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Culture, Media and Sport
Committee

**Broadcasting in
transition**

Third Report of Session 2003–04

*Report, together with formal minutes, oral and
written evidence*

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The Culture, Media and Sport Committee

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Summary

On 12 December 2000, the Government published *A New Future for Communications* (Cm 5010), the joint work of two departments: Trade and Industry and Culture, Media and Sport. In recognition of the changing and converging worlds of telephony and broadcasting, a key proposal was the establishment of a single communications regulator, the Office of Communications (Ofcom).

The Committee reported on the white paper in March 2001, welcoming the adoption of our predecessor Committee's recommendation, made in 1998, for a single regulator while, at the same time, noting the absence of any reference to Ofcom's accountability to Parliament. We were thus all the more appreciative of the suggestion of Ofcom's chairman, Lord Currie, that the newly merged regulator give evidence to the Committee on an annual basis.

The short Office of Communications Act 2002 had confined itself to the establishment of Ofcom, leaving details of the scope and nature of its activities to the (much) larger Communications Act 2003. The latter began as a draft Bill, published in May 2002 (shortly after the Committee's report on Communications) and subjected to pre-legislative scrutiny by a joint committee. The 2003 Act received Royal Assent on 17 July, giving Ofcom only five months to become fully operational by vesting day, 29 December 2003.

A key consideration has been the avoidance of a regulatory interregnum during the transition to the new regime, particularly in view of ongoing developments in broadcasting. Notable among these was government approval, in November 2003, for the merger of Carlton Communications Plc and Granada plc, subject to undertakings aimed at protecting other Channel 3 licensees (Grampian, Scottish, Ulster and Channel) as well as safeguarding competition in the market for advertising airtime. ITV plc began trading on 2 February 2004.

With the rationalisation and consolidation that invariably accompany media mergers, ITV's current proposals for studios and staffing levels in the Meridian franchise provide a relevant backdrop; and a cause for concern. We received several representations from trade unions, individual employees and Members of Parliament about plans to relocate staff from New Hythe, Maidstone, and the consequent impact on news and sports coverage in the south east sub-region. We also received representation about concerns over the impact of possible consolidation in the East Midlands. The Committee expects Ofcom to monitor the situation closely, and to intervene where necessary to safeguard the present high quality programming in regions and sub-regions throughout the country.

So far as national news is concerned, the Committee believes that ITV's removal of the 10pm news to 10.30pm is inconsistent with the spirit, if not the letter, of the statutory requirements of the Communications Act 2003 and the Broadcasting Acts it supersedes. We are concerned that Ofcom proved itself such an easy touch on this matter, which does not bode well for future attempts by ITV to manipulate its franchise.

On 28 January 2004, Lord Hutton published his *Report of the Inquiry into the Circumstances Surrounding the Death of Dr David Kelly C.M.G.* His conclusions relating to the role of the BBC Governors will also merit careful examination in the context of the Government's review of the BBC's Royal Charter.

1 Introduction

1. In November 2003, the Committee agreed to conduct a short inquiry into the implications of the merger of Carlton Communications Plc and Granada plc for the fulfilment of ITV's public service broadcasting responsibilities including, but not confined to, regional programming and news. We were further prompted by concerns that consolidation of resources, and accompanying redundancies, for example in the Meridian franchise area, would adversely affect coverage of news and sport, particularly at the sub-regional level.

2. Concurrent with the ITV merger process has been the transition to a new regulatory system for broadcasting and telecommunications, authorised and embodied by the Communications Act 2003. A single regulator, the Office of Communications (Ofcom), was established in shadow form by the Office of Communications Act 2002, and assumed full powers from five legacy regulators on 29 December 2003. We decided to examine Ofcom on its preparedness to carry out its duties, principally in respect of broadcasting.

3. On 9 December 2003 we took evidence from SMG plc, the owner of Grampian Television Ltd and Scottish Television Ltd – two of the four ITV licensees not part of either Granada or Carlton. We also examined the Producers' Alliance for Cinema and Television (PACT), the UK trade association representing the commercial interests of independent feature film, television, animation and interactive media companies. The National Union of Journalists (NUJ) and the Broadcasting Entertainment Cinematograph and Theatre Union (BECTU) were examined, in part to illuminate concerns over the implications of the merger for the performance of ITV as a whole against its public service broadcasting obligations. Finally, we took evidence from Granada and Carlton.

4. Our second evidence session, on 16 December, was devoted to examining the Office of Communications. Lord Currie of Marylebone (Chairman) and Mr Stephen Carter (Chief Executive) were examined on their operational preparedness and the conduct of the handover period involving the five regulators they were soon to replace. We took the opportunity to question them on a wide range of public service broadcasting issues, including the scheduling of national news coverage on Channel 3 and the impact of proposals by Meridian Broadcasting Ltd for news coverage in the South East. We raised the issue of children's programming, in particular the nature of food and drink advertisements scheduled in the breaks. We appreciate Lord Currie's request that Ofcom appear before the Committee.

5. Where memoranda have been submitted by witnesses, we have printed these adjacent to the oral evidence at the back of this volume. We received further evidence in the form of written submissions to the Committee and correspondence involving a variety of interested parties. Some of this has been published as memoranda, while the rest has been listed and sent to the Public Record Office and the House of Commons Library.

2 Background

6. During the 1997-98 parliamentary session, the previous Committee published its report, *The Multi-Media Revolution*.¹ It included the following recommendation: “We recommend the absorption of all current regulatory bodies into one Communications Regulation Commission with overall responsibility for statutory regulation of broadcasting, telecommunications and the communications infrastructure.”² The previous Committee’s report went on to make recommendations for the organisation and remit of the single regulator; these included the oversight for all broadcasters, including the BBC, of broadcast content regulation and of their commercial activities.

7. The Government rejected this view. However, it finally accepted the need for a single regulatory body in the Communications White Paper, published on 12 December 2000.³ Recognition that the broadcasting and communications industries were co-evolving as a prelude to convergence was embodied in the White Paper’s centrepiece: a proposal to establish a single Office of Communications to replace, with updated duties, the five existing, now extinct, legacy regulators: Office of Telecommunications (OfTel), Radiocommunications Agency, Radio Authority, Broadcasting Standards Commission, and the Independent Television Commission.

8. The White Paper envisaged Ofcom as an independent, statutory, regulatory body responsible for economic regulation of communications, content regulation and radio spectrum management. In addition to duties and functions specified in the new Communications Act, Ofcom would apply, concurrently with the Office of Fair Trading, Competition Act powers relating to anti-competitive activity, and the monopoly provisions of the Fair Trading Act.

9. The previous Committee reported on the White Paper in March 2001,⁴ welcoming the proposed single regulator and making a number of recommendations as to its structure, organisation and accountability.

10. On the structure of Ofcom, the previous Committee cited reservations expressed in the Communications Green Paper of 1998⁵ about the unwieldiness, and lack of transparency and accountability of a single body. This said, the Committee had “no doubt that the advantages of a single regulator far outweigh the disadvantages”.⁶

11. The Committee drew attention to the differing dynamics of competition and content regulation: the former was best carried out by a “small core of professionals” while the latter benefited from broader involvement. This led to a recommendation that “the legislation establish a mechanism to provide for greater lay involvement in content regulation than in

1 Fourth Report, 1997-98, HC 520

2 *Ibid.*, paragraph 158

3 A New Future for Communications, Cm 5010, December 2000

4 Second Report, 2000-01, HC 161

5 Regulating communications: approaching convergence in the Information Age, Cm 4022, July 1998

6 Second Report, 2000-01, HC 161 paragraph 133

competition regulation”.⁷ The Communications Act 2003 subsequently provided for a Content Board as an integral part of Ofcom.

12. Insofar as accountability was concerned, the previous Committee came down firmly in favour of openness: “We recommend that a specific duty be imposed on the new regulator to ensure that its governing body and its sub-commissions or committees meet in public unless the governing body is satisfied that, in the case of any particular issue under consideration, the interests of public disclosure are outweighed by the need for commercial confidentiality. With such a need to weigh these factors in the balance, we would not expect all meetings concerning commercial activities to be held in private. We further recommend that legislative provision be made to ensure that, where any decision is reached by vote, the voting records are published and to require that all meetings with broadcasters to discuss their annual reports on delivery of programme statements are held in public.”⁸ The Communications Act 2003 fell seriously short in this respect, merely requiring Ofcom to have regard to the principles under which regulatory activities should be transparent and accountable.⁹ Again, this is not the first time that the net-curtains mentality has prevailed over the Government’s commitment to openness.

13. The short Office of Communications Act 2002 confined itself to the establishment of Ofcom, leaving details of the scope and nature of its activities to the (much) larger Communications Act 2003. The latter began as a draft Bill,¹⁰ published in May 2002 (shortly after the Committee’s Report¹¹ on *Communications*) and subjected to pre-legislative scrutiny by a joint committee.¹²

14. Ofcom was vested with its statutory powers and functions on 29 December 2003. Administrative work to effect the transition from the old system can be traced to 28 March 2001 – with the announcement of a Memorandum of Understanding between the Broadcasting Standards Commission, Independent Television Commission, Office of Telecommunications, Radio Authority and Radiocommunications Agency. That set out the arrangements for closer cooperation on a wide range of issues, overseen by a steering group of the Chief Executives.

15. While the legacy regulators and the newly established Ofcom were working towards a single organisation, consolidation plans were proceeding apace within the broadcast industry itself. On 16 October 2002, Carlton Communications Plc (Carlton) and Granada plc (Granada) announced a merger aimed at a fully consolidated ITV (save for SMG, Ulster and Channel). The companies argued that the main objective of the merger was to remove the current dysfunctionality within ITV, comprising 15 regional Channel 3 licensees, and allow it to remain an effective player in the competition for viewers and advertisers, in a rapidly changing and competitive environment. There were also

7 *Ibid.*, paragraph 136

8 *Ibid.*, paragraph 139

9 section 3(3), *Communications Act 2003*. This subsection also embodies an obligation that Ofcom’s regulation be “light touch”

10 *Draft Communications Bill*, Cm 5508, May 2002 (I - draft Bill; II – explanatory notes; III – policy narrative)

11 Fourth Report, 2001-02, HC 539

12 Joint Committee on the Draft Communications Bill, *Draft Communications Bill*, 25 July 2002, HC 876 HL 169 2001-02

significant cost savings to be realized by merging the two companies (estimated to be around £100 million per annum).

16. The Communications Act 2003, which received Royal Assent on 17 July 2003, allowed the merger to go ahead subject to the approval of the Secretary of State for Trade and Industry as advised by the Competition Commission.

17. On 11 March 2003 the Secretary of State for Trade and Industry referred the proposed merger between Carlton and Granada to the Competition Commission (CC) to determine whether the merger could or would operate against the public interest. On 7 October the CC reported that safeguards were required.

18. The CC concluded that the merger could be expected to operate against the public interest in relation both to the other Channel 3 regional licensees and to future competition for the sale of advertising airtime. This was accepted by the Secretary of State. On 14 November the Department of Trade and Industry announced that signed undertakings in respect of these risks were accepted and that the merger could proceed.

19. In relation to the status of the Channel 3 regional licensees and their regulation, it is worth recalling the following recommendation made by our predecessor Committee in its report on the Communications White Paper: “We recommend that, notwithstanding the proposed removal of specific legislative barriers to further ITV consolidation above and beyond the general provisions of competition law, separate licences be retained for each ITV region, including provisions relating to regional production and the contribution of each region to network programming. We further recommend that there be a legislative obligation upon the new regulator to maintain a network of offices in the nations and regions of the United Kingdom to facilitate effective monitoring of compliance with regional obligations by broadcasters”.¹³

20. Three reports by the present Committee are directly relevant to the present inquiry:

- Fourth Report of Session 2001-02, HC 539, *Communications*
- Fifth Report of Session 2002-03, HC 458, *Privacy and media intrusion*
- Sixth Report of Session 2002-03, HC 667, *The British Film Industry*.

21. Our Fourth Report of 2001-02 preceded the draft Communications Bill, but contains a number of conclusions and recommendations which remain germane in the context of this short inquiry. Two of our previous recommendations related to the transparency and accountability of Ofcom:

- “We recommend that the final Communications Bill sets out specific requirements with regard to the openness and transparency of the conduct of Ofcom, including that its Board should meet in public unless issues of commercial confidentiality make this inappropriate.”¹⁴

13 Second Report, 2000-01, HC 161 para 34

14 Fourth Report, 2001-02, HC 539 paragraph 28

- “We recommend that the final Communications Bill contains a duty on the Chairman of the Ofcom Board to submit an annual report on Ofcom's activities, expenditure and achievements to Parliament. The Chairman and Chief Executive of Ofcom would then be subject to the same examination by this Committee, on the basis of that report, as has become the practice with the Chairman and Director-General of the BBC and that Corporation's report and accounts.”¹⁵

22. As we have pointed out, the Communications Act 2003 did not implement the first of the above recommendations. Provision for Ofcom's Annual Report to be laid, by the Secretary of State, before each House of Parliament is made in the Office of Communications Act 2002. We also concluded that it “could be a mistake” to increase the size of the Ofcom Board, the experience of the US Federal Communications Commission suggesting that a small executive body functions most effectively. We note that the Office of Communications (Membership) Order 2002 subsequently increased the maximum membership of Ofcom from six to nine.

23. As with Ofcom, we recommended that the BBC Governors hold their meetings in public.¹⁶ Furthermore, we saw a specific role for Ofcom in relation to BBC services: “We are seriously dissatisfied with the present procedures for approving new BBC services. We therefore recommend that the approval of such services should be the subject of published statutory advice from Ofcom to Ministers.”¹⁷ Though the Government did not at the time accept these recommendations,¹⁸ the review of the BBC's Royal Charter will provide an opportunity for these issues to be revisited.

24. Our Report on *Communications* included further recommendations that we touch upon here; for example, recommendations dealing with the promotion of a switchover to digital television and on media ownership. On the latter subject we concluded the following: “We believe that the case for particular restrictions on media, or cross-media, ownership in any sector is now out-dated. We would be happy to rest on the developing competition regime and the vast amount of information and the many voices available through the Internet.”¹⁹

25. Our Fifth Report of Session 2002-03 recognised that relatively few of the complaints about media intrusion into privacy were attributable to broadcasters. However, we recommended that “Ofcom and all the broadcasters should engage with the PCC and the press industry to develop ways of tackling the media scrums that still seem to gather at the scent of a story. Described by Lord Wakeham as ‘a form of collective harassment’ this is a matter that must be capable of being sorted out – especially when it is the victims of violent events, or their families, that are involved.”²⁰ The Government welcomed this recommendation.²¹ In its response, the Press Complaints Commission stated that a

15 *Ibid.*, paragraph 31

16 *ibid.* paragraph 38

17 *ibid.* paragraph 42

18 Government Response to the Fourth Report of the Culture, Media and Sport Select Committee Session 2001-2002 Cm 5554, July 2002

19 *Op. cit.*, paragraph 84.

20 Fifth Report, 2002-03, HC 458 paragraph 39

21 The Government's Response to the Fifth Report of the Culture, Media and Sport Select Committee on *Privacy and Media Intrusion* (HC 458-1) Session 2002-2003, Cm 5985, October 2003

meeting with Ofcom would take place early in the New Year (2004) on the subject of cooperation aimed at developing ways of tackling media scrums.²² We understand that two such meetings as this issue have taken place.

26. We further recommended that Ofcom: “seize the opportunity presented by its new structure to undertake a thorough review, including wide consultation, of how complaints against the broadcasters should be tackled and on the substance of a new code upon which the system will rest.”²³ In relation to the BBC we recommended: “The BBC should respond to the preference of individuals for their privacy complaints to be dealt with by an external body (previously the Broadcasting Standards Commission) and should either increase the demonstrable independence of its own system or refer complaints to Ofcom if the initial response from the programme-makers does not resolve the situation. The BBC should participate fully in the Ofcom review that we recommend above.”²⁴ Under the Communications Act 2003, Ofcom has responsibility for policing complaints relating to the infringement by broadcasters of an individual’s privacy. This aspect of “negative content regulation” applies to all broadcasters, including the BBC by virtue of an amendment to the main BBC Agreement dated 4 December 2003.²⁵ Ofcom has already consulted on interim guidelines for the handling of fairness and privacy complaints.

27. In our Sixth Report of Session 2002-03 we investigated the status of the British film industry, expressing a desire to see increased levels of support for film production and exhibition of British product from the public service broadcasters. Of direct relevance to Ofcom was the following statement: “We hope and expect that these hopes will not be disappointed and that Ofcom will be able to take meaningful action to improve the relationship between the British film industry and the public service broadcasters to the benefit of the British people's enjoyment of, and access to, film. One avenue will be through the Statements of Programme Policy required from the broadcasters.”²⁶

28. Giving evidence to this Committee on the Annual Report of the Department for Culture, Media and Sport, the Secretary of State confirmed the requirement on all public service broadcasters to promote British film in their scheduling; and that retrospective monitoring by Ofcom of Statements of Programme Policy would contribute to this.²⁷ The Secretary of State added: “We have done a second important thing to promote film and that is through the review of programme supply, freeing up the whole issue of possession of rights to the advantage of the independent production companies. The code of practice may already have been signed by Ofcom or it is very close to being signed by Ofcom. Ofcom will monitor the performance of the broadcasters against the code that they have

22 First Special Report, 2003-04, HC 213

23 *Op. cit.*, paragraph 36

24 *Ibid.*, paragraph 38

25 Copy of the Amendment dated 4th December 2003 to the Agreement of 25th Day of January 1996 (as amended) between Her Majesty’s Secretary of State for Culture, Media and Sport and the British Broadcasting Corporation, Cm 6075, December 2003

26 Sixth Report, 2002-03, HC 667 paragraph 117 (the requirement comes from section 266 of the Communications Act 2003)

27 Second Report, 2003-04, HC 74, Ev 22, Q 18

drawn up in the light of the conclusions of the expert review which I commissioned about 18 months ago.”²⁸ What this means, and whether it will make any difference, is not clear.

3 Ofcom: preparedness and handover

Establishment of Ofcom

29. The Office of Communications Bill was introduced in the House of Lords in July 2001 as a paving measure to facilitate the establishment of Ofcom, ahead of any powers to be given it by a separate Communications Bill. **We welcome the establishment of a single communications regulator, which we and our predecessor Committee have consistently called for since 1998.**

30. During the Lords’ Second Reading on 15 October 2001, Baroness Blackstone elaborated on the need to make practical progress towards setting up Ofcom: “Folding three statutory organisations, one non-ministerial government department and an agency into a new statutory body is extremely complex. We have to bring together five separate groups of professional expertise based across 20 or more offices around the country, with differing pay systems, pension schemes and organisational cultures, without disrupting this important industry and while maintaining effective protection for consumers.”²⁹

31. The Office of Communications Act 2002 received the Royal Assent on 19 March 2002, its function to secure a more orderly transition to the new regulatory system by:

- Establishing the Office of Communications
- Giving Ofcom a single preparatory function
- Placing the existing regulators under a duty to assist Ofcom to prepare.

32. Section 1 of the 2002 Act established Ofcom as a statutory corporation with not more than six and not less than three members. The power to make appointments is conferred upon the Secretary of State. The intention was that appointments would be made by the Secretary of State for Trade and Industry and the Secretary of State for Culture Media and Sport acting together. The Secretary of State is also given power to make orders to alter those limits – for example to increase the size of the Board as its preparatory function became supplemented by regulatory functions. The Office of Communications (Membership) Order 2002 increased the maximum membership of Ofcom from six to nine. **In our previous Report on *Communications*, we referred to the experience of the US Federal Communications Agency to the effect that a small executive body functions most effectively. We believe that any further increase in the size of the Ofcom Board would require specific and overwhelming justification.**

²⁸ *Ibid.*, Ev 22, Q 19

²⁹ HL Deb 15 October 2001 c 351

33. Lord Currie of Marylebone was appointed as Chairman of Ofcom for a five-year term from 1 August 2002. The appointment of the first Board members was announced by the Secretaries of State on 25 September 2002, and the Board, with the Secretaries of State's approval, appointed Stephen Carter as Chief Executive from 1 March 2003.

34. A Shadow Content Board was appointed in April 2003.³⁰ Its function is not to make licensing decisions, but to ensure such decisions are informed by a wide range of views: from the nations and regions, ethnic communities and disabled people. It will oversee the so-called Tiers 1 to 3 of content regulation. Tier 1 concerns content issues related to harm and offence, accuracy and impartiality, fairness and privacy across all radio and television broadcasters including (with some exceptions) the BBC. Tier 2 concerns matters such as quotas for regional, original and independent production, again across all broadcasters including the BBC. Tier 3 relates predominantly to the public service broadcasting remit of commercial television broadcasters, ITV (Channel 3), Channels 4 and 5; but not the BBC —for whom the Governors retain this positive content function.

35. Section 2 of the Office of Communications Act gave Ofcom the single function to prepare to assume functions at a later stage. It also provided some statutory protection against regulatory uncertainty during the transitional period, by including a provision that Ofcom not interfere with existing regulators nor with the Secretary of State in relation to her functions relating to wireless telegraphy. The latter was in practice a reference to the Radiocommunications Agency. For the purposes of the Act, the term 'existing regulator' meant the other four: Broadcasting Standards Commission; Director General of Telecommunications; Independent Television Commission; and the Radio Authority. The important point about Section 2 is that it provided for the performance of day to day regulatory duties until Ofcom formally assumed its responsibilities on 29 December.

36. Section 4 of the 2002 Act added to the functions of existing regulators, imposing on them a duty to comply with directions by the Secretary of State to prepare schemes for the transfer of their property, rights and liabilities to Ofcom.

37. Well before this paving legislation was enacted, planning proceeded apace to develop a more detailed structure for Ofcom, and to identify practical steps towards this. At the heart of the transitional arrangements was a steering group representing the existing regulators. The Regulators' Steering Group commissioned Towers Perrin to prepare a report to inform the transition to Ofcom. A scoping study was published in October 2001.

38. Following this initial scoping work, key recommendations for Ofcom, determined by the consultants advising the DTI and DCMS, namely Towers Perrin, Ernst & Young and Differentis, were published in November 2002. The executive summary of the consultants' final report, *Creating Ofcom*, gave the core recommendations around the organisational design for Ofcom. These proposals envisaged the organisation divided into four major groups: Strategy and Development; Regulatory Policy and Compliance (covering content and consumer protection, competition and markets, and allocation of scarce resources such as spectrum and numbering); Regulatory Operations (day to day issues such as routine licensing); Corporate Services.

39. The structure of Ofcom that has emerged has clearly been informed significantly by the consultants' reports.³¹ There are nine groups in all, three covering the policy areas of Strategy and Market Developments, Competition and Markets, and Content and Standards. Other groups are: Operations, Commercial, Human Resources, External Relations, Communications and an Office of the CEO.

40. Ofcom has also been working to establish offices in Cardiff, Glasgow and Belfast.³² Management offices are also being established in the North and South of England.³³ Recruitment for the National Advisory Committees, as required by Section 20 of the Communications Act 2003, has also been underway. Similarly for the Advisory Committee on Older and Disabled People. **We firmly support Ofcom's engagement with wider communities throughout the United Kingdom, and hope this will continue without any unnecessary replication of function.**

41. The set-up phase of Ofcom and the costs of transition from the five legacy regulators to Ofcom was funded by loans from the DTI totalling £52.3 million. These loans cover the cost of:

- Restructuring and redundancy costs
- Project management and consultancy support through the pre-operational and transitional periods
- Fitting out Ofcom's London HQ building, Riverside House
- Capital expenditure on information systems and telecommunications equipment and associated set-up costs
- Other associated transitional expenditure, such as office relocation costs.

Ofcom, the Treasury and the DTI have agreed those loans must be repaid according to a four-year schedule beginning March 2004.³⁴

42. Overall, Ofcom has achieved a substantial reduction in staffing levels. The five legacy regulators employed 1152 staff, whereas Ofcom will have a total staff complement of 880 — a 23% reduction.³⁵ In the financial year 2004-05, the cost of Ofcom will be £136 million plus the repayment of the start-up loan and VAT on top.³⁶ Despite the staff reductions this is similar to the combined cost of the five separate legacy regulators.³⁷

43. In written evidence to the Committee,³⁸ Ofcom states that the above cost includes £8 million a year in respect of new, additional duties imposed by the Communications Act.

31 Ev 30

32 Ev 30

33 http://www.ofcom.org.uk/about_ofcom/offices/office_locations

34 Ofcom news release, 26 November 2003

35 Ev 30

36 Ev 41, Q79

37 Open Day: A User's Guide to Ofcom, 16 December 2003

38 Ev 30

The Act has given Ofcom 263 functions and duties compared with the 128 duties imposed on the five legacy regulators under the previous legislation.³⁹ This is the basis for Ofcom's claim that, on a "like-for-like" basis, the single regulator will cost some 5% less than the five it replaces. **While recognising that high quality regulation, even "light touch" regulation, comes at a price, Ofcom needs to ensure it delivers good value for money. The Committee will scrutinise Ofcom's annual reports to assess the degree to which this is achieved.**

Accountability and transparency

44. The previous Committee recommended the establishment of a separate Department of Communications assuming the broadcasting and media responsibilities of the Department for Culture, Media and Sport, the telecommunications and Internet responsibilities of the Department of Trade and Industry, and the Cabinet Office's responsibilities for electronic delivery of government services. Because this recommendation was not adopted by the Government, the result is greater complexity, duplication and opaqueness in Ofcom's relationship with Government. A further consequence is that Ofcom will be accountable to Parliament through both this Committee and the Trade and Industry Committee. We look forward to continued cooperation with Ofcom to ensure clear lines of accountability.

45. As noted earlier, we and our predecessor Committee have consistently made recommendations aimed at securing openness and transparency in regulatory decision-making. One reason is to allay any concerns that industry might exert undue influence over a single regulator (regulatory capture). In this context, we were pleased that Mr Clive Jones, Joint Managing Director of ITV (Carlton Communications), indicated a willingness to defer to Ofcom should the latter choose to take evidence in public.⁴⁰

46. We note that Ofcom has instituted public consultations and meetings, as well as a website which includes notes of board meetings. However, Lord Currie said: "I think we should be absolutely clear that the Ofcom board, in reaching decisions, will not be meeting in public."⁴¹ When pressed on this issue, he offered the following explanation: "One of the things I have been very keen to ensure that the Ofcom board does is to work very effectively to get its collective mind around the issues, and that requires free and open interchange between the board members, and I think that would be severely prohibited if we met in public."⁴²

47. To ensure maximum transparency in regulatory decisions, and to provide a further safeguard against regulatory capture, Ofcom should hold hearings and meetings, including board meetings, in public with full minutes published promptly. Publicly funded, and theoretically publicly accountable, bodies should not operate in secrecy.

48. Section 3(3) of the Communications Act requires Ofcom to have regard, in all cases, to "the principles under which regulatory activities should be transparent, accountable,

39 The duties under the new and old system have been identified in *From Commencement to 1st Quarter: Foundation and Framework*, Ofcom, 2003

40 Ev 24, Q 69

41 Ev 31, Q 4

42 Ev 32, Q 6

proportionate, consistent and targeted only at cases in which action is needed.” This adds further weight to our recommendations on transparency and accountability, and further embodies Ofcom’s functions as a “light touch” regulator. It is important to bear this in mind given the very wide range of duties imposed both by the Communications Act which also provides for the concurrent exercise by Ofcom of powers under the Competition Act 1998 and the Enterprise Act 2002 across the whole of the communications sector.

49. In preparing to execute these functions, Ofcom has published an Annual Plan,⁴³ a programme of work that identifies three major reviews: public service television; the entire UK telecommunications market; and spectrum. We note that Ofcom is holding a public consultation on the Annual Plan, including a series of public meetings. Ofcom has already initiated several formal consultations covering all three regulatory sectors: networks and services, broadcasting and spectrum. Some of the ongoing or recent consultations which relate to matters touched upon by the present inquiry are identified below:

- The Ofcom Review of Public Service Broadcasting (PSB) Television
- Ofcom's proposed guidance on regional production and regional programming
- Consultation on the draft code on providing television access services (for example, audio description and subtitling)
- Consultation on Ofcom guidance for the public interest test for media mergers
- Outline procedure for statutory sanctions in content cases
- Guidelines for the handling of fairness and privacy complaints
- Consultation on Reviews of Financial Terms for Channel 3 Licences
- The Future Regulation of Broadcast Advertising
- Guidelines for the handling of standards complaints and cases (in programmes, advertising and sponsorship)
- ITC/Ofcom joint consultation on ITC Rules regarding Advertising Sales Arrangements.

Review of public service broadcasting

50. Under Section 264 of the Communications Act, Ofcom is required to report on the extent to which the BBC, Channels 3, 4 and 5, S4C and the public teletext service have, taken as a whole, fulfilled the purposes of public service broadcasting. To this end, Ofcom is taking wider account of the television ecology, including broadcasters which are not subject to formal public service remits.⁴⁴ This necessarily involves defining the purposes of PSB in the first place; to move away from the “you know it when you see it” rule of thumb. The Ofcom Review of Public Service Broadcasting is particularly relevant in the context of the Government’s current review of the BBC’s Royal Charter.

43 Ofcom's Annual Plan: April 2004 - March 2005, http://www.ofcom.org.uk/consultations/current/annual_plan/

44 Ev 41, QQ 73-4

51. Our report on Communications included the following observation: “The balance of evidence submitted to us, including from the current regulators, was in favour of the BBC being regulated entirely by Ofcom.”⁴⁵ When the previous Committee advocated a single communications regulator in 1998, the recommended duties included “oversight, for all broadcasters, including the BBC, of broadcast content regulation and the commercial activities of broadcasters, with direct oversight of their implementation”. The present arrangements are untidy and lack consistency. **The BBC’s Royal Charter review will provide an important opportunity to adjust the relationship between the BBC and Ofcom.**

52. **On 28 January 2004, Lord Hutton published his Report of the *Inquiry into the Circumstances Surrounding the Death of Dr David Kelly C.M.G.***⁴⁶ **His conclusions relating to the role of the BBC Governors will also merit careful examination in the context of the Government’s review of the BBC’s Royal Charter.**

53. Section 264 of the Communications Act provides a definition of the key features of public service broadcasting. In essence, the PSB remit involves the provision of a balanced diversity of high-quality programming, which meets the needs and interests of different audiences.

54. More detailed obligations are indicated in subsection (6). These include obligations relating to culture, news and current affairs, sport, education, entertainment, religion and other beliefs, science, social issues, matters of international significance, programming for children, and local programming. We note that reference to UK feature films appears on the face of the Act. Ofcom is also required to have regard to the number of programmes within the services which are made outside the M25 area. In addition, Ofcom must consider the costs to the broadcasters of fulfilling their public service television remit and their available resources.

55. We questioned Ofcom on some of the key features of public service broadcasting. These included: news provision; regional programming; community radio; audio description; feature films; children’s programming and advertising. We attach particular importance to the first of these, and consider the specific issue of ITV’s national news bulletins later in this report.

56. The Communications Act also gives Ofcom powers over the output of regional programmes, with licences providing the means to ensure that appropriate infrastructure is in place.⁴⁷ Stephen Carter told us that Ofcom’s review of public service broadcasting would inform the re-licensing of Channel 3 and Channel 5, and help “get to specificity around the regional production quota.”⁴⁸ The Communications Act 2003 obliges Ofcom to include conditions in the licences of commercial public service broadcasters to secure compliance with obligations as to independent production, regional production, original production, and regional programming. Similar obligations apply in relation to the BBC by dint of the Corporation’s Agreement with the Secretary of State.

45 Fourth Report, 2001-02, HC 539 paragraph 35

46 HC 247, 2003-04

47 Ev 31, Q 2

48 Ev 33, Q 12

57. We questioned Ofcom specifically on the regional commitment of Channel 3 companies, which will be reviewed during the course of this year. While acknowledging the “quite clear regional output obligations” placed on Channel 3 broadcasters, Lord Currie claimed to put these in the context of other commitments: “The first point to make is that regional commitments on public service broadcasters have to be balanced against other commitments that are placed on them. They operate in a commercial market place that increasingly has been quite difficult for them, and therefore the more that is put on the regional side the more there will be trade-offs to be considered amongst the various obligations placed upon them.”⁴⁹ We really do not see why this should be so. Ofcom is a regulatory body, not a charitable organisation. There is no statutory provision for trade-offs that would water down regional obligations contained in law or licence; nor has Ofcom any remit for even entertaining such trade-offs.

58. The protection and maintenance of regional commitments by Channel 3 licensees will be the first major test for Ofcom. It is essential that it pass this test, since faith in its decisions will otherwise be undermined. Furthermore, we see no reason why this process should not be conducted in public.

