop up to 8 April 2008.<sup>34</sup> The iPlayer supports not only ‘catch up’ TV on

<sup>33</sup> Available from the Community Media Association website at <http://www.commedia.org.uk/wp-content/uploads/2009/02/declaration-community-media-adopted-11-02-09.pdf>

<sup>34</sup> <http://www.whatdotheyknow.com/request/74/response/229/attach/3/RFI20080274%20-%20final%20response.pdf>

computers but also bespoke services for cable TV and portable devices. Fourteen different 'flavours' of iPlayer have been developed by the BBC to support Windows, Mac, Linux, Virgin Media, PS3, Wii, iPhone, iPod Touch, Sony Ericsson C905 and Nokia N96.

- 1.110 Many local media operators do not have the technology in-house to support streaming or download to multiple connected devices. Subject to the approval of the BBC Trust, access to the BBC's technology could enable Channel 6 operators, in the short to medium term, to maximise the potential offered by broadband, as well as DTT. ULTV has initiated discussions with BBC management about potential partnerships to include access to iPlayer technology for Channel 6 operators (see confidential Annex 3).

**What would it cost to operate a local TV service?**

1.111 A variety of business models have been proposed for local TV – many involve a mixture of private funding, support from local public services (including advertising and support in kind) and use of volunteers. More recently, the potential to develop synergies involving both existing local media and the BBC have also been explored. An important aspect of the Channel 6 proposal is the opportunity to exploit synergies between neighbouring local TV stations such as shared presenters and management.

1.112 In 2008, the BBC executive put forward proposals (rejected by the BBC Trust) for the introduction of around 25 minutes a day of local video news on the internet in 60 areas of the UK. On average, each service would cost £350,000 which it is understood from ULTV’s discussions with BBC management was broadly constituted as follows:

Staff costs	£250,000
Staff related (inc. desktop technology)	£35,000
Maintenance and consumables	£17,000
Acquired video	£19,000
Technology support	£6,000
Training	£7,000
Promotion / Marketing	£3,000
Other inc. capital and project	£13,000
<b>Total</b>	<b>£350,000</b>

1.113 Every Channel 6 operator will need to develop their own cost structures to include studio and transmission, presenters/producers and sales related costs. Some stations may wish to adopt different cost-bases – in, general it is fair to assume that smaller areas will require less journalistic resource than larger areas. Nevertheless, it is interesting to note that the BBC believe, by engaging six video journalists with lightweight cameras, it is possible to provide 25 minutes of high-quality local video news every day for an annual cost of well under £500,000 per annum.

1.114 Previous business modelling commissioned by DCMS/Ofcom agreed that a small-scale ‘local news’ channel on Freeview could break even on a cost basis of under £500,000 per annum, breaking down as follows:

Programming costs	£250,000
Distribution costs	£35,000
Sales and marketing costs	£17,000
Staffing costs	£19,000
<b>Total</b>	<b>£461,000</b>

Source: Spectrum Strategy Consultants (November 2005), *Final Report Ofcom and DCMS – The economics of delivering local digital audio-visual and interactive services*, London: Spectrum Strategy Consultants (now Spectrum Value Partners)

1.115 This analysis suggested there could be significant additional cost-savings and synergies by operating a ‘cross media’ and/or ‘network affiliate’ business model.

### **The local TV revenue model**

- 1.116 It is difficult for local newspapers to justify annual costs as high as £350,000+ for broadband exclusive video. However, even in a downturn, advertisers do wish to be seen on television. Indeed, some of the businesses which tend to perform better in a recession (such as local pizza deliverers) tend to be those interested in advertising on local TV but generally do not find it cost effective to use ITV1 – the only channel on Freeview to sell in micro regions.
- 1.117 If priced correctly, many local advertisers could be expected to sign-up to advertising and sponsorship agreements to a Channel 6 service providing a schedule anchored in local news and other local programming. It would only take 100 advertisers paying £200 + VAT per week to generate a gross turnover of £1m per annum.
- 1.118 Established with careful thought and planning, ULTV expects Channel 6 affiliate stations would become a cost-effective means of providing a mass daily audience to display advertisers in local markets and to local authorities and public services seeking to maximise the value achieved from their communications budgets.

