



**REVIEW OF REGIONAL TV PRODUCTION AND PROGRAMMING
GUIDANCE**

CALL FOR EVIDENCE

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A submission from STV Group plc

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STV Response

Introduction

1. STV is the commercial public service broadcaster for Scotland. Within its group, STV owns the two Channel 3 licences broadcasting across central and north Scotland. Our related production business is STV Productions, one of the UK's leading production companies with a portfolio of UK and international customers.
2. STV Productions has a track record of producing quality drama and has recently secured its first two BBC drama commissions: four part thriller, *The Victim*, a regional production for BBC One and 90 minute drama *Elizabeth is Missing*, also for BBC One. Previous drama productions include *Taggart* and *Rebus*, both regional productions for ITV.
3. The company's regional productions in factual and entertainment include:
 - Ratings winner *Antiques Road Trip* (currently in production on Series 18) and sister programme *Celebrity Antiques Road Trip* (now in its eighth series) for **BBC One**;
 - Two series of popular quiz show *The Link* for **BBC One** and game show pilots *And They're Off...for Sport Relief* for **BBC One** and *Quiz Trippers* for **Channel 4**;
 - Award winning feature documentary *Piper Alpha: Fire in the Night* for **BBC Two** and *Scotland and the Battle for Britain and Swallowed by the Sea: Ancient Egypt's Greatest Lost City*, also for **BBC Two**; *Tutankhamun: The Truth Uncovered* for **BBC One**; *Britain's Polar Bear Cub* and *Richard Wilson's Highland Fling* for **Channel 4**; *Secrets of the Scammers* and *Ultimate Celebrity Power Couples* for **Channel 5**; and *Ross Kemp Behind Bars – Inside Barlinnie* for **ITV**.
4. With its base in Scotland, STV Productions is well placed to deliver the surge of commissioning in the nations and regions and to take advantage of the unique creative ecology – an interwoven creative industry around film, broadcasting, the visual arts and mature tech industry providing jobs and opportunities to Scotland's home grown young talent.
5. Cross sector and funding initiatives aim to support and develop Scotland's creative industry further. Through the Production Growth Fund, films such as *Churchill* and *T2 Trainspotting* have come to Scotland.
6. However, the broadcasting sector risks lagging behind. Although STV has consistently delivered above its licence commitments (and above the level of BBC provision) for non-network spend and hours, it has no influence over network spend and hours in its broadcast regions. We therefore look to Ofcom to formulate new guidance and definitions that are clear and robust enough to deliver the policy ambitions to support long term economic growth in Scotland, stimulate the indigenous creative industries, and better reflect Scotland to its audiences.

7. We show one example in our answers below where a national broadcaster has interpreted substantive base too narrowly and denied STV, an indigenous producer from meeting that criterion.
8. We support Channel 4's initiative, called 4 All in the UK, to open three new "creative hubs" in the nations and regions, with the largest to be a new national HQ. However, it is crucial that structural change aligns with regulatory clarity to promote production in the nations and regions. We therefore ask Ofcom to consider nation-specific quotas for ITV, Channel 4 and Channel 5 and to support Pact's proposal to restrict the level of qualifying out of London spend by the PSBs to the amount actually spent in the nations and regions.
9. STV welcomes this opportunity to respond to Ofcom's Call for Evidence for its "Review of Regional TV Production and Programming Guidance".
10. Please see our specific Answers to Ofcom's published Questions below.

Consultation Questions

Questions about the TV production sector landscape [Please provide reasons and evidence in support of your response(s)]

Q.1 Which factors have, since the guidance was introduced in 2004, had the biggest impact (positive or negative) on the TV production sector in the nations and regions and why? Are these different to the factors affecting London-based productions?

- The BBC's decision in 2008 to commission in line with population in the nations had the direct result of increasing network production in the nations. This will be reinforced by the introduction of the new nation-specific quotas from January 2018 which will guarantee BBC commissioning spend of 8% in Scotland by hours and value.
- The relocation of high profile BBC programmes to Cardiff, Manchester and Glasgow. *Dr Who* moving to Cardiff in 2007 had the effect of stimulating Cardiff and Wales as a centre of excellence for drama. In contrast, the relocation of *Waterloo Road* to Glasgow in 2012 had limited impact on the wider locality of the production.
- The BBC's decision to distribute commissioning editors around the UK. Jo Street was appointed by the BBC to Glasgow in 2008 with a remit covering daytime and entertainment television made in Scotland and Northern Ireland. That directly contributed to STV Productions' first series commission for the BBC in September 2009, now in its 18th series, the longstanding and successful day time series *Antiques Road Trip*.

