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By email: [BBCiplayerbca@ofcom.org.uk](mailto:BBCiplayerbca@ofcom.org.uk)

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Dear Sam,

### **First consultation on proposed changes to BBC iPlayer: BBC Competition Assessment**

STV Group plc is pleased to have the opportunity to respond to the above consultation. We agree with Ofcom's observation - "*Given the changing dynamics in the marketplace, the PSBs are seeking to strengthen their VOD platforms and diversify their business models*"<sup>1</sup>. Our response combines the producer/broadcaster/digital publisher view of a commercial PSB with an associated on-demand and streaming service.

At the outset, however, on behalf of STV, I must highlight the omission in Ofcom's Consultation Document of any reference to STV, the commercial PSB in Scotland. Furthermore, footnote 27, describing the commercial UK PSBs, specifies them as "*ITV, Channel 4, and Channel 5*". That is wrong. The other relevant television services which make up the PSBs in the UK are "*every Channel 3 service, Channel 4 and Channel 5*"<sup>2</sup>.

By way of background to STV's PSB credentials and as a lead in to our specific responses, we provide the following detail on STV.

### **Background**

STV Group plc owns and operates the two regional Channel 3 licences, broadcasting as "STV" across central and north Scotland, together with its BVOD service, STV Player, and its paid ad-free version, STV Player+.

As an affiliate of ITV within the Channel 3 network, we are able to deliver Network programmes and national news alongside original regional programming, news and current affairs to unrivalled mass audiences, last year delivering 99% of all large audiences on commercial TV in Scotland.

We also operate our own production company - STV Productions – which makes programmes for STV and a range of other channels, including long running series *Antiques Road Trip* for BBC Two and new drama series *The Victim* for BBC One.

In common with other PSBs, a key component of STV's strategy is to invest and expand its STV Player service to make it a destination for viewers with a rich and varied offering that is relevant to the audiences we serve. To that end, we have:

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<sup>1</sup> Consultation document paragraph 3.8

<sup>2</sup> s264(11) Communications Act 2003

- 1.1. embraced digital and invested in technology for multi-platform reach and impact. STV Player is available on 29 platforms, including Virgin Media and Freeview Play, and will be available on Sky later this year. A paid ad-free version, STV Player+, was launched on iOS in March. To date, a total of 2.9 million people have registered to use STV Player;
- 1.2. invested in our production business to secure a wider commissioning base, across all genres. STV Productions made "*The Victim*" the acclaimed 4-part drama, streamed across 4 nights in April, with a consolidated audience of over 7m for episode 1;
- 1.3. created a strong digital presence for STV News, migrating the trusted PSB values of our original journalism to our BVOD services. More of our audience now access our news via digital platforms on a daily basis than watch our 6pm bulletin on television, with over a million followers for STV's social media accounts<sup>3</sup>.

In a recent brand tracking research, STV was recognised as "the media brand to represent Scotland" - with a higher recall than any TV channel or indeed any other print or radio brand in Scotland<sup>4</sup>. In 2018 we delivered our best viewing figures in a decade and the highest growth of any of the UK's 500+ TV channels, up 13%. We also recorded our largest share in viewing volume in 5 years, with increases across all demographics, including younger audiences up 11%. However, our growth and ability to invest is directly impacted by the strength of the UK advertising market, the PSB regulatory framework and the regulatory regime for our competitors, particularly the new online players.

### **Conclusion**

We have ambitious plans to continue to develop and strengthen our PSB delivery across digital platforms. BVOD services such as BBC iPlayer and STV Player extend the reach and impact of PSB further across digital audiences, however they require access to longer rights windows in order to compete effectively with global digital players. As the regional broadcaster for Scotland, STV will need regulator support to achieve that, just as the BBC has sought to do for iPlayer. We urge Ofcom to ensure that the BBC proceeds in lock-step with the commercial public service broadcasters to ensure there is no detrimental impact on viewing to their players, who currently have much shorter VOD windows than those proposed by the BBC.

Please see our responses to Ofcom's specific questions in the attached **Annex**.

I trust this is helpful. Please come back to me if you have any further questions, or require further detail on the responses to the questions above. We look forward to participating further in the Consultation process.

Yours sincerely,



**Bobby Hain**  
**Managing Director, Broadcast Division**

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<sup>3</sup> Source STV/BARB

<sup>4</sup> Source BARB

## ANNEX

***Question 2.1: What do you think of the BBC's proposals and the procedures it has followed in carrying out its PIT?***

We are in favour of all PSB broadcasters having longer windows to match changing viewing habits. However, the BBC itself acknowledges that “making programmes available for longer than 30 days would cost more and mean there would be less money for making new programmes” [<https://www.bbc.co.uk/iplayer/features/30-days>], therefore any potential public value has to be considered carefully against the long terms effects of diverting funding from BBC investment in original production.

