

## Scottish Affairs Committee

### [Oral evidence: Public broadcasting in Scotland, HC 574](#)

Monday 15 November 2021

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Members present: Pete Wishart (Chair); Mhairi Black; Andrew Bowie; Deidre Brock; Wendy Chamberlain; Alberto Costa; Sally-Ann Hart; John Lamont; Douglas Ross.

Questions 157 - 211

#### Witnesses

I: Simon Pitts, Chief Executive, STV Group plc; and Bobby Hain, Managing Director of Broadcasting, STV Group plc.



## Examination of witnesses

Witnesses: Simon Pitts and Bobby Hain.

*[This evidence was taken by video conference]*

Q157 **Chair:** Welcome to the Scottish Affairs Committee and our short inquiry into broadcasting in Scotland. Today we are delighted to have Scottish Television with us to help us out with some questions on some of the issues that we have identified. I will let them introduce themselves, and I will go to you, Mr Pitts, to say who you are, who your colleagues are, and anything by way of a short introductory statement if you want to.

**Simon Pitts:** Good afternoon, everyone. My name is Simon Pitts. I am the chief executive of STV. I am here with my colleague Bobby Hain, who is the managing director of STV's broadcast business. We don't have an opening statement exactly, but we are delighted to be here. Thank you very much for the invitation. We are looking forward to answering your questions.

Q158 **Chair:** Excellent. I will start then on your relationship with ITV just now. Obviously, it was renegotiated in 2012. You are now the largest supplier of content to the whole of the network. Could you talk us through how you see that relationship just now, what you need maybe to improve it, and if there is any proposed new deal that is to be agreed with ITV? I will come to you, Simon, for that.

**Simon Pitts:** STV's relationship with ITV is very important. Together we make up the Channel 3 system as the only regionalised PSB network across the whole of the UK. We have a series of commercial agreements that cover how we work together, which, as you say, Chair, were last negotiated in 2012. They are not actually affected by our upcoming licence renewal, which I hope will take place from 2024. If our licences were to be renewed for another 10 years at that point, those agreements with ITV would continue.

It is worth looking at Ofcom's PSB review here because it highlights the importance of the public service media providers transitioning from analogue to digital platforms. Certainly, we need to make sure we work with ITV to ensure that Channel 3 as a whole gets the rights that we need to make sure we can manage that transition with obviously increasing numbers of people watching via our streaming service, STV Player.

Prominence is also hugely important for the public service broadcasters moving into digital, and again we are working with ITV and all the other PSBs to look at how that can be achieved in a digital world. Certainly, without government intervention we have seen that platforms don't provide the kind of prominence that PSBs receive currently on their EPG guides on Freeview, Sky and Virgin. That is especially true for a nation-based PSB like STV because we need those big platforms to regionalise for Scotland to make sure that we get prominence for all the PSBs.



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We have these arrangements in place with ITV. They are long-term arrangements. They serve us both well, I think, and they are not necessarily obstructed by licence renewal in the coming years.

Q159 **Chair:** Excellent. Commentators have said that STV benefits from a favourable deal with ITV. I think in the past there have been quite a number of disagreements about some of the financial issues around your arrangement with ITV. When you observe and review your arrangement with ITV just now, is there anything in particular that you would like to do that would improve that? Should we be concerned about any future relationship with ITV as it goes forward, particularly in relation to Scottish content across the network?

**Simon Pitts:** Scottish content on the network is always a good thing. You can see in the ratings that Scottish stories always play well here, obviously. Take our drama "Des" last year starring David Tennant, which was the biggest new drama for many years and rated particularly well for us here in Scotland, or even the Euros in the summer, where we produced our own coverage of two of the three Scotland games and it gave us the biggest live ratings on record. Even recently, a show like "Don't Waste Scotland", where Sean Batty travels the country shining a light on Scots who are all doing their bit to help the climate crisis, got a huge audience: 340,000 viewers or so, a 25% share.

In terms of the network schedule, ITV makes the commissioning decisions. It has to schedule for the whole country. We know that as a PSB it is also committed to nations and regions production; just look at the soaps. We do see programmes about Scotland. Just last week, there was a really good documentary about the Orkney Islands, showing the amazing progress with wind and tidal energy there.

It is probably worth saying that the overall approach does work very well for our viewers, and we see that every day in our ratings. STV consistently outperforms the rest of the ITV network, in the first half of this year by 13% in ratings terms, our biggest gap ever. The big shows often get bigger audiences up here, particularly the soaps. The overall arrangement between us, the Channel 3 network, is a very efficient way of getting a high-quality TV schedule to everyone across the country. As STV, we make a contribution to the cost of the network programme budget and in return we get exclusive access to an £800 million-plus TV schedule. So there are advantages to this arrangement that we want to preserve into the future and which we think our viewers will want to see preserved, too.

Q160 **Chair:** Some of the programmes you mentioned are fantastic and we obviously enjoy watching a great deal of them. It is good to see so many of the STV productions coming on to the ITV network, and that is very much appreciated. But it is Channel 4 and the BBC that spend roughly 98% of all public service output in Scotland. What are you doing to encourage ITV to take up a little bit more Scottish content?



**Simon Pitts:** As I say, they do take Scottish content. They do take a few of the shows that we make as STV Studios. We do also obviously have our own programming around news and current affairs and our regional programming, which does very well and which we are very proud of. Of course, there is the occasional drama, factual entertainment and factual show that comes into the schedule, but they do have to schedule the Channel 3 output for the whole of the UK and that obviously includes the 50 million people who live in England. So we understand. More Scottish content is always good and, of course, in STV Studios we are seeking to make as much Scotland-based programming as we possibly can, not just for ourselves but for many other networks, too, both the terrestrial players and the global streamers, to help put Scotland even more on the map and boost the local creative economy. I am sure we will come on to that later.

Q161 **Chair:** There are lots of things we want to ask about digital and what is happening in new media.

I know that we always raise this when we speak to STV—the relationship with Border and the fact that STV does not cover all of Scotland. Has anything been done to resolve this? Is there anything you have observed about how this is working? Will it continue to be a feature that it will be Border that looks after the south of Scotland?

**Simon Pitts:** Bobby, would you like to take that one, given your long history of—

**Chair:** Yes, Bobby has been asked this several times.

**Bobby Hain:** I remember at the time of the last licence renewal, which was obviously 10 years ago, in the lead-up to 2014 there was a question and, indeed, a consultation around the future of Border. It was decided at that point that the arrangements would stay, and that Border Scotland would start to have its own programme obligations and programme commitments. Indeed, that remains the case today. Given that the licence map, which is all the different regions, is primary legislation and would need primary legislation in order to change it, I am not aware that there are any plans to make any changes to that configuration at the moment.

Q162 **Chair:** That is the answer that Bobby always gives when we ask him that question. Thanks once again.

Lastly, I think we know the answer to this but it would be good to hear you guys say this and reiterate it. When Scotland was playing one of its most important football games in its recent history, instead of getting the Scotland game on ITV/STV we got an England game. Is there any chance we could get Scottish football on our TVs in Scotland?

**Bobby Hain:** That is something that we share. We would love to have more Scottish football and Scottish sport free-to-air on our channel and, as Simon said, it does extremely well and has given us in the Euros some



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of the highest ratings we have ever seen, in fact the largest ratings that we have had since those numbers began. So it is obviously in our interests, but unfortunately the commercial deal and the commercial engineering of that does not work for us. These rights are sold on a UK-wide basis. ITV, again because of the 50 million people that it can sell commercials to around the England games, allows ITV to buy England rights and follow the English team. The cost of buying Scotland rights for STV is prohibitive. We would not be able to make that work commercially and, of course, we can only commercialise those rights in Scotland.

Although we would like to have more Scottish sport and, indeed, Scottish football free-to-air, it is just not possible commercially. You are seeing more and more sport over the years having gone into the pay territory of either pay per view or subscription, and unfortunately for us and other free-to-air broadcasters it does not work commercially.

**Chair:** I know that was going to be—sorry, Simon, I will let you come in.

**Simon Pitts:** No, I was just going to reassure a little bit to say that when we do have the opportunity to show Scotland games we promise that we will make the very best of it. You saw that this summer. We could have just taken the ITV feed for those two group games. We decided to produce our own coverage. We did not necessarily want to show the Gazza goal from 1996 on loop in the run-up to those games. I promise that if Scotland qualifies for Qatar next year—and I know there is another big game tonight at Hampden—we will do our best to be showing Scotland games then, too. When we have the opportunity we make the very best of it.

