

2 Television and audio-visual content

2.1 Recent developments in Scotland

Channel 3 and Channel 5 licence renewal

Ofcom is presently working towards offering new ten-year licences to ITV, STV, UTV and Channel 5 before the current licences expire at the end of 2014. This follows Culture Secretary Maria Miller's decision, announced in November 2012, not to block the renewal of the licences. We have consulted on the terms of those renewals, with three consultations - on the licensed areas, the financial terms of the renewal, and the programming obligations of the licences - all closing on 2 May 2013. Ofcom published a statement outlining the terms for renewal in July 2013.³¹

Scottish Government

The Scottish Government said it was pleased to note that the Culture Secretary had indicated, as a condition of licence renewal, that she wanted to see Ofcom negotiate with ITV a way forward that addressed the concerns of viewers in the Border region. Scottish Government Ministers also continued to liaise, as relevant, with BBC senior management on the implementation of 'Delivering Quality First' in Scotland, and worked with the BBC and MG ALBA regarding the ongoing operations of BBC ALBA.

BBC Scotland

BBC Scotland programmes won a number of Scottish BAFTAs, including one for *Mrs Brown's Boys*, which the broadcaster reported as the most viewed BBC One programme over the festive period. There was a Foreign Press Association Media Award for Sports Story of the Year for the investigations into Rangers FC and an international Emmy for *Terry Pratchett: Choosing to Die*. Specialist factual output was particularly strong across the year with William Hurt and Brian Dennehy starring in *The Challenger*, a drama documentary, and co-productions with the Science Channel, *Operation Iceberg*, *Prehistoric Autopsy* and *Afterlife: The Strange Science of Decay*. *Waterloo Road* returned for an eighth series, now relocated to Inverclyde, and *River City* celebrated its tenth anniversary on air. On BBC ALBA the current affairs programme *Eorpa* celebrated 20 years on air.

STV

STV reinforced its commitment to delivering regional news by increasing its weekday broadcasts. A short regionalised bulletin of local and national news headlines is now transmitted just before 8pm on weeknights. In addition, STV delivers three news broadcasts for ITV during its morning programme *Daybreak*. STV has stated that it will maintain this level of local news output in the next licence term. Alongside broadcasting, STV delivers news online through the stv.tv website, STV News App via iPhone and Android, and STV Local which includes the metro sites for Glasgow and Edinburgh. STV's multi-platform offering also includes the STV Player App which has achieved over 400,000 downloads since its launch in the Apple App store and Google Play in October 2012. STV Productions continues to secure commissions from all the major broadcasters, including a new series of the game show *Catchphrase* for ITV.

³¹ <http://stakeholders.ofcom.org.uk/consultations/c3-licensed-area/>
<http://stakeholders.ofcom.org.uk/consultations/c3-c5-obligations/>
<http://stakeholders.ofcom.org.uk/consultations/c3-c5-finance/>

Channel 4

Channel 4's production hours in Scotland in 2012 have increased since 2011, with overall devolved nations' spend at 5%, above the 3% quota agreed with Ofcom. Scotland's contribution to this figure was around 3.2%, showing a rise from 2.9% in the 2011 figures. In addition, there was a larger contribution from Scotland to programme hours in the nations. Channel 4 reported that this was largely due to the success of several Scottish independent companies such as Raise The Roof, Lion Scotland and Objective Scotland in the daytime schedule. Despite lower tariff prices per episode, the long series runs and returnability of that area of the schedule have contributed to the increase in commissions year on year. This remains a key area of potential growth for Scottish independent production companies in 2013. Other key success stories from Scottish suppliers in 2012 included continued peaktime success from IWC and Raise The Roof.

Local TV

In January 2013 Ofcom announced that the awards for local TV licences for Glasgow and Edinburgh had been awarded to Glasgow and Edinburgh TV, both operated by STV. The two new channels will be delivered in partnership with Glasgow Caledonian and Edinburgh Napier Universities in the respective cities, giving students the opportunity to train in a live broadcast environment.

The online, hyper-local service URTV secured a £50,000 grant from the independent charity NESTA to build a network of community-owned, not-for-profit, hyper-local news channels. Creative Scotland partnered with NESTA in Scotland and provided 50% of the stage one project costs. The aim of this 'Destination Local' initiative is to build and test prototypes that will deliver the next generation of very local, mobile services such as news, public services and citizen journalism.

URTV's network includes Annandale TV, described as the first daily hyper-local internet channel in the South of Scotland. It is a component of the Annan broadband pilot, supported by the Scottish Government as part of its digital strategy. The model encourages people in Annandale to use the internet and access public services and information online.

An Edinburgh-based internet channel, Summerhall TV, launched last summer. It is dedicated to the arts, books and film and takes its name from a new, multi-arts centre in the capital. As well as featuring up-to-date news and commentary, it can draw on its archive from former local TV initiatives – Edinburgh Television (from 2000-2002), Channel Six Dundee (from 2000 to 2002) and e-tv (Aberfeldy, during 2003).

Broadcast production

Earlier this year, Scottish Enterprise published the report *Market Assessment of the Broadcast and Television Production Sector in Scotland 2011/12* by consultants EKOS.³² It found that the average value of commissions won by independent production companies in Scotland has consistently increased since 2006/07, even accounting for large one-off commissions. The total value of production in the sector has increased since 2006/07, but only marginally, reflecting ongoing pressure on broadcaster budgets. The report also notes that despite some signs of promise in earlier surveys, both international and digital markets appear to be under-exploited. The genre mix is still an issue, with the undoubted strength in one-off factual programmes not yet matched by broader representation in returning genres

³² <http://www.scottish-enterprise.com/~media/SE/Resources/Documents/ABC/Broadcast-Production-Market-Assessment-Feb-2013.pdf>

such as features, factual entertainment and entertainment, or in higher-value production in drama and comedy.

2.2 Digital television take-up in Scotland

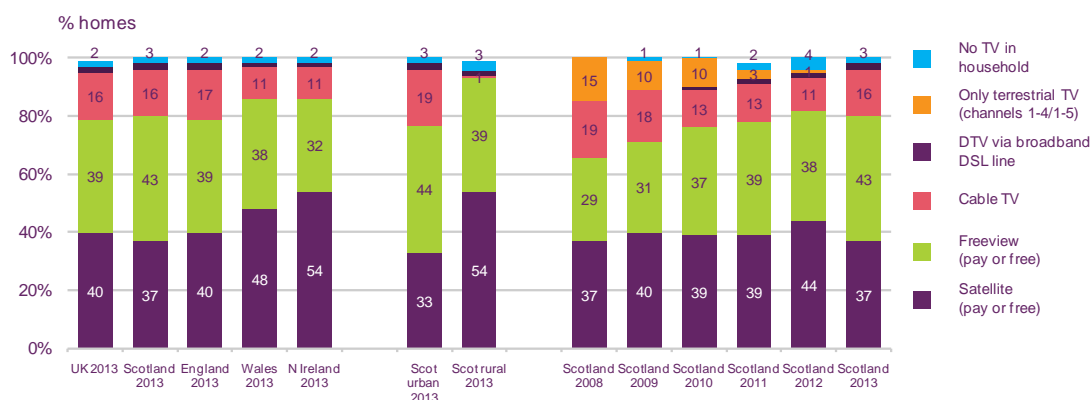
Digital switchover completed in Scotland

All TV households in Scotland are now able to receive digital television, since digital switchover in Scotland was completed in October 2012. Research reported in the Ofcom *Adults Media Use and Attitudes Report*³³, found that television continued to be the medium people said they would miss the most (43%); over nine in ten adults (95%) of all ages claimed to watch TV on a regular basis.

