



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Culture, Tourism, Europe and External Relations Committee

**Thursday 7 June 2018**

**Session 5**



The Scottish Parliament  
Pàrlamaid na h-Alba



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**CULTURE, TOURISM, EUROPE AND EXTERNAL RELATIONS COMMITTEE**  
**17<sup>th</sup> Meeting 2018, Session 5**

**CONVENER**

\*Joan McAlpine (South Scotland) (SNP)

**DEPUTY CONVENER**

\*Claire Baker (Mid Scotland and Fife) (Lab)

**COMMITTEE MEMBERS**

\*Mairi Gougeon (Angus North and Mearns) (SNP)

\*Jamie Greene (West Scotland) (Con)

\*Ross Greer (West Scotland) (Green)

\*Richard Lochhead (Moray) (SNP)

\*Stuart McMillan (Greenock and Inverclyde) (SNP)

\*Tavish Scott (Shetland Islands) (LD)

\*Alexander Stewart (Mid Scotland and Fife) (Con)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Jackson Carlaw (Eastwood) (Con)

His Excellency Konstantin Dimitrov (Ambassador of the Republic of Bulgaria to the United Kingdom)

Bobby Hain (STV)

Simon Pitts (STV)

**CLERK TO THE COMMITTEE**

Stephen Herbert

**LOCATION**

The Mary Fairfax Somerville Room (CR2)



## Scottish Parliament

### Culture, Tourism, Europe and External Relations Committee

Thursday 7 June 2018

*[The Convener opened the meeting at 09:02]*

### Decision on Taking Business in Private

**The Convener (Joan McAlpine):** Good morning and welcome to the 17th meeting in 2018 of the Culture, Tourism, Europe and External Relations Committee. I remind members of the committee and members of the public to turn off mobile phones. Any members of the committee who are using electronic devices to access committee papers should ensure that they are turned to silent, please.

Our first item of business is a decision on whether to take agenda item 4 in private. Do members agree to do so?

**Members indicated agreement.**

## Presidency of the Council of the European Union

09:02

**The Convener:** The second item on the agenda is an evidence session with the ambassador of the Republic of Bulgaria to the United Kingdom. Bulgaria holds the presidency of the Council of the European Union. I welcome His Excellency Konstantin Dimitrov. I understand that he would like to make an opening statement.

**His Excellency Konstantin Dimitrov (Ambassador of the Republic of Bulgaria to the United Kingdom):** Thank you very much, madam convener.

I am privileged to address honourable members of the committee today as we enter the final phase of the Bulgarian presidency of the important political, economic and civilisational project that we call the European Union. Assuming the presidency has been a historic opportunity for Bulgaria, which is a former communist bloc country.

My introductory statement will be brief so that we will have more opportunities for questions and answers that address more directly areas of interest or concern of members as representatives of the Scottish people.

Our first priority—although it is not necessarily the most pleasant one from Bulgaria's viewpoint—is the on-going negotiation process for the United Kingdom's departure from the European Union. We are entering an important phase for the completion of the withdrawal agreement. It is hoped that progress will be made if not this month, by October, so that a withdrawal agreement that includes a full detailed description of the expected transition period plus a declaration of a political nature that lays down the framework for the future legally binding arrangements for the relationship between the United Kingdom and the European Union after the United Kingdom leaves—in the legal sense of that word—the European Union can be signed.

An important element of both the withdrawal agreement and the future agreement will be EU citizens' rights on the territory of the United Kingdom and, reciprocally, UK nationals' rights on the territories of EU members. The progress in that particular area has been very satisfactory. At this point in time, we do not see any major impediments to reaching a mutually satisfactory set of rights and obligations that will address the expectations of EU and UK citizens. The same holds true at this point in time in respect of the financial arrangements that are related to the

United Kingdom's obligations as it departs the European Union. Other aspects have yet to be clarified. If members have an interest in discussing them, I will be ready to engage in a dialogue on them in the context of the Brexit negotiations.

Our agenda is not confined to the issue of Brexit. Another important task of ours is the focusing of the initial debate on the multi-annual financial framework for the next six or seven-year period of the functioning of the European Union. We are satisfied with the start and our capacity to moderate that difficult debate. We hope that the budget will retain the centrality of cohesion policy, which is important for the catching-up potential of countries of eastern Europe in particular, but also that of other parts of the European Union so that the European Union is not only civilisationally cohesive but economically and socially cohesive. We aspire to achieve the same centrality in respect of preserving the European Union's regional development programmes. Therefore, we are looking forward to the opportunity for the United Kingdom to continue to selectively participate in specific regional development programmes of its own choosing in co-ordination with the plans and opportunities that are presented by the European Union's budget, even after the UK leaves the European Union.

The future of the common agricultural policy is no less important in our agenda. That is another area in which consensus is sometimes very hard to achieve, as member states have differing views on the common agricultural policy's future and centrality.

A workable budget is needed for the digital agenda. We have to work very hard as we lay down the grounds for the digital single market, the protection of personal data, and the common efforts to fight cybersecurity challenges.

An important priority for Bulgaria's presidency is the reaffirmation of the European perspective for the western Balkans, by which we mean the countries in south-eastern Europe that have not yet started or have just started their negotiations for acceding to membership of the European Union. We are rewarded by the fact that the United Kingdom continues to take a very active interest in the future Europeanisation of the western Balkans. On 17 May 2018, Bulgaria hosted an important European Union summit that was devoted to the western Balkans, and we are looking forward to a meeting at the highest level in London that will be hosted by Prime Minister Theresa May and which will continue to develop the momentum that there has been in focusing on and underpinning the perspective for the western Balkans with concrete projects in transport, digitalisation, energy, connectivity and institutional integration.

Last but not least, the management of migration policy is an important element of our prioritisation in the presidency. It is an open secret that that is a very difficult area. Member states have differing views on whether the European Union should be open to more managed migration into it or whether there should be further reductions in the flows of migrants into it, whether they are legal or illegal.

An important aspect of the problem is the voluntary or compulsory relocation of migrants in accordance with a possibly amended text of the Dublin convention. I am sad to say that progress on that is very limited—if there has been progress at all—but we still hope to push the agenda for progress on amending the existing *acquis communautaire* of the European Union so that the expectations of all the nationals of the member states and the international community as a whole are better met and we combine the principles of solidarity, our commitments to the international documents on refugees, and concerns that are related to the influx of a large number of migrants in something that reflects a balanced account of the individual interests of the member states.

I will stop there so that I can give honourable members of the committee the chance to make comments and ask questions.

**The Convener:** Thank you very much, your excellency. You talked about Brexit and the progress that has been made on citizens' rights, which is, of course, welcome. Can you say a little more about the EU27's other priority issues, such as the island of Ireland and, in particular, whether the Bulgarian presidency of the EU is hopeful that the Brexit talks might make significant progress at the June European Council?

**Konstantin Dimitrov:** Indeed, the issue of the so-called Irish border, which means how the European Union and the United Kingdom could square the circle of the following points is critical: how to retain the constitutional integrity of the United Kingdom, how to fully translate the provisions of the Good Friday agreement into a post-Brexit reality without violating the spirit or the substance of that agreement, and how at the same time we respect the international legal norm of the fact that the UK will be a non-member of the EU whereas the Republic of Ireland will continue to be a member of the EU. These three elements constitute the problematic need of squaring the circle.

In practical terms, the EU27 expects a more detailed proposal by the United Kingdom Government—hopefully very soon, whatever that means—on a detailed description of the backstop arrangements on that particular point, which could be applicable in case innovative solutions contemplated by the United Kingdom Government take longer than the transition period post-March

2019; that is, post the date of 31 December 2020. I think that that is the most concrete description of our expectation that I am allowed to mention now, and which I think is well understood by the United Kingdom Government. We hope to receive that clearer and more detailed description of its idea of how to tackle the issue so that one of the impediments to the smoother continuation of the finalisation of the withdrawal agreement can be removed.

**The Convener:** I think that it is fair to say that we are with you in anticipating that particular document. I hand over to Claire Baker.

09:15

**Claire Baker (Mid Scotland and Fife) (Lab):** You talked about the multi-annual financial framework that is being worked on, the policies that are coming out of that and the expectation that the UK would participate selectively in on-going programmes.

**Konstantin Dimitrov:** After the UK withdraws, yes.

**Claire Baker:** Do you see the UK's influence in the current discussions around the financial framework and the future of the CAP policy and the future of horizon 2020 funding? Do you see the UK's influence on those policies in the current situation?

**Konstantin Dimitrov:** My understanding—with the qualification, of course, that I am not working in Brussels—is that the United Kingdom is very cautious not to overstep the mark between what it gets involved in for the period up to the withdrawal from the European Union and issues that will primarily concern the work and functioning of the union after its withdrawal. However, we have a clear political declaration on the part of the UK Government that there is an interest in participation, on a case-by-case basis, in regional development programmes that reflect the UK's interest in and traditional strategic commitment to such programmes that enhance the capacity of east European nations, including Bulgaria, to catch up in their socioeconomic development. We welcome that firm political declaration as another testimony to the UK Government's strategic commitment to the future of Europe, especially to that part that belonged to the former communist bloc.

**Claire Baker:** I was interested in your comments around migration policy and the recognition that it is difficult for the EU to deal with that issue.

**Konstantin Dimitrov:** That is true, sadly. Yes.

**Claire Baker:** You will be aware that migration was a significant issue within the debate that we

had in the UK around Brexit and the referendum. In the role of the presidency, how do you try to keep the 27 countries united around that issue? Are you concerned that other countries are considering their membership of the EU? Does that issue have traction in other countries, in terms of presenting a threat to the stability of the EU?

**Konstantin Dimitrov:** My observation—I think that it is not only my observation—is that unlike the situation in certain quarters of the United Kingdom, the migration issue is not a reason for people to give up on their aspirations to join the European Union. The desire by aspirant countries to join the European Union has been retained at a very high level, irrespective of the challenges that are faced by those countries in areas of migration or certain instabilities in the eurozone and so on.

I would like to contrast the problems that we have, especially at 27, on rearranging the management of migration flows with the excellent climate of co-operation that we have, especially as ambassadors in London, with your Home Office and other institutions on the practicalities of regulating the status of EU nationals. I refer to EU nationals who had arrived in the UK and had been permanently staying in the UK before the date of the referendum; who will have already been here by the date of your withdrawal; and who will have been here by the date of the expiry of the transition period. The only area of relative obscurity remains the status of EU citizens who will arrive in the United Kingdom for the first time after the end of the transition period, but it is very natural that we have not covered all aspects of the future relationship. We are yet to adopt a political declaration. We are yet to begin working on the concrete legally binding text.

