



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Culture, Tourism, Europe and External Relations Committee

**Thursday 28 June 2018**

**Session 5**



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Pàrlamaid na h-Alba

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**CULTURE, TOURISM, EUROPE AND EXTERNAL RELATIONS COMMITTEE**  
**20<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:**

Tony Close (Ofcom)

Neil Findlay (Lothian) (Lab) (Committee Substitute)

Paul McManus (Broadcasting, Entertainment, Communications and Theatre Union)

Glenn Preston (Ofcom)

Michelle Stanistreet (National Union of Journalists)

Neil Stock (Ofcom)

John Toner (National Union of Journalists)

**CLERK TO THE COMMITTEE**

Stephen Herbert

**LOCATION**

The James Clerk Maxwell Room (CR4)



## Scottish Parliament

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

Thursday 28 June 2018

[The Convener opened the meeting at 09:00]

#### Decision on Taking Business in Private

**The Convener (Joan McAlpine):** Good morning and welcome to the 20th meeting in 2018 of the Culture, Tourism, Europe and External Relations Committee. This is the committee's last meeting before the summer recess.

We have received apologies from Claire Baker MSP; Neil Findlay MSP will attend the committee as substitute. I understand that he has another appointment and will arrive later in the course of the meeting. We have also received apologies from Mairi Gougeon MSP, and Tavish Scott MSP will be slightly late.

Our first item of business is a decision on whether to take agenda item 3 in private. Do members agree to do so?

**Members** *indicated agreement.*

## STV (Strategic Review)

09:00

**The Convener:** Agenda item 2 is an evidence session with two separate panels on STV's strategic review. The committee will take evidence on that issue from the relevant trade unions and from Ofcom.

I welcome our first panel of witnesses. From the National Union of Journalists we have Michelle Stanistreet, the general secretary, and John Toner, the Scottish organiser. Paul McManus is the Scotland negotiations officer from the Broadcasting, Entertainment, Communications and Theatre Union, or BECTU to most of us.

Thank you for coming. I invite Paul McManus to make an opening statement.

**Paul McManus (Broadcasting, Entertainment, Communications and Theatre Union):** I thank the committee for inviting us.

I will outline three elements that STV has put forward as part of its strategic review. It is worth highlighting, before we jump to the effect of those three elements, that STV is a commercial organisation, so it is always about the money. Over the past two or three years, STV has fallen short of its £20 million annual profit target by about £2 million a year. In discussions with STV management over the past few years, that point has not been lost on us. It has been a significant issue for the management of STV over the past two or three years.

That puts the cuts that are now being proposed by STV into a bit more context. When we start to add up the effect of the cuts that are being implemented, I will not be surprised if—perhaps not this year, but next year—STV goes through what has recently been the magic £20 million barrier for the company. When our members express concern about the rationale for the cuts and the changes that STV is implementing, some of which do not make sense to the members, we have to remind them that this is a financial exercise. It is not about improving the operational side of the business; it is about improving the finances of the business.

STV says that some of the cost savings will be attributed to increased investment in programming, but the bulk of the programming will come from commissions to other broadcasters and agencies. It will not, in our view, be net investment in STV.

Investment in terms of the staff is our biggest area of concern. Some jobs have been created in the new productions unit. However, high-end, highly trained, highly skilled, highly loyal craft and

technical staff are being discarded by STV for no other reason than to save money. The bulk of those staff are in their 40s and 50s and have many years of loyalty to STV. We would have expected that some of that loyalty would have been repaid by STV investing in skills development and retraining. Its line has been that it is not willing to invest the time and effort in retraining the staff.

BECTU has never been opposed to the introduction of new technology. Indeed, we see many benefits from new technology. What we are opposed to is inequality, whereby craft and technical staff are denied the opportunity to retrain in those areas. That has created a great deal of fear, resentment and anger among the staff. I say fear, because the staff who are leaving and not being given the opportunity to retrain and reskill are, rightly, angry and frustrated, and those who are left behind also have a sense of fear. They are saying that they do not have the skills that are needed for the new roles and do not particularly want to take on those skills, but they have to do that or lose their jobs. The way in which the process has been managed and the staff have been treated contradicts any ethos of fair work that the Scottish Parliament is trying to produce across the Scottish economy. We suggest, and hope that the committee agrees, that STV should be roundly condemned for the way in which it has treated its staff throughout the process.

**The Convener:** Thank you, Mr McManus. The chief executive of STV gave evidence to the committee on the strategic review a couple of weeks ago. He accepted that they were cutting £1 million out of the news service but said that there would be a better news service afterwards. Would you care to reflect on that?

**Paul McManus:** That is patently untrue. STV cannot remove that amount and quality of staff and deliver a better service. We can go back to a tried and tested phrase such as “working smarter”, but it does not prove to be true in this case. There is a reduction in the news provision because of the loss of STV2. As I said in my statement, I have no doubt that STV will still meet its regulatory requirements, but whenever any broadcaster removes high-end, highly skilled craft and technical staff from the news-gathering process, the quality suffers. By the chief executive’s own admission, quantity is suffering and we argue strongly that quality will also suffer. The remaining staff will be overstretched, overworked and unable to deliver a quality service.

**The Convener:** Would the NUJ like to respond to that question?

**Michelle Stanistreet (National Union of Journalists):** It is absolutely right that when the quantity of the news offering diminishes, the breadth of diversity, scope and quality of that news

provision will inevitably diminish. Our members are deeply concerned about that. The quality, breadth and distinct local nature of a lot of that news provision is a really important element, and is a unique selling point for STV in relation to what it has to offer. We fear that that will be very badly compromised in the future.

**Stuart McMillan (Greenock and Inverclyde) (SNP):** Both the NUJ and BECTU have quite a number of members among the staff at STV. I believe that the NUJ balloted its members. Is that correct?

**John Toner (National Union of Journalists):** That is correct.

**Stuart McMillan:** And is it correct that BECTU did not ballot its members?

**Paul McManus:** That is correct, yes.

**Stuart McMillan:** Can you provide some background on why that decision was taken?

**Paul McManus:** Absolutely. BECTU policy is that whenever management makes proposals about any changes, we will negotiate our way through those proposals. Our members expect us to leave no stone unturned in arriving at a negotiated settlement on any issue. If, and only if, at the end of that process we have members who are facing compulsory redundancy, we will ask our members for the authority to ballot for industrial action at that point. It is our view that that is the best way to do things.

**Stuart McMillan:** When you were having discussions with your members and providing them with updates on what was going on, was there ever a feeling that the members wanted to have a ballot for industrial action?

**Paul McManus:** No. Well, only in the event that any of our members face compulsory action. They took the decision very early on that if any of our members face compulsory redundancies at the end of the process, they expect us to go back to them and tell them that we are starting a ballot for industrial action. However, through the early stages, it was about getting down to negotiating and trying to arrive at an agreed settlement.

**Stuart McMillan:** Okay. What was the turnout for the NUJ ballot?

**John Toner:** The turnout was that 81 members voted out of a total of 99.

**Stuart McMillan:** Did they all vote for industrial action?

**John Toner:** Eighty voted in favour and one voted against.

**Stuart McMillan:** That was pretty conclusive.

**John Toner:** Yes.

**Stuart McMillan:** I heard on the radio at the weekend that Crystal Amber has increased its stake in STV to 18 per cent. Do you have any comments on that? Is that a positive thing, in your opinion, or a negative one?

**John Toner:** It is difficult to see it as a positive thing. Our members have been concerned about the presence of Crystal Amber since its name was first mentioned, because of the type of organisation that it is.

**Michelle Stanistreet:** It is also fair to say that there is a prevalent fear and concern among many people that the whole exercise, which has been cack-handed, badly managed and poorly implemented, is a prelude to STV going on the market and being sold, with the loss of a distinctively Scottish national broadcaster. Crystal Amber told members that that is not in its plans and is not the motivation behind its involvement, but that has not made those fears and concerns go away.

**Paul McManus:** Crystal Amber's reputation is well known: it believes that it can fatten up companies and increase their financial effectiveness. To go back to the comments that I made about the finances in my opening statement, I think that Crystal Amber's involvement is a sign that it sees the company going in the right way, financially—from its point of view—which makes getting involved more attractive. I do not think that our members see that as particularly positive.

At the same time, we have to remember that Simon Pitts has given us assurances that he has no intention of fattening up the company for sale. However, as we reminded him, our members at Grampian Television were told that for a great many years, up until the day when the shareholders decided to take the money and run. In a commercial environment, staff can have no faith in any reassurances about the company not being for sale; that is a fact of life in commercial broadcasting.