DTT and satellite remain the most widely-used platforms

DTT and satellite remain the most widely-used platforms on main TV sets in Scotland. There has been a slight increase in the proportion of households with cable TV (up from 11% of homes in Q1 2012 to 16% in Q1 2013), while the proportion with satellite TV services (either paid for or free) has decreased from 44% to 37% over the same period. As a result, in 2013, DTT is the most popular main service in Scotland, whereas satellite was the more popular main service in 2012. As in previous years, satellite television has higher penetration in rural areas of Scotland, where cable services have lower availability.

Figure 2.1 Main set TV share in Scotland, by platform



QH1a. Which, if any, of these types of television does your household use at the moment?

Source: Ofcom research, Q1 2013

Base: All adults aged 16+ (n = 3750 UK, 507 Northern Ireland, 2250 England, 501 Scotland, 492 Wales 254 Northern Ireland urban, 253 Northern Ireland rural, 629 Northern Ireland 2008, 652 Northern Ireland 2009, 761 Northern Ireland 2010, 511 Northern Ireland 2011, 508 Northern Ireland 2012, 507 Northern Ireland 2013)

2.3 Smart TV and HDTV adoption

Scotland has the highest proportion of HD-ready TV homes in the UK

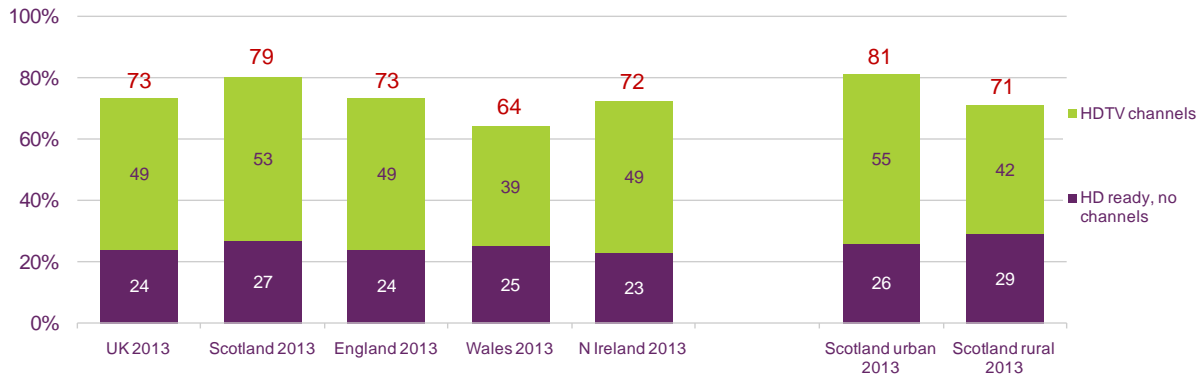
Over half (53%) of households in Scotland claim to have HDTV channels, up 6% from last year, and an additional one in four (27%) households in Scotland have an HD-ready TV as

³³ <http://stakeholders.ofcom.org.uk/market-data-research/media-literacy/archive/medlitpub/medlitpubrss/adults-media-use-attitudes/>. Published in March 2012

the main TV set, up 2% from last year. Scotland has the highest proportion of HD-ready TV homes in the UK, at 79%; six percentage points above the UK average of 73%.

HDTV take-up is higher in Scotland's urban areas, where over half (55%) of households claim to have HDTV channels. This is a contrast to last year, when take-up was higher in rural areas (53%) due to the greater use of satellite television.

Figure 2.2 Proportion of homes in Scotland with HD-ready TV sets and HDTV



Source: Ofcom research, Q1 2013

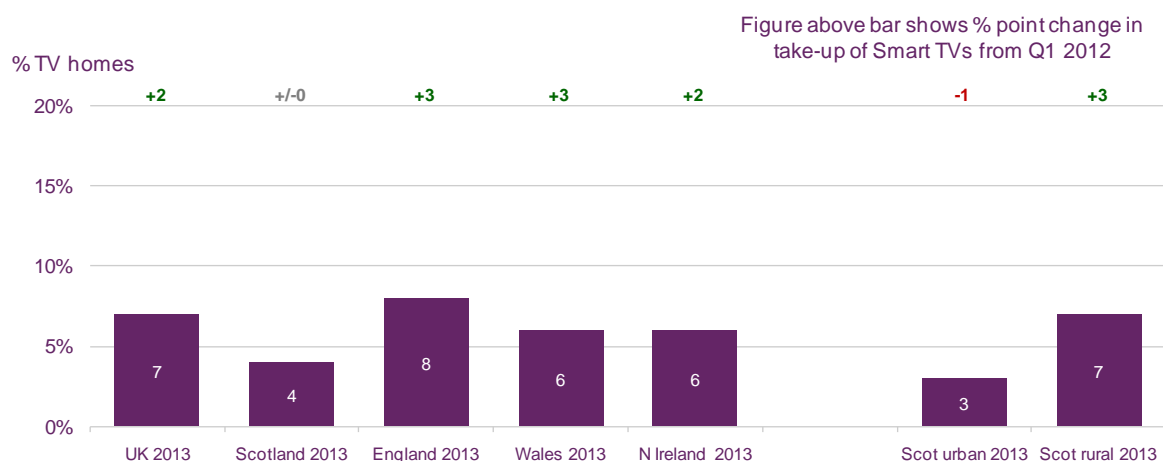
Base: All adults aged 16+ (n = 3750 UK, 501 Scotland, 2250 England, 492 Wales, 507 Northern Ireland, 250 Scotland urban, 251 Scotland rural)

Question. Is the main TV in your household an HDTV set or HD ready?/ QH54. For the main TV set, does your household have an HD TV service – from either Sky, Virgin Media, Freesat or Freeview?

Four per cent of households in Scotland have a smart TV

A small proportion (4%) of homes in Scotland claim to have purchased a smart TV with an integrated internet connection, unchanged since 2012. Smart TV ownership in Scotland is below the UK average (7%) as take-up in each of the other UK nations has increased since 2012.

