



The Scottish Parliament
Pàrlamaid na h-Alba

CULTURE, TOURISM, EUROPE AND EXTERNAL RELATIONS COMMITTEE

AGENDA

20th Meeting, 2018 (Session 5)

Thursday 28 June 2018

The Committee will meet at 9.00 am in the James Clerk Maxwell Room (CR4).

1. **Decision on taking business in private:** The Committee will decide whether to take item 3 in private.

2. **STV – strategic review:** The Committee will take evidence from—

Michelle Stanistreet, General Secretary, and John Toner, Scottish Organiser, National Union of Journalists;

Paul McManus, Scotland Negotiations Officer, Broadcasting, Entertainment, Communications and Theatre Union;

and then from—

Glenn Preston, Director, Scotland, Neil Stock, Director, Broadcast Licensing, and Tony Close, Director of Content Standards, Licensing and Enforcement, Ofcom.

3. **STV – strategic review:** The Committee will consider the evidence heard earlier in the meeting.

4. **Work programme (in private):** The Committee will consider its work programme.

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The papers for this meeting are as follows—

Agenda item 2

Note by the Clerk

CTEERC/S5/18/20/1

PRIVATE PAPER

CTEERC/S5/18/20/2
(P)

Agenda item 4

PRIVATE PAPER

CTEERC/S5/18/20/3
(P)

Culture, Tourism, Europe and External Relations Committee

20th meeting, 2018 (Session 5) Thursday 28 June 2018

STV – Strategic Review

Purpose

1. The purpose of this paper is to provide information regarding the Committee's evidence session on the STV - Strategic Review. The Committee will take evidence on this issue from relevant trade unions and Ofcom.

Background

2. On 16 May 2018, STV announced the results of a strategic review unveiling a [three year growth plan](#). According to the announcement, "the new strategy will bring changes to STV's management, culture and organisation and will be delivered through 3 strategic objectives–
 - Maximising the value of STV's broadcast business by delivering high quality, cost-effective news and entertainment;
 - Driving digital growth through the STV Player by creating an STV for Everyone; and
 - Building STV Productions into a world-class independent production company".
3. The announcement contained a number of specific measures to be taken under the plan, including the closure of STV2; "commercial terms agreed to sell STV's local TV assets to *That's Media*"; and the launch of a 'change programme' in news entitled "News 2020".
4. The Committee took evidence from Simon Pitts, Chief Executive, and Bobby Hain, Director of Channels, to discuss the terms of the review on [7 June 2018](#).
5. The Committee wrote to Mr Pitts to request a copy of a report by DMA Media Consultants that informed the strategic review on [11 June 2018](#).
6. Mr Pitts declined the Committee's request for DMA Media's report on [14 June 2018](#).
7. The Committee invited Baroness Ford, Chairman of STV's Board, and Richard Bernstein, Director of Crystal Amber, to give evidence. Both invitations were declined and Baroness Ford wrote to the Committee explaining why she is not able to attend on [18 June 2018](#) and [22 June 2018](#).

Evidence session

8. The Committee will take evidence from two panels of witnesses as follows:

Panel One

- Michelle Stanistreet, General Secretary, National Union of Journalists
- John Toner, Scottish Organiser, National Union of Journalists
- Paul McManus, Scottish Organiser, Broadcasting, Entertainment, Communications and Theatre Union

Panel Two

- Glenn Preston, Director, Scotland, Ofcom
- Neil Stock, Director, Broadcast Licensing, Ofcom
- Tony Close, Director of Content Standards, Licensing & Enforcement, Ofcom

9. Written submissions have been received from all the witnesses and are provided at **Annexe A** to this paper.

**Clerk to the Committee
25 June 2018**

Written submission from the National Union of Journalists (NUJ)

NUJ Briefing on STV Strategic Review

Quality

The proposals for STV News are framed as being about ‘modernising’ or ‘future-proofing’ the news operation. But in reality they will lead to **a major hit to the quality** of our output.