59. In 2001, in response to our recommendations in previous reports,⁵⁰ the Radio Authority launched an experimental “access” radio scheme, involving 15 small-scale community radio services.⁵¹ Ofcom later announced that this pilot scheme would be extended until 31 December 2004. On 10 February 2004, the Secretary of State issued a written ministerial statement, announcing publication of a draft Community Radio Order for public consultation.⁵² The draft Order proposes to introduce a new tier of very local, not-for-profit (or not profit-distributing) radio. Such radio stations could serve small communities, whether based on geography, ethnic or cultural background or other common interest. **We welcome the draft Community Radio Order, allowed for by Section 262 of the 2003 Act, while drawing attention to the provision for grants made in Section 359. These offer the opportunity to turn into facts Stephen Carter’s “warm noises” that community radio is a “good thing”.**⁵³

60. The Royal National Institute of the Blind submitted evidence to us on the provision of television audio description services.⁵⁴ As the RNIB points out, the additional narrative this provides to explain visual sequences is as important to visually impaired people as subtitles are to hearing impaired people. We consider both to be touchstone indicators of a broadcaster’s commitment to public service television. Channel 5 should be congratulated for taking a lead among public service broadcasters in exploiting available facilities to launch, in November 2003, an audio description service on digital satellite.⁵⁵ **We are concerned that the BBC has chosen to quibble over technical standards and that ITV has argued that its regional programming prevents any audio description.**⁵⁶ We look to

49 Ev 34, Q 19

50 Second Report, 2000-01, HC 161, paragraph 109; and see Fourth Report, 2001-02, HC 539, paragraphs 62-3

51 NEW VOICES - An Evaluation of 15 Access Radio Projects by Anthony Everitt (19 March 2003)

52 HC Deb 10 February 2004 c 65WS

53 Ev 35, Q 26

54 Ev 47-9

55 Ev 37, Q 36

56 Ev 23, QQ 59-60

Ofcom to promote the development of television services for deaf and visually impaired people across all broadcast platforms, in line with the requirements of the Communications Act. In particular, we recommend that BBC and ITV networked programmes are made available with suitable audio description via digital satellite for the 500,000 Sky subscribers who are blind or partially sighted.

61. Our Sixth Report of Session 2002-03 called for increased levels of support for film production and exhibition of British product from the public service broadcasters. We note Ofcom's assurance that British films will form an explicit part of the PSB review.⁵⁷

62. Children watch a wide range of television programmes, some aimed directly at them (such as cartoons), and some targeted more towards their parents' tastes (such as soap operas, natural history and sport).⁵⁸ The PSB review will aim to identify more clearly than was possible during our evidence session with Ofcom what elements of children's programming constitute public service broadcasting.⁵⁹

63. Of more immediate concern to us is advertising scheduled to coincide with children's programming, particularly that which promotes an unhealthy diet.⁶⁰ The Secretary of State has written to Ofcom "to consider proposals for strengthening the existing code on advertising food to children."⁶¹ In his reply, Stephen Carter wrote: "We share your view that child obesity is an important and urgent social issue, and we are therefore giving significant priority to a major project which will inform the best approach to take to any changes to the broadcast advertising codes. We aim to complete the project, including consulting on, and implementing any rule changes, during the first half of 2004."⁶²

64. There already exists a robust body of research establishing that a significant risk factor for childhood obesity is food and drink with high fat and/or sugar content, most recently in the report of a working party of the Royal College of Physicians, Royal College of Paediatrics and Child Health and the Faculty of Public Health Medicine.⁶³

65. We believe there is no justification for delay in securing responsible food and drink advertising aimed at children. A precautionary approach is justified, regardless of the desirability of further research into the effects of food promotion to children.

66. More generally, Ofcom ought to adopt a robust stance in ensuring the spirit as well as the letter of all existing public service commitments is maintained. In the longer term, the welcome adoption of light touch regulation must not be allowed to result in denying citizens the option to watch high quality public service television.

57 Ev 34, Q 23

58 *What children watch*, BSC / ITC, June 2003

59 Ev 39, QQ 56-8

60 Ev 37-9, QQ 41-55

61 Letter from Rt Hon Tessa Jowell MP to Lord Currie, 1 December 2003, published on the Ofcom website, http://www.ofcom.org.uk/about_ofcom/gov_accountability/ministers/jowell_currie

62 Letter from Stephen Carter to Tessa Jowell MP, 17 December 2003, published on the Ofcom website, http://www.ofcom.org.uk/about_ofcom/gov_accountability/ministers/carter_jowell?a=87101

63 *Storing up problems*, February 2004

The digital transition

67. The number of households with digital television, satellite, cable or terrestrial, has now passed the 50% mark. Government policy is eventually to switch off the conventional analogue broadcasts, thus widening availability of digital television and freeing spectrum for alternative applications, subject to availability and affordability criteria.⁶⁴ When these objectives were first announced in September 1999, the Government said that digital switchover could start to happen as early as 2006 and be completed by 2010. Speaking at a Westminster Media Forum in December 2003, Lord McIntosh of Haringey, Minister for Media and Heritage, referred to plans for the switchover, and of Ofcom's "critical" role in their development.⁶⁵

68. Stephen Carter told us: "The switchover issue is ultimately a decision of Government. Clearly we recognise that, and we will do whatever is useful to assist the process of reaching that. We do support an accelerated move to switch-off. It is important to appreciate that this is Ofcom in a supportive role rather than in the lead on this particular question."

69. We believe Ofcom should attach priority to ensuring its regulatory decisions are consistent with the promotion of an expeditious switchover to digital broadcasting.

70. We note that during this period of transition, from analogue to digital, many viewers have no choice about how they receive digital television. With Freeview only available in roughly 60% of the country and digital cable available to even fewer homes, poorer households who fear committing themselves to a monthly subscription service have had to turn to the free-to-view satellite option. **Since this service was closed to new customers at the end of 2003, we believe that the twin issues of universal access to, and social exclusion from, free-to-air digital television services must remain an important issue. We recommend that Ofcom address itself to this as a matter of urgency.** We are aware that the Government may be considering region by region switchover.

4 ITV Merger

71. On 16 October 2002, Carlton Communications Plc (Carlton) and Granada plc (Granada) announced a merger aimed at further consolidation of ITV. The companies argued that the main objective of the merger was to remove the dysfunctionality within ITV, and allow it to remain an effective player in the competition for viewers and advertisers, in a rapidly changing and competitive multi-channel environment. There were also significant cost savings to be realized by merging the two companies, currently estimated at around £100 million per annum.⁶⁶ At that time, the draft Communications Bill had already signalled the Government's intention to remove the automatic statutory bar to such a merger. The subsequent Communications Act 2003 received Royal Assent on

64 HC Deb 8 May 2002 c 249W

65 *Ofcom's Inbox – Part One*, Westminster Media Forum, December 2003

66 Ev 11

17 July 2003, allowing the merger to go ahead subject only to the approval of the Secretary of State for Trade and Industry, advised by the Competition Commission.

72. On 11 March 2003 the Secretary of State for Trade and Industry referred the proposed merger between Carlton and Granada to the Competition Commission to determine whether the merger could or would operate against the public interest.

73. The Competition Commission looked at a number of areas of concern relating to the proposed merger, identifying two areas where it could potentially operate against the public interest.

74. First, there was the position of the other Channel 3 regional licensees not party to the merger: Grampian TV and Scottish TV (both owned by SMG plc) and Ulster TV and Channel TV. The Commission considered that additional safeguards were needed in relation to the operation of the ITV Network and the arrangements for the sale of the other licensees' airtime, much of which went through the Carlton and Granada (advertising) airtime sales houses.

75. Second, the sale of Carlton's and Granada's airtime within the UK television advertising market as a whole was a major focus on the effect of the proposed merger.⁶⁷ The Competition Commission concluded that there would be a detriment to the public interest in the advertising airtime market unless a suitable remedy was found.⁶⁸ As a consequence, Carlton and Granada would only be allowed to merge on condition that they agreed to the terms of a new regulatory mechanism called the Contract Rights Renewal (CRR) remedy.

76. In line with the Commission's recommendations and the OFT's advice, the Secretary of State announced on 7 October 2003 that certain undertakings were required before the merger should be allowed to proceed. These involved abiding by the CRR remedy to protect the advertising community from unfair or discriminatory practices in the selling of television airtime. Furthermore, Granada and Carlton would have to abide by a set of rules to protect the other ITV companies—Ulster TV, Scottish, Grampian and the Channel Islands broadcaster, Channel. The ITC and Ofcom, working with the OFT, were charged with putting these rules in place, in discussion with Carlton and Granada.⁶⁹

77. On 14 November the Secretary of State announced that she had accepted undertakings from Carlton Communications Plc and Granada plc in relation to their proposed merger, which could thus proceed. The newly-merged ITV plc began trading on 2 February 2004.

Television advertising

78. Despite a recent decline in ITV market power, the Competition Commission did not believe that other channels were yet sufficiently close substitutes to prevent an increase in the advertising budget commitment that ITV could demand for a given level of discount, following the removal of competition between Carlton and Granada. ITV provided a

67 Carlton Communications Plc and Granada plc: A report on the proposed merger, Cm 5952, 7 October 2003

68 Carlton Communications Plc and Granada plc: A report on the proposed merger, Competition Commission, Cm 5952, October 2003

69 ITC / Ofcom joint briefing in response to the Secretary of State's decision on the ITV merger, 7 October 2003, http://www.ofcom.org.uk/media_office/latest_news/nr_20031007

number of ‘must have’ features, including the unique ability to attract big audiences for advertisers, a consistently high audience share in the evening peak, a very high proportion of prestigious programmes, and the ability to attract infrequent (or “light”) viewers.

79. In short, the rationale behind the introduction of the Contract Rights Renewal remedy was the Competition Commission’s belief that buyer power would not prevent a merged Granada-Carlton from raising prices. With more than half of total television advertising revenues, the newly-merged ITV could have significant influence over the ability of advertisers or their agents (media buyers) to negotiate contracts fairly and effectively. The Contract Rights Renewal remedy addresses that risk by imposing three main conditions:

- by guaranteeing that advertisers and media buyers will be no worse off following the merger than before;
- by putting in place an automatic “ratchet”—a linkage which will reduce the amount advertisers will have to commit if ITV’s audience shrinks; and
- by establishing an adjudicator to make sure that fair competition prevails.

80. In its report of 7 October 2003, the Commission explained: “The CRR remedy is designed to give all existing customers the fallback option of renewing the terms of their 2003 contracts without change for the duration of the remedy, with the exception that where a contract specified a share of broadcast, this share would vary in direct proportion to ITV’s share of commercial impacts, subject to a cap at the initial share. The protection could be rolled forward such that a subsequent year’s contract became the base set of contractual terms, subject to mutual agreement. Customers would not be precluded from negotiating different deals if they wished.”⁷⁰

81. Mr Mick Desmond, Joint Managing Director of ITV (Granada plc), told us: “Our audience share, within the commercial television sector, is exceedingly important. It has been even more emphasised now with the recent regulatory conclusion from the OFT with the new mechanism we have called CRR.”⁷¹

82. That a conclusion was reached in relation to the complex airtime sales market, and an adjudicator appointed, is a tribute to the effectiveness with which Ofcom has worked with the ITC and the OFT during the regulatory transition period. As Lord Currie observed, “the timing of the Competition Commission Report and the subsequent approval by the Secretary of the State did create a very tight timetable”.⁷²

83. Ofcom should monitor closely the effect a merged ITV has on the wider broadcast advertising market, ensuring smaller commercial TV companies, including but not restricted to other Channel 3 licensees, are not disadvantaged.

70 Carlton Communications Plc and Granada plc: A report on the proposed merger, Cm 5952, October 2003

71 Ev 21, Q 53

72 Ev 42, Q 84

Regional programme production

Regionally-originated programming

84. Channel 3 licensees are obliged to conclude networking arrangements in order to broadcast a common schedule of programmes (with regional opt-outs). The networking arrangements are operated by ITV Network Centre (a division of ITV Network Ltd), which commissions and schedules programmes shown across the network. The Broadcast Board of the Network Centre is a sub-committee of the ITV Council, which is the governing body of the ITV Association. The Board works with the Network Centre to agree the overall nature of the network schedule and its cost for approval by the Council. Once this has been agreed, the Network Centre acts independently to commission, acquire and schedule network programmes.

85. Following a successful reference of the networking arrangements by OFT to the Monopolies and Mergers Commission (now the Competition Commission) in 1992, the arrangements were altered to allow independent producers to submit a programme proposal direct to ITV Network Centre and to prevent programme rights from being acquired (normally) for more than 5 years.

86. As a result of the Competition Commission report, measures have been introduced to protect the position on the ITV Network of the four Channel 3 licensees not part of ITV plc. The pre-conditions attached to the merger were designed to secure for SMG, Ulster and Channel an adequate say in the overall strategy of the ITV Network. Furthermore, their contributions to ITV Network costs are to be capped, increasing by no more than the rate of inflation. Of the other protections, a key one relates to the extent of original programming commissioned from these other ITV companies for transmission on the network. This will be monitored and reported annually to Ofcom.

87. In written evidence to us, Grampian TV and Scottish TV underlined the importance they attach to the independence of both the Network Centre and its Director, believing that only network commissions would further the creation of creative clusters in the regions. They went on: “Commissions should be awarded on merit, but a meritocracy needs transparency, not conflicts of interest. Ofcom has a statutory duty to promote competition and encourage investment and innovation in the regions. Competition and investment will be undermined if the independence of the Network Centre is undermined.”⁷³

88. Mr John McVay, Chief Executive of PACT, also supported a strong and independent Network Centre; one that commissions on merit.⁷⁴ PACT believed the latter could be better secured if disputes involving the Network Centre could be resolved by Ofcom holding hearings in public.⁷⁵

89. A thriving regional production ecology may also have consequences for the long term ownership of ITV plc. Mr Andy Egan, Research Officer, BECTU observed: “Unless there are strong regional commitments with meaningful facilities, staff and freelancers visibly

73 Ev 1

74 Ev 5, Q 2

75 Ev 7, Q 9

there and visibly required to be there, it will be much easier for a foreign broadcaster who will come in and be able to replicate what is there, because it will be just a shell. If there is a very strong vibrant regional culture within ITV foreign broadcasters will not be able to meet it and will not want to meet it and, therefore, will be much less likely to come to the UK.⁷⁶

90. According to PACT, closer attention must be paid to the definition of a regional production, be it aimed at national or local audiences.⁷⁷ A key component of any definition is the percentage of employment of regional talent, which PACT would like set at 70%. Ofcom is proposing an initial figure of 50%, in recognition of the fact that a significant proportion of experienced production talent is currently based within the M25.⁷⁸

91. Andy Egan added: “We think that one thing Ofcom could do within the spirit of the Communications Act sections 286 and 287, which talk about regional programme production, is to require that each ITV region produces a certain amount of production for the network.”⁷⁹ For Carlton, Clive Jones countered: “There must be a meritocracy, we cannot live by quotas.”⁸⁰ Section 286 of the Communications Act relates to regional programme making, imposing requirements on Channel 3 and Channel 5 to finance a suitable range of production centres outside the M25. **We believe that quotas for regional production for the network are essential to conform with the spirit of the legislation, that there should be sufficient investment in regional production centres of excellence, and that Ofcom should be alert to this need.**

Regionally-oriented programming

92. Section 287 of the Act provides for regional programming, which in relation to a regional Channel 3 service is defined as being of particular interest to persons within the area covered. The section includes provision for sub-regional, or local, programming. Ofcom has considerable flexibility over the means of securing a sufficient amount of time given over to a suitable range of high quality regional and local programming, which must include peak time news.

93. Falling advertising revenue has put pressure on ITV licensees to reduce the number of hours dedicated to regional programmes. The NUJ pointed out the “fundamental tension ... in terms of seeking to maximise revenue through scheduling programmes which are attractive to advertisers, and what again can be considered a public service obligation, namely to reflect on and report local news and activities.”⁸¹ One result has been the Charter for the Nations and Regions, agreed by the ITC and ITV companies in May 2002.

76 Ev 16, Q 36

77 Ev 4

78 Ofcom’s proposed guidance on regional production and regional programming, consultation document, consultation closed on 30 January 2004

79 Ev 17, Q 37

80 Ev 22, Q 54

81 Ev 12

94. A key feature of the charter is a switch in focus from hours of regional output to levels of investment. However, there will, on average, be an additional 30 minutes per week of peak-time regional news. An ITC note comments on the associated standardisation of hours: “regional programming obligations were rationalised in 2002, to facilitate better scheduling. In Northern Ireland and English regions, there are now 8 ½ hours of regional programming, including 5 ½ hours of news. Elsewhere, the amounts vary from 12 hours in Scotland, 10 hours in Wales to just under 6 hours in Borders and the Channel Isles.”⁸²

95. According to BECTU, the ITC’s standardisation of regional hours agreement with Carlton and Granada has neither improved the quality of regional programming nor provided better programme slots.⁸³ We share the concern of some witnesses over the restricted range of programming genres made in the regions, be they intended for local or national audiences.⁸⁴ A wide range of genres aimed at audiences both within and outwith the regions is important to maintain thriving centres of creative talent throughout the United Kingdom. Andy Egan added an historical perspective: “if you ran the film back over the past 20 years it has been death by a thousand cuts in many ways; it has been redundancies here, reduction in facilities there, narrowing of the number of programme genres made in the regions, centralisation of decision-making in London.”⁸⁵

96. Regional programming, that is programming within and for the region, fulfils an important role in cementing community identity. In border areas, this identity can be fluid and there are public service merits in allowing viewers to choose between neighbouring Channel 3 franchises. Clive Jones indicated that giving people this kind of choice was unattractive to advertisers. Too bad!⁸⁶

Production facilities

97. As the NUJ points out, mergers involving ITV companies have been accompanied by job losses, and the closure of studios and other facilities.⁸⁷ While we appreciate that Ofcom should not interfere with legitimate managerial, operational and investment decisions,⁸⁸ it has a clear duty to intervene where public service broadcasting obligations are being compromised.

98. As BECTU note in a submitted memorandum: “For PSB regional broadcasting to remain a meaningful concept we believe it entails the following requirements:

- a broad range of regionally-originated programming of high quality
- the use of the full range of regionally-based staff, freelances and production facilities

82 ITC Note, *Channel 3*, http://www.ofcom.org.uk/static/archive/itc/itc_publications/itc_notes/view_note70.html

83 Ev 14

84 Ev 10, Q 22

85 Ev 19, Q 48

86 Ev 25, Q 74

87 Ev 11

88 Ev 58-59, Letter from Ofcom to Dr Julian Lewis MP

- the maintenance of a wide spread of regional studio facilities and the avoidance of any further studio closures”.⁸⁹

99. PACT viewed the loss of studio facilities with, in our view, surprising equanimity: “Any newly-integrated commercial company will rightly seek economies of scale following consolidation. It is therefore easily conceivable that a single ITV would put some strain on the survival of some of the existing dated regional studio facilities. Production in general has already begun to veer away from studios – the issue is becoming one that is less to do with bricks and mortar than it is to do with the protection of regional production - in essence we must ensure that if a regional studio closes, the status of that region must be maintained and this does not reduce its ability as a regional production centre.”⁹⁰

100. Both Mr Donald Emslie, Chief Executive, SMG,⁹¹ and Mr Clive Jones⁹² of Carlton referred to “bricks and mortar” as being less important than what goes on the screen. We do not believe the latter can be as readily, not to say facilely, divorced from the existence of studio and production facilities as these remarks suggest.

101. The Committee fully acknowledges and welcomes the possibilities that new digital technologies offer broadcasters. At the same time, broadcasting is about people communicating with people. This communication should be facilitated throughout the regions and reflect cultural diversity at both a regional and national level. It needs broadcasters and their supporting facilities to be in situ. Section 286 of the Communications Act refers to a suitable range of Channel 3 programme production centres; we look to Ofcom to ensure these powers are used appropriately to provide for a thriving regional programme production sector.

ITV regional news

102. The Committee was concerned at evidence it has received, which is accumulating, that the quality of local news coverage on Channel 3 will be corroded by financially-motivated consolidation which will leave fewer journalists and facilities based throughout the communities in question. During this inquiry we studied in detail the predicament which had been put to us in Granada’s Meridian franchise, serving the South and South East of England. We have also received representations from the East Midlands,⁹³ which provide a further illustration of the present threat to regional ITV programming.⁹⁴ These issues provide a relevant backdrop to the Granada-Carlton merger and the effects this could have on national and regional programming (including news).

103. In 1982, TVS won the franchise to broadcast in the South and South East and built studios in Kent in order to provide separate news coverage for the South and the South East. In 1991, Meridian was awarded the franchise by the ITC. Under the terms of the licence, Meridian is obliged to provide sub-regional news programmes (South, South East

89 Ev 14

90 Ev3

91 Ev 9, Q 19

92 Ev 27, Q 88

93 Ev 60

94 Ev 12

and West). The South East news is currently produced at the New Hythe, Maidstone studios.

104. In July 2000 Granada took over Meridian and in October 2003 proposed the movement of reporting and technical staff to Southampton and the outsourcing of website management, with accompanying job losses.

105. Staff at Meridian Broadcasting, Members of Parliament and others have made us aware of their concerns over developing proposals to close studios based in New Hythe, Maidstone. BECTU were particularly concerned about the proposal to cut 175 jobs, representing approximately half the current staff of Meridian Broadcasting.⁹⁵

106. The production of sub-regional news programmes from the studios at New Hythe would be stopped under the proposals, and there would be a movement of the staff and facilities to Fareham near Southampton (outside the region reported on) together with redundancies related to this move. The present staff believe that the production of the sub-regional news for Kent, Sussex and South Essex, outside the region by non-resident reporters, will affect the quality of news produced. The programme at present is watched by 40% of viewers in the area and with this is the most watched regional news magazine in mainland Britain.⁹⁶

107. In relation to the Meridian presence in Kent, Clive Jones told us: “All we are talking about is moving a presenter and, maybe, a technical director; the journalists will stay there, the reporters will stay there.”⁹⁷ This assertion has been disputed by the unions,⁹⁸ who have provided us with a breakdown of the proposals for staffing levels.⁹⁹ **We believe that uncertainty over the consequences of the proposals reflects a lamentable lack of meaningful and open consultation with the workforce.¹⁰⁰ The outcome of negotiations, due to take place over the coming year,¹⁰¹ in relation to the final staffing levels that emerge will, in our view, provide an important indicator of ITV plc’s commitment or otherwise to regional television.**

108. **Plans to downgrade production facilities, for example in the Meridian franchise, have proceeded apace with, to say the least, scant consultation with the trade unions. This situation must be rectified over the coming year, and Ofcom must ensure that any negotiations with ITV are conducted in an open and transparent manner.**

109. **Clive Jones told us he did not see the plans for Meridian as amounting to a diminution within the region, but that they were rather a consequence of modernisation and the wish to embrace new technology.¹⁰² We are concerned that both**

95 Ev 14

96 Ev 56-8, Memorandum from Mr Nick Myers and Mr Alan Rook to employees at Meridian

97 Ev 23, Q 64

98 Ev 52-3, Memorandum submitted by Meridian Maidstone NUJ / BECTU

99 Ev 53-5, Letter from the National Union of Journalists to Meridian Television

100 Ev 15, Q 31

101 Ev 23, Q 63

102 Ev 23, Q 64

the ITC and Ofcom appear to have accepted this glib attempted justification.^{103,104} We are far from reassured in respect of programming both for the Meridian region and for the ITV Network, and believe that Ofcom should be much more vigilant on this issue.

110. With regard to the East Midlands, Clive Jones claimed there was an on-going commitment to the programme-making tradition. However, he said that: “In Nottingham, as part of the process that we go through in any merger, we are going to have to review all our studios. We have an over-provision of studios in the country”.¹⁰⁵ The Committee has been made aware that there are growing concerns among journalists in the East Midlands that, as a result of this review, ITV was considering the closure of its site in Nottingham, “consolidating” at Birmingham.¹⁰⁶ This would be worrying in any circumstances, but in this particular case we know that the proportion of the total audience in the region for ITV local news coverage is substantial, and therefore any such moves would be all the more damaging.

111. The production of television programmes for ITV Network distribution requires a critical mass of high level broadcasting skills and funding and facilities to give expression to these. It is important that these skills be present, and fully exploited, in appropriate regional and sub-regional centres throughout the nations and regions. We agree with BECTU that regional centres must remain capable of producing regional news, features and network production.¹⁰⁷ To this end the Committee is concerned that if the centre in Nottingham is closed the only realistic studio production facility for the East Midlands will be lost. The Birmingham site does not appear to provide for both studio production and news broadcast to take place simultaneously.

112. We believe that the situation we have described in detail with regard to Meridian, and the concerns raised relating to the East Midlands, may be part of a trend developing in ITV local and regional news coverage throughout the country. We note that almost two thirds of people claim that their local ITV company is their main source of local news and that ITV’s own Charter for the Nations and the Regions asserts: “Regional news is one of the defining features and most popular aspects of ITV’s output. ITV is committed to extensive regional and sub-regional news coverage in excess of that offered by the BBC.”¹⁰⁸ We agree with the NUJ that this will prove a hollow boast if the relevant programmes are produced by people who do not live in the communities they are serving and have no affinities with them.¹⁰⁹

113. The Committee looks to Ofcom to monitor the situation closely, and to take steps to safeguard the present high quality of programming in all sub-regions across the whole country. The potential threat posed by over-consolidation of regional and sub-

103 Ev 45, Letter from the Chairman of the ITC to Mr Julian Brazier MP; Ev 59-60, Letter from ITC to Mr Norman Baker MP

104 Ev 51-2, Letter from Ofcom to Mr Iain McBride on behalf of the joint unions at Meridian TV in Maidstone; Ev 58-9, Letter from Ofcom to Dr Julian Lewis MP

105 Ev 26, Q 79

106 Ev 60, Letter from Pat West, NUJ, ITV studios, Nottingham.

107 Ev 14

108 Cambridge Econometrics, 2002

109 Ev 60

regional news production centres will provide an early, major and crucial test for the credibility of Ofcom.

ITV as a public service broadcaster

114. Commercial broadcasters already have an important role in delivering public service television. The Communications Act requires Ofcom to carry out a review of the extent to which the BBC, Channels 3, 4 and 5, and S4C have provided programmes and services which, taken together, fulfil the purposes of public service television broadcasting in the UK. The review will not extend to radio, but will cover new media services to the extent that they are linked to television, such as interactivity and television-related online content. This is as close as Ofcom can get to influencing some internet content, it having no statutory, not to mention practical,¹¹⁰ powers in this area.¹¹¹ As broadband develops, this black hole in policy will have to be tackled.

115. The review is also required to provide recommendations on maintaining and strengthening the quality of PSB television in the future, taking into account the costs of provision and the sources of income available to the public service broadcasters. As well as providing input into the Government's review of the BBC Royal Charter, Ofcom's review will also inform the eventual re-licensing of Channel 3 franchises. We note with raised eyebrows Lord Currie's reluctance to identify elements of ITV's current schedule which qualify as public service broadcasting.¹¹² In this regard, we await with great interest the outcome of the Ofcom review.

116. National news bulletins, with scheduling maintained at what Lord Currie called a "sensible" time, (whatever that may mean), fulfil a vital role in informing a democratic society.¹¹³ Our predecessor Committee was sufficiently concerned to recommend that the ITC reject an application by ITV to abolish its *News at Ten* bulletin.¹¹⁴ Unfortunately, the ITC acceded to ITV's request, with the result that the late evening bulletin was moved to 11pm, outside the longstanding definition of peak time, 6pm to 10.30pm. It was scant consolation, although meeting the letter of the statutory requirement to provide a bulletin in peak time, that ITV scheduled its main bulletin for 6.30pm. Our predecessor Committee subsequently called on the ITC to require ITV to reinstate *News at Ten*.¹¹⁵

117. Now, following years of chaotic scheduling, a fixed slot for the late evening ITV news been determined at ITV's initiative¹¹⁶ - but outside peak time, at 10.30pm. This decision was reached in the closing moments of the ITC and with Ofcom's collusion.¹¹⁷ Section 279 of the Communications Act 2003 provides that the regulatory regime for every licensed public service channel (including Channel 3) includes conditions that Ofcom considers

110 Ev 33, Q 16

111 Ev 33, Q 14

112 Ev 33, QQ 17-18; Ev 41-2, Q 80

113 Ev 33, Q 13

114 Ninth Report, 1997-98, HC 1110 paragraphs 33-4

115 Fifth Report, 1999-2000, HC 289 paragraph 56

116 Ev 27, Q 94

117 Ev 37, QQ 37-40

appropriate for securing, among other things, news in peak viewing times. **We deplore Ofcom’s endorsement of the ITC decision to allow a down-grading of the news service offered by ITV during peak time, and urge them to reconsider their position on this issue during the forthcoming re-licensing of Channel 3 services.**

118. Mr Jeremy Dear, General Secretary of the NUJ, pointed to advertiser influence on ITV to reduce regional and political programmes as well as news during peak time: “Only 2.6% of peak time viewing in the ITV network is now on news and current affairs.”¹¹⁸

119. A merged and thus more powerful ITV shows little interest in maintaining news coverage beyond the bare minimum imposed by legislation and laxly interpreted by the ITC and Ofcom. The Communications Act 2003 provides some flexibility in the regulatory regime for news provision on public service television and we recognise that the news environment has evolved considerably, including 24-hour provision on digital platforms. However, with half the population still relying on analogue services, Ofcom should seek to reinstate on Channel 3 two substantial news bulletins within peak time — 6pm to 10.30pm.

120. The first Ofcom review of PSB comes at a critical time. Historically, commercial broadcasters have contributed to the provision of public service programming on UK television in return for privileged access to scarce spectrum. In future, the end of spectrum scarcity and the proliferation of channels mean that competitive pressures might affect the extent to which the commercial public service broadcasters can continue to sustain, and be required to sustain, PSB content. There may well be a move to reduce the specific PSB burden on ITV and Five and a commensurate increase in the burdens on the BBC and Channel 4.

121. Andy Egan of BECTU made the point that public service obligations may be less of a burden than is sometimes supposed: “I think you would be wrong to conclude that PSB programming is a loser in the marketplace; it is not a loser. Audience research shows that, by and large, given the choice between original programming and bought-in commercial programming from abroad, people prefer the former. There is also research to show that the UK viewing public does strongly value programming made in the regions.”¹¹⁹ Both UK production and regional programming have been traditional strengths of ITV – rightly acknowledged by Granada’s Mick Desmond as unique selling points.¹²⁰ They must so remain.

122. In evidence to the Committee, Clive Jones of Carlton referred to the costs associated with the privilege of public service broadcaster status: “At the time where we face an enormous increase in competition and our revenue over the last ten years has dropped by £400 million per annum, we maintain our regional commitments and we want to continue to maintain our regional commitments, but I think we would like relief from the massive super taxes that we pay in terms of cash bids and PQR.”¹²¹ We are paying £250 million a

118 Ev 16, Q36

119 Ev 20, Q 49

120 Ev 23, Q 58; Ev 25, Q 71

121 percentage of qualifying revenue

year, at a time when Channel 4 pays nothing and Channel 5 pays a small amount of special tax and all the BBC seems to get is an ever-increasing source of revenue.”¹²²

123. Interestingly, the figure of £250 million broadly coincides with some estimates of the economic value of ITV’s public service broadcasting, taking into account production budgets and advertising revenue forgone due to the low appeal of certain genres.¹²³ The Ofcom PSB review may well produce some robust quantitative measures, in so far as it is both possible and appropriate.

124. ITV plc and ITV Network have reportedly been seeking to negotiate reductions in public service commitments, a debate that was alluded to in our evidence session with Granada and Carlton.¹²⁴ **Some trading of public service commitments has been mooted,¹²⁵ for example abjuring a simplistic box-ticking approach to certain genres, in favour of firmer commitments to other aspects of PSB. If this is indeed ITV’s intention, they should not be allowed to get away with it.**

125. A memorandum from the Campaign for Press and Broadcasting Freedom urged the Committee “to reinstate public service ideals at the heart of television in the UK, not because we wish to return to some mythical ‘golden age’ of British broadcasting, but because we believe that this is the only hope for a better, more diverse broadcasting system in an increasingly competitive environment. Outside the pages of the Murdoch and Black press, there is a great deal of reliable evidence that the vast majority of British people value tremendously the kind of broadcasting which public service values have helped to create, and they and their descendants will judge harshly those who, whether by accident or design, destroyed it for ever.”¹²⁶ We agree.