Figure 2.3 Smart TV take-up in Scotland



Source: Ofcom research, Q1 2013

Base: All adults aged 16+ with a TV in household (n = 3661 UK, 487 Scotland, 2197 England, 485 Wales, 492 Northern Ireland, 244 Scotland urban, 243 Scotland rural)

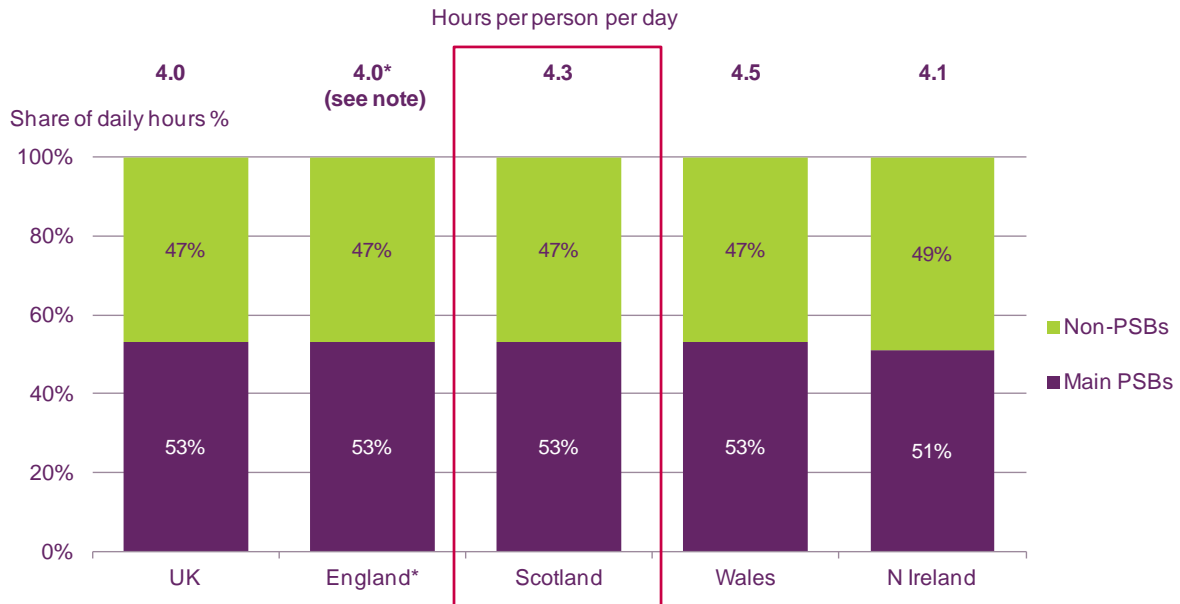
Question. Are any of your TV sets "smart TVs"? These are new types of TV that are connected to the internet and can stream video directly onto your television screen, without the need for a computer, set-top box or games console.

2.4 Broadcast television viewing

People in Scotland spend 4.3 hours per day watching TV

In 2012, people in Scotland spent 4.3 hours per day watching television, slightly higher than the UK average of 4.0 hours (Figure 2.4) but slightly lower than the 4.5 hours in 2011.

Figure 2.4 Average hours of daily TV viewing, by nation: 2012



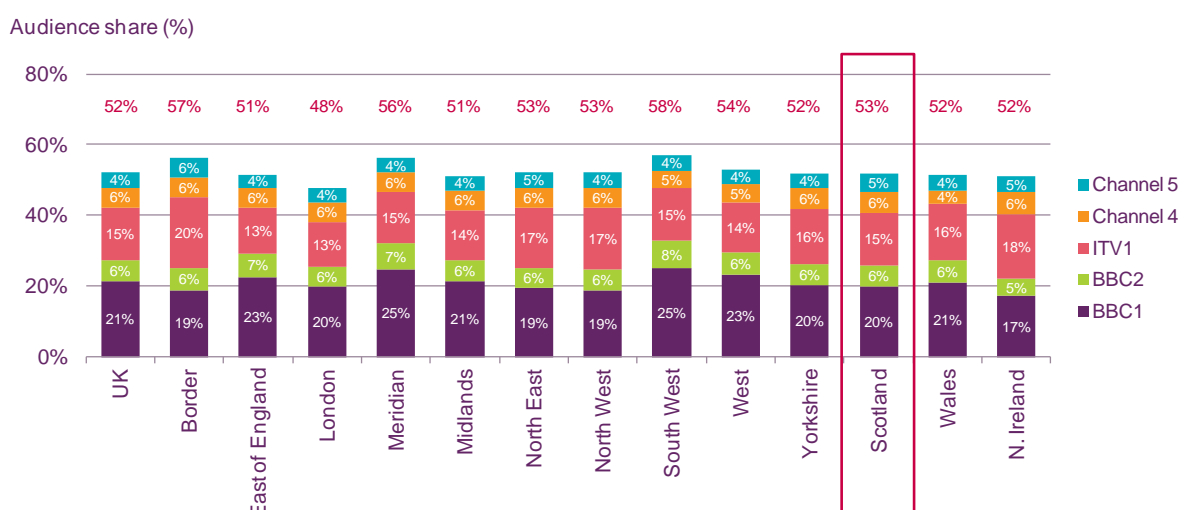
Source: TV = BARB. Based on all individuals (aged 4+). PSBs = BBC One, BBC Two, ITV1, C4, Channel 5 including HD variants.

*Note: This figure reflects the average across the English regions with the highest in North East (4.4) and lowest in West (3.7) respectively.

Over half (53%) of all viewing is to the five main PSB channels

In 2012, the five main PSB channels accounted for a combined 53% share of total TV viewing in Scotland, comparable to that in the other nations and just higher than the average 52% share across the UK.

Figure 2.5 Share of the five main PSB channels, all homes: 2012

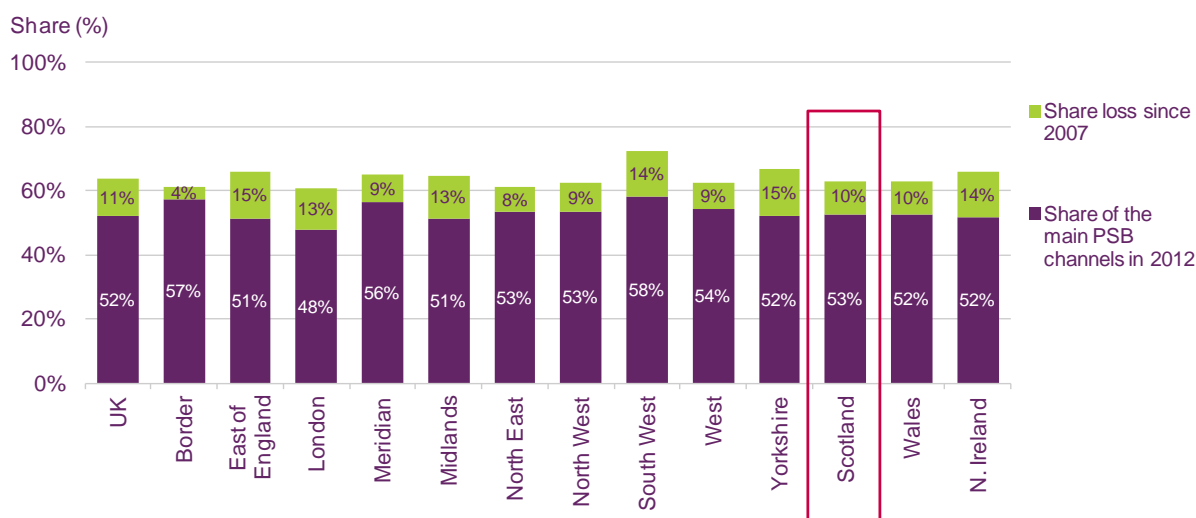


Source: BARB, all individuals (4+). HD channel variants are included.