Q163 **Chair:** Andrew Bowie was shouting “when” Scotland qualify for Qatar there, but we will leave that alone just now. You say it is prohibitive to secure the rights for Scotland football games. Can you give us an idea of how much that would be? Obviously, it is on Sky just now, so what is the competitive rate to get Scotland games like the qualifiers?

**Simon Pitts:** That is a tricky question to answer because we don’t know how much Sky pay. I would imagine that it is millions of pounds a game. Those sorts of rights are highly sought after, they are expensive, and you need to be able to commercialise them to a very large audience to make them work for you. Of course, they are often bought as a package and Sky buys them along with other home nation rights. It packages those to viewers, as you see from watching Sky. That is not something, I am afraid, that is commercially viable for us, as much as we would love it to be.

Q164 **Deidre Brock:** Hi, Bobby and Simon. Thank you very much for coming along today to speak to us.

Can I follow on from the points that Pete was making about ITV Border? As you can probably hear from my accent, I am relatively new to Scotland; I have only been here 25 years. I just wondered about the



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history. Why was this hybrid station created between Cumbria, I think it is largely, and the south of Scotland? What was the reason for it in the first place? Bobby, maybe you could give us a potted history.

**Bobby Hain:** I am not sure of the original intention behind the map, which included all of the licence areas, many of which are still in existence. I do know that over the last couple of licence renewals, which is as far back as I can go unfortunately, the last 20 years, there has been this question around how the Scottish part of Border might have more of an obligation to cover Scottish material, including current affairs. Obviously, it has its news output and it has now an obligation to provide current affairs separately from the south of Border and, indeed, is on a par with what we provide on a weekly basis as part of our regional obligations. But the inception of this back in the 1950s is something I am not qualified to answer more on the detail, I am afraid.

Q165 **Deidre Brock:** I will do some digging around on that myself. The news output that you are required to provide now, is that a split between English stories and Scottish stories, then, in ITV? I think you have four and a half hours of news that you have to produce. In terms of ITV Border, is that split between English and Scottish stories or is that four and a half hours specifically Scottish and then you have the 90 minutes of current affairs programming specifically for Scotland?

**Bobby Hain:** Perhaps I might outline our licence obligations; I know that Border's are very similar. In the case of STV's two licences, which are the central belt and STV north, in the north, for those licences we have as commitments four hours of news that we do every week in both those areas; and within those bulletins, we also have a split commitment, which means that at some points if you are watching in Glasgow you will see different stories from the ones that you will see in Edinburgh. So you will see much more localised material east and west of the central belt, and the same is true for Perth and Dundee, Tayside and the north of Scotland in the STV north licence. I know that the arrangements for the other licences are very similar and that includes ITV Border.

It is worth saying that that configuration I have just outlined is for regional and Scottish news only. The national and international news is shared by all of the licences around the UK and is provided by ITN. The programme that you see at 6.30, the ITV news at 6.30, the ITV news at 10.00, those programmes are the national/international obligation that we also have in our licences, and that is provided by ITN for us.

Q166 **Deidre Brock:** Okay, I think I see. I noticed that earlier this year the ITV Border programme listings had "Emmerdale" and "Coronation Street" listed instead of the Scottish leaders' debate in the run-up to the Scottish elections. I wondered how that confusion might have happened. I know that there was a bit of a ruckus raised about it and it was corrected, but I just wondered how that could have happened. Therefore, how did you ensure that with regard to the pandemic, for example, the different approaches adopted by the Scottish and the Westminster Governments



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around the pandemic and timings of various removals of restrictions and so on were communicated clearly to those audiences, given that some quite different approaches were taken either side of the border? How do you go about making sure that that happens?

**Bobby Hain:** First of all, on your point about the leaders' debate in the lead-up to the Scottish election in May, in fact that programme was taken by ITV Border for Scotland by arrangement with STV. We always make our leaders' debates and other pieces of flagship programming available for Border to pick up.

**Deidre Brock:** It definitely was played. It was, I think, just that the programme listings had "Coronation Street" and "Emmerdale".

**Bobby Hain:** One of the issues is that the lead time for publishing billings, particularly for newspapers, is very long. Often when programmes are changed—and also with Covid the question was not entirely clear as to what that date would be. It may have simply been the case that we did not have enough time or Border would not have had enough time to get their ratings out in time for the publication dates. The programme was taken by Border.

With regard to the different approaches or different timescales and points in time when decisions were made north and south of the border, I can only speak for STV's experience and our programmes. That goes to the strength of our service. We have a Westminster presence; we have Kathryn Samson as our Westminster correspondent. We are covering Westminster affairs and what the UK Government are operating on as a timeline with different events. At the same time, we are obviously reporting what is happening at Holyrood and making it clear as and when which parts of legislation apply to what areas of life. We do our best to keep up with the different announcements and the different timings, while contextualising them for our audience.

Q167 **Deidre Brock:** Just widening it out a little bit, can I ask about the percentage of hours run on STV that were non-ITV content, basically the figure in 2011, before the deal was struck in 2012, in comparison to what you are dealing with now?

**Bobby Hain:** If you go back to 2011, and actually it goes right back to the start of this session, we had a different agreement with ITV at that time. In fact, there was a dispute at the time about how much we should pay for access to the network and we were incentivised to come out of the network. As a result, we had a higher percentage—roughly 15% or 16%—of programming which did not come from ITV. We did not make all of that programming ourselves; we acquired quite a lot of it externally. The point is that the commercial arrangements that existed at that time meant it was more of an incentive for us to find other material rather than the network.



We think the network works better, for the reasons that Simon outlined. We contribute to a single programme budget and we have the use of all of that programme output. Therefore, there is less incentive on STV to opt out to acquire other programmes. We make about the same amount of programmes ourselves for our peak-time schedule today as we did at that time, even though the overall percentage of material that we take from somewhere other than ITV has reduced. It comes back to this point around 39 peak-time hours, 39 other hours of non-news material, which is about an hour and a half a week in total, and four hours of news. That has not changed, although the amount of material that that represents as non-ITV material, if you like, is about 3% or 4% as of today.

**Q168 Deidre Brock:** Is it right that you pay a fixed amount for scheduled programmes that you get from ITV? There were critics at the time who felt that that would disincentivise you from running Scotland-specific content because presumably if you chose not to drop something that did not seem to be resonating with Scottish audiences you would then have to pay extra to replace it. Is that a criticism you recognise and is it something that you have tried to address or that you think is impacting on the schedule?

**Bobby Hain:** There are two slightly different considerations here. The cost of making programmes for STV has not changed. The amount of money that we spend is roughly the same today as it has been for the last 10 years. There is a minor reduction on efficiencies, but substantively it is the same amount of money that we invest in the programmes that we make. If we were to come out of an ITV programme in the olden days, if you like, in the old world, then we would only get the share of the money that we had paid in back. In other words, if you had a drama—it was not unusual for a drama to be £1 million an episode, for example—then if you were going to come out of a programme that was £1 million an episode, you would end up with about 5% or 6% of that, which is about £50,000 or £60,000. So you were not able to make a programme of anything like the standard or the production value of the programme you had opted out of.

The dispute that we had with ITV was not around our ability or, indeed, our incentive to make Scottish programmes. That is clear from our licences what our commitments are. The question was more the basis on which the cost of our contribution to the network was arrived at. We felt at the time that was unfair but the deal we did in 2012 drew a line under that.

**Deidre Brock:** So you feel the critics have been answered by what has happened subsequently?

**Bobby Hain:** We have continued to invest around the same amount of money and create the same amount of peak and non-peak programmes ourselves as per our licences throughout, yes.



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**Simon Pitts:** Very briefly, you need to also consider the ratings there. STV consistently outperforms the rest of the ITV network in terms of share and ratings—in the first half of this year by 13% or so, the largest gap ever. Our audiences do appreciate these shows and if we were to come out from the schedule, the replacement programming would not be £1 million an hour dramas. That is the commercial challenge for us, which is difficult to square.

Q169 **Deidre Brock:** Lastly, I noted from your annual report and accounts in 2020 that ITV is also STV's sales agent for national airtime and sponsorship. Can you clarify what that means and also what kind of voice or influence STV has in the decisions and sponsorship approaches that ITV is making?