### **Channel 9 TV News – case study**

- 1.119 One of the smallest RSLs in the UK is Channel 9 TV based in Derry/Londonderry (also serving Limavady, Coleraine and Strabane), targeting a potential adult audience of under 230,000.
- 1.120 Channel 9 TV changed its ownership and management in 2008 and is in the process of moving to new premises. However, for over six years, Channel 9 TV's nightly news programme attracted phenomenally high audience levels.
- 1.121 Channel 9 TV commissioned research suggested that its local news at 6.00pm, produced by a core team of three video journalists, was watched by 48.5 per cent of the available audience every week.<sup>35</sup> This reach is for just one 30 minute programme.
- 1.122 The Channel 9 TV experience is not unique but is an example of how it is possible to obtain exceptional audiences for local TV serving smaller communities on extremely modest budgets.

### **A Citizens' Media Fund?**

- 1.123 A number of members of the Public Voice coalition have advocated a 'community media' or 'citizen's communications' fund be established to support training initiatives and community participation programmes throughout the UK. A major purpose of the new fund would be encourage citizens who are underrepresented in media (for example, young people not in formal education or employment, senior citizens and members of ethnic minorities) to receive media training and to produce their own content for multi-platform distribution.
- 1.124 Community media and third sector groups (such as CSV) have a reputation for being able to produce high-quality content at low cost and contributing to social gain by operating training programmes for volunteers. Funding is generally only required at modest levels for training and equipment and, to an extent, already exists today from a number of different agencies.
- 1.125 A dedicated fund which supported media training for local community and voluntary organisations could potentially produce thousands of new programme-makers. ULTV would suggest that further consideration is given to establishing a modest Citizens' Media Fund, potentially supported by the National Lottery or licence fee switchover surplus, and targeted

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<sup>35</sup> c9tv website 2008, research by UMS / Millward Brown Ulster, 2001

at widening access to media for citizens. A fund need not necessarily be linked to the development of local TV although any content produced could provide an additional source of programming for local stations. Such a fund was envisaged by Section 359 of the Communications Act 2003 and therefore would require no new primary legislation.

#### **The value of the network has disappeared to ITV plc**

- 1.126 ITV was launched in 1955 following the Television Act of 1954. It was made up of 15 broadcasting regions, each run by a separate company.
- 1.127 The benefits associated with holding a Channel 3 licence were never purely based on the granting of regulatory assets (indeed these were most recently auctioned). A major benefit also accrued from access to the ITV network centre which was the major source of revenue and content to ITV companies. It was access to the network schedule which enabled licence holders to enter into PSB commitments. With the consolidation of ITV plc into one dominant group, that company no longer sees substantial value in belonging to the network centre. As a consequence, ITV plc is able to demand regulatory relief or, worse, direct subsidies to continue to provide any PSB content.
- 1.128 Ofcom acknowledges it is able to extract greater PSB obligations from UTV and stv than from ITV plc because these companies are not able to threaten to surrender their licences and continue to operate as stand-alone entities. Without access to the ITV network schedule, UTV and stv's businesses would require radical review. This reflects the reality that access to a network schedule is vital to the development of PSB content at a local and regional level.