The combined share of the five main PSB channels declined by ten percentage points since 2007, to 53% in Scotland

Between 2007 and 2012, there was a ten percentage point reduction in the combined share of the five main PSB channels in Scotland (to 53% in 2012) since 2007. This reduction was slightly less than the average decrease across the UK, which was 11pp.

Figure 2.6 Reduction in combined share of the five main PSB channels, all homes: 2007 and 2012



Source: BARB, all individuals (4+). HD channel variants are included.

Note: In 2010 a new BARB panel was introduced, including the re-defining of boundaries. Therefore, pre and post panel change data should be compared with some caution.

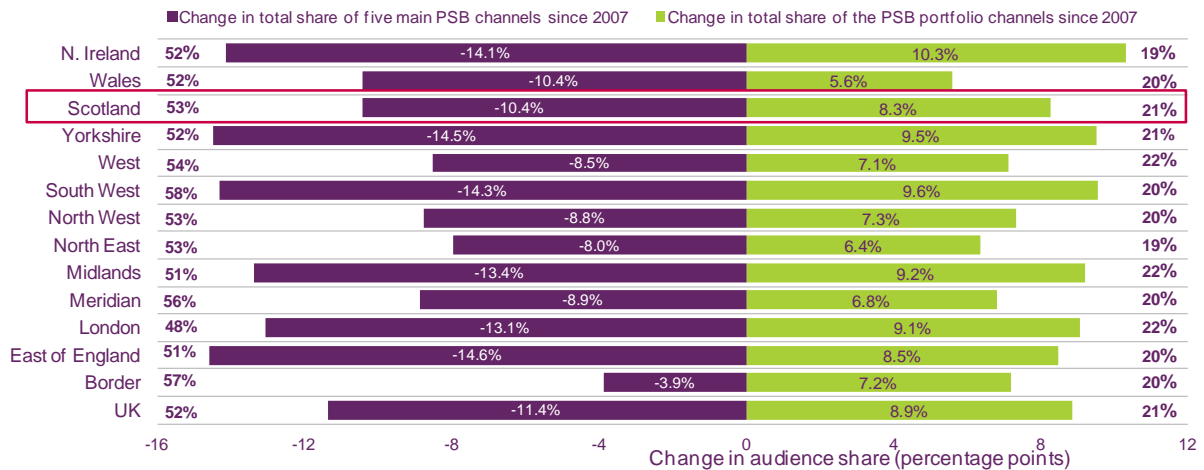
Note: In 2010 C4 and S4C became two separate channels following digital switchover in Wales. S4C is included in the main PSB channels in 2007 but not in 2012.

The PSB main channels and portfolio channels' total combined share decreased by 2.1 percentage points between 2007 and 2012; marginally lower than the UK average net loss of 2.5 points

From 2007 to 2012, the five main PSB channels experienced a 10.4 percentage point decrease in their combined share of total TV viewing (compared to the UK average decrease

of 11.4%). Among viewers in Scotland the PSB portfolio channels saw an 8.3 percentage point increase (UK average 8.9 percentage points), resulting in a net loss overall of 2.1 percentage points in their total combined channel share. This is marginally lower than the UK average net loss of 2.5 percentage points and lower than that experienced in the other nations.

Figure 2.7 Net change in the audience share of the five main PSB channels and their portfolio channels, all homes: 2007 - 2012



Source: BARB, all individuals (4+)

Notes: i) PSB main channels include HD variants but not +1s. 'PSB portfolio channels' include main PSB +1 channels and the PSB digital channels and their respective +1s). ii) In 2010 C4 and S4C became two separate channels following digital switchover in Wales. S4C is included in the main PSB channels in 2007 but not in 2012. iii) In 2010 a new BARB panel was introduced, including the re-defining of boundaries. Therefore, pre- and post-panel change data should be compared with some caution.

BBC One and STV early evening news bulletins attracted greater share in Scotland than in the UK

In 2012, BBC One's early-evening nation's news bulletin (*Reporting Scotland*) attracted an average 30% share of TV viewing in Scotland – marginally higher than the UK average of 28%. STV's counterpart bulletin (*STV News at Six*) attracted a lower average share (27%) than BBC One's, although considerably higher than the Channel 3 UK average (18%).

Figure 2.8 BBC One and ITV/STV/UTV/ITV Wales early-evening news bulletin shares, all homes: 2012



Source: BARB, all individuals (4+)

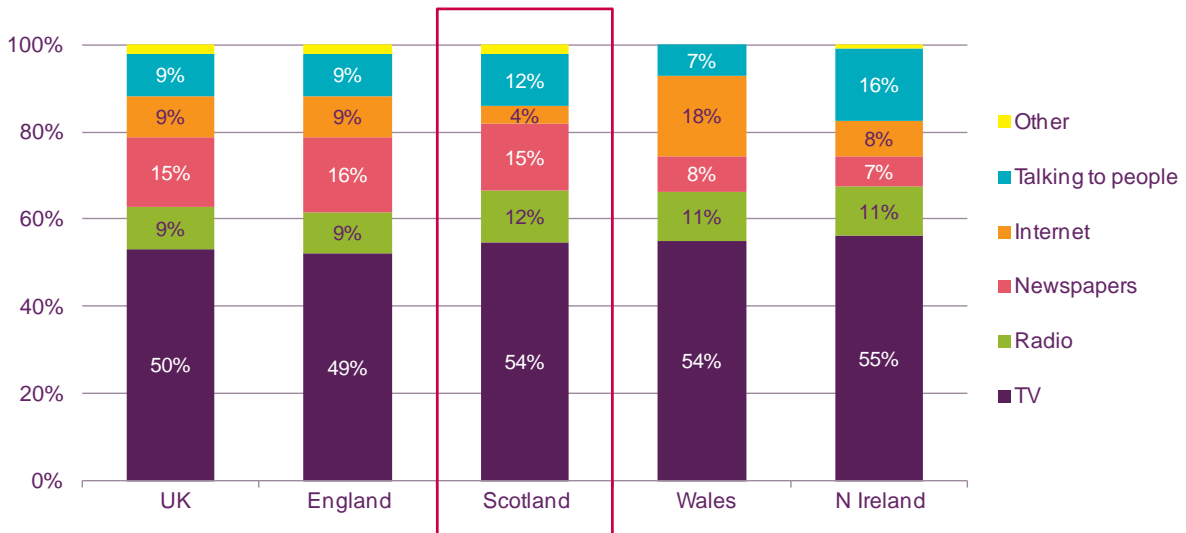
Note: Based on regional news programmes, start time 17:55-18:35, 10 mins+ duration, BBC One and ITV (excl HD), weekdays.