**Simon Pitts:** Essentially, that means that when an advertiser wants to advertise to the whole of the UK, ITV will sell it the whole of the UK, including Scotland, and we will get our share of that advertising. That is fixed at around 6% or 7% of the total national advertising. So ITV is our sales agent for national advertisers, and that is the same for national sponsors. So if a company sponsors "Britain's Got Talent" or "Coronation Street" it will be the same all-UK deal, with STV getting its proportion of the deal. What STV sales does and has responsibility for is local advertising, which is interspersed with the national advertising in any given break; you will see national brands and local brands co-existing in breaks. We also handle local sponsorship. Again, some shows that are not sponsored nationally by a national brand will be sponsored locally or our local shows might be sponsored. That is handled by our STV sales teams.

Q170 **Andrew Bowie:** Good afternoon. I want to ask a question relating to that last answer, Mr Pitts. You are almost certainly aware that in the STV north region, on Freeview anyway, the HD stream of STV north is not available, so this interspersing of national and local advertising does not exist. If you are watching on the STV HD channel in Aberdeen, to pick an example, you will be seeing adverts for shops or services in Glasgow. Likewise, there is no HD streaming of the STV north news broadcast from Aberdeen in the STV north region. It is available on Sky and on Virgin, and I wondered what steps STV might be taking so that people living in the STV north region might have access to an HD streaming version of their local television output, which, of course, is one of the reasons why they enjoy and value watching STV in the first place.

**Simon Pitts:** It is a good question and I will ask Bobby to handle some of the detail of it. What we have done is make sure that our output is as regionalised as it can be in the areas that we control. You are right to point out Sky where we control the relationship with Sky and the allocation of DSAT transponder capacity, which is what is behind whether you can have various regions on one signal or not. We have ensured that that is the case. On Freeview, our HD service is broadcast on a BBC-run multiplex. That is right, isn't it, Bobby?



**Bobby Hain:** Yes.

**Simon Pitts:** The BBC is, therefore, in control of the technology that underpins that multiplex and the extent to which that multiplex is regionalised. We are not alone. There are other PSBs that have their HD variants on Freeview simulcast via that multiplex controlled by the BBC. Therefore, that multiplex is regionalised to the extent that the BBC needs it to be for its own news output, and any additional regionality is done by way of negotiation and cost allocation with the other people on the MUX. Unfortunately, we have not been able to reach a position where it is more regionalised to suit our news output. Is that right, Bobby?

**Bobby Hain:** Yes. One of the challenges here is that the BBC in its Freeview regionalisation of HD has not moved as quickly as the Channel 3 network. Only recently has the BBC started to make more than about six regions available in HD. Of course, it is not incentivised to make a service for STV north because it does not have any different output of its own. It has a single output for Scotland. That is the reason that we have not seen any traction on the BBC's part. Simon is right that it would be for the BBC to make any technical changes that would allow us a separate region to feed to STV north.

Q171 **Andrew Bowie:** Just to be clear, you as STV would be keen to be able to broadcast in HD regional programming to the different regions that you cater to within Scotland?

**Simon Pitts:** In an ideal world, absolutely. Of course, and I hate to give this answer, it depends on the economics of it. If we were to ask for that multiplex to be regionalised to deliver the right regional variance of our news output and a bill for £1 million came back, we would say, "We can't do it, I'm afraid." It does depend how much the regionalisation costs, but in principle we would be delighted to replicate the other services across the other platforms on Freeview, too.

**Bobby Hain:** I would just add to that that we were, in fact, the first fully regionalised service on Sky. As you correctly identified, not only do we have a separate HD service for STV north, but if you watch on Sky you get the correct version of STV for Dundee and you get the correct version for Aberdeen. Those are both in HD, which is not the case around the country elsewhere in ITV.

Q172 **Andrew Bowie:** It was great to hear your commitment to Scottish-made programming and it is fantastic that you are able to sell that across the entire ITV or Channel 3 network. I just wondered about your commitment to regional programming within Scotland. Harking back to the days when you had Grampian and STV as two separate entities, they had their own programming budgets and produced programming specifically for the different regions that they catered to. I asked this question of BBC Scotland and they pointed to "The Mart", "The Harbour" and I think it was "Fish Town". Is there a commitment on STV's part to spread programming across the country rather than focus it in one particular



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area, given the different regional dynamics and demands within Scotland?

**Bobby Hain:** We have certainly invested in our infrastructure in Glasgow because that is efficient. The physical making of programmes and assembling of programmes is done in Glasgow, and that has been quite a large technical investment over the years. However, it is really important that our editorial reflects all of Scotland. If you have a programme like "Don't Waste Scotland" that we mentioned earlier on, or "Sean's Scotland" where Sean Batty goes on a travelogue around Scotland, you will see just as much of him in the STV north area as you will in the central belt. Similarly, just in the last couple of weeks, this year's STV appeal documentary, which was on young people's mental health through the pandemic, was anchored by Andrea Brymer from Aberdeen as a contribution to a programme that was made reflecting all of Scotland. It is really important for us, whether it is the north-east itself or other parts of the STV north area, that the editorial reflects what we do, even if the assembly of programmes is done now in the central belt.

Q173 **Alberto Costa:** Good afternoon, gentlemen, and thank you very much for appearing before this Select Committee of the House of Commons.

I am an ITV viewer whenever I get the chance, and I think that much of your output is, indeed, UK focused or globally focused rather than being England-centric or Scottish-centric or Welsh-centric. I think of programmes like "Gordon, Gino and Fred" and their recent road trip to Greece. I think of programmes made by Julia Bradbury abroad or Joanna Lumley when she went to Japan. I think last month she broadcast a programme where the Outer Hebrides featured. They are good British programmes broadcast across the whole of the nation, the whole of the country, the UK.

But I must confess I do have a great deal of sympathy for what the Chairman said a few moments ago about football. I think that football is an incredibly important cultural pursuit in all the four nations of the UK and we are very lucky to have different football teams in one country. If the boot was on the other foot, if my constituents in South Leicestershire were only able to watch Scotland playing and not England, I think that that would cause problems for ITV Central, which broadcasts in the East Midlands. I look at both of your bios. You are highly talented individuals. You are very well paid for what you do and you have an enormous amount of expertise. Mr Pitts, you have a background not just as managing director of online but in pay TV, interactive technology, etc. I ask myself: can neither of you come up with a solution? Can neither of you negotiate a deal that is in the interests of viewers in Scotland to watch Scotland play? Given the technological advancements that both of you are aware of, are you unable to negotiate a good deal for your Scottish viewers at least when it comes to football?

**Simon Pitts:** First, thank you for the faith that you have in both Bobby and me. That is much appreciated. We wish we could. There is no point



me soft-soaping the answer and telling you that that is a realistic possibility. That is not how the rights are sold. The rights are sold on a UK-wide basis. We have a broadcast channel that focuses on Scotland and, indeed, a broadcast channel that does not have the rights to monetise that content outside of Scotland. ITV, as you know, has the exclusive rights to all the shows outside Scotland.

If you have that background to a rights negotiation, the rights holders—in this case the SPFL—are going to sell to a company that is able to exploit it to the whole of the UK. We also have to be realistic. Sports rights, particularly football rights, have become increasingly expensive down the years and they are increasingly the preserve of pay TV providers, much to my disappointment and to viewers' disappointment at times, because free-to-air football, free-to-air sport in general, is brilliant for the sports themselves. It provides the most exposure to the brands, to their sponsors, to the game overall. Often the largest cheques are the ones that win the day and that has in recent times been the pay TV providers, whether that is Amazon, BT Sport or Sky Sports. Realistically, I don't see that changing, unfortunately, unless the listed events rules are changed and more domestic football is added to the listed events list, which preserves the World Cup and the European championships and those things that still reside on our platform and where we have enjoyed showing Scotland very much in the last few months.

That is a realistic answer to your very understandable question. You will not be the first or the last to ask us that, I'm sure.

**Alberto Costa:** Mr Hain, do you have any comments to make?

**Bobby Hain:** Only to echo what Simon said. I have seen different approaches to football over the 20 years I have been at STV. In fact, when I started we were able to afford some live games in those days because the cost of sports rights was not what it is now. Latterly—this is going back over a decade—we were paying a multimillion-pound sum just for highlights and we were outbid on that. I think that gives you a sense of the scale.

The question was asked earlier on about the exact cost of rights nowadays. The one thing that we know is we could not make it work on a free-to-air basis, given the opportunity we have to make revenue from advertising, which is our only income. That is a fact that we have to grapple with because we share the frustration that we cannot have this material that is watched for by fans and they want us to have it. It is the economics of how the rights have moved out of the reach of free-to-air broadcasters, I am afraid.