Q.2 What impact, if any, has the BBC's move to Salford had on the sector, and on regional production specifically?

The BBC's move to Salford has strengthened the North West as a substantial regional production sector, primarily due to the relocation of BBC Sport and BBC Breakfast Time. However there is no evidence that this has brought about an increase in regional production elsewhere in the UK. In fact, as Ofcom's 2017 report¹ shows, out of London spend by ITV has fallen by 7.2% since 2012, and almost halved in the case of Channel 5 during the same period.

Q.3 Do the opportunities for nations' and regions' producers vary by genre? If so in which genres is it easiest and hardest to get commissions?

This response is confidential

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¹ PSB Annual Compliance Report 2017, pp14-15

Q.4 What are stakeholders' views on the impact anticipated future structural changes in the industry might have on the production sector in the nations and regions?

Moving Channel 4's commissioning operations outside London will be the step change needed to establish a critical mass of production in the nations and regions therefore it is very important to locate them where they can make the most impact. STV supports Glasgow for the location of a creative hub.

The new BBC Scotland channel will also bring new opportunities for Scottish producers, however, we share Pact's concerns regarding the proposed management and monitoring of BBC Studios.

Questions about the substantive base criterion [Please provide reasons and evidence in support of your response(s)]

Substantive base criterion

*"The production company must have a substantive business and production base in the UK outside the M25. A base will be taken to be substantive if it is (i) the usual place of employment of executives managing the regional business, (ii) **of senior personnel involved in the production in question**, and (iii) of senior personnel involved in seeking programme commissions."*

Q.5 In your experience does the definition of a substantive base work well in practice? If not, how could it be improved?

This response is confidential

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Q.6 Does the criterion currently contribute to the objective to strengthen regional production? If so how, if not why not?

According to Ofcom's 2015 report on the operation of the television production sector², the geographical distribution of the production sector has not changed since 2008, with two thirds of producers still based in London and the South East.

Of the 91 productions reported in the 2016 Made Outside London Register as having a substantive base in Scotland, nearly two thirds were made by London-based producers who had set up a sub-office in Scotland. Several of these (Keo North, Shed Scotland, Objective North and Thames Scotland) are no longer active in Scotland.

This serves to highlight the fact that it is impossible to achieve longer term growth in the Scottish production sector or develop a mature skills

² Report to Secretary of State for Culture Media and Sport on the operation of the television production sector dated 23 December 2015.

base in Scotland if regional production is dominated by London-based producers whose presence in Scotland does not extend beyond the production in question.

Q.7 Are there any circumstances in which an office designated as the usual place of employment of senior or executive personnel should not be considered a substantive base? If yes, please provide further explanation.

No.

Q.8 Does this criterion currently create any unintended consequences?

This response is confidential

[X]

Q.9 We would welcome any information/examples from production companies on the range and roles of staff in production offices outside of London.

STV Productions employs the following permanent staff:

Managing Director
Chief Operating Officer
Head of Factual
Head of Daytime and Popular Factual
Senior Production Executive
Executive Producers
Development Producers
Post Production Supervisor
Legal and Business Affairs Managers
Production Accountant
Production Support
Administrative Support

We also employ freelance line producers, producer/directors, edit producers, camera and sound crew, production managers, production co-ordinators and associated support staff.

Q.10 Do producers tend to share space in the nations and regions in order to expand and contract in line with their commissioning slate and thus to help with costs/efficiencies?

STV has had tenants in its building who are production companies but that has been in return for a commercial rate, and we cannot speak to whether this helps towards costs/efficiencies, or not.

Questions about the production budget criterion [Please provide reasons and evidence in support of your response(s)]

Production budget criterion

“At least 70% of the production budget (excluding the cost of on-screen talent, archive material, sports rights, competition prize-money and copyright costs) must be spent in the UK outside the M25.”

Q.11 Is the production budget criterion set at the right level?

Yes. We don't believe that the production budget criterion should be increased above 70%.

Q.12 What challenges do producers face in meeting this criterion? Do these differ dependent on the substantive base of the production?

As a Scottish producer making regional productions, it is increasingly difficult to compete with London-based producers for skilled freelancers.

In the majority of cases, experienced freelancers who live outside the M25 expect to be paid extra to work in Glasgow, or to have their travel and accommodation costs covered by the production.

Q.13 Does this criterion currently create any unintended consequences?