Overall, to sum up the problem of migration flow management that concerns primarily the 27 nations, excepting the UK, I would say that the on-going dialogue with the British authorities on the status of EU citizens in the UK is generally considered to be satisfactory. That is very good news for my compatriots, for example.

**Jamie Greene (West Scotland) (Con):** Good morning, ambassador. I am fascinated to hear your comments. Following on from your previous remarks on the reciprocal arrangements for EU nationals—those who are here now and those who may arrive during the transition—I would like to focus on seasonal workers. That is an important issue for the rural economy in Scotland and, indeed, the UK.

Given your confidence that satisfactory arrangements are in place around the status quo, and notwithstanding any changes that may happen in the future, which are the unknowns, why do you think that there has been a reduction in the flow of seasonal migratory workers? I refer

to workers specifically from eastern Europe, many of whom are from your own country. A lot of Scottish farms that rely quite heavily on seasonal workers have seen drastic reductions, to the extent that farmers have been flying over to Bulgaria and other countries to try to recruit and to cover people's costs in coming here. Farmers in one Scottish co-operative were quoted recently as saying that they believed that the eastern European tabloid media had painted a very bleak picture of the current situation. Given that there are no legal restrictions on people coming here, what do you think are the social issues that are stopping people coming here even today?

**Konstantin Dimitrov:** A number of factors are behind the relative decline—I would not call it a dramatic decline—in the interest of east European seasonal workers in coming to the United Kingdom. One element is that those who have already arrived and have begun working legally as seasonal workers have been able to adapt themselves on a more permanent basis in the United Kingdom and to change the type of profession that they would like to exercise while residing in the United Kingdom.

Secondly, contrary to public perceptions, in part—those perceptions are fuelled by some of your wide circulation newspapers, if I may put it that way—that the United Kingdom is a great magnet for the low-skilled labour force, there is an element that concerns the standard of living in the United Kingdom. It is relatively expensive for east Europeans to live in the United Kingdom, compared with opportunities in other, less-expensive EU countries, especially bearing in mind that some of those countries have overcome the most acute phases of the economic crisis that they had been living through after the problems with the eurozone and the financial crisis of 2008-09.

The third element is perhaps the element of insecurity about people's long-term status in the United Kingdom, especially if they are yet to arrive. Although we are, technically speaking, at the end of your full membership, we have not yet entered your transition period. Still, in the perception of the average national, the question always lingers—if I commit myself to the United Kingdom and I am not given the same status that my compatriots have who are there already, it is worthwhile taking the risk? On top of that, the work is seasonal, without guarantees for any long-term employment.

Those may be the factors that combine, in a specific way, in the minds of those who show greater reticence to commit themselves to repetitive seasonal work in the United Kingdom. At least, that is my explanation.

**Richard Lochhead (Moray) (SNP):** May I ask a supplementary question on Jamie Greene's theme? I expect that many of your nationals seek official advice from your Government. What official advice is being given to nationals who ask about their status in the UK and whether they should come to the UK to do seasonal work or whatever?

**Konstantin Dimitrov:** The procedures that are to be adopted by your Government in dialogue, as I said, with us, the member states, and the representation of the European Union in London, and probably also in Edinburgh, Belfast and Wales, have not yet been finalised. At this point, therefore, we are not embarking on an active information campaign on the way in which people could revalidate their legal status from a permanent status, as it is called now, into a settled status, which it may be called after the UK's withdraw from the European Union. We need to avoid confusion or the creation of false impressions about the actual rights, starting from the content of the questionnaire that should have to be filled in and going on to issues such as family reunification, pension benefits and social benefits

By the end of the summer, perhaps we will have greater clarity on the total plan of the United Kingdom Government and thereafter we are ready to engage in an explanatory campaign, both digitally and through other sources of the Bulgarian embassy and inside Bulgaria. That seems to be the expected plan of action of other countries whose nationals are among the economic migrants into the United Kingdom. At this point, it is a bit premature to engage in an information campaign because such a campaign might be a bit misleading before the plans of the UK Government in co-ordination with the European Union have been finalised.

**Mairi Gougeon (Angus North and Mearns) (SNP):** Given some of the identified priorities that you have for the presidency, and in relation to some of your comments in your opening statement about the multi-annual financial framework, I would like to hear your views on where the main opportunities lie within the new framework. I think that one of your priorities is on the future of Europe and young people and I believe that the budget for Erasmus is due to double. The committee has done a report on the Erasmus+ programme, which Scotland wants very much to continue to be part of.

I would like to hear about some of the opportunities that you think will exist in the new financial framework and, for example, other areas that we can take part in. I know that there are areas of concern within the new budget as well, particularly around cuts to rural development funding. I wanted to get your views on that, too.



**Konstantin Dimitrov:** Starting from your final point, madam, I mentioned the common agricultural policy because there are problems there. The retention of the level and the categorisation of the funding in the common agricultural policy is an area in which the fight is yet to enter its acute phase. We are at the initial phase of the debate on the multi-annual financial framework, but we would like to retain the levels of agricultural support while at the same time agreeing to the needs of reforming the principles of financing agricultural farmers, especially when we talk about support for smaller-scale farmers versus the obvious advantage that larger-scale farmers have enjoyed throughout the years as a result of the current CAP architecture.

Erasmus is an important priority, and we support its centrality in the multi-annual financial framework. We are happy that the United Kingdom and the devolved Administration in Scotland are very much interested in continuing an active participation in the programmes of Erasmus post-Brexit. We will continue to treasure the academic and scientific excellence of the United Kingdom institutions and, as far as Bulgaria is concerned, guaranteed access by UK institutions or non-governmental bodies, research centres, universities, laboratories and so on to the Erasmus programme projects and vice versa will be most welcome, along with helping your research and technological capacity to develop as a result of the co-operation with the European Union. We think that the retention of the United Kingdom's cutting-edge role in specific scientific areas is also important to retaining your stature as one of the leading forces inside the G7 and the P5, the permanent members of the European Union, with a determined interest in retaining the strength, cohesion and geopolitical weight of Europe—I mean not necessarily only the European Union, but Europe as a civilisational identity—in difficult and competitive times.

09:30

**Stuart McMillan (Greenock and Inverclyde) (SNP):** Good morning, ambassador. Under the Bulgarian presidency, has any activity been undertaken to deal with the rise of populist movements in the European Union countries in order to try to safeguard the existence of the European Union?

**Konstantin Dimitrov:** That is an extremely important question. The question seems to be related to domestic politics or international party politics, but the European Union can actually do a lot from one particular angle, in my view. It can manage—without unlawfully controlling it—the digital space against attempts at waging hybrid warfare through propagation of fake news, and

through manipulation of public opinion by distribution of non-facts and mixtures of facts and lies. All those elements of information warfare have to do with the capacity of populist movements to build up support for their doctrines based on a lack of proper solid knowledge about the truth and reality in the minds of many of their potential voters.

That is where the European Union, through its organised institutions and programme to strengthen cybersecurity, can combat fake news and enter into a far more simplified, in language terms, but more detailed debate about why the European Union with its current set of values is more conducive to the prosperity and security of the individual. That is where the European Union has a role to play and how it can, on top of national efforts, combat the dangerous extremeness of some populist movements in Europe.

**Stuart McMillan:** Certainly, when the UK leaves the European Union, it will be important that there is that strength in an organisation, and that there is a grouping of nations that genuinely want to work together beside this country, so that we have better security and understandable trading arrangements. There are also issues such as the Erasmus scheme, which Mairi Gougeon spoke about. It is important that the European Union survives for many years to come.

**Konstantin Dimitrov:** I totally share that view. We expect that the future agreement, if it is one agreement, should contain a trade pillar, a security pillar—which could be subdivided into justice and home affairs—and a common foreign, security and defence pillar. A comprehensive agreement—a sui generis agreement—that is not a routine third-country agreement, but is a special case of privilege and deep partnership, would be the kind of outcome from this Brexit situation that would reflect the interests of the majority of UK nationals and I would say, the majority of not only Bulgarian nationals, but the people of most countries of the European Union.

That is, however, the next step. I stress once again that the UK Government and especially some supporters of the majority in the United Kingdom Parliament should understand that it is difficult to move officially to step 2 before we have finished step 1. We should concentrate on finalisation of the withdrawal agreement and of the characteristics of the transition period, including its de jure or de facto length.

**Alexander Stewart (Mid Scotland and Fife) (Con):** Following on from that, what is your view on what selective participation might be, going forward? What will be the challenges and barriers to ensuring that there will still be United Kingdom participation? Although we will no longer be in the

EU, will we still have the opportunity for our expertise and the expertise in the EU be tapped into and assessed and processed across the participating countries? How would that succeed?

**Konstantin Dimitrov:** How the United Kingdom participates organisationally and financially in programmes that are instituted by the European Union for the period after your withdrawal will be part of the arrangement. The obvious areas in that respect are regional development programmes, projects on cohesion and on strengthening the less-advanced regions and countries within the European Union, and participation in the common security and defence policies of the European Union. Of course, you must keep it in mind that the UK will not be part of the decision-making process, but might somehow be incorporated into the decision-shaping consultative phase in conceptualisation and design of future operations.

The UK should also be involved in projects that are related to realisation of the common foreign and security policies of the European Union outside the geographical scope of the European Union. Of course, it should also be involved in areas related to scientific research and the ability of the European Union to give young people a chance to get, sooner rather than later, good job qualifications based on overall improvement in the level of accessible education.

**Ross Greer (West Scotland) (Green):** You mentioned in your opening remarks the challenges for Europe of the refugee crisis. Bulgaria has been involved in that on two main fronts. My understanding is that Bulgaria agreed to take in, through the emergency resettlement scheme, about 1,300 people who had arrived in Europe through Italy and Greece. It would be interesting to hear what progress has been made in that, and about how that has more directly affected Bulgaria in relation to Turkey, and the agreement between the European Union and Turkey. As a nation that borders Turkey, how does Bulgaria ensure that the human rights of refugees who arrive through Turkey are respected, given the concerns that the EU, through the presidency, has raised about the human rights situation in Turkey?