***Question 2.2: What are your views on the BBC's assessment as set out in its PIT? Do you agree with its conclusions?***

At paragraph 243 of its assessment, the BBC estimates that there will be a decline in profitability of the BVOD services of ITV, Channel 4 and Channel 5. There is no reference to STV, though it is reasonable to assume a similar impact. Our focus is to ensure that STV is accorded the necessary regulatory support for extended VOD windows to match the BBC's expansion plans.

***Question 3.1: Do you have any comments or other views on how the sector has evolved or is likely to evolve in the future that we should consider?***

No specific comment to add at this stage.

***Question 3.2: Do you have any views or evidence on how viewing of individual programmes changes over time on VOD services?***

With recent dramas such as *Cheat*, *The Bay* and *The Widow*, we have seen a longer tail of VOD streaming. Previously, 1-7 days post last TX were most prominent on VOD, but where the content is rich and our marketing is effective, we can encourage viewers to view programmes up to (and potentially beyond) the current 30 day window after the last episode TX.

Archive – particularly Scottish content – also performs well on STV Player, with series such as *Take the High Road* and *Taggart* consistently featuring in the top 10 weekly stream figures and in the top 15-20 programmes across the year.

***Question 3.3: Do you have any views on how UK VOD viewing might evolve in the future?***

UK VOD viewing will increase. However, despite their growing popularity, SVOD services like Netflix, Amazon Prime, or Apple TV offer primarily US content, with little or no news content or programming content originating from and produced for a UK or Scottish audience.

In contrast, STV Player and STV Player+ provide public value, and serve different audience needs. Our focus is UK original programming not US exports. At least 25% of our digital viewing is people watching a live simulcast of the linear channel, and there is now a clear expectation that our programmes will be available on demand for longer than the current 30 day window. We are always on, and always changing - over 80 hours of new, quality PSB hours including Scottish and UK original production are uploaded to the STV Player every week. We too require regulatory support to ensure that we can meet audience expectations for longer VOD windows, and it is not just the BBC who is granted them.

***Question 4.1: What are your views on the methodology and conclusions of the BBC's assessment of public value generated by the proposals? Are there any impacts on public value that have not been identified by the BBC? Please provide evidence to support your views.***

The BBC concludes that the expanded iPlayer will be a more distinctive service due to its enhanced content offering, with more diverse British content, conveniently discoverable in one place and consequently that it will deliver “*significant social value*”<sup>1</sup>. It is important to remember that diversity and distinctiveness lie in commissioning decisions too, and are not simply due to longer VOD windows and volumes of content.

***Question 4.2: Do you agree with our approach to reviewing the BBC's assessment of public value generated by the proposals? Please provide evidence to support your views.***

We support Ofcom's decision to conduct a full BCA.

***Question 5.1: Do you agree with the concerns that we have set out in Section 5, or are there any others that we should consider? Please provide relevant evidence to support your views.***

STV is a competing PSB VOD provider. We agree with Ofcom's concern that BBC iPlayer viewing could increase at our expense.<sup>2</sup> Consequently, it is key to ensuring a level playing field that all PSBs (including STV in Scotland) have access to extended VOD windows.

***Question 5.2: Please provide evidence on whether and how the BBC's proposals could directly impact on rivals' viewing, revenues and investment.***

As a producer/broadcaster with an established production business, we share PACT's concern that extended windows will drive down distributors' advances, making it harder for producers to finance their series/programmes through the market, which in turn will inevitably lead to either a lower number of BBC commissioned programmes, or lower programme budgets.

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<sup>1</sup> BBC iPlayer PIT, paragraph 240, bullet point 4.

<sup>2</sup> Consultation document, paragraph 5.3a)

If the 30 day window is to be extended to 12 or 24 months, producers should be compensated fairly and appropriately, either by a flat fee, or pence per click model, in accordance with current market practice.

We have no issue with longer VOD windows, but compensation must be fair.

***Question 5.4: How do you think any potential for adverse market impact of the proposals could be reduced?***

We urge Ofcom to ensure that the BBC proceeds in lock-step with the commercial public service broadcasters to ensure there is no detrimental impact on viewing to their players, who currently have much shorter windows than those proposed by the BBC.

Provided that Ofcom helps to ensure that the commercial public service broadcasters are able to benefit from the same extended windows, we believe that an acceptable outcome is for the BBC to be permitted to extend the initial period of availability from 30 days up to a maximum of six months and to make available new or latest Box Set series and a limited number of archive series, also for a maximum of six months, subject to commercial negotiations with producers and the cost of rights in the UK market.

End