Q174 **Mhairi Black:** Thanks, folks, for joining us today. We are all aware that, of course, the pandemic has had an incredible effect on most businesses. We know that STV's revenue and operating costs were both down in 2020 as compared to 2019. Could you give us a brief oversight as to what the impact of the pandemic has been and where you are at now?



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**Simon Pitts:** The first thing to say is that I am very proud of our people and how STV has responded over the last 18 months. The strength of our recovery from the pandemic has already taken us beyond 2019 levels of revenue and profit to the point where we can say we are, hopefully, emerging from the pandemic stronger than ever.

Beyond that, there are just times when the emotional health and resilience of the business are more important than the financial results, and this has very clearly been one of those times. First and foremost, over the last 18 months or so we have needed to be a good business, a responsible business that treats its people and its partners properly and is capable of seeing beyond the narrowness of its own finances. While we did take early steps to protect the business, including raising additional capital from the market at the start of the pandemic to make sure we were prepared for the worst, and cutting out discretionary spending, our board and our management team also took a 25% pay cut for a significant period in 2020 and we scrapped all corporate bonuses for that year. As a result of the steps we took, we have been able to avoid making any redundancies in the business. When we accessed the furlough scheme, we made sure everyone was topped up to 100% of salary, including those on fixed-term contracts. When we realised the worst was hopefully over in terms of the hit on ad revenues last year, we called time on furlough and paid back the £1.6 million we had claimed in full because we thought that was the right thing to do.

As you would hope, I suppose, we have spent much of the last 18 months trying to make sure our people are okay, whether that is through very regular and open communication, or introducing new measures to help people manage their work/life balance better by enforcing, for example, a 90-minute break from Zoom at lunchtimes, strongly encouraging people not to email their colleagues after 7.00 at night, or offering enhanced mental health support for our colleagues because of the challenges of working remotely for such an extended period of time. As a result, I think that culturally and as a company we are emerging stronger than ever.

If I may just add a point about our partners and our communities, the STV Children's Appeal raised a record £4.3 million this year. I am so proud of our news teams, all of them key workers in our eyes, who have worked tirelessly to bring viewers trusted facts and information when they have needed it, in the face of a lot of misinformation about the pandemic online. We have supported our business community, too, by providing free advertising spots through our Local Lifeline initiative to over 100 Scottish SMEs and charities, and by doubling our successful advertising growth fund to £20 million to help Scottish businesses as they recover from the pandemic.

We have touched a little bit on viewing figures. We are emerging stronger as a brand, I think, too, because we have delivered record audiences, and anyone who maybe doubted the enduring power and the relevance of public service broadcasting before the pandemic I hope doesn't any more,



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given the role that we and our PSB colleagues have played in getting people through the pandemic, providing vital facts and information but also much-needed entertainment and escapism, too.

All in all, we are in a much better place than maybe we thought we would be six to nine months ago, both commercially and, more importantly, as a business and culturally.

**Mhairi Black:** Excellent, thanks. Bobby, do you have anything to add?

**Bobby Hain:** Only that the performance of the news teams, as Simon has said, has been exemplary. We have been very careful with our staff and contributors too to our programmes as we have had to work obviously within guidelines to make sure that the health and safety of our teams and people who contribute to our programmes has been uppermost in people's minds.

But actually, because of investment in technology and the fact that people are able to operate with their own cameras and laptops and make news, I think they have really gone the extra mile to bring the information and the news and the updates that people have needed day to day. You have seen that in the very strong ratings that news has seen in the last couple of years and it continues to outperform other news services.

It is worth saying that not only is STV "News at Six" often the most watched programme on television in Scotland, the size of our audience in Scotland can be the same size as the audience for "Channel 4 News" across the whole UK. I think that is a remarkable statistic that reflects how important and how valuable people see our "News at Six" as being, because it is the place where they get up-to-date information, and that relies on our team going the extra mile.

Q175 **Mhairi Black:** You mentioned there that you were in a position where you were able to return some of the UK furlough grants. Have you made any connection with the UK Government about doing that? Is that something that has happened already? Where is that at?

**Simon Pitts:** Yes, that has happened already. We announced that we were doing that in the first quarter of this year. We have paid back the full £1.6 million that we claimed under the job retention scheme. That has now been paid back in full.

Q176 **Mhairi Black:** Do you think that the UK Government could have provided anything else, any other kind of support or anything, I suppose, better or more tailored to your needs?

**Simon Pitts:** We have certainly valued the extent of the support that has been available from the Government and also the speed of that, from the furlough scheme to the opportunity to defer VAT payments to the film and TV production Restart scheme. All of those interventions were very important for our industry.



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I guess if there was one area that was lacking for our business it was support for some of our freelance colleagues, particularly in our Studios business, who did not qualify for financial support due to their self-employed status. Of course, these people are absolutely vital to the success of our industry, and with the immediate cessation of production activity that we saw for several months once the pandemic first hit, they had several months of financial hardship, which was extremely difficult for them.

**Q177 Mhairi Black:** Just as a final question, and forgive me if it is slightly daft, to go back to some of the topics we have already discussed and, in particular, football, could you explain in layman's terms how STV can be so financially healthy just now that it can actually give back grants that the UK Government have provided, but it cannot afford Scottish football rights? I am finding it quite hard to pair those two up, so I would be grateful for any kind of explanation.

**Simon Pitts:** I guess the easy answer is that the quantum involved are quite different; £1.6 million of furlough grant might buy you one football match.

**Mhairi Black:** Right, so it is about scale, then?

**Simon Pitts:** It is about the quantum overall; and the ability for us to invest money and, bluntly, get a return on that investment when your audience is the 2 million households in Scotland rather than the 20 million-plus households in the rest of the UK that Sky will be broadcasting its Scottish football rights to, as it is the holder of the rights.

**Q178 Andrew Bowie:** To come in on the back of that question from Mhairi Black, obviously with the final of the US Open, when we saw Emma Raducanu winning in New York, a deal was done by Channel 4 to broadcast Amazon's stream of that final. When there is a very important qualifier, for example, as we saw a couple of weeks ago with Scotland, are there any discussions going on behind the scenes to do a deal with Sky that when it comes to a crunch game its feed would be available on, for example, STV as Sky managed to do for the final of the World Cup One Day International cricket a few years ago? Is that the sort of thing that STV would be open to looking at? Obviously, you cannot buy the entire package, it is just not possible, but when it comes to a crunch game, would that be something that STV would be interested in doing?

**Simon Pitts:** Absolutely. We would be open to having those discussions, and those discussions have taken place in the past and have not led to us showing those games. Those are deals that need to work for both parties. What was quite noteworthy with, first of all, the cricket and then the US Open tennis was that in return there was a substantial amount of exposure that was given on Channel 4 to Amazon. There were no ads. It was a four-hour promotional window for Amazon Prime. The deal has to work both ways, for both the streamer and the broadcaster. We are very



open to having those discussions with the holders of the rights for crunch games, absolutely.

**Q179 Douglas Ross:** I want to start off on areas where I agree with what I have heard so far, before I come on to my areas of disagreement. Mr Hain is absolutely right that the questions from the Chair and Alberto Costa were not the last time you would hear about football, and we have heard that from Mhairi Black and Andrew Bowie. I want to come on to that in a moment. I think it may not have come through on the broadcast that when you praised Kathryn Samson there was unanimous agreement from all the parties in this Committee for her efforts on behalf of STV down here, and I know the same would be said for Colin Mackay and Alison McCallum in Scotland. I think it says something about your journalists and your political editors that whether you are on the right side or the wrong side of their stories, they are respected by all the parties here, certainly within the House of Commons.

Now on to the areas where I disagree. Mr Pitts, I have just listened to your answer to Mr Bowie. Tell me which of the previous matches you have bid for Scotland. You have just told us that you would consider doing it. The men's team is the most successful men's team since 1998, the senior men's team qualifying for a first major title since 1998. Its record win against Moldova was the best since 2007. You must have then presumably bid for some of these games?

**Simon Pitts:** I didn't say that we had bid for those games, I said that we would be open to conversations with the right—

**Douglas Ross:** But you have not been open to that during this successful run, then?

**Simon Pitts:** Absolutely we have been open to those conversations.

**Q180 Douglas Ross:** So which ones did you bid for?

**Simon Pitts:** Mr Ross, these are rights that are owned by other pay TV operators. They are owned by Sky and they are owned by BT. If they are open to the conversations, we are more than happy to have them. We have wide-ranging relationships with Sky, less so with BT but certainly with Sky. So occasionally, it will come up whether we can share rights. We have not managed to reach an agreement on sharing rights, even for important games.