122 Ev 24, Q 66

123 “Watchdog eases burden on ITV licence”, *Guardian*, 27 January 2004

124 Ev 26, Q 77

125 Ev 17, Q 37

126 Ev 49-51

Conclusions and recommendations

1. We welcome the establishment of a single communications regulator, which we and our predecessor Committee have consistently called for since 1998. (Paragraph 29)
2. In our previous Report on Communications, we referred to the experience of the US Federal Communications Agency to the effect that a small executive body functions most effectively. We believe that any further increase in the size of the Ofcom Board would require specific and overwhelming justification. (Paragraph 32)
3. We firmly support Ofcom's engagement with wider communities throughout the United Kingdom, and hope this will continue without any unnecessary replication of function. (Paragraph 40)
4. While recognising that high quality regulation, even "light touch" regulation, comes at a price, Ofcom needs to ensure it delivers good value for money. The Committee will scrutinise Ofcom's annual reports to assess the degree to which this is achieved. (Paragraph 43)
5. To ensure maximum transparency in regulatory decisions, and to provide a further safeguard against regulatory capture, Ofcom should hold hearings and meetings, including board meetings, in public with full minutes published promptly. Publicly funded, and theoretically publicly accountable, bodies should not operate in secrecy. (Paragraph 47)
6. The BBC's Royal Charter review will provide an important opportunity to adjust the relationship between the BBC and Ofcom. (Paragraph 51)
7. On 28 January 2004, Lord Hutton published his Report of the *Inquiry into the Circumstances Surrounding the Death of Dr David Kelly C.M.G.* His conclusions relating to the role of the BBC Governors will also merit careful examination in the context of the Government's review of the BBC's Royal Charter. (Paragraph 52)
8. The protection and maintenance of regional commitments by Channel 3 licensees will be the first major test for Ofcom. It is essential that it pass this test, since faith in its decisions will otherwise be undermined. Furthermore, we see no reason why this process should not be conducted in public. (Paragraph 58)
9. We welcome the draft Community Radio Order, allowed for by Section 262 of the 2003 Act, while drawing attention to the provision for grants made in Section 359. These offer the opportunity to turn into facts Stephen Carter's "warm noises" that community radio is a "good thing". (Paragraph 59)
10. We are concerned that the BBC has chosen to quibble over technical standards and that ITV has argued that its regional programming prevents any audio description. We look to Ofcom to promote the development of television services for deaf and visually impaired people across all broadcast platforms, in line with the requirements of the Communications Act. In particular, we recommend that BBC

and ITV networked programmes are made available with suitable audio description via digital satellite for the 500,000 Sky subscribers who are blind or partially sighted. (Paragraph 60)

11. We believe there is no justification for delay in securing responsible food and drink advertising aimed at children. A precautionary approach is justified, regardless of the desirability of further research into the effects of food promotion to children. (Paragraph 65)
12. More generally, Ofcom ought to adopt a robust stance in ensuring the spirit as well as the letter of all existing public service commitments is maintained. In the longer term, the welcome adoption of light touch regulation must not be allowed to result in denying citizens the option to watch high quality public service television. (Paragraph 66)
13. We believe Ofcom should attach priority to ensuring its regulatory decisions are consistent with the promotion of an expeditious switchover to digital broadcasting. (Paragraph 69)
14. Since this service was closed to new customers at the end of 2003, we believe that the twin issues of universal access to, and social exclusion from, free-to-air digital television services must remain an important issue. We recommend that Ofcom address itself to this as a matter of urgency. (Paragraph 70)
15. Ofcom should monitor closely the effect a merged ITV has on the wider broadcast advertising market, ensuring smaller commercial TV companies, including but not restricted to other Channel 3 licensees, are not disadvantaged. (Paragraph 83)
16. We believe that quotas for regional production for the network are essential to conform with the spirit of the legislation, that there should be sufficient investment in regional production centres of excellence, and that Ofcom should be alert to this need. (Paragraph 91)
17. The Committee fully acknowledges and welcomes the possibilities that new digital technologies offer broadcasters. At the same time, broadcasting is about people communicating with people. This communication should be facilitated throughout the regions and reflect cultural diversity at both a regional and national level. It needs broadcasters and their supporting facilities to be in situ. Section 286 of the Communications Act refers to a suitable range of Channel 3 programme production centres; we look to Ofcom to ensure these powers are used appropriately to provide for a thriving regional programme production sector. (Paragraph 101)
18. We believe that uncertainty over the consequences of the proposals reflects a lamentable lack of meaningful and open consultation with the workforce. The outcome of negotiations, due to take place over the coming year, in relation to the final staffing levels that emerge will, in our view, provide an important indicator of ITV plc's commitment or otherwise to regional television. (Paragraph 107)
19. Plans to downgrade production facilities, for example in the Meridian franchise, have proceeded apace with, to say the least, scant consultation with the trade unions.

This situation must be rectified over the coming year, and Ofcom must ensure that any negotiations with ITV are conducted in an open and transparent manner. (Paragraph 108)

20. Clive Jones told us he did not see the plans for Meridian as amounting to a diminution within the region, but that they were rather a consequence of modernisation and the wish to embrace new technology. We are concerned that both the ITC and Ofcom appear to have accepted this glib attempted justification. We are far from reassured in respect of programming both for the Meridian region and for the ITV Network, and believe that Ofcom should be much more vigilant on this issue. (Paragraph 109)
21. The Committee looks to Ofcom to monitor the situation closely, and to take steps to safeguard the present high quality of programming in all sub-regions across the whole country. The potential threat posed by over-consolidation of regional and sub-regional news production centres will provide an early, major and crucial test for the credibility of Ofcom. (Paragraph 113)
22. We deplore Ofcom's endorsement of the ITC decision to allow a down-grading of the news service offered by ITV during peak time, and urge them to reconsider their position on this issue during the forthcoming re-licensing of Channel 3 services. (Paragraph 117)
23. A merged and thus more powerful ITV shows little interest in maintaining news coverage beyond the bare minimum imposed by legislation and laxly interpreted by the ITC and Ofcom. The Communications Act 2003 provides some flexibility in the regulatory regime for news provision on public service television and we recognise that the news environment has evolved considerably, including 24-hour provision on digital platforms. However, with half the population still relying on analogue services, Ofcom should seek to reinstate on Channel 3 two substantial news bulletins within peak time — 6pm to 10.30pm. (Paragraph 119)
24. Some trading of public service commitments has been mooted, for example abjuring a simplistic box-ticking approach to certain genres, in favour of firmer commitments to other aspects of PSB. If this is indeed ITV's intention, they should not be allowed to get away with it. (Paragraph 124)

Formal minutes

Tuesday 24 February 2004

Members present:

Mr Gerald Kaufman, in the Chair

Mr Chris Bryant
Mr Frank Doran
Michael Fabricant
Mr Adrian Flook

Alan Keen
Rosemary McKenna
Ms Debra Shipley
Derek Wyatt

* * *

Draft Report (*Broadcasting in transition*), proposed by the Chairman, brought up and read.

Ordered, That the Chairman's draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 24 read and agreed to.

Paragraph 25 read, amended and agreed to.

Paragraphs 26 to 28 read and agreed to.

Paragraph 29 read, amended and agreed to.

Paragraphs 30 to 42 read and agreed to.

Paragraph 43 read, amended and agreed to.

Paragraphs 44 to 46 read and agreed to.

Paragraph 47 read, amended and agreed to.

Paragraphs 48 to 56 read and agreed to.

Paragraphs 57 to 60 read, amended and agreed to.

Paragraphs 61 to 69 read and agreed to.

Paragraph 70 read, amended and agreed to.

Paragraphs 71 to 90 read and agreed to.

Paragraph 91 read, amended and agreed to.

Paragraphs 92 to 95 read and agreed to.

Paragraph 96 read, amended and agreed to.

Paragraphs 97 to 101 read and agreed to.

Paragraphs 102 to 114 read, amended and agreed to.

Paragraphs 115 to 118 read and agreed to.

Paragraph 119 read, amended and agreed to.

Paragraphs 120 to 125 read and agreed to.

Summary read and agreed to.

Resolved, That the Report, as amended, be the Third Report of the Committee to the House.

Ordered, That the Chairman do make the Report to the House.

Ordered, That the provisions of Standing Order No. 134 (Select Committees (reports)) be applied to the Report.

Several papers were ordered to be appended to the Minutes of Evidence.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.

[Adjourned till Tuesday 2 March at 10.30am

Witnesses

Tuesday 9 December 2003

Mr Donald Emslie, Chief Executive, **Mr Sandy Ross**, Managing Director, Scottish TV and **Mr Derrick Thomson**, Managing Director, Grampian TV, SMG; **Mr J McVay**, Chief Executive, **Mr Malcolm Brinkworth**, Managing Director of Touch Productions and Chairman of the PACT Nations and Regions Committee, **Ms Eileen Gallagher**, Managing Director of Shed Productions and Chair of PACT, Producers' Alliance for Cinema and Television (PACT) Ev 5

Mr Paul McLaughlin, National Broadcasting Organiser, **Mr Jeremy Dear**, General Secretary and **Mr Iain McBride**, Maidstone Branch, National Union of Journalists (NUJ); **Mr Andy Egan**, Research Officer, **Ms Sharon Elliott**, Supervisory Official for Independent Broadcasting, and **Mr Martin Clarke**, Branch Secretary for Meridian, BECTU Ev 14

Mr Mick Desmond, Joint Managing Director, Granada plc, and **Mr Clive Jones**, Joint Managing Director, Carlton Communications Ev 21

Tuesday 16 December 2003

Lord Currie of Marylebone, Chairman, and **Mr Stephen Carter**, Chief Executive, Ofcom Ev 31

List of written evidence

1	Grampian TV and Scottish TV (together referred to as SMG)	Ev 1
2	Producers' Alliance for Cinema and Television (PACT)	Ev 3
3	National Union of Journalists (NUJ)	Ev 11
4	BECTU	Ev 14
5	Ofcom	Ev 29
6	Letters from Mr Julian Brazier MP to the Chairman of ITC	Ev 45
7	Letter from the Chairman of ITC to Mr Julian Brazier MP	Ev 45
8	Letter from Jonathan Shaw MP to the Chairman of ITC and the Chief Executive of Ofcom	Ev 46
9	Meridian Maidstone NUJ Chapel	Ev 46
10	Royal National Institute of the Blind	Ev 47
11	Campaign for Press and Broadcasting Freedom	Ev 49
12	Letter from Mr Ian McBride to Ofcom	Ev 51
13	Letter from Ofcom to Mr Ian McBride	Ev 51
14	Meridian Maidstone NUJ/BECTU	Ev 52
15	National Union of Journalists at Meridian Television	Ev 53
16	Letter from Mr Hugh Robertson MP to Meridian Broadcasting Ltd	Ev 55
17	Memo from Mr Nick Myers and Mr Alan Rook to employees at Meridian	Ev 56
18	Mr Ian McBride, on behalf of the joint unions and staff at Meridian Maidstone	Ev 58
19	Letter from Ofcom to Dr Julian Lewis MP	Ev 58
20	Letters from Mr Norman Baker MP to the Chairman of ITC	Ev 59, 60
21	Letter from the Chairman of ITC to Mr Norman Baker MP	Ev 59
22	Mr Pat West, NUJ, ITV Studios, Nottingham	Ev 60

List of unprinted written evidence

Papers have also been received from the following and have been reported to the House. To save printing costs they have not been printed and copies have been placed in the House of Commons Library where they may be inspected by Members. Other copies are available to the public for inspection and requests should be addressed to the Parliamentary Archives, Record Office, House of Lords, London SW1A 0PW. (Tel 020 7219 3074). Hours of inspection are from 9.30am to 5.00pm

NUJ

Mr David Gilman

Mr Julian Brazier MP

Mr Peter Lloyd-Williams

Mr Jonathan Shaw MP

Meridian

Mr Norman Baker MP

Mr Glen Steggles

Ms Fiona Headleand

Ms Holly Fitzgerald

Mr Toby Maltby

Sussex County Cricket Club

Kent County Cricket Club

Sandy Fleming

Reports from the Culture, Media and Sport Committee since 2001

The following reports have been produced by the Committee during the last three sessions

Session 2003-04

First Report	Cultural Objects: Developments since 2000	HC 59
First Special Report	Privacy and media intrusion, Replies to the Committee's Fifth Report, 2002-03	HC 213
Second Report	DCMS Annual Report: Work of the Department in 2002-03	HC 74

Session 2002-03

First Report	National Museums and Galleries: Funding and Free Admission	HC 85
Second Report	The Work of the Committee in 2002	HC 148
Third Report	A London Olympic Bid for 2012	HC 268
Fourth Report	The Structure and Strategy for Supporting Tourism	HC 65
Fifth Report	Privacy and media intrusion	HC 458
Sixth Report	The British Film Industry	HC 667

Session 2001-02

First Report	Unpicking the Lock: the World Athletics Championships in the UK	HC 264
Second Report	Testing the Waters: the Sport of Swimming	HC 418
Third Report	Arts Development	HC 489
Fourth Report	Communications	HC 539
Fifth Report	Revisiting the Manchester 2002 Commonwealth Games	HC 842
Sixth Report	The Government's Proposals for Gambling: Nothing to Lose?	HC 827

Oral Evidence

Taken before the Culture, Media and Sport Committee

on Tuesday 9 December 2003

Members present

Mr Gerald Kaufman, in the Chair

Chris Bryant
Mr Frank Doran
Michael Fabricant

Alan Keen
Ms Debra Shipley
Derek Wyatt

Memorandum submitted by Grampian TV and Scottish TV (together referred to as SMG)

INTRODUCTION

SMG has always been in favour of the merger, provided safeguards were put in place to protect against the adverse effects of the emergence of one controlling entity within ITV. By “ITV”, SMG means the association representing the 15 different licensees under the ownership of five groups, soon to be four. The other licensees outwith the merged entity will be Ulster, Channel, Grampian TV and Scottish TV. The Competition Commission concluded that the merger could be expected to operate against the public interest of the other licensees. The merger was cleared when undertakings were put in place intended to remedy the adverse effects.

However, in its evidence before the Committee, SMG is keen to highlight areas where it will look to Ofcom, as regulator, to ensure that SMG is not disadvantaged by the operation of the merged entity in other key areas, and not just within the scope of the activities addressed by the undertakings.

NETWORKING ARRANGEMENTS AND THE INDEPENDENCE OF THE NETWORK CENTRE

The networking arrangements for Channel 3 flow from the requirements of the 1990 Broadcasting Act (Section 39 and Schedule 4). They were designed to enable regional Channel 3 services, taken as a whole, to operate as a nationwide system capable of competing effectively with other UK broadcasters, while at the same time, ensuring that each regional licensee could meet its regional commitments. They allow all licensees, through one collective agent, ITV Network Limited (“ITV”) (operating out of Network Centre) to provide a national schedule and to commission programmes centrally on behalf of all.

The Memorandum of Association of ITV states that its purpose is to promote and protect the interests of its members—all Channel 3 licensees. Its Statement of Principles outlines the key concept that “*as a federation of sovereign broadcasters, ITV has inherent conflicts, since audience needs can differ and commercial policies diverge. It is important therefore that common strategies are pursued in a manner which respects the requirements of regional companies and local viewers*”. Its key principles are transparency and fairness in the commissioning process, and an independent management, separate of any supplier’s interests. The independence of the Network Centre has already been compromised by the appointment of the MDs of Carlton and Granada as joint Chief Executives. Carlton and Granada have chosen to rebrand the merged entity as ITV plc. SMG fears the commissioning body will no longer be distinguishable from its biggest supplier. Confusion will reign and those competing for commissions will be disadvantaged by the lack of transparency in the commissioning process. The ITV Network Director is a regulated post, and as such, SMG requires that, post-merger, the independence of that post should be reinforced.

The independence of the Network Centre and of that regulated post is fundamental to the principles of the networking arrangements and the health of the business of the other licensees competing for ITV in-house commissions alongside that major supplier. Only network commissions will further the creation of creative clusters in the regions. Commissions should be awarded on merit, but a meritocracy needs transparency, not conflicts of interest. Ofcom has a statutory duty to promote competition and encourage investment and innovation in the regions. Competition and investment will be undermined if the independence of the Network Centre is undermined.

REVIEW OF THE NETWORKING ARRANGEMENTS

SMG welcomes the imminent review to be carried out by Ofcom under the Communications Act. The Act imposed a duty on Ofcom to do so in the course of next year. In any review, Ofcom has to take into account two factors. They are set out at Schedule 11, paragraph 7 of the Communication Act. Firstly, Ofcom must ensure that the arrangements provide for a nationwide system of services capable of competing

effectively with other television programme services (BBC/Sky). Secondly, it must take into account the likely effect of the arrangements on the ability of licensees to maintain the quality and range of regional programming. That first arm is effectively covered, all the more so given the streamlining and centralisation that will come out of the merger. This, therefore, puts an onus on Ofcom to ensure that the second arm is given prominence. It would not impair ITV's ability to compete to give SMG more flexibility under the arrangements, but lack of flexibility through restrictive arrangements in the form of onerous budgetary contributions impairs SMG's ability to maintain that quality and range. "Maintenance" has to have a dynamic aspect within it. In maintaining the range and quality, Scottish TV and Grampian TV have to respond to the increased demands upon them in terms of matching viewers' expectations enabling them to compete in today's multi-channel environment. Investment in the regions is critical.

REGIONALITY AND INVESTMENT IN THE REGIONS

There are obligations on the PSBs taken as a whole, at network level, and there are separate obligations upon regional PSBs. The Act imposes quotas, but SMG believes in regional broadcasting in its own right, not for making up quotas.

SMG's channels cover two regions and a nation, and it has the heaviest set of licensed regional commitments among Channel 3 companies. Working with those licence commitments, SMG strives to match viewer expectations to enable it to compete effectively in a multi-channel environment. For this reason, SMG has always had a strong focus on its regional output, but at the same time has been driven to secure network commissions to protect and grow its production houses. SMG is heartened by the drive under the Communications Act to put network money back into the regions, and move commissions out of London. Winning network commissions is critical to the business of SMG, but it has never felt that regional programmes should be poor cousins.

Grampian TV and Scottish TV meet and exceed their licence obligations. Staff are motivated to produce programmes that compete on the UK stage and that has meant greater collaboration between producers of regional programmes and network programmes. Grampian TV produced "Medics of the Glen". It won a network commission, injected money and motivation into staff, achieved a nationwide audience, and is enjoying overseas sales. Regional programmes produced through schemes promoting independent producers have won critical acclaim, such as the television film "Afterlife". In summary, SMG's channels deliver quotas, exceed quotas, and produce programmes which enjoy critical success and have overseas sales potential. To continue to grow its business for the benefit of the viewers in Scotland, and the industry in Scotland, the post merger environment needs to promote competition in the regions.

In conclusion, therefore, SMG looks to the regulator and Ofcom's duty to encourage investment and innovation in the regions. Firstly, SMG submits that the interests of its regional viewers are not met by a narrow interpretation of regionality. Guidelines for regionality should recognise quality and universality of appeal, rather than focus too narrowly on region-specific issues. Secondly, only an independent Network Centre will truly commission on merit, and foster creativity in the regions. Post-merger, that independence has to be re-asserted or the dominance of the merged entity will stifle competition from the regions.

NETWORK COMMISSIONS AND INDEPENDENT STATUS

Through its network commissions, SMG supports the independent sector in Scotland. SMG TV Productions is the biggest network producer in Scotland, contributing on an annual basis almost £20 million into the Scottish production sector. SMG underpins the independent sector in Scotland.

SMG seeks support for an early review of The Broadcasting (Independent Productions) Amendment Order 2003 in the aftermath of the cleared merger for the purpose of assessing whether the production arms of the Scottish licensees should be classified as independent producers outwith Scotland. This would promote competition as it would enable SMG to compete for network commissions from other UK broadcasters as well as ITV. SMG is disadvantaged outwith ITV as there is no incentive for those other broadcasters to commission to meet quotas. In a post-merger environment SMG is further disadvantaged within ITV as it will not be commissioned to meet independent quotas and will have to compete with the major supplier for the remainder of commissions. That becomes much harder against a dominant player. SMG's ability to compete both within ITV, and outwith it, will be enhanced if it were classed as an independent producer. The Communications Act makes provision for the Secretary of State to amend the Order. The rationale for denying SMG independent status no longer exists. SMG is a tiny player in the broadcaster of which it is a member.

Memorandum submitted by the Producers' Alliance for Cinema and Television (PACT)

THE ITV MERGER

PROMOTING COMPETITION

- PACT stated to the Competition Commission during its inquiry that we are not opposed to a Granada/Carlton merger *per se*, but do have some concerns regarding possible effects that a single ITV company could have on competition in the markets for the production and distribution of UK-originated television programming.
- Given the BBC's existing dominance in these markets, with the merger of Granada and Carlton then the BBC and the new ITV plc will have between them a combined share of about 70% in each market. Under such circumstances ensuring that the UK independent sector is protected is even more important. Otherwise the merger could be to the detriment of consumers, by reducing price and creative competition in the market.
- Preservation of the current ITV networking arrangements, which help to promote competition in the production and distribution markets, will be vital to ensuring this remains the case. It is extremely important also that the Network Centre is independent and not subject to external pressures.

FAIR REGULATION

- Regulatory safeguards to maintain the current ITV networking arrangements are extremely important in preventing a single ITV from restricting or distorting competition. The Communications Act lays down a proper process for any review of the networking arrangements by Ofcom, which involves seeking the views of those likely to be affected.
- The ITV Charter for the nations and regions, which delivers investment for production outside London, should not be adversely affected by any merger. Furthermore, we would like to see the new company guarantee the continuation of such investment, and at a guaranteed level. Ofcom has a duty to look at different production centres.
- Currently ITV are pulling out their network development teams. Success in the nations and regions is predicated on talent retention and development. If ITV regional centres are no longer developing network productions, we would urge Ofcom to ensure open access to commissioning to assist regional production companies. Ofcom also needs to ensure that it clarifies the levels of regional programming investment by broadcasters it regards as a "suitable amount".

THE NEED TO ACT NOW

- PACT would urge Ofcom to produce sufficient regulatory guidance pre the PSB review by spring 2004. PACT is concerned that without a clear framework the ecology of the regional centres will be damaged if it is left too late.
- In PACT's opinion if Ofcom leave this too late the essential DNA of production in the nations and regions will be eroded and Ofcom will be left to review the demise of an industry sector (instead of working to encourage its development).
- ITV has not traditionally provided open access events and commissioning information to the independent sector. We would urge a merged ITV to work with PACT to ensure fair access and communication throughout the independent sector.

NATIONAL AND REGIONAL PRODUCTION CENTRES

- Any newly-integrated commercial company will rightly seek economies of scale following consolidation. It is therefore easily conceivable that a single ITV would put some strain on the survival of some of the existing dated regional studio facilities.
- Production in general has already begun to veer away from studios—the issue is becoming one that is less to do with bricks and mortar than it is to do with the protection of regional production—in essence we must ensure that if a regional studio closes the status of that region must be maintained and this does not reduce its ability as a regional production centre.

THE PUBLIC INTEREST

- And the protection of regional identity and production is a key issue in respect of the public interest of safeguarding range and diversity. Ensuring network production is spread across a range of regional production centres is vital to achieving this public interest objective.

- ITV's apparent withdrawal of their network development departments from the nations and regions, centralising under the control of an executive in London, gives PACT concerns regarding the development of successful vibrant regional production centres.

REGIONAL DEFINITION

- In this context, the definition of what qualifies as a regional production becomes increasingly important. This brings the importance of the definition of regional production sharply into focus.
- In the current draft of Ofcom's proposed regional definition the percentage of employment of regional talent is set at 50% rather than PACT's desired 70%. Ofcom have committed to a review of the definition in 2004. PACT believes that it is paramount that Ofcom sets out a constructive timetable to achieve 70% as quickly as possible.

BACKGROUND—THE COMMUNICATIONS ACT

It is important to look at the overall aims of the Bill as a whole in terms of stimulating and, crucially, sustaining regional production centres.

The background to the current stipulations within the Bill could not be clearer. The ITC Programme Supply Review (November 2002) concluded that one of the reasons an economically healthy and competitive TV programme supply market is important is that:

“It should help support a vibrant creative sector throughout the UK, not just in London”
[*ITC Programme Supply Review Report, Nov 2002, page 4, para 9*]

it went on to say that:

“If we get this right, not only will viewers benefit, but the future market potential for creative output from across the UK could be immense”
[*ITC Programme Supply Review Report, November 2002, page 4, para 11*]

“As argued by many who submitted evidence to the review, significant creative and economic benefits will flow from production in the nations and regions. However, consistent with strengthening the overall UK production sector, there must be a new approach which encourages the growth of regional production centres or clusters, rather than fragmentation of activity.”
[*ITC Programme Supply Review Report, November 2002, page 17, para 45*]

As a direct consequence of these recommendations, we thus have the following in the Communications Act:

“that a suitable proportion of the expenditure . . . made in the UK is referable to programme production at different production centres outside the M25 area;

“that the different programme production centres to which that expenditure is referable constitute what appears to be to Ofcom a suitable range of such production centres”
[*Communications Act Section 286, “Regional programme-making for Channels 3 and 5” (1) (c) and (d), also Section 281 (3) (c) and (d), also Section 288 “Regional programme-making for C4” (1) (c) and (d)*]

Also, the general duties of Ofcom include having regard to:

“the different interests of persons in the different parts of the UK and of those living in rural and urban areas”
[*Communications Act section 3 “General duties of Ofcom” (3) (1)*]

It is clearly in the public interest that the UK has strong local economies, an aim in which the creative industries in general, and TV production in particular, can play a major part.

Throughout the Bill's passage through Parliament the clear intention that one purpose of the Bill was to create regional production centres has been reiterated. For example Baroness Blackstone said on 25 March that:

“The amendments brought forward by the Government in another place as a result of the Independent Television Commission's review of the UK programme market strengthen Ofcom's powers to regulate content with quotas to retain the vitality of our independent and regional production industry.”
[*Hansard, House of Lords 2nd Reading of the Communications Bill*]

8 December 2003

Witnesses: **Mr Donald Emslie**, Chief Executive, **Mr Sandy Ross**, Managing Director, Scottish TV, and **Mr Derrick Thomson**, Managing Director, Grampian TV, SMG; **Mr J McVay**, Chief Executive, **Mr Malcolm Brinkworth**, Managing Director of Touch Productions and Chairman of the PACT Nations and Regions Committee, and **Ms Eileen Gallagher**, Managing Director of Shed Productions and Chair of PACT, Producers' Alliance for Cinema and Television (PACT), examined.

Chairman: Good morning. Thank you very much for coming here this morning at the beginning of this two-stage inquiry. I will ask Mr Doran to open the questioning. Could I make the point that the acoustics in all of these rooms are dreadful and, therefore, could you speak rather more loudly than you normally do. Please feel free, any of the witnesses at the table, to answer any questions you feel you would like to.

Q1 Mr Doran: Thank you very much, Chairman. I will address my first question to the SMG representatives. I see from your brief that the company was in favour of a merger between Carlton and Granada but you had a number of quite serious concerns about how the merger might affect the smaller television companies. I wonder if you could outline these for us?

Mr Emslie: Good morning. Yes, we were in favour of the merger. We were of the opinion that the merger of Carlton and Granada would strengthen ITV for the benefit of viewers, advertisers and the production community. Our concerns were really twofold: one was in the area of our sales contract, where ITV have a sales house which operates for all of ITV broadcasters, and we are very concerned that the dominant player in ITV would favour their own regions rather than the smaller regions of Scottish Grampian, Ulster and Channel. Our other concerns were in the area of the networking arrangements which, as you will know, are contained within the 1990 Broadcasting Act. The networking arrangements are there really to operate in the interests of all ITV Channel 3 services. We appoint the ITV network centre as our agent to commission and schedule a network schedule that is capable of competing right the way across the country. Our concerns are really that within the merger of Carlton and Granada the independence of this network centre is eroded. We think it is very important for the future success of ITV that the Commissioning Director, Nigel Pickard currently, and his scheduling and strategy team are left free of any influence from the merger entity in order to schedule a network programme schedule that is in the interests of all of the ITV broadcasters, and is not influenced by the merged entity of Carlton and Granada. The post of the Network Director is actually enshrined in the Act as a protected post and I think it is of critical importance—the direct access to the network centre to him as Commissioning Editor—and the continuation of commissioning in a meritocracy, and the *idea* is what he commissions rather than being forced to commission from the merged entity of Carlton and Granada. The undertakings as drafted I think have alleviated our concerns about our sales contract, because Carlton and Granada have given us undertakings in that regard and a number of our concerns within the networking arrangements have been considered; but the proper implementation of these and the

interpretation of these is very critical—and in particular the independence of the network centre, and proper commissioning to regional centres right the way round the United Kingdom as part of the implementation of the Communications Act.

Q2 Mr Doran: I will come back to the undertakings in a minute but I saw Mr McVay vigorously nodding his head there.

Mr McVay: I would endorse much of what Donald has said regarding the networking arrangements being critical to ensure there is a meritocracy at work in the commissioning of programmes for the ITV network. We think that that meritocracy rewards audiences because it brings true creative competition into the ITV market; and regarding the point about having regional network centres, we think it allows independents to develop talent regionally which can then end up being developed for a network. We think that is a critical element of it. We support a strong network centre, an independent network centre and a network centre that commissions on merit.

Q3 Mr Doran: That is very helpful. May I be parochial for a minute. In Scotland they have got major regional centres in Glasgow and Edinburgh but I have an interest in Aberdeen. I assume your interpretation of a regional centre would include Aberdeen?

Mr Emslie: Yes, it would. There are two definitions of what regionality might mean. There is the regional production in the regions for a licensed commitment, and that is unaffected by all of this. What we are concerned about is making sure if the Government is truly committed to dispersing the creative and economic benefits of television production throughout the United Kingdom then it should not just be to Amersham outside the M25; it should be truly round the United Kingdom, and Aberdeen would be one of those centres.

Q4 Mr Doran: That is important to me personally. As far as the undertakings are concerned, there have been a number of undertakings which, on the face of it, would seem to deal with the problems you have raised. Of course, the key thing is the way in which these are interpreted. I would be interested to know if you have had any preliminary discussions with Ofcom. I know it does not come into effect until later in the year. I am sure you are looking for assurances now about the way they will view all these undertakings?

Mr Emslie: Yes, we have had discussions with Ofcom and they have been very willing to engage in a debate, albeit at a very high level at the moment because, as you rightly point out, the vesting day for power is 29 December when the power is transferred across to Ofcom. My feeling is that they are prepared to step in and make sure that the interpretation of the Act is true to its spirit and its written meaning;

and that they will want to see the development of independent production companies in the regions and making sure that we have got regions in the United Kingdom talking to regions in the United Kingdom, and everything is not just based in London.

Q5 Mr Doran: Those of us who have experience of the ITC, which Ofcom will be replacing, sometimes felt a little bit concerned because the impression was that the ITC took a very soft touch in most of the complaints and cases that were taken to them but know in some they did not, and we have some experience of that together. Do you get any sign from Ofcom that there will be a much more proactive approach, or do you think it will be the ITC approach which will continue?

Mr Emslie: It is difficult to see because we are not really in there. From the meetings I have had with Stephen Carter I do get the feeling that his approach to regulation is: "We have regulation; you are running your own businesses, you should be grown-up and mature enough to make sure that you are delivering all your obligations; and if you do not then we have significant powers in order to make sure you do adhere to your obligations". From what he has said I have no reason to doubt that he will not use these powers in order to make sure that our obligations and commitments are met.

Q6 Mr Doran: One of Ofcom's first major tasks will be to look at the public sector broadcasting commitments. I would be interested to know how the smaller television companies are going to approach that? How do you see your interests being served in that process and in that review?

Mr Emslie: To a certain extent the review has already started, because Ofcom are already asking for quite a number of bits of information from us. Sandy and Derrick as the Managing Directors of the licences are very involved in supplying that information. We will engage fully in that whole process. We have the timetable. We have already had a meeting with Ed Richards, who is leading this for Ofcom. He has laid out the timetable, and we will engage fully in the process. From our perspective, being almost a national broadcaster across all the licences, I think the interpretation of what public service is in an area like Scotland might differ from other areas around the United Kingdom, given our commitment to covering the political set-up in Scotland, the devolved powers at Holyrood, the powers and Westminster, and the news agenda is slightly different. I think we will come from a different perspective, but I do not know if Sandy and Derrick want to say anything on that.

Mr Ross: We are supplying the information. Ofcom has asked us for information of all of our regional programming over the last five years, and that information has to be supplied by the end of this month. They have also asked us to supply commentary on what we have done over the past five years, and where we think it differs significantly from

other parts of the country. We are in the process of putting that information together for them at the moment.

Mr Thomson: We are set for the future. We have just invested over £5 million in our regional broadcast business. The licence is there and under the nations and regions charter we have everything nicely tucked up and have absolutely no concerns about the future of regional broadcasting in the north.

