



Pete Wishart MP
House of Commons
London
SW1A 0AA

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Dear Pete,

Thank you for your engagement with STV at Monday's session of the Scottish Affairs Committee. My colleague Bobby Hain and I welcomed the opportunity to update members on STV's progress and the strategy we are pursuing across our three business areas, broadcast, digital and production. Our TV channel remains very strong, reaching 80% of Scots every month, and one of its key public service elements, *STV News at Six*, is still the most watched news programme in the country, with an audience of over half a million through the first six months of this year. Our digital streaming service STV Player has almost doubled its streams year on year and has recently been rolled out across the UK for the first time. And our production business STV Studios is on course for its most successful year yet, with ambitious new commissions in factual, entertainment and drama for a range of networks providing a real boost for Scotland's creative economy and the talented people working within it.

As we said in our evidence, and re-iterating Ofcom's view in its *Small Screen Big Debate* Statement of July this year, the future health of Public Service Media in the UK depends on a successful transition to digital, and in particular ensuring that public service content is not just available on the new digital platforms, but also afforded prominence on those platforms so that it is easily findable by viewers. Ofcom has called upon the UK Government urgently to bring forward legislation to this effect as well as to ensure that nations-based PSBs like STV are included in this prominence regime alongside the UK-wide broadcasters, a position we clearly strongly support.

Amongst other topics at our evidence session we discussed the question of STV's ability to show Scottish football matches, particularly the national team's progress as they look to qualify for next year's FIFA World Cup finals.

We share your and other committee members' frustration that these games are not available free-to-air on STV. This is not through editorial choice, or lack of trying. The rights are simply unaffordable to us. As you are aware, the rights for the Scotland qualifiers are held by Sky. Their business model (and that of other pay TV providers) earns revenue direct from subscribers for this premium content and Sky is able to make the games in question available and generate revenue across the entire UK. As a result, Sky is able to bid significantly more to acquire Scottish football rights than free-to-air services including STV, and this has been the direction of travel for many years in football rights across the UK, to the point where the vast majority of what might be considered premium football sits behind a pay wall. In our case there is the additional constraint that our potential TV audience is Scotland only, so there is very little prospect of a larger commercial return UK-wide, which in turn determines the level of bid that we would be able to support.

As we outlined to you on Monday, we have explored the possible sharing of rights in the past with Sky, and will continue those conversations going forward. However, we must be realistic

about the prospect of agreeing a deal for shared access to rights that have been secured on an exclusive basis. There is no obvious commercial incentive for Sky to relinquish exclusivity over these rights. Even if it were minded to enter into an agreement to permit STV to show Scottish games, it's reasonable to assume that Sky would look to at least recoup its original investment rather than lose money by offering any discount. STV therefore faces the same commercial challenge, whether acquiring rights directly from the SFA, or in a secondary transaction via Sky.

The recent US Open tennis on Channel 4 is an interesting example in this regard. We note that in her evidence to the Committee on 20 September, Channel 4 CEO Alex Mahon confirmed that its deal with Amazon Prime to show the US Open Tennis final was "heavily loss-making", involving a substantial cash payment from C4 and a lengthy promotional "shop window" for Amazon Prime that didn't allow C4 to monetise any advertising around the tennis. This sort of deal might work for a publicly-owned broadcaster like C4 but it wouldn't work for a commercial organisation like STV. That is not to diminish STV's keenness to acquire rights to Scottish football, nor the impact and profile that STV can bring to live matches, evidenced by us producing our own coverage for two of Scotland's three group games during the Euros this summer and the record breaking 1m+ audiences that we saw for those games.

In the event that Scotland progress to the World Cup finals in Qatar in 2023, their matches will be available free to air, either on STV or BBC with whom we share rights depending on the match draw before the tournament. This is due in part to the listed events regime which requires specified sport tournaments including the World Cup finals to be made available on free to air, universally available services. This also requires a multi-million pound investment in rights and production by STV as part of our contribution to the network programme budget for Channel 3. As we did for the Euro 2020 Scotland group games, STV would as far as possible seek to produce our own coverage and commentary of any Scotland games for which we have rights. The cost of this programming is 100% funded by STV and is over and above our investment in network output.

We will, as I undertook to the committee, continue to look for a way to agree this ahead of Scotland's participation in the play-offs next year, but it is important to note that there is no guarantee this can be achieved on a commercial basis that works for both parties.

I trust this is useful and please come back to me if you have any further questions. I would welcome the opportunity to meet on a one-to-one basis and will be in touch with your office to seek to schedule.

Yours



Simon Pitts
Chief Executive