More than half of all adults in Scotland use TV as their main source of local news

In 2012, 54% of adults in Scotland stated that TV was their main source of local news, higher than the UK average of 50%. Newspapers were the second most-stated source, at 15%. The internet was mentioned by just 4% in Scotland, significantly lower than in the other nations and the UK average of 9%.

Figure 2.9 Main sources of local news for each nation

‘Can you tell me what, if anything, is your main source of news about what is going on in your own local area’



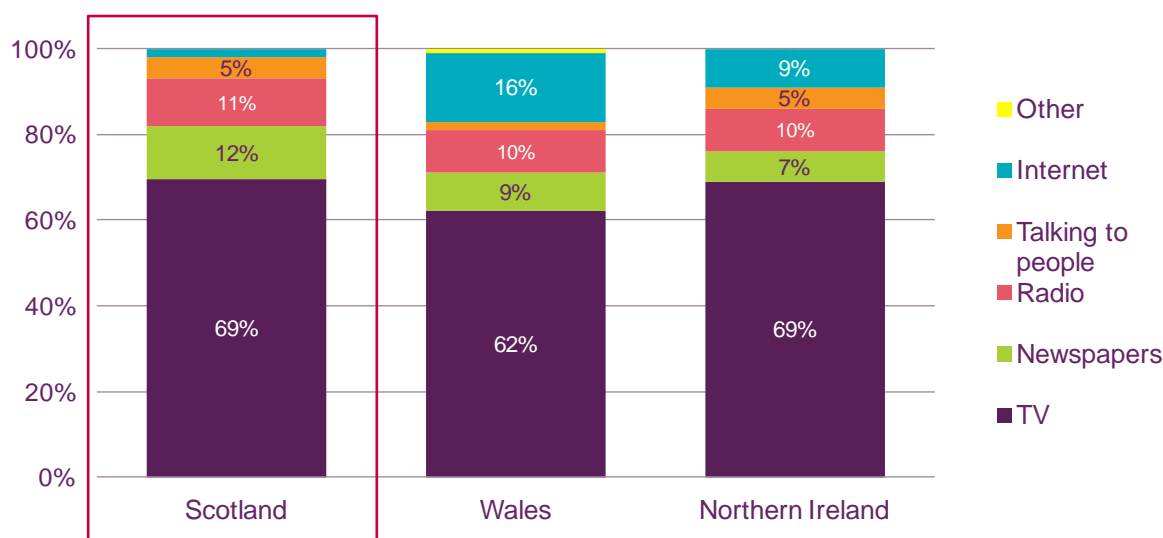
Source: Ofcom Media Tracker 2012.

Base: All adults; England (1,434); Scotland (189); Wales (118); Northern Ireland (113). Only responses ≥ 3% labelled

In 2012, adults in Scotland were most likely to say that television was their main source of news about their nation, at 69%; marginally higher than 62% in Wales and equal to 69% in Northern Ireland. People in Scotland were also most likely to choose newspapers – 12% compared to 9% in Wales and 7% in Northern Ireland, while the internet remains less popular than in any of the other nations as a main source of news (2%).

Figure 2.10 Main source of nations’ news for each nation

‘Can you tell me what, if anything, is your *main* source of news about what is going on in [Scotland, Wales, Northern Ireland]?’



Source: Ofcom Media Tracker.

Base: All respondents in Scotland (189), Wales (118), Northern Ireland (113). Only responses ≥ 3% labelled.

2.5 TV programming for viewers in Scotland

The following section outlines spend and hours of programming for viewers in Scotland, Wales, Northern Ireland, and the English regions provided by the BBC and STV/UTV/ITV. The figures exclude Gaelic and Welsh language programming but include some spend on Irish-language programming by the BBC. For information on BBC ALBA, see section 2.6.

Programme definitions

First-run originations - Programmes commissioned by or for a licensed public service channel with a view to their first showing on television in the United Kingdom in the reference year.

First-run acquisitions - A ready-made programme bought by a broadcaster from another rights holder and broadcast for the first time in the UK during the reference year.

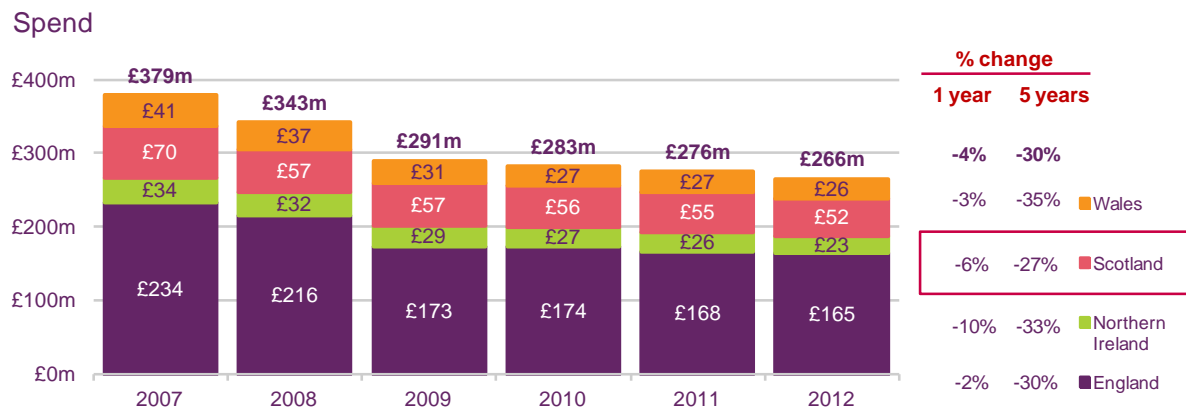
Repeats - All programmes not meeting one of the two definitions above.

Spend on first-run originated content from the PSBs in Scotland is down 6% year on year

£266m was spent by the BBC and ITV/STV/UTV on producing first-run originated programmes specifically for viewers in Wales, Scotland, Northern Ireland and the English regions in 2012, down by £10m (or 4%) from 2011 and down by 30% since 2007.

Year-on-year spend by PSBs on first-run originated programming for viewers in Scotland was down 6% to £52m; over five years, spend has decreased by 27% (£19m), making Scotland the least-affected nation over that period.

Figure 2.11 Spend on first-run originated nations' / regions' output by the BBC / ITV /STV /UTV



Source: Broadcasters. All figures expressed in 2012 prices.

Note: Spend data for first-run originations only. Spend excludes Gaelic and Welsh language programming but includes some spend on Irish-language programming by the BBC. This does not account for total spend on BBC Alba or BBC spend on S4C output. For information on BBC Alba, please see Figure 2.16.

Total spend on nations' programming in Scotland was down 7% year on year

Turning to total spend on programming commissioned for the nations, the BBC and STV's spend on news for viewers in Scotland has decreased by 13% since 2011 and by almost a third since 2007. Over the five-year period Scotland's spend on non-news/non-current affairs was the least affected across the nations: the UK had an average decline of 43% compared to the 27% decline in Scotland.