**Konstantin Dimitrov:** One has to be very precise in describing how we might deal successfully with that problem. We are bound, by applicable international and national law, to register every foreign national who legally crosses the borders of Bulgaria. In the process of registration, those individuals must say where they have come from and what their grounds are for requesting refuge or some other form of legal—probably permanent—stay in a country of the European Union. We are bound by current convention as a country of first entry to register all those people on the moment of entry: we are not

allowed to wave them through for them to go to another country. That is something that we have never done and will never do, even though it adds to the burden of responsibility on Bulgaria.

There is, however, another element: we cannot force people to remain in Bulgaria contrary to their will. In other words, we register them and we are not allowed by any international treaty—including European Union *acquis communautaire*—to make them stay in Bulgaria. The only permissible sanction is for the person, having been registered in Bulgaria, to be returned to Bulgaria by another country that has established that the individual in question came to that country from Bulgaria.

The same logic continues: once that person is returned to Bulgaria, we do not put him or her into a camp. They continue to be relatively free, in their movement. If they then leave Bulgaria, they must return again to Bulgaria. That is not efficient. Therefore, we say the following: we have to reduce the incentives of migrants to come to the European Union and we have to crack down with greater determination on the international trafficking gangs. We have to keep the all-important agreement with Turkey on the control of refugee or migrant flows, especially along the route from Syria through Turkey to Europe. We have, of course, to appeal for greater solidarity from countries that have a very low migrant presence in their territories but are still very reluctant even to conceive of voluntary acceptance of a quota of migrants. That is the most problematic essence of the political debate, which continues as we speak.

**Ross Greer:** You mentioned countries that have very low numbers of refugees arriving, which includes the United Kingdom because of our geographical reality, but also because of the policy intentions of the United Kingdom Government. What are your hopes regarding the UK's participation in European responses to the refugee crisis after the UK has left the European Union?

**Konstantin Dimitrov:** It is very clear that the expertise of border management is something that we in Bulgaria value very much. That is also the case with Greece. It is also the case with Frontex, as an organisation of the European Union. The UK has expertise in border management. Former military personnel could, in times of crisis, be invited to control borders. They could be retrained in rules of engagement with non-combatants, because refugees—even the most aggressive ones who want to cross a border illegally—cannot be equated with, say, jihadist terrorists in Afghanistan. They are civilians and are in quite a different category, so we cannot employ rules of engagement that are applicable to a combat situation.

09:45

The United Kingdom is a country that has very good training expertise for former or current military women and men, who could be retrained to perform functions that are more characteristic of border guards, in situations of extreme pressure on the borders of a country by migrants or refugees. These are areas where you—by which I mean the United Kingdom—could be very useful in terms of co-operation.

**The Convener:** Thank you very much. We have very little time left, but one more member will come in. Questions and answers should be as brief as possible, please. Thank you very much.

**Tavish Scott (Shetland Islands) (LD):** Can I ask you about US trade policy on aluminium and steel? Will your presidency maintain the very strong line that the European Union has taken so far towards President Trump's tariffs, which are seen as being clearly protectionist in terms of trade policy?

**Konstantin Dimitrov:** I will answer with a couple of sentences. That is something that we have left to be handled by the European Commission. We have advised the Commission to exhaust all possible channels of dialogue, but once dialogue has proved to be futile, we have to be ready to employ proportionate—that word—countermeasures that will not in themselves provoke further escalation of reciprocal trade sanctions. An all-out trade war would be totally detrimental to all sides in this unacceptable situation.

**The Convener:** It has been a great pleasure to hear from you today, not only as an ambassador but as a former member of the Bulgarian National Assembly's European Affairs Committee. Thank you very much for coming to give evidence today. It is very clear that the Bulgarian presidency has made progress and has faced significant challenges during your six months. Thank you for coming to speak to us today.

09:47

*Meeting suspended.*

09:50

*On resuming—*

## STV (Strategic Review)

**The Convener:** Under our third item of business, we will take evidence from STV and discuss its strategic plan, which was announced in May. I welcome Simon Pitts, the chief executive, and Bobby Hain, the director of channels. I invite Mr Pitts to make a short opening statement.

**Simon Pitts (STV):** Thank you for inviting us here, convener. Bobby and I very much look forward to answering the committee's questions. I will make a brief opening statement to address directly the concerns that have been raised in Parliament.

We have never had better television than we have today, but television is changing fundamentally. We are all watching differently, especially younger audiences, and the traditional players are under huge pressure from new global competitors such as Google and Netflix. As a result, every broadcaster in the world is diversifying into new areas in order to survive and thrive, and STV must do the same.

When I arrived in Glasgow, in January, I met every member of the STV team. On the basis of what I heard, I have now set out an ambitious growth strategy that is designed to re-establish STV as a creative force. That is what the board appointed me to do. They are backing a significant investment of £15 million over the next three years—far more than we are saving in any cuts—to set up STV for the future.

It is not a strategy to prepare STV for sale to ITV or to anyone else. If that was the case, we would simply not be investing. I did not leave a great job to become the chief executive officer of a company that was just going to sell itself; I came here to build a successful future for STV as a healthy, profitable business that serves Scottish viewers, that is headquartered in Scotland and that showcases Scottish creativity to the world. However, to do that, we have had to make some difficult commercial decisions, and I am very mindful of their impact on people's lives and livelihoods. Closing STV2 has been one of those decisions.

Local TV has struggled right across the UK. Our channel launched as STV Glasgow over four years ago and has made a significant financial loss every year since then. The disappointing truth is that, despite the best efforts of our talented STV2 team, very few people are watching the channel. Our news team delivers the best news service in Scotland and we are very proud of it, but TV news audiences are in decline and, if we want

to avoid going the way of the newspapers, we must properly embrace digital, just as our competitors have already done. That is why we are proposing changes. Our intention is not to ask the team to do more with less; we are asking them to do things differently.

I understand the concerns that are being expressed. Such change is never easy, and it needs to be made in the right way to protect our people and the quality of our journalism. When I arrived at STV, virtually everyone told me the same thing—that STV does not invest enough in original programming for Scottish audiences and that we need to be famous for more than news, “Taggart” and “Take the High Road”. So, that is exactly what we are going to do.

You know, from your recent inquiry into the Scottish screen sector, that what the Scottish TV market needs more than anything are high-quality returning series that are made in Scotland by bona fide Scottish production companies. We have a wonderful opportunity and I intend STV to be right at the forefront, making new programming for ourselves and for other broadcasters and generating new jobs that keep creative talent in Scotland instead of losing it to London or America. The biggest threat to STV’s independence and prosperity is in not taking decisive steps like these to grow our business.

I am absolutely convinced that the plan that we have set out—investing in creativity and in digital while making some tough choices—is the best way of securing STV’s future as an independent business and a genuine Scottish success story.

**The Convener:** Thank you, Mr Pitts. We all understand that companies need to diversify and change in order to grow. We accept and know very well, from our inquiry, that TV and screen are changing. The concerns that have been raised in Parliament—and, indeed, across Scotland—are about the cuts to content and creative jobs. You are in a creative industry. How can you expand your creative content if you are cutting jobs?

**Simon Pitts:** Our intention is not to cut jobs overall; our intention is to create jobs in the medium to long term. You are dead right to say that what this creative economy needs is investment. It needs returning programmes that are made in Scotland by Scottish creative teams. At the moment, there are very few of those programmes and we do not punch our weight, as a nation, across the TV sector—I am sure that you have heard that in your inquiry. We can count the number of returning shows that are made in Scotland on the fingers of one hand: “Homes Under the Hammer”, “Antiques Road Trip”—our own show—“Location, Location, Location” and “Eggheads”. We cannot name many more than that. There are hundreds of returning shows, right

across the UK networks, and it is not good enough that we make only a handful.

The way to create a sustainable independent production sector and a real success story in Scotland is to invest, and that is exactly what we are doing. We are making, in total, £2 million a year of savings in news—I am sure that we will come back to explain the rationale for that—and in STV2, but we are reinvesting all that money and more. Every year for the three years of our plan, we are investing £5 million—£3 million more than we are saving—in new programming for Scottish audiences that we can then sell around the UK and the world. That costs money.

At the moment, beyond news, STV does not make much of its own programming. Many people inside and outside STV have told me that it is a shame that we do not do that and have asked me why we do not do that. The truth is that we have an enormous opportunity. We have the biggest shop window in Scotland in our main channel—which gets a 23 per cent share of all viewing in Scotland and reaches 80 per cent of all Scots—through which to make shows famous, to pilot them to a whole country and to create a track record for those shows and sell them around the world.

I will give you a quick example of how positive the impact of a new returning show could be on the Scottish economy. We have just finished filming a new BBC One peak-time drama called “The Victim”, which will come out later this year. It is a legal drama series that is set in Scotland. It has brought 100 new jobs—100 people have been working on it, of which 87 are Scottish or are permanently based here. Almost all of the cast are Scots, including Kelly Macdonald and John Hannah, as are almost all of the backroom staff, including the director or the executive producer.

If such shows return regularly to the Scottish economy, they can be the bedrock of a business and a sector. We have another one in “Antiques Road Trip”, which supports 60 almost year-round jobs. We made 60 episodes of the show for BBC Two last year, putting £3 million into the local economy. Those are the sorts of shows that we need to make more of. It is a real shame that we have so few of them in Scotland’s name. My primary objective is to make sure that STV is at the forefront of a resurgence in Scottish production capability and quality. The test of STV’s success, over the next few years, will be whether we can do much more to drive the local creative economy.

**The Convener:** Where will that £15 million over three years come from? You have identified that it will come from the £2 million that you are saving each year, but that leaves a shortfall. Are we going to see more cuts to your core business?

**Simon Pitts:** No, we are not going to see more cuts. We have redirected spend from other areas and—

**The Convener:** Which other areas?

**Simon Pitts:** We currently spend a certain amount of money each year on what is called the block plan, whereby we fulfil some of our licence commitments by commissioning a number of shows, and we are going to treat those shows rather differently. We are going to treat them as potential pilots for new shows that can be sold around the UK and the world.

10:00

We reinvest our profits, and that is what we are doing here. There has been a lot of discussion about STV being a profitable business, and people have asked why we should make cuts. We made £18 million in profit last year. Immediately, £9 million went into reducing the pension deficit, which is the right thing to do. We then have investment in new programming, technology, buildings and other things. We also pay dividends to our shareholders. Our shareholders had not seen a dividend for seven years, but that was reintroduced in 2013.