Repeatedly Mr Pitts has claimed this new model of working in news – more self-shooting video journalists, fewer trained craft camera engineers – is widespread, but the only examples of it in practice are in the **ITV regions**. They are planning on reducing craft camera provision from **18 to 8 across Scotland**, but the complexities of covering a patch the size of Scotland (as well as the requirements of two broadcast licences) mean this hasn’t been properly thought-through.

The **audit by consultants DMA Media** that has been used to justify this move has never been shared with staff or unions, despite repeated requests. For the audit, they claim 65 employees spoke to DMA (STV News has 170 staff), but they have never provided any access to the report.

Who will be carrying out the **training of journalists** and overseeing the implementation of the new way of working? How much is this all going **to cost**? (They have never provided any proper costed outline of it) If DMA are involved, is there not a considerable **conflict of interest** there?

STV have stated that we need fewer journalist to work at the company as we will be covering fewer stories – this cannot be spun in any shape or form as enhancing quality but the complete opposite. Many important stories from the areas outwith our major cities **will simply not be reported on** – particularly constituency specific matters which must be a concern to politicians.

Staff impact

The turmoil for staff has been worsened by the inept handling of this process. **Some have been told their jobs are safe and then informed they’re not** (and vice versa) while some have been **informed they are at risk of redundancy minutes before a live broadcast**. **How can this shoddy treatment give employees any confidence in the management team?**

An example of their cack-handed conduct – one group was told by HR they could work out their voluntary redundancy figures **‘on the back of a fag packet’**. **Is that an acceptable way for a company to conduct itself?**

Can he guarantee no-one will be forced into taking a paycut if they are redeployed in a new role under these plans?

Initially, it was announced the Edinburgh edition of the STV News at Six was going to cease on June 29, the same day as STV2. Now this has been revised, but no future

end of transmission date has been set. What audience research and viewing figures were reviewed to reach the decision on ending the Edinburgh programme? **And how can they reduce the number of staff in Edinburgh, yet expect them to generate more original content each evening (from around 7/8 mins to a 10 min opt) with the same level of quality?**

Modern news service

Mr Pitts' claim that STV is among the last organisations to 'modernise its news capabilities' is completely inaccurate and shows a **serious misunderstanding** of what we do.

STV News is one of the **leading online news services** in Scotland and has engagement levels/reach on social media beyond that of many of its competitors.

Under the plans, this would make us the **only national news service in the UK without a dedicated digital news desk** – a prospect our competitors will no doubt welcome. **How does that approach fit in with 'future proofing' our news service?**

In recent years we have also undergone a camera kit and studio upgrade, have embraced social media for newsgathering (specifically WhatsApp in a game-changing fashion) and already use a fleet of self-shooting video journalists (VJs) as well as portable Dejero satellite technology.

Simon Pitts

Simon Pitts is on a base salary of **£400,000** a year - **more than double his counterpart running BBC Scotland** (Donalda MacKinnon: £177,800pa).

He received a 'golden hello' of **£853,000** made up of £187,000 in cash and £666,000 in shares which will be paid out to him in instalments until 2021.

His **total earnings** for this year (£1.2m) are **more than what would be saved** by the proposed cuts to either STV News (£1m per year) or the closure of STV2 (£1m per year).

Does he not have any **moral concerns** over his eye-watering remuneration? Has he **contemplated taking/will he take a paycut** or foregoing his bonus entitlements to ease some of the pain?

He has repeatedly stated that this move is not about enriching shareholders, however at the same time as announcing he was making 59 staff redundant, he confirmed **shareholders would receive a bumper dividend. How can his public statements tally with the company's actions?**

Mr Pitts has also stated this strategy is not about carving up STV to be sold to ITV – but can he **categorically state that a sale to ITV is not a possibility** a couple of years down the line?