#### **Nations and regions programming on ITV1**

- 1.129 It is regrettable that ITV1 is no longer a federation of independent stations in England. However, the crisis facing local media cannot be solved simply by subsidising regional news on ITV1. On the contrary, there is already significant intervention in the regional TV market in the form of the BBC who provide the most watched nations and regions news programmes in the UK.<sup>36</sup> It is questionable whether ITV1 provides adequate 'plurality' with the BBC by offering an essentially similar service, especially one that is increasingly regarded as inferior by discerning viewers.
- 1.130 As Ofcom suggested in its discussion paper *New News, Future News*<sup>37</sup>:

*"...localised models thrive in some overseas markets, and may become more viable in UK conditions in a digital market. It may not be necessary for plurality to depend on identical 'regional' models on both BBC and ITV."*

#### **Local TV could provide a superior alternative to regional opt-outs on ITV1**

- 1.131 ULTV expects a dedicated local TV service to be a far more effective carrier of local news and local programming than ITV1, or indeed any other UK network. In the world of on-demand digital platforms, the concept of one 30 minute slot for regional news once a day appears increasingly anachronistic. It is inconceivable viewers would be incapable of discovering local news if a 24-hour local TV option were available on the front page of the Freeview programme guide. Critically, local TV could also provide current affairs, factual, social action, in-depth interviews and other programming of interest to localities.
- 1.132 ULTV is not opposed to fair competition between rival providers. However, if ITV1 is disproportionately supported to provide regional or local news this could be to the detriment

<sup>36</sup> The only areas where the early evening bulletins on ITV1 beat BBC1 are Northern Ireland (UTV) and Border. Source: Ofcom (May 2008), *The Communications Market 2008: Nations and Regions English Regions*

<sup>37</sup> Ofcom (June 2007), *New News, Future News – The challenges for television news after Digital switch-over*

of other operators who rely upon audience for local news to deliver impacts to local advertisers. ULTV believes that an entirely new approach is more likely to meet the needs and interests of citizens in the coming decade – a dedicated channel where local news is the flagship programme for viewers and carrying local advertising, not a burden on the outskirts of the schedule devoid of advertising minutes.

- 1.133 The existing management of ITV plc have made clear their preference to have no licence obligations relating to regional programming post-DSO. The intentions of any future management of ITV plc cannot be predicted. However, few advocates of local TV have ever suggested that the development of a new tier of dedicated local services should be linked to what ITV1 chooses to provide (or not provide) in terms of its own PSB commitments.
- 1.134 ITV's effective abolition of non-news regional programming in England, alongside structural developments impacting on traditional radio and newspapers, together threaten to strike a blow against the democratic process in local communities. Prior to these developments, the UK already suffered from the least developed local TV infrastructure in almost the entire democratic world. It is now more urgent than ever to consider what intervention may be appropriate to support the development of local TV services throughout the UK.

### **The Channel 6 network centre**

- 1.135 Having reviewed the local TV market overseas, research commissioned for DCMS/Ofcom concluded that:

*“...economies of scale, offered by larger audiences and / or by the efficiencies of a network-affiliate model, appear crucial to the commercial sustainability of local services.”<sup>38</sup>*

- 1.136 A self-funding network centre, providing network programming and distributing revenues to affiliated stations, forms a critical component of the Channel 6 proposal.
- 1.137 ULTV has proposed that a ‘network centre’ be established with the principal objective of providing a ‘backbone’ of programming from which local stations can ‘opt-in’ and ‘opt-out’. In the case of ITV1, its network centre trades through a not-for-profit company, limited by guarantee (and ultimately regulated by Ofcom).<sup>39</sup> A similar company (or ‘trust’) structure may be set up to ensure the Channel 6 networking arrangements are fair for all licensees.
- 1.138 The experience of the ITV network demonstrates the important role an independent regulator can play in the smooth functioning of a federal network structure. ULTV is concerned that Ofcom's existing (laissez-faire) attitude towards the development of local TV could potentially damage smaller independent stations – the stations which may be most marginal and therefore most depend on access to the network on fair and reasonable terms. It may not prove necessary to ‘reinvent the wheel’ and a review and consultation may draw, to a significant extent, on five decades of experience of ITV networking arrangements.

### **Network to partner with existing broadcasters and producers**

- 1.139 ULTV has suggested that existing programming from Community Channel and Teachers TV could form part of the Channel 6 network schedule. This programming has generally already been paid for by the public sector and ULTV understands that some existing RSLs already have arrangements to carry Community Channel programming free of charge.