**Stuart McMillan:** That takes us back to your comment about STV being a commercial operation.

**Paul McManus:** Yes, absolutely. It has weighed heavily on the company that it has not hit its £20 million profit targets over the past two or three years. There can be no reassurance; something that we have to live with in a commercial environment is that, at any point, the shareholders can say, "Right, fine. We're off. We'll take the money and go."

**Ross Greer (West Scotland) (Green):** I refer members to my entry in the register of members' interests: I am a member of the NUJ.

I want to ask about the process around redundancies. There are two quite contradictory versions—one from staff and your members and one from senior management—of how staff were informed of potential redundancies. We heard from Paul McManus, and I have heard informally from individuals, that staff were informed that their jobs would be safe and then found out that that was not the case. Some members of staff were told that they faced potential compulsory redundancy, minutes before a live broadcast.

The senior management's version of events seemed quite different from the staff's version. What is your understanding of how staff have been informed about the process so far?

**John Toner:** Initially, the company called staff to one-to-one meetings to tell them whether their post was at risk and to explain the process. The company opened up to receiving applications for voluntary redundancy. Management made it clear to us from the start that it did not believe that the voluntary process would achieve the number of redundancies that it needed and that at some point it would be necessary to move to compulsory redundancies.

As you said, staff have been told contradictory things at different points. Normally, when a company embarks on a consultation about redundancies, it has already designed its restructure and it knows what the end result will be. With this process, I think that it is fair to say that on a weekly basis we have not had a clear picture of what the new structure will look like. In my view, the company has embarked on the consultation process without having its final plans firmly established.

09:15

What you say is accurate: the information that was given to staff changed. I am aware of a staff member who was told that her job was disappearing and that she could apply for voluntary redundancy or for some of the posts that would become vacant. She decided to go for the latter. She then changed her mind and decided to go for voluntary redundancy. At that point, she was told that the company did not want to make her redundant any more and that it wanted her to stay. That is not untypical of some of the things that have happened to staff.

If you want to ask me more about that, I will tell you more, but I hope that that answers your question.

**Ross Greer:** Yes, that is very useful. Given the news that there are no planned compulsory redundancies for editorial staff, where will the cuts fall? Are there no planned compulsory redundancies because enough voluntary

redundancies have been agreed to, or is it because—this point is particularly relevant for BECTU members—the company has identified other areas in which they can make compulsory redundancies and reach its proposed savings?

**Paul McManus:** In responding to that, I will pick up on your earlier question, too. There are two ways to do a redundancy consultation. You can give the trade unions and the staff a detailed set of plans and say, “That’s it. We’re ready to consult on it now.” In that scenario, most of the staff and the trade unions would say, “That’s great—you’ve presented us with a *fait accompli*, so where do we go from here?”

Alternatively, the STV management can come to us and say, “Here’s what it kind of feels like, but we want to talk to you about it.” Also, rather than calling an all-staff meeting at which to say who was at risk of redundancy, the company can elect to have one-to-one meetings and to tell individuals that their post is potentially at risk. It can explain that that approach is based on previous experience in which a number of staff who had been affected by similar proposals had said that they did not want to sit in an all-staff meeting and hear that their job was at risk, and that that should be done one to one.

My faith is placed in the trade union and management process. There are different ways for management to present its proposals to staff. It is easy to sit back, nit-pick and be negative. I prefer management to come to us with flexibility and say, “Here’s what it feels like. What do you think?” We are talking about people’s jobs, so I want to be able to believe that I can, in a consultation process, make alternative suggestions to management, which might then go down that route and not make the person redundant.

Such times are stressful for anyone who is affected, and members would prefer that we can come back to them and say that we know that they had been targeted for redundancy but we have managed to sort something out. I prefer that to management showing no flexibility, because that opens management up to the criticism that it does not know what it is doing.

It depends which side of the fence you are on. Ross Greer described two scenarios. I suspect that the truth is somewhere in the middle and that the management made mistakes: it did not get it right and everybody was told about it. An area on which I consider it fell down was in not giving people written detail. People were told in individual meetings what management suspected would happen and staff were given briefings and shown nice PowerPoint presentations, but there were never any bits of paper on which people could hang their hats and say, “Right. It’s five of these and it is one of this and it’s six of those.” Our

members were coming to us and saying, “Well, I was told it was three”, and somebody else was saying, “No—he said four.” The feedback—in the absence of bits of paper—was contradictory.

The bulk of the redundancies are faced by BECTU members and nobody is out of the woods yet. As I said in my opening statement, people who turn round and say that they are not taking on new skills put themselves in the firing line. My point is that there has been a lack of investment in training and skills development for staff. I do not consider that there is any need for compulsory redundancies—that is the point that BECTU is making to STV. We have negotiated changes to its proposals, reduced the number of people who will be affected and found alternative work for a number of those who are affected. Those are all positive aspects, but STV needs to do more to meet us in the middle so that we can avoid compulsory redundancies.

**Michelle Stanistreet:** Flexibility is important in any such process, but this is not a situation in which the company is facing a major financial crisis and considers that it must act swiftly to ram through changes or else face severe consequences. It is really unfortunate that in the process STV did not from the outset take a more reasonable, rational and considered view, and engage meaningfully with staff about its plan to make the cuts, having set aside a serious amount of time for that.

The whole process from start to finish, from the announcement of a review in March to the point at which STV announced the scale of the cuts, has been carried out with unseemly haste. It is not quite a *fait accompli*, but it is pretty close. If members are not given time for meaningful engagement and consultation, and are told at the outset that the consultation process will last only 30 days—a pretty bargain-basement approach for an employer to take, given that we are talking about people’s futures and livelihoods—it is very difficult for members to take anything other than a defensive position and try to protect themselves against compulsory redundancies. That is why we balloted when we did. In ordinary circumstances that would not have to be a consideration in a collective bargaining process: the process should be more grown-up and more engaged, and there should be opportunities for staff members to feed in alternatives and other ideas to inform the process.

In the process, there was an inevitable flood of volunteers. People are very unhappy about the state of the company at the moment and do not want to stay there. They feel that they have been treated really shabbily: I understand why. STV’s treatment of them is not befitting of a national broadcaster. In retrospect, it is clear that many

mistakes have been made. I hope that the company will learn from them.

I understand that shareholders are a priority for any commercial entity, but the staff should be the first priority. It is the staff's passion, loyalty and commitment to their roles that make STV what it is. I hope that the tone of the engagement with the unions and staff changes in the coming period.

**Richard Lochhead (Moray) (SNP):** I am sure that there have been further talks in the two or three weeks since we heard from Simon Pitts. Can you update the committee on their outcome?

**Paul McManus:** The initial consultation period effectively ends tomorrow, and the trawl for voluntary redundancies has closed. There have been a number of reductions in the number of people who are at risk of redundancy, but there are two or three selection processes under way for staff who are affected by the proposals.

I must emphasise that at the very first meeting with STV, at which management quickly set out the period for voluntary redundancies and the period for consultations, we said that because they were talking about the end of the year for most of the posts and changes to take effect, we would be talking for the rest of the year about it, at the very least. STV said, "Absolutely, we've set out our stall, but we will talk for as long as it takes." It also said that, equally, there had to be a cut-off date in the trawl for volunteers for the first tranche. We have gone through that process and STV has widened the process out because there are still some posts at risk. We had discussions with STV this week about staff from other areas who are potentially interested in voluntary redundancy, which might allow redeployment or retraining opportunities.

There are two elements. The STV2 closure has very defined timelines for when programmes finish work, through to December. There are arbitrary dates in the process to try to address issues for those staff. We are currently working towards August and December dates for those staff. We have been told this morning that some of the staff will be moved into the new productions unit, and we are in the process for a couple of craft and technical staff but—again—no post closures before the end of the year are foreseen.

We will be looking at the volunteers from the wider areas to see whether there are redeployment opportunities. STV agreed with me yesterday that if a couple of people in the other areas put their hands up for voluntary redundancy, the company would offer redeployment for affected staff. We are in specific on-going discussions with STV about individuals. The numbers keep coming down.

**Richard Lochhead:** There are clearly different perspectives on the modernisation agenda. In representing my constituents in the north of Scotland, I raised with the chief executive the impact on news reporting in the STV North area, the reduction in staff numbers there and the potential impact on reflecting diversity and maintaining quality as well as coping with the geographical and weather challenges that we sometimes face in that large part of the country. Of course, the response was that there would be more cameras because there would be video journalists and so on. What is your view on that? I know that reservations were initially expressed that such an approach could not maintain the same quality of reporting, but can you hold back such changes?

