



# **Submission to Scottish Parliament Education and Culture Committee**

6 March 2014

STV is pleased to take this opportunity to respond to the Education and Culture Committee's call for evidence on "Scotland's Educational and Cultural Future".

As an impartial public service broadcaster, STV has no corporate or editorial view on the outcome of the referendum in September. Our submission is confined to questions framed in Theme 3 – Broadcasting and Culture and we provide the following background information we trust is of use to the Committee:

### **Regulatory Overview**

STV holds two Channel 3 licences for central and north Scotland. The licences, held since 1959, provide access to regulatory assets, primarily digital terrestrial (Freeview) spectrum and prominence on electronic programme guides in return for public service broadcasting obligations such as news and current affairs which may not be sustainable on purely a commercial basis.

STV's licences have recently been renewed by Ofcom for a further 10 year period until the end of 2024<sup>1</sup>. Over the past decade the Channel network of 15 licences around the UK has consolidated around three licence holders – ITV which holds 12 licences in England and Wales, STV with 2 in Scotland and UTV with a single licence in Northern Ireland. The licences require operators to have arrangements in place for, among other things, cost sharing and commissioning of network material. In March 2012 STV and UTV agreed new arrangements<sup>2</sup>, becoming affiliates of ITV which provides commissioning and scheduling for all licensees.

STV has also recently been granted two city TV licences for Edinburgh and Glasgow<sup>3</sup>. These services will be delivered in partnership with Edinburgh Napier and Glasgow Caledonian Universities respectively. Glasgow is scheduled to launch in June 2014 with Edinburgh following around 6 months later. Although the new local channels are very different from Channel 3, the licences are predicated on the same basis of access to spectrum in return for PSB obligations. The city service licences will run for 12 years with more areas set to be advertised by Ofcom in Aberdeen, Ayr, Dundee, Falkirk and Inverness.

STV has welcomed the Scottish Government's commitment to "honour all existing broadcast licences to their completion."<sup>4</sup>

### **A growth business**

STV has undergone significant financial and organisational restructuring over the past 5 years to achieve stability and the basis to pursue a focused, ambitious, organic growth strategy. The business has developed a reputation for delivering on commitments to investors and stakeholders and has established a strong discipline of setting stretching and ambitious targets of key performance indicators (KPIs) across a range of key measures. These KPI targets cover all

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<sup>1</sup> <http://media.ofcom.org.uk/2014/02/20/ofcom-renews-itv-stv-utv-and-channel-5-licences/>

<sup>2</sup> <http://www.stvplc.tv/blog/2012/03/stv-itv-and-utv-agree-new-channel-3-networking-agreements>

<sup>3</sup> <http://media.ofcom.org.uk/2013/01/11/ofcom-awards-local-tv-licences-in-scotland/>

<sup>4</sup> <http://www.fionahyslop.com/broadcasting-in-an-independent-scotland-speech/>

areas of the business and include financial targets; measures of consumer engagement and reach with a focus on growth activities, as follows:

### **KPIs**

- Grow earnings from non-broadcast to 33% by 2015
- Audience to outperform ITV network
- Consumer division margin at 18% by 2016
- Consumer reach – monthly average by platform
  - o 3.6m TV audience by 2016
  - o 3.6m stv.tv by 2016
  - o 1m STV Player by 2016
  - o 1m City Apps by 2016
  - o 1m City TV by 2016
- Consumer engagement (mins per day per user)
  - o 41 minutes TV audience
  - o 6 minutes stv.tv
  - o 41 minutes STV Player
  - o 6 minutes City Apps
  - o 10 minutes City TV
- Consumer insights to reach 2.4m by 2016
- Long form videos streams to reach 20.5m by 2016
- Digital revenues to reach £13.0m in 2016
- Digital margin to reach 50% by 2016
- Production revenues to reach £23.0m by 2016
- Production margin to reach 7% in 2016

STV employs c400 permanent staff in locations across Scotland and London. Additionally the business is a key contributor to employment in the creative industries sector in Scotland and in 2013 over 700 freelance staff were engaged in STV's television production and digital product development activities.

As the business has successfully developed new consumer services across a range of platforms, investment has been made in creating new employment activities and in skills acquisition and development, particularly in the areas of digital product development and digital publishing with over 80 jobs created in these areas in the past three years.

### **Public Service Provision**

STV is the biggest commercial provider of public service broadcasting in Scotland. Our Channel 3 TV services contain a wide range of obligations – for example high levels of origination, commissioning independent producers, provision of access services such as subtitling etc.

Within each licence area in north and central Scotland, STV must produce at least 4 hours of news every week, and 1.5 hours of non-news material. In fact, we regularly exceed these minimum levels to provide a variety of programmes across a range of genres. STV News at 6 regularly attracts a weekly audience of 1.2m and from its inception in 2010, *Scotland Tonight* has become the nation's most-watched current affairs programme with a weekly audience of over

400,000 viewers. Other recent titles include *Real Heroes*, *Moviejuice*, *Road to Referendum*, *Burns*, *Scotland's Greatest Team*, *Scotland's Greatest Album* and the STV Appeal which has raised over £6 million, spent across every local Authority area in Scotland to benefit children living in poverty.

In addition to providing this range of public service content on its core channel, STV, the company has invested in new platforms in recent years to ensure STV content is available to consumers across devices, free at the point of consumption and available anywhere and anytime.

### **Growth of online products and services**

To complement its television output, STV has developed a growing portfolio of online services available on web, mobile and through dedicated apps for smartphones and tablets. This includes STV Player which enables viewers to catch up on TV programmes on a wide range of devices, through STV news online to newly launched city-specific services for Aberdeen Dundee, Edinburgh and Glasgow. This highly local offering reflects the vibrancy and identity of the cities it serves and the central belt services will work in tandem with the forthcoming dedicated TV channels. Overall STV's online audience has grown exponentially over the last 5 years, now reaching 3.1m Scots every month.

### **Production success**

STV Productions works with a number of UK and international broadcasters and has achieved significant success in winning commissions across all genres in recent years. These include *Antiques Road Trip* (12 series to date) and *Celebrity Antiques Road Trip* (4 series to date) for the BBC; *Catchphrase*, now a returning entertainment series for ITV's peak time weekend schedule; two series of *Fake Reaction* for ITV2; a new entertainment format *Let Me Entertain You* for ITV and *The Lie* for TV3 in Ireland. STV Productions also delivered landmark Scottish productions including *Road to Referendum* and documentary film *Fire in the Night* for BBC2 and cinema release which was subsequently awarded a BAFTA Scotland for Best Single Documentary. In the USA, STV Productions has delivered *Born Fighting* and a commemorative programme, *The Lockerbie Bombing* for the Smithsonian Channel.

The profile of STV Productions is developing internationally and the business has formed an international partnership with Red Arrow Entertainment Group, incorporating co-investment, co-development and worldwide distribution.

The growth of STV Productions over recent years has created employment opportunities within the Scottish television production sector and the business is the largest indigenous television production business in Scotland.