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<sup>38</sup> Spectrum Strategy Consultants (November 2005), *The economics of delivering local digital audio-visual and interactive services*

<sup>39</sup> ITV Network Limited is a company limited by guarantee with a membership composed of the fifteen Channel 3 licenses. The ITV Network Council runs the Channel 3 network on behalf of all licensees. Ofcom has a statutory duty (under section 293 of the CA03) to carry out an annual review of the Channel 3 networking arrangements and, consequently, plays a critical role in arbitrating where there are disputes.

Community Channel loses its access to three-hours-a-day of Freeview capacity (gifted by the BBC) at DSO.

- 1.140 For most local stations in the USA, local news in their main profit centre and the network schedule is taken to supplement – and not replace – local news programmes. In the UK, ULTV anticipates that there will be a wide range of sources for network programming, not least local stations and independent producers seeking to monetise their back-catalogue, possibly on an innovative revenue-share basis. Indeed, the network affiliate model in the USA is largely based on studios acquiring airtime from stations in return for sharing revenues (and sometimes options to insert local ads into network breaks).
- 1.141 ULTV anticipates that local TV operators will want to maintain a large degree of control over the running of the network but, to maximise efficiencies, some functions could be contracted out to third parties. By way of example, the network could contract its national sales to a third party including, possibly, another PSB institution such as any newly enlarged Channel 4.

#### **A ‘sixth’ public service network**

- 1.142 ULTV argues that a ‘sixth’ public service network could:
- be operated by local companies, enhancing production, training, employment & advertising opportunities throughout the UK;
  - provide local news & information targeting 50+ local areas – as well as dedicated programming for the UK’s nations and regions;
  - enhance the provision of under-served public service content including educational, sport, arts, cultural, social action and religious programming;
  - promote media literacy, participation and active citizenship, including supporting and facilitating citizen access to media; and
  - end the monopoly of the incumbent PSB operators over universal multiplex capacity, enhancing plurality of broadcast outlets in the interests of viewers and advertisers.
- 1.143 Across Europe digital capacity is being reserved by governments for local TV. At no time during the PSB Review did Ofcom suggest that any genre of PSB, including local TV, should be left to the whim of the market, determined by whether or not a service provider can successfully out-bid others for carriage arrangements.

#### **Partnerships between the public, private and voluntary sectors**

- 1.144 ULTV envisages that local TV stations will develop in partnership between the public, private and voluntary sectors including existing commercial media and the BBC. Often, the most appropriate people to comment on local sports, local events and local issues are citizens themselves.
- 1.145 In many parts of the UK, there is an existing informal network of community media makers and facilitators, often with a background in professional media, bringing community development as well as media skills to local community production groups. Already, there is a range of community-produced programming (rarely broadcast) which has been the recipient of awards, its value in supporting citizen voice and empowerment recognised by a large number of funding bodies.

- 1.146 ULTV believes that, if a local TV network were to be developed with near-universal coverage, it is inconceivable that local partnerships would not emerge between the public, private and voluntary sectors to support local training initiatives and informal educational opportunities. ULTV's discussions with the BBC indicate that it would be willing to support training initiatives (see confidential Annex 3).
- 1.147 The most urgent and pressing deficiency in UK broadcasting is in the lack of local TV provision. ULTV urges Government to take decisive action to introduce a local TV order in 2009 and encourage Ofcom to start licensing services for launch in 2010/2011.
- 1.148 ULTV would be pleased to engage in further discussion with the Digital Britain team regarding the business and operational models underpinning its proposals.