Over the five years, spend on current affairs has increased by 6% against a 28% decline for the UK as a whole. Scotland is the only nation to show an increase in spend on current affairs over this period.

Figure 2.12 Change in total spend on nations' and regions' output, by genre and nation: 2007 - 2012

| | UK | | England | | N. Ireland | | Scotland | | Wales | |
|-------------------------------------|---------|---------|---------|---------|------------|---------|----------|---------|---------|---------|
| | 1yr (%) | 5yr (%) | 1yr (%) | 5yr (%) | 1yr (%) | 5yr (%) | 1yr (%) | 5yr (%) | 1yr (%) | 5yr (%) |
| Current Affairs | -5% | -28% | -8% | -36% | 5% | -28% | -3% | 6% | -5% | -31% |
| News | -3% | -22% | -1% | -21% | -2% | -21% | -13% | -32% | -14% | -22% |
| Non-news/non-current affairs | -5% | -43% | 7% | -86% | -19% | -41% | -5% | -27% | 8% | -40% |
| Total Spend in 2012 | £271m | | £168m | | £23m | | £53m | | £27m | |

| | UK | | England | | N. Ireland | | Scotland | | Wales | |
|------------------------|-----|------|---------|------|------------|------|----------|------|-------|------|
| | 1yr | 5yr | 1yr | 5yr | 1yr | 5yr | 1yr | 5yr | 1yr | 5yr |
| Change in Spend | -4% | -29% | -2% | -28% | -10% | -33% | -7% | -26% | -2% | -34% |

Source: Broadcasters. All figures expressed in 2012 prices.

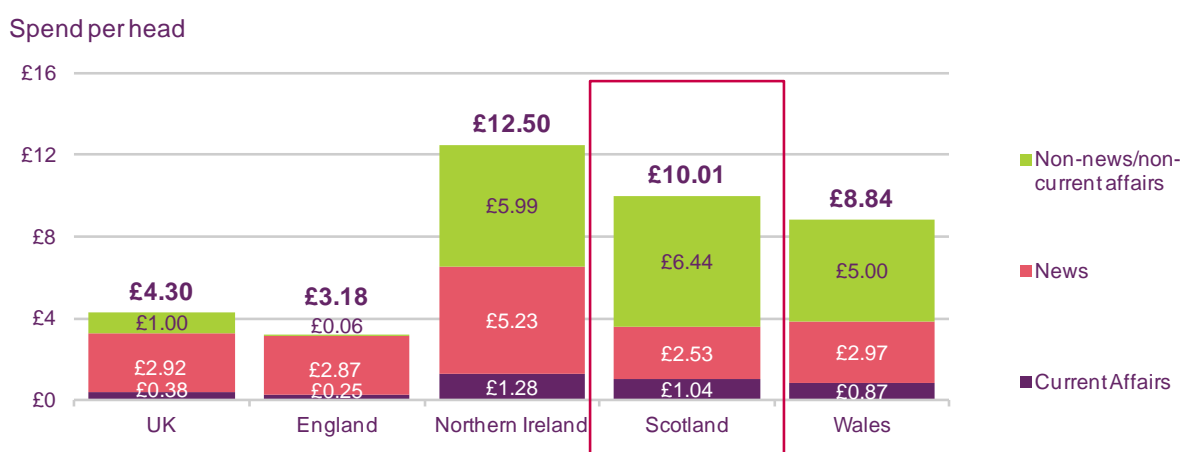
Note: Spend excludes Gaelic and Welsh language programming but includes some spend on Irish-language programming by the BBC. This does not account for spend on BBC ALBA or BBC spend on S4C output.

Expenditure per head of population for Scottish programming decreased 8% year on year in Scotland

Expenditure per head of population on programming for people in Scotland decreased by 8%, from £10.83 in 2011 to £10.01 in 2012.

Scotland's spend per head on news decreased by 13% over the year to £2.53, compared to the UK average decrease of 2%.

Figure 2.13 Total spend per head by the BBC/ ITV1/ STV/ UTV on nations' / regions' output



Source: Broadcasters. All figures expressed in 2012 prices.

Note: Spend excludes Gaelic and Welsh language programming but includes some spend on Irish language programming by the BBC. This does not account for spend on BBC ALBA or BBC spend on S4C output.

Total first-run originated hours for Scotland show biggest year-on-year decrease across the nations

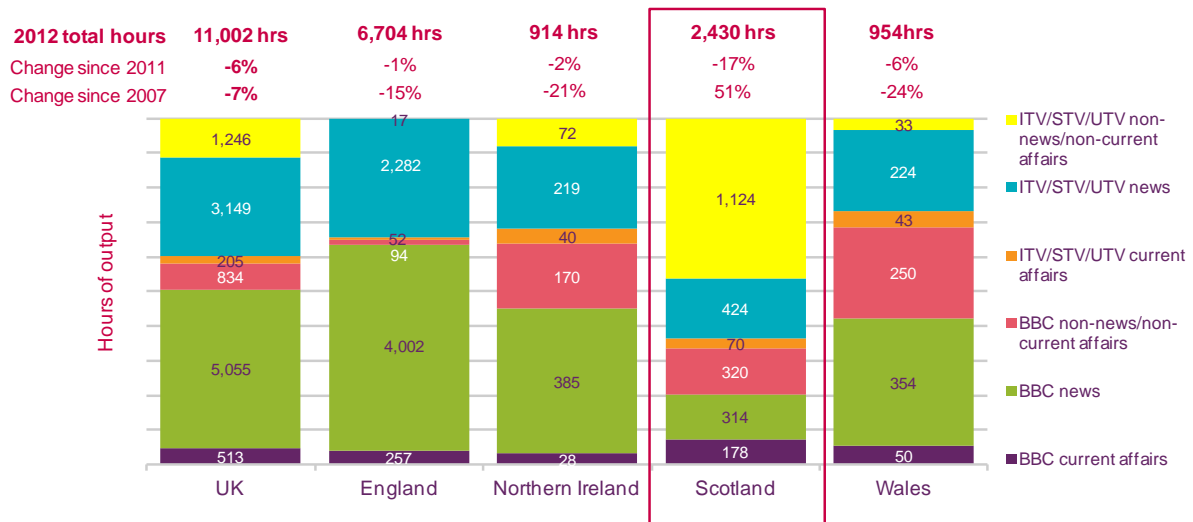
The BBC and ITV1/STV/UTV produced a total of 11,002 hours of first-run originated content for the English regions, Scotland, Wales and Northern Ireland in 2012, down 6% (or 645 hours) from 2011, and down 7% (857 hours) since 2007.

The number of first-run originated hours produced specifically for viewers in Scotland has more than doubled since 2007 from 1,606 hours to 2,430 hours in 2012. This is the highest relative increase across the four nations over this period. Over one year, the number of first-run originated hours decreased by 17% compared to the UK-wide average decrease of 6%, and was the highest relative decrease across the four nations over this period. This is a result of STV reducing its number of hours of non-news/non-current affairs programming. Despite the year-on-year decrease in hours, on the whole, STV output for non-news/non-current affairs has been gradually increasing every year since 2007.

