

**BACKGROUND TO SCOTTISH CONSERVATIVE SUBMISSION TO
OFCOM'S SECOND PUBLIC SERVICE BROADCASTING REVIEW: *Phase
Two Preparing for the Digital Future***

Ted Brocklebank began his career in journalism with D C Thomson & Co, Ltd, Dundee and went on to become an award-winning TV documentary-maker. He is a former Head of News and Current Affairs at Grampian TV. TV programmes he has produced have been screened throughout the UK on ITV and Channel 4.

During his first term in Parliament Ted Brocklebank was Conservative Rural Affairs & Fisheries Spokesperson, but maintained a strong interest in broadcasting. He regularly attended Ofcom seminars and events and became concerned at the lack of interest shown by other Scottish parliamentarians in the issue of broadcasting.

Having seen Scottish broadcasting from the position of an in-house producer as well as an independent he believed that there were huge issues about Scottish broadcasting that required to be addressed – not least why Scottish independents do so badly in attracting network commissions.

When he returned to Parliament in 2007 Ted was appointed Conservative Shadow Minister for External Affairs, Europe, Culture and Gaelic. This brief also includes responsibility for media and broadcasting.

In particular Ted recognises that audiences are increasingly taking advantage of new digital media to access public service content and one of the most highly - valued aspects of commercial service provision is regional news and current affairs. New solutions may be needed before the licences run out in 2014 but whatever solution is reached must be appropriate to the needs of Scottish audiences and producers. The Scottish Conservatives look forward to the debate.

**A SCOTTISH CONSERVATIVE RESPONSE TO: PHASE TWO:
PREPARING FOR THE DIGITAL FUTURE
OFCOM'S SECOND PUBLIC SERVICE BROADCASTING REVIEW**

The Scottish Conservatives look forward to a bright future for Public Service Broadcasting in the digital age. Broadcasting is a reserved matter, therefore many of the decisions relating to the new public service broadcasting model will be made at Westminster. We believe that broadcasting should continue to be reserved, but in line with the recommendations of the Scottish Broadcasting Commission we also believe that, in the post-digital era, the Scottish Parliament should be much more involved in deciding what is seen on TV screens here in Scotland and how network funding is allocated and disbursed in Scotland. We welcome Ofcom's consultation, which recognises that viewers want high quality UK made content, but believe the traditional television model is not enough to meet their needs. We hope that this review will provide opportunities for an increased share of Scottish digital networking within a competitive market.

Scottish Conservatives believe in a competitive and healthy future for public service broadcasting throughout the UK and in Scotland. We believe in a strong BBC supported by the licence fee, but are also keen to see a vibrant commercial broadcasting sector. We realise that while the BBC has a firm reputation, and audiences value it highly, no one favours it becoming the only provider of public service content. For the BBC to remain strong, competition is essential, we therefore agree with the decision to drop the suggested "BBC only" model for future delivery of PSB. That is also why we welcomed the decision of the BBC not to introduce proposed local video news websites. We believe that Scotland's newspaper industry already caters for local news services and the BBC should not be allowed to create a monopoly in this market. It must be recognised that competition between providers drives up quality and choice.

The Scottish Conservatives welcomed the publication of the Scottish Broadcasting Report: *Platform for Success*, which was conducted in parallel to Ofcom's second major review of public service broadcasting. The creation of a Scottish digital network has always been at the centre of a Scottish Conservative approach to broadcasting in Scotland. A new digital channel would provide a welcome boost for Scottish viewers and the TV production sector north of the border, including the hard-pressed Scottish independents. This is of particular importance in Scotland where the devolved nature of government requires that plurality of TV news and current affairs is essential. It is a fact that Conservative Governments have been largely responsible for plurality of provision throughout UK broadcasting history. We licensed ITV in 1955, oversaw the launch of the new satellite channels and cable in the late 1980s and, launched Channel 4 in 1982 and Channel 5 in 1997.

Current nature of broadcasting in Scotland

Of the four public service television broadcasters that serve the whole of the UK, only the BBC and ITV are currently required to provide programmes specifically for audiences in Scotland. The BBC offers such programmes in opt-out slots on BBC1 and BBC2, while on the main ITV network the three Scottish licences (STV Central, STV North, and Border) contain minimum requirements for programmes made in Scotland and about their respective parts of Scotland.¹

The number of channels broadcasting in the UK has doubled in the last five years - increasing from 236 in 2002 to 470 in 2007. In this time, the combined audience

¹ [Platform For Success - Serving Audiences And Society](#) (p.21)

share for the five main channels (BBC 1 and 2, ITV, Channel 4 and Five) has declined from 77.7% to 63.5%.