**John Toner:** The STV management told the committee that BBC Wales provides an example of multimedia journalism working well—they said that 200 journalists there had retrained as video journalists. We have checked and we think that something is not quite right about that figure. One of our members has suggested that a zero might have been added accidentally somewhere along the line, because the figure is nowhere near 200.

We have heard conflicting reports from members about how well that approach works. Members say that on some occasions a craft camera is absolutely necessary and makes the job much easier to do, but that having the ability to self-shoot is advantageous on other occasions. Overall, our view is that reducing the number of craft cameras and giving the journalist more tasks to perform must have an impact on the quality of news gathering and news broadcasts.

**Paul McManus:** It is worth bearing it in mind that STV told us in its consultation process that it is keen to increase audience figures among younger generations—funnily enough, that is everybody up to one year younger than me, which is quite insulting. I agree with STV that people in the younger generation do not generally watch the news when they sit down at teatime or come in from school; they are happy to watch mobile phone footage on their tablets, phones, iPads or whatever. STV feels that less craft skill is required to deliver footage to the younger generation.

The expectation in STV is that quality will not be paramount. There has been a significant reduction in craft skills in the Western Isles and across the north of Scotland. I have absolutely no doubt that the quality of coverage will suffer, as will the quantity.

On one day when we met STV, I was told that one video journalist was out filming another video journalist who was doing a story that morning in Aberdeen. STV says that everybody will have a camera and the world will be wonderful, but the

situation is not as simple as just having all these extra cameras on the road. As John Toner said, people double up on occasions; STV has said that three people might cover the same story at once. It is not simply that 30 cameras will be handed out and there will be tons more footage; indeed, STV has told us that it wants to reduce the number of stories that it shoots each day.

**Richard Lochhead:** My next question relates to the bigger picture. Your members are in the television and media industry, which is rapidly changing. That is one motivation for the management proposals. Have your members had adequate input in the debate about what should happen next and how STV should adapt to the changing agenda? What lessons can be learned about involving you better in that debate?

**John Toner:** That conversation will happen once the jobs have been settled. We will take part in working groups about what the new set-up should look like and how it should operate. I cannot say that we have had adequate consultation yet, but we hope that we will have by the time the process has ended.

**Michelle Stanistreet:** It would make more sense in the process to have that discussion before doing the voluntary redundancy exercise and implementing the cuts. None of our members has ever resisted technical change or the challenges that it creates, but change must be implemented properly.

If training and reskilling are needed, they must happen in an intelligent way that takes people along with the process. People must be given the opportunity to acquire skills at the same time as we exploit the news and value all the skills and experience that people bring as long-serving members of staff. The redeployment process must work in a fair and transparent way.

Earlier engagement might have helped the process and served to lessen the impact on staff morale. The morale of our members is at rock bottom at the moment, which I think is a really unfortunate consequence of the process and the handling of matters to date.

09:30

Having read the evidence that was given to the committee by STV's representatives when they appeared before you, my concern is that there was a lot of focus on future visions—there is always a lot of guff spoken about visions in such situations—and on drama and that side of the business. Those are important, but news and current affairs are important, too, and the focus on them seemed light in comparison. We have concerns about the future in that area and whether resources will be sufficient.

Technical changes and different ways of doing things are often seen by companies as ways of doing things more cheaply, but to do things properly, effectively and with maximum impact for listeners and viewers, proper resources are needed, which requires real investment and not moving around of existing resources. You need the people, and you need the skills.

**Paul McManus:** I would go one stage further than what Richard Lochhead suggests in his question: I think that the two exercises should be completely divorced. The debate about the benefits of new technology is one that we have with other broadcasters, and have had with STV in the past. When it is connected to people saying, "We need to save some money, so we're going to chuck everybody a wee cheap camera," there is understandable scepticism and the belief that the move is not about achieving the benefits of new technology. As Michelle Stanistreet said, with the proper training, upskilling and investment, people can get benefits from new technology. That conversation should have been had in a different time and a different place.

As John Toner said, STV was quick to cite BBC Wales, but it neglected to do any comparisons with BBC Scotland. Since the concept of a new channel was announced, BBC Scotland has engaged in detailed and regular discussions with us about the balance. The headlines were that there would be 80 new journalism posts, but BBC Scotland was sitting down with us and asking how many of those posts should be craft, what those people be doing, what skills they should be given and where the balance should be. Those discussions are on-going and, indeed, BBC Scotland is in the process of advertising for a considerable number of craft journalism posts—in the BBC's terminology, these days, everyone is classed as working in journalism. An awful lot of people assume that the people must all be journalists, but a craft editor can be called a journalist.

STV should have taken a leaf out of BBC Scotland's book and sat down with us and said, "Right, we want to use more of these cameras." The BBC and others have previously tried exercises where they just chuck cameras at people, and they have failed miserably. However, as Michelle Stanistreet said, where there is an intelligent debate, everyone tends to benefit and the staff are more engaged in the process.

**Alexander Stewart (Mid Scotland and Fife) (Con):** It is quite apparent that much of the success of STV is down to the workforce—their loyalty, their skills, the total professionalism that they have shown over the years and their flexibility in moving things forward. When we had the chief executive before us, I said to him that this is a

public relations disaster for STV, but it is a bigger disaster for your members.

Today, we have touched on the issue of giving people the opportunities of redeployment and retraining. How has that process worked so far? I get the feeling that some people have rock-bottom morale because they feel that they have been discarded in this process.

**Paul McManus:** We can take the closure of STV2 as the first example of what you are asking about. As soon as Simon Pitts came in and the review was initiated, the announcement of the closure of STV2 was expected. It is losing £800,000 a year and audience figures are not great. The previous chief executive thought that he could build up that service and make it profitable, but it became clear through the review that it was likely to close.

In STV2, there were journalism jobs associated with the additional news output, but the majority of staff were in production areas. They came in over the past three or four years through the local TV franchise. When some of them heard about the review and were told that their posts were at risk, they said, "Are there new jobs coming?" However, there was no conversation about how they might be kept in the company; they were simply told, "Your post is at risk. Further down the road, there may be new jobs, but we are not sure when." Some of those staff said, "Well, if that's your attitude, we're off—we'll just go at the end of June." Some were asked to stay on longer but said, "No, we're off at the end of June."

We said to STV that it should have come to the table and said to those production staff, "There will be production jobs. Here's what they will look like, and we're keen for you to move forward." In practice, that is kind of what has happened. Management have been saying to me, "You've got people here who are affected by the closure of STV2. There are jobs here, and we really hope that they will apply for them." Some of those people have been successful in getting jobs, but if the situation had been managed more proactively to begin with, they would not have been put through the unnecessary stress.

Other people are still sitting there. As I said, STV reinforced the position at a meeting last week when it looked me in the face and said, "No, Paul, we're not going to offer those people any retraining or skills development. They are at risk and if they don't find something else that suits their particular skills, they're gone." There have been different responses and approaches from STV, which is why I return to my earlier point that we have had to work through it job by job to try to arrive at a solution that works for everybody.

**John Toner:** I confirm that people are going because they are finding jobs elsewhere. People have been leaving without redundancy packages. You will understand why that is happening. We have a major broadcaster announcing a redundancy programme and another one 200m down the road that has 80 jobs to fill. As Paul McManus said, where are people going to go for a job? If one is being advertised down the road, they are going to apply for it, because it might not be there in a month's time. We can understand why people are saying, "I've had enough of what's happening here. I'm going to apply for a job at the BBC."

**Alexander Stewart:** As you say, if someone is put in a difficult position in which they have no security and no option for retraining or redeployment, they might go. If that happens, it is much easier for STV, because it does not have to bother about managing the situation. The person has made their own choice, even though it might be because they had no other option. Do you think that there was a plan by STV to force that situation on individuals?

**Paul McManus:** No. I think that, from the highest levels in STV, there has been an absolute disregard for and lack of commitment to the staff. Some of the people who are affected by the proposals and are going through selection processes are in their early 60s and cannot afford to lose their jobs, but they are sitting there with STV and it is saying, "We're not going to put any time or money into retraining you."

The BBC and other broadcasters have taken a more positive approach, and there has been positive feedback from those broadcasters about journalism staff taking on craft skills and craft staff taking on journalism skills, particularly in the older age groups. Perhaps people feel that, when they get to that level, they have to be willing to learn, but in any case there has been very little negative feedback.

This is not the first time that the situation has arisen in STV. Throughout the introduction of video journalism and other types of new technology, STV has steadfastly refused to invest in training those people. It is a damning corporate failure, in my view.