**United for Local Television**  
12 March 2009

**Attached:**

- Annex 1  
*About United for Local Television*
- Annex 2  
*Household coverage at major Freeview stations in UK*
- Annex 3  
*A confidential annex summarising the recent discussions between ULTV and other organisations is being submitted to DCMS and BERR under separate cover*

## We Believe

- In a free and fair society at least one channel should be a local channel representing the views and opinions of local people.
- Local TV, more than any other resource, has the potential to educate and inform people about the issues that directly affect their lives.
- The evidence of demand for both local TV and enhanced SD plurality on Freeview is overwhelming.
- Ofcom and Government must now work together on a local TV order, introducing a ‘sixth’ public service network focused on local news and local programming.

### Further information

Contact	Jaqui Devereux
Address	United for Local Television, c/o Community Media Association, The Workstation, 15 Paternoster Row, Sheffield S1 2BX
Tel	0114 279 5219
Fax	0114 279 8976
Email	<a href="mailto:jaqui.devereux@unitedforlocaltv.com">jaqui.devereux@unitedforlocaltv.com</a>

## Annex 1

### ABOUT UNITED FOR LOCAL TELEVISION

United for Local Television (ULTV) is an umbrella group representing a broad range of local television practitioners and advocates from the private, public and voluntary sectors.

ULTV believes the potential economic, social and democratic benefits of local TV are of such a magnitude that a new network should be granted 'public service' status with guaranteed access to Freeview capacity alongside incumbent PSB operators.

ULTV further believes access to interleaved frequencies must be protected by Ofcom (or any future Band Manager) to enable local TV to develop smaller-scale services at the hundreds of DTT sites in use across the UK.

#### DISCLAIMER

ULTV policy documents are approved by the ULTV Management Committee representing a cross-section of the ULTV membership. All members of the Management Committee contribute to it in a personal capacity. The views expressed in this document represent the consensus views of Management Committee members and do not necessarily represent the views of any other parties including their employers or the wider members of the organisations they represent.

Whilst all ULTV members are committed to the aims and purpose of the coalition, it should not be assumed that all members will necessarily agree with every view or opinion expressed within consultation responses.

#### FULL ULTV MEMBERS

**Local TV Restricted Service Licence (RSL) holders – ULTV represents 13 out of 14 of the current RSL licences issued:**

- Capital TV, Media4Creative (1 RSL – Cardiff)
- Channel 9 TV, North West Television (3 RSLs – Derry, Coleraine, Limavady)
- MATV, Midlands Asian Television (1 RSL – Leicester, Virgin and Sky)
- SIX TV, Milestone Television (5 RSLs – Oxford, Fawley, Southampton, Portsmouth and Reading)
- York TV and Norwich TV, EBS Newmedia (2 RSLs – York and Norwich)
- NvTv, Northern Visions (1 RSL – Belfast)

**Community and local TV operators and campaigners:**

- Channel Seven Television
- Community Media Association
- Media Access Projects Scotland
- Institute of Local Television
- Mimir-Rushes
- Peter Williams Television
- Rural Media Company
- Somerset Film
- Southwark TV & Community TV Trust
- Station House Media Unit
- Ultra Digital Limited

## **PUBLIC VOICE AND ULTV**

Public Voice is the UK's leading coalition campaigning for citizen's interests in communications policy.

In 2008, ULTV established a working agreement with eight members of the Public Voice Steering Group to cooperate and campaign on local TV issues. The terms of the working agreement state that *“Public Voice and ULTV believe that in a free and fair society at least one channel should be a local channel representing the views and opinions of local people.”* On the ground a number of organisations represented by Public Voice members work with existing RSL licence holders.