Scotland is the second largest production base outside London with approximately 100 production companies and 300 facilities companies.² Despite this, Scotland has never had a universally available television channel of its own.³ This is another reason why the Scottish Conservatives have welcomed the decision to create a Scottish Digital Network and we were also pleased to note Ofcom's support for this decision. However, it must be noted that we did not support the Scottish Broadcasting Commission's funding model. Scottish Conservatives believe that the new channel should not be totally publicly funded but should allow for substantial private funding as well.

We hope that the outcome of Ofcom's review into PSB will also reflect the importance of regional programming. The BBC currently remains the main force of public service broadcasting in Scotland as in other parts of the UK, but Scottish programmes currently constitute only about 5% of the overall television schedules of BBC1 and 2 in Scotland.

Currently STV has an obligation to produce its twice-daily news bulletins in each of the two licence areas, which are north and central Scotland, plus four hours a week of non-news Scottish programming transmitted across both licence areas. The non-news requirement reduces to three hours per week from the beginning of 2009.⁴

A survey was carried out by TNS System Three in May 2008 to conduct research among a sample of the adult population in Scotland.⁵ The aim of the research was to find out about public attitudes towards broadcasting. The survey found that 85% of the Scottish population used television as their main access to news and information. The public thus placed importance on the portrayal of Scotland in broadcasting, specifically that coverage should be inclusive, (by including everyone in Scotland and reflecting Scotland's character).⁶ The survey found:

- Demand for more Scottish coverage on TV was greatest for history/heritage programmes (56%) and other factual/documentary programmes (51%).
- The majority (75%) considered it to be important for the news to be clear when reporting whether an item relates to Scotland or not.
- Having a choice of channel for watching news about Scotland was considered to be important by a large majority (76%); for over half of these it was considered to be 'very' important.
- Amongst the vast majority who watch TV news, there was widespread interest (74%) in a new Scottish news programme, (to be broadcast on a different channel from ones that might currently be watched). This was found even amongst those who regularly watch the news on the same channel.
- Additionally, the vast majority (82%) expressed an interest in a new Scottish channel for people living in Scotland, with almost half this group claiming to be 'very' interested in this. In terms of the types of programmes to be broadcast on this new channel, interest was most widespread for news programmes (58%).

² Scottish Screen memo with publication of *Made in Scotland TV Report*, (September 2008) Examples of production companies include *Tern*, *The Comedy Unit*, *Red Kite*. Facilities include *M8*, *Artem*, *Serious*.

³ *ibid* (p.6)

⁴ The report of the Scottish Broadcasting Commission accepts the financial reality that this is unlikely to change for the better.

⁵ [Public Attitudes to Broadcasting in Scotland](#) (May 2008) TNS is a market research company based in Edinburgh

⁶ [Public Attitudes to Broadcasting in Scotland](#) (May 2008)

- There was widespread support for the showing of international live Scottish football matches on free terrestrial TV rather than only on subscription. This finding was widespread (71%).

Further to the research conducted by TNS, the BBC conducted an impartiality report in June 2008 which found that:

*“Most people throughout the UK are probably at least vaguely aware that Scotland now possesses its own parliament and Government... But most people are clearly unaware of the scale of the changes that have taken place”.*⁷

Concluding points from the BBC Trust Report also found that:

- The BBC has a responsibility to serve the whole of the UK in informed news coverage.
- It was discovered in 2007 that the BBC had not covered the different policies of the nations in a way ‘that enabled all audiences to understand fully what was happening in different parts of the UK.’⁸ Despite this, the BBC’s performance was seen as consistently better in representing the nations than reporting from other broadcasters.

Furthermore, the research conducted by Ofcom shows that audiences want content that reflects life in the UK. They want programming which reflects cultural identity, increases understanding of the world, stimulates knowledge and interests and which makes the public aware of different cultures and viewpoints. Audiences also want competition with the BBC in public service broadcasting to continue. They value the range of voices and the higher standards that competition brings. However, the review highlights that in order to meet these aims the costs of making programmes is going up, while their main financial benefit, privileged access to terrestrial broadcasting radio spectrum to transmit programmes, is going down. (with the move toward digital switchover). As a result, before 2012, the costs of holding ITV1 licences may well exceed the benefits and Channel 4’s financial future will also look uncertain.

Ofcom highlights three potential models for the future of public service broadcasting and content:

1. Evolution: the BBC, ITV1, Channel 4 and Five continue to provide public service programming as they do now, though with either extra public funding or fewer obligations for the commercial channels.
2. BBC/Channel 4 plus limited competitive funding: the BBC and Channel 4 are the main UK-wide public service broadcasters with other providers bidding for limited long-term funding to provide additional competition to the BBC.
3. Broad competitive funding: A wide range of providers – not just ITV1, Channel 4 and Five – bid for long-term funding to provide public service competition to the BBC.

Options outlined in the review for funding these models include:

- Government funding, from a variety of possible sources.