**Alexander Stewart:** It is a corporate failure. Staff have been put in an untenable situation, in which they have no option but to accept what they are offered. They do not necessarily have the option to move.

**John Toner:** I would hesitate before saying that that is intentional. I know that staff are leaving STV that it does not want to lose.

**Alexander Stewart:** However, it may be losing them because of its behaviour, its attitude and what it is doing to individuals.

**Michelle Stanistreet:** Precisely. It does not really matter whether it is cock-up or conspiracy—that is the effect of the actions that STV has chosen to implement.

The approach has been wrong from the get-go. The DMA Media report is ostensibly at the heart of STV's future plan and strategy, but it has not been shared. Why has it not been shared? That is basic information that should be seen as an important part of the process. If that information, which has led to STV's decision making, is what STV says that it is, it should be useful to back up its proposals. Not sharing such stuff and not having meaningful conversations and dialogue about it with unions and staff is incredibly remiss. It is not right to put people in a position in which they feel that they have to jump in case they are pushed a month or so down the line, with no certainty about how long the formal consultation process will last. That absolutely should not be the kind of behaviour of a broadcaster of note such as STV.

**Alexander Stewart:** As you have said, an organisation—

**The Convener:** I am afraid that we have to move on to another member, if you do not mind.

**Jamie Greene (West Scotland) (Con):** Good morning, panel. It is right that there has been a huge amount of criticism of how STV has handled the process. The panel has raised concerns about the process, the communication, the time periods, the consultation and the general approach that has been taken by new management in the organisation. That said, at the end of the process, there will be a more modernised approach to news gathering and news delivery that will deliver more original content production, give new digital skills to existing members of staff who previously did not have them, and result in increased in-house productions through setting up new content development. Although the process is difficult and it is right that we criticise STV, does the panel accept that that modernisation had to happen eventually? STV has been a dinosaur in terms of modernisation and creating multimedia journalists, and it is probably one of the last major broadcasters in the United Kingdom to make that shift. Notwithstanding the problems that the panellists have raised, is there not an understanding and acceptance that that modernisation was bound to happen and that the process was never going to be easy?

**Paul McManus:** I do not accept that what is happening is part of a modernisation process. STV embarked on having multiskilled journalists many years ago, at the same time as the BBC and other

broadcasters did. We saw the disappearance of craft editors shortly after Grampian Television was taken over and video journalism was introduced. This is not about a modernising agenda; it is about increasing the use of multiskilled roles to save money. Like every other broadcaster, STV has video journalists and multiskilled roles. The exercise is a straightforward cost-saving exercise. The aim is to get rid of the older and more expensive craft staff and to hand cameras to younger and cheaper people so that there will be increased coverage.

By STV's own admission, its output will reduce. It has told us that the number of stories that it films for the news every day will reduce. It has told us that it will invest money in production and programme making. We hope that that turns out to be the case, but this is not about modernising. Some of the technology that STV has introduced in recent years has been industry leading, and we have worked with it on the introduction of that technology. This is not about STV being behind the times; it is about it saving money.

**Michelle Stanistreet:** Quite. I do not accept the characterisation of STV and, by inference, its staff and their skills as dinosaur-like. "Modernisation" is a word that is used to mean lots of different things, particularly by companies to justify cost-cutting exercises. We have to look at the outcomes. From our perspective, we have to look at the outcomes in terms of high-quality journalism and programming, high-quality news and current affairs programmes, and news whose output is diverse geographically and in its depth. We already know that there will be fewer stories, fewer pieces of original journalism and fewer current affairs pieces. Is that a good thing? I do not think so. Is that modernisation? It is not a particularly good form of modernisation.

Journalists embrace multi platforms all the time. They love to get their stories out. They do not care about the platform or how those stories are disseminated; they just want to be able to do their jobs properly and ensure that their output and work are professional and of a high standard. That is how they judge what works and what does not work and what is befitting of a modern workforce.

09:45

**John Toner:** May I refer you to the NUJ written submission? In it, we say:

"STV News is one of the leading online news services in Scotland and has engagement levels/reach on social media beyond that of many of its competitors."

That sounds to me as if it is STV's competitors that need to modernise. With regard to multiskilling, how many skills can you train a worker to have before you accept that he cannot

possibly deploy all those skills in the course of 24 hours?

**Michelle Stanistreet:** I found what the chief executive said about this to be quite insulting, because there was the sense that his narrative was that STV has been lagging behind in lots of ways and he has come in to drag it into the 21st century. That absolutely does not reflect the workforce as we know it and the output as we know it. I do not think that coming into a new team and giving that perspective of the way in which the staff work and the skills that they have is very good optics—it is not a good look.

**Jamie Greene:** I would like to clarify, for the record, that I was in no way referring to the staff as dinosaurs. I share some of their deep-rooted concerns, especially the concern of the on-air talent about the new concept whereby they will have to drive themselves to the locations of stories, film themselves reporting the stories, edit broadcast and digital versions of the packages and then get back to base. I know for a fact that that will not be seamless or easy.

However, the wider point is that STV has to go to where its audiences are, and audiences are shifting to new forms of consumption of news through smaller, bite-sized packages. Yes, the cameras will be smaller, but I have a camera in my office that shoots 4K, which is broadcast quality. Having a small camera does not mean that the quality is worse, because technology is changing. How could STV meet the objective of going where audiences are while still maintaining the really important craft skills that a lot of your members have?

**Paul McManus:** There are two elements to that. My four grown-up kids rarely watch STV or BBC news but they frequently use their mobile phones to show me news items that somebody has shot on their mobile phone. If that is how the younger generation want to get their news, we have to face that conundrum. Can we really sit there and say to broadcasters, “No, you cannot do that. You must have a craft camera, a sound operator, a video tape editor and a journalist on every story”? No. We have to move with the times.

Our concern is about how the staff are taken on that journey. That is where STV has failed its craft and technical staff by simply abandoning them rather than taking them on the journey, as other broadcasters have done. For me, the issue is about working with the broadcasters, and STV in particular, to get the best benefits out of the new technology and to ensure that they take the staff with them on that journey rather than simply discarding them and hiring someone else.

**John Toner:** One of the things that the members of the management said to you was that

they have looked at what has happened to newspapers and they are trying not to repeat the mistakes that newspaper companies have made. I understand and respect that. However, we argue that the year-by-year dwindling of newspaper circulations is a direct result of cutting staff and reducing the quality of newspapers. The newspapers that you buy today are not as good as the newspapers that you bought 10 years ago. The lesson that STV needs to learn from the failure of newspapers is that cutting staff and reducing quality is not the way to preserve a broadcast company. You need to reach people in as many different media as possible, but it is the quality that you deliver through each medium that is crucial to retaining your audience.

**The Convener:** Neil Findlay will ask the next question. Before he does so, I invite him to declare any relevant interests.

**Neil Findlay (Lothian) (Lab):** I have no relevant interests, convener.

How many people are directly employed across the board, and what is the trade union density?

**John Toner:** Our density increased the day that we announced that we were balloting—it shot up. That is always a welcome aspect of having a ballot for action. We currently have 99 members out of, we believe, a total possible eligibility for NUJ membership of 110, which is a very high density.

**Paul McManus:** Going by STV’s figures, I believe that it has just under 400 staff on permanent or part-time contracts. Between us and the NUJ, we probably have a trade union density of close to 50 per cent of the staff.

**Neil Findlay:** Is there a deliberate move to get rid of higher-paid staff?

**Paul McManus:** I believe so, yes. A number of years ago, we agreed a new pay and grading system with STV, which was benchmarked on market rates. The salaries of a significant number of our members in the high-end craft and technical areas sat above those scales, for historical reasons. Every year, there have been discussions about annual pay rises and how we should address such anomalies, as STV calls them. The people in the craft and technical areas who have been identified as being at risk of redundancy are the top earners—they have the highest salaries. We believe that there are other roles that those people can do and other areas in which changes could be made. However, STV has specifically targeted the craft cameras. I am not saying that it has picked on them as individuals. It is just a fact of life that the craft cameras, the craft editors and a lot of the technical people are at the higher end of the salary scale. When we are told that STV wants to get rid of a craft camera and employ a younger person with a digital camera, who will be

multiskilled, that person's salary will probably be less than half of that of the craft camera, so the inevitable outcome is that high-end salaries will suffer.

**John Toner:** The voluntary redundancy terms that were offered would be unattractive to someone with only a few years' service and who was on a low salary, but more attractive to someone with many years' service and who was earning a high salary. Committee members can draw their own conclusions from that.

**Neil Findlay:** Is it the case that a large number of the newer journalists are employed at a salary level under £20,000 per year?