Even where the production has a regional subject matter, it can be challenging for a regionally-based producer to meet the 70% expenditure level because of the higher cost of meeting the commissioning broadcaster's requirement to use particular London-based staff or facilities. A recent example is provided in our answer to Q.14 below.

Q.14 We welcome any evidence/data of how production budgets for nations' and regions' productions work in practice.

This response is confidential

[X]

Questions about the off-screen talent criterion [Please provide reasons and evidence in support of your response(s)]

Off-screen production talent criterion

"At least 50% of the production talent (i.e. not on-screen talent) by cost must have their usual place of employment in the UK outside the M25. Freelancers without a usual place of employment outside the M25 will nonetheless count for this purpose if they live outside the M25."

Q.15 Is the off-screen talent criteria set at the right level?

We agree that the off-screen talent criterion is set at the correct level for larger productions such as dramas and factual entertainment shows.

In contrast, we have found it difficult to fulfil this criterion on productions with small crews, such as one off documentaries.

Q.16 How easy or difficult is it for programme makers to fulfil the current criterion?

It is difficult to satisfy this criterion in Scotland due to the shortage of suitably skilled personnel and it is even more challenging where (as is

often the case) the commissioning broadcaster stipulates the use of key personnel who are London-based.

Q.17 Is there a representative spread of nations' and regions' talent at all levels available to hire? Are there certain roles where it is not possible to fill roles from the nations and regions alone? If yes, which roles and what impact does this have on production budgets?

Our experience is that broadcasters will often insist that senior editorial roles (executive producer, series producer, edit producer and, more often, editors) are filled by London-based personnel.

Apart from commissioner approval, we have found it particularly difficult to fill edit producer and editor roles from Glasgow due to increased competition for these roles from “Lift and Shift” productions such as *Homes under the Hammer* and, more recently, *The Big Painting Challenge*. (“Lift and Shift” being a BBC initiative dating from 2008).

In our view, development of the skills base in Scotland in the longer term is more likely to succeed if broadcasters collaborated with production companies and talent who have genuine roots in Scotland, rather than importing “Lift and Shift” productions at considerable cost and expense to the public purse. That would build trust and continuity of supply and delivery of robust production values.

We therefore welcome BBC Scotland’s “serious commitment” to end the practice of “Lift and Shift” and the pledge to spend more of the licence fee in Scotland.³

Q.18 Do broadcasters give producers the flexibility to employ the staff they want regardless of location?

Our experience is that all broadcasters retain approval rights over editorial roles such as executive producer, series producer, director or producer/director and editors. In addition, some broadcasters require assurance over senior production roles such as line producers, production managers and designers.

On occasion, this has led to a conflict between the broadcaster’s commissioning editor who will want to use known London-based talent and the broadcaster’s business affairs representative who has been tasked with complying with the regional production quota.

Q.19 Which roles, if any, are most often prescribed by the broadcaster? Does this vary by genre?

Series producers, directors and editors are the roles most often prescribed by the broadcaster, more commonly in drama and specialist factual than other genres.

³ *New BBC Scotland Director in local funding pledge* (BBC News, 10 December 2016).

Q.20 Does this criterion currently create any perverse incentives?

We do not understand this question.

Q.21 We welcome any evidence to suggest whether the distribution of off-screen talent and the range of skills available has changed since this level was set in 2004.

There are more editors and edit producers in Glasgow than 10 years ago, due to the increase in factual formats. However the influx of “Lift and Shift” productions has resulted in more competition for edit producers and editors with network production experience.

Questions about the criteria as a whole [Please provide reasons and evidence in support of your response(s)]

Q.22 Are the three criteria used to define a regional production for the purposes of the quotas the correct ones or are there other factors that should now be included instead/ as well?

STV agrees that the three criteria are the correct ones, however we support Pact’s call for the current 70% expenditure criterion to be changed so that broadcasters may count only the actual spend in the region towards their nations and regions quota.

Q.23 How well do the criteria collectively contribute towards the sustainability of the production sector outside of the M25?

Collectively, the criteria have contributed to a form of production tourism.

Although the BBC’s move to Salford Quay and the relocation of high profile network productions to Scotland and Wales have achieved the policy objective of increasing financial investment in the immediate locality, we think it has fallen short of the wider ambition to foster growth of the production sector in the rest of the nations and regions.

We are encouraged by the BBC’s proposal to strengthen its existing hubs across the UK (e.g. drama in Cardiff, natural history in Bristol, the new BBC Scotland channel in Glasgow) rather than investing in new centres.