⁷BBC Trust Impartiality Report, (p.17)

http://www.bbc.co.uk/bbctrust/assets/files/pdf/review_report_research/impartiality/uk_nations_impartiality.pdf

⁸ BBC Trust represents licence fee payers, it expects management to deliver public value through bringing distinctive services of the highest quality to audiences across the UK.

- The licence fee, either funding currently going to BBC services or the excess licence fee which contributes to the costs of switchover until 2012.
- Continued access to broadcasting spectrum and other regulatory benefits.
- Industry levies, like those recently proposed in France.

Key findings from new audience research by Ofcom show the following trends and highlight the following implications:

- 9 out of 10 people do not want the BBC to be the only provider of public service content in the future.
- Audiences value highly Public Service Broadcasting alternatives to complement the BBC. Three quarters of people are willing to pay on average up to £3.50 per month for Public Service Broadcasting services on ITV, Channel 4 and five; and a majority of people want ITV1 to continue to provide regions and nations news to complement the BBC.
- Ofcom accepts that ITV's proposed merger between Border and Tyne Tees news should go ahead which will lead to the introduction of separate 15-minute sections in the main *Lookaround* weekday programme for viewers in either area, together with separate late-evening bulletins. ITV have given a commitment to include an average of six minutes of Scottish news within the 15-minute section.
- Ofcom proposes the reduction of minimum requirements for non-news programming from 3 to 1.5 hours per week from 2009, but with peak time and current affairs obligations remaining.
- STV will need additional funding sooner than any other region in the UK in order to maintain its public service obligations. This is likely to be from 2010. Ofcom research shows viewers in Scotland value programmes made in and for Scotland. They value plurality beyond the BBC for both news and other content – although they value non-news less highly than news.
- In order to maintain STV's services at or close to their current level, extra funding from public sources at the UK or Scottish Government level will be needed.
- In the Evolution model, Ofcom's proposals mean there could be a single channel 3 licence for Scotland in future. Any Channel 3 Public Service Broadcaster licence after 2014 would be likely to cover the whole of Scotland.
- Ofcom also propose to raise Channel 4's out-of-London quota from 30% to 35% from 2010, and to introduce a new quota for Channel 4's productions from Scotland, Wales and Northern Ireland, also from 2010. These would be aligned to new long term funding arrangements for Channel 4.

The Future of Public Service Broadcasting

Ofcom makes it very clear that the costs of making programmes is going up, while their main financial benefit, privileged access to spectrum, is going down. If ITV is to retain its PSB licence, the costs of having two STV licences will exceed benefits by 2009/10. The Scottish Conservatives recognise that any decisions over future funding methods will be the responsibility of the UK Government, however, we

believe that the evolutionary method would provide the best solution for the reform of Public Service Broadcasting and it is likely that this method will require extra funding.

As stated by Ofcom in their review, the refined evolutionary method would see BBC, ITV1, Channel 4 and Five continue to provide public service programming as they do now, with reduced commitments or extra public funding. This model would ensure that competition, which is vital for the media in order to maintain transparency is upheld.

We are pleased to note that the BBC has promised to allocate an increased share of network production to Scotland, however we would like to emphasise that this target should be met by 2012 rather than 2016, we also believe that Channel 4 should be increasing its share of production from Scotland. This could bring increased opportunities for Scotland's excellent, independent production sector. Scotland offers an exciting opportunity for programme makers in Scotland as the second biggest production base outside London with approximately 100 production companies. The only thing that is holding our independents back is a lack of work.

As highlighted above, the benefits for STV of holding PSB licences will soon be outweighed by the cost of providing news and current affairs content at the required level. This means that STV will need additional funding sooner than any channel in the UK if it is to maintain its PSB obligations. STV has estimated that they will need an additional £5m a year to continue producing news and current affairs at present levels.

Ofcom has highlighted a number of options for the potential funding of PSB in the future. Options include:

- Using direct funding from Government,
- The licence fee - either using the switchover surplus, 'toplicing' the current licence fee or increasing the existing licence fee so that money can be redistributed to other channels.
- Placing an industry charge on industry organisations.
- Using gifted spectrum.

Since broadcasting is reserved, we do not believe it is our role to comment on any of these options especially since broadcasting is changing so quickly. However, we do agree that this issue needs to be addressed. We hope that whatever decision is made, strong support for commercial competition to the BBC will be emphasised.

If a Scotland-wide licence is introduced as proposed by Ofcom, then we would support the idea of having STV or a successor company providing PSB for Scotland, including the Border region. Furthermore, we would like to highlight the position of STV which seeks Independent Producer Status, which means that STV is recognised outside the ITV commissioning process. STV has stated that this would make it easier for other channels, particularly BBC and Channel 4 to commission production from Scotland.