As a business, we must continue to invest while continuing to move forward commercially, otherwise shareholders get impatient. We have a set of shareholders who have been very keen to support our investment plan, which is what it is—it is a net investment plan. A lot of what I have read has characterised what we are doing as only cuts, but it is a reinvestment of a net £3 million a year into the sector that we love, that we want to do better in and in which we think Scotland deserves to do better.

**The Convener:** Do you have any details of where that investment is going in terms of jobs or expansion? We have no detail at all.

**Simon Pitts:** I understand the question; let me expand some of the detail.

We set out, in the statement that we shared with shareholders and everyone two weeks ago, that all of that money is going into three areas. It is going into new programming for STV and for STV Player, our digital service, which needs to get better, and to—

**The Convener:** Are you recruiting new people to provide that?

**Simon Pitts:** Yes, and we have already started. We need people to make shows, so—

**The Convener:** How many new people?

**Simon Pitts:** It is a process. We have started by creating what is called a formats unit within STV

productions, and that team will be dedicated purely to developing the first wave of new shows for our main channel. We have also published a structure that has seven new roles, which will be the engine room of our piloting strategy. However, that is not the full story. As you will know, when a show gets commissioned, that is when it becomes a real thing and we need to get in many more people to make the show. Therefore, although we will initially have a permanent head count of seven, as soon as a commission is won, we will scale up—just as we have scaled up to 100 people for the drama that I mentioned and to 60 people for “Antiques Road Trip”.

There is the potential for many more new jobs if we are good enough. If we get it right, the number of new jobs will dwarf the number of jobs that we are putting at risk with our current plans. That is not to say that the situation is not very difficult for those people who are affected by news—I totally understand that. These are very difficult decisions, and there is considerable uncertainty as a result of them. However, if we get it right, the rewards will be very big not just for us but for the Scottish creative sector as a whole.

**The Convener:** Part of your public sector remit is to provide news, and the National Union of Journalists has raised with us the fact that you have not provided any costings for the plan to change your news. For example, it will, as you have said, require additional technology and training. What are the figures for that investment?

**Simon Pitts:** I will pass that question to Bobby Hain, who can give you some of the detail. We will still be spending £9 million on news at the end of the process. It will still be the most significant investment that we make in content—more than double the investment in any of the other genres put together. We have said that there will be investment in technology, connectivity and training, and we are serious about that. It is necessary for the new plan to succeed.

**The Convener:** But you have not given a figure.

**Simon Pitts:** We have a plan. We know how much the individual elements of it will cost and that it will add up to around £9 million of investment. That is £1 million less than we have been spending in the past couple of years, but it is still significantly more than we spent overall on news in 2015, 2014, 2013 and 2012. It is an enormous contribution to news, and it is enough to deliver high-quality news—the most comprehensive news right across Scotland.

Do you want to expand on that, Bobby?

**Bobby Hain (STV):** The plan that we have laid out to invest £5 million per year over three years—which is the £15 million to create better content and new pilots—includes £1 million of savings

from news and a further £1 million of savings from the closure of STV2. The plan is fully costed. The news budget, which we have been very open about, will remain around £9 million. It is roughly twice what we are spending on everything else. It is by far the single biggest investment in any content that we make.

**The Convener:** How can cutting your news offering in the national capital of Scotland be considered to be an advance in quality?

**Bobby Hain:** The news that we have all around Scotland is differentiated by its localness. We broadcast news from four different news centres every night, and we have contributions from other places. We are very proud of the contribution that we have from Edinburgh, which reflects the capital and the east of Scotland. It sits alongside the programme that we have for Glasgow. We are going to reconstitute the central belt offering so that people will still see a very rich offering of material from both east and west. They will see the presenters that they know anchoring stories. Of course, we will also continue to have dedicated coverage and a specialist unit based here, in the Parliament.

We will continue to have a very localised and very different offering on television. The presentation of that offering will be slightly different, but we are retaining the studio base. We want to change the templates of the programme to reflect changing times.

**Simon Pitts:** Convener, can I say why we are making these changes in news? That is at the root of this.

**The Convener:** I would rather move on to other members' questions. I am sure that you will have the opportunity to say that in reply to other members.

**Simon Pitts:** Okay. That is understood.

**Claire Baker:** I do not think anyone in the committee would argue with STV's ambition to increase production. However, it does not look like a company that is in any financial difficulties. There is the remuneration package that has been offered to Mr Pitts—the annual salary and the accompanying golden hello—and the £18 million pre-tax profit that you have spoken about. There is the inflated dividend to shareholders; I understand that dividends were reintroduced in 2013, but they have been increasing in the past few years. STV does not look like a company that needs to make that level of cuts.

It is difficult for the company to justify the cuts, in particular those being made to the news service. It looks like people are losing their jobs in order to pay for increased dividends to shareholders and

for annual salaries. Are you able to justify the situation that staff are facing?

**Simon Pitts:** That is not the case. Last year we made £18 million in profit. We do not have a chest that we put all that money into to keep for later or hand back to our shareholders; £9 million of that profit immediately goes into paying down the pension—

**Claire Baker:** But there have been increasing dividends to shareholders while, at the same time, people are faced with redundancy.

**Simon Pitts:** We have announced a reduction in the amount that we will return to shareholders under the new plan. There will be a small increase to the dividend but, as you will have seen from the press release, we have reduced the overall amount of the share buy-back scheme that we had committed to last year under previous management. It was going to be £10 million to shareholders over a period and we have said we are not going to do that. Instead, we will give £7 million, £3 million of which we will put back into the new growth plan. Net-net, we are giving less money back to shareholders under the new plan.

It is right that we distribute our profits in an even way, first and foremost to the pension plan—many members are still in employment or have retired, and the pension plan needs to be robust and paid for—and then into investment. I have outlined that that is where the additional money is coming from to invest in new programming and new technology.

Our shareholders have been very patient and have sat without dividends for seven years before they were reintroduced. It is fine and right that shareholder dividends should be introduced progressively over the next few years, but shareholders are one of many recipients of STV's profits.

The most important point here is that, net-net, we are investing more into the economy as a result of these changes, not less, as has been characterised.

When it comes to my pay, which is referred to in the letter to the committee from our chair, Baroness Ford, I do not set my own pay. The board and the remuneration committee set the pay and recruit in a competitive market in the way that they see fit. My total remuneration is in line with the remuneration received by the previous chief executive for the past 10 years. It is totally in line with the remuneration policy and it is supported and approved by our shareholders.

My focus here and what I am paid to do is to make difficult decisions in order to grow a business, and that is exactly what I am trying to do. It is a strategy that, overall, will deliver an

independent, successful, sustainable STV that builds for the future. If we get it right, it will create more jobs and more prosperity, and it will ensure that we are independent long into the future and take real advantage of a wonderful opportunity to put the Scottish production sector right back on the map.

**Claire Baker:** It is a pity that there is no one here from the board this morning. Perhaps you would acknowledge that although it could be argued that what you will receive is in line with national pay structures, the cuts that are being made to the Scottish news service look like it is being reduced to a regional news service rather than a national one. The status of the pay does not reflect the direction that the news coverage is heading.

You said that change needs to be done in the right way. Is it the case that staff found out about the proposed cuts when the press release went out, at the same time that MSPs found out about it, and that some staff were told about the redundancies as they were due to go on air? Can you understand the anger and distress that that has caused among STV news staff?

**Simon Pitts:** Yes, but let me give you my side of the story, which is slightly different. Our teams did not first hear about the proposed cuts from a press release. I spoke to them directly that same morning in meetings from 8 am; the press release did not go out until later. As a listed company, we are under an obligation to publish information at the same time. We took a view that we could talk to our teams first, which is exactly what we did. I spoke to the STV2 team first, because their news was somewhat more definitive, and I spoke to the news team straight afterwards—

**Claire Baker:** Can I just make a point about STV2? Were the staff involved in on-going discussions on the future of STV2? At the same time there must have been negotiations with That's Media about selling on STV2. That was confirmed on the morning that the press release went out.

**Simon Pitts:** That is not true either. We exhausted our conversations about the future of STV2 with our teams. We had working groups thinking about the future, not just of that channel but of our overall viewing proposition, whether it was STV2 or something else. We involved many different people from across the organisation to give their views. Once we had come to an internal conclusion and had taken that conclusion and recommendation to our board, we commenced discussions in order to sell on the companies that hold the licences for STV2. You are not right that those two things were happening in parallel.

**Ross Greer:** I should say from the start that I am a member of the National Union of Journalists and that I had a private meeting with Mr Pitts earlier this week.

I will address the letter from Margaret Ford first—very briefly, because she is not here to answer to it and it would be unfair to ask the witnesses to do so. Mr Pitts, the letter states that your pay package and welcome package simply reflect market rates. As the chair of a board of a company, Ms Ford will understand that market rates are set by those in the market and that she is contributing towards upward wage pressure. The people who set market rates are the people who make the decisions that she made, including for your salary.

Talking of wage ratios within the organisation, my understanding, Mr Pitts, is that you are on an annual salary of £400,000. There are journalists in your newsroom on a salary of £18,000, which is roughly a ratio of 22:1. Do you think that that disparity is conducive to creating top-quality news content?

**Simon Pitts:** My pay is a matter for the board, which is why the chair of the board wrote to the committee. I do not think that it is right to suggest that my pay contributes to wage inflation, not least because my annual wage is in line with my predecessor's wage and he was in post for 10 years. The remuneration strategy is approved by the board and is completely in line with the board's recommendations. It was approved by shareholders, as were the specific joining arrangements.

I have been brought in to build a business, not to sell a business, and that is what I am purely focused on doing. To do that, we need to invest. We also need to take tough decisions. We have taken decisions to seek to modernise our news operation. We have taken a decision to face the harsh reality that a channel that our team were doing a fantastic job running on very little resource simply has not worked.

I do not know whether people around the table have watched STV2. The harsh reality here is that hardly anyone was watching that channel. We get 350,000 people watching "News at Six" and—

10:15

**Ross Greer:** I completely accept that, Mr Pitts, and we will discuss that in more detail. However, to stick with the issue of pay, you talk about having to make tough decisions and facing the harsh reality of the situation. You will receive £1.2 million in total earnings this year. There are journalists in your newsroom on £18,000 a year who are facing redundancy. For them, the decisions are about their livelihood and it must be incredibly hard for

them to stomach that when people at the other end of the organisation are receiving the kind of remuneration that you are receiving. Do you understand how harsh that situation is for them? Did you consider forfeiting any of your total potential earnings for this year?