**Q181 Douglas Ross:** I understand that because I have seen they have not been on STV, but tell me the ones that you have tried to get. You have said to Mr Bowie in evidence to this Committee that you would be open to that, so presumably, in this successful run with Stevie Clarke and his team, you have asked for some of the games for STV?

**Simon Pitts:** We have had discussions about whether, for games involving the Scottish team in the run-up to potential qualification for the Euros and the playoffs, that might be possible, but those discussions



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have not gone very far, to be honest, because they are rights that are owned—

**Douglas Ross:** To the Moldova match, for example—

**Simon Pitts:** They are rights that are owned by someone else.

Q182 **Douglas Ross:** Yes, but the Moldova match, for example, when many people in Scotland watched the England-Albania match later on in the evening on ITV, you, I presume, given the answers that you have given to this Committee, at some point you asked for the rights to the Moldova game, because that was the big one. If we won in Moldova, as we did, we are then into the playoffs. Hopefully, we get a good result tonight and we are seeded for those playoffs, but that was a big match for people in Scotland. That came up: I was at a constituency event on Saturday and the first thing someone came over to speak to me about was the fact that the England game was on but not Scotland. Are you telling me you did or did not seek some conversations about getting that game on TV?

**Simon Pitts:** We didn't have specific conversations about the Moldova game, and we didn't because our previous conversations about other, arguably more crunch, Scotland games, including the playoffs, hadn't borne fruit. So no, we didn't; but just to remind you, these are rights that are not owned by STV. They are not being auctioned by the SPFL or by any of the rights owners—

Q183 **Douglas Ross:** Mr Pitts, can I just correct you because it does disappoint me, given the serious issue that we are raising, that you cannot even get the organisation right. The SPFL do not give out the rights for international matches; it is the SFA.

**Simon Pitts:** The SFA and the SPFL, with whom we have had discussions, and also Sky, who are the rights owner. So, no—I have answered the question—we have not had a conversation about the Moldova game. We have had conversations in the past. These are not rights that are being auctioned by the SFA; they have already been auctioned and they have already been won and allocated.

Q184 **Douglas Ross:** But these companies, Sky or anyone else, are not going to pick up the phone to you to say, "Do you fancy sharing the rights to the Moldova game?" You need to be proactive, and it sounds like you are not. What I have heard from both yourself and Mr Hain today is pretty much shutting the door on all the concerns that we are getting from constituents in every part of Scotland who want to see these matches on STV but are not getting it. Basically, we have heard nothing from you today that would give us any reassurance that you would look into that in the future.

**Simon Pitts:** We would love to show these games, Mr Ross. We would, and we have had conversations with the rights owners in the past. They haven't borne fruit. We wouldn't rule out having conversations of that nature in the future. I am quite sure we will, given the good relationship



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we have with platforms like Sky. But these are rights that are owned by Sky for a defined period. They spend a lot of money on the rights, and it is precisely the crunch games that you have been describing that are the ones that give them the return on the investment they make. It is not, in my mind, that realistic to expect that suddenly a pay TV operator that has spent millions of pounds building up its rights to the culmination of Scotland potentially qualifying for a major tournament will then be open to sharing those rights.

**Douglas Ross:** Would you keep trying?

**Simon Pitts:** Absolutely. We have a good relationship with Sky and others and we will keep trying, but there are no guarantees. We are just trying to be realistic with you.

Q185 **Douglas Ross:** Will you give a commitment to this Committee that you will seek to get the playoff game? Scotland are now in a playoff. Whether it is seeded or unseeded, they are going to be in a playoff for the World Cup in Qatar. That is the first time we will have got to a World Cup, if that is a successful game, since 1998. Will you give a commitment now to at least make that offer to Sky to get that on STV?

**Simon Pitts:** We are very excited at the prospect of Scotland qualifying again for a major—

**Douglas Ross:** Sorry; yes or no, Mr Pitts?

**Simon Pitts:** I was just coming on to that. We will have a conversation with Sky, absolutely.

**Douglas Ross:** You will make that commitment?

**Simon Pitts:** I cannot give you any sort of guarantee that we will get the rights. We will have a conversation, just as we do most weeks with Sky about one issue or another.

Q186 **Douglas Ross:** I am sure the Committee will be very grateful if your efforts are successful.

Can I come on to a second issue? My mother was born in Monymusk, my dad in Strath Oykel. I was born at Aberdeen Royal Infirmary and I have lived in Moray my whole life. Do you think that makes me Scottish?

**Simon Pitts:** Who are you asking?

**Douglas Ross:** Well, either of you. You don't seem too keen to answer.

**Bobby Hain:** I would say so.

**Douglas Ross:** Mr Pitts?

**Simon Pitts:** Is this a trick question? I would say so, yes.

**Douglas Ross:** This is not a trick question.



**Simon Pitts:** You sound Scottish to me.

Q187 **Douglas Ross:** Okay. Do you agree with all the content that STV has put out? You are the chief executive, so effectively everything that STV has put out is with your authorisation and agreement?

**Simon Pitts:** All of the content that we put out has been cleared by the Ofcom broadcast code. We have various obligations that come from that code around programming, impartiality, etc., etc., so it will have been policed and regulated by Ofcom.

Q188 **Douglas Ross:** Given my own background, and I lead the Scottish Conservatives, do you think it was right that Bernard Ponsonby issued an article asking “how Scottish are the Scottish Tories”?

**Bobby Hain:** I certainly think that Bernard is one of the long-time political—

**Douglas Ross:** We can come on to Bernard and his own time at STV, but it is a simple question: is it right for Bernard Ponsonby, on the platform of STV, to question how Scottish are the Scottish Tories—yes or no? *[Interruption.]* Sorry, Mr Hain: yes or no?

**Bobby Hain:** If I can just describe the context here—

**Douglas Ross:** We can come on to that in a moment because I am very keen to hear your description of the context. I have read the content. Do you think it is right for Bernard Ponsonby, on your platforms, to question how Scottish I am or how Scottish any of my colleagues are?

**Bobby Hain:** I think that we stand by Bernard’s right to work within the broadcast code, which we apply online, and in that sense I stand by the editorial decision to run that, yes.

Q189 **Douglas Ross:** You agree it is right to question how Scottish I am?

**Bobby Hain:** I think that our job as a media is to ask all kinds of questions, and we rely on Bernard and the senior team to frame and discuss those questions, indeed.

Q190 **Douglas Ross:** What is the result of that discussion? Therefore, you or someone at STV does not think I am particularly Scottish, or my colleagues are particularly Scottish, or that it matters if they are Scottish or not? Is it a concern to you, then, that Dr Sandesh Gulhane is not Scottish but is a Scottish Conservative MSP at Holyrood?

**Bobby Hain:** I come back to this point, which is that STV does not itself editorialise and we—

**Douglas Ross:** Sorry, no, no, no, don’t go down that route because you previously said about two or three minutes ago that you were content with everything that had been published both online and by STV.



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**Bobby Hain:** Indeed, and the reason that we are content is because in our view our sense is that we have overall a balanced output that works within the confines of the Ofcom code, where we are entitled to host and debate arguments. If people feel that there is an issue, there is a recourse open to them to complain or, indeed, to take their complaint to Ofcom if they feel that they have been unfairly treated or there is something inappropriate about either the framing or the content of individual pieces.

Q191 **Douglas Ross:** But you are happy with that. Mr Pitts, you are happy? For example, my colleague in the north-east of Scotland, Tess White, comes from England. Is she subject to that headline—"how Scottish are the Scottish Tories"—and is that acceptable?

**Simon Pitts:** The good thing about our regulated media in this country is that if you don't agree with something on there and you think that we have transgressed the broadcasting code, then you can complain.

Q192 **Douglas Ross:** I understand that, but I am asking you in a Committee just now: do you think that is a suitable thing to be saying to me, who is passionately Scottish, or some of my colleagues who are not Scottish—that this is something for your very experienced journalist of many, many years of service to STV to be using as an article, which, by the way, he did not even bother to speak to me about? He mentions me a lot in that article but he did not even think it was particularly important to speak to me, as leader of the party that is criticised in that way.

**Simon Pitts:** As Bobby says, our journalists take editorial decisions every day. They do so with the full weight of the Ofcom broadcast code in the back of their minds. I am sure that was the case in this instance. We back them to make those judgments. It is not our job to second-guess every single thing that is written or spoken about, but if you do have a concern and a complaint that you want to make, you should feel free to make it to Ofcom. It will be fully investigated.