### **Public Voice Steering Group Members:**

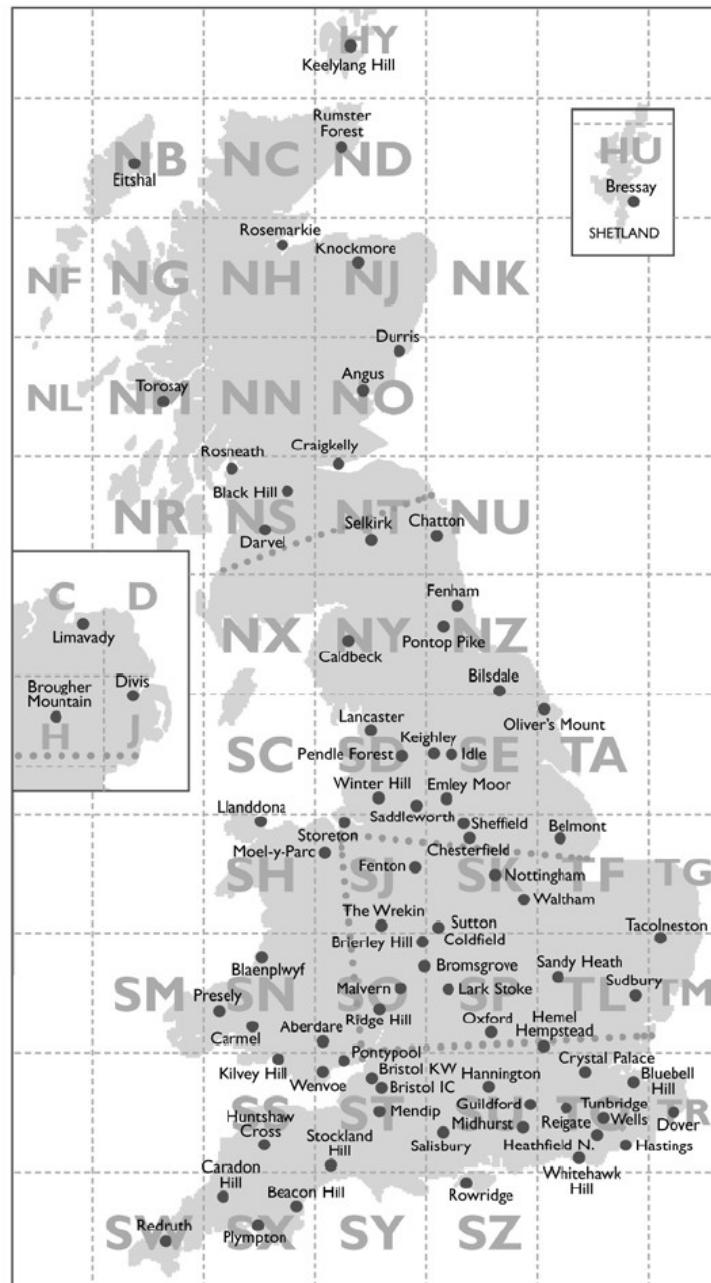
- Association of Chief Executives for Voluntary Organisations
- Broadcasting Support Services (BSS)
- Community Media Association (CMA)
- CSV (Community Service Volunteers)
- Media Trust
- IBT (International Broadcasting Trust)
- National Council for Voluntary Organisations (NCVO)
- Timebank

## Annex 2

### HOUSEHOLD COVERAGE AT MAJOR DTT STATIONS

There are 81 transmitter sites in the UK where Ofcom says it would be straight-forward to add an 'add/drop' box if required to deliver local TV. 50 of these sites are described as 'main stations' – the 31 others are major relay stations. All are shown on the map and listed below.

If a video stream were made available on PSB multiplex then actual household coverage will often be higher than that stated because the figures set out below exclude relay sites.