**Simon Pitts:** I understand how difficult the situation is for the people who are facing redundancy; it is horrible. It is a very difficult situation. We have made a series of difficult decisions that have a real impact on people's lives. We have done that in order to be able to grow this business—to use the savings and take some of the profit that we are making to reinvest for the future. That is exactly what we are doing.

Do I understand that these decisions are very difficult for the people concerned? Of course I do, but they are necessary in order to build for the future. That is what companies right across Scotland, the UK and the world have to do every day. Every morning, when you pick up the newspapers, you can see that this is a tough economic climate. It is the same for us. If you do not change and you do not invest for the future, you will be in trouble. We should not just wait for trouble to happen.

Our TV news, which is very well respected, very well trusted and comprehensive, has been losing audience overall by around 15 per cent in the past five years or so. We have not yet faced up to the challenges of digital. Everyone these days consumes news in a very different way. Stories break in people's social feeds on their phones, rather than in 6 o'clock bulletins. We do not want to go the way of the newspapers—obviously the reason they are losing so much readership is that the news is already known to people before the newspapers drop on to the mat every morning. If we do not change and embrace digital properly, our audience will leave us at an even greater rate. That is the threat that we face.

It involves making difficult decisions but the decisions that we are taking are to go where our audiences are. People aged under 55 who watch STV news consume more STV news online and on the move than they do on television; 70 per cent of our audience for the news is over 55 years old. We have to change to engage new audiences. If we do not, we will fall behind our competitors. That is not an acceptable outcome for you either.

**Ross Greer:** One—

**The Convener:** I am afraid that we have to move on. Richard Lochhead has the next question.

**Richard Lochhead:** One of the strengths of STV in the past has been to reflect the nation's diversity and geographical needs. In terms of your news output, you are proposing to cut the news

team for STV North from 42 to 33. Due to your committee appearance today, there are lots of TV cameramen outside the committee room. However, I think that I am right in saying that in the north and north-east of Scotland, you will be reducing the number of cameras to two to cover the whole of the north and north-east of Scotland, which is a huge and diverse geographical area. I presume that you will ask the remaining reporters to become video journalists, in effect. Does that not just simply lead to less news output and also an erosion of news output from outwith the central belt in Scotland?

**Simon Pitts:** We have recommitted to our licence arrangements and we have recommitted to two programmes from STV North and STV Central. We have not sought, through any conversations with Ofcom, to change a single clause of our public service commitment. We are recommitting to a long-term future with STV North. We have just signed a 15-year lease on the building. We have detailed plans to upgrade our technology and our property, and to upgrade our studio to high definition.

You made a point that the number of cameras would be reduced; that is the number of craft cameras. Overall, the number of cameras in the field—our live capability—will go up in the north from 15 to 18. We will be better placed to cover the whole breadth of that part of the country than we have ever been before. Bobby Hain can fill in some of the detail.

**Bobby Hain:** The difference between the programmes that you see in the central belt and the north is indeed a very strong feature of STV's news output. As we were saying earlier, we have two versions of the programme in the north—one that includes material exclusively for Aberdeen and one that includes material that comes out of our Dundee studio. That is a unique selling point of STV news and we are very proud of it.

It is also important to remember that the STV North team is not creating a whole programme every day. Last night, for example, the story about the difficulty of finding housing, particularly in rural areas, was covered from Elie, which happens to be exactly on the border between STV Central and STV North. That piece was carried in depth by all three of our news programmes. There was a piece about the vote here in Parliament to pardon gay men for previously illegal activity that has since been decriminalised. That piece was covered on all programmes but created in the central belt. There was a piece about the woes of TSB customers, which was carried by all programmes. In the north, there was a piece about the sinking of a data centre into the sea. The piece was done out of Aberdeen but was carried by teams in Edinburgh and in Glasgow. There was also a



piece on the conference about health and safety in the offshore industry on the 30th anniversary of the Piper Alpha disaster.

If you are a viewer in Aberdeen, Orkney, Shetland or the Western Isles, you have a combination of material, including material that is from your patch—from your neighbourhood—and is done using both the craft cameras and the video journalists of the future. As well as that, stories come to you from other news teams. We rely on our team in Aberdeen for the stories that matter in that patch and, with our Inverness team and our Dundee operation, we will continue to be the most local operation in Scotland. We will continue to have the quality and the richness of stories that resonate around Scotland.

**Richard Lochhead:** I get that, but from my reading of the situation, you are going to ask the existing workforce or a smaller workforce to do more with less because they will have to do the digital aspect, plus what they do just now. You have been good at doing live broadcasts from Peterhead or from Lerwick if there is a fishing issue; if there is a storm, you have reporters out in the storm doing the reports. You may have someone outside RAF Lossiemouth, in my own constituency, because there is an issue to do with the fleet there. I do not know how such an approach will be possible with fewer cameramen or craft cameras in that part of the country.

Also, is it not the case, Mr Hain, that you sent an email to your staff saying that they would have to concentrate on fewer stories in the future? That contradicts your point about having more news and more stories.

**Simon Pitts:** Can I just answer the point about asking our team to do more with less? That is not what we are intending to do at all. We are asking our team to do things differently. STV2 news will cease from the end of June. There are many bulletins during the day—at 1 o'clock and 7 o'clock, as well as many hourly bulletins—including many that are made in Aberdeen.

We will not need that output so the amount of overall output required from the North team and the central team will be reduced. Also, we are not asking our teams to make the same programme; we are asking for a different programme. We are asking for a different mix. We will have more cameras in the field, so there will be more of an opportunity to do more live stories from the length and breadth of the country—there will be more interviews and fewer packages.

By our calculations—we are in discussion with our teams and the unions about precisely this point later today—that means that the workload for the average journalist will be comparable with what it is today. That is what we think. We are

more than willing to discuss it and show how that is the case; that is what a consultation is all about. We are a couple of weeks in and we have three more weeks of discussions. Those are the important questions that we will address.

**Richard Lochhead:** I hope that they are productive discussions because there is a big question mark over resources.

Mr Hain, if you sent an email to staff in STV North saying that there would be a concentration on fewer stories, how does that sit with the commitment to keeping the same level of news and respecting the diversity and geographical needs of an area of Scotland that is the size of some European countries?

**Bobby Hain:** What we are doing is putting an equal emphasis on digital and broadcast. We are a legacy television broadcaster, even though we have a successful and growing digital distribution that reflects how people now get their news—whether it is in their Facebook feed or on Twitter or they use our app. There is an increasingly fast pace of change in media distribution and we are all aware of that. If you count all of the stories that we make every day across those platforms, it is roughly 50 to 60 stories per day. Some of those stories get a lot of attention—they are very important stories and they feature prominently on television but they may not translate online currently or we may have stories that are a different mix online.

Overall, there will be fewer stories—there will be between 30 and 40 stories a day, as opposed to 50 to 60. The email that you are paraphrasing is about putting the emphasis on doing more stories in a detailed and different way and using those stories across both television and digital.

The important thing, as Simon Pitts has said, is that with the reduction in output and moving away from all the bulletins on STV2, which have a considerable overhead, the workload will be comparable in future for the people creating those stories.

**Simon Pitts:** There will also be more video around these stories. One of the anomalies that I found when I arrived was that we have a digital team that is focused on digital news but only 15 per cent of the stories that it posts online have a video attached to them. We are a television company; that should be our USP. We will have more cameras in the field in STV North—18 rather than 15—so we will have more opportunity to show more video, whether it is online or in our scheduled bulletins; that is the more flexible future that we want.

We will be better placed to report the region and report the country as a whole. We really believe that. We have not just conjured up this idea on our

own in a dark room. We have thought very carefully about this move from journalists to multimedia journalists. In virtually every newsroom, in every broadcaster across the UK and around the world, this switch to multimedia journalists is taking place or has already taken place.

I will give you an example. Eight years ago, BBC Wales retrained 200 journalists as multimedia journalists. It takes time. There is always initial cynicism about an impact on quality because we are asking people to do things differently. However, with the right support and a proper transition phase—which is what we will be offering over the next few months—the output retains its quality. The output is still impressive and award-winning in the yearly Royal Television Society news awards. There is a very good mix of winners; they include craft camera pieces and video journalist pieces alongside each other and faring very well against each other. There is lots of evidence that this new model has worked and that it will work for STV. Although we have fantastic journalists and a fantastic reputation, in terms of digital journalism and multimedia preparedness, we are playing a bit of catch-up.

**The Convener:** Perhaps I should declare an interest, as I was a journalist and newspaper executive for many years before I became a politician. It is journalists who create news; it is not technology that creates news. Can you answer the point that was raised by the NUJ that you will be the only national news service in the UK without a dedicated digital news desk? Is that correct and, if so, how does that square with your approach to future proofing your news service?

**Simon Pitts:** Everyone will be a digital journalist; that is the big change here.

**The Convener:** But you will not have a digital news desk.

**Simon Pitts:** No, but for the very first time, we will have someone right at the top of the news organisation who is in charge of digital output. At the moment—and this came as feedback from many of our news people when I arrived at STV—we are very broadcast focused. We are very focused, for understandable reasons, on our 6 o'clock bulletin and it does very well, but we are not embracing digital. Digital is almost a separate island. Sometimes we come together with good effect and sometimes we do not. We need to put digital and broadcast on an equal footing—

**The Convener:** Why are you doing that with fewer journalists, though?

**Simon Pitts:** They will all be digital journalists. We will have many more cameras in the field. We currently have 30; in the future, we will have 40. We currently have a digital team that sits

elsewhere and is not integrated properly into the newsroom. We will have an intakes editor who is in charge of bringing in the news for digital and for broadcast. Sitting alongside them, for the first time, we will have a broadcast output executive and a digital output executive, shoulder to shoulder, making sure that we are embracing digital in a way that virtually every other news organisation has already done.

10:30

**Jamie Greene:** I would like to shift the conversation away from news gathering. The creative industry will welcome any increase in original productions in Scotland, including original and recurring content, and any job creation that results from that. It is difficult to see what the end result may be, but I should perhaps start with that positive.

I would like to move the conversation on to STV2 and the circumstances around the local TV situation. Mr Pitts has only recently joined the organisation, so my questions are more directed to Mr Hain. Can you tell me what went so catastrophically wrong with STV's decision to enter into the local TV market?

**Bobby Hain:** When the local TV world was announced, it was not clear what shape it would take and how things would shake out. We were interested and curious to try it, along with a number of other operators.