We also welcome the Director of BBC Scotland’s commitment to abolishing the practice of “lift and shift” in Scotland and pledging to increase the percentage of the Scottish licence fee spent in Scotland.

However, our concern is that the rest of the broadcasting sector is lagging behind.

Although there has been an increase in original network production from Scotland in recent years, all too often these commissions have been

awarded to London-based producers whose managerial and financial operations have remained in London, and whose commitment to invest in Scotland is limited to the production in question.

The Made Outside London (MOL) registers for the last three years indicate that out of 573 titles allocated to Scotland in 2014, 2015 and 2016, only 1 was commissioned by ITV, 14 were commissioned by Channel 5 and 66 by Channel 4.

We believe these figures demonstrate that the most significant factor in determining where programmes are made is the PSBs' commissioning strategies and quotas and only serve to highlight that, in the absence of nation-specific quotas, the Out of London quota pushes production further into England at the expense of Scotland, Wales and Northern Ireland.

Consequently, STV proposes that Ofcom introduces nation-specific quotas for ITV, Channel 4 and Channel 5 similar to those imposed on the BBC in January 2018.

Q.24 Are there any unintended consequences of the criteria or guidance more widely that undermine the sustainability of the sector beyond the M25?

See our responses above.

Q.25 Are the criteria too narrow? For example, are there cases of nations' and regions' productions that fail ultimately to qualify towards the regional production quota?

Please see our response to Q.8 above.

Q.26 Is the criteria-based approach the best for regulation in this area, or are other models that might work better?

The biggest driver in stimulating the regional production sector is increased commissioning spend supported by locally based commissioners with genuine commissioning powers and commitment to invest in training.

We therefore welcome the introduction of nation-specific quotas in the BBC's operating licence requiring the BBC to commission 8% of regional productions by hours and spend in Scotland. We also support Channel 4's investment in shadow trainees, and, of course, its intention to establish two creative hubs outside London.

Questions about the role of London in the regional production process [Please provide reasons and evidence in support of your response(s)]

Q.27 In your experience how big a role does London play in nations' and regions' productions and in what way?

As mentioned above, Ofcom reported that the production sector in 2015 remained geographically concentrated in London and the South East, where around two thirds of all producers are based. The fact that most broadcasters are based in London, and virtually all commissioning decisions are taken there, contributes towards this concentration. The result is a self-reinforcing production cluster, which acts as a magnet for talent and other suppliers, and pulls investment and skills away from the nations and regions.

Q.28 What benefits/disbenefits do you consider 'Lift and Shift' production brings to the nations and regions? We would welcome case studies/examples of 'Lift and Shift' productions.

STV is not aware of any evidence that "Lift and Shift" productions create new opportunities in the nations and regions, or that they contribute to a halo effect for indigenous producers. As the name implies, such productions are transplants that, in some cases, fail to take.

An example is *Waterloo Road*, which moved its production to Scotland in 2012. At the time, Donald MacKinnon, then Head of Programmes and Services, BBC Scotland, said: "This is excellent news for BBC Scotland and for the wider creative sector in the country. We have a strong track record of productions with Shed and we are delighted they can bring *Waterloo Road* to Scotland. It is another milestone in the development of BBC Scotland as a significant and sustainable centre of distinctive drama production and is a welcome addition to our portfolio of programming for the network."⁴

Just two years later, the BBC axed the series in order to make room in its schedule for new drama, saying the show had "reached the end of its lifecycle".⁵

Despite a £25m investment from the BBC and assistance from economic development agencies Scottish Enterprise and Scottish Development International, there has been no lasting benefit to the locality of the production. The consequences of such a failure damage confidence in the nation or region, adversely affecting the prospects of indigenous producers.

In factual production, the skills shortage has only been exacerbated by incoming "Lift and Shift" productions such as *Homes under the Hammer* and *Cowboy Trap* which have created an increased demand for production facilities and freelance editors, resulting in a corresponding decrease in the availability of these resources for home-grown productions.

Competition is not just from independent productions – the relocation of *The Big Painting Challenge* to BBC Studios Scotland in January this year resulted in several of our freelance editors on *Antiques Road Trip* moving across to the BBC.

⁴ BBC Press Release dated 23 August 2011

⁵ Radio Times, 2 April 2014

Q.29 Does 'Lift and Shift' help or hinder the sustainability of production in the locality of a production and in the nations and regions more widely?

It hinders the growth of the production sector in the locality of the "Lift and Shift" production and certainly does not contribute to the sustainability of the sector beyond it.