Q7 Mr Doran: What I am interested in is whether, as a relatively small company compared to the new mega companies that will be created, you have a different attitude to the public sector and the public broadcasting requirement; or is it going to be along the same lines? Are you going to be sitting beside the BBC and ITV when push comes to shove, or is it a different regional position?

Mr Ross: I think the interesting difference between the ITC and Ofcom is when you start to analyse the powers that Ofcom has; Ofcom has more wide-reaching powers than the ITC has. One of the most significant differences—and the ITC asked us if we would behave in this way this year—is that at the beginning of each programming year we have to submit to Ofcom a statement of our programme policy for the following year; and Ofcom, at that stage, has an opportunity to scrutinise that. They have the powers within the legislation that, if they feel the statement of policy which we have submitted to them does not square with their obligations in terms of a licence or Ofcom's definition of public service broadcasting, they can come back to us and ask us to make amendments to that statement of policy. That was not the situation previously with the ITC. The ITC was very much a post hoc regulator; whereas Ofcom has got very distinctive powers to intervene at an early stage. That is the one very significant difference which we are feeling the effect of already.

Mr Emslie: I think in reality, while we are a commercial broadcaster and our commercial interests are aligned with the merged entity of Carlton and Granada, I think the interpretation of what constitutes public service broadcasting will be different in Scotland because of the different natures of news and the cultural agenda which we have to follow. Underneath the Charter for Nations and Regions Scotland still makes more regional programmes than any of the regions around the ITV network. That is simply because our viewers have greater expectations and we have got a wider scope of issues which we need to cover, and I do not see that changing.

Q8 Derek Wyatt: Given that two years ago Granada finally got hold of Meridian and this year Granada finally gets hold of Carlton, you are absolutely certain it is in stone that they cannot take over ITV's Network Centre or, by subterfuge, cannot say, "We run 85% of this territory now. If you don't like what we're going to do, we're not really that interested".

Mr Emslie: The networking arrangements are in the Broadcasting Act and have been carried over to the 2003 Communications Act, and they are very

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explicit in what they mandate the network centre to be. I think Carlton and Granada will inevitably slim down the network centre because they do not need to have all the finance and engineering support that is there because that can transfer to their own businesses. As far as the commissioning structure is concerned—the network programming director, his commissioning editors, the business affairs people, the scheduling strategy—it is very, very important for all of us (and I suspect PACT would agree with this as well) that that is completely separate from the merged entity of Carlton and Granada. It actually says in the networking arrangements that the ITV companies appoint them as their agent and they should stand separate from any company's interests, whether it be production or commercial.

Q9 Derek Wyatt: David Curry is on record as saying he hopes Ofcom will be as transparent as it possibly can. Would you both support the idea that all hearings should be in public when there are disputes?

Ms Gallagher: I cannot see any reason why it should not be. I think Ofcom have got enormous powers now. To answer your question on the independence of the network centre, we very much rely on Ofcom to make sure it does remain as a meritocracy. As we sit now, it does very much look like it is a meritocracy. For ITV's own self-interest, because 75% of income, of profit, is from broadcasting, it is indeed in its self-interest to have a real meritocracy at the centre. However, it does not mean that different owners at different times will take a more short-term view of it, and have a vertically-integrated structure and reduce the independence of the network centre. I think it very much looks to Ofcom to ensure that it remains a meritocracy. In that regard, having public meetings rather than private ones for disputes would seem a sensible thing, and certainly something PACT would support.

Chairman: I was discussing this problem last night. The fact is, the FCC in the United States meets only in public. If more than two members of the FCC have a discussion then that is not permitted except at a public meeting. There is no conceivable reason, except on commercially confidential occasions, that Ofcom should not meet in public. Is it not a sad fact that too many public organisations, like Ofcom, like the ITC, like the National Lottery Commission, weasel out of the issue of open government as though there is something to hide?

Derek Wyatt: Chairman, I think that is a statement!

Chairman: It was a statement with a question mark!

Q10 Derek Wyatt: A small question mark!

Mr McVay: Obviously one of the concerns of the Committee is: is Ofcom fit for the purpose and up for the task it has been given in a very complex piece of legislation? Our experience so far over the summer, with the codes of practice and the methodology and approach that Ofcom have taken, is that we have been very impressed. They are evidence-based and they do consult. As a new regulator with significant powers I think it is up to all of us, the industry and

politicians, to ensure that we have a transparent and best practice regulator. I think we have a real opportunity to do that.

Q11 Derek Wyatt: I am in the Meridian broadcasting area which, as you know, is going to undergo substantial changes if Granada gets its way. What representation have you had from the independent production groups in the south-east of England about their nervousness at the changes?

Mr McVay: I will ask Malcolm to answer that. Malcolm is the Chairman of our Nations and Regions Committee, and his company is based on that region.

Mr Brinkworth: Not only for the independent production community but also for the 5.5 million people who are served by the Meridian area, I think it is a very significant concern. As far as the independent production community is concerned, we are deeply concerned that an overwhelming move of the network production department to London is a stalking horse, clearly, for that move of other network production departments around the regions to London. The increasing centralisation process of Meridian is maybe the first example. There is a real concern about that. There is a concern because, if one is thinking about the way in which the industry works, one has to think about it as a whole, because you are talking about the whole ecology of the independent production centre running alongside ITV production companies as themselves and also the BBC. As the reviews all last year very clearly showed through the ITC, if you are going to try and create clusters of real creative talent around the UK, then the synergy between an ITV production house, freelancers, the independent sector and the BBC is critically important. Diminish that role then clearly there are questions about what we can do. We believe, as far as we are concerned, that the independent sector has always thrived based on the meritocracy of its ideas and its talent. We live and die by our ideas and our talent. I think we would say we would be in a position certainly to try and pick up any shortfall that comes out of that. On the other hand, it is critically important from Meridian's point of view, and for the viewers, that they maintain their commitment to a diverse production schedule, and also that the 2½ hours are genuinely regional and you do not simply have Meridian as director of programmes fed by a news machine. There is real concern there. I think that concern is mitigated across the whole of ITV.

Q12 Derek Wyatt: Is your concern the fact the southeast is the richest network and, therefore, there ought to be an abundance of opportunities here? Your nervousness is that they will be taken either to Southampton or to London; they are not going to stay in Maidstone, Newbury or wherever Meridian is in the south-east?

Mr Brinkworth: I think there is a difference between a bricks and mortars argument over how many studios actually survive in the Meridian area, and actually a commitment to really building talent and building proper creative clusters. Overall if you look

at the efficiencies ITV will go through as a whole, there will be efficiencies of scale and there will be studios that will close. That is an inevitability I think everybody recognises. What I am more concerned about is making sure that the production talent does not migrate on the south-west train service to Waterloo on a regular basis. I am concerned that we actually keep hold of that talent which is indigenous in the region and that we develop that talent, so those coming forward into the industry, whether you are graduates or people currently there, have a real role to play and a voice within that region.

Q13 Derek Wyatt: Do you think Ofcom missed a trick, or the Government missed a trick even, by saying that ITV2 should be the regions? You could have an opt-out channel for the regions and you could have had a regional hub for creativity in every region in Britain.

Mr Brinkworth: To be honest with you, if you look at the network production that is going on in Britain actually you are finding that 250 independent producers who are based outside the M25 are successfully competing on a network level anyway. They are successfully competing because of what they do and their ideas and their talent. It is very hard if you are an independent producer in the English regions in comparison with elsewhere, because there are certain commitments you have in Scotland, Northern Ireland or Wales that make it slightly easier for you. For ITV I think the crucial thing is they maintain their commitment to the regional schedule for a regional audience, which I think is crucial. I think it is important there is an open access to the network centre on which independents from across the board from outside the M25 can compete, so that it does not simply become a London talking shop. I think it is also vital that independent producers who are part and parcel of that are able to compete on a level playing field across the industry. At the end of the day that is where you will build work; that is the way you will build a creative industry; and that is the way you will hold onto and sustain and nurture jobs across the industry.

Q14 Michael Fabricant: No more Mr Nice Guy, I am going to play devil's advocate with you. First of all, let me take you down memory lane. You will recall ABC, Associated, Redifusion, Granada and ATV and even dear old Southern Television were moaning way back in 1959 and 1960 about not getting into ITV because it was a closed shop for the then big four. What has changed? You are protected by the Communications Act. You were previously protected by the ITC and the Broadcasting Act. I remember all but hell breaking loose and Bruce Grocott moaning that ATV in the Midlands would be destroyed and there would be no more local television in the Midlands because of the acquisition by Carlton. It never happened, because the licensing agreement gives you that protection. What is the big deal?

Mr Emslie: I think the big difference for us as a broadcaster in Scotland is, one, we were never part of the big five so we never had direct access to the network schedule. I suspect that production powerhouses of Granada, Central, London Weekend and Yorkshire came out of that protected system. During that era very little production came to Scotland for network programmes and it was not until this direct access to the network centre underneath the 1990 Act arrived that we were able to get into the system and make network programmes. I agree with Malcolm, I think it is very important that in an area like Scotland, and many other production centres around the country, there is this mix of network production alongside regional production for the regional licences that allows talent to develop and talent to be sustained in that region.

Q15 Michael Fabricant: Do you feel that the Communications Act has changed the Broadcasting Act so much you do not have that protection any more?

Mr Emslie: What I suppose we are seeing is what is fundamentally different that you have now got one ITV player that owns 92% of ITV, and effectively can make all the decisions. They are also the biggest producer, and the biggest supplier to the ITV network through Granada's production houses. If they make a decision to commission in their favour then the meritocracy and the distribution of production around the United Kingdom will end overnight. It is very important that that is not the case.

Q16 Michael Fabricant: You have made that point well and at length, quite rightly, to Frank Doran. Are you not going to be protected by the terms of the licence that every independent television contractor has with Ofcom?

Mr Emslie: We have a separate licence for both Grampian and Scottish, and they have their own regional obligations regardless of ownership, and it is exactly the same for the licences under the control of Carlton and Granada. Regardless of who owns these licences, they have their individual licence commitments to make in the regions.

Q17 Michael Fabricant: Can I move you now to Vinters Park, if I may, (it is not my constituency) because I think it is worth exploring further. A lot of people are concerned that Vinters Park, which is a television production facility in Maidstone serving the eastern region of Meridian Television, is going to close. That was pointed out by Derek Wyatt earlier on. Let me put it to you that when TVS decided to build Vinters Park many people felt that it was old-fashioned even when it was on the drawing board; that they only did it in order to win a franchise away from Southern Television; and that really you could not justify it when it was built, let alone now!

Mr Brinkworth: There are two answers to your question, which I will try and deal with. I think as far as the independent sector is concerned, I am certainly not here to make an apology for whatever

bid was made by TVS or Southern. To answer your point a different way, clearly there are two points where we are trying to keep the production community alive both in Maidstone and elsewhere. First of all, PACT has been working very hard to ensure that the regional definition, which Ofcom is now looking at, is a robust one. That is clearly looking at not only how much the spend is to be a qualifying programme, but also the amount of talent that is actually there. One of the key protection mechanisms for the future will be showing that that regional definition is not only robust but rigorously enforced. I think PACT is very keen to ensure, while recognising there are some difficulties over the 50% current threshold of talent, that we are keen to see that moved to 70%. Two, it is also critically important that—

Q18 Michael Fabricant: On that point, you talk about the rigorous enforcement of it, and I understand your reason for saying that. The enforcer will be Ofcom. Have you spoken to Ofcom and what is their reaction to this?

Mr McVay: We have been working with Ofcom and broadcasters to agree the new regional definition which will apply to all qualifying regional programmes, both for in-house production and for independent producers. We are also looking to have a dialogue with Ofcom about clauses in the Act which are about appropriate levels of programming outside the M25, about production centres outside the M25. We think it would be very useful for Ofcom to start the work sooner rather than later because we would be concerned, in order to arrive at sensible measurements and judgments about that, if they do not start that soon they will be measuring a corpse rather than a vibrant production community.

Mr Brinkworth: Whilst echoing what Mr McVay has just said, whilst currently in the Act we are talking about a suitable number of production centres, I think it is really important (whether it is from this Committee or from Ofcom) that we have an understanding of what that means. What is a suitable number of production centres around the UK?

Q19 Michael Fabricant: That is something we might well ask Ofcom who are coming next week.

Mr Emslie: Can I come back to your point about studios, because I think it is important to point out that right the way across the country there is much more capacity for studios than television broadcasters actually need. There was a phrase used by Malcolm that it was less about bricks and mortar but more about investment in technology and what goes on screen, and I absolutely support that. I happen to know, because I met with Clive Jones last week, the Maidstone studios were used one day last year. We have a situation in Scotland where our studios are used probably 25% of the time. The cost of maintaining these studios and upgrading them to the new capacities far outweighs any benefit you get from them. You can actually take television production anywhere; you do not need a studio that was designed 25 years ago. We have done exactly this

in Grampian. We have moved Grampian out of old studios into a brand new studio complex, with new technology. Maybe Mr Doran would concur, but I think they have now got a state of the art facility that is fit for purpose, and I think it is benefiting the production values of the output of Grampian Television.

Michael Fabricant: I agree with you totally.

Q20 Chris Bryant: I just wonder whether you think with the changes that are happening to the ITV this is going to lead to not only a change in the way production happens but the percentage of features and drama changing and coming from independents rather than just news programming?

Mr Emslie: In keeping with many of our obligations as regional licensees, ITV has many obligations as a network broadcaster. We have quotas for production in the regions; quotas for production outside the M25; quotas for original production; and, more importantly, we have what is called “table one hours” which is very clear and precise in the generation of the network schedule. We have quotas for how many repeats are allowed; what is our acquisition volume in the overall schedule. Actually it results in the focus of ITV schedule being original production, and that is very important. The reason that ITV is the market leader in terms of audience, and effectively drives the market-leading share of advertising, is because it has traditionally invested in original production, particularly drama at nine o’clock; and there is an absolute commitment from ITV to continue that.

Q21 Chris Bryant: There is a lot of nervousness amongst audiences about whether that is really going to survive. People want to see programming that reflects their own communities, their own environments and the buildings and streets they know in their own communities and regions. That seems to be the strongest thing that people are nervous about, that that will not happen and in the future you will see Britain on television, and you might see the north-east or the south-west on television on news or things like that, but not from documentaries, not in features and not in drama?

Mr Emslie: Underneath the Act each licence output is protected. For example, the Scottish licence has to make 12 hours a week, and the Grampian licence has to make seven hours a week. On average, across England and Wales, it is about 8½ hours a week they have to make and not all of that is taken up by news. There is a significant output for other programming which is non-news related, and that is contained within each licence and within each area.

Q22 Chris Bryant: I understand that, but when you start talking about figures and statistics and meeting quotas that is when my heart sinks. I think what audiences are probably looking for is more of a deep and ongoing commitment, and not just producing *Emmerdale* and *Coronation Street*, but really creating an imaginative future for regional drama. Features is an area people are even more nervous

about, because with drama if you have got a big name you can get a lot of publicity for it, but features are the bread and butter.

Ms Gallagher: That is what we are talking about in terms of the obligation from Ofcom to look to enact the words when it says “as a proportion of expenditure outside the M25”, that is the clause we need specified because absolutely we need dramas, features, comedies and all the high costumes coming from across the UK. That is why we are working with Ofcom to get the definition of how you define a regional production, which means talent, actors as well as expenditure, and that is for the network. You are quite right, there is a lot of confusion between a regional programme for the region and a network programme made in the regions. What you are talking about is the latter. I agree with you, for democracy and enjoyment of the audience it is very important that you get a genuine regional production across all the genres. I like seeing Scottish drama because it is from Scotland, and I like watching it in London. This is where these definitions are critical. What we are saying in terms of a specific point today is that we would like this Committee to be looking at Ofcom to define exactly what it means by a suitable proportion of expenditure. I know it is a quota and you do not like quotas, but without quotas I think there is an inevitable London centric and drag of talent towards London, and I think it has to be enacted.

Mr McVay: This is actually an opportunity, because this is the first time we have had the same rules apply to all broadcasters in one bit of legislation. I think it is a real opportunity for Ofcom and the industry to really encourage and celebrate the different regionalities of the UK and actually reflect that in our broadcasting ecology.

Mr Emslie: ITV currently makes 8,000 hours of regional broadcasting more than any other broadcaster. Forty per cent of the network schedule comes from the regions. Regionality is in ITV’s blood; that is how it has grown up over the last 50 years. I do not see that this merger is going to take that attitude out of the production communities of ITV.

Q23 Chris Bryant: That is now, but I think many people’s nervousness is about the future and whether we hold that great strength.

Mr Emslie: It actually comes back to the sustainability of the production industries. One of the other things we have been arguing for is within the system that a small broadcaster, like ourselves, without any influence should become an independent broadcaster, an independent producer, which can help sustain a production community in Scotland.

Q24 Ms Shipley: Given your answer, just so that we are absolutely clear that all your stuff is regional stuff, what exactly is a genuinely regional programme? You gave percentages that you are producing genuinely regional programmes, so tell me, define it.

Mr Emslie: If you look at it from our output from our licence regional licence perspective, Scottish estimate 12 hours of licence programme in a week.

Q25 Ms Shipley: What I want to know is what the content is of a genuinely regional programme?

Mr Emslie: It is a programme that is made in the region by our own resources, by our own people that are based in the region, either people that work for us or an independent producer based in the region. It is a programme that would be of interest and of relevance to the regional audiences.

Q26 Ms Shipley: Would you disagree with that?

Ms Gallagher: No, I think the confusion always happens between a regional programme made for the region, made for the local population, and, on the other hand, a programme that is made in the region for the network. For instance, where the definition comes into it, I would agree entirely with Donald on the definition of a regional programme, but where we get into definitional issues is if a drama is shot in Glasgow but edited and all the talent comes from London. Is that a regional drama? In the past there was a lot of trickery going on. A broadcaster can say to an independent producer, “If you set up an office in Manchester, but you are shooting it all in London, we will call that a regional programme”. What we have tried very hard to do in the past is to work with the regulators of Ofcom to stop these abuses. Having said that, I think ITV is the least channel to abuse these rules.

Q27 Ms Shipley: I would like to know whether you think lifestyle programmes are regional programmes?

Ms Gallagher: Depending upon the definition of regional programmes. If you are talking about a regional programme for a regional audience, I remember arguing with ITC when they said my series *Scottish Women* (when I was a broadcaster) could not discuss abortion because that was not a Scottish issue. I think you can get into some really silly instances about regional definition. To be quite simple about it, if you have 100 Scottish women debating something of interest that is a regional programme.

Q28 Ms Shipley: I have picked up from many of you things such as the spend is important, the talent is important and things like that. I think most viewers consider a regional programme one which has a regional identity, not instead of what you have just said.

Mr Brinkworth: There are two issues: there are the regional programmes made for the regional schedule—and I think it is critically important that has a local voice that is talking to that regional audience—

Q29 Ms Shipley: So regional identity?

Mr Brinkworth: Yes, regional identity. It is critically important that the 2½ hours that is normally reserved in the ITV licences or non-news programming

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genuinely reflects the diversity and plurality of each individual region. I think that is critical. That is the local identity. I think there is a second issue, which lies behind the other question you were talking about, about regional definitions, which Mr Bryant

was talking about, over the issue of network productions from a regional voice and I think they are different issues.

Ms Shipley: Yes, they are.

Chairman: Thank you very much indeed.

Memorandum submitted by the National Union of Journalists (NUJ)

1. The NUJ welcomes the opportunity to provide evidence on the Carlton/Granada merger and the role and responsibilities of the new company as a public service broadcaster in the future. In our submissions during the consultation process on the Communications Bill, and to the Competition Commission inquiry into the merger, we argued strongly against the creation of a single ITV company, serving England and Wales. We are now faced with the reality of the single company and believe it is important to ensure that it fulfils its remit as a public service broadcaster, serving the nations and the regions.

We present our evidence under the following headings: the new company's strategy; ITV and public service broadcasting; ITV and regional programming; the role of Ofcom.

COMPANY STRATEGY

2.1 The 1990s saw the emergence of Granada and Carlton as two of the dominant ITV companies after the acquisitions by Granada of LWT and of Central by Carlton in 1994. The failure of the planned Carlton-United merger in 2000 led to the acquisition of Meridian and Anglia by Granada in 2000, and Borders in 2001. In 2002, after a planned merger between Carlton and Granada was halted in March, they announced their intention to merge the following November.

The final hurdles to the merger were cleared in 2003 with the Communication Act in July, and in October, Competition Commission approval for the merger.

2.2 The chairman and chief executive designate of ITV plc, Charles Allen, has given a clear idea of what he sees as the new company's strategy. After the removal of Michael Green, as a result of shareholder pressure, he asserted, "I am paid to drive shareholder value and I think there is a lot of shareholder value to be created." (*Television*, November 2003) Originally the target for cost savings as a result of the creation of a single ITV was £55 million but this figure was revised to £100 million when Granada and Carlton announced their full-year results on 26 November 2003. One news report on the same day suggested, "Shareholders believe that the combined companies must go for far more aggressive synergy targets than have so far been outlined. There has been speculation that Granada agreed to this as the price for not being hit by the same shareholder revolt seen at Carlton last month." (*The Independent*, 26 November 2003).

Job losses form a large proportion of the merger synergies. The two companies employ a total of 8,000 people. So far 175 jobs have been cut from the Meridian subsidiary as the broadcaster moves to a new facility near Fareham. Granada is selling off its old Quay Street headquarters in Manchester and again this will be used to cut back the workforce. NUJ members also believe that a similar strategy will be implemented in the Midlands where at present there are studios and facilities in Abingdon, Nottingham and Birmingham. These could all be closed and one new facility developed along the same pattern as at Meridian. Carlton and Granada's combined London regional news operation is to move into ITN's building on Gray's Inn Road, and there are plans for an ITV News Group, which will absorb regional, national and international news and include ITN.

2.3 The company currently makes network and regional programmes in Manchester, Leeds, Newcastle, Birmingham, Nottingham, Norwich, Cardiff, Bristol, Plymouth and Southampton. Charles Allen dismisses these facilities, which represented the buildings and centres for the original regional ITV franchises: "I've got 43 buildings around the country, which might have been appropriate 10 years ago. I'd rather have the money invested in talented cameramen and talented programme makers who can actually go to where the story is rather than paying for shop fronts around the country."

2.4 There are also early signals that the new company will fight a determined lobbying campaign to persuade the Government that it is burdened with financial commitments which need to be reduced, namely the £300 million which it pays for its franchise licences, and another £150 million for its regulatory requirements. These we assume are the public service obligations which the company has to fulfil. Patricia Hodgson, outgoing chief executive of the Independent Television Commission (ITC), stated in a recent *New Statesman* lecture, "If public service isn't economic it needn't be provided by commercial channels." The NUJ believes the strategy of the new company is very simple. In order to maximise shareholder value and please the City the emphasis has to be on shaping the ITV schedule to the needs of advertisers. Charles Allen cited an example of this relationship: "Advertisers will say we need more housewives and children watching in daytime, and we will drive our investment to deliver what they want."

The NUJ in its evidence to the Competition Commission placed great emphasis on the importance of protecting regional news and programmes but the CC report does not make any demands that revenue saved from the merger should be put into these areas. All the indications are that when ITV plc launches in February 2004 the company will have minimal interest in promoting its public service remit and regional news and programme making; rather it will want to move towards programme making which jettisons what it sees as restrictions on its commercial operations.

ITV AND PUBLIC SERVICE BROADCASTING

3.1 In 2000 the ITC published the results of a major piece of research, *Public Service Broadcasting: What Viewers Want*. Two of its key findings are relevant here:

- There was broad agreement on the characteristics of PSB. Qualities that were repeatedly echoed included diversity, high quality, education, innovation, entertainment, information, original production, pluralism, accessibility, inclusion of minorities and free access.
- The consensus across all respondents was that PSB requirements were prerequisites for good, quality television and that without them certain strands of programming would disappear altogether, and that quality itself would diminish. Few were confident that market forces alone could deliver high quality or innovative programming.

3.2 One key public service obligation on ITV was the provision of a high quality, well-resourced news service. The fate of ITN since the 1990 Broadcasting Act is well documented. Each time the contract to provide news for ITV came up for renewal ITN won it but the value of the contract was drastically reduced. It meant that ITN struggled under budget constraints and staff cuts to deliver the high quality service it was required to under the Broadcasting Act. In addition there was the foolish decision taken by the ITV companies to move *News at Ten* from its established slot.

Now there are new plans for news, although how they will work out is not clear. This is how Charles Allen describes what will happen: “The regions have sat separately from the national and international news and the news channel. What the ITV News Group will do is to bring that together with an editorial focus. How do you make the regional news drive the national news? How do we create one editorial agenda there that is actually rooted in the regions? . . . I’m also keen to create a *News at Ten Thirty* that adds value and is forward looking rather than reporting the day’s agenda.” It is difficult to identify what the implications of these statements actually mean for the delivery of news by ITV. The NUJ hopes the CMS inquiry will want to explore how the newly merged organisation will attempt to fulfil its requirements to deliver its public service obligations in this area.

The NUJ’s concern is that the impact of these proposals will be to weaken, not strengthen, the core public service obligation to deliver a high quality, impartial news service.

ITV AND REGIONAL PROGRAMMING

4.1 Section 287 of the Communications Act requires the company to give “sufficient” time in its schedule for a “suitable range” of high quality local programmes, including regional news programmes in peak time. Because these requirements are expressed in general terms it highlights once again a fundamental tension between what the company’s strategy is, in terms of seeking to maximise revenue through scheduling programmes which are attractive to advertisers, and what again can be considered a public service obligation, namely to reflect on and report local news and activities. From a strictly commercial perspective, low-rating regional programmes do not generate the same profits as quiz shows or other entertainment and films whose time they might be taking up.

4.2 In the ITC survey cited above regional programming was highly regarded by viewers, who gave strong support to regional programming, and thought it an essential service for ITV to provide. However, “there was public concern about the concentration of media ownership and a fear that because of it regional television would be lost.”

There is clear evidence to support this fear. Ever since the 1990 Broadcasting Act, which required the ITV franchises to supply local programming, but without stipulating a specific financial investment, the decline in local programming has mirrored the consolidation of the ITV franchises from 15 companies down to effectively two—Carlton/Granada and Scottish Media Group. In other words we have seen the gradual erosion of what was a central part of ITV’s original remit to be rooted in a region and convey something of its regional identity to both viewers in the region and nationally.

The NUJ believes that what is happening within Granada’s Meridian franchise illustrates the threat to regional ITV programming. Indeed the Meridian managing director, when he announced the plans, heralded them as “the blueprint for ITV”.

These plans include axing network programming and regional sport, and centralising news operations on one site. The implications for other regions could mean a single operation for Central’s present three site news coverage. There would also be nothing to stop West Country news being done from Bristol, or Tyne Tees coming from the studios of Yorkshire Television.

Meridian in the South East of England enjoys the highest ratings of any regional news programme in the country. The team that makes the programme will be broken up under the Meridian plan. Even in production terms this does not make sense. There are no cost savings in having presenters and production journalists based in one super centre. The same staff could equally be deployed in the area they serve. Indeed the technology Granada intends to install actually makes this easier.

The NUJ believes that the plans, if implemented, can only result in a worse service for viewers. With production journalists based outside the area they serve, mistakes will be inevitable. As on-screen credibility declines so will the ratings. It will be a slow and lingering death as output is reduced, on the spurious basis that there is no appetite for local coverage. In fact there is no appetite for inferior local news.

Selling the Southampton site and sacking 175 staff will generate revenue and savings of between £10–13 million, and there will be an investment of £6 million in the new facilities in Hampshire. But the rest of the money will not be invested in Meridian.

The NUJ believes the proposals to close the existing studios in Maidstone and Southampton breach both the spirit and the letter of Meridian's franchise commitments. As such, questions should be asked regarding the role of the regulator in this process. We believe these actions also contravene assurances given that the public service remit would be safe in the hands of a merged Carlton/Granada. The NUJ opposes this proposed reduction in services to viewers in the South East of England.

The NUJ believes that the process of cutting back on regional programming and closing regional studios and other facilities does need to be challenged and reversed. Several commentators have pointed to what seems to be a contradiction in government policy. On the one hand there is a desire to promote regional self-government and to encourage coordinated initiatives in terms of training and investment at a regional level but one of the key assets to promote such regional identity and local communities—regionally based ITV companies—is disappearing into a single London-based centralised operation.

THE ROLE OF OFCOM

5.1 Ofcom sees its role as to “balance the promotion of choice and competition with the duty to foster informed citizenship and protect cultural diversity.” Whilst the new regulatory body does not come into official existence until the end of December 2003, it has already announced a major review of public service broadcasting. The two major ITV groups, Carlton/Granada and Scottish Media Group, are both keen to lobby for an end to what they consider prohibitive franchise fees and restrictive public service obligations. The Carlton/Granada merger provides a good example of the “balance” which Ofcom will have to address between the company plans to generate revenue through advertiser and ratings-driven programming, and the requirement to also deliver high quality news and programming within the regions.

5.2 Professor Steven Barnett asks the question: “Can we really expect Carlton/Granada, which wants to become a dynamic, competitive, commercial force in British—even global—broadcasting, genuinely to care about enhancing local identity and character?” (*The Observer*, 30 November 2003) The NUJ believes that the answer has to be an unequivocal “yes”. We hope Ofcom will realise the importance of this requirement, and ensure it is fulfilled by Carlton/Granada too.

CONCLUSION

“Don't trouble me with your history,” Gerry Robinson said on his first visit to Granada's Manchester headquarters when he took over as chief executive of Granada. Sometimes we can learn from history. The Communications Act controversially allows the takeover of ITV by an American media company, possibly Sumner Redstone's Viacom, owner of the US television network, CBS.

In 1986 Larry Tisch of Loews Corporation became chief executive of CBS and in 1995 he sold CBS to the Westinghouse Electric Corporation for \$5.4 billion, a deal that enriched Loews Corporation by \$1 billion. Larry Tisch's obituary (*The Times*, 28 November 2003) comments: “Tisch pointed out that, under his leadership, CBS stock had appreciated at an annual rate of almost 15%. Critics asserted, however, that Tisch had destroyed staff morale, failed to develop top-rated programmes and treated one of America's great institutions as just another business.”

The ITV regional franchises, which developed with the establishment of ITV 48 years ago, have an important role in our public service broadcasting structures. It would be a harsh blow if they were finally to disappear because Carlton/Granada treat them as just another business.

Memorandum submitted by Broadcasting, Entertainment Cinematograph and Theatre Union (BECTU)

1. BECTU is the recognised trade union at both Carlton TV and Granada TV for technical, production and administrative staff. In the light of the companies' behaviour since the merger announcement, we are now seriously concerned at the implications of the merger for public service broadcasting (PSB) and in particular for regional programme production.

2. As we indicated in our submission to Government on the Communications Bill and to the Competition Commission on the Carlton/Granada merger, we believe PSB regional programme production has been and should remain the defining characteristic of ITV. For PSB regional broadcasting to remain a meaningful concept we believe it entails the following requirements:

- a broad range of regionally originated programming of high quality;
- the use of the full range of regionally-based staff, freelances and production facilities; and
- the maintenance of a wide spread of regional studio facilities and the avoidance of any further studio closures.

3. We believe this reflects not just the interests of those who work in regional ITV but also a broader public interest on behalf of viewers who have consistently expressed support (in audience figures and in survey responses) for a strong regional ITV presence.

4. We note that the Communications Act 2003 contains specific requirements for a "significant proportion" of regionally-originated programming for the ITV network (Section 286) and a "significant proportion" of regionally-oriented programming (Section 287).

5. We believe that developments since the merger announcement run contrary to these requirements including:

- at Anglia TV: a further round of redundancy discussions; and
- at Granada Manchester: speculation on the future of the Quay Street site, with possible implications for jobs and facilities.

6. We are particularly concerned about the proposal to lose 175 jobs (approximately half of the current staff) at Meridian Broadcasting, whose main base is in Southampton.

- This severely depletes Meridian's programme making workforce and consequently the company's capacity to produce a broad range of material.
- Sports and Factual programming will be particularly affected and the region less well served by the removal of these departments from the Meridian production hub. Much of such programme-making appears destined to be pulled back into London, contrary to commitments on regionality.
- Regional centres should be capable of producing regional news, features and network production. Unfortunately, Meridian now appears to be in transition from producing this broad range of output to being a shell only capable of regional news.

7. The ITC's agreement in May 2002 with Carlton and Granada on the Standardisation of Regional Hours was supposed to result in an increase in 2003 in the quality of regional output and in better programme slots. There is no evidence that this has yet happened. To the contrary, the consequences of the merger appear to point in the opposite direction.

