

STV welcomes the opportunity to respond to Ofcom's consultation in relation to "Quantity and scheduling of television advertising on public service channels".

Through Ofcom's "Small Screen Big Debate" recommendations of Public Service Broadcasting (PSB) in 2021 and the work on Channel 3 licence renewal and the s229 report for the Secretary of State, STV has consistently highlighted advertising regulation as needing to be updated.

STV is pleased to see that, following detailed quantitative and qualitative research, Ofcom now proposes changes to COSTA that will result in relaxation of restrictions for commercial PSB channels. We respond to the consultation questions below:

Question 1: Do you agree with our provisional view that the retention of the stricter rules that apply only to PSB channels is not justified? If not, please explain why.

STV agrees with Ofcom's provisional view that the retention of stricter rules applying to PSBs is not justified. STV's view is that the tighter restrictions on PSB channels are unnecessarily complex and constraining. Since there are times when both PSB and commercial channels can have up to 12 minutes of commercial breaks in individual hours, the lower PSB advertising limits do not act as a differentiator for public service channels. This is consistent with the research that Ofcom has undertaken on this point, summarised at 1.17 in the consultation:

"Most people we spoke to in our qualitative research and surveyed in our omnibus survey had limited awareness of the current differences in the amount and frequency of advertising shown on PSB versus non-PSB channels."

STV also notes that the performance of PSB channels in general and STV in particular as the leading peaktime service in Scotland is consistent with Ofcom's BARB analysis which shows that higher levels of advertising inventory on PSB channels, equal to other commercial services do not appear to detract from the ability of public service channels to achieve the highest audiences (3.7):

"BARB data analysed by Ofcom shows that in peak viewing hours on the PSB channels (18:00 to 23:00), the hours between 19:00 and 22:00 are already maximised, or are close to the maximum permitted level of advertising minutes and attract the highest peak audiences."

Overall, STV considers that Ofcom's research provides a strong evidential base to support the removal of stricter advertising rules applying to PSB channels.

Question 2: Do you have a preference between the proposals under Option 1 and Option 2?

STV's preference is for proposal (1) which would be full harmonisation of the COSTA rules between PSB and non PSB commercial channels. This would enable PSBs to compete effectively for both viewers and advertising revenues. The cost of PSB

obligations in terms of originations, regional (ex-M25) production and regional news, current affairs and feature programmes requires significant investment. Audiences are not clear on the benefits of limiting advertising minutage and are increasingly watching services which are not subject to COSTA, including PSBs' own BVOD services. Taken together, STV considers that there should as far as possible be a level playing field in terms of minutage and structure across all commercial channels. It is also important to note that additional flexibility to have longer breaks provides discretion to commercial PSBs to plan their own break patterns and commercial loads – it does not mandate the maximum is achieved in every hour. PSBs will be incentivised to schedule smartly within expanded limits to optimise viewing and commercial returns on investment.

Given that under both the proposals outlined by Ofcom, restrictions applying to films, news and children's programmes are retained, STV does not agree that additional limits on breaks relating to programme lengths are required.

In response to 5.5, STV confirms it does not seek any changes to the rules around teleshopping which is permitted only between 00:00 and 06:00 on PSB channels.

Question 3: In the event that we proceed with Option 1 or 2, we suggest a one-year period before implementation. Do you agree? If not, please explain why.

STV does not agree that, following a decision to relax PSB COSTA rules a period of a year would be required for any changes to be implemented. Only Channel 3, 4 and 5 are affected by a potential change which is a relatively modest adjustment. As Ofcom notes at 1.25:

"We do not think that removing the stricter COSTA rules would significantly affect the range of services available to viewers, or materially affect audiences' perceptions of quality"

Ofcom has also recognised that the commercial PSB licences are already in deficit in terms of costs vs benefits and therefore there is every reason to remove any differences in regulatory approach between PSBs and non PSBs as quickly as possible rather than exacerbate this difference by delaying for a further year.

On that basis we are not clear as to why any delay on implementation would be required following a decision being taken.

As noted above, STV's national advertising is sold by ITV who are also responsible for devising the network schedule including the arrangement of commercial breaks. We are assured by ITV that changes could be made more quickly following a decision by Ofcom.

Question 4: Is there any further information you wish to provide regarding changing the stricter rules in COSTA?

STV has nothing further.

Ends.