He has never explained what relationship he has with **Crystal Amber**, the activist shareholder which owns the largest share of STV. Can he shed any light on how regularly he speaks to Richard Bernstein or other Crystal Amber representatives and

what they have thought of his proposals? When did he **first talk to Crystal Amber**? Was it before or after his appointment or start date at STV?

As part of the strategic review, Mr Pitts has repeatedly pointed to '**£15m investment**' to create new programming from STV Productions/STV Player. However, **it is clear that none of this is actual new money**. How much new investment has been secured for these proposals? And how much of the £15m (£5m each year for three years) is from the savings being made and existing budgets for non-news programming?

Mr Pitts revealed STV Group PLC had agreed to sell the STV2 licenses to That's Media. When **did negotiations with That's Media begin**? Were they going on while STV management was **informing staff that 'no decisions had been made' on the future of the channel**?

Many feel this is just the first round of cuts, with more pain to come – can Mr Pitts confirm whether there are plans for **further restructuring of the business** in the next year to 18 months? And do any of those involved **further changes to STV News**?

Written submission from the Broadcasting, Entertainment, Cinematograph and Theatre Union (BECTU)

The STV strategic Review announced on 16 May 2018 essentially contains three distinct elements.

1. The closure of STV2 with a projected loss of 25 jobs.
2. The reduction in News output associated with the above closure resulting in a projected loss of 14 jobs.
3. A significant increase in general STV programme production. This is to be partially funded by a general cost saving exercise resulting in the projected loss of 20 jobs.

The bulk of these job losses are directed towards High end Craft, Technical and Production grades represented by BECTU.

The closure of STV2 was widely trailed and while extremely disappointing from an employment perspective is not surprising given the low audience figures and reputed six figure annual losses.

STV's proposal is that the 25 Production and Technical staff in BECTU grades would see their posts close in three groups, at the end of June, August and December. The service comes off air at the end of June, but some of the programmes will continue to be made for some months yet, requiring some staff to continue working on these beyond the end of June.

Understandably, a number of these affected staff have indicated that they no longer wish to work for STV given the way it failed to make any real advanced plans to retain their skills in other areas. Equally, through our negotiations with STV, BECTU has secured some reductions in the proposed post closures and has helped secured alternative roles for other individuals. This work will continue as we now focus on the staff facing redundancy at the end of August and December.

There is less clarity over the roles affected by the reduction in News output and the general cost saving measures proposed. There are Craft and Technical post closures proposed in News which are clearly not related to the reduction in News from STV2's closure. Aberdeen and the North of Scotland in particular are disproportionately affected by the cuts. The net outcome remains that regardless of rationale, 34 posts faced closure. Again BECTU has succeeded in negotiating some reductions in these numbers and work continues to seek redeployment for affected staff.

Indeed there are a number of "new roles" within News areas across STV which most of the craft staff could undoubtedly do very well. However STV has taken the view that Craft and Technical staff will not be given the opportunity to apply for these roles and will simply be dispensed with instead.

Putting aside the potential legalities of refusing suitable alternative employment to affected staff, the approach adopted by STV management is deeply offensive to staff who have worked diligently and loyally for the company, often for many years.

A significant number of the current Craft and Technical staff facing redundancy are in their forties and fifties and we can only assume that STV feel that these staff are unwilling or unable to take on new technology or new skills as STV has failed to give BECTU any justification for their stance.

STV's stance not only shows total disregard for the Scottish Governments Fair Work agenda but also flies in the face of the approach taken by other broadcasters who recognise that where roles evolve or merge through new technology, then ALL the staff affected by such changes must be given the opportunity to move towards the "new roles" with the support of the employers training and skills development strategies, working in collaboration with BECTU.

BECTU is therefore deeply concerned that through the current process, as with previous similar historical processes, STV has never shown any commitment to retraining, redeployment or skills development for any of its High end Craft and Technical staff.