You will be aware that universally around the country there has been a commercial challenge with regard to making local TV operations work. A lot of the operators were flattered in their early years, if you like, in terms of revenue, by money that they received from the BBC from the licence fee settlement, which was cash left over from digital switchover. People were able to apply to receive money from BBC in order to supply news stories. STV decided to take none of that money. We did not take any of the money from the BBC and we supplied no news stories for the BBC.

The reality is that the local commercial TV model was flawed in how it was set up. It was not until we go into local TV and were running it weekly that we understood the challenge of generating from scratch a new channel that is like a mini version of what people know of the main public service broadcast channel. It is a mixed-genre service that, unusually, has a considerable number of original programmes to make. Think about the Sky or Virgin electronic programme guide, which is full of hundreds of channels. The first five channels—from BBC One, through STV, down to Channel 5—create and invest over 90 per cent of the money in new programmes. The other 495 channels spend next to nothing by

comparison. It is very difficult to create and establish a new brand in that marketplace.

In the four years that we have run these services since the inception of STV Glasgow, one thing that has become clear to us, from doing research and talking to people in focus groups, as I have done many times, is that people like the programmes. There is no problem with the idea that you can create and reflect the local areas, and our team has done a fantastic job of that. They do live sport, live news programmes, the live magazine programme and creative late show programming—they have made the most of the budget. The challenge is with running additional programmes; the news is a good example. People will say, “I like the idea of a 7 o’clock news for ‘STV News Tonight’, which has Scottish, UK and international dimensions, but I’m already watching the news at 6 o’clock and can watch the news at 10 o’clock. I can also watch Channel 4 News, which has been there for decades.” The reality of peak-time television viewing is that it is very habitual. People go to the soaps that they know, they go to the entertainment shows that they know and they watch the big dramas that change at 9 o’clock. That is bookended at 6 o’clock and 10 o’clock by flagship news programmes. It is very, very difficult to establish a presence and make a commercial success in that marketplace—that is the reality.

**Simon Pitts:** I will share some of the figures, because they help to understand the economics of local TV and why we have made the decision that we have made. STV has certainly given local television a very good shot over the past four years and has tried very hard to make it work. We have lost, cumulatively, over £3 million in total from running STV2. We spend £6 million a year marketing it. If you watch the STV main channel on any given evening, you cannot fail to see a promotion to turn over to watch a programme on STV2, and that has not worked. The simple truth, although it is somewhat chastening, is that the audience is not there for local television or our programmes.

I will give you a couple of examples. Our highly lauded 7 o’clock news service, which is a fantastic mix of international, national and local news, gets 1,800 viewers—that is not 18,000, but 1,800 viewers. “STV News at Six” gets 200 times that, at 350,000 or so. Our “Live at Five” magazine show at 5 o’clock in the afternoon every day gets 2,100 viewers. Our late night talk show with Ewen Cameron gets 1,300 viewers. Our “News at One” gets 1,300 viewers. It is not that we just have to be patient and the audiences will grow. Unfortunately, in the last year alone our news bulletins on STV2 have lost over 75 per cent of the initial audience that they had when they launched. It simply is not a sustainable model.

We cannot justify asking our teams to make shows that are extremely good and well put together that no one is watching; that is not the right thing to do. However, there are some green shoots. There are certain shows that have worked well and have transferred to the main channel. One example is “The People’s History Show”, which gets audiences of about 240,000 people or so; that is a fantastic model. We will be continuing with that show. There are a number of other shows like our Edinburgh festival coverage, our appeal show or our new year’s show that we have asked the STV2 team to stay on and do.

I mentioned that we announced a few weeks ago that we were creating a new formats unit that will employ seven people initially in order to try to win new commissions. Our STV2 team has been invited to apply for those roles. There is an opportunity to grow shows out of the STV2 model. The decision that we have taken is that it is not economic to run that channel. It is hugely costly running a channel, because of the cost of things such as satellite capacity, transmission capacity and other technology. We have decided that we are going to use that money to invest in bigger, better and fewer programmes on the STV main channel.

**Jamie Greene:** I appreciate that you want to give very full answers, but we are quite tight for time and I have some other questions, so we will move on.

Mr Hain, you sound almost surprised, four years down the line, that STV2 has not worked. It is worth noting that you sit on the board of the local TV operating company, so you have had an oversight of the entire industry across the UK and all the various models that exist. Do you think that entering the market was the wrong decision? You have wasted £3 million. We are in a situation where dozens of people are losing their jobs, perhaps as a result of those wrong decisions. You were there at the beginning of the decision making. Do you not accept any personal responsibility for this?

**Bobby Hain:** Hindsight is always 20:20. The opportunity in television and in media, and the combination of licences that was advertised and subsequently let, appeared to us to be a good idea and something that would complement the existing Channel 3 service, which, as we said, is very well-known and is—as opposed to other TV services—characterised by its localness. The same was true on a wider scale across the country. The opportunity was seen as being somewhere between community radio, local radio and television. The reality is that nobody knew how it was going to pan out. We have given it our best shot and we have developed some amazing properties.

Although we are drawing a line under STV2 itself, the spirit of STV2 in terms of production and the experience is moving on. We are going to make new shows. We are investing in content with an engine room of seven people. We will need to increase that every time we get a commission, either for ourselves for our regional programming on STV, or for other partners. The experience that we have had making STV2 shows will stand us in good stead and will stand the people who worked on those programmes in good stead as we go forward. It is to be hoped that they will continue to work with us on new shows. Not all of them will do that immediately, but, in the fullness of time, if we grow the Scottish sector and the Scottish economy and make more shows over time, there will be more work and more jobs.

**Jamie Greene:** My final question is on the transfer of licences to the new operator. What due diligence processes have you gone through for that? I am aware of the company is taking over the local TV licences in Scotland. Do you have any idea what it is going to do with them? A director of the business that runs that company sits alongside you on the board of Comux. What is the process for getting the approval of the board and indeed the shareholders of that company? What structure has there been for the approach to the transfer of the licences? What guarantees have you been given by the new holder of the local TV licences that they will still continue to provide local content, develop local TV talent creativity in Scotland and invest in the channel that it is acquiring from you? I feel that, in passing the licences to the new operator, you have a huge responsibility to ensure that it fulfils the obligations that you took over when you took the licences on in the first place.

**Bobby Hain:** The reality, of course, is that it will have that obligation. We are in exclusive negotiation with it just now with a view to it acquiring those licences, and we have every reason to believe that it will. At the point when it assumes the ownership of the licences and acquires the licence-holding companies, all the obligations will pass to it. It will be Ofcom, quite rightly, that holds it to account for the assets and obligations that you describe.

**Tavish Scott:** Can I ask you about your earlier statement that this strategy is not about preparing STV for sale? Obviously, there has been a lot of speculation about that since the announcements were made. My understanding is that STV's main shareholder is an activist fund called Crystal Amber; is that so?

**Simon Pitts:** Yes.

**Tavish Scott:** What does it do?

**Simon Pitts:** It invests in a series of businesses in order to get a return for its shareholders.

**Tavish Scott:** *The Telegraph* on 19 February quoted Crystal Amber as saying:

"The correlation between companies we invest in, which are subsequently taken over, is very high."

Are you familiar with that?

**Simon Pitts:** I am familiar with that.

**Tavish Scott:** Do you have any worries about Crystal Amber being your major shareholder?

**Simon Pitts:** No, quite the contrary. Crystal Amber has been nothing but supportive of STV since it became a shareholder a number of years ago. It is supportive of the new strategy, not because we are telling it that we are making cuts but because we have set out a plan for growth and that is what it wants to see. It wants to see a company, like any other company on the FTSE or any other stock market around the world, investing to grow, whether it is in digital or in content or in broadcasting.

Crystal Amber has been extremely supportive, both historically, as I understand it, before my time and certainly since I came here. It has asked about investment and what we are doing to grow the business. We have responded to Crystal Amber but also to every other shareholder—and we have also done this because it is the right thing to do—with a plan that invests in the future of the creative economy.

**Tavish Scott:** I understand the concerns when we all read what it says on its website:

"This company invests so they can see companies taken over."

**Simon Pitts:** Yes, I understand that. I am very clear about what my job is here. It is to put in place a strategy that delivers an independent future for our company and a growth strategy that takes advantage of the huge opportunity that we have. The best possible defence against any sort of takeover is investment and a growth strategy. The worst thing I or anyone else could do in this situation is not to invest for the future, not to make the harsh decision to close a channel that is not working and not to seek to modernise our news operation; that is when you become vulnerable.

**Tavish Scott:** I do not think that that is all true.

**Simon Pitts:** You become a vulnerable company precisely because prospective buyers looking on from outside see you not making any difficult decisions and know that they could easily come in, make those decisions and add the value themselves. Then your independence is lost.

**Tavish Scott:** Forgive me, but is that not what Crystal Amber is doing? According to its own website, it is an investment vehicle to invest in businesses so that they can be taken over.

**Simon Pitts:** I can tell you about our experience of Crystal Amber so far.

**Tavish Scott:** Have you met it quite regularly?

**Simon Pitts:** I have met it, just as I have met every other shareholder since I got here. I can tell you that, in my experience and before my time as well, for the past five years when it has been on our stock register, it has been nothing but supportive. It thinks, as we do, that our shares are undervalued and that we have a growth strategy and potential in Scotland and around the world that is much greater than is currently being reflected in our share price. Like our other shareholders, it sees an opportunity for us to grow. It has been nothing but supportive and it is encouraging us to invest and grow our business for the future, which is exactly what we have done.

**Tavish Scott:** You have no worries that it is a major investor that is there to simply see the company grow and then sell it off, forcing a sale.

**Simon Pitts:** I take it as I see it and, as I see it, in my dealings with Crystal Amber so far it has been nothing but supportive. Like our other shareholders, it wants us to invest, to grow our business and to realise our true potential.

10:45

**The Convener:** Did you meet Crystal Amber before you became chief executive?

**Simon Pitts:** No.

**Mairi Gougeon:** I want to pick up on a few other points that have been raised previously, in particular by Richard Lochhead. You said in your opening statement that your intention is not to do more with less, and you reiterated that to Richard Lochhead. I cannot square that with the proposals that you have laid out. We have already heard that there will be fewer stories, which always rings alarm bells for me. Like Richard Lochhead, I represent a rural constituency in the north-east, Angus North and Mearns. The briefing from the NUJ says that STV told it that it would need fewer journalists to work at the company as they would be covering fewer stories. There are currently 10 reporters in Aberdeen—four part time and six full time—and the proposal is to cut that to five full-time equivalents, with a make-up that remains to be seen. How can you possibly still continue to have the reputation that you state you have of being a national leader if you have fewer journalists covering, presumably, fewer stories?