## England

Main transmitter station	Post-DSO household coverage from main station (excludes additional relays)	Principal intended coverage area	Major relay sites associated with main stations (post-DSO household coverage)
Beacon Hill	104,000	South East Devon inc. Torbay & Totnes	
Belmont	1,467,000	Humberside, Lincolnshire, North Huntingdon, South Derbyshire & South Yorkshire;	Olivers Mount (32,000)
Bilsdale	1,328,000	Stockton on Tees, Teeside & North Yorkshire	
Bluebell Hill	456,000	North Kent & South Essex	
Caldbeck	117,000	Carlisle & North Cumbria	
Carodon Hill	211,000	Plymouth, Eastern & Central Cornwall & West Devon	Plympton (71,000)
Chatton	168,000	East Northumbria	
Crystal Palace	4,410,000	London approx. 30 mile radius	Guildford (95,000), Hemel Hempstead (162,000), Reigate (125,000)
Dover	252,000	East Kent	
Emley Moor	2,004,000	Sheffield & West Yorkshire	Chesterfield (55,000), Idle (110,000), Keighley (71,000), Sheffield (237,000)
Hannington	537,000	Berkshire & North Hampshire	
Heathfield	172,000	East Sussex & South Kent	Hastings (27,000), Tunbridge Wells (143,000)
Huntshaw Cross	51,000	North West Devon	
Mendip	2,207,000	Bristol, Somerset, South Gloucestershire, North Dorset & Wiltshire	Bristol Kings Weston (75,000), Bristol Ilchester Crescent (55,000)
Midhurst	132,000	North & West Sussex	Whitehawk Hill (133,000)
Oxford	461,000	Oxfordshire & North West Buckinghamshire	
Pontop Pike	1,003,000	Newcastle upon Tyne & County Durham	Fenham (291,000)
Redruth	101,000	West Cornwall	
Ridge Hill	360,000	Herefordshire, North West Gloucestershire & parts of Worcestershire	
Rowridge	1,234,000	Isle of Wight & South Coast / Solent	Salisbury (30,000)
Sandy Heath	1,120,000	Huntingdon with a 40 mile radius inc. Bedford, Cambridge & Peterborough	
Stockland Hill	219,000	Exeter, East Devon, South Somerset & West Dorset	
Sudbury	602,000	Essex & Suffolk	
Sutton Coldfield	2,703,000	West Midlands approx. 30 miles radius from Birmingham	Brierley Hill (107,000), Bromsgrove (273,000), Fenton (137,000), Lark Stoke (345,000), Malvern (84,000)
Tacolneston	358,000	Norwich & Norfolk	
The Wrekin	727,000	Shropshire & South Cheshire	
Waltham	1,008,000	Leicester, Lincolnshire, Nottingham & South Derbyshire	Nottingham (155,000)
Winter Hill	2,887,000	North West approx. 40 mile radius of Manchester	Lancaster (108,000), Pendle Forest, (108,000) Saddleworth (51,000), Storeton (99,000)

## Northern Ireland

Brougher Mountain	26,000	Enniskillen & County Tyrone	
Divis	419,000	Belfast approx. 30 mile radius	
Limavady	69,000	Derry & Country Antrim	

## Scotland\*

Angus	305,000	Angus, Dundee, North Fife & Perthshire	
Black Hill	1,289,000	Glasgow & Central Belt	Torosay (7,000)
Bressay	5,000	Shetland	
Craigkelly	527,000	Edinburgh, Lothian, South Fife & West Stirlingshire	
Darvel	203,000	Kilmarnock & West Ayrshire	Rosneath (147,000)
Durris	233,000	Aberdeen & West Grampian	
Eitshal (Lewis)	10,000	Isle of Lewis	
Keelylang Hill	13,000	Orkney	
Knock More	42,000	Banffshire & parts of Inverness-shire	
Rosemarkie	66,000	Inverness & coast for 20 miles East and North East	
Rumster Forest	40,000	Wick & Caithness	
Selkirk	31,000	Scottish Borders	

\*Please note that *Institute of Local Television*, a member of ULTV active in Scotland, is putting forward its own proposals for the development of local TV in Scotland.

## Wales

Blaenplwyf	9,000	Cardigan Bay	
Carmel	97,000	Carmarthenshire	
Llanddona	46,000	Anglesey and North coast	
Moel-y-Parc	550,000	Clwyd	
Presely	45,000	Pembrokeshire	
Wenvoe	590,000	South Wales	Abardare (24,000), Kilvey Hill (144,000), Pontypool (17,000)