Nonetheless the outcome and effect on the service is the same regardless of reasoning or methodology. Where High end Craft skills are dispensed with and replaced by cheaper, poorly trained, overstretched, multi skilled staff then quality will suffer. While BECTU has no reason to doubt that STV will still comply with its licence requirements for the quantity of News output it is frustrating that regulatory bodies are powerless to ensure the maintenance of output quality.

The last element of STV's review is in respect of increased programme production. The cost saving measures outlined above are designed to help release £15m for increased programme production. STV recognises that for some years it has failed to deliver any substantial programming of note, either for its Scottish audiences or for wider resale. Its stated desire to now significantly increase its production levels in Scotland and therefore employment levels should, on the face of it be a welcome move, certainly from an employment perspective.

It is fair to say that seven new posts have already been created as a result of this policy and BECTU is working with STV to ensure that staff facing redundancy by the closure of STV2 are given every opportunity to migrate to these new roles.

BECTU also appreciates that just one drama commission made in Scotland by STV could create around three months employment for up to one hundred of our members and that is hugely significant for BECTU's Freelance membership. However it has to be said that our Freelance members would need to see a significant shift in STV's approach to Fair Work practices as historically they have an extremely poor reputation for operating a long hours low pay culture.

Consistent with their current approach to News, STV productions often lean towards cheaper, younger, newer entrants to the industry with less training and experience.

In conclusion BECTU hopes that having considered our submission then the Committee will agree that;

- The closure of STV2 is further regrettable evidence of the UK wide failure of the Local TV experiment that should not be repeated.

- STV's commitment to £15m spend on new productions should be monitored and reviewed going forward by the committee and that STV should be made fully aware of the Committee's expectation that it takes the Fair Work Agenda seriously.
- That the Committee should wholeheartedly condemn STV for the manner in which it has not only failed to invest in or support its High end Craft and Technical staff but has also failed to offer them their employment rights by denying them the opportunity to suitable alternative employment.

Written submission from Ofcom

Regulatory Framework: STV

About this document

This document is our submission to the Culture, Tourism, Europe and External Relations Committee in response to its request for a summary of the regulatory framework applied to STV's licences prior to Ofcom giving evidence on Thursday, 28 June 2018.

An overview of the licence conditions for STV and Ofcom's regulatory powers

Local Television

- 1.1 As context for what follow, we would like to make the Committee aware of Ofcom's analysis of financial information about the local TV sector in our [Communications Market Report 2017](#) (pages 66-76). This demonstrates that the sector as a whole faces challenges in diversifying income sources; figures continue to show an overall net debt, notwithstanding some improvement in performance. The report also highlights that many services have found ways to increase income and reduce outgoings and Ofcom has helped facilitate cost saving by being flexible and responsive to requests from local television services.
- 1.2 However, it remains a difficult environment. We recognised this in our recent consultation on our provisional decision not to advertise or re-advertise certain local TV licences – including in Scotland – where we have identified that the extension of the local TV transmission network to these locations would have an adverse impact on the economic viability of the local TV sector as a whole. Given this context, it is ultimately a commercial decision for licence holders as to whether they wish to stay in the sector.
- 1.3 The STV2 licences can be found at: www.ofcom.org.uk/manage-your-licence/tv-broadcast-licences/current-licensees/local-tv. There are five licences incorporated into the STV2 service - for Glasgow, Edinburgh, Aberdeen, Dundee and Ayr. These licences contain different programme obligations for each area.
- 1.4 For Glasgow, the licence requirement is for 28 hours of first run, local programmes a week (averaged over a full calendar year). This includes 12 hours a week of local news and current affairs with news bulletins transmitted seven days a week. In 2016, Ofcom agreed STV's request to changes to the Glasgow licence. You can find the reasons for Ofcom's agreement plus information on the process followed at www.ofcom.org.uk/data/assets/pdf_file/0026/55772/2016_05_glasgow_decision_statement.pdf
- 1.5 We agreed to a reduction in the volume of first-run local programming in peak-time, and a removal of scheduling detail for first run local news and current affairs programming. Ofcom took into account that the total volume of local programming, including local news programming, would remain unchanged

and there would still be local programming provided in peak-time. We also noted that, if the requested variation were allowed, the service would continue to provide news bulletins on every day of the week. After careful deliberation, Ofcom considered that the character of the service overall would still be maintained following the requested variation.