**Bobby Hain:** We will be covering fewer stories, but that is not because there will be shorter programmes. We will be doing more stories in greater depth, which will provide greater coverage. There will be a number of stories on the website—in many cases, those are not location specific—

that we will translate to both broadcasts and digital.

On the question of staffing in the north-east and in STV north as a whole, it is absolutely right to say that we are retaining our configuration of licences exactly the same as it currently is. It is the most localised news service anywhere across Scotland. We have a strong presence in Inverness, Aberdeen and Dundee, but our output will be changing. A lot of the material that is currently seen on STV2 is created and prepared in Aberdeen. That is a considerable workload that will no longer be part of the daily mix there.

Most important, we have in plan provision to go to more cameras across all parts of Scotland. We are not starting to do this from scratch, as we already have a mixed economy of craft camera and video journalist operators, but the changing world of technology enables more and more people to create content, and that is only going to continue. We are embracing that and we will have more stories and more technology to help.

Let me give you an example of how that works. At the moment, if our Inverness reporter goes out to cover something on what is the largest patch of any channel 3 licence in the country, they are often driving for hours to get somewhere to do a piece and they have to drive hours back to the studio to get it into our system. By investing in new technology and being able to capture material remotely and edit it on the spot and get it back to the studios or to our Pacific Quay headquarters, we can get material much more quickly. That is a much more efficient use of everybody's time and it means that the amount of time travelling is not lost time for people making stories and creating material. Even with no additional workload, they are able to do more of what they want to do and less travelling between stories and less of all the administration that goes with that. We are very confident that, on a like-for-like basis, our new configuration, our new line-up, and our new organisational structure will involve a comparable workload but will lead to more in-depth material being filed and being presented.

**Simon Pitts:** The number of editorial roles at risk is not five; it is three, and we are seeking to—and we are confident that we will be able to—minimise any compulsory redundancies through voluntary redundancies. It is worth saying again that we know that this model works in other news operations. We have seen it. I sat on the board of ITN for 10 years and I have seen this done. It is being done in Sky, the BBC, ITV, CNN, and CBC in Canada. Many of them started this process eight to 10 years ago. Yes, it involves quite a lot of change and people doing things differently. What we are not going to do is flick a switch at a point later in June and say, "Move from the current

world into the new world.” We have to support and train our journalists. It is also an opportunity to learn new skills for a number of journalists who might want that opportunity for their career at STV or beyond. We are confident, not because we have made this up in a room on our own but because we have seen it done. We have spoken to many newsrooms that have also done it and been through these changes. It is not easy. At the start, there is cynicism and scepticism about the impact on quality but, over time, it has been proven to work, it has been accepted and those teams have gone from strength to strength. That is the experience that we have brought to this and the experience of a number of experts we have worked with.

**Mairi Gougeon:** You say that there is a comparable workload, but I do not see how that can be the case when you are expecting your reporters to do more and there will be fewer of them. You say that there will more in-depth stories, but I think that the local element will suffer.

To me, one of the main USPs of STV has been its local element. I have been involved in campaigns, as I am sure many people around this table have, that have been picked up by STV but not touched by “Reporting Scotland”, which always seems to be predominantly focused on the central belt; it is a struggle to get stories from the north-east or anywhere beyond the central belt into the news. The situation also reminds me of what we have seen in the print media. I represent the north half of Angus. We have, I think, six local titles in Angus, which are published weekly. Gradually, as print media have reduced and we have seen the centralisation of staff, we are not seeing any local stories in those papers any more; they tend to be Angus-generic. Why would I buy such a paper over something like *The Courier*, which covers all those stories anyway and does so on a daily basis? I fear that what you have as a USP will be eroded and lost if you go through with these proposals.

**Bobby Hain:** We are very confident that the strengths that you describe are underpinned by our strategy. What we have learned from the newspapers is how not to do what they have done. That is exactly why we have reaffirmed our commitment to Aberdeen. We have a big technical change happening in our Aberdeen studios that will take us into the HD world. We are upgrading our Dundee and Inverness facilities for the very reasons that you describe, in order to maintain our localness. The way we gather news will change, but the world is changing around us. The use of smartphones to create content by everybody has been a revolution and at a similar level, the world of television newsgathering is changing as well, as Simon Pitts has said, in newsrooms across the world. We are committed to the north programme

for the strengths that we described earlier on. As I was pointing out to Mr Lochhead, it is, of course, a combination of stories from the north-east and from the north of Scotland, as well as stories of resonance that are important to people in Aberdeen even though they do not happen in Aberdeen, because they are important to Scotland as a whole. That combination is our strength in the north and has been for decades, and will continue to be so.

**Alexander Stewart:** I also indicate that I had a meeting with Mr Pitts earlier this week.

Earlier in evidence, Mr Pitts, you said that you had thought very carefully about this move. As far as I can see, this entire saga has been a public relations disaster for STV. You are damaged in the community, you are damaged in the industry, and you are hitting the headlines for all the wrong reasons. We have heard today from others about the lack of regional and national news and I have not heard anything from you that gives me confidence that that is not going to be the case. We have also talked about the staff and how they have been managing the situation. Staff in this industry have been very good at coping with change and being asked to do things, but you are now asking them to multitask more than ever. You talk about being a trusted voice in Scottish news and current affairs. I have heard nothing today that gives me confidence that you will be that trusted voice in Scottish news and current affairs. How do you see yourself getting back some of the control that you have lost in the story so far?

**Simon Pitts:** My job here is not to conduct a public relations exercise. My job is to set out a plan to grow a business that our viewers, our team and our shareholders all believe in. I have a lot of support at STV to deliver this strategy. It is the right strategy for the business; it invests for the future; it introduces new content and digital expansion but also has news at the front and centre of what we are doing. We want to be Scotland’s home of news and entertainment. We will still be investing more in news than in anything else. You are right that the prize of being trusted, being comprehensive and being the best news service in Scotland is hard fought and hard won and we do not want to undermine that. We have no intention of doing so. That is why we are making a commitment not to touch a single clause of our public service licences. What we are doing is modernising to prepare ourselves for a future that is frankly already here. People consume news in a very different way from how they did so five years ago, and that is accelerating rather than slowing down.

I have a duty, on behalf of not just shareholders but viewers and our team, to prepare our business for the future. That involves taking some tough

decisions that are not always popular in every corner of the country or in every corner of my organisation, but that is what I am paid to do and that is what I have done. I am very confident that, with a very talented team, we will deliver on that growth strategy. I am purely focused on doing that and I hope that today marks the start of a wider understanding of why we are doing this in the first place.

We have a wonderful opportunity. This committee has spent many weeks thinking about the future of Scottish screen. We have a huge opportunity ahead of us that currently we simply do not make the best of, to put the Scottish television sector right back on the map. We do not yet punch above our weight. We need returning series that are made by Scottish production companies. I intend for STV to be absolutely at the forefront of that. It takes investment, skill and working with the best creative talent in the industry, including in news and current affairs. On your point about current affairs, we have a wonderful programme called "Scotland Tonight", which I hope you all watch; I am sure that a number of you have appeared on it. We are not touching "Scotland Tonight", as we are very proud of it and it has a long-term future. We do not make that programme because we have a requirement to do it under our public service licences; we do it because we want to do it and we will continue to do it.

**Alexander Stewart:** You must acknowledge the frustration that you have created in this situation—

**Simon Pitts:** Of course I do.

**Alexander Stewart:** —and the anxiety that is now out there. Today you have had the opportunity to come here and give us the points you have raised and you have put forward your case, but I am yet to be convinced that the case that you are putting forward is going to enhance STV in Scotland as a maker of news and current affairs programmes.

**Simon Pitts:** You are right, but the proof of it is on screen and that is where we will be judged. That is where every other news organisation around the world has been judged when it has made changes that are almost identical to the ones that we are proposing. Let us judge the impact on screen.

**The Convener:** Thank you. We must move on.

**Stuart McMillan:** Good morning, panel. You mentioned that working groups and discussions are under way. Will you provide a bit more information on the working groups? When did they start? Who is involved in them? When do you anticipate that they will fulfil their role?

**Bobby Hain:** We are in a formal consultation process around the changes that we are proceeding with. On a statutory basis, that would be for a month. In fact, we are allowing more than a month to give people more detail and more time to consider how the changes might work. The consultation is on the structure and the detail of how people's roles may be impacted and how they might change.

At the same time, we are starting to build the future vision of news in relation to the news gathering that we have talked about extensively today and the point that we have just made about how things look not just on television screens but on smartphones, websites and so on. We are going to start a number of those workstreams. Our news management team has already been involved in starting to think about how we make the next generation of STV news, and when the consultation process is complete our wider news team will join the process and work with us to build the new news products of the future.

**Stuart McMillan:** It sounds to me as if you are asking the current workforce to plan the jobs that lie ahead, rather than doing that yourselves. You have published a strategy, but you do not have a full plan for what you want to do.

**Bobby Hain:** There are two slightly separate processes. One is about jobs and structure, which is the consultation process. Once we are downstream of that, there is the process of working out exactly what our news will look like in future based on the vision, the plan and the ambitions that we have.

**Stuart McMillan:** Okay. When do you anticipate that job descriptions and salaries will be published for the new roles?

**Simon Pitts:** We are in the process of doing that. We have already published job specifications for assistant editor, multimedia journalist, assistant producer, production journalist, multiskilled tech operator, satellite news gathering engineer and multimedia graphics co-ordinator. We are providing our teams with the information that they need to make informed decisions about whether they want to be part of the new world of STV news.

**Stuart McMillan:** Is that for every role or are some still to be done?

**Simon Pitts:** We have provided job specifications for the new roles. We have not felt the need to do that for roles that are unchanged as a result of the process, because they are not at risk.

**Stuart McMillan:** The NUJ has provided us with some information, and I was quite shocked by one aspect of it. There has apparently been some

confusion about whether some members of staff will have a role, and one of the allegations is that a member of staff in the news team was informed shortly before they were about to do a live broadcast that they may not have a job going forward. Surely that is not the right way to treat people.

11:00

**Simon Pitts:** I was not in the room when that conversation took place, but my understanding of it from our team is that the person was given the option to hear the impact of the changes on his or her future or to wait until after the news, and they chose to hear it first. That is my understanding of the situation, if it is the same example that you are talking about. We have to give people choices.