**John Toner:** We have members who work for those wages.

**Neil Findlay:** Do you know the numbers?

**John Toner:** No, I am afraid that I do not.

**Neil Findlay:** Finally, we have talked about all the multiskilling that has been encouraged and demanded. Has there been analysis of the multiskills and talents of the people who are the decision makers? Are they included in this multitasking, multitiered new regime?

**Paul McManus:** They would probably argue that they are the epitome of good managers—but I had better leave that there.

**Michelle Stanistreet:** They have handled this process so well—that is clear.

**John Toner:** There was talk that they might have to operate cameras if the NUJ walked out.

**The Convener:** To finish, I have a couple of questions for Michelle Stanistreet. In your earlier replies to Stuart McMillan, you mentioned that STV is the last independent channel 3 in the UK. From an NUJ point of view, what has been the effect of the loss of independent channel 3 provision across the UK as it has been subsumed into ITV? What has been the effect on jobs and the quality of news journalism?

**Michelle Stanistreet:** There has probably been a varied picture throughout. The fear for the future is that it could be on a pathway leading to the loss of a very focused national broadcaster here, which brings a distinct Scottish voice and a diversity that is very different from what there is in the rest of the UK—particularly in the context of current UK and international politics. There is a very different perspective here that, if lost, would have an even more significant impact—or detriment—than any other changes that have taken place through ITV in the past. STV becoming in effect a region of ITV, as opposed to what it is at the moment, is one of the concerns that our members have about how things might pan out in the short to medium term. That is particularly so when we look at the much

bigger picture of the movements that are happening in the broadcasting sector generally, such as what is going on at the moment with Sky, Comcast and Disney, and other potential consolidation that is mooted for the short to medium term, and what the impact of that will be here in Scotland and on STV.

In our experience, when there is consolidation and changes of that type and organisations embark on a cost-cutting programme, that inevitably has a detrimental impact on the quality and diversity of the output. It means that there is increasingly less local coverage and that the hubs become broader and less distinctive, to the point that they are almost meaningless, from a local perspective. That is our concern, based on our experience elsewhere.

**Paul McManus:** In our experience of going around the communities that are served by ITV Border, ITV Yorkshire and ITV Tyne Tees, we find that people say that those channels lost their cultural identity following their takeover by ITV and that they no longer reflect the matters of cultural importance to the people in those regions of England. Indeed, Richard Lochhead might be able to tell you how people in the north of Scotland feel about their cultural identity following Grampian Television being taken over by STV. As Michelle Stanistreet said, that cultural aspect would become even further diluted by any greater consolidation.

**The Convener:** Do you expect the proposed changes to have an effect on STV's ability to meet its news programme obligations as part of the channel 3 licences?

**Paul McManus:** No. It has stated to us that it will still exceed its licence obligations, and I have no reason to dispute that. It is taking out the STV2 element and is dropping down so that it is just in excess of the licence obligations.

**The Convener:** At what point would a role for Ofcom be triggered?

**Paul McManus:** If there was a quality threshold, it would probably be in there tomorrow. However, I struggle to see where Ofcom would get involved in the foreseeable future in terms of strict licence commitments.

**John Toner:** I would think that Ofcom would eventually want to look at what is coming out of Edinburgh because, clearly, there is going to be a diminution of the output of news from Edinburgh. We do not quite know yet how that will operate—we do not know whether there will be an opt or some other arrangement.

**The Convener:** We will speak to Ofcom in our next evidence session. Is there anything that you think we should raise with it?

**John Toner:** I think that the Edinburgh opt, for want of a better phrase, is one of the things that you should ask Ofcom about.

**The Convener:** I am afraid that we are out of time. I thank our witnesses for coming to speak to us.

09:58

*Meeting suspended.*

10:00

*On resuming—*

**The Convener:** I welcome our second panel of witnesses, who are from Ofcom. We have with us Glenn Preston, director for Scotland; Neil Stock, director for broadcast licensing; and Tony Close, director of content standards, licensing and enforcement. You have indicated that you wish to say a few words to explain your roles to the committee.

**Glenn Preston (Ofcom):** Yes—thank you, convener. We will just give a brief introduction to explain who you are speaking to. To be honest, you are probably a bit sick and tired of seeing and hearing from me but, as you said, I am the Scotland director. I have two broad responsibilities. One is to head the small Scotland team, which represents Scottish interests in Ofcom's policy making and regulatory decision taking, and then I have the broader role of growing and expanding the Edinburgh office. As you are aware, we have increased in size in the past couple of years. The staff number is in the mid-30s and we hope to get to about 40 by the end of this calendar year. We have a mix of specialisms in the office, from economists through consumer enforcement specialists to some of Tony Close's team on the content standards side, as well as some content policy specialists.

**Tony Close (Ofcom):** Good morning, and thank you for the invitation. I am Ofcom's director of content standards, licensing and enforcement. My job title might give you a clue as to what I do at Ofcom. I oversee the teams that look after broadcast licensing for the 2,000 television and radio services that we regulate at Ofcom. My teams set the standards, draft the rules in the broadcasting code and enforce standards for all the broadcasters that Ofcom regulates. I am also a member of Ofcom's content board, which is a largely non-executive committee that is laid out in statute to advise the main board on content matters and to represent the interests of citizens and consumers.

**Neil Stock (Ofcom):** Good morning. I work in Tony Close's team on the licensing side. The main

reason why I am here today is that one of my responsibilities is local TV licensing and policy.

**The Convener:** I will start by looking at the impact on news of STV's strategic review. We have just heard from trade unions. The NUJ in particular explained the uniqueness of STV's news provision, as STV is, in effect, a national broadcaster and not just a regional one. Although STV has said that after its review it will continue to deliver its obligations on news provision, and indeed will exceed those, there is clearly a great deal of concern about the future of STV as a national broadcaster. When would it be appropriate for you to intervene if STV is not meeting its licence obligations?

**Tony Close:** I will happily answer that. As you know, STV has a set of obligations, whereby it must provide approximately four hours per week of regional news and about an hour and a half on current affairs. Whatever changes the organisation makes, we expect it to continue to deliver on those obligations and even to exceed them, if it wants to. If STV failed to deliver against those obligations, which are licence requirements, it would be subject to the full array of enforcement action that is available to Ofcom. We do not anticipate that it will fail to deliver against those obligations but, obviously, we will continue to monitor its compliance with them to ensure that it continues to hit them.

**The Convener:** The NUJ indicated that the current plans for the Edinburgh provision are a case for Ofcom to intervene, because STV is considerably downgrading the Edinburgh provision.

**Tony Close:** Can you help me to understand that a bit more? STV is continuing to perform against its objectives.

**The Convener:** The NUJ believes that STV's plans for Edinburgh, whereby it plans to downgrade its provision, represent a regulatory issue that you might wish to investigate.

**Glenn Preston:** We would probably need to talk to the NUJ about what it means by that. The question is whether it is talking about the provisions in the Edinburgh local licence that sits with STV2—which, as we know from the strategic review, is due to go off air towards the end of this month—or about the broader channel 3 central and north licences. I do not think that we have had any indication that STV proposes to come to us and say that it wants to change those licence conditions or have them relaxed, particularly in relation to news. It would be good to get clarity about which of those two things the NUJ means.

**The Convener:** Okay. On the bigger picture, a number of members have raised concerns that the main shareholder in STV is quite an aggressive

active investor, and there has been quite a lot of suggestion—although this is denied by STV—that it is being prepared for sale to ITV. If that happened, what would your role be in relation to the licence?

**Tony Close:** First, it is important to say that we are unaware of any intelligence that suggests that STV is preparing for sale to anyone, including ITV. However, if it was to be sold to ITV, we would have a role in assessing the change of control. We would undertake a change of control review, as part of which we would look at the programming commitments and obligations and take a view on whether we wanted to change any of them at the point of change of control. When ITV purchased UTV in 2015, we took the opportunity to bake in tougher and more challenging current affairs commitments.

**Glenn Preston:** The committee has seen the exchanges between me and the Cabinet Secretary for Culture, Tourism and External Affairs a few weeks ago, after the STV strategic review announcement. We flagged up the broader issue of media plurality, which the cabinet secretary asked about. The committee has shown interest in that as well, and it is obviously something that we want to keep monitoring. We believe that there should be a sufficient plurality of providers of TV and radio services across the UK, including in Scotland, and we have a measurement framework for media plurality, so the tools are there for us to do a formal review, if those circumstances should arise.

**The Convener:** Mr Close, you mentioned UTV. We have been told—this was widely covered at the time—that the news and current affairs provision in UTV fell quite markedly when it was taken over by ITV. Would you apply stricter criteria for Scotland?