Q193 **Douglas Ross:** I feel free to use my opportunity at this Committee to ask questions of both of you. So, since you have failed to do it after repeated attempts, will you just confirm, is it acceptable to be asking how Scottish the Scottish Conservatives are—yes or no? Mr Pitts?

**Simon Pitts:** We stand by what has been—

**Douglas Ross:** Sorry, Mr Pitts: yes or no? Are you refusing to answer the question?

**Simon Pitts:** No, I am not refusing; I am giving you the answer I am giving you, which is that we stand by the editorial decisions that are made by our team.

**Douglas Ross:** That is a yes?

**Simon Pitts:** It is what I just said.



**Douglas Ross:** Mr Hain?

**Bobby Hain:** Likewise. We don't make the editorial choices for our team. That rightly sits in the hands of our journalists and it is for them to work within the code, and in that they have our support.

**Douglas Ross:** Thank you.

Q194 **Sally-Ann Hart:** I am just going to ask some questions about your viewership. Looking at our briefing here, spend on non-network first-run UK-originated content for Scotland is decreasing, and due to the pandemic Scottish Television's revenue and operating profits were down in 2020 compared to 2019. How does that correlate to the viewership increases? You have viewership increases of a broadcast audience that grew by 14% in 2020, STV now reaches 80% of Scottish adults every month, and you have your highest viewer share in 12 years, at 19.2%. Your viewership has increased. How does that correlate with the spend decreasing and your revenue and operating profits being down?

**Simon Pitts:** The simple answer to that is the pandemic, I am afraid. Normally, what you have seen, in fact, throughout the history of commercial TV, is that revenue follows audience. If you get strong viewing, you can normally sell more advertising around it and you are more successful as a result. But for virtually the first time ever in the history of commercial TV, that connection between viewership and advertising has been broken, or was temporarily broken during the pandemic, because there were lots of people watching at home, a captive audience, especially during the successive lockdowns, but at the start of lockdowns in particular, there were fewer advertisers who wanted to advertise. You may well have noticed it yourself when you were watching—there were fewer ads. There was certainly less of a range of ads. That was because, like every other company across the globe, our advertisers were trying to get their own house in order, were concerned about sales, were concerned about whether they should be spending or not on marketing their business.

That is why there is this strange set of figures for 2020, showing viewing going sky high and advertising, and therefore profits, suppressed; but that is the same equation across most of the economy. The good news there is that the connection between viewing and advertising has been restored. TV advertising has proved very resilient off the back of the pandemic and that is because it is, in our view, the best way of building a brand, the most trusted way of building a brand, and that is what businesses and brands and advertisers need right now—the ability to rebuild their brands and their businesses. We can help them with that. That is why, during the pandemic, we doubled the size of our advertising growth fund in Scotland to £20 million. Since we launched that fund, we have done nearly 700 deals with Scottish small and medium-sized enterprises, many of which had not advertised on television before and nearly 300 of which are brand-new advertisers. We needed to make sure



that TV advertising was accessible and affordable to help do our part in driving the recovery of the Scottish economy.

**Sally-Ann Hart:** Mr Hain, do you have anything to add?

**Bobby Hain:** The reduction in programming investment, which I think is an Ofcom number, includes the cost of ITV Border's commitments as well, so it is not exactly what STV spends, but we obviously have a larger part of that and drive the trend. We do think that the investment in 2021, just for reference, will return to the 2019 levels. The 2020 costs that you see in the Ofcom report are depressed, if you like, by fewer programmes having been made through Covid.

Q195 **Sally-Ann Hart:** Do you know why your viewership has increased? Do you know the reasons? Obviously people were at home during the pandemic, but that goes for other TV channels too.

**Simon Pitts:** It does. It is a good question. You are right. Our audiences have been record-breaking in the last 18 months or so and the good news there, for us at least, is that it is not just the lockdown effect because they remained high across the whole of the last year, in and out of lockdown, and also for the first half of this year. In the first half of this year, we delivered six consecutive years of viewing-share growth. Our all-time viewing share was up at nearly 21%, the highest growth of any of the UK's 500-plus TV channels. We were Scotland's most popular peaktime TV channel before the pandemic, too, so this has been us consolidating our position over lockdown.

We have talked about STV news. That is the jewel in our regional crown. It is watched by over half of the Scottish population each month across all the STV bulletins. We have the most-watched news programme, audiences at a 19-year high, for STV "News at Six". That is down to our journalists. It is also down to the £5 million investment in news technology. That has helped as well. It has helped our teams to become more mobile and developed our studios into end-to-end HD-ready studios.

We think the key to the success of news, at least, has been our tone of voice. We are the most comprehensive source of Scottish news but it is also done with warmth and a real sense of community and focuses on the people behind the stories and that is what marks us out, we think, from the competition. More broadly, through the rest of the schedule, it is down to the strength of the programming, whether that is the strong network material that we have invested in, like producing our own coverage of the Scotland games during the Euros, for example, or it's entertainment shows like "Ant & Dec", when we needed them most, as a nation, during lockdown, or it's big dramas, such as "Des", "The Pembrokeshire Murders" and "Unforgotten". What has also been encouraging is that we have managed to extend that strength of performance to the online platform as well, with our streaming service up



66% at the half-year. We have upwards of 100 different drama box sets available to our 4 million registered users of the Player as well.

**Q196 Sally-Ann Hart:** You say that your streaming services are up 66%. Are you finding a lot of competition from other streaming services? We have some streaming giants such as Netflix and Amazon. Given STV's recent increases in viewership and streaming services, do you think those levels are sustainable? Will they remain up there?

**Simon Pitts:** We think they are sustainable. We have just launched STV Player across the whole of the UK for the first time, opening up our audience, which is positive and exciting. We now have 3,000 hours of Player-only content on our platform, so the content that doesn't just come through the ITV relationship and gives viewers something else to engage in, particularly around drama. Of course, however fast the streaming platforms are growing—and they are growing quickly—it is worth occasionally just reminding ourselves of the prominent place that terrestrial broadcasters still have in people's daily lives.

In Scotland, STV actually occupied eight of the top 10 slots of the top 20 most-viewed TV shows last year, including from the likes of Netflix, Amazon and Disney+. Netflix only appeared first of all down at No. 13 and then at No. 18 with "Tiger King", I think. In terms of competition with the streamers, looking at the average video advertising day, not just video consumption but video advertising consumption, broadcast TV still accounts for over 90% of the video ads seen each day by the average viewer. Even for 16 to 34s, it is 77% of the ads they see each day. So TV is highly relevant and effective. And it is worth saying, Netflix is great but it is mostly US content and you have to pay for it, and not everyone wants to do that. In contrast, we are offering something different both on our TV channel and through STV Player, with a real focus on homegrown UK original content and all of it is available for free. We think we can co-exist with the big streamers too because we are doing something a little bit different.

**Sally-Ann Hart:** Mr Hain, do you have anything to add?

**Bobby Hain:** Just to reinforce the importance of public service broadcast credentials that come through, and that the sense of original content that reflects the society that you are producing for and the audiences that you serve is crucial—that comes across loud and clear in the news ratings, which have driven our increase over the network and our increases year on year—and the importance of the escapism of dramas and entertainment shows. It was great to have "Catchphrase", for example, as the first entertainment show back into production when the Covid protocols allowed.

**Q197 Sally-Ann Hart:** Do you think that the local aspect, the local content, the UK content, is the reason why STV Player is proving to be so popular not just in Scotland but across the UK?



**Simon Pitts:** It is certainly one of the factors. It is definitely one of the factors in Scotland. We don't have all the Channel 3 shows in England so we have to rely on our Player-only content outside of Scotland. But, yes, I think the fact that we are focused on the UK, and Scotland in particular, is a big driver of our viewership and a big differentiator. Another differentiator is that we are free at the point of use and not everyone has the desire or the means to pay for television. We have seen that throughout the last 50, 60 years. Look at Freeview, for example. It is the fastest-growing TV platform out there in 11.5 million homes and you don't have to pay for it; there is a reason for that. There is a market, a very strong market, for free-to-air high-quality terrestrial television, and carrying that into the streaming space with STV Player and the other PSB players is a key part of our plan for the future.

Q198 **Chair:** Can I ask about the decline of non-news and non-current affairs output? I have a graph in front of me. You are probably familiar with it. It shows a decrease from 1,160 hours in 2014 to 379 hours in 2020. How has that been allowed to happen? What is going on with that?