There has been concern about the provision of information. These things are difficult and they take time. We took a couple of decisions at the start of the process that we do not regret—they were the right things to do—but that had the effect of meaning that information took time to come out to the rest of the group. The first was that we wanted to talk to every individual in a private, one-on-one conversation about the impact of the proposals on their future career. We took the decision not to give everyone all the information at once in a group situation, because the worry was that individuals would be able to identify that their roles were at risk. Would people rather find out in a group in front of their peers that their role was at risk or would they rather have a private conversation? We thought that the best thing was the latter, and the consequence was that we had to have close to 200 one-on-one conversations, which took time.

The second decision was that we were going to prioritise the one-on-one meetings with our STV2 team, because the news that they had heard that day was somewhat more definitive around the closure of the channel. Again, that took time, and it meant that we did not get to the news team until slightly later.

I appreciate that there are always concerns. People can never have enough information about the impact on their job or their future career. That is also why we listened to the team and extended the voluntary redundancy deadline until tomorrow and the consultation deadline by two weeks to the end of June. We do not want to rush our teams into making decisions, and we will not do that. We do not have a target to make savings by a certain time that we are tying ourselves to. We want to manage the transition in the right way and give people the right support and training to face into the new way that we are organising news.

**Stuart McMillan:** Can you guarantee that nobody will be forced to take a pay cut with any of the new roles?

**Simon Pitts:** Yes. That is not our intention at all. This is not about paying people less for the same job or a different job. When we are recruiting and selecting our new team, whether it is the multimedia journalists or others, we want to ensure that we have a mix of skills and experience. There will be some people in the new team who have already been trained as video journalists and have been at STV for only a little while—they may be fresh out of college or university. There will be others who have not been trained and will therefore take a bit more time to be fully trained as a multimedia journalist, but have accumulated more experience working at STV for a number of years. We want to have that mix of skills in our team. We think that that is a good way to run the newsroom.

**Stuart McMillan:** Have you ruled out compulsory redundancies if not enough people put their names forward for the voluntary redundancy scheme?

**Simon Pitts:** No. We have not ruled that out.

**The Convener:** We are joined by a former member of the committee, Jackson Carlaw. We are pleased and surprised to see you back so soon, Jackson. Would you like to ask a question?

**Jackson Carlaw (Eastwood) (Con):** Thank you for the opportunity, convener. I realise that you are short of time, so I will not cover ground that has already been covered.

I am excited about the opportunity that you have talked about for the development of new drama. I pursued that with your predecessor over many years, without much success. You mentioned some previous big shows including “Taggart” and “Take the High Road”. Those were commissioned in an era when the independent ITV network was still a mix of a number of smaller companies, whereas it is now consolidated into ITV and STV.

The drama commissions that you talked about, ironically, are for the BBC. That is nice, but I would like to see the BBC commission programming from independents. From your perspective, what are the commissioning obstacles and challenges for STV to break into the ITV network? It has been suggested that they are almost insurmountable because the ITV network for drama is seen as being much more centralised and therefore much harder for STV to break into with new drama commissioning. As the committee knows from its inquiry into Scotland’s screen sector, those returning series are important—along with the BBC and the streaming services—to the wider creative industries in Scotland.



**Simon Pitts:** It is a good question. It is more difficult to break into the ITV network these days, for the simple reason that ITV, like every other broadcaster around the world, is trying to make its own shows. ITV wants to commission its own drama departments and drama labels to make drama. Of course, it adheres to the obligation that it is under to commission on merit, so if we have a good enough idea that is exciting and will drive an audience, I am sure that it will listen.

Another obstacle, to be honest, is money. The reason why we are focused, at least initially, on making drama for other networks is that the economics are easier for us. It means that the BBC or another commissioning broadcaster will put up some of the money, we will put up some of it, and an international distributor will put up some of it. Increasingly, we need to have a patchwork funding model for dramas in order that they are properly financed to the level of quality that is required these days.

We have some hope that we will be able to co-produce dramas for our own channel in future. It will not be immediately. The £15 million is focused on other types of programming, at least initially.

I do not know about you, but when I watch “Shetland” on the BBC, I have mixed feelings. I think it is a brilliant show, but I think, “Why don’t we make it?” It is frustrating that it is being made by a company outside Scotland when it is so obvious that we should be doing that. In the face of that, we have done what we think is the next best thing. We have just done an exclusive deal with the lady who created both “Shetland” and “Vera”—Elaine Collins, the celebrated Scottish creator and producer. She now works in partnership with STV Productions, and the next drama that she makes will be made exclusively with STV. We are extremely excited to be working with her.

It is that sort of investment and partnership with talent that we need in order to make sure that the Scottish creative economy really punches its weight going forward. It costs money, it takes time and it will require piloting and trial and error, but we hope to get there.

**The Convener:** Jamie Greene has a short supplementary question.

**Jamie Greene:** I think that the key to all of this will be protecting the quality, the quantity and the plurality of independent news output in Scotland. That is what is really at risk here, and that is what people are talking about. The STV journalists that I have spoken to have said that there absolutely will be a detrimental effect on the quality and quantity of output as a result of the changes that you are making. On the other hand, you are saying that everything will be fine. Who do we as a committee

believe? Do we believe the journalists on the ground who are doing the work or the executive management team that is trying to balance the books?

**Simon Pitts:** I am not saying that this is easy, and neither is Bobby Hain, but it is necessary. We have made the judgments based on a lot of evidence from other, bigger news organisations that have been through similar exercises in a similar way. At first, there is concern and a bit of cynicism about how things will work in practice. I totally understand that. It is a brand new way of working for some people. Some have been doing it for many years, since the start of their careers. There is concern about how it will work and there is, understandably, concern about workloads. We have sought to respond to those concerns by saying, “You’ll have support and training and we will not be asking you to do the same as we are asking you to do today.” There will be less news as a result of the STV2 changes—there will be fewer bulletins—and the change in mix. If we were asking people to do the same shows and the same number of bulletins with less resource, people would have a point.

I totally accept that some of the STV news team are not there yet and that there is genuinely-felt concern about quality. That is what is driving most of the questioning both here and back at STV. We have to work with the teams. That will continue this afternoon with a conversation with the unions and representatives of STV about quality in news, where we will share our understanding of how the changes should work, the impact on workload and the extra technology that will be at people’s disposal, and we will work through the concerns one by one with the team. We are very confident that we can come out at the other end with a very high-quality news service.

**The Convener:** In relation to Jamie Greene’s question, a solution might be to release the consultant’s report that DMA Media did for you. I understand that it has not been shared with the staff, but it is being used to justify the changes that you have made. If you released that to the committee, we could perhaps see what the truth is between the two different versions of events.

**Simon Pitts:** We will consider that and come back to you on it. The news team at DMA Media, which was engaged to work with us, is expert in its field. There are very few expert news consultancies out there. It might even be the only one. The people who did the work are journalists who have worked on Sky, BBC news and ITV news—they have worked with many international customers down the years. It is up to you how you run your committee, but maybe you would like to talk to them about their experience of how this has worked in other news organisations.

**The Convener:** We would certainly like to see the report on STV.

**Simon Pitts:** We will consider that and come back to you. It is not true to say that no one in the team has seen the report. We have shared it with the senior news team, who have seen it and read it from cover to cover.

**The Convener:** The unions are saying that they have not seen it and that it has not been shared with staff.

**Simon Pitts:** We will take that back. There is nothing to hide. We will need to have a look at how we do that.

**The Convener:** Okay. Ross Greer wants to come back in.

**Ross Greer:** I will be brief. Mr Pitts, you mentioned your surprise at the lack of stories that were going up online with video content. It has been pointed out on social media during this morning's meeting that STV used to have a dedicated digital video team but it was lost as a result of previous cuts, and staff were made redundant. That brings us back to the point about remaining staff doing more with less.

My question is about industrial action. Staff are balloting at the moment and I would not want to pre-empt that. However, as the relatively recently incoming chief executive, will you clarify your position in relation to industrial action and confirm that you would not employ any tactics that would undermine action taken by your staff?

**Simon Pitts:** Obviously, we hope to avoid industrial action if at all possible. I do not think that it is what anyone wants. We are engaged in an extensive consultation with our teams and with the unions. We are providing lots of information for the teams to make informed decisions. As I said, we will have another meeting with the unions this afternoon, where we will talk specifically about how we intend to maintain quality and will hear their views and those of other representatives. We have extended the consultation deadlines so that we can have a full conversation. We have a full three weeks of discussions to go.

I hope that we will be able to avoid industrial action. Obviously, if it happens, we will deal with it. As regards tactics, I am not sure that I understand what you mean. We will be playing a straight bat and trying to do what is best for the future of our business.

**The Convener:** Thank you. I have a couple of final questions. I would be grateful if you could answer them as briefly as possible. In answer to Jackson Carlaw and others, you talked a lot about your ambitions for increasing content. ITV does not have an obligation put on it by Ofcom to have a nations output. It has to adhere to a regions

output, but not a nations output. That is something that Ofcom is considering. Would you support that?

**Simon Pitts:** I am racking my brain to try to remember what the obligations were, but I think it has a 35 per cent—

**The Convener:** I can assure you that ITV does not have a nations output obligation. We have spent a lot of time looking at this. Would you support ITV having an obligation to commission a proportion of content from the nations of the UK?

**Simon Pitts:** That should be considered in the round. I note that there is a BBC commitment and there is a new Channel 4 commitment. They are publicly owned organisations and I think it is right that the bar is set slightly higher. For ITV, the conundrum is always to balance the level of the obligations, and that includes STV2, with the benefit of holding the licences, and those benefits are slightly—

**The Convener:** But you do not work for ITV any more. You work for STV.

**Simon Pitts:** I work for STV, which is part of Channel 3, convener. We are under very similar obligations to the ITV network, and the balance is always whether the value of the licence is enough to justify imposing further restrictions. In this day of digital and video on demand, that balance is coming into question much more.

**The Convener:** Sorry, but ITV is a separate company from STV, as we have explored today.

**Simon Pitts:** Yes.

**The Convener:** If, as you have said today, your aim and your ambition for STV as a content producer is to make more content for the network, you should be supportive of Ofcom putting a nations obligation on ITV.

**Simon Pitts:** I would be happy for that to be considered, convener.

**The Convener:** So you do support it.

**Simon Pitts:** I would be happy for it to be considered in the round.

**The Convener:** Thank you very much for coming to give evidence today.

11:16

*Meeting continued in private until 11:32.*

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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