8. We believe that Carlton and Granada should be held strongly to their regional programming commitments and to the requirements in the Communications Act. We believe they should be required to justify their recent actions in the light of this and to give renewed and explicit commitments to regional PSB programming in the future. We look forward to the outcome of the inquiry.

3 December 2003

Witnesses: **Mr Paul McLaughlin**, National Broadcasting Organiser, **Mr Jeremy Dear**, General Secretary, and **Mr Iain McBride**, Maidstone Branch, National Union of Journalists (NUJ); **Mr Andy Egan**, Research Officer, **Ms Sharon Elliott**, Supervisory Official for independent Broadcasting, and **Mr Martin Clarke**, Branch Secretary for Meridian, BECTU, examined.

Chairman: Good morning. I will ask Mr Wyatt to start the questions.

Q30 Derek Wyatt: Could you tell me what consultation has taken place between Meridian and/or Granada with the impending closures at Maidstone and the move to Southampton? Can you tell us how many jobs are likely to be lost, and what sorts of actions and feelings there are amongst the workforce?

Ms Elliott: We are at the point of beginning consultations on the proposed redundancies. You will be aware from the press that it is proposed that 175 jobs should be lost at Meridian, prompted essentially by the company's desire to move away from the Southampton base into new premises that will accommodate significantly fewer number of people. As a result of these proposals we believe regional programmes clearly will be majorly affected. Certainly the intention also is to move

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network production to London, and Meridian has a fine record in network production; and also to move Granada Sports based in Meridian to London, which we believe is contrary to the many statements that have been made by senior executives in the company in relation to their commitment to regionality, and their commitment to sustaining an infrastructure at local level, which not only supports good quality regional output but also programme production for the network.

Q31 Derek Wyatt: Is there any good news?

Mr McLaughlin: The issue about consultation—there was a lot of consultation seemingly in the press and in the media around the impending announcement of closure and relocation of the studios in Meridian, but there was no consultation at that time with the trade unions. It was very unfortunate that we were aware of the likely announcement but not given the opportunity to comment formally to the employer on their plans. You can contrast that with the approach that was taken at the ITC where it was clear and emerged there were discussions with the ITC prior to the announcement, and I think that is a contrast. I noticed in your earlier discussion you were picking up issues around Ofcom and the difference between the ITC's approach and Ofcom. I think one of the things we have found—although the ITC have worked within the legislation, obviously, and we had a good relationship with them where possible—from the discussions we have had with Ofcom thus far they seem to be in very much the listening mode and that is prior to decisions being taken. That is in contrast with the way in which the ITC has approached matters.

Mr Dear: Just to put it in perspective, the 175 jobs is more than half the workforce.

Q32 Derek Wyatt: News is one of your biggest shows, certainly in Kent, huge figures. How would production of that change?

Mr Clarke: We are short of specific details but the intention is to move all the production of the news programmes into a site between Southampton and Fareham. We have traditionally been on a site in Southampton going back to TVS and even Southern Television, so the site is quite old. I can understand the reasons why the company wants to move off that site. That might be a purely commercial decision. The reasons for moving the news production from Maidstone are as yet unclear. The operation is likely to be split between a production team in the television sense of production and a producer being in the east, and the technical production under the charge of the director being in the west in Fareham. Control will pass from one to the other at approximately five o'clock in the afternoon, we have been told. As yet, we do not have any technical details on how this is going to be achieved. This, we are told, is all part of the consultation process which has yet to be formally started—a projected date is this coming Friday; it was actually going to be last week but the company delayed it because the information they are required to provide on the HR I

in terms of redundancies and the regions and the technicalities of it all they did not think were sufficiently well prepared to be able to produce, and so they asked us to wait a further week.

Q33 Derek Wyatt: The consultations—they have bought the new Fareham and they have bought the new Maidstone or rented, so this is about redundancy and is not about services, is it?

Mr Clarke: We are told that they have an option on a site in Fareham. They have not actually bought. We do not know where the site currently is projected to be in the east. There is speculation that it might be Ashford. We believe it is not going to be the current site at New Hythe. If I might take the opportunity to correct you, the TVS Vinters Park studio was only used by Meridian for the first 12 months. They then built a purpose-built news emporium out on an industrial estate in New Hyth on the outskirts of Maidstone. Meridian only uses that studio very occasionally, or Granada does for some of its production, but it is not actually part of the Meridian operation, or even the Granada operation.

Mr Dear: The point you may be getting at which we have a fear of is that it is a sham consultation; that options are already there on studios; numbers of job losses have been announced; and savings have been announced; and then the consultation will start once all those things have already been announced and build into budgets and build into programme-making and so on. Our fear is that it is not a genuine consultation about what is best for the viewer, but a consultation about how they can make the savings that shareholders are demanding.

Q34 Derek Wyatt: On the new board of Granada is there a non-executive director who is your liaison director who looks after trade unions and human relations resources?

Mr McLaughlin: For industrial relations issues we mainly deal with personnel and human resources.

Q35 Derek Wyatt: There is no specific director or non-executive director you would have some access to at board level?

Mr McLaughlin: We are comfortable with approaching all levels of the companies. Depending on the issue we would approach the chief executive or any other member of the board.

Q36 Alan Keen: I sympathise greatly with your situation on job losses and it is understandable you are on the defensive at the moment. Could I move away and ask, what do you think should have happened in the reconstruction, instead of what you are faced with now?

Mr McLaughlin: It is a good point. We are all been aware that there would be changes in ITV, obviously consolidation, ownership changes and so on. I think how you approach those changes is important. We should have an open dialogue. We should have a degree of transparency. We should have the courtesy of discussions at the earliest possible stage. We may not agree with all the plans, but at least we can be involved in the process properly. At Meridian the

discussions have not yet properly begun, so I would not want to write off our opportunities there. Clearly we will aim to reverse the decision that has been to relocate the studios, because we believe it breaches not only the spirit but the written licence commitments. It is an evolving process. In terms of the changes, I think one of the things we fear across ITV is that the kind of operation of moving localised news programmes into one centralised news operation can lead to a situation where not only is the local viewer compromised, but also it is a very easy step from there to say, “Why have three separate local news programmes, we could just have one local news programme that covers the whole of the franchise”. I would be interested to know what guarantees could be given around that from the companies themselves. We very much fear that is the way they are going. We saw it last year with GMTV, where they applied for and were given approval from the ITC to vary their licence so that the local bulletins which they had, the regional opt-out bulletins from the Central region and from Meridian, instead of being three separate opt-outs they were in fact combined opt-outs. The loss there is obviously in terms of the breadth and depth of the coverage for the local community.

Mr Egan: Could I just add on behalf of BECTU, in terms of the regulatory structure, we think one of the problems is that there does not seem to be a clear requirement for a certain percentage of production for the network region by region. In other words, we would like to see each region of ITV having a minimum percentage of production for whole network that is required of them. At the moment there are requirements about spending outside London, that is not spending broken down region-by-region; it is just outside the M25 which could be anywhere just a couple of hubs within that vast area. It does not specify that that spending should be on productions for the network, as opposed to regional productions just for the region. If something is not done about that it could well be that production within ITV retracts to London, Manchester and Leeds. Outside London, Manchester and Leeds you have shell productions just for local news and current affairs, nothing more than that—which is a very far cry from ITV even now, its defining characteristic being that it is a spread of regional productions throughout the whole of the UK. Ratchetting back to just three centres would be a step backwards. We fear, if that is allowed to happen by Granada, Carlton and/or by Ofcom, that will make it much more likely and much easier, somewhere down the line, for an even worse end game, which would be a foreign company, a foreign broadcaster, coming in and picking up and running with that. Unless there are strong regional commitments with meaningful facilities, staff and freelancers visibly there and visibly required to be there, it will be much easier for a foreign broadcaster who will come in and be able to replicate what is there, because it will be just a shell. If there is a very strong vibrant regional culture within ITV foreign broadcasters will not be able to meet it and will not want to meet it and, therefore, will be much less likely to come to the UK.

Mr Dear: I think we also want a tough commitment to the public service broadcasting remit that the company have. The past of much of the regulation is that companies, ITV franchises, have been able to circumvent some of the public service broadcasting remits, and there have not been tough enough regulation of that. Our fear, and Charles Allen and others said it, is that they are being driven by advertising demands to put on in peak time areas game shows or those that attract the bigger audiences, than news and documentary programmes. You can go through a whole list of regional and political programmes and documentaries that have disappeared over the years, or gone from peak time to late. Only 2.6% of peak time viewing in the ITV network is now on news and current affairs. That is a situation we fear will get worse unless Ofcom takes a very tough approach to the public service broadcasting obligations that this company has, and does not allow it, in the interests of its other commercial concerns, to be able to minimise those through making regional production a nameplate on a door just outside the M25 and so on.

Q37 Alan Keen: As somebody who represents a constituency close to the M25—and originally the other company that Michael missed out was Tyne Tees, which was the first regional station I ever watched—in those days we tended to support Wales, Scotland and Ireland against England at the rugby because we felt Rugby was a public school. I did not support them this time because I realised, with experience, how much the Welsh hated the English so I started to support England! My constituents do not really class themselves as Londoners. The only part of the Borough of Hounslow that classes itself as London is Chiswick, west of that we do not really get represented on television news so there is a problem in London. It really needs looking at over the whole of the country because not everyone is represented to the fullest extent. Kent is going to suffer badly. What do you think should happen? How should it be reassessed? You have got a chance to look forward, and I know you are defensive because you have got a real problem but trying to open it up and look forward, but how do you think the thing should be structured in the future? How do you think we can make sure there are not any regional programmes—

Mr McLaughlin: I think it is about the public service broadcasting commitment versus the commercial commitment. There is that dynamic which obviously the ITV companies have always faced. It is important we find a way in which the public service element can be absolutely guaranteed. We have seen the tensions between the two in the last 18 months to two years, and it is obvious within the companies (and soon to be one company that will be ITV) there is a battle in place between those people who would seek preserve the kind of things we are talking about, the regionality and so on and making sure that voices locally are heard, and those who would say, “Actually it is about balance sheets and really there should be no subsidy for the public service role, and

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if the money does not come in for it then we jettison it". It is about making sure that there are those guarantees. One of the things where we have sympathy for the broadcasters in this is obviously the money that they have to pay for the licences. I think they have quoted £300 million as a figure. There is an area there which one could explore with the relationship between the licences and the payment for those licences, the *quid pro quo* being the public service guarantees going forward. The problem is that we believe the battle has been won by the dark side, if you like, by those who would simply seek to acknowledge the commercial interests within ITV. Therefore, it is a matter of their certainly looking to reduce their commitments. One of the things Meridian point out, Lindsay Charlton the Managing Director of Meridian has stated that the Meridian plans are a blueprint for ITV. Obviously we have found those plans, at face value, to be an absolute disaster for Meridian and for ITV. It is not homeopathic medicine. You do not dilute the workforce by more than half and expect to strengthen the thing you are working with. Our business is a very labour-intensive business; it is journalists; it is technical staff; it is support staff; it is very labour-intensive and you cannot take that level of commitment out of an organisation and not lose as a result.

Mr Dear: What it mean is fewer filming days, less time for research, less time for in-depth investigation and so on in the news context, which cannot produce better programming. It just does not add up at all.

Mr Egan: When you ask, "What is the way forward?". We think that one thing Ofcom could do within the spirit of the Communications Act sections 286 and 287, which talk about regional programme production, is to require that each ITV region produces a certain amount of production for the network. That is simply not a requirement at the moment; it used to be but it is not a requirement at the moment. That would be a great step forward. That would be a way of preserving a certain minimum commitment within each region, not just to a shell of local news, but to a broader range of production for the whole ITV network. We think that is perfectly compatible with the legislation as it is, and perfectly within Ofcom's power to do that. If Granada and Carlton's words which they sometimes come out with about commitment to regional programming mean anything they ought to be able to live with that.

Q38 Michael Fabricant: I share Alan Keen's concern about job losses and the restructuring. I am even more concerned about the manner in which it would appear that Meridian Television has dealt with you. In all my recent experience with BECTU and the NUJ I have found you both to be very responsible and constructive trade unions. It is unfortunate that Meridian chose, it would seem, not to discuss these matters with you. Having said that, I do not think any production centre should be enshrined, with the possible exception of the production centre which is now knocked down in Birmingham where the late great Noel Gordon starred in *Crossroads!* As I was

saying before with the earlier witnesses, there was considerable concern when production went through Nottingham out to Birmingham. At the end of the day the programming output remained the same. I just put it to you: I can understand why you are concerned about the manner in which it has been announced, the closure of Maidstone, Vinters Park or not, but what is it going to mean in terms of programming in the region? Is there actually going to be any less regional news as a consequence? Is there going to be any less regional production as a consequence?

Ms Elliott: Where we are at the moment is in the first year of a new agreement that Granada and Carlton reached, indeed, the ITV companies reached with the ITC—the so-called standardisation of hours which, in effect, led to a reduction in the obligations of the broadcasters in terms of regional production. Meridian, for example, produced 16 hours of regional programmes before that agreement; it is now only committed to producing 8½ hours. What we are steadily seeing is a position where the minimum requirement is, indeed, becoming the maximum requirement. It is quite evident that the proposal to cut 175 jobs, move to much smaller facilities, is not going to result in that figure being increased. We believe very much that regional programming will be poorer off, and certainly that the capacity of the regions (whether we are talking about Meridian, Granada Manchester, Tyne Tees or Border) to produce output for the network is going to be severely compromised. A good starting point for the executives would be to actually be truthful to their words. Lots of statements have been made about their commitments to regional programming but they are not being followed through. It is quite evident that different things are being said within different contexts. The reality in the workplace is that talented people wanting to produce a good quality service for their audiences are finding themselves having to work with their hands very much tied behind their backs.

Q39 Michael Fabricant: Let me put this to you too: there have not only been changes in legislation, not only changes in the amount of broadcasters that are now in existence putting a real pressure and strain on ITV, but there have been changes in technology too, and there is over-capacity in the British television studio market. I know that and that was also borne out by the earlier witnesses. Surely you accept that the status quo cannot remain either?

Mr Dear: The quote of "I've got 43 buildings and I don't need them because I want to invest the money in talented cameramen [talented camera operators], talented programme makers" was the justification for this. There may be some justification if that was what really happened; but the experience of consolidation of the ITV network over the last ten years is 2,000 hours of regional opt-outs over that period. There are now less hours being put in, and less money being put into each programme. For each half-hour less money is being spent by the different ITV regional franchises and so on. The money for each programme in the Carlton Central region is

down 14% over that same period. All of those things point to the fact that, yes, there may be issues to do with you needing some rationalisation of buildings or you needing more modern facilities in different areas; but the fact is that local people want local news and local programmes and they are not getting it, and they are getting less and less of it. What we think needs to happen is that they actually need to get more of it, and that really needs to be done very often from local facilities, even if they are new and better. We do not have a fetish about a 25-year old building; we are not worried about what the building is. The point is, if you want local journalists reporting on local events they need to be in local areas and they need support teams—otherwise they are doing all the jobs and less time is actually spent on making and collecting the news.

Michael Fabricant: The question I will be asking Carlton and Granada later is the point that you made earlier on, where you said that ITV is now putting out programming which is of game shows at prime time, yet the consequence, it would seem, if there is a linkage is that ITV is losing market share. The question which has to be asked is: why? Maybe, as you said, people do want more news and more heavy programmes.

Q40 Ms Shipley: You mentioned Carlton and, earlier on, the time slots in relation to advertising. In Carlton the regional programmes have actually been reduced I think to two, 7.30 pm on a Thursday and 5.30 on a Sunday, and all the other ones they have got are graveyard slots, 2.00 pm on Sunday, 11.00 pm on a Thursday and 11.30 on a Friday. Apart from having daytime slots, they are all half an hour, very short ones, which actually means 23 minutes when you take out the ads. All of that is not only important to the viewers, but it is also important because of the amount of money. It is my understanding that Carlton's programme budget is dependent on its slot, so the peak time slots attract around 24,000 and that is down from 35,000 four years ago, and other slots get 18,000–22,000. In defence of Carlton Granada spends even less. Given that there are going to be savings made, what do you think the impact will be on regional programming?

Mr Clarke: I took the liberty of bringing with me the erstwhile publication the *Radio Times* and on the train I went through it with a highlighter looking at our regional programming and its output. You are right the slots we have got that are supposedly regional are what you rightly call "graveyard". There is one here at 11.00 on Wednesday last week; it is a regional slot and if you look at it it says, "*Great Escapes* Spectacular footage [of] horrifying accidents . . . Presented by Martin Brundle". It does not say that they happened in the New Forest, so I am not too sure what the regional importance of that is. If you look at the side bar, the other regions which touch round, it says, "ITV1 Anglia . . . TV's Naughtiest Blunders"; "Carlton Central . . . TV's Naughtiest Blunders"; "Carlton Westcountry . . . [a regional programme] Talking Totnes";

"ITV1 London . . . The Evening Standard Theatre Award", that is regional; "ITV1 West", which I presume is HTV, "TV's Naughtiest Blunders".

Q41 Ms Shipley: I think you have made your point!

Mr Clarke: It says all of them are "as Meridian". There are no regions.

Mr McLaughlin: At the time of the discussion with the ITC about the new charter for the nations and regions which allow changes to the regional programmes, one of the arguments which was put was about the fact there was a programme called *Job Finder* which was transmitted through the night, which basically was televised Ceefax with very little production value and very little budget behind it. What we were sold and what we were told was, "This change to the arrangements with the ITC would allow free-up money to be spent on proper regional programming."

We are in a situation, again without wishing to labour the Meridian point, but it comes from the example, that they are talking about a programme they are planning for the next year which has loosely been termed "Jackanory for grown-ups", which you can imagine, in terms of production values and in terms of a budget, the kind of figures we are talking about, is a matter of a very few thousand pounds for half-an-hour's programme. That is the kind of thing we need to make sure that Ofcom (ITC at the moment), and obviously the wider community, actually scrutinise and make sure that you have properly funded programming; it is not just a matter of having regional programmes. I do take the point that these are difficult issues because you do not want to be prescriptive on the one hand, but you do need some mechanism where it is not just about ticking a box and it is not just about saying "We will have local programmes at the lowest cost"; that there will be a proper spend allocated.

Mr Dear: We were told they would be back-funded—and you precisely made the point that they are not—and Sharon has just whispered then, when we talked about that programme, that £5,000 is for half-an-hour compared to the £27,000 we were talking about in other regional programmes.

Q42 Ms Shipley: Can I ask the union representatives about this as well? I have got in front of me the criteria for redundancy for producers and editors, and what-have-you. Under "additional skills" one of the things that their job may or may not rest upon is "knowledge, experience and expertise of particular benefit to future regional schedules", and the only example that is given is lifestyle. What does that indicate to you?

Ms Elliott: It indicates that the jobs are being deskilled. What we would hope is that the people who are employed will reflect a range of experience and specialisms, and that is being factored out of what is required, it would seem.

Q43 Ms Shipley: Just to clarify, it said "of benefit to future regional schedules", and for regional scheduling the example is lifestyle.

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Mr McLaughlin: I am not certain where, precisely, that kind of criteria came from. Is it Central?

Q44 Ms Shipley: It is Carlton.

Mr McLaughlin: I know that there are discussions on-going about that so I would not want to say those particular words are set in stone; I am sure they are a matter of consultation.

Q45 Ms Shipley: You mean you, as a union, have not seen them?

Mr McLaughlin: As a union we have seen them but I personally have not seen them, and obviously there is an on-going dialogue with the employer about that situation, so I do not want to—

Q46 Ms Shipley: Why I raised it is I would have expected the “knowledge and experience . . . of particular benefit” would have been to have been able to show that you had a regional expertise, not that you had a lifestyle expertise.

Mr Dear: But also, of course, across the whole range of programmes that would constitute regional, not just one type.

Mr McLaughlin: It is our intention to show that any such criteria are going to be not necessary as we will commit to a voluntary process for any redundancies as opposed to any compulsory selection, which is what that document talks about.

Q47 Mr Doran: Over the years I have worked very closely with my local television company which is Grampian Television, and with the unions involved. It seemed to me that over the past five or six years anyway most of the work we have been involved in is fire-fighting, and listening to you today it sounds a bit like that. All of it, I suppose, is just a symptom of the fact that the whole ecology of broadcasting is changing, has changed quite dramatically and is going to continue to change. The Communications Act is just one example of a body being forced to make massive changes because of the change in that ecology. That is the Government changing the law specifically to do something which was unthinkable ten years ago and allow this company, Carlton and Granada, to be created. I would be interested to know from both of your unions, because I have worked closely with them during all the various things which have happened, both locally and nationally, just how you see yourselves in the future dealing with this changing ecology rather than just fire-fighting. What strategy have you got for the future?

Mr McLaughlin: I think there are several elements to that. Obviously, it is an inevitable role of the trade union to defend the interests of its members and to make sure that those are promoted. That is on-going business. In terms of the ecology of broadcasting and the way forward, obviously we look to Ofcom, just as others do, as now being in charge of steering a path through all this. One of the initial jobs for us is to respond to the public service television review that Ofcom has begun, as was said earlier. One of the things that I think we have noticed, certainly at the NUJ, which is absent from that review—and we

have had it confirmed—is that the review will not consider Sky when it considers its deliberations. It seems to me that although Sky does not currently have any public service broadcasting obligations you cannot ignore a huge player in the broadcasting market when you are talking about the next five to 10 years. Obviously Ofcom has yet to open for business, but the early signs are relatively encouraging that although they work within the regulatory framework they will listen to what we have to say, and I think as one of the earlier witnesses mentioned that is almost before things happen rather than after it and asking you to comment. We have had encouraging signs from that already.

Q48 Mr Doran: So is it fair to say that your view is that you see Ofcom and the way it is constructed as really being a lot more proactive than the old ITC was, for example?

Mr McLaughlin: I would not go too far on that because, as I say, they have not opened their doors yet but the discussions we have had have been very positive and they have said that it is not just about waiting till after the event, and if we feel there is something we want to bring to them or to talk about in relation to changes to the programme status, for example, we should be doing that sooner rather than later. We will certainly be taking up those opportunities. It remains to be seen whether they will (a) listen to us and (b) take any action, but that is what we are hoping.

Mr Egan: Without repeating the points, yes, you are quite right, past experience has been one of largely fire-fighting. In fact, if you ran the film back over the past 20 years it has been death by a thousand cuts in many ways; it has been redundancies here, reduction in facilities there, narrowing of the number of programme genres made in the regions, centralisation of decision making in London. It has been a long, not dramatic—some dramatic—set of events but a lot of very small events which lead to a very different picture at the end. Can we do anything about it? We are probably at the last ditch here in terms of the future era of broadcasting. We do talk to Ofcom; we are talking to them as the Federation of Entertainment Unions to take a strong stance—stronger than the ITC did in terms of defending regional production. At the moment we cannot be confident that will happen. We do not think that ITV is necessarily in safe hands at Granada and Carlton, but we are trying to be as constructive as possible in terms of our members’ interests. However, in talking about meritocracies before, you are talking about the same senior executives who gave us ITV Digital—they are still there. Can you be confident that they are safe hands for the future of ITV? Therefore, we look for Ofcom to take a strong stand, because if Granada Carlton fails we are probably looking at a foreign broadcaster, probably American, coming in to run ITV in the UK. Some people might say there is nothing wrong with that, but we would really fear for the local nature of production. Such as we have got, that is likely to decline if that was ever to happen, so Ofcom has a key role and we want to press them to take a strong

stand. Requiring minimum network production percentages from each ITV region is one simple thing they could do within the Act at the moment.

Mr Dear: In the short term it is greater public service requirements across all the television media that we would see as a solution to it, but I think there is a longer-term thing. When the 1990 Broadcasting Act came in we said “It will lead to one ITV company eventually”, and everybody poo-hooed that idea; then in 1996 we said the same thing. Now we are in the situation where we have got that and we think there is a need for a real debate in this country about what we believe public service broadcasting should be about. We actually welcome a lot of the reviews and discussions that are happening because it is about whether we want commercialised television, commercialised information with a little bit of public service on the side, or whether we want public service at the heart of British broadcasting. We think that is the right way to go, but we understand that that is not something that a Committee is going to say “OK, we will pass something to say that is a debate the country and people who work in the media and people who consume the media and legislators need to have about what they want out of broadcasting.” We think public service would really be popular in broadcasting if people have that debate and see what is on offer.

Q49 Chris Bryant: I just wonder about what you have just said. Let me put another version of the same problem, which is that we are now in a far more competitive media situation than we have been ever in the past, where people in my own constituency—nearly 60%—are in multi-channel homes, they have a vast array of channels before them, and the income is being distributed between a vast range of different broadcasters. ITV itself has had a very difficult couple of years, and it probably will have better years to come, but declining audiences mean declining income and, at the same time, it is extremely competitive for staff because, of course, the vast majority of people who work in the industry are probably freelance—whether you are talking about actors or make-up artists or designers—a vast array of them who probably get slightly different representation or minimal representation and have very little power when it comes to getting a job. For those people, because there are so many, it is extremely competitive, their price is going down year-by-year—or not rising. In that environment, is it really realistic to expect little to change in the nature of public service broadcasting on ITV?

Mr Egan: Just one brief point. I think you would be wrong to conclude that PSB programming is a loser in the marketplace; it is not a loser. Audience research shows that, by and large, given the choice between original programming and bought-in commercial programming from abroad, people prefer the former. There is also research to show that the UK viewing public does strongly value programming made in the regions. It need not be about their region, although that is part of it, but it is programmes made in the region for the larger audience. So there is no reason to think that in the

marketplace that kind of programming that we are advocating cannot be a winner and that ITV could not have the role, along with the BBC, of presenting that kind of market—and still could live side-by-side with BskyB. You could put the argument on its head and say, “Why should BskyB be allowed to get away with minimum requirements to original production? Why should that be the case?” We in the UK could decide that such a large broadcaster, now well-established, making lots of money, making profit after a long period, should be required to make greater commitments to original production. That would balance out the marketplace as well.

Q50 Chris Bryant: I agree with that, and I said earlier that I think one of the things that audiences are looking for is programmes that reflect the world in which they live. I agree with that entirely. But ITV, also, has to be able to provide it at a price that they can afford, and with digital technology having changed the nature of production as well, quite substantially, over recent years, I wonder how realistic we need to be about our expectations and whether, in the future, public service broadcasting in the main is going to be the intervention in the market that the licence fee provides.

Mr McLaughlin: I think it is absolutely important for us to carve out, make sure, that terrestrial commercial television has a role for public service broadcasting. I think the marketplace in Wales, for example, is obviously doubly interested in the fact that you have got dual language issues and so on. We would be interested to know from ITV what are the guarantees, given that it is a particularly unique marketplace, that they will be able to deliver on public service commitments to the people of Wales? HTV, obviously, currently hold the licence and we are not, at this stage, convinced that they will be able, as they do now, to punch above their weight. If you play the commercial argument in Wales then there would be no contest; there would be virtually no public service commitment other than the BBC in Wales. So it is important that we find a way to ensure that that is properly managed, because it cannot be left to the commercial market. I know it looks, perhaps, pessimistic at the moment but we will never give up, because I think it is a political thing. It is not just about industrial relations, it is not just about the viewer, it is actually about making sure that people have a set of choices, properly funded information sources, from which to make their decision.

Q51 Chris Bryant: I know I am playing devil’s advocate slightly, but we in Britain have the largest intervention of any country in Europe in the market, by virtue of the licence fee. Is that not enough?

Mr McLaughlin: No.

Mr Dear: When you talk about competition, there are two ways to compete: you can compete on the basis of the lowest cost or you can compete on the basis of the highest quality. There are lots of people who will make the choice based on quality programming, which includes, in our mind, good regional content rather than on the basis of the station that puts out programmes at the lowest cost.

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We think that is the right debate to be having. One of the things that the licence fee does is allow the BBC to be able to be a market leader, very often, in good regional programming and good quality content. Despite what criticisms others may have, you go around the world and the BBC is, rightly, regarded as the best public service broadcaster there is anywhere. I do not think that is enough of an intervention; I think there needs to be some other public service commitment, but as a whole there also needs to be a debate about whether we simply compete on the basis of low cost or high quality. We would obviously hope that high quality wins out and that the skills of the people we all represent are therefore used to their fullest.

Mr Clarke: Can I just make a point about one of our successes? We have a regional programme down in the south of England called *Monkey World* (there is a monkey sanctuary in Dorset) and the nation

became fascinated by the activities of monkeys. So much so that the programme is a network success even though it was regionally produced. There was the ironic situation about 18 months ago where our own Granada intranet site had, as its main headline, “Monkey World beats the competition”; it knocked the BBC into a cocked hat on Sunday night at 5.30 and, therefore, started the evening very well. We were, of course, very proud. The second headline was “Regional cutbacks in programming” and we were going to be reduced from our 15 hours down to the 8.5 that we now make. That was ironic in itself. We are still proceeding with *Monkey World*; the next series that is to be commissioned, we are rumoured to believe, will be commissioned by the BBC, not ITV.

Michael Fabricant: And then there is the Parliament channel!

Chairman: Thank you very much for your evidence.

Witnesses: Mr Mick Desmond, Joint Managing Director, Granada plc and Mr Clive Jones, Joint Managing Director, Carlton Communications, examined.

Chairman: Gentlemen, good morning. Thank you very much for coming here today. Mr Fabricant will start the questioning.

Q52 Michael Fabricant: You were here for the earlier evidence and I think you heard Andy Egan just now, of BECTU, ask the question “Is ITV safe in Granada’s and Carlton’s hands?” I will not ask whether it is because you will say yes, it is, of course. Let me ask you this question instead: given that ITV is under pressure because of all the increased competition that has arisen over the last few years with cable and satellite and changes in technology, do you feel that you can increase the profitability and viability of ITV by merger and reducing overheads in that way, or will you be able to increase market share by investing in the sort of programming that we have heard about a little earlier from Jeremy Dear?

Mr Desmond: I think our fortune is really very much in the hands of driving our schedule. At the end of the day, we are totally funded by advertising revenue. Clive and I went in to run the network over 18 months ago, and one of the fundamental decisions we made and presented back to all the plc companies involved with ITV at the time was to invest more money into the schedule. To put it in perspective, in the year 2000 ITV took just under £2 billion in advertising revenue, and by the end of this calendar ITV will have taken just over £1.6 billion worth of advertising revenue, yet in the same period we have increased investment into the network schedule from £725 million to just under £840 million.

Q53 Michael Fabricant: Advertising take is a function of two things, is it not: the availability of budget to advertise on television generally (as opposed to any other media) but market share as well? If ITV is losing market share your rate is going

to reduce accordingly, and people are going to make investment decisions, media decisions, which might not include as much on ITV has would previously have been the case. I get back to my question: while I accept the argument, of course, that ITV is funded by advertising and sponsorship—commercially funded—and that is to be applauded, there is a linkage, is there not, with audience share, and does it not follow that in order to get audience share you have got to have the right sort of programming to attract an audience?

Mr Desmond: Totally. Our audience share, within the commercial television sector, is exceedingly important. It has been even more emphasised now with the recent regulatory conclusion from the OFT with the new mechanism we have called CRR. Yes, we are investing in new programming. I listened to some of the evidence this morning: far from dumbing down, the major drive in our programming in this calendar year has been major drama; we have increased the amount of drama quite substantially, we have increased the amount of lifestyle programming quite substantially and that is really what gives us a premium within our television marketplace, which also attracts the advertising market. So it is a vicious circle that we are trying to break here; we are trying to get far more confidence from our advertisers and from our viewers, that our programming is very strong. In order to do that—and what we have seen over the last three years, as I say, is our advertising revenue shrinking—we have had to look at our business in a very focused way and look at where we can take duplicated costs out of the system in order to fund this programming investment. That, really, is going to go on into the future as well; we are determined to keep funding our programming proposition because at the end of the day that is what is going to drive our revenues.

Q54 Michael Fabricant: Let us move on to the ITV network. One of the concerns expressed by the first group of witnesses, including Donald Emslie—who,

of course, as you know, is Chief Executive of Scottish Media Group—was that there might not be a meritocratic system for deciding which programmes should be shown on the ITV network as a whole, and that because ITV will be, in effect, possessed by Carlton and Granada, Granada and Carlton will quite naturally, from an economic point of view, focus on Granada and Carlton's production capability rather than that of the regions.

Mr Jones: There has to be meritocracy. We make our money by presenting the best possible schedule to our viewers, and that means you have to have a broadcasting division and network centric that can commission the best quality programmes. We have taken more and more programmes from the independent sector because they have delivered ratings to us. It is the problem, indeed, of having regional quotas; you cannot have a Stalinist command high post and say "There will be programmes coming from here or programmes coming from there". Leeds and Yorkshire Television has bloomed and blossomed as a production centre over the last few years; 800 people now working in Leeds, working on network programmes because they are delivering high-quality drama. There must be meritocracy, we cannot live by quotas.