The number of STV first-run originated hours for non-news/non-current affairs in Scotland has decreased by just under a third (31%) since 2011 but has increased seven-fold since 2007. The year-on-year reduction in non-networked hours is because STV has decided to air more Channel 3 network programmes, under a new agreement with ITV in March 2012. This large increase, especially when compared to the other two genres and the BBC hours, is because STV opted out of some networked content on Channel 3. The jump in hours is largely attributed to increased output of *The Nightshift* on STV.

Note: For comparison purposes Figure 2.14 does not take account of first-run originated BBC ALBA programming hours funded by the BBC. In 2012 the BBC's total number of first run, originated local hours for viewers in Scotland, including BBC ALBA, amounted to 1,407 hours. There is a more detailed breakdown of BBC ALBA programming in section 2.6.

Figure 2.14 Hours of first-run originated nations' / regions' output, by genre and broadcaster: 2012



Source: Broadcasters.

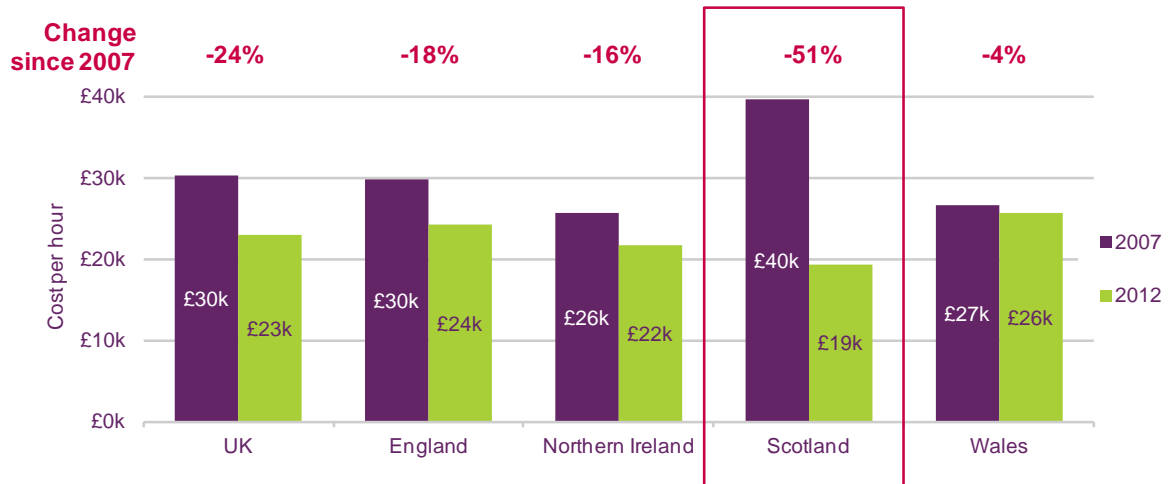
Note: Hours data for first-run originations only. Hours excludes Gaelic and Welsh language programming but includes some spend on Irish language programming by the BBC. This does not include total hours for BBC ALBA or BBC hours on S4C output.

Total cost per hour on total nations' output has decreased by 51% since 2007 for Scotland – the highest across the nations

When analysing the cost of making programmes for the nations, cost-per-hour calculations show that England, Northern Ireland and Scotland produced programmes more cheaply in 2012 than in 2007.

Over the five-year period, Scotland's cost per hour decreased by 51%, more than double the UK average which saw a reduction of 24%.

Figure 2.15 Cost per hour of total nations' / regions' output, by nation: 2007–2012



Source: Broadcasters. All figures expressed in 2011 prices.

Note: Spend excludes Gaelic and Welsh language programming but includes some spend on Irish-language programming by the BBC. This does not include hours or spend on BBC ALBA or BBC hours and spend on S4C output.

2.6 Gaelic language programming

BBC ALBA

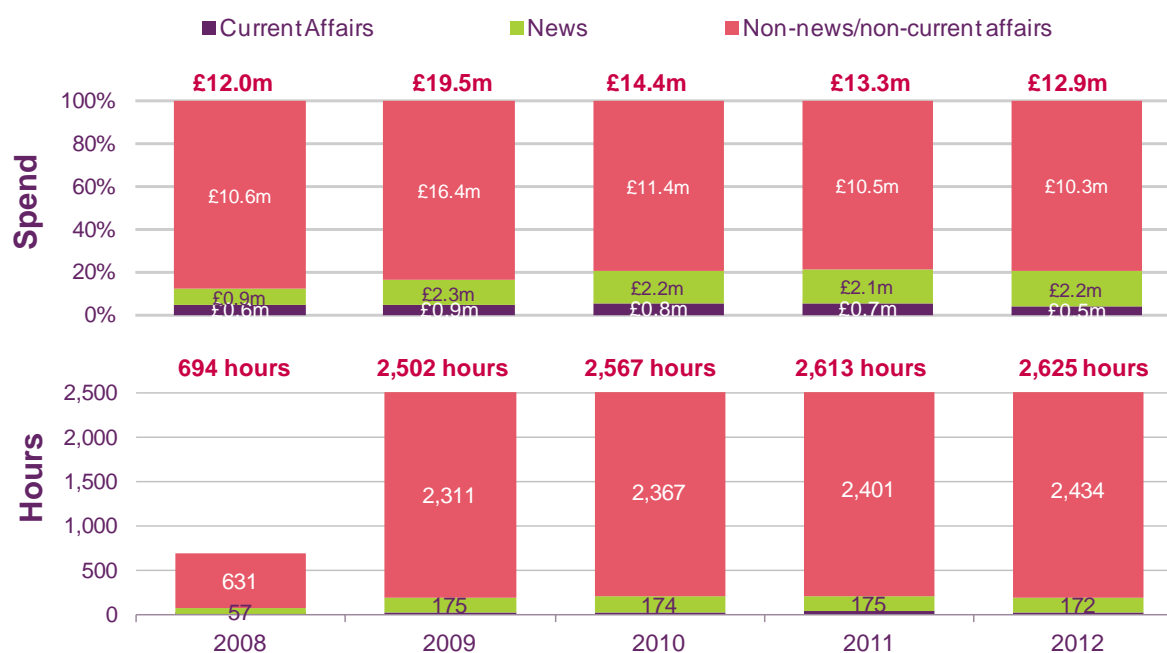
BBC ALBA is the Gaelic-language service backed by the BBC and MG ALBA, launched in September 2008.

Figure 2.16 shows that £12.9m was spent on total programming output for BBC ALBA in 2012. Ninety-nine per cent of the £12.9m was spent on first-run originations (£12.8m).

Year-on-year spend on current affairs decreased by a third (34%), while spend on news increased by 3%.

In 2012 BBC ALBA broadcast 2,625 hours in total, a 0.5% increase on 2011. Of these, almost a quarter (23%) were originations (595 hours). Of the 595 hours, 213 hours were funded by the BBC and 382 hours by MG ALBA.