**Tony Close:** We would apply the criteria that are laid out in statute. I am unaware of the reduction or fall that you refer to in relation to UTV. It has always been and continues to be well received by its audience, and at the time of the purchase by ITV, the commitments were enhanced.

**The Convener:** My understanding is that it dropped one of its current affairs programmes.

We will move on to questions from Tavish Scott.

**Tavish Scott (Shetland Islands) (LD):** Mr Close, on your point that you have had no intelligence about STV potentially being sold to ITV, have you really had none?

**Tony Close:** None.

**Tavish Scott:** You say that despite the newspaper reports and open comment by lots of interested parties who understand the industry far

better than I do. Do you not count that as intelligence?

**Tony Close:** People will always talk about all of the licensees that we regulate—

**Tavish Scott:** And ITV has taken over everything else in the country.

**Tony Close:** I think that, when you had Simon Pitts, the chief executive of STV, in recently, he indicated that it is not prepping for sale.

**Tavish Scott:** We were not necessarily persuaded by his evidence.

**Tony Close:** Okay. It is, of course, open to you to take your own view on what STV may or may not be doing but, as far as we are aware, and from an official regulatory perspective—

**Tavish Scott:** That is the official position, but you recognise that there is a lot of open discussion about this.

**Tony Close:** Yes.

**Tavish Scott:** Mr Preston, you made a point about plurality. What do you mean by that in the context of STV? Does it have to remain an independent company?

**Glenn Preston:** I do not think that it follows that it has to remain an independent company, but I think it is something—

**Tavish Scott:** Would it be acceptable if ITV took it over?

**Glenn Preston:** In those circumstances, it would still be obligated to deliver the channel 3 licence obligations for central Scotland and the north of Scotland. We would not be looking at a diminution of service unless and until somebody asked us to relax the conditions, and that would have to go through the process.

Tony Close mentioned UTV, and I appreciate the convener's point about one or more current affairs programmes coming off air in UTV's case. However, we do not know that such things are going to happen—we are talking about hypotheticals. The licence obligations exist, and STV might well choose to enhance news provision, for example. That takes us to the wider point about plurality.

**Tavish Scott:** You are right to say that we are dealing with hypotheticals, but the one certainty is that an activist investor, which buys companies in order to sell them, has increased its stake in STV. You said that you have economists working in the team; I presume that they keep an eye on that kind of thing.

**Glenn Preston:** They are not working on a hypothetical situation in which ITV buys STV. We have to keep an eye—

**Tavish Scott:** Do you not do scenario planning?

**Glenn Preston:** As part of our responsibilities as the regulator, we need to ensure that there is sufficient plurality, so we pay attention to the news coverage on the sort of thing that we are talking about. I think that the convener asked the First Minister in the Scottish Parliament about the potential for sale, and the First Minister expressed her concern about the issue. We monitor all this stuff, but neither ITV nor STV is coming to us to say, "This is in the pipeline and we might have to talk to the regulator about it."

**Tavish Scott:** Okay. Thank you.

**Jamie Greene:** The witnesses will be aware of the situation regarding STV2 and local television licences. What is Ofcom's regulatory role in the monitoring and issuing of local TV licences in Scotland and elsewhere? What role do you play in relation to licence transfer, change of control or asset transfer?

**Neil Stock:** We are responsible for licensing all local TV in the UK. We have issued 34 licences, of which five are in Scotland. The licences are a bit like channel 3 licences; there is a set of obligations in the licence, which the applicant has proposed, and we have awarded the licence on the basis that the applicant will deliver those obligations. STV chose to put the five licences in Scotland together into a single service—originally, they were separate services.

In the event of a change of control—in other words, if someone buys the shares of those companies—our prior consent is not required. That is a commercial deal; it can take place. The on-going role that we have across all broadcasting services is to ensure, first, that no one who holds a broadcasting licence is a disqualified person—there are rules that disqualify certain categories of person from holding a licence—and then to apply the broader fit-and-proper-person test. However, someone can buy shares in an existing company; they do not require our consent for that.

A licence transfer requires our consent. That is when a licence is transferred from the party that holds it to a new legal entity. In those circumstances, our consent is required. The law says that we can withhold our consent only if we are not satisfied that the new company would be able to comply with the conditions in the licence.

**Jamie Greene:** What is happening in Scotland, then? Is it change of control? Is it purchase of shares in an existing entity that holds a licence? Is it a licence transfer from one entity to another? What is your understanding of how STV is transferring local TV licences to another party?

**Neil Stock:** We have been told by both parties that it is not a licence transfer, and that That's

Media will be buying the shares in the existing companies.

**Jamie Greene:** Is Ofcom happy with that? It does not sound like a very appropriate way to transfer ownership of a broadcasting licence. Are you satisfied that the approach complies with not just the wording but the spirit of the regulatory environment? Is it the best way to transfer the whole operation from one entity to another? Buying shares in a company as an investment decision is one thing; shifting the whole operation—the management and the executive, and content decisions and technical operations—sounds more like a substantial change in ownership, as opposed to shareholdings moving around. Do you have a view on that, or concerns about it?

**Neil Stock:** We do not have a view in the sense that either scenario is open to licensees. That is the case not only with local TV but across all broadcast services. In other words, there is nothing in law that prevents one company that holds a broadcast licence from selling its shares to a new party. We have no power to do anything about that. It is for the parties to decide whether they choose to effect the deal—the transaction—by selling shares or transferring the licence. It depends on the company's situation. Someone might not want to buy an existing company because, for example, it has a lot of debt.

10:15

As I say, the issue is not one on which we are in a position to have a view, because the law allows for both scenarios. It is entirely up to the parties to choose which scenario they go for. However, it is worth saying that, in both scenarios, we still have a number of key responsibilities. First, the licence obligations must continue to be delivered, whoever holds the licence and regardless of whether there has been a change of control or a transfer. In this case, That's Media will continue to be under an obligation to deliver the programming commitments in all five licences. It will choose to do that differently from how STV did it, but it will still have to deliver the existing obligations.

Secondly, as I have said, the overarching requirements on disqualified persons and fit and properness still apply. We have to be notified and we have to run our checks and so on, but we cannot do a detailed analysis of a company's overall ability to comply with the conditions; we cannot assess in advance whether it will do so. If a company does not comply, as was mentioned in the discussion about channel 3, we can take a range of enforcement actions. That applies to any licensee.

**Jamie Greene:** In any other scenario, that would sound like a loophole. By simply acquiring shares in a business, a company can, in effect, take over its broadcasting requirements. I am not entirely convinced that Ofcom is giving the issue due attention in many respects. We are talking about broadcast licences. The decisions that the new company makes might be very different from those of the existing operator. How confident are you that STV has met its obligations as a local licence holder up until this point, given that it chose to network the licences and that, in many respects, it has failed to deliver on the promises that it made when it first acquired the licences?

**Neil Stock:** Each local TV licensee—as is the case for channel 3 licensees—reports annually on whether it has delivered its obligations across that year. We do not take a view on how it chooses to deliver those obligations through programme scheduling. That is entirely up to the licensee. Hitherto, we have had no concerns about STV complying with its commitments. We are now reviewing the reports for 2017 across all local TV licensees. If anyone is found not to have delivered on its commitments, we will investigate and potentially take enforcement action. I cannot tell you whether STV has or has not met its commitments, because we are still in the process of reviewing the 2017 reports but, as I have said, it is under an obligation to deliver them.

STV's choice to network was a commercial decision that was made on the basis that it could deliver all the local programming obligations across its five licences within a single service—in other words, those obligations did not add up to more hours than there are in a week. STV took the commercial decision that it would be okay, for example, to broadcast a Dundee news service across all five areas in which it broadcasts; ditto for Ayr, Aberdeen, Edinburgh and Glasgow. Rather than run separate channels, it chose to have a single branded service. That is fine with us—as long as STV delivers the obligations in the local areas. To a certain extent—as long as it complies with the general standards—what it does the rest of the time is not a matter of concern; we only enforce what is in its licence, which is basically local programming and local news.

**Tony Close:** I want to underline one of Neil Stock's points: it is up to the licensees to find the best way to deliver local content to their audiences. STV picked a model that suited it and enabled it to continue to deliver against its commitments—that is, the commitments that we imposed on it in the licence—in a really difficult commercial environment in local TV.