Q55 Chairman: Can I just follow up, as it were, the converse of what you have just been talking about? You talked about an apprehension that production might be concentrated on Granada. Mr Desmond will know that in the North West there is the opposite apprehension, namely that Granada will base itself in London and that the old concept of Granada-land will die. There have been reports in the press that Granada is intending to give up its existing headquarters building. Brenda Smith has attempted to controvert those but I think this would be a very good opportunity for you to state with great clarity what the intentions of Granada are.

Mr Desmond: We have been very clear: there is no intention of moving out of Manchester. We have a vibrant production capacity in Manchester, it is the home of *Coronation Street* which, obviously, is broadcast on a regular basis. I think what we are talking about, again, here, is the debate that was discussed earlier, which is the actual site. Yes, the Quay Street buildings are very old buildings. Certainly I have worked there in the past and people who have worked in there do not have the same kind of state-of-the-art facilities that are in other centres around the country. This is about refocusing the site. This is also very much about the fact that, as Mr Jones said earlier, the way that productions now take place—certainly dramas—is that they are far more on location than actually in studios, and therefore studios are laying dormant. We are quite excited about the plans for Manchester; we are working very closely with the development authority in Manchester and Brenda Smith (as you have mentioned) is overseeing this, and we are very encouraged by what we are seeing, the idea of having a centre of excellence in Manchester and ensuring that Manchester remains a very vibrant production

capability. You should also be aware that from a studio perspective we have a joint venture with the BBC and still, even with the BBC working in tandem with us, the capacity use of the studio is very low, because I think the way programmes are now made has fundamentally changed. Even entertainment shows, the mainstay of our entertainment over the last year or so, has been less studio-based entertainment. Entertainment events like *I'm a Celebrity*, *Get Me Out of Here*, are obviously done on location. So the fundamentals of business are changing.

Q56 Chairman: I can quite understand you are dissatisfied with the present building because it is a very unsatisfactory building by any standards, but what I would be grateful if you could clarify is whether the new building you are hoping to build and intending to build will contain all of the facilities that are now available in the current building.

Mr Jones: No, because currently there are four studios on the Granada site and in terms of ITV production we probably only need two. However, there are talks going on with the Regional Development Association about the possibility of them building two sound stages, which could be useful. Manchester is going to remain our biggest production centre outside London. In the bonded warehouse I am planning to develop a major new regional production centre; we need to switch to digital technology, we need to work to a far-server basis (?), so there is going to be major investment on this site, but the facilities will not replicate what is there now because some of them are no longer fit for purpose.

Q57 Chairman: I do not think people will be very happy with that, if I may say, Mr Jones. Certainly, I do not think people in the North West will be happy with that reply. Could you then be specific about what facilities which are available in the current Granada headquarters building will not be available in the projected new building? If you are, in fact, scaling down then all the misgivings which are being voiced at the moment in the North West would seem to be justified.

Mr Jones: I do not think we are scaling down at all. I do not think there will be a reduction in facilities; there will be differing facilities. Some of the studios which are currently unused—which they are, they are dark and they are not used. When I began in television everything was made in the studio. Now very little is made in the studio. A lot of things are actually made on location. So actually what we are talking about is a different facility mix, but no less potency in the number or range of facilities.

Chairman: I cannot say that I find that reply reassuring.

Q58 Michael Fabricant: Moving to your relationship with Ofcom, Ofcom does not become operational until 29 December. We have already heard that they are in listening mode. Do you think that Ofcom will provide the safeguards that the Chairman and others seek to ensure that regional broadcasting

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within the region and also regional broadcasting on the network will be maintained? By “broadcasting” I mean production.

Mr Jones: The protections are there in our licences, and it is for Ofcom properly to police those licences and for us to live up to our licence commitments. We make 8,000 hours of regional programming and we make more than 5,000 hours of regional news. The amount of regional news in peak has actually gone up in the last couple of years. Over 40% of our network production is made outside London. That is far more than the BBC, it is far more than Channel 4 and we make double the amount of regional programmes on ITV1 than appears on BBC1. The BBC cannot hit their quota for regional production, they have failed it, as they have failed their independent production quota for the last three years. It is interesting that we are described as the “dark side” of British television when, actually, we are delivering on the promises that we have made. We have not missed our regional quotas, we have not missed our independent quotas. More than 40% of our programmes are made outside London, and that will continue. One cannot imagine us wanting to move *Coronation Street* or *Emmerdale* or any of the regional dramas, or Kay Mellor or Paul Abbott (one of the great playwrights in the North West) to a different place and not making programmes there.

Mr Desmond: I think we also see it as one of our USPs. We are talking here from a broadcasting perspective, but when presented to advertisers that is one of our major USPs, that as a broadcaster we are broadcasting to the nation, it is not broadcasting a London-centric message to the nation. I think that is very important.

Q59 Michael Fabricant: On one specific point, and my final point, of public service broadcasting (slightly at a tangent but, hell, why not?) Channel 5 on digital is now providing audio description on D-stat for 500,000 viewers—and that is something I spoke about during the passage of the Communications Bill. Have Granada and Carlton given any consideration to providing that sort of facility to its many disabled viewers?

Mr Jones: We have. We spent, along with Channel 4, \$1 million in developing a chip to fit into set-top boxes to allow audio description to be made available. Sadly the set-top box manufacturers have not picked that up. To put a service up on Sky could be incredibly expensive because we have to put up 15 or 27 regional or sub-regional services and we would have to buy 27 channels. However, we do recognise that we are putting out these services at the moment and very few viewers can pick them up.

Q60 Michael Fabricant: You would not have to do that, would you?

Mr Jones: Which is one of the reasons why we are in discussion at the moment. Could we put out one network service which would actually service everyone? We are looking into that.

Q61 Derek Wyatt: Good morning. As you will understand, as a Kent MP, I am concerned a lot about Maidstone. Can I ask when Meridian started to talk to the ITC about the changes that affect Maidstone?

Mr Desmond: I think the first conversations would probably have taken place over three or four months ago. Having listened to the earlier evidence, the fourth consultation process has started, and we have not purchased any other sites. There are options and conversations about other sites.

Q62 Derek Wyatt: So you have taken first options on two separate sites, one near Fareham and one, presumably, in Kent somewhere?

Mr Desmond: Yes.

Q63 Derek Wyatt: When is the deal date by which you have to sign or not sign on those two options?

Mr Desmond: We are talking, really, about a period of a year. This has to be planned through very thoroughly. I think this is the full consultation that will take place with all staff at the Meridian site.

Q64 Derek Wyatt: How do you square the concerns of the workers (I am talking about Maidstone) where they want the news provided by local journalists in a very high-rating show, with moving maybe to this new place in Fareham? How will that give a better local show for people in Kent?

Mr Jones: Can we make it clear what we are planning? I think there is a misconception about what is actually proposed. Some of the facilities in the Meridian region are very old. The Southampton newsroom I actually know very well because I built it 14 years ago. I went back there ten days ago and, to my absolute horror, it had not changed one single jot. There are newer facilities which the original Meridian broadcaster created in Kent; they moved off the old Vinters Park site and created a small news centre. We are not proposing to diminish the number of journalists on the ground at all; we are actually proposing major news-gathering facilities at Newbury and then we will come on to Kent, probably in the Maidstone area. All we are talking about is moving a presenter and, maybe, a technical director; the journalists will stay there, the reporters will stay there. In fact, we hope to have more facilities: new offices in Hastings, new offices in Ashford, and a live-links truck available every weekday for that programme. We are talking about an advance of technology, we are talking about trying to improve our ability to get pictures and to get stories on the screen, and we are talking about a £6 million investment. I do not think that is a diminution within the region, I think it is just a modernisation and a reflection that we want to use new technology.

Q65 Derek Wyatt: Given, as it were, that you would like to change the way that Meridian works, is it a natural leap to come to the House of Commons where there is coverage by regional ITV companies, where you will say “Well, you have three for Anglia, four for Meridian and whatever

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it is for Granada. Actually, why don't we just have one and we will have four people and we will sack eight journalists"? Is that the next stage?

Mr Jones: No. We deliver 27 regional and sub-regional news services. We are the premier regional news broadcaster in the UK. We are maintaining that and we will continue to deliver those 27 services. We will change, over time, as technology changes, perhaps the way that we deliver those services, but I would hope and I would wish that you would judge us by what you see on the screen, and we are not planning to take any of those services away.

Q66 Derek Wyatt: You have heard some of the debate earlier about regional programming being commissioned locally, the difficulty with quotas and so on. In the way that you see a much stronger, central ITV—which is what you are going to be—would you rather that the public sector regional remit was dropped from what you have and that this was paid for through the licence fee?

Mr Jones: No, I would not. I would like a level playing field. At the time where we face an enormous increase in competition and our revenue over the last ten years has dropped by £400 million per annum, we maintain our regional commitments and we want to continue to maintain our regional commitments, but I think we would like relief from the massive super taxes that we pay in terms of cash bids and PQR. We are paying £250 million a year, at a time when Channel 4 pays nothing and Channel 5 pays a small amount of special tax and all the BBC seems to get is an ever-increasing source of revenue. They get their increase in revenue, but has their regional production gone up? No. Have their regional services gone up? No. Maybe it is for this Committee to assert whether that is right, but that is one of the questions I would address to the BBC.

Mr Desmond: I think, also, in the balance of the schedule. We are proud of the number of regional programmes that we transmit. For example, in Meridian we have a programme coming up called *The Making of English* (?), which will feature against *Eastenders* at 7.30. I think what we are seeing across the whole of the UK map is an opportunity for us to take on programmes like *Eastenders* with a very different demographic; slightly older, more up-market demographic than *Eastenders*, which tends to be younger and more sort of mass-market. I think there are commercial opportunities for us here as well. I think that is where we should focus far more. Also, from a network perspective, Mr Jones and I introduced a network funding of £2 million last year and we have reintroduced it again for 2004 to try and encourage ideas to come from wherever across the country. Last year we had a number of regional companies who then produced network propositions that played out in, primarily, daytime and children's TV. That is something we still want to continue to do because we are looking for strong ideas.

Q67 Derek Wyatt: I have asked this of previous witnesses, but given that you went to the ITC, maybe three or four months ago, without anyone sitting behind you knowing—none of us—would you have any objection if, in the future, when that first letter goes in, that is put in the public domain and that all the discussions about Meridian and its future, or whatever it is, is always held in public hearings rather than behind closed doors as in the ITC's days? Apart from commercially sensitive information.

Mr Desmond: I think there is commercially sensitive. but there is also the means by which you have to communicate to staff who are on that site. Again, listening to the evidence earlier, certainly the coverage in the press did not come from any comments from ourselves. I think you have to have the responsibility of having a discussion, and then having a discussion with your staff before then the whole thing becoming far more public.

Q68 Derek Wyatt: I am not sure that is an answer on whether you would like Ofcom to deliberate in public. That is what I am really asking. Do you have any objection to that, apart from commercially sensitive information?

Mr Jones: I am not quite certain where you are coming from, Mr Wyatt. Are you talking about the public service broadcasting review? Should that be done in open consultation?

Q69 Derek Wyatt: That the principle of Ofcom should be that when it takes evidence it should take it in the public domain so we can hear it, not behind closed doors, as it has been in the past 50 years of broadcasting.

Mr Jones: If Ofcom were to take that approach I am sure we would be happy to go along with it, but it would be a decision for the regulator not for us.

Q70 Chairman: The fact is, is it not, that you, Channel 4, Channel 5 and Sky all operate upon the basis of an Act of Parliament which has provided you with the facilities? All except the BBC, who are not relevant to these discussions, go into the market with the objective—which is by no means a discreditable objective—of making money out of television broadcasting. What conceivably can be the objection to an organisation, which exists solely because of an Act of Parliament passed in this House of Commons, having their activities, apart from the commercially confidential activities, scrutinised by the public?

Mr Jones: We have no problems with that at all, Chairman. We publish an annual statement of intent in terms of our programming, both regionally and network. We are held accountable to that each year in terms of our annual programming, we publish the statements of intent, our performance reviews are published and we are subject to regulatory hearings. We do not have a problem. Indeed, we are also very happy to come along and see you and your Committee from time to time.

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Mr Desmond: I think, on a number of these issues as well, each of our licences have boards; we have two non-executive directors, in the case of Meridian, and we have regional advisory groups where, again, they will play an active role in this process, and the regional advisory groups would represent the views in the Meridian region or the Central region or whatever region, and they play an active role and will play an active role in this process.

Q71 Chris Bryant: You have heard from the other witnesses speaking this morning about people's ambitions for what you called your unique selling point in terms of being able to provide audiences with a vision on television of the world in which they live rather than the world that is imported either from America or from London, or wherever. I just wonder, in the changing economics, as you look forward to the next five or 10 years, what strategy you are going to put in place to make sure that the variety of voices that we have enjoyed over the last 10 years coming on to television screens is enhanced, maintained and strengthened?

Mr Desmond: As we said earlier, and the previous evidence said, UK-originated productions are ITV's USP. I firmly believe in that and I know Mr Jones does. We have reduced the amount of acquisition we have been making over the last two or three years; we buy less movies. We actually buy less sport going forward and are basically putting far more money into drama, lifestyle programming and major entertainment events. That is what will drive the proposition, and, alongside that, current affairs, a strengthening of the news proposition and, again, an assurance that we have strong regional programmes, but, also, strong regional programmes that people want to watch. So I think there is a strong USP and certainly our productions which reflect the nation are very important. As I said earlier, we are not a London-centric proposition trying to broadcast to the nation, it is very much the nation broadcasting to the nation.

Q72 Chris Bryant: You understand that people are nervous that that is what you are going to become.

Mr Desmond: I am sure they are, but I think we have dug deep over the last two years of what has been—certainly in my career and probably Clive's as well (he has been in it a bit longer than I have)—the worst advertising recession that we have seen. We have been in deep advertising recession for three years. Whilst there are some signs of coming out of this, certainly the forecasts for 2004 do not look brilliant either. Having said that, we have put our money where our mouth is and we have invested back into our schedule, because we know that our schedule has to remain strong, otherwise we will face the double whammy of not a buoyant market and our audience share slipping away, and advertisers penalising us.

Q73 Chris Bryant: Let me be parochial for a moment and talk about HTV, because we have had the Scottish this morning and now we can just talk about Wales for a brief moment. It seems to me

there are two problems: one is that Wales has a border but its border does not particularly coincide with its broadcasting heart, as it were, and there are many people in the North who identify much more closely with Manchester and Liverpool than they would with Welsh television. So there is a question there about how do you maintain that regional identity or do you give people the options in those areas? Secondly, Kim Howells has often referred to the fact that it is difficult to get Welsh television programmes made in Wales on to the network. Do you still see that as an ambition? It may be that you are interested in drama and lifestyle and entertainment, but the budgets for features and current affairs seem to be so painfully thin that the seats, in fact, on which we end up sitting when we do the programmes, are frankly painful.

Mr Jones: I will try and answer three of those. Transmission has always been an issue in Wales, particularly in the northern part of Wales because of the great power of the Winter Hill transmitter. We keep trying to address that. We have addressed it in terms of digital satellite delivery to North Wales where we have switched all the signals away from Granada and they are now at HTV Wales. I wish that I could wave a magic wand and actually sort out the topography of Wales and ease the digital terrestrial and analogue terrestrial signals, but I cannot. So that is going to be an issue we have to deal with over time. Hopefully, technologies like broadband will help deliver differing ways of people getting pictures. It is our desire that actually everyone in Wales should be able to receive the Welsh service from HTV Wales.

Q74 Chris Bryant: And not Granada?

Mr Jones: We are trying not to give people those options because it is easier to sell it as a proposition to advertisers. However, if you are clever in D-stat you can find any service that you want, if you are technically adept—which I am not, but my kids are and seem quite able to do it.

Q75 Chris Bryant: I know a lot of colleagues will say that that element of choice is vital because people's identification—if they are on the border between two areas—with how you choose and how you live your life is quite important.

Mr Jones: We have traditionally offered that choice. I hear what you say and this is an issue we shall return to. In relation to programmes from Wales being broadcast to the rest of the country, I share Kim's view (and as a Welshman I would be equally passionate about it), we have not done well despite all the encouragement that has been given over the years in actually getting network production out of Wales. I think this is as applicable to the BBC as it is applicable to ITV. I think, possibly, it is a structural thing that has happened, that a lot of the production community in Wales are actually very introspective. It is obviously pleased by the creation of the S4C (?) for the Welsh language population of Wales but it has made the Welsh production community very introspective. They are more concerned about

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making programmes in Wales for the people of Wales, and I think it would be great to broaden that perspective out because it is something we continue to try to do but we have not been that successful as ITV. We have been successful for Channel 5 and for Discovery and some other channels, but less so for ITV.

Mr Desmond: We know we are going to have an advert for that next year. Griff Rhys Jones has got a production which is set in Swansea next year, which has now been commissioned as an ITV drama. Propositions like that will help. To go back to your point on features as well, in the schedule next year we have a number of strong compositions coming out. We have a series on Churchill, which will run over four evenings, we have a series about the building of the Titanic, which, again, is a series that will run; we are investing more money into the South Bank Show, and, again, we have the successful return of *The Making of English*. So we are not trying to duck the issue. Where we have strong propositions and brands that we believe we can build then we will invest because we want them to return strong audiences.

Q76 Chris Bryant: Just one final question: the next licence round is going to be starting in the not-too-distant future. I just wonder what public service broadcasting requirements that are presently in the licence you are going to be looking to have ditched.

Mr Desmond: I think this is two-sided. It is part of a much broader conversation which I know Ofcom are very keen to have defining what public service broadcasting is. Certainly we are entering into that debate with Ed Richards of Ofcom over the next couple of weeks. There is the whole role of the BBC, and over and above that I think we are just very keen to enter the debate.

Chris Bryant: Can I push you a bit for a slightly clearer answer?

Chairman: Mr Bryant, you said “Finally, may I ask another question.” You can ask the other question but do not say “finally”, it prejudices you.

Q77 Chris Bryant: I would hate to face prejudice, Chairman. For instance, religion.

Mr Jones: I think, as part of the public service broadcasting review, the ITC in the last few months has actually been doing a cost-benefit analysis, trying to work out which programmes viewers value, both in a regional context and in a network proposal. I think that is going to be part of the debate. We are going into it with a fairly open mind. We are the only broadcaster that currently broadcasts a live act of worship every week. Is that appropriate in a multi-cultural Britain or not? I do not know. It is an interesting debate. In terms of regional programmes, particularly with the likelihood of greater devolution, I am more concerned—and perhaps I should correct something which was said earlier—half our programmes we make regionally. Regional programmes, other than the news, are broadcast in peak. They are not at the edges of schedules; there are two 7.30 slots, on Tuesday and Thursday, and

there is a 6 o'clock slot on Sunday. So there are a lot of regional programmes in peak. I think they should concentrate on current affairs, particularly as devolution goes on, because I think current affairs is at the heart of a regional schedule and at the heart of regional awareness. Those are some of the priorities I would be thinking of.

Chris Bryant: I have finally finished, Chairman.

Q78 Ms Shipley: What are the plans for the studios in Birmingham? It is only 10 miles from my constituency. The reason I ask this is because in 1996 when the move was made from Broad Street, where there were three live production studios and one news studio, MPs were briefed: no change; there was still the potential to make studio programmes (underlining the word “potential”), but the reality has not been like that. Although it is a big studio there is news and some children’s television, but the sort of production side of it has gone. So what is going to happen to Birmingham?

Mr Desmond: We have no plans to change Birmingham at all.

Q79 Ms Shipley: What is going to happen to Nottingham, because that is what happened to Birmingham—it is news and a bit of children’s TV and no production? If that happens to Nottingham as well, which must be the fear of those around the Nottingham area then actually there would be no ITV production facility in the whole of the Midlands.

Mr Jones: Two of the old ATV studios were mothballed and were not in use whatsoever. So as with the studio we had before, there is still a vibrant studio in Birmingham. In Nottingham, as part of the process that we go through in any merger, we are going to have to review all our studios. We have an over-provision of studios in the country, as has been referred to in earlier evidence. I think the important thing is actually a continuation of the programme-making tradition in the Midlands. Largely, that has been based around programmes being made on location, such as *Peak Practice* or, more recently, its successor *Sweet Medicine*. So I think there is an on-going commitment to production in the Midlands, but with all our studios we are going to have to look at them because a lot of them are not used any more.

Q80 Ms Shipley: All right, so Birmingham got reduced down to news.

Mr Jones: It has not been reduced down to news: news, regional programmes and it is the home of CITV links, which is done seven days a week.

Q81 Ms Shipley: I could be wrong here but I think if you really wanted to do production in the Birmingham studio now you would have a lot of problems because of the lighting rigs, you would have to bring in outside riggers; there is not the staff—

Mr Jones: It is used seven days a week.

Q82 Ms Shipley: There is a very limited number of lighting rigs there. The news that is going out would mean that all of that would have to be taken

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out, and then put back in, taken out, put back in—so realistically, although if you are going to get down to semantics there is the potential, it is not going to happen. From what you have just said, it sounds like Nottingham is on the same agenda, and it is all going to go out to location broadcasting, and although location broadcasting is very nice it does mean that the studio potential for the Midlands will be gone.

Mr Jones: The vast majority of our programmes are not made in the studio any more. There is a very major studio in Cardiff—

Q83 Ms Shipley: I take it you are agreeing.

Mr Jones: I am not agreeing, I am not saying that at all. What I am saying is we are going to carry out a review of all our facilities, which any sensible company would do. We have a very major studio in Cardiff which was built in the 1980s and which now we do not use at all; it is run by a small independent company.

Q84 Ms Shipley: Do you think if there was a loss of the studio facility in Nottingham and, therefore, the studio facility for the Midlands, that is a problem? From what you are saying, you do not think that is a problem.

Mr Jones: I do not necessarily think it does because I do not think the majority of television programmes are made in studios any more—as Donald Emslie referred to earlier. The main studio in Southampton has been used once in the last year; it was used by an independent production company to make *Question Time* for the BBC.

Q85 Ms Shipley: You could say the same about Birmingham. Very little is done in Birmingham because you would have to take out the news facility every time if you are going to do it; therefore you do not do it, therefore it is not made, therefore you can argue “We do not do it in Birmingham, therefore we do not need it”.

Mr Jones: The studios in Birmingham were not used before.

Q86 Ms Shipley: They were not there before.

Mr Jones: There were three major studios which were mothballed.

Q87 Ms Shipley: They were moved; you moved to a new facility. In that new facility—

Mr Jones: Because we were required to do so by the ITC. Yet another intervention in the market.

Q88 Ms Shipley: In the new facility you have not made studio programmes because you cannot, because you would have to take out the TV news all the time and put them back in, although you can argue there is the potential. However, then you can also argue “We are not making any

programmes there, we are doing much more outside now, therefore we do not need the facility because we are not using the facility.”

Mr Jones: I can only say that as we go forward, as we are now, we shall be judged by the programmes we put on our screens and not on the bricks and mortar.

Q89 Ms Shipley: What sort of impact do you think digital camera filming will have? It is a lot cheaper—£3,000 instead of about £30,000—it has a lot of flexibility and it has many positive sides to it. What are they?

Mr Jones: Most of my newsrooms are already digital. The only newsroom which is not digital is Nottingham. The majority of our regional programmes are already shot in digital cameras. I think we are going to have a mixed format. A lot of drama, for instance, will continue to be made on film because directors enjoy working on film. However, as we move towards high-definition television, which is all-digital, maybe that will have an effect. I could not anticipate what it might mean.

Q90 Ms Shipley: I am sure they enjoy doing it and I am sure all the technicians and everybody, professionals, enjoy making that sort of film, but if the industry moves towards the one-person operated camera, sound facility, everything, how can the skill base be kept up in order to enjoy making those sorts of films?

Mr Jones: I think you are always going to have an enormous variation in terms of the levels of skills. In certain news situations and in certain regional programme situations a one-man operation is appropriate. I think in others, in terms of certain types of features, certain types of drama and certain types of entertainment, it will continue to work on the basis that one has now, with full crews. You cannot do major drama productions with the same sort of commitment that we have on a feature film.

Q91 Ms Shipley: And news and current affairs?

Mr Jones: News and current affairs have gone through an enormous revolution. When I started—

Q92 Ms Shipley: No, please, not a history lesson. News and current affairs with a digital camera?

Mr Jones: Digital cameras enable you to operate, to some extent, a one-man crew. Does that mean that all our newsrooms will be staffed by video journalists shooting everything and asking questions? No.

Q93 Ms Shipley: So definitely, for the record, you see it as complementary and not taking over?

Mr Jones: Yes.

Q94 Chairman: You referred to the ITC. On whose initiative was the application made to the ITC to move the *Ten O'clock News* to 10.30?

Mr Jones: It was at ours.

Chairman: Thank you. Thank you very much for your evidence.

Tuesday 16 December 2003

Members present

Mr Gerald Kaufman, in the Chair

Chris Bryant
Mr Frank Doran
Michael Fabricant

Mr Adrian Flook
Ms Debra Shipley
Derek Wyatt

Memorandum submitted by the Office of Communications (Ofcom)

OFCOM: PREPAREDNESS AND HANDOVER

INTRODUCTION

This memorandum briefly highlights the key milestones in Ofcom's development since the Select Committee first suggested the need for a single, converged regulator for the communications sector; the activity which has taken place during 2003 to prepare to assume its regulatory responsibilities; current state of preparedness; and Ofcom's prospective work programme for 2004.

KEY MILESTONES

In mid-2001 the Government pledged that Ofcom, as a single regulator to replace the Broadcasting Standards Commission, the Independent Television Commission, Ofcom, the Radio Authority and the Radiocommunications Agency, would be up and running before the end of 2003.

The Office of Communications Act 2002 permitted Ofcom to be established as a preparatory body to enable a seamless handover of responsibilities from the legacy regulators. The Chairman, Lord Currie, was appointed in August 2002. The part-time members of the Ofcom Board were appointed between September and December 2002.

At the same time—and recognising that there would be a period of dual running between Ofcom and the legacy regulators—Ofcom was given a launch budget of £52.3 million. This budget, which was to cover Ofcom's set-up costs and to meet the outstanding liabilities of the existing regulators, was provided by the DTI, with the approval of HM Treasury, in the form of a loan, repayable over five years, on standard Treasury loan terms. Ofcom was classified as a Public Corporation, independent as a regulator within its Statutory Remit, accountable to Parliament and with a high degree of financial and operational autonomy within the overall financial ceiling agreed with HM Treasury.

Ofcom's Chief Executive, Stephen Carter was appointed in February 2003. The other two full time Members of the Board and the senior executive team were appointed in April. At the same time the Content Board was appointed, in shadow form pending Royal Assent to the Communications Bill.

In parallel, the Communications Bill was completing its passage through Parliament during which it was subject to extensive debate and amendment right up to the point of Royal Assent on 17 July. That left five months for Ofcom to become fully operational before the end of the year to meet the Government's undertaking. This has been a challenging timetable.

The Communications Act 2003 has given Ofcom 263 functions and duties compared with the 128 duties which the existing regulators have had under the previous legislation.

PREPARATION DURING 2003

In keeping with Parliament's original vision, the Ofcom Board has sought to establish a genuinely converged, genuinely new regulator, both in cultural and organisational terms. This has involved:

- a new organisational structure which does away with the old sector based silos;
- a single headquarters location with a single set of Information Systems and Communications Technology, and a parallel approach in the Nations and Regions; and
- as far as possible, a single set of Terms and Conditions for employees, which replace an "entitlement" culture where progress is based on seniority with a performance culture.

A launch team of 60 people, including external project management specialists, have delivered this programme over the past nine months.

During the Summer, Ofcom's structure was established around three main Groups: Content and Competition which comprises Content and Standards including consumer issues and Competition and Markets; Strategy and Market Developments which is the strategic, technology and research centre for

Ofcom, and Operations, which includes the engineering field force and a unified Contact Centre which will handle the 250,000 enquiries and contacts with the public across the Communications Sector which Ofcom expects to receive each year.

Staff from existing regulators have been transferred to Ofcom under so-called TUPE-terms. They have therefore had to be matched individually into jobs in the new structure. This process was completed in October. At the same time some 80 external appointments have been made to bring in new skills. The remaining 60 or so external appointments will come on stream in the first quarter of 2004.

The existing regulators employed 1,152 staff. When fully staffed up, Ofcom will have a headcount of 880—a 23% reduction. We have also changed the skills mix, reducing the number of administrative, process and support staff and strengthening Ofcom's capabilities in Research, Technology, Economics, Strategy and Competition Law.

The net result of these changes is that on a like-for-like basis, Ofcom will cost some 5% less than the regulators it replaces (though it will of course need in addition to repay the start-up loan. Ofcom's costs will also reflect an extra £8 million a year in respect of the new, additional duties given to Ofcom by the Communications Act and VAT which for the first time becomes payable on Ofcom's external expenditure to discharge its telecommunications and spectrum management functions).

The new, unified Terms and Conditions of service have been voluntarily taken up by more than 75% of colleagues joining Ofcom.

The core work to establish Ofcom has involved nine parallel projects with 130 critical milestones and 2,200 separate open tasks.

Ofcom's London-based headquarters staff completed the move into the re-furnished Riverside House on the South Bank on 9 December, one week ahead of forecast and under budget.

OFCOM'S CURRENT STATE OF PREPAREDNESS

As Vesting Day (29 December) has approached, the existing regulators have worked increasingly closely with Ofcom on current policy and regulatory issues. Formal statutory responsibility rests with the existing Regulators until 28 December. But decisions and appointments have increasingly been made jointly. All the staff transferring to Ofcom are now based in Ofcom's premises, with small handover staffs remaining with the existing regulators.

Ofcom has therefore already in effect "started". It has:

- published its guidelines on Consultations with the public and industry (including a commitment to secure the Plain English Campaign "Crystal Mark" for all Consultations with the public);
- published our Regulatory Principles;
- completed the eight necessary Consultations to conclude the Technical Transposition of existing licences etc. to comply with the terms of the Communications Act, ahead of Vesting Day;
- with the ITC and OFT developed in detail, and subsequently implemented, the Competition Commission's remedies to accompany the Carlton-Granada merger decision;
- consulted on the criteria for creating effective self-regulatory and co-regulation schemes (including the specific proposal for co-regulation in broadcast advertising);
- consulted on the detailed introduction of trading in the wireless spectrum;
- launched the Statutory Public Service Broadcasting Review; and
- and launched a Strategic Review of the Telecommunications Market.

In terms of activity in the Nations and English Regions, sites are being identified for Ofcom's converged offices in Cardiff, Glasgow and Belfast. Two sites have also been identified (Haydock in Lancashire and Whyteleafe on the edge of London) as the English administrative bases for Ofcom's engineering field force. The recruitment process for the Directors of Nations and Regions is well advanced. Following helpful discussions with the Territorial Offices and useful input from the Devolved Administrations, the recruitment process for the National Advisory Committees is underway.

The appointment of Colette Bowe as the Chair of the Consumer Panel was announced on 8 December. Appointment of the remaining members, which are also subject to the approval of the Secretaries of State, is being undertaken on a timescale to enable the Consumer Panel to meet in January.

A recruitment process is similarly underway for the members of the Advisory Committee on Older and Disabled People.

OFCOM'S FORTHCOMING ACTIVITY

During January, Ofcom will publish and consult stakeholders on its Business Plan for 2004–05. During 2004, Ofcom will be undertaking the following Policy projects:

- Spectrum, take-up and transition issues in digital switchover.

- Review of digital radio.
- New commercial radio licensing framework.
- Issue new digital TV licences.
- Review licence terms of C3 and 5.
- Review of local loop unbundling.
- Network charge control review.
- Review of Universal Service Obligation.
- Implement spectrum trading and new pricing regime.
- Prepare for and influence international spectrum policy, including preparations for 2007.

December 2003

Witnesses: **Lord Currie of Marylebone**, Chairman, and **Mr Stephen Carter**, Chief Executive, Ofcom, examined.

Q1 Chairman: Good morning, gentlemen. Thank you very much for coming. I am sorry for the delay in starting the public session but we had some private business which we needed to dispose of in view of the fact that the recess is coming later this week. Lord Currie, you will, of course, recollect that this session is at your own suggestion?

Lord Currie of Marylebone: Indeed.

Chairman: We are grateful to you for that. We did, because of other events, decide to turn it into a two-session inquiry, but we are very grateful to you for coming along and particularly grateful for your understanding in sending us an advanced letter and dispensing with an opening statement, so the opening statement will, in fact, come in the form of a question from Mr Derek Wyatt.