- 1.6 STV's local TV licence for Edinburgh has a requirement for 16 hours of first run, local programmes a week (averaged over a full calendar year). This includes 10 hours a week of local news and current affairs with news bulletins seven days a week. In 2016, Ofcom agreed to a reduction in the volume of first-run local programming in peak-time as well as a removal of scheduling detail for first run local news and current affairs programming, on a similar basis to the Glasgow decision above.
- 1.7 For each of the Aberdeen, Ayr and Dundee licences the requirements are for seven hours of first run, local programmes a week (averaged over a full calendar year). This includes seven hours a week of local news and current affairs.
- 1.8 Given that, taken together, these obligations add up to a total of 65 hours per week of first-run local content which must be provided, (28 hours for Glasgow, 16 for Edinburgh, and 7 for each of Aberdeen, Ayr and Dundee), STV chose to combine the delivery of the obligations into a single programme service broadcast in each local area (i.e. STV2) rather than providing separate programme services for each of the five local areas. Provided the obligations in each licence are met, Ofcom has no view on how a licensee chooses to deliver these obligations.

Channel 3 Regional Licences

- 1.9 STV's Channel 3 Central Scotland licence can be found at www.ofcom.org.uk/data/assets/pdf_file/0034/79378/STV-Central-Scotland-Attachment-to-Variation-No.16.pdf
- 1.10 The weekly regional programming requirements are on page 56:
- News 4:00*
 - Other 1:30** (of which current affairs 0:33)
 - Total 5:30
- (*3 hours and 50 minutes when averaged over a full Calendar year which includes Bank Holidays and Christmas, during which time news schedules may alter but bulletins must continue to be included at intervals within the period between Christmas Eve and the New Year's Day holiday.
- **Other regional programmes may be delivered within programmes that otherwise consist of news.)
- 1.11 STV's Channel 3 North of Scotland licence can be found at: www.ofcom.org.uk/data/assets/pdf_file/0020/74216/STV-North-of-Scotland-Attachment-to-Variation-No.16.pdf

- 1.12 The weekly regional programming requirements are on page 55 and the weekly hours are the same as the Central Scotland licence above.
- 1.13 In each licence there is a requirement for regional programmes as specified (including regional news programmes) to be of particular interest to persons living within the area for which the service is provided.
- 1.14 We publish an annual compliance report on the quotas above. You can find the 2017 report at: [www.ofcom.org.uk/ data/assets/pdf file/0021/106545/PSB-Nations-and-Regions-Compliance-Report-2017.pdf](http://www.ofcom.org.uk/data/assets/pdf_file/0021/106545/PSB-Nations-and-Regions-Compliance-Report-2017.pdf)