**Jamie Greene:** STV has made the decision that having the licences no longer works for it for financial or strategic reasons, so it has decided to

offload the assets to another operator, which, I admit, operates other local TV licences in other parts of the UK. I am surprised that panel members have not expressed a stronger view on this, but I am sure that they must appreciate the concern about the method by which the licences are being shifted from one company to another. The crux of the matter is that there has been no due diligence in that respect. It is worth noting that the director of STV2 and the director of the new operator sit on the same board of the operating company that runs the local TV network.

What greater role should or could Ofcom play in deals in which one operator decides to renege on its commitments on the licences and another operator wants to control them? Does Ofcom have strong enough regulatory powers to cope with the scenario that has arisen?

**Tony Close:** We want the best outcome for the audience and consumers. The reason that you are not hearing obvious concern from us is twofold. First, that way of buying assets in commercial entities is not uncommon. It is not unique to this situation and it is certainly not unique to broadcasting. The second and most important point is that we know that we still have powers to assess the fitness of any new licensee, and we know that obligations are in place that the new licensee has to meet—and continue to meet—however it has taken control of the entity.

**Neil Findlay:** You have spoken about the broadcasters reporting to you. When they report to you, how many of those broadcasters say that they have not met their obligation?

**Neil Stock:** As I have said, we are still reviewing the reports, so I cannot answer that question.

**Neil Findlay:** What about in past years?

**Neil Stock:** In previous years, nobody has said that to us.

**Neil Findlay:** That is an absolute shocker—I am stunned by that.

**Tony Close:** I will add a gloss to that answer. I might be talking out of turn, as we are still running through the numbers, but my understanding from anecdotal evidence is that, this year, a small proportion of licensees have come forward and volunteered that they have failed to hit their programming targets.

**Neil Findlay:** We have a breakthrough. What sanctions do you have?

**Tony Close:** We have a range of sanctions in relation to any licence condition. All broadcasters of all types are required to meet the specific conditions of their licence, whether that relates to the number of hours, the type of programming or

not doing something bad in their content. If they seriously breach a licence requirement, they go through a statutory sanctions process in which we are able to impose a financial penalty, revoke their licence if we think that that is the best way to bring about an outcome for consumers, or find other ways of mitigating the failure.

**Neil Findlay:** Are such powers used regularly?

**Tony Close:** Yes, we use our sanctioning powers fairly regularly.

**Neil Findlay:** Do companies report to you on their profits?

**Neil Stock:** No.

**Neil Findlay:** Has local TV been a success in terms of viewing figures?

**Tony Close:** Local TV was a public policy intervention. I do not think that it is our job to decide whether it has been a success or a failure. Our role is to administer it to the best of our abilities. However, it is fair to say that the situation for local TV has been tough financially. It continues to spend much more money than it raises. You can make your own judgment on whether that is a picture of success.

**Neil Findlay:** Are viewing figures going up or down?

**Tony Close:** Viewing figures for local television have always been fairly small.

**Neil Stock:** I want to correct my previous answer. I apologise—we collect some financial information from companies and we publish it, in aggregate, annually. In the past two or three years, that information was published in our communications market report, which is the annual Ofcom report. This year, we will publish the information in a slightly differently badged report. We provide aggregated information about the financial performance of local TV.

If you have seen the past couple of years' communications market reports, you will know that they have been fairly stark in making clear the financial challenges that the whole local TV sector has faced since the launch.

**Neil Findlay:** Do you report on individual companies?

**Neil Stock:** We do not report on individual companies.

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

**Jamie Greene:** Thank you for allowing me back in. This question is perhaps for Mr Stock—it is about enforcement. It is my understanding that one of the local TV licence obligations was to set up a local television charitable trust, and I believe

that licence holders in other parts of the UK have fulfilled that. Is it your understanding that STV fulfilled that licence obligation and, if it has not, is it something that you will look at from the point of view of enforcement?

**Neil Stock:** STV did that. The body is called the Local Television Network. It is made up of representatives of all the local TV licence holders, and STV has been an active member.

**Jamie Greene:** However, the purpose of the trust was to grow, support and nurture talent. We spend a lot of time in this committee talking about the development of the industry. I am talking about a specific trust with a view to nurturing and developing the Scottish screen sector and its talent base. Is that your understanding of the network that was set up, or is it more of an informal association of other operators?

**Neil Stock:** The local TV sector set up the network as more of the latter than the former. We have chosen to take a fairly hands-off approach in the first two or three years of local TV's operation in order to allow the range of local TV licensees to figure out for themselves how best they can co-operate. The network has been set up with the purpose of promoting the development of local television, whatever that means for the operators. We have not offered views on what they should or should not be doing; they have taken their own views on how best to achieve that, by lobbying Government, lobbying us at Ofcom or through various initiatives. They came up with the "Digital Nation" programme, which they all run, as a means of better enhancing the service that they provide to viewers. We have not actively taken a specific view on STV's activities.

**Jamie Greene:** You have not taken a view, but, just to clarify the matter, is Ofcom happy that all STV's obligations as a local TV licence holder have been met and that no enforcement is due?

**Neil Stock:** Yes, we have no concerns about the setting up of the Local Television Network.

**The Convener:** You mentioned that licence holders are effectively self-regulated—Neil Findlay asked about that. How do you check the returns to make sure that they are accurate?

**Tony Close:** I should clarify that the licence holders self-report; they do not self-regulate. This year, as part of the self-reporting programme, we are undertaking a series of spot-monitoring initiatives to test whether the information that local television services are providing us with matches what we see on the screen for specific defined periods of time. That tests whether they are telling us the truth.

**The Convener:** What proportion of licence holders are spot monitored?

**Tony Close:** I do not know off the top of my head. I am happy to come back to you on that.

**The Convener:** You may be aware that the committee has done quite a lot of work in another area that you regulate—the quotas for nations and regions content. There has been a lot of unhappiness, particularly in the independent production sector, about the fact that people are able to misrepresent what constitutes a Scottish production. People do not have confidence in that process, so why should they have any more confidence in this process of self-reporting?

**Tony Close:** I understand your point. That is one of the reasons why, this year, we have been so keen to structure a spot-monitoring programme in which we also look at the content. If we find out that people have been misreporting, we will take action.

**The Convener:** So the spot monitoring has just been introduced.

**Tony Close:** Yes.

**The Convener:** You did not have it before.

**Tony Close:** No—not in a structured manner, anyway.

**Glenn Preston:** You know, because we have given evidence on it previously, that one of the reasons why we are reviewing made-out-of-London TV programming, which is what you were alluding to, is the concerns about the process, transparency and the type of data and information that is provided. As you are aware, we are expecting to consult on that in early autumn. We recognise that there is an issue that needs to be looked at.

10:30

**The Convener:** I accept that, but I suppose that some people might say that that is a little late for local TV here.

Finally on local TV, members of the committee will remember that, when the channel 3 licences were put out, there were alternative bidders in Scotland. I recall that there was quite a serious alternative bid that involved local newspaper provision across the country. Obviously, STV got the licence, but can you understand why the people who failed to get it, having spent quite a lot of time putting their bid together, would be extremely disappointed and perhaps would have expected a more robust response from Ofcom?

**Glenn Preston:** I understand the reaction, which comes up in response to a range of licensing issues in circumstances where operators whose bid has been successful have decided to sell or relinquish the licence. It is a fact that the regulatory framework and the law behind it allow

for the commercial process that Mr Stock described. Ofcom has to work within its parameters; we cannot do things that the law does not allow us to do. Where it is possible for commercial arrangements to be struck between two parties, that can happen.

**Tony Close:** Obviously, it is difficult for us to hypothesise about what might have happened if another company had got the licence, but it is worth considering the matter in the broader context of local television and how difficult all successful licence applicants have found it to continue to run local television stations and make any money from that.

**Stuart McMillan:** What are your processes for investigating audience complaints that you receive about the quality of local news provision in channel 3 areas?

**Tony Close:** I will unpack that a little bit. It depends on what you mean by a complaint about quality. If people complain to us that the news is not sufficiently accurate or robust or is not impartial and does not provide the balance that would be expected of a serious news provider, we have a formal process for assessing all complaints of that type. If we think that a substantive or qualitative issue has been raised against the code, we undertake an investigation in which we put the allegations or issues to the broadcaster and give it a chance to explain itself. If we are not happy with that explanation, we publicly record a breach of the broadcaster's obligations. If it continuously or seriously breaches those obligations, we would consider taking action against it. We have mentioned that.

In addition to considering specific complaints, we monitor audience attitudes to the quality of the TV and radio programmes that they receive. We have a broad monitoring programme and a specific public service broadcasting monitoring and tracking programme that give us an insight into what people think about the content that they receive and whether it meets their needs, whether they see themselves or the issues that they care about being reflected, and whether they think that the content is good quality. STV does very well against a lot of those characteristics or premises.