Q2 Derek Wyatt: Good morning, gentlemen. I apologise, I have to go early because I am giving evidence at a public inquiry in my constituency later this morning. You will know we have been looking at Meridian—at least one of us has because it is in my patch—and I want to better understand, because of the ITC takeover and Ofcom coming into being at the end of the month, whether you intend to have an inquiry into the changes that are going to come from Meridian and, secondly, whether you will conduct that in the public domain?

Lord Currie of Marylebone: May I first, by way of introduction, say how pleased we are to be here? We take accountability very seriously and therefore this hearing very seriously. Clearly there are questions around the Meridian issue that the ITC has been considering, and Ofcom will be looking at the questions. It is important to note that the Communications Act gives us powers over regional output but the local facility questions are built into licence powers rather than elsewhere, and therefore we need to look rather carefully at what our powers are in that area.

Q3 Derek Wyatt: When you conduct the inquiry, will it be done in the public domain? In other words, will the hearings be in public so we can come and listen?

Mr Carter: The straightforward answer is we have not given consideration to that question either in process or in content. As David says, the ITC are currently I know in discussion with the relevant ITV licensees and that will be one of the conclusions they

will pass to us. As a general rule we have tried, in the way we have laid out how we are going to approach things, to be pretty open and transparent in the way we can in public consultations and in tours and in public statements and so on and so forth, so that has definitely been the approach we have taken, but on the specific question we have not addressed it.

Q4 Derek Wyatt: On the broader philosophical point about transparency, would you say that in principle, whatever it is that you will be looking at—let's leave Meridian to one side—you will conduct hearings in public? We are interested to hear about that.

Lord Currie of Marylebone: I think we should be absolutely clear that the Ofcom board in reaching decisions will not be meeting in public. We will be transparent in the reasons why we have reached our decisions, but the commercial sensitivity of many of the decisions we are making means we cannot in practice meet in public. We will, however, be very open and transparent in our consultation processes, and if we do have public meetings we may well decide to do it in writing but, if we decide to have oral public meetings, then of course those would be transparent.

Mr Carter: Can I augment that? On the two substantive reviews we have announced and started doing work on, both the PSB review and the spectrum trading review, we have already had open meetings in a variety of locations on those subjects.

Q5 Derek Wyatt: Are they web cast?

Mr Carter: Neither of them have been but we are, after today, doing a presentation to a whole group of people which is being web cast, so where we can we do.

Q6 Chairman: You are not alone in this. Why are you so scared of meeting in public? We all recognise the issue of commercial confidentiality and nobody is suggesting that meetings involving issues of commercial confidentiality should be in public, but the FCC in the United States has such issues to deal with as well and yet it is its rule—indeed I believe it is required—that it should meet in public and we met the FCC before the Communications Bill went through. It is not only you—it is practically every

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public body, the BBC Governors, for example, who refuse to do it. Why? What is anybody scared of about meeting in public and letting the public see what is going on in an organisation which is supposed to represent them?

Lord Currie of Marylebone: In respect of the FCC it is absolutely true that the Sunshine laws there require the FCC Commission to meet in public. I have to say, from our discussions with the FCC, there is a very widespread view that that is highly dysfunctional. It means that commissioners cannot meet as a group and discuss the issues except in public; they cannot therefore interchange ideas in a free and effective way; and what it does in effect is to put the process of interaction and policy formulation down into the executive team and away from the Commission, and therefore I think it has a very undesirable consequences. One of the things I have been very keen to ensure that the Ofcom board does is to work very effectively to get its collective mind around the issues, and that requires free and open interchange between the board members, and I think that would be severely prohibited if we met in public. Therefore we will be having public meetings; we will be interacting very effectively with the public and we put great store on that; but in terms of the actual decision-making process, I think that is a matter for the board. We will be transparent on the reasons we have taken to reach our decisions, but the process of reaching those decisions I think would be dysfunctional to meet in public.

Q7 Derek Wyatt: Can I push you on then on the transparency part? Will there be no closed deals, no phone calls, no letters that are confidential, so that when you are approached by the BBC or any other, I just choose those as an example, the letters will be put on the website immediately and the responses? In other words, we can see what you are doing so we can judge that it is transparent?

Mr Carter: The approach we have taken so far, and we are feeling our way to what is the right way to execute these responsibilities and tasks, is that where we can we do. We have been certainly substantively transparent in many things and many people have certainly said to us that we have been substantively more transparent than many others. It is one of these questions: How far do you go? To a degree it does involve making judgments on a case-by-case basis because quite often it is quite difficult to disaggregate the commercially sensitive issues from the flow of debate and discussion and, as David says, we will always be 100% transparent when it comes to the explanation and rationale behind other decisions, and where we can, in a prior process that leads to them, we will be.

Q8 Derek Wyatt: I am interested also in switch-off really, because I am not sure where we are in government policy. As you know, on average, consumers buy a new television set every eight years, so if we were to switch off we are already talking about 2011, yet the Government seems committed to

2006 and 2010. Can you tell me what influence you can have over switch-off and what criteria you use, or will use, and secondly, if free view was to include an internet access point in the near future, would that enable all the other sets that people have in their homes, in other words to go digital or part digital, and would that influence the bringing forward of the date?

Mr Carter: The switchover issue is ultimately a decision of Government. Clearly we recognise that, and we will do whatever is useful to assist the process of reaching that. We do support an accelerated move to switch-off. It is important to appreciate that this is Ofcom in a supportive role rather than in the lead on this particular question.

Q9 Derek Wyatt: On the free view, have you any influence on how the box might develop? Can you have any discussion with them about enabling the spare set, which I understand is the issue here?

Mr Carter: We have influence over Freeview insofar as it is a licensed multiplex and David is absolutely right, it is a government decision as to what the date is. There are a range of things that we will be responsible for which will directly or indirectly impact upon the analogue switch off question. Spectrum trading is not an inconsequential one and you will see in that consultation document we have deliberately put out to 2007 the question about when broadcast spectrum moves into a trading model in order to provide time for a lot of these questions to be asked and answered that you allude to, and then there is the knotty question of who is going to pay for it if the market is not going to take 100% of all sets and all homes to full digital take-up. You have to then ask yourself the question where does that money come from? There are a variety of pots, and undoubtedly one of the questions being asked by the commercial public service broadcasters, as we renew and re-issue their licences, is if we are being asked to carry some of the cost of building out the transmitter capability, is there a trade-off there and should we take that into account. I think the message we have given the Government, and we have said this publicly, is there has been a lot of very good preparation work done and the digital action group under Barry Cox' leadership in our view has been an extremely effective pan industry group, and we are at 50%, but there is a need now to move it to, "What is the plan? What is the date? What is the process? What is the budget?"

Q10 Derek Wyatt: Is it your view that the longer we delay on the switch-off, the less worthy the actual analogue spectrum becomes of trading? It does not have as much value?

Lord Currie of Marylebone: I am not sure we have that view. I am not sure we really have an accurate measure of what spectrum is worth and, of course, it is impacted quite significantly over time by technological changes.

Q11 Derek Wyatt: In your public service broadcasting view that you are starting, is it your intention to visit Spain, France, Germany and Italy to see how they fund it? How wide a remit will you

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take just to look to see how public sector television is funded worldwide before coming back to how the BBC may or may not proceed?

Lord Currie of Marylebone: I am sure we will be looking extremely widely. The PSB review is very wide-ranging. We intend to gather evidence from a whole range of subjects and look at the international experience, where that is relevant.

Q12 Derek Wyatt: And will your report be filed in the wastepaper basket? What will happen to it? How much authority will it have?

Mr Carter: It will have quite a lot of practical uses because we intend to use the conclusions of it to inform some of the things we are required to do under the Act, not least the quotas and the relicensing of the Channel 3 and Channel 5 commercial broadcasters. It will also I suspect inform substantially your previous question around analogue digital switch-off and where the costs and benefits lie, and will also be used to help us get to specificity around the regional production quota. So for our purposes it will have very specific practical use. Clearly at a broader level one of the reasons we have framed it in the way we have and as broadly as we have is that we see it as an opportunity to provide an overall framework for public service broadcasting which, up until now, has largely been a discussion solely around the BBC.

Q13 Derek Wyatt: Will it be able to do anything about where news is played in the public sector? On ITV it has been played around too much, in our view, as we reported before. To what extent will you be able to say that news ought to hold a certain position in public sector broadcasting?

Lord Currie of Marylebone: I am not sure it is necessarily our role to specify the precise time but we certainly agree that the news has moved around too much and there is a case for settling that issue and maintaining it at a sensible time.

Q14 Derek Wyatt: Patricia Hewitt this morning said she hoped that every person in Britain would be on the Internet by 2008. That brings in content regulation, or at least it becomes a bigger part of content regulation. What part does Ofcom play in content regulation on the Internet?

Lord Currie of Marylebone: The Communications Act gives us no power in that area.

Q15 Derek Wyatt: So, given what the Government is saying then, who is going to regulate the content bit of the Internet?

Lord Currie of Marylebone: I think that is a matter for Government to consider. There is a serious question as to the feasibility of content regulation in the Internet but there are some big questions there that have to be addressed.

Q16 Chairman: Could I intervene on that? When we conducted a previous inquiry we went to Brussels and we had very useful meeting indeed with the then Commissioner, a gentleman from Portugal. He came to a conclusion which no evidence I ever received

could contravert: that it is impossible to regulate the Internet. Since it is a myriad series of telephone calls, apart from being able to take action against originators of material in this country who appear to be breaking the law and who can be identified, it is futile to pretend that one can regulate the Internet. What is your view about that?

Lord Currie of Marylebone: I have certainly heard that argument put and I think there is a lot of truth in it. I am not a technologist and therefore I do not know whether a clever technologist would be able to come up with ways of regulating content on the Internet. I suspect, though, that the direction in which content regulation is likely to go is in the direction of smart navigational devices that allow people to access content that they want, hopefully subject to the law, and to avoid content that they do not want, and I think that is more likely to be the direction in which content regulation over time will move. How quickly it will move depends clearly on take-up.

Q17 Chairman: Could I ask one other question before I return to Derek, arising out of what Derek said? He was talking about public service content on Channel 3. Could you devote whatever time is necessary, which I suspect is not very much, to itemising those parts of the Channel 3 schedule that could be described as public service broadcasting?

Lord Currie of Marylebone: I think there is quite a significant part of ITV output that can be seen as public service broadcasting. One should not define public service broadcasting in too narrow a way but that is an issue that the Ofcom board will come to and consider when the public service broadcast review is well under way and when we have substantive conclusions coming out of that.

Q18 Chairman: Lord Currie, if I may say so without in any degree being patronising—which I have no right to be in any case, you are a man of considerable intelligence, expertise and acumen, and I would have thought that even at this early stage, let's set aside the news bulletins on which I have a bone to pick with you in any case later on, can you offhand give me, say, 10 items on the ITV schedule that could fairly be described as public service broadcasting?

Lord Currie of Marylebone: I am not going to attempt to do that off-the-cuff on this occasion, Mr Chairman.

Chairman: Thank you, Lord Currie. You have answered my question!

Q19 Mr Doran: I want to pick up one of Mr Wyatt's themes which is the regional commitment of the Channel 3 television companies. There is obviously a lot of financial pressure on the Channel 3 companies. That has led to the Carlton-Granada merger, to the Government ripping up the rules on such mergers and introducing new legislation to permit it. There is obviously a concern about the way in which the regional commitment which exists in the original licences is going to be able to withstand these

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commercial pressures in the future, so that puts quite a responsibility on Ofcom's shoulder, and I would be interested to hear how you plan to deal with that.

Lord Currie of Marylebone: The first point to make is that regional commitments on public service broadcasters have to be balanced against other commitments that are placed on them. They operate in a commercial market place that increasingly has been quite difficult for them, and therefore the more that is put on the regional side the more there will be trade-offs to be considered amongst the various obligations placed upon them. There are quite clear regional output obligations that we will be enforcing and there are, as you say, the commitments in the licences that broadcasters have made about regional production, but we will be looking very carefully at those and be drawing up and entering into discussions with the Channel 3 broadcasters.

Mr Carter: Specifically we have effectively rolled the existing licence obligations for 12 months. It goes back to the earlier question about the public service broadcasting review. One of the outputs we want to take from that, having seen all the obligations you want to put on those commercial broadcasters, is how do you balance them? In the meantime the existing obligations, which are 30% for Channel 4 on regional which is in their licence, 50% on Channel 3 which is voluntary, 10% for Channel 5 which is voluntary and 30% for BBC which is voluntary, on regional output deals exists for another 12 months.

Q20 Mr Doran: That makes me even more concerned because when we use language like "trade-offs" and "balance" and "priorities" it does strike me that the history so far tells us that the overall commercial viability of the companies will be much more important than the regional commitment. Is that a fair conclusion?

Lord Currie of Marylebone: That is not what I said—

Q21 Mr Doran: I know it is not what you said but—

Lord Currie of Marylebone: We have to be concerned with commercial viability of the companies, but we equally are concerned to place on them appropriate obligations.

Q22 Mr Doran: So can you give a clear statement that the regional licence requirements will be a high priority in Ofcom's supervision of the Channel 3 licences?

Lord Currie of Marylebone: As Stephen has said, we have rolled forward the obligations for our 12 month period, and that is an important issue we will come to during that 12 months.

Q23 Mr Doran: On another issue, one of the new requirements of the Communications Act is to put some responsibility or element in the public service broadcasting requirement to include film, and we know from previous inquiries that we have made that the United Kingdom broadcasters have a pretty poor record, particularly in relation to British film in two respects: one is investing in film which may not be your territory, but in British films shown on television I got some recent figures which suggested

that 2.6% of all films broadcast by the five terrestrial channels in the first six months of 2003 were recent United Kingdom titles. That is a pretty low proportion, and I would be interested to hear how you see your responsibilities in relation to films and the public service broadcasting requirement, and what inquiries you are making at the moment to harden up the commitment to British film.

Mr Carter: I will be relatively brief in my answer which demonstrates the depth of my knowledge on this question. We have an obligation in the Act, as you rightly identify, and therefore we have made it an explicit part of the PSB review. Why? Because as ever in these things it often boils down to definition, and one man's definition of a British film and another person's definition of a British film is often different. The Film Council have made some quite detailed and, from our perspective, helpful suggestions to us so far, and we are encouraging them to give us a very clear documented approach to that, and one of the—hopefully—significant outputs from the review will be some clarity around the definition which will then help us execute that statutory responsibility.

Q24 Mr Doran: Can you say what questions you are asking the broadcasters?

Mr Carter: Similarly, what is their view? At the moment the broadcasters make statements about proportions of films and then give genre examples. Metaphorically, are five Bond films British films? It is not for us to judge yet, but it will be at the end of the review.

Q25 Mr Doran: One of the criteria which the Director General of the BBC enunciated, I think under his breath and I do not think it was recorded in the transcript, was that the cost of films was a consideration. From my own questions outwith this Committee I am told that is not an issue but somehow or other it seems to be on the table as an issue. Would that be something you would be examining? The suggestion is that second rate or third rate American films are much cheaper than good British films.

Mr Carter: I could not comment on that.

Q26 Mr Doran: On another issue, briefly, I welcome the paper which you presented to us; it was clear and obviously a lot of work has been done in the short time that you have been in existence, and congratulations for meeting target. Quite a lot of targets are not met these days. Looking at your list of forthcoming activity at the end of the payer for 2004, I notice you have not included community radio, and I would be interested to know where we are on community radio. I know there are some pilot schemes at the moment and that they have been pushed back a little at the end of 2004, but I would be interested in the general approach to community radio and why it does not figure here in your strategy.

Mr Carter: It is on the work plan for next year. In the interests of brevity we made some selections and it is not intended to suggest that other things are less

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important; we just put these down as a selection. Specifically on the community radio question we are waiting for an Order from the DCMS as to what the next step is in terms of process, and when we receive that—and the expectation is that will be the middle of next year—we will go into the formal licensing process. As you know, there are about 16 stations that were licensed by the Radio Authority. So far, in all candour, all we have done is given warm noises that we think it is a good thing and we will be supportive of it and we do and we will, but on the specificity around the process we really need to wait until we get that Order from the DCMS.

Q27 Mr Doran: In terms of anticipating the DCMS, however, you must be in discussion with officials over their plans because it would be normal for officials to discuss any order in advance as part of the consultation process. What work are you doing to be ready for that order when it is implemented?

Mr Carter: One of the things we have created, and I cannot remember if it is mentioned in the note, is a liaison unit between the DTI and DCMS and Ofcom, so these areas of overlap and intersection are not missed, and I know that is one of the items on that working agenda. As I say, our going-in assumption at the moment is we will get clarity around that by the middle of 2004. Simultaneously what we are doing in another place which is not specifically on the community radio question but it is relevant, is we are re-looking at the whole radio licensing process, because clearly with the demise of the Radio Authority we need to replace the licensing process they had with the new licensing process, which clearly is not just for community radio but for the residual analogue spectrum and, indeed, for relicensing of existing stations, and the intention clearly would be to devise a process which covers all of the licences that we would wish to issue, and that will come out, hopefully, in mid or late January.

Q28 Mr Doran: And that will deal with the new FM licences?

Mr Carter: Yes.

Q29 Mr Doran: On the access fund, have you any indication when that is likely to be established?

Mr Carter: I do not, I am afraid.

Q30 Mr Doran: It is not part of the consultation you have had with the DCMS?

Mr Carter: I do not have enough clarity on that to give you a helpful answer.

Q31 Michael Fabricant: Can I just take this opportunity of reiterating what Frank was saying just now because one of the concerns I had when the Communications Bill was going through Parliament was where radio would rest in all of this. I remember when radio was a very, I think, passed-over division within the Independent Broadcasting Authority and, as a consequence, it was pulled out and made into a very separate organisation, the Radio Authority, which has done a tremendous job and I think everyone in the Radio Authority is to be

congratulated on the expansion of independent radio in the United Kingdom. I do hope that radio is not going to become a very minor aspect of Ofcom's work, and perhaps you would like to reassure me further on that particular point?

Lord Currie of Marylebone: I can give you an absolute assurance that radio will be taken very seriously indeed. If you look at the forthcoming activities in that list, at least two of them explicitly focus on radio and that reflects the importance the Ofcom board places on radio, and with Richard Hooper, the ex chairman of the Radio Authority, on the board and Tony Stoller in a senior position in Ofcom and other members of the Radio Authority firmly embedded within the Ofcom structure, there is no danger that radio will be forgotten. However, we thought it very important in the design of Ofcom to create a genuinely converged organisation, so radio does not become a silo within Ofcom: it is a central concern and we are absolutely committed.

Q32 Michael Fabricant: Let us talk about that convergence because, at the moment, the questioning has really concentrated on the media, but of course you take in telecommunications as well. One of the reasons why Parliament wanted this—and it was not a party political issue, as far as I know all parties supported it—was because of the issue of convergence on the digital scene. In fact, that has happened rather slower than we would have liked because of lack of take-up by the general public and, indeed, some of the costs of the equipment and the roll-out. Where does Ofcom stand in this? Since it is your first opportunity to speak to us in this position, perhaps you could give us a little bit of an insight as to how you see Ofcom is going to work with telecommunications side, what degree of regulatory power you intend to exert, and how you see convergence and organisational convergence between telecom and the media?

Lord Currie of Marylebone: I gave a speech a couple of months ago on this topic and in general terms convergence, as you say, is coming more slowly than perhaps we expected in the heady times of two or three years ago, but it is nonetheless coming and technology is advancing in a way that will make convergence a reality. Inevitably for some people convergence will come quicker than others because of different speeds of adoption and so on. It is very important to have created a regulatory framework that can put the regulation across the sector on a common basis, because that prevents regulatory differences from driving the development of businesses, and I think that is extremely unhelpful. Development of new businesses should be driven by technology and commercial realities, not by regulatory differences between different bodies, and that is the rationale for Ofcom. It is in many respects very good that the convergence regulatory structure is in place in advance of the full process of convergence because otherwise those regulatory differences could have driven commercial developments. So in general terms that is the way I

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think about these issues. It will come and we have the right regulatory framework in place in readiness for it.

Q33 Michael Fabricant: Let me pursue that. In the last year or two we have seen a rapid expansion of the coverage of broadband in the United Kingdom, and that is very welcome, but sadly we have not seen the take-up match the coverage. You talk about Ofcom as a regulator: does Ofcom have a role at all—and perhaps the answer is simply no, I do not know—to encourage the general public in some way to take up broadband? Do you have a role in persuading the public to take a particular line on broadband, broadcasting or other issues? Or are you solely a regulatory body?

Mr Carter: I certainly think and hope that we have made it very clear that we do not see ourselves as solely a regulatory body. We have deliberately designed the organisation and staffed it to try to cover all the questions based on where it is going, because the television market is going from analogue to digital, as we have discussed; the Internet market is going from dial-up to broadband; the telecommunications market is going from voice to data. All those trends are quite clear and there were some sceptics two or three years ago when the world looked like an unpleasant place who said this whole convergence issue was a busted flush, but now I do not think you will find anyone arguing about the direction of travel—just about the speed and distance. The question then becomes: What is our role in the speed and distance? What we have said strategically is we are going to run three reviews in tandem: a review of public service broadcasting, and within that look at the analogue/digital question and other output questions; a review of telecoms, and run a review of the underlying point of commonality which is spectrum. Why those three in tandem? Because they are all interlinked and converged, and the intention is to try and come out the other side with a map or a picture that means the regulatory framework helps that pace and direction of travel. Specifically on the broadband question we have a very specific economic responsibility to regulate access, and this morning we made an announcement conjointly with Oftel on a determination on the review of the broadband wholesale market, where we have recommended the introduction of a specified margin to be calculated for other wholesale providers in order to improve competition at the wholesale level to help stimulate broadband take-up. Personally, I am not sure I think it is going that slowly. I remember when the first broadband customer was connected and I remember whose company provided it, and three years on we have over three million broadband homes. As I recall, it took nine years to get passed a million mobile customers, and we are at 50% digital penetration. The numbers are pretty good and a number of people can take credit for that—not least many of the companies, on your education point, who have significantly driven that knowledge and education. We have a peripheral role in that—a very peripheral role. We have a statutory obligation on media

literacy, and you could expand that to include technology understanding, but in financial terms that is going to be driven by the market.

Lord Currie of Marylebone: Underscoring that, the best way of ensuring effective take-up is to ensure there is competitive and vibrant market in this area because it is then the companies that will have a strong interest in selling their product to customers, and thereby achieve take-up. That is the right way to think about it. We have a facilitating role primarily in making sure the market is genuinely competitive and open.

Q34 Michael Fabricant: You start operating on December 29, and at the moment you are liaising with the existing bodies—ITC, Oftel, the Radio Authority and others. Have there been areas of policy identified where you will reverse decisions, or at least change a course of emphasis that have currently been put in place by the existing regulators?

Lord Currie of Marylebone: It would be wrong to say we have identified areas where we are overturning decisions. However, we have made it absolutely clear that Ofcom will look at each of the areas of our responsibility, review the way in which those have been undertaken, and think anew about these questions. That may end up with us doing things in the way the existing regulators have done it, or it may well be different. The PSB review gives us a chance to look at the whole of broadcasting. Spectrum trading is a very important area, following on very much from what the Radio Communications Agency has done, and the strategic review of telecoms is very much an opportunity to ask the question: Should we be doing telecoms regulation in the same way as Oftel or in a different way? We have not pre-judged those questions, but we will be looking at them.

Q35 Michael Fabricant: What influence are you going to have on the BBC, in particular its charter renewal? This is due in 2006, and will be done by DCMS. The BBC has resisted to a large degree control at any level from Ofcom. To what degree are you going to provide input into their charter renewal agreement?

Lord Currie of Marylebone: Firstly, on December 29 we immediately do take on some powers over the BBC. The timing of the PSB review is intended to provide an input into the charter renewal process, which of course is a matter for Government, not Ofcom.

Q36 Michael Fabricant: Finally from me, very specifically, the question of audio description. Channel 5 is to be congratulated; they are providing audio description. The BBC is not. ITV came up with some rather spurious excuses last week why they could not but, in fact, that is not correct because when there are network programmes it does not require there to be 23 different audio description services, just one so it is not particularly costly. What impact or regulation, if any, is Ofcom going to impose, if that is the word—and having said I

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wanted a light regulatory touch I am now going to say can we have heavy regulatory touch!—in order to ensure that this sort of description is going to be made available for people who are partially sighted?

Mr Carter: In this area we are attempting to square the un-squareable circle of a desire to maintain light-touch regulation but a desire to make people take it seriously, which is the point you are making. We are currently in consultation with all of the broadcasters, and our going-in position you could describe as we would like to get everybody past the starting line and taking it seriously rather than having a welter of individual, annually-incremented obligations, on the grounds that our feeling is—and, indeed, you are right to make the point about Channel 5—that when people get into it they discover that it is nowhere near as much of a burden as they think, it can be useful, and it plays very well with the audience. So that has been our approach, but it is a live consultation and we would welcome strong views.

Lord Currie of Marylebone: And we are also consulting actively with the disability groups themselves. That is a very important part of the consultation process.

Q37 Chairman: I would like to follow up a question that Michael Fabricant put to you about decisions made by the ITC in its closing moments. One of those decisions was finally to destroy News at Ten, a process first started by Mr Greg Dyke when he was at LWT when he wanted to destroy News at Ten, and he now has the cheek to say that the departure of News at Ten is a dumbing down of ITV which many years ago he wanted to achieve himself. Patricia Hodgson wrote an article about the decision to scrap News at Ten and said that you participated in it. Now a statutory obligation until recently with regard to ITV news—I recognise that it has changed in the Communications Act—was a tea time news plus a bulletin in prime time, peak time. When the effort was made to get rid of News at Ten when Sir George Russell was doing an extremely good job in charge of ITC, he refused to allow them to do it on the ground that taking News at Ten to 10.30 which is outside the peak period did not fulfil the statutory obligation because although 6.30 is within peak it is a tea time news plus a later news at peak. What we have now is a 6.30 news and we are going to have news at 10.30 which is not a peak hour bulletin, and it completes the attempt that Mr Dyke started to downgrade news as a main item on Channel 3. Why did you agree to that?

Mr Carter: I think it would be accurate to describe our approach to this as “minor”. We have been a minor participant in the process but Patricia is absolutely right to say that Ofcom did endorse that ITC recommendation. As I am sure you know, Chairman, the view has been that, over and above the principal question you raise, there has been a very practical problem of the news moving around all over the place, and the view was that to move from the news at when to the news at 10.30 was an improvement.

Q38 Chairman: Why?

Mr Carter: Because it provided certainty of scheduling and knowledge on the schedule.

Q39 Chairman: They could have done it at midnight and that would have provided a certainty of scheduling, would it not?

Mr Carter: It would, but probably for fewer viewers.

Q40 Chairman: But it is fewer viewers now at 10.30. It is outside peak period; it is a down-grading of the concept of news on Channel 3; it is exactly what Sir George Russell rejected; and it is exactly what Mr Dyke wanted all of those years, so you can have certainty in all kinds of ways. Saddam Hussein may not be too satisfied if he finds out that one aspect of certainty is that he will be executed. I simply fail to understand why, on the issue of certainty, you decided now on what has happened—namely that although Channel 3 is supposed to be a public service channel news has finally been down-graded on Channel 3?

Lord Currie of Marylebone: I think it is important to appreciate we have to work within powers. Of course, the ITC has made this decision before Ofcom has taken its powers, but the licence requirement placed on Channel 3 is for one news bulletin in peak, therefore they are conforming with the licence conditions. You may well say you would prefer to see the news go back to a different time: we have to work, however, with the regulatory powers that are at the disposal of the regulator.¹

Q41 Ms Shipley: The Secretary of State has announced to the press and confirmed to me in writing that she would ask Ofcom to look into the issue of advertising of food and drink during children’s television scheduling. Could I ask you what timeframe you are working to?

Mr Carter: Literally yesterday we responded to the Secretary of State. We are about to put the letter on the website, and that letter lays out our response to her series of questions. On your timescale point, from memory our plan I think is to work to a six month schedule between now and then—

Q42 Ms Shipley: But she will be gone by then if there is a reshuffle—

Mr Carter: The position of Secretary of State we are assuming will not be.

Q43 Ms Shipley: — Promoted, of course!

Mr Carter: That lays out consultation all the way through research, and then issuing of new codes if that is what is needed.

Q44 Ms Shipley: Now that really disturbs me because when I took this up a year ago she said “More research” and was waiting for the Food

¹ *Footnote by Witness:* The regulatory regime set out in the Communications Act for Channel 3 includes appropriate conditions for high quality national and international news programmes to be broadcast at intervals throughout the schedule and split, as Ofcom thinks appropriate, between peak and other viewing times.

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Standards Agency research to come out. All the existing research suggests that something has to be done about food and drink advertising and when she wrote that letter, which she copied to me, in it I could see she asked you to do more research, so she is asking you to do yet more research putting it back another six months, and I put it to you that that is just a delaying tactic, frankly, of a difficult problem.

Mr Carter: To be accurate to the Secretary of State she did not ask us to do more research; she asked us to look at the question—

Q45 Ms Shipley: No. In the letter she copied to me there was “more research”—I urge you to carry out more research. There was the word there.

Mr Carter: The view we have taken and I think it is a sensible one given it is ground zero for us on 29 December is that there is a body of research out there from a variety of different sources, of which the Strathclyde research is the most recent, but our view was that it made sense to look at the question in the round, because not all of the research does: to consult with all the interested parties, of which there are many; and to do that on as speedy a timescale as we can in the interests of public consultation. It is difficult to do that in under six months.

Q46 Ms Shipley: I accept that actually; that is difficult for you to do. What I would like to put on record is that it is a delaying tactic from the Secretary of State because she already said wait for the FSA report that looked into 118 pieces of information, and the industry has consulted with her and given her endless meetings. She has listed those and they are now on record in the library. The public has responded to endless polls—all the information is there for her to make a decision on, and to ask you to do more research to me is a delaying tactic.

Lord Currie of Marylebone: Could I just say that it is important to note on the Strathclyde research that Professor Hastings himself argued for a forward-looking research agenda, and made the point that a lot of the evidence on which he was drawing was old and American in source. The research base here is not as strong as one would like.

Q47 Ms Shipley: 118 pieces of research were reviewed. If you are going to ask for new research then the timescale is going to be considerably more than six months. If you are working within six months it is a delaying tactic because all the information already exists. Moving on, ITC confirmed to this Committee in a meeting with the Secretary of State that it had no powers to deal with this issue. It has confirmed that in writing to me, to the Secretary of State in a meeting, and in front of this Committee. So, what sort of powers would you be looking at from Ofcom’s position?

Lord Currie of Marylebone: The Secretary of State has statutory powers—

Q48 Ms Shipley: No. She said to this Committee it was an issue for ITC and then an issue for Ofcom, so it is Ofcom that is going to have to be looking at this. So what elements are you looking at?

Mr Carter: The responsibility for this in truth lies in about three different places. There is a very clear line of authority back through the statute to the Secretary of State on direction around advertising and minutage and control. There is a very clear responsibility on us to issue assessor codes around advertising guidance, and then clearly, most importantly of all, there is the responsibility of the broadcasters and the advertisers in the way in which they approach it. We are enjoined by statute to try and be self-regulatory and co-regulatory where we can, so our start point would be to see whether or not we can find a co-regulatory solution rather than a mandated solution, but in those mixture of places that is where the responsibility lies.

Q49 Ms Shipley: So for you specifically it will be the codes; that will be your main focus. Under the existing codes there is no power for the advertising industry, the television regulator or anybody at all to stop the advertising of high fat, high sugar, high salt content food and drink during children’s schedule. There are no existing mechanisms to do this?

Mr Carter: There are no existing mechanisms. I would describe our role in this as one of responsibility and influence. Our responsibility lies around the codes, as you rightly say. Our role in terms of influence lies around the broader questions, and one of the reasons for us wanting to do, even if it is only a wrap-up piece of research with a little bit of original thinking, is to say what is this entire picture and then present it, of which clearly there will be a narrower sub-set which is where we can contribute directly if it is needed.

Q50 Ms Shipley: The advertising industry says this is not a problem, that high fat, high sugar, high salt content food and drink—and by “high” I mean World Health Organisation figures for high, so we can define it—is not its problem, it should be allowed to carry on advertising. The television industry has mailed MP colleagues saying it is not a problem, they should be allowed to carry on doing it. However, there is a very large body of evidence which suggests it should not, so we are going to come down to regulation and you will have to make a decision no doubt whether you regulate or not. I would suggest that if something is not a statutory requirement, if it is not actually required to do it, the industry will not do it because the industry does not recognise it is part of the problem.