Change of Control/Licence Transfer

- 1.15 A change of control of a broadcast licence occurs when there is a change of ownership of the company owning the licence (e.g. change in shareholders and/or directors) such that the person or persons in control of the company are is/are different but the licence-holding entity remains the same. Such changes do not require Ofcom's prior approval but must be notified to Ofcom so that we can continue to be satisfied that the licence-holding company is fit and proper to hold the licence¹, and is not disqualified from holding the licence.
- 1.16 Ofcom has published guidance about the control of media companies – see [www.ofcom.org.uk/ data/assets/pdf file/0022/45292/media statement.pdf](http://www.ofcom.org.uk/data/assets/pdf_file/0022/45292/media_statement.pdf).
- 1.17 Under the Communications Act 2003, Ofcom is required to review the effects or likely effects of a change of control of a Regional Channel 3 licence on several matters set out in the Act, including the future delivery of regional programmes. It is open to Ofcom to increase programming obligations. This requirement does not apply to local TV licences.
- 1.18 A licence transfer is when a licence is transferred from one party to another. A transfer requires Ofcom's prior consent. To be able to consent to a transfer of a licence, Ofcom must be satisfied that the proposed transferee can comply with all the conditions of the licence. As with a change of control (see paragraph 1.15 above), Ofcom must also be satisfied that the new licence-holding company is fit and proper to hold the licence, and is not disqualified from holding it.
- 1.19 The letter from Ofcom's Scotland Director to the Cabinet Secretary for Culture, Tourism and External Affairs, previously shared with the Committee, summarises Ofcom's potential role in respect of the STV2 licences - [www.ofcom.org.uk/ data/assets/pdf file/0021/114276/ofcom-letter.pdf](http://www.ofcom.org.uk/data/assets/pdf_file/0021/114276/ofcom-letter.pdf)

¹ A provider of any "relevant regulated television service" must hold a licence under the Broadcasting Act 1990 (the "1990 Act") or the Broadcasting Act 1996 (the "1996 Act"). Depending on the type of television service, a provider may be licensed under either the 1990 Act or the 1996 Act. Under s.3(3) of each of the 1990 Act and the 1996 Act, Ofcom:

- a. shall not grant a licence to any person unless satisfied that the person is a fit and proper person to hold it; and
- b. shall do all that they can to secure that, if they cease to be so satisfied in the case of any person holding a licence, that person does not remain the holder of the licence.

Overview of the regulatory process if STV asks Ofcom to amend the terms of its licences

Local Television

- 1.20 Under the Broadcasting Act 1996 (“1996 Act”) licences for local digital television programme services (“L-DTPS”) must include such conditions as appear to Ofcom to be appropriate for securing, amongst other things, that the character of the licensed service, as proposed by the licence holder when making the application, is maintained for the duration of the licence². Ofcom has power to vary the conditions of a licence by notice³.
- 1.21 The statutory framework provides that conditions included in an L-DTPS licence may authorise Ofcom to consent to a departure from the character of the service if four statutory grounds are met and sets out a procedural requirement for a public consultation before Ofcom can decide to consent to a departure of the character of the service⁴. These requirements only apply where the change requested is a departure from the character of the service. In assessing a request to change a licence, Ofcom takes into account whether proposed changes would constitute a departure from the character of a service.
- 1.22 We note STV’s decision to sell its local TV assets to That’s Media. As we understand that there will be no change of licensee in all five cases (only a change of control of the licensee) Ofcom’s prior consent is not required. The licensee, under its new ownership, will be required to continue to deliver the existing commitments (unless or until it asks to change them, in accordance with the process outlined above).

Channel 3 Regional Licences

- 1.23 Any request to change a licence would be considered on its merits. We note that when the Committee took evidence from STV on 7 June, STV stated that it did not intend to seek a change to its Public Service Broadcasting requirements.

In the event of a request to change a Channel 3 Regional Licence, Ofcom would decide whether to consult on the proposed changes. Relevant factors for STV’s Channel 3 regional licences for North and Central Scotland are, as referred to above, the hours a week of regional programmes, including news for each area, which need to be shown. As an example of how licence obligations can be changed, in 2013, following a full public consultation, Ofcom decided to increase ITV Border’s current affairs obligations for Scotland: www.ofcom.org.uk/consultations-and-statements/category-1/c3-c5-obligations

- 1.24 At that time, we also consulted on STV’s proposal to maintain its current regional news minutage obligations in Scotland.

² Section 19(3A)(c) of the 1996 Act as modified by the Local Television Programme Services Order 2012

³ Section 4(4) of the 1996 Act

⁴ Section 19 of the 1996 Act as modified by the Local Television Programme Services Order 2012