**Bobby Hain:** May I unpack those numbers slightly? Most of those numbers actually refer to through-the-night content. They are not hours of traditional programmes. We talked earlier on about the licence commitments for STV to make programmes every week, which is four hours of news and one and a half hours of non-news. That is 78 hours in total of non-news across a year, and that has not changed. One thing that has happened in the last year is that Ofcom has changed the classification, so each of those thousands of hours, which are only static slides with music underneath as a sustaining service through the night, counts towards the total but that does not have any bearing on the high-quality material that we make as traditional half-hour and hour-long programmes that you will see in the schedule—around "Coronation Street", "Emmerdale" and so on. They are different kinds of things. If we run, for example, teleshopping overnight, which we are entitled to do under our licences, it does not show up as any of those hours, so that explains why those fluctuations seem quite high.

Q199 **Chair:** So is it an accounting error? Is that what is going on here? It does not look good when I am looking at this graph just now. Surely you will want to try to address that to ensure it is properly reflective of your output. It looks pretty awful. If it is just a matter of showing the test card whatever, I think that is something that you would want to put right, isn't it?

**Simon Pitts:** It is up to Ofcom to make sure that they count every hour that is appropriate. On a technical point, because our schedule includes obligations for independent production, subtitles, which are based on the number of qualifying hours, although these are not traditional television hours, they do technically increase the amount of content that we have as subtitled content or visually-signed content because it is driven off a percentage of the total. In that sense, having a high total is not a bad thing but it is important to understand that these are not real



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programmes, in the sense that you would recognise a half-hour programme such as “Don’t Waste Scotland” or “What’s on Scotland?”—some of our peaktime pieces, even “Scotland Tonight”. This is a different kind of programming that is included in the Ofcom numbers, I think for completeness.

**Q200 Chair:** Looking at all these numbers, not just the non-news and non-current affairs, the news output has gone down from 493 hours in 2014 to 323 hours in 2020. Is that also an accounting error in the way this has all been collated?

**Bobby Hain:** In previous versions of our news output, we had separate editions of the programme that went out in the central belt. Just now we have a programme that is anchored by John MacKay and Kelly Ann Woodland from Glasgow and Edinburgh respectively and those programmes share content and have individual sections both for the east and the west. Under the licence obligation, we have to do at least five minutes of split content for each of those areas. We actually do more than that. But in 2014-15, we actually produced separate programmes for Edinburgh and for Glasgow. As part of the work we did in 2018 when we reviewed our news output and made our investments, we decided that the better alternative was to join forces for most of that programme, but that means you are not counting two versions of the programme. That explains why the number has reduced, but we have seen the audience increasing, so I think the audience prefer what we do now.

**Q201 Chair:** The number that has gone up—I will congratulate you on that and you will probably tell me that this is properly reflective—is current affairs, which is probably mainly down to “Scotland Tonight”. That has gone up from 53 hours in 2014 to 72 hours in 2019, so presumably they got all that right; and all the other stuff, they don’t manage to collate and record properly.

**Bobby Hain:** The thing about current affairs is that it is also subject to what are the political events of the year. If there are elections, for example, you would see an increase in current affairs. Also, as we mentioned earlier, we have seen with the success of “Scotland Tonight” that it can be a programme that not only goes out at 10.30, reflecting on the day’s events, but can also play a role in peak time. We have seen some of the highest audience numbers for “Scotland Tonight” in its history last week, for example, as the programme considered COP. Out of 1,600 programmes that we have broadcast in 10 years, it was in the top 10 for audience share. So it really works as a current affairs programme in peak time, it is Scotland’s biggest current affairs programme, but those current affairs numbers are reflective of the political discourse of the year.

**Chair:** I thought you were going to say it had a record number of viewers last week because I was on it, but obviously not. On that note, Andrew Bowie.



Q202 **Andrew Bowie:** It is hard to follow that, Chair. I congratulate STV on the overall coverage of the Scottish Parliamentary Elections last year. On the STV “News at Six” and “Scotland Tonight” there was some really good and balanced reporting of the elections. But I don’t think I was the only one who was slightly disappointed in STV’s coverage of the election results. The BBC dedicated an entire two days to the Scotland results on BBC One and to the regional election results from across the entire UK on the BBC News Channel. It was the only place to go if you wanted to be up to speed with what was going on at any point; whereas STV only dedicated one and a half to two hours on the respective Friday and Saturday afternoons. What drove the decision to not do a comprehensive results programme on STV when your preceding coverage up to that point had been, in my eyes, far in advance of what the BBC was offering?

**Bobby Hain:** We were working within quite difficult Covid protocols to make that programming. It was challenging for us to do so. We have lots of experience of overnight programming for election results—that is generally our modus operandi—and we offer an alternative to the BBC which is very much similar in terms of its scale. Having only one channel, we have to make difficult choices about where programmes go. There is a logistical challenge, for example, in moving the national news or, indeed, episodes of programmes that return the next night, because you have nowhere else to put them and you have to make sure that you can balance accommodating people who want to see the results and those who want to see the programmes that would have been there in the first place. This is a schedule that we are operating ourselves, trying to disassemble and then reassemble it to include the output that we need.

We decided that on balance it was most important for us to cover the election at the time when we had the best chance of having the results, and that is why we ended up with a programme that had a significant audience, getting into peak and including peak, both on the Friday and the Saturday, and we came back with a reflective state-of-the-nation programme on the Sunday after the polls had closed and the dust was settling.

Overall, we have finite resources and I think we placed them very cannily in the run-up and we covered a huge amount of ground, both geographically and editorially, across the campaigning. We had Kathryn in her bubble, out of Holyrood, going around the country. Because we knew the results were likely to come in in quite a tight timescale, although they were appearing throughout the afternoon, we felt that the best balance, rather than trying to get into the schedule and using lots of airtime for maybe not a high frequency of results, was to wait until we had the best opportunity to deliver a significant number of results together.

Q203 **Andrew Bowie:** Thank you. That answers the question very well.

I want to ask about the delivery of news throughout the pandemic. One of the reasons why people, especially in the north-east, choose the STV



“News at Six” over “Reporting Scotland” over on the BBC is because they are listening to people who sound like them talking about issues that are relevant to them and from places that they recognise. Over the pandemic, the decision was taken to centralise the news output. There was one broadcast across Scotland, varying between coming from Aberdeen and Glasgow. What led to that decision? Why was that decision taken?

**Bobby Hain:** It really was because of the restrictions on Covid to start with. When we went into lockdown it was not clear how we would make programmes at all. Two things struck us. One was that the story itself was more of a national story that would be largely the same if we were presenting both programmes, as we had done. Secondly, we could build in some resilience into our system so that if, for example, people were unavailable to us because they had contracted Covid, for example, or we had to deep clean one of our studios, we had an alternative so we weren't working at the max all the way through. The one thing that we made sure we did as we combined those programmes during periods of lockdown was to take input from reporters around the country every night. It was not simply that one of the programmes disappeared; we created a combined programme that drew on the geographical strengths and the breadth of editorial from all parts of Scotland, whether it was the Skye care home story, which Nicola McAlley staffed out of our programme in Inverness, out of our studio centre there, other north-east parts of the story, or indeed what the latest was from Holyrood from our political team, Colin, Alison and so forth. We combined, in the interests of safety, social distancing and practicality, and also recognising that it was much tougher for the teams to be making the news programmes, so we needed to rotate our teams. Some people were furloughed on rotation, which allowed them to step back and have a bit of a rest. By the same token, when we had new people coming in, we could move the programme, as we did, from Glasgow to Aberdeen so that both news centres had a chance to deliver the news.

Q204 **Andrew Bowie:** I absolutely recognise that and I saw that model at its best last summer, in the tragic events at Carmont—the rail derailment in my constituency—when Andrew and Brian were anchoring the whole of Scotland's news output from the scene. My concern, and the concern of some of my constituents—they and I also raised that concern in 2018 when you went through your restructuring and your reinvestment—was, “Is this a glimpse into the future?” Is STV committed to maintaining two separate anchor news programmes for the two different regions it is catering to in Scotland or is it looking at this vision of delivering a pan-Scotland news programme anchored from either Aberdeen or Glasgow, moving forward, for the very understandable reasons that you have laid out?

**Bobby Hain:** We have no plans to change the way that we do our news. The 2018 review of how our operations worked coincided with finding new premises in Inverness, which we fitted out and moved to. As we



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started the upgrade of our studio facilities, Aberdeen was the first to be done. It went HD before the central belt. Dundee has been upgraded. Edinburgh and Glasgow are both upgraded now. It was quite difficult to do that during the pandemic but we managed to get that done with the technical teams. I think we have referred to our model several times during this session. We understand and credit the local version of what we do with being such a ratings winner for us. The visibility, the profile and the sense of being close to you and being very, very high-profile in those different communities around Scotland is what powers us, and we have no plans to change that.