**Stuart McMillan:** On the other channel 3 areas in the UK, have you seen increases in complaints from local audiences when local providers have been taken over?

**Tony Close:** No, I do not think so.

**Stuart McMillan:** You mentioned that STV seems to fare pretty well.

**Tony Close:** Yes.

**Stuart McMillan:** Has there been an increase in complaints about the news output in the STV area?

**Tony Close:** No. Unless one of my colleagues wants to tell me otherwise, I do not think so. STV continues to perform really well for audiences. It continues to outperform the rest of the channel 3 UK licensees as a whole.

**Stuart McMillan:** That is good to hear. I hope that that will continue after any changes are introduced.

I turn to Ofcom's role of highlighting to the wider public what it does. When the changes take place, will Ofcom make the wider public aware of what it does? If people want to complain, will it have an information campaign?

**Tony Close:** Yes. Would you mind if we both answered the question? For any change to one of our licences that is likely to have a significant impact on the audience or to give rise to our making a change to the licence holder's obligations, we are highly likely to undertake a public consultation before making a final decision. As part of that public consultation, we will decide what key stakeholders we need to ensure are aware of it, and they will include ordinary members of the public, political stakeholders and other key stakeholders. Glenn Preston might want to add to that.

**Glenn Preston:** We are statutorily obliged to consult when considering the sort of changes referred to, and the team that I lead will promote that consultation across industry, wider public stakeholders and public institutions such as the Scottish Parliament and other public bodies. We expect to be out there talking to people about the effect that the changes might have on them.

As Neil Stock said earlier, we produce annual state of the market reports that highlight things that have happened and Ofcom's role within those. For example, we produce the annual communications market report across TV and radio, and we produce a Scotland-specific report. We are changing the nature of that a bit this year, but the principle behind it remains the same. We expect to publish that within the next few weeks and will share it with this committee and other Scottish Parliament committees.

**Stuart McMillan:** There is clearly a lot of concern about the proposals and how they will affect news output and its quality. I hope that you will not be inundated with complaints from the general public, but that is a possibility.

**Glenn Preston:** You are right that it is a possibility. Tony Close has already described the pretty robust processes that we have in place to deal with that if it happens. As the committee

knows from its evidence session with the chief executive of STV and its managing director, Bobby Hain, STV is committing to reinvest approximately £5 million a year over the next three years to the main channel 3 licence obligations for central and north Scotland and to the STV Player. STV Productions seems to have made more money in the first three or four months of this year than it made in the whole of last year, so there are also some positive signs; it is important to recognise that.

**The Convener:** As Tavish Scott said earlier about the evidence that we received from STV's chief executive, we were not particularly convinced about that commitment to reinvesting. We were a bit sceptical about it, given the amount that STV has returned and is planning to return to shareholders.

**Glenn Preston:** Clearly, it is for STV to respond to the committee on that element. We have talked about the economic viability of local TV and we know that STV2 made losses and had tiny audiences. The committee was given some numbers on that during the evidence session with the STV chief executive. We have recognised that in our communications market reporting. As the committee is aware, we have consulted recently on not making available other local TV licences because of our concern about the economic viability of the sector as a whole. Those are important facts that are part of the general conversation.

**Tony Close:** I have one point to add in relation to the issue of the channel 3 licence. It is in STV's interests to continue to do a great job, which it does, particularly on news provision. STV has a 25 per cent audience share for that, but only 18 or 19 per cent for the rest of the channel 3 network provision, so it is outperforming the rest on news provision. There is a virtuous circle whereby the better STV does as a broadcaster with its audiences, the more it is able to raise revenue. It is in STV's interests to continue to make high-quality programming for Scottish audiences.

**The Convener:** Thank you. Mr Stock, you referred earlier to the concept of fit and proper persons holding licences. Can you explain that a bit more and indicate when you would judge that an organisation or individual was not fit and proper to hold a licence?

**Neil Stock:** If you do not mind, I will invite my colleague Tony to answer that.

**Tony Close:** I have carried out a few assessments in that regard, which is why Neil has referred the question to me. We have that broad power before we award a licence, but it is also a continuous requirement once someone has been issued with a licence. We have to ensure that they

remain fit and proper to hold that licence. Statute empowers us to take into account two broadly different types of factor. One is how they are behaving within the broadcasting sector with regard to what they do on screen; that is, whether they have continuously breached obligations that we have imposed on them and whether they are running the risk of seriously harming audiences.

Separately, we are also allowed—in fact, we are required—to take into account off-screen behaviour, including other things that the licensee might have done in a non-broadcasting arena that might give rise to an undermining of the integrity of the broadcasting sector if you allowed it to have a licence in the first instance or if you let it keep a licence once allegations of criminality had been confirmed or once it had proved demonstrably that it is not able to behave appropriately in another regulated environment. If we had evidence relating to any of our licensees—not just in relation to this issue, because all licensees must be fit and proper—of any broadcast or non-broadcast contraventions of that kind of significance, we would undertake an assessment of their fitness, because it is a continuous requirement.

**The Convener:** Crystal Amber is the largest shareholder in STV and it is increasing its shareholding. As Tavish Scott said, it is regularly referred to as the investor that boards fear because it is quite open about the fact that its modus operandi is to prepare companies for takeover, and nothing to do with public service obligations or quality of broadcasting. Is Crystal Amber fit and proper to hold a TV licence or to be the major shareholder in a company holding a TV licence?

**Tony Close:** We have not assessed Crystal Amber's fitness to hold a TV licence but, based solely on the kind of issues that you have raised with me now, I genuinely do not believe that a largely or wholly commercial outlook or approach is the kind of factor that legislation envisages when deciding whether someone is fit and proper. It does not fit with the character of issue that committing criminal acts or behaving inappropriately in other regulated environments is intended to deal with.

**The Convener:** When would you look at Crystal Amber to see whether it is fit and proper?

**Tony Close:** If there was evidence out there that it was acting in a way that genuinely raised concerns of the type that I have just described.

**The Convener:** Could that be correspondence from concerned people?

**Tony Close:** Anyone can write to us at any time and tell us about the owners of our licences, and we are grateful for all correspondence. However, for us to begin to question the fitness of one of our

licence holders, or the major controlling shareholder in that licence holder, that correspondence would have to indicate significant wrongdoing of some kind that we should be concerned about.

**Tavish Scott:** Crystal Amber refused to come in front of this committee. That was of concern to us, obviously, but would it concern you, as the regulator? What would it have to hide by not appearing in public in front of a parliamentary committee?

**Tony Close:** Is it obliged to come to the committee? I think that that is what I would ask you. If it is, and it has refused, and has therefore broken a rule—

**Tavish Scott:** That is not what I asked.

**Tony Close:** If it had broken a rule, I would be concerned by that. If it has exercised a freedom that is open to it not to come along, I think that that would not be a relevant factor for considering their fitness.

**Tavish Scott:** All right. I will give up.

**The Convener:** There are many organisations that are not obliged to come before parliamentary committees, but they come before parliamentary committees, because they see the value in that.

**Tony Close:** I would see the value in that, too.

**The Convener:** Finally, when STV representatives were in front of us, I asked them about the fact that ITV does not have a nations production quota, unlike the BBC and Channel 4. Can you confirm that that is something that you will be considering in your review of the nations and regions quotas?

**Glenn Preston:** I do not know whether I have a direct answer to that yet. We are obligated to do a full public service broadcast review by the end of 2020, and that will be a wide-ranging review. We have not yet agreed its parameters or terms, but I suspect that those sorts of issues would be considered as part of it. As I say, we have not planned what that review will look like, because it is still some time ahead.

**The Convener:** Would your current review into out-of-London production not be included in that, even if people made suggestions?

**Glenn Preston:** No, I do not think so. That review does not go as wide as looking at nations' quotas issues, as applied to the BBC and Channel 4 at the moment, which I know is the context in which the committee has been interested in it. It looks much more specifically at the three criteria, particularly the substantive base one, and there are quite specific issues around transparency and the provision of data. I do not think that the

intention is that that review goes widely to issues such as quotas.

**The Convener:** It is certainly something that several witnesses have raised with us. Our report into the screen sector, "Making Scotland a Screen Leader", which is released today, recommends that ITV should have a nations quota. I just wanted to convey that to you now.

**Glenn Preston:** I know that the report became available only this morning, so I have not been able to go through it all yet. We will certainly look at it.

**The Convener:** Thank you all for coming to give evidence to us today.

10:45

*Meeting continued in private until 10:55.*



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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