Q.30 Are there different parts of the production process which are more likely to happen in/out of London?

Post production (including grade and SFX).

Further information on representation and portrayal requested [Please provide reasons and evidence in support of your response(s)]

Q.31 We would be interested in receiving evidence or case studies from stakeholders which could develop our understanding of the contribution that regional productions currently make to representation and portrayal of the nations and regions in order to gain a sense of the scale of this consequential benefit.

The key point is that a critical mass of production will lead to high production values across nations output, whether that be programmes portraying the nations, or productions from the nations for the network which deepen and develop the skills base, and provide a platform for Scotland's voice. It is a virtuous circle.

Questions about the process for allocating productions [Please provide reasons and evidence in support of your response(s)]

Q.32 Does the process by which productions are allocated to a nation or macro-region work well in practice, or are there any other approaches you think we should consider instead? E.g. allocating proportions of one title to the different areas in which it was made.

We agree that allocating proportions of one title to the different areas would present a clearer indication of representation but would be very onerous for producers to comply with the additional reporting and could potentially delay the delivery of paperwork and the final payment. We propose that such proportional allocation should be accompanied by a corresponding apportionment of spend.

Q.33 Where a production has met the three criteria in different nations/ macro-regions the allocation defaults to the substantive base. Is this the right approach or does it deliver unintended consequences?

We agree this is the correct approach.

In order to qualify as *regional programming*, relevant productions should:

- a) “deal with subject matters of specific interest to the region **and of less interest** elsewhere (e.g. regional events, concerns and interests); and
- b) be clearly set within the region and/or feature people known to be residents of, or who have close connections with, the region.”

In order to count towards the hours quota for *regional programming*, relevant productions must meet two out of the following three criteria:

1. “the production company must have a substantive business and production base in the UK in the region. A base will be taken to be substantive if it is the usual place of employment of executives managing the regional business, of senior personnel involved in the production in question, and of senior personnel involved in seeking programme commissions;
2. at least 70% of the production budget (excluding the cost of on-screen talent, archive material, sports rights, competition prize-money and copyright costs) must be spent in the region; and
3. at least 50% of the production talent (i.e. not on-screen talent) by cost must have their usual place of employment in the region. Freelancers without a usual place of employment in the region will nonetheless count for this purpose if they live in the region.”

Q.34 Is there anything else we need to take into consideration here? E.g. are the current nations and macro-regions the right areas to use for allocations?

In 2011, a seventh territory, “Other”, was introduced for regional productions from London producers which did not meet both 70% of spend and 50% of talent in any one macro-region. We do not consider this to be sufficiently transparent and would propose that the allocation of such productions are defaulted to the 70% spend criterion.

Questions about regional programming [Please provide reasons and evidence in support of your response(s)]

Q.35 Are the on-screen criteria used to judge regionality appropriate, or are there other factors that should now be included instead/ as well?

We question whether the requirement “of less interest” is still appropriate - it is difficult to prove, and not desirable, and no longer applies in case of STV Central and STV North as we can share non news programming. In days of “global citizens” why should anything be “of less interest”, and who would want to make such content?

Q.36 Are the three criteria used to determine whether a regional programme was made in the area for which the service is provided appropriate, or are there other factors that should now be included instead/ as well?

STV’s obligations for regional programming are to produce content of interest to viewers in our licensed areas. Regional should not be equated with parochial. In fact, our most successful regional programmes are those that tell universal stories from a Scottish perspective.

An example is the independent regional documentary series *This is Scotland*, produced by the Scottish Documentary Institute and delivered in association with Creative Scotland. Now in its third year, *This is Scotland* reflects life in Scotland through stories written and directed by first time directors. The stories and settings are Scottish, but the themes are universal and would be recognised by any viewer in any city in the world.

Q.37 Are there any other aspects of the regional programming section of the guidance which require more detailed review?

None

Questions about reporting and compliance

Q.38 What is useful about the current ‘Made outside London programme titles register’ and why?

Visibility of commissioning patterns.

Q.39 Are there ways in which the Register could be improved? If yes, how?

We would value the inclusion of programme genres and proportional spend.

Q.40 Is there additional information which could be included in the Register to aid transparency?

No.

Q.41 Are there any other ways in which we could improve the transparency of our reporting?

Detail of how the substantive base has been established.

Other areas for consideration

Q.42 Are there other issues stemming from the guidance that are not addressed in this Call for Evidence? If yes, please set out what they are.

None.

end