Figure 2.16 BBC ALBA total hours and spend: 2008-2012



Source: BBC, total hours and spend by the BBC and MG ALBA. All figures expressed in 2012 prices.

2.7 PSB television network quota compliance

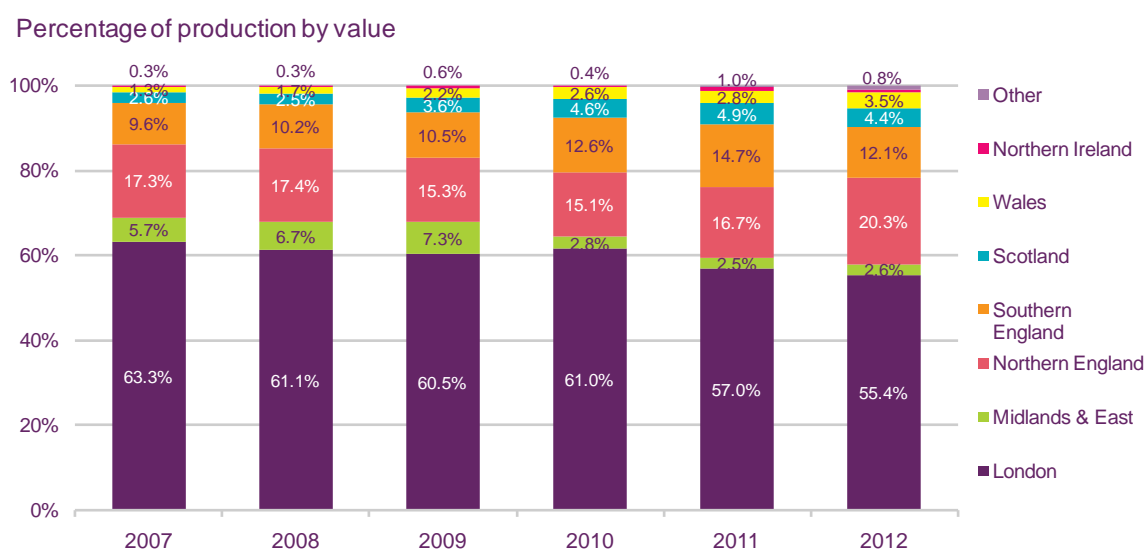
Expenditure on first-run programming produced in Scotland decreased in 2012

Figure 2.17 illustrates the distribution of spend on qualifying first-run commissioned network programming in 2012 by the five main PSB channels - 55.4% of qualifying expenditure was devoted to productions made within the M25; down from 57% in 2011. A further 20.3% of first-run spending was captured by producers based in the north of England and 12.1% in southern England.

In 2012 expenditure on originated network productions rose particularly strongly in northern England where it increased by 3.6 percentage points, primarily driven by the BBC relocating a significant production base to Salford during the year. The increase came at the expense of southern England, which bucked the positive trend of the previous years as its share of overall spend on qualifying first-run commissioned network programming contracted by 2.6 percentage points from 2011.

In Scotland, first-run productions accounted for 4.4% of expenditure of network programming, indicating a fall of 0.5% in this area over the past 12 months. In contrast, the share of spend dedicated to Wales continued to grow, with the figure rising to 3.5% in 2012 from 2.8% in 2011. In the Midlands and eastern England expenditure on first-runs rose marginally to 2.6%, while in Northern Ireland the share of total spend declined to 0.8% from 1% in the previous year.

Figure 2.17 Expenditure on originated network productions: 2007–2012



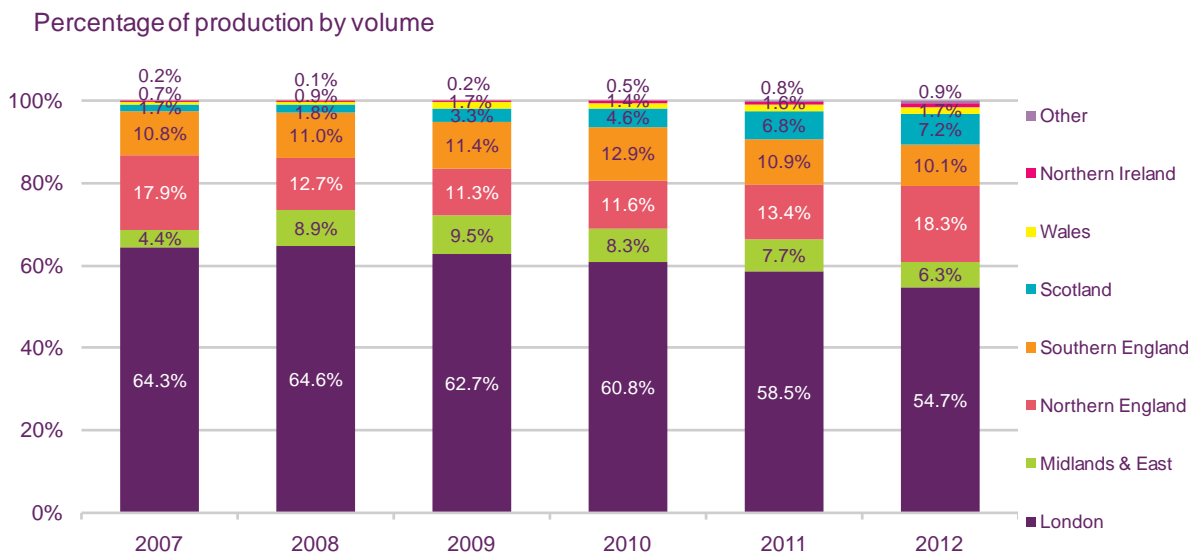
Source: Ofcom/broadcasters.

Note: The category 'other' includes regional productions from London producers which do not meet both 70% of spend and 50% of talent in any one particular macro region. See http://stakeholders.ofcom.org.uk/broadcasting/guidance/programme-guidance/reg_prod/ on the Ofcom website for further details.

In terms of volume, 54.7% of first-run network programming in 2012 was produced within the M25, down from 58.5% in 2011. A further 18.3% was produced in northern England, 10.1% in southern England and 7.2% in Scotland, up from 6.8% in 2011. In line with spending trends discussed in the previous section, the North of England was a particular success story in 2012, having increased its share of first-run network programming hours by 4.9 percentage points. This rise, steeper than that seen in programming spend, is attributable to the lower production costs in the region than in southern England and the Greater London area.

Producers in the Midlands and eastern England delivered 6.3% of all first-run hours in 2012, down from 7.7% in 2011, while the comparable 2012 figure for Wales was 1.7% (up from 1.6% in 2011). First-run hours produced in Northern Ireland increased marginally to 0.9% in 2012 (Figure 2.180).

Figure 2.18 Volume of originated network productions: 2007–2012



Source: Ofcom/broadcasters.

Note: The category 'other' includes regional productions from London producers which do not meet both 70% of spend and 50% of talent in any one particular macro region. See

http://stakeholders.ofcom.org.uk/broadcasting/guidance/programme-guidance/reg_prod/ on the Ofcom website for further details.