Mr Carter: I cannot speak for the advertising industry, they can speak very well for themselves. There seems to us as a regulator quite a number of examples in other places where there is no statutory responsibility or specificity but there is quite a lot of voluntary action.

Q51 Ms Shipley: Not in this area. They positively flatly refuse.

Mr Carter: I am just making the general point it is not *de facto* the case you cannot get to a sensible place without statutory authority. In fact more often than not you can get to a much more sensible place. Clearly one of the objectives is to get to a sensible

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place. All we are discussing here is what is a sensible place and, as I say, we are going to approach this, do some fresh research, look at what there is, work with the industry and try to get to that sensible place.

Q52 Ms Shipley: Work with the industry?

Mr Carter: The industry being the broadcasters and advertisers. They will be a consultee in the research process.

Q53 Ms Shipley: You are looking at the people you have just said, but what about the whole of the other side? What about the medical groups, the voluntary groups, the huge number of other people.

Mr Carter: And, and, and, and.

Q54 Ms Shipley: The chief executive of the ITC, when she came in front of this Committee and indeed at a meeting with the Secretary of State, argued on behalf of the television companies and how a loss of revenue would affect them, and that is why things should not be done, and on behalf of the advertisers. I thought that was a completely disgraceful position for the watch dog to take. Could you please reassure us today that you will take a considerably more independent position than the ITC took?

Mr Carter: Again, I am not as familiar as you are with the ITC's position.

Q55 Ms Shipley: It is on record to this Committee.

Mr Carter: Definitely I will refer to it. It seems to me entirely appropriate for the regulator to look at all of the perspectives, and we have a group of commercially funded public service broadcasters and their views are relevant. The people who partially fund that are the advertisers, their views are relevant. So are the consumer groups, so are the consumers, so are the parents, so are the doctors, so are the medical experts. There is not a defining single view that ranks above the others. So it seems to me the role we have here is to do exactly that, which is to look across all the issues and then make a balanced analysis and judgment.

Q56 Ms Shipley: Finally, could I ask you, is children's television public service broadcasting?

Mr Carter: Good question. As the current definition would have it, yes, part of it yes.

Q57 Ms Shipley: Which part?

Mr Carter: That is probably a subject for a longer discussion at another time. There is a significant proportion of original production, UK production and UK children's programming, which would pass the definition of commercial public service broadcasting.

Q58 Ms Shipley: Which part would not?

Mr Carter: Hopefully, as David said earlier, we will get to clarity around that at the end of the PSB review.

Lord Currie of Marylebone: In the whole general area of public service broadcasting, the definitions have been rather unclear. We intend that review to give clarity, exactly to be able to answer questions of that kind.

Ms Shipley: Thank you.

Chairman: You will have noted, gentlemen, when Debra Shipley says "finally" she means finally. A lesson to us all.

Q59 Chris Bryant: That was a pointed remark from the Chairman because I used the word "finally" in a penultimate question last week rather than an ultimate question. You said earlier, Lord Currie, that obviously the most important thing is to try and achieve competitive and vibrant markets. I wonder in the areas you are dealing with how many problems you think you will have to face in terms of monopolistic practices which prevent competitive and vibrant markets?

Lord Currie of Marylebone: If one looks at the markets with which we deal, you have in broadcasting a considerable weight and influence from the BBC, in the telecoms area clearly BT occupies a very strong position. We will need to be vigilant in ensuring those strong positions are not abused and do allow effective competition to emerge.

Q60 Chris Bryant: You said the BBC, did you?

Lord Currie of Marylebone: I said in broadcasting, in general, the BBC plays an important, significant role. That does not mean we have powers over the BBC necessarily. We have some powers in some content areas.

Q61 Chris Bryant: Sky now brings in more money every year than the licence fee and it is vertically integrated between providing the platform on which channels go out and the content which goes out on them. Do you think you have sufficient powers to be able to make sure that the dangers of monopolistic practice in there, of abuse, are dealt with?

Lord Currie of Marylebone: We have all the powers of the Competition Act, we have concurrent powers with the OFT in that respect. We have the powers of the Enterprise Act. Those are quite significant powers. In respect of Sky, it is important to remember that although Sky is now in a strong position it was a new entrant sometime ago and took very considerable commercial risks. That is a factor in looking at the situation which needs to be considered, but we will be applying the Competition Act and the Enterprise Act powers in a rigorous way.

Q62 Chris Bryant: There will never be another new entrant in there, will there?

Mr Carter: Time will tell is the answer to your competition question. We have more significant competition powers than the previous broadcasting regulators.

Q63 Chris Bryant: What about local loop unbundling? I know you are going to be reviewing it this next year. Do you think there are lessons to be

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learnt about the way the European Union and the Commission and Britain have tried to push this forward?

Mr Carter: I think there are a lot of lessons to be learnt. The European review process is certainly in strategic terms pretty much completed, in actual market review terms it is moving at varying paces depending which country you are in. We are predictably very good European citizens and are at the head of the market review queue. As you rightly say, local loop unbundling will be something we will look at specifically in the first quarter. To your broader question, there is undoubtedly a time to say, "We have had four years of the European Framework Directive in telecommunications, what value has it created?"

Q64 Chris Bryant: On a slightly different issue, you will know that large parts of the country do not have free view, there is no plan they will have it over the next five, seven years, and in those areas now the only opportunity of a free to air digital offering has been the free to air offering on Sky which closes as an option at the end of Christmas. Do you think that is a problem?

Mr Carter: Digital coverage is—I am not sure I would call it a problem—a big question that definitely needs some answering. Part of that is DTT coverage. Part of it is, are there other technologies, going back to the question one of the other members of the Committee asked earlier, which could help conversion. Part of it is who is going to fund the transmission build up, and what are the trade-offs associated with that. Is it a glass half empty and a problem or a glass half full and an opportunity. I do not know, we will see.

Q65 Chris Bryant: There is a free to air offering which continues for those who pay their £23.50 or whatever—the Solus Card question—but no new people can take it on after Christmas. So if you are going to drive up digital take up in areas, in particular poor areas, where people do not want to commit themselves to an extra £15 or £20 a month subscription, and they do not have the option of free view, there will be significant problems, will there not? Is that an issue for you or do you wash your hands of it?

Mr Carter: It is not directly an issue for us but one of the things we are going to be asked to do by the DCMS is submit a report at the end of the first quarter on the progress towards analogue-digital switch off and what are the attendant questions, and clearly exclusion is an attendant question. How that gets addressed is undoubtedly going to have to be part of the plan that is put in place when the process moves from preparation to implementation.

Q66 Chris Bryant: It seems an irony to me now that broadband is available throughout the two valleys in my constituency, throughout the Rhondda, but digital terrestrial television is not and has no prospect of being so in the next five to ten years. Do you think broadband is going to be a possible answer to televisual digital solutions?

Mr Carter: We are a way from that, I would say. I certainly hope as broadband develops we can move into genuinely usable band width and more flexible band width but right now, replacing broadcast television technology as a transmission platform on a mass basis is a few years away.

Q67 Chris Bryant: Analogue switch over. Do you think it is likely to happen across the whole country at the same time, or region by region?

Lord Currie of Marylebone: I think it will be a region by region process.

Q68 Chris Bryant: Do you think Wales could be the first region? It has the highest penetration of digital television and some of the more problematic areas of the country are in Wales, so if we can solve Wales we would probably be solving the country's problems.

Mr Carter: You will be reassured to know that Ed Richards is leading the PSB review and I am sure that case will be put powerfully.

Q69 Chris Bryant: I have some mixed feelings about the PSB review because I remember when I worked at the BBC, Commissioner Van Miert tried to define public service broadcasting and basically he ended up saying that sport by definition could not be a public service broadcasting, which would of course smash a hole in nearly every public service broadcasters' scheduling. So I wonder what the real purpose is of the review. Is it to define what the licence fee should really be paying for because if it is not public service broadcasting then the licence fee should not be paying for it? Does that take you into very tight definitions of market failure? Or is it there to define what public service broadcasting requirements which are in present ITV licences should be ditched the next time round for licences?

Lord Currie of Marylebone: I do not think we have any of those purposes directly in mind. The purpose of the review is to inform our consideration of re-licensing, in Channel 3 certainly. We have no pre-judged view as to which direction that will take us, that will be a matter for consultation, looking at the evidence and hard analysis.

Q70 Chris Bryant: There is a possibility then there would be present public service broadcasting requirements such as religion, say, which you might think should be ditched in the future?

Lord Currie of Marylebone: I did not say that. Who knows? The review may conclude in some areas the requirements should be tightened. We have an open-ended review which will look at the evidence in an open way, consultation, evidence-based. We do not want to pre-judge that.

Q71 Chris Bryant: I still am slightly perplexed by what you mean by what public service broadcasting is. I can understand what public sector broadcasting is, or that which is provided by state subsidy in some form, either a licence fee or direct subsidy, as it is in the case of the grant in aid to the World Service for instance. What I do not understand is what public service broadcasting is other than that.

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Mr Carter: It is in part, although not in whole, the series of obligations which are laid on the commercial public service broadcasters. It also includes broadcasting that is provided by non-commercial public service broadcasters and you will have seen in our review we have broadened it to include many people who certainly have argued the case to us that they make a contribution to public service broadcasting, however defined, but yet do not have a commercial licence. So what we are trying to do is say, "The public sector broadcasting is clear, the public commercial public service broadcasting is unclear" as indeed evidenced by this discussion. One of the things which would be useful as we move to 100% digital is to get some clarity around what it is, how it is valued, how it is used and how it should be paid for.

Q72 Chris Bryant: So does that make it market failure?

Mr Carter: Not entirely, no. The review makes it very clear that we will look at both qualitative and quantitative measures, and market failure is one of the concepts and precepts we are testing but it is not the only one.

Q73 Chris Bryant: Bearing all that in mind, because you just said it is also about commercial players, including some people who have not got any specific requirements on them, why is Sky not included in your list of broadcasters?

Mr Carter: In what sense included in the list? We are consulting Sky.

Q74 Chris Bryant: In your press statement it lists the broadcasters you are talking to—BBC, ITV1, Channel 4, 5, S4C.

Mr Carter: That list refers to what is specified on the face of the statute. What we have also done, as Sky I am sure would validate, is we have broadened the consultation to involve those broadcasters who do not appear on the face of the statute but may well believe they make a contribution, of which Sky is one.

Q75 Chris Bryant: Digital radio has been one of the sort of slow burn successes, I guess, over the last year, in particular last Christmas was an enormous success in terms of selling sets because there were finally sets available to buy, and this year there is a multiplicity of them around. One of the great things about radio of course is that many people listen to it in the car and we still do not seem to be at a point where there are any digital radios appearing in cars or even available to be had for cars. Do you have any role at all in enabling the roll-out of hardware?

Mr Carter: Pretty indirect, to be honest. We have a role in the way in which we handle the licensing process, we have a bully-pulpit role in terms of promoting digital radio, and clearly there is a licensing and relicensing question around that. But specifically on hardware, no, that is a function of demand and supply.

Q76 Chris Bryant: But it is difficult, is it not, because for digital radio it has been chicken and egg and people are saying, "We are not going to produce services until there are radios" and others saying, "We are not going to produce radios until there are services."

Lord Currie of Marylebone: This is a particular problem, especially given the nature of production in this area which is international in character, and the UK being the leader in digital radio in that respect makes the problem a little less tractable. But I have to say the radio industry has moved an enormous distance in getting equipment manufacturers to produce sets of an increasingly attractive kind. I would expect to see a breakthrough into the car market in due course.

Q77 Chris Bryant: In due course?

Lord Currie of Marylebone: It is not for us to determine.

Q78 Chris Bryant: Maybe you will need to use a bit of the bully-pulpit.

Mr Carter: There is a role for us in "where to next" for digital radio as part of the digital transmission question. As is often the case, it is a bit like the digital TV question, what a lot of the manufacturers are looking for is direction and indication as much as anything else.

Q79 Chris Bryant: Finally, Chairman, how much will you cost next year?

Mr Carter: Next year, if you take from April to April as a full year, £136 million plus the repayment of the start-up loan and VAT on top.

Q80 Chairman: Just before I call Adrian Flook I would like to follow up on this issue of public service. It is very difficult to define public service and I think it is very unfair to ask anybody to define it as such. The BBC, as I have said before on this Committee, follows Herbert Morrison's response to the question, "What is socialism?" which was "Whatever a Labour Government does", though I do not think Mr Blair would like that. The BBC would say that public service broadcasting is whatever the BBC does and that just shows what a bad definition it could be. If one looks at an agglomeration, one could certainly say that despite certain big teases on its schedule Channel 4 fulfils very well indeed its statutory remit of public service broadcasting. It could be said, I suppose, if one looks at the whole spectrum of Sky provision, Sky does public service broadcasting with several very good sports channels, wonderful movie channels, plus what in my view is easily the best news channel on television probably in the world. On that basis I cannot really see how Channel 3 could be regarded as fulfilling its public service remit because you, Lord Currie, with all your expertise and with the generosity which has become a byword for your approach to things, were put in a little difficulty when asked to provide some examples of public service broadcasting on ITV.

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Lord Currie of Marylebone: Those set of issues will be looked at very carefully by Ed Richards and his team. Much better minds than mine will be brought to bear on this question and I hope we will come up with some clearer definitions than we have had in the past.

Chairman: Lord Currie, if there were better minds than yours it would be they who would be chairing Ofcom. Therefore I think together with all the other attributes we seen, modesty is another one.

Q81 Mr Flook: Gentlemen, you will be very aware this session is entitled Ofcom Preparedness and Handover, how well have you managed that transition from the current, as we sit here on 16 December, until you take over on 29 December?

Lord Currie of Marylebone: As the person who has been in this the longest, I have to say I think it has gone much better than I could have hoped when I was appointed back in July last year. The organisation only came together, it is important to realise, last week. The organisation was fully formed last Monday, we opened our front door for the first time on that day, and before that in successive weeks staff and the existing regulators had moved over but only about six weeks ago we were in effect only 40 people in Ofcom managing the hiring and complex plumbing issues, as we call them, all the HR issues, processing and the like, and also starting to prepare our policy function. I think the way in which that has been done has been very effective and I am more than happy with the way in which my chief executive and his team have delivered on the remit. We are ready to go on the 29 December.

Q82 Mr Flook: In the light of that, you will be pleased and probably displeased to hear the following quote which you may have picked up in preparing for this session this morning. "Lord Currie is providing outstanding leadership to Ofcom. I think he has assembled in the chief executive and the management board people of outstanding quality including some of the very bright stars from my own Department. I do not have wholly unmixed feelings about Ofcom's success in building an organisation of real calibre." To untwist the double negatives the Secretary of State made on 2 December, how do you interpret those remarks? She has "mixed feelings". Are they more than just a lament about the loss of some of her bright stars?

Mr Carter: I do not know what the Secretary of State was referring to but she has said to me, and I am sure to David in passing, that pleased though she is that Ofcom is coming together well she would be happy if we did not hire any more of her best people.

Q83 Mr Flook: Are you going to be hiring any more of her best people?

Mr Carter: We are not planning it.

Lord Currie of Marylebone: I think that is all that underlines that remark, from the conversations I have had with both our Secretaries of State. They seem very content with the way Ofcom is progressing.

Q84 Mr Flook: I am happy that the record has been put straight. Whilst you have been in this long glide towards 29 December, one or two things have been happening, particularly the ITV merger. Are you happy with the way the conditions for the approval of that merger have been put together?

Mr Carter: As David said, whilst we have been a relatively small team and pretty much focused on the structure and plumbing and hiring and transfer, we have found ourselves deeply engaged in some policy activities and that is one. We have had a joint team between ourselves and the ITC working on that pretty much since July in tandem with the OFT who took the lead on that process once the decision was made. I think we feel, and the industry really will be the judge of it, in relatively short order we have made some significant progress. The remedies are now in existence, there is no doubt they are complex, but I have to say the air time sales market is also quite complex, so there is a direct correlation there. We have had to appoint an adjudicator so we had to go through that selection process and we have found a really first-class person to do that job. We also in parallel run a consultation on the codes on air time sales we are inheriting from the ITC, and we have deregulated there in effect because we have said we will go to *ex post* Competition Law rather than having specified rules, and we have done all those things in three months and have now started a process of information cascade and holding seminars and training events so people practically understand what the remedies are. The deal season was delayed as a consequence of all those things, but that was an inevitable consequence of the decision, but that started on 1 December and my sources tell me is running well and fast.

Lord Currie of Marylebone: It is worth adding that the timing of the Competition Commission Report and the subsequent approval by the Secretary of the State did create a very tight timetable for us to put all of that place. I have to say I regard the success of us doing that—some people in the industry thought we would not be able to do it in the time available—is an exemplar of how we want to operate as a regulator, to be timely, fleet of foot but of course paying proper attention to due process.

Q85 Mr Flook: Moving on to public service broadcasting, what role does the availability of digital BBC channels play in the definition of public service broadcasting? I say that in the light of quite an amusing article written in today's *Telegraph* by Christopher House where a chap went along and tried to buy a set top box to literally get BBC 4, which he was mainly interested in it seemed. The point of the article was that it is not that easy, so there is not as great an availability as there might be. I am someone who is not scared of technology but not very good with it, so how are you looking at that availability going forward?

Mr Carter: This sounds like an evasive answer, it is not meant to be, it will be part of the report we will provide by the end of March to the DCMS, and it

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will have to deal with that question as well, which is the simple fact of availability and also how understandable it is to get that availability.

Q86 Mr Flook: Things like, there was not a SCART lead in the box.

Mr Carter: There is not a SCART lead in the box when you go to the store and buy it, or when you go into the store what happens is that they ask you to spend £1,200 buying an analogue flat screen TV rather than a digital TV. These are all relevant issues in the real world of going digital. Part of it is transmission coverage for sure and an availability question but there are very, what I would call, day-to-day questions around people's interaction with the process of trying to go digital, and laying that out very clearly and where the obstacles are is hopefully part of the contribution we can make to the debate.

Mr Flook: That is very good news. Thank you.

Q87 Chairman: There is going to be one ITV and that is inevitable, nevertheless although ITV is able to become one ITV as a consequence of communications, it is made up of regional broadcasting organisations each one of which has its licence provided by the ITC carried over to Ofcom. Therefore one ITV is nevertheless an agglomeration of organisations each one of which has been given its licence on the basis of a specific regional remit. What action will you take to make sure that each of those regional companies fulfils the regional remit upon which the licence has been awarded? If that remit is not fulfilled in a manner which you regard as satisfactory, will you withdraw licences?

Lord Currie of Marylebone: I think the withdrawal of licences would be an extreme measure. We would have to make sure any response to breach of the licence conditions was proportionate and appropriate. We will look at deviations from that and we will consider what steps we should take as a regulator.

Q88 Chairman: There have been many concerns expressed in a series of inquiries about the way in which specific licensees seem to renege on their obligations. Before Mr Doran became a member of this Committee we, at his instance, looked for example at what Grampian was doing or not doing. There have been many concerns and I think the latest communication from Sir Robin Biggam may allay misgivings about the news-gathering in Meridian. When we had Granada Carlton before us last week, I asked questions about what Granada was going to do to maintain a proper and appropriate and necessary presence in the North

West and particularly Manchester. I have to say that the responses I received did not reassure me in any way whatsoever, namely they were going to move out of their present building—which I would not criticise them for because it is a very unsatisfactory building—but the replacement, as they said, on their present plans was not going to replicate the facilities available in the present building on the curious basis that not much work is done in studios any more. Will you maintain a very strong vigilance to make sure that Granada is not going to use the merger with Carlton to do what the *Manchester Guardian* did between 1959 and 1961 and turn itself from a regional paper based in the North West into a national paper based in London? I will immediately veer away from that analogy with the *Guardian* but that is what happened with it. Granada is what worries me.

Mr Carter: We are approaching, as the regulator, the consolidation of ITV, excluding obviously SMG and Ulster and Channel, as an opportunity to, if you like, tidy up the historical mish-mash which I think has allowed a little bit of playing both ends to the middle. The Act is very clear it seems to us in that it provides greater economic liberalisation in return for a greater reserve and some very prescriptive rules—regional output rules, regional production rules, independent production rules, PSB obligations—and we intend in this area, much as we do in telecommunications, to be very clear about what the rules are.

Q89 Chairman: If you have not already had the opportunity to do so, I would be grateful if you would study the transcript of the response by Carlton/Granada to the questions which were put to them last week which struck me as evasive and unsatisfactory. While you may not necessarily share my view of those answers, I hope you will study them with great care and make sure they will fulfil the obligations on which they were awarded their licences regardless of their predominant role in the merger.

Lord Currie of Marylebone: We will certainly look at that evidence very carefully, Mr Chairman.

Q90 Chairman: Thank you very much. Thank you very much for coming here today. I hope you have found it useful. We certainly have. For what it is worth, and again without being patronising, I as Chairman have certainly found the demeanour of yourselves a good deal more attractive than that in some comparable sessions we have had.

Lord Currie of Marylebone: Could I say thank you very much. We appreciate this and we look forward to our future meetings before you.

Written evidence

1. Letter from Mr Julian Brazier MP to the Chairman of ITC

I am writing because, like many of my constituents, I am horrified at the threat to the news service at Meridian. When Meridian was granted the franchise for our area, its plans for the news service played an important part in the decision. The news coverage at present is excellent, not least because it is so heavily localised. Yet I understand that your Commission is saying that the huge cut in provision, including the loss of the local production and editorial team in Kent, a big downgrading of the physical facilities and a threat to the jobs of many of the journalists may go through without even a variation of licence.

I do hope that you will insist that this matter is handled by your successors and not simply rubber-stamped by your organisation in the last few weeks of its existence. The news team from Meridian are popular in the county of Kent and surrounding areas. The loss of our excellent, heavily localised, news service would be a lasting blow to the region. Many thousands of my constituents would be indebted to you if you could ensure that these proposals receive a proper scrutiny before being allowed to go through.

19 November 2003

2. Letter from the Chairman of ITC to Mr Julian Brazier MP

Thank you for your letter of 19 November.

Your letter was prompted by speculation about Meridian's plans for their operations in the South-East. We have had detailed discussions with them and it is unfortunate that many have been misled about the nature of the proposals.

Developments in technology and working practices mean that it is legitimate for broadcasters to examine how they deliver the requisite range and quality of programmes. Meridian are moving to a new news centre in the Maidstone area and out of their current premises in the next 6-12 months. They plan to transfer the actual presentation of the news along with some production journalists to their main studio centre (also moving to near Southampton). However, we have been given detailed information that the location reporting staff in the South-East will remain at its present strength as will the camera teams. The regional editor, news editor, programme producer and several other newsroom-based journalists will also remain in the sub-region.

Meridian have given us the necessary assurances that the volume, quality and sub-regional focus of their news service for the South-East will not be diminished. The new state-of-the-art news centre in Maidstone will have a fully equipped newsroom and mini-studio with two-way transmission lines for down-the-line interviews, edit equipment and be supported by a dedicated satellite links truck to cover breaking stories and allow presentation from other locations in the South-East. In these circumstances there is no requirement for any licence variation.

I hope I have been able to reassure you that although there are to be some changes in premises and employment of staff, these are in our view consequences of technology advances and will not impact adversely on services.

26 November 2003

3. Letter from Mr Julian Brazier MP to the Chairman of ITC

Thank you for your letter of 26 November which, far from reassuring me, has filled me with dismay.

You refer to assurances you have received from Meridian, but the changes that have been made in their western area have already ruined the local content of news service in that area. This is not just my view—it is the view of many of the viewers' elected representatives. Indeed one, Martin Salter, feels so strongly about what has happened in his area, that he came to our meeting with Lindsay Charlton to warn us not to take Meridian's assurances at face value.

I should be most grateful if you could make it clear whether or not you are going to give your successor body the option to examine whether a variation of licence is required. We currently have one of the best regional news services, perhaps the best, in the country. To allow Meridian to get away with doing what they have already done to many of their viewers in the West, without even allowing your successor body the opportunity to examine the matter, really would be shameful.

27 November 2003

4. Letter from Mr Jonathan Shaw MP to Chairman of ITC and the Chief Executive of Ofcom

CLOSURE OF MERIDIAN TELEVISION STUDIO (LARKFIELD, KENT)

On behalf of all Kent Labour MPs I would like to bring to your attention our immense concerns with the decision of Granada subsidiary Meridian TV to close their news operation in Kent and transfer it to Hampshire.

The studio falls within my constituency and I am of course very concerned at the prospect of local job losses. However, there is also the wider issue of diluting the quality of Kent news by relocating their operations.

On Wednesday 22 October, I asked the Prime Minister, the following question:

“Given that we now have one ITV company, do you share my belief that the regulator should take a robust line to protect the quality and relevance of regional news programmes up and down the country?”

The Prime Minister agreed “. . . it is important that the regulator takes a robust line” and I therefore look forward to receiving confirmation that this will indeed prove to be the case.

28 November 2003

5. Memorandum submitted by Meridian Maidstone NUJ Chapel

Meridian is in the vanguard of a campaign by Granada to destroy regional ITV. The plans announced by Meridian’s managing director will eventually be rolled out across the country if they are given the go-ahead in the South. He told staff “this is the blueprint for ITV.”

Those plans include axing network programming and regional sport, and centralising news operations on one site. If Meridian is allowed to do this the implications for others, such as Central’s three site news coverage, are clear. There would also be nothing to stop West Country’s news being done from Bristol, or Tyne Tees coming from the studios of Yorkshire Television.

We believe it can only result in a worse service for viewers. With production journalists based outside the area they serve mistakes will be inevitable. As on screen credibility declines so will the ratings. It will be a slow and lingering death as output is reduced, on the spurious basis that there is no appetite for local coverage. In fact there is no appetite for inferior local news.

In the South East of England we enjoy the highest ratings of any regional news programme. The team that makes that programme will be broken up under the Meridian plan. But even in production terms it does not make sense. There is no cost saving in having presenters and production journalists based in one ‘super centre’. The same staff could equally be deployed in the area they serve. Indeed the technology Granada is talking about installing actually makes this easy.

We believe MPs and the regulators have one chance to save the public service element of ITV. If the Meridian plan is allowed to go ahead it means the end of independent television in the regions.

QUESTIONS FOR GRANADA MANAGEMENT

Meridian South East props up the ratings for the other two programmes. It is the most successful regional evening news programme in Britain, so why is the company ripping up a successful formula and why, if the South East has been identified as one of the country’s biggest growth areas, is it being based in Hampshire rather than here?

Which other broadcaster in this country is operating the technology which Meridian plans to use? And if no-one is at the moment—is Meridian being used as an experiment for the rest of Granada? How will you avoid the continuing on screen errors which plague the BBC Newsroom South East programme, and the problems suffered on screen by Yorkshire TV and Granada Manchester when they used new systems?

Meridian say this is an investment of £6 million, but selling the Southampton site and sacking 175 staff will actually generate revenue and savings of between £10–13 million (£5–8 million from sale of Southampton site, savings on salaries of estimated £5.25 million per year based on 175 staff on £30,000 including pension and NI payments). What’s happening to the extra money and why isn’t it being invested in Meridian?

Presenters currently do a lot of PR work promoting Meridian talking to community groups—this can’t happen when they are based 120 miles away in Hampshire. (A senior executive has confirmed that both will be based in Hampshire and will NOT be on the road on a regular basis)

Your own briefing for your staff contradicts itself about your intentions for Ashford. In one paragraph (page 6) it says “considering the possibility of opening a new bureau in Ashford”.

Later it says (page 14) “a new bureau which we intend to open in Ashford”. Is it a possibility or definite, and why should we trust Meridian when in its 1991 licence application it said it would have high street studios in Dover and Tunbridge Wells which never materialised?

New Hythe currently acts as an emergency transmission facility in the event of Southampton being out of action for any reason. Where will the back up be if Kent does not have presentation facilities?

There will be no sports department under the new plan so how will you make programmes like Midweek Match and Soccer Sunday?

November 2003

6. Memorandum from the Royal National Institute of the Blind

ACCESS TO AUDIO DESCRIPTION SERVICES (DRAFTED FOR THE BBC BUT RELEVANT TO ALL PUBLIC SECTOR BROADCASTERS)

1. INTRODUCTION AND SUMMARY

1.1 The RNIB is the largest organisation representing the interests of 2 million blind and partially sighted people in the UK for whom television—and BBC services in particular—are the major source of information and entertainment. The purpose of this memo is to draw the Committee's attention to a burning issue for blind and partially sighted people in relation to the BBC's public service broadcasting remit. As the BBC itself acknowledges it has a special duty to ensure that blind and partially-sighted people can access its services. However in certain key respects the BBC is failing in this duty and wasting licence-payers money into the bargain.

1.2 The annual report and accounts, which we have not yet had sight of, will doubtless show how much money is spent on producing audio-description for blind and partially sighted viewers (although this figure may be submerged in costs for media access services generally). They may also rightly extol the excellent quality of the audio-description being produced. What they are unlikely to highlight is how few people ever get to access and enjoy this audio-description. *The BBC provides its digital audio description to a grand total of 45 people testing new equipment for use with digital terrestrial. Meanwhile some 480,000 people with sight problems who are crying out for the BBC's audio description and have a means of receiving it via Sky's audio-narrative service continue to be denied access.*

1.3 We would urge members of the Committee to question the BBC about their reluctance to take advantage of Sky's audio-description capability. Any pressure the Committee is able to bring to bear on the BBC to rectify this situation would be hugely appreciated by blind and partially sighted viewers and would ensure visually impaired and other licence fee payers get value for money.

2. BACKGROUND: WHAT AUDIO-DESCRIPTION IS AND WHY IT IS SO VITAL

2.1 Audio description is as important to visually impaired people as subtitles are to hearing impaired people. Without an additional narrative to explain visual sequences, many programmes are impossible to follow and visually impaired people are thus excluded from entertainment and information others take for granted. While primarily for visually impaired people, audio description has many other potential beneficiaries. The outgoing regulator itself, the ITC, has argued that wider availability of audio description would enable many people with learning difficulties, older people and indeed sighted people (who like to watch the box while getting on with the ironing) to get more enjoyment from TV programmes.

2.2 The Government is committed to expanding access to audio description and thus social inclusion for visually impaired people as a key objective of broadcasting policy.

2.3 The BBC is currently required to audio-describe 4% of non-exempt programmes on their digital channels. This figure includes repeats. They began audio-describing programmes in 2000 and are set to reach an interim target of 6% next year rising to 8% in 2006 and 10% by 2008. There are no requirements to provide audio-description on analogue TV though RNIB has successfully lobbied the BBC to show some open audio-description to be shown in the "Sign Zone". Sky meanwhile has both produced audio-description for its terrestrial channels (as required by the 1996 Broadcasting Act) and has also provided a similar level of audio-description on its satellite service. Blind and visually impaired customers can currently access over 3,000 hours of Sky programmes which are Audio Described. Audio Description is available on Sky One, three of the Sky Sports channels, Sky Movies Max and Sky Movies Premier.

2.4 The average cost of audio-describing an hour of programming varies hugely but the terrestrial broadcasters claim to spend around £700 an hour on it. In 2002 the BBC and other terrestrial broadcasters claimed to have spent over £2 million on producing audio-description.

2.5 How can audio-description be transmitted and received on digital TV? At present there are two transmission systems for audio description:

- Broadcaster-mixed or pre-mixed audio description—the audio description is sent to people's set top boxes mixed in with the programme sound as an alternative option to the standard programme sound. This is the system used on digital satellite since the launch of Sky Audio Narrative service in 2001. Viewers simply select this soundtrack option at no extra charge. Sky downloaded software to all set top boxes in 2001 to enable audio-description to be received.

- Receiver-mixed audio description—the audio description is sent separately from the standard programme sound, the receiver ie set top box then mixes the audio description in with the programme sound. This takes up less bandwidth which is a key consideration on the digital terrestrial platform where bandwidth is tight. This system is more sophisticated in that the visually impaired user can listen to the audio description on headphones while others just listen to the standard programme plus they can adjust the volume of the audio description relative to the standard soundtrack, which is of particular benefit to older people whose hearing may also be failing. This is the transmission system the BBC uses and the only system it says it will use. *However, the necessary receiving equipment is not yet on the market. A group of 45 triallists in the South East of England have been testing an audio-description module which fits into the CIS on a Nokia Mediamaster box. This add-on solution, which would need Government and industry investment to roll-out (so far not forthcoming), will soon be overtaken by other developments (see para 3.6)*

Both transmission systems need to be used by broadcasters, as appropriate, to ensure all the available audio description is provided in an intelligible format on each platform.

3. THE CURRENT PROBLEM

3.1 According to the latest market research conducted by Taylor, Nelson, Sofres for RNIB, 24% of blind and partially sighted people (480,000 people to be precise) have access to Sky and thus a means of