We agree with Ofcom's view that ITV1 should be focussed on programmes made in the UK, network news and nations and regions news, especially in peak time. However, we do not accept that the best solution to the Border TV 'problem' is a merging of Border and Tyne Tees news with six minutes of Scottish news in a separate 15 minute opt out in the main nightly programme. We believe that Ofcom should look again at possible solutions for ITV viewers in the Borders and south west

of Scotland over the next six years. A six-minute nightly Scottish news 'hubbed' from studios in Gateshead will be seen as derisory by Scots living in the Borders and South West Scotland.

We would like to highlight again that the needs of Scotland are different from those in England and its regions (as stated in the wide body of evidence included above). We believe that special consideration needs to be given to the current contribution from STV as the only commercial PSB in Scotland. A 'one-size-fits-all' London based view of ITV for the whole of the UK is inappropriate. Just as Scotland requires a vibrant and pivotal BBC service so it requires a healthy competitive commercial TV sector. We look forward to Ofcom's eventual recommendations as to how this might be achieved.

Ted Brocklebank MSP

Scottish Conservative Shadow Minister for Europe, External Affairs, Culture and Gaelic.

27.11.2008

RESPONSE TO CONSULTATION QUESTIONS

Models

1. Do you agree that public service provision and funding beyond the BBC is an important part of any future system?

Yes, very important.

2. Which of the three refined models do you think is the most appropriate?

The Scottish Conservatives believe that the evolutionary model proposed by Ofcom has the most merit.

3. Do you agree that in any future model Channel 4 should have an extended remit to innovate and provide distinctive UK content across platforms? If so, should it receive additional money directly, or should it have to compete for funding?

The Scottish Conservatives agree that Channel 4 should have to compete for funding for this concept.

4. Do you think that ITV, Five and Teletext should continue to have public service broadcasting obligations after 2014? Where ITV has an ongoing role, do you agree that the Channel 3 licensing structure should be simplified? If so what form of licensing would be most appropriate.

We do believe that ITV, Five and Teletext should continue to have public service broadcasting obligations after 2014. We agree that in order to fund this, additional funding would be required but we recognise that it is up to Ofcom and the UK Government to bring forward funding proposals.

5. What role should competition for funding play in the future? In what areas of content? What comments do you have on our description of how this should work in purpose?

We agree with the refined competitive funding model proposed by Ofcom.

Long term: nations and regions

1. Do you agree with our findings that nations and regions news continues to have an important role and that additional funding should be provided to sustain it?

Yes and Yes

2. Which of the three refined models do you think is most appropriate in the devolved nations?

The Scottish Conservatives believe that the evolutionary model proposed by Ofcom has the most merit.

This fits in with the Scottish Conservative policy on 'City TV.' We want to see accurate coverage of Scottish affairs on our national channels, but we are equally convinced of the desire for strong local coverage.

This desire for local coverage could provide the opportunity for creating a model that we have called 'City TV.' Local regions or cities could opt in and opt out of the digital channel's output with localised news and current affairs programming of their own, thus transforming local coverage throughout Scotland.

The lack of local TV is probably the biggest single failing of British public service broadcasting at the moment. Ofcom must ensure that the growth of local TV is helped and not hindered by the spectrum auction.

3. Do you agree with our analysis of the future potential for local content services?

No. We do not agree with the merger between Border news services and Tyne Tees. (See above).

Funding

1. Do you agree with our assessment of each possible funding source, in terms of its scale, advantages and disadvantages?

Yes

2. What source or sources do you think are the most appropriate for the future provision of public service content beyond BBC?

As this matter is reserved, the Scottish Conservatives do not believe it would be appropriate to comment on potential sources of funding. We believe that it is up to Ofcom and the UK Government to come forward with funding proposals.

3. Which of the potential approaches to funding for Channel 4 do you favour?

We agree that Channel 4's out of London quota should be raised from 30% to 35% from 2010 and a new quota for Channel 4's productions from Scotland, Wales and Northern Ireland should also be introduced from 2010. In order to continue to fund Channel 4 on its existing remit, Ofcom has suggested that by 2012 Channel 4 could require additional funding of between £60 - £100m. However, the Scottish Conservatives recognise that any decisions relating to funding methods are reserved and it will be for the UK Government and Ofcom to come forward with funding proposals.

Section 7 and annex 1: Matters for short - term regulatory design

1. Do you agree that our proposals for 'tier 2' quotas affecting ITV plc, STV, UTV, Channel TV, Channel 4 Five and Teletext are appropriate, in light of our analysis of the growing pressure on funding and audience priorities? If not how should we amend them, and what evidence can you provide to support your alternative?

We believe that STV should be allowed to provide non - news programmes at its commercial risk rather than as a regulatory obligation. We also do not believe that the merger between Tyne Tees and Border news is appropriate for the needs of Scottish audiences in the Borders and south west of Scotland.