**Andrew Bowie:** That is good to hear.

Q205 **Wendy Chamberlain:** Welcome to our witnesses. You will be pleased to know that I will not mention football, but if you want to get into a bidding war with the BBC about the rights to shinty, I am sure the Camanachd Association would be delighted.

Moving to my questions, the DCMS Select Committee earlier this year stated that the Communications Act 2003 is no longer fit for purpose and I know that STV has made representations to the Ofcom Small Screen: Big Debate consultation on this. To what extent is existing prominence legislation, as set out in that Act, limiting STV's ability to reach audiences, particularly younger audiences, and if it is, could you explain why?

**Simon Pitts:** The short answer is that every regulatory framework needs to be updated from time to time, and the current regime for broadcasting dates back to 2003 and needs modernising.

We support Ofcom's initial recommendations to try to make sure that public service media survives and thrives in the digital age. In particular, we welcome recognition of the value that local audiences place on having a competitor to the BBC for Scottish news and current affairs, which we see as one of our key roles, if not the key role. On the issue of prominence, we also agree with Ofcom's view that legislation is now urgently needed to ensure that public service content is readily accessible and prominent on digital platforms, rather than potentially buried by those platforms. For a nations-based PSB like STV, it is often not just about securing prominence for our streaming service on those platforms; it is about accessing those platforms in the first place, as often those global players are not regionalised. Amazon Channels is one example. Another is Samsung television. We think that legislation is vital and urgent now and of course those platforms are increasingly accessed by a large number of younger viewers as well as other demographics. So, yes, it can impact our ability to reach those audiences if it is not sorted out now.

We have some clout as a PSB. We have managed to negotiate good positions on Freeview, on Sky, on Virgin, on those UK-based platforms, but we do not have the same sort of clout or cut-through with global



players and that is where we are asking for help from Government and Ofcom, which seems very keen to help us but we need to accelerate it as best we can.

**Q206 Wendy Chamberlain:** Yes, to move it forward, and I suppose one of the challenges, when you are talking about those global platforms, is it does not sound as if they are particularly interested. I am aware that Roku, in that same Ofcom consultation, said, "Prominence is a specific regulatory by-product of 20th century linear broadcast television that has little or no relevance in the streaming world". That suggests that there might be a degree of resistance. What engagement have you had with those streaming platforms?

**Simon Pitts:** We have had a number of meetings and lots of engagement but what you have just said there is a familiar tale, I am afraid. A number of platforms that operate globally that have global technology roadmaps will often listen to our concerns, but regionalisation, if you are Amazon or one of these big players, is more like Asia-Pacific versus EMEA than it is about Glasgow versus London. We spend quite a lot of our time in those meetings explaining who we are and why it is that it is important that Scottish viewers see STV Player prominently figured on their user interfaces rather than the ITV Hub, not least because if they saw the ITV Hub, they could not access the programmes; they would reach a dead end because ITV does not have the rights to those shows in Scotland.

**Q207 Wendy Chamberlain:** I find this quite interesting because certainly what we are hearing so far in evidence today is that people in Scotland appreciate localisation, as we have discussed in terms of your news output, but it feels that without regulation or updating the legislation, we will not see the big streaming providers offering it.

What would you like to see the new legislation cover? I am assuming, for example, that regionalisation aspect on streaming platforms would be a start.

**Simon Pitts:** Absolutely. First, regionalisation to make sure that the right regional variant, in particular of a Channel 3 service, so STV Player in Scotland, can be given prominence on the platform. Secondly, an assurance that there is prominence within all types of navigation on these new user interfaces. The prominence regime of the present day is about ensuring prominence on an electronic programme guide: for us, securing button 3 on your remote control. That is less valuable in a world of search, voice search or lists of apps in different user interfaces. Because people consume TV in such different ways these days—very few people will go straight to the electronic programme guidance and scroll through the channels these days and you don't have the ability to do that easily on most of the platforms—we think that wherever there is a means of navigation on a platform, public service broadcasters should be given prominence, and that the nations-based PSBs should be part of that list so it is as applicable to STV and S4C as it would be to BBC and ITV.



Q208 **Wendy Chamberlain:** Absolutely. Mr Hain, do you want to add anything? I am conscious that I have directed everything to Mr Pitts.

**Bobby Hain:** Just a reminder that the regime of having the top slots is directly out of legislation. On television guides, the reason that we have those positions is that it is legislated for, such is the importance that is set upon it. If we want the public service content that we and others deliver, particularly news and current affairs, to be as discoverable on digital platforms as it is on television there will no doubt need to be legislation to achieve it.

**Wendy Chamberlain:** Given that you are public service broadcasters, part-funded by the Government, it is in the Government's interests to ensure that it gets a return on their investment by increasing viewership for you.

Q209 **Chair:** Lastly, huge developments are going on in how people are viewing content, most notably in the areas you have been talking about with Ms Chamberlain, the streaming services, but there is also social media where many young people in particular access their news. What are you doing to build some sort of profile across these services? How do you see yourselves developing that sort of audience in future?

**Bobby Hain:** It is a very important audience for news. We have seen very strong performance by STV News in the past few years. We have talked very much about the high ratings on television for STV's news. Although STV's "News at Six" does perform very strongly, younger people are more likely to watch news online. Among younger demographics, we have more people accessing our app and our website and getting their news from STV News on Facebook or Twitter than will watch the news at 6 o'clock and that goes to the point you are making, Chair, about the changing habits of consumption. It is important for us to have a presence on those platforms, to be discoverable, and that goes back to the streaming question. On social media, just in the past six months, we have completed commercial agreements for STV News content to be featured on Facebook, on Facebook News, and on Google News Showcase, which will give it prominence and make it visible and findable, and is an example of how important it is that the material that we produce still goes on to television as a digest of the day at 6 o'clock, but, story by story, can be found as things happen on social media.

Q210 **Chair:** In this fast-changing environment, with all these different services and all the different opportunities to access content, where do you see yourselves being in 10 years and how do you intend to continue to be relevant to your viewers in Scotland?

**Simon Pitts:** We still believe in the power of broadcast television. We think it is a very resilient medium and we expect TV channels to still be popular in 10 years but of course, streaming is increasingly popular. We need to make sure that we are not just a broadcaster but also a streamer, also a producer, in equal measure. We would hope that our streaming service and our app have been downloaded by every Scot that



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can possibly get hold of it and that they are enjoying a range of UK-originated programming and Scottish programming.

We have not spoken much about production. Our vision there is that STV Studios, our production arm, becomes a world-class content business, headquartered in Scotland, making big returning shows for all the major networks and streamers, and we are on our way towards that. This year will be STV Studios' busiest and most successful year by far. We are making a wide range of shows across the genres for a number of big broadcasters. The vast majority of those shows are made here in Scotland. In partnership with Screen Scotland, we have just finished filming a new prison drama, called "Screw" for Channel 4 in Glasgow. We have also produced an exciting new format called "Murder Island" that just transmitted on Channel 4, where members of the public on the Island of Deer were competing to solve a murder mystery written by Ian Rankin. We launched "Landmark", a big new art series, on Sky earlier in the autumn. We are about to start filming in Glasgow on a new daytime quiz for the BBC called "The Bridge of Lies". You might also know that out of Glasgow we have produced over 30 series of "Antiques Road Trip", a BBC daytime show. Believe it or not, we have another two auction formats about to be launched, one on BBC called "The Travelling Auctioneers" and "The Yorkshire Auction House" for Discovery. We are very focused on making sure we have a strong, independent future for STV across broadcasting, streaming and production and we have made a decent start on that road.

Q211 **Chair:** Bobby Hain, we will give you the last word. Will you still be coming down here in 10 years, talking about Border TV and the Scotland national football team?

**Bobby Hain:** I suppose, on previous experience, the answer would be yes. Things will continue to change. The future of Channel 3 is clear because of the existing legislation but one of the interesting challenges, as we face the next 10 years, is the extent to which legislation might apply to our digital services, which is unclear today. We think a very important takeaway is that we find a way to extend our reach into digital domains but I agree wholeheartedly with Simon that the core future of broadcast television has a strong, decade-long future at the very least.

**Chair:** Thank you both ever so much for taking all these questions today. We have detained you for a little longer than anticipated and expected and we are grateful to you for coming along to the Committee today and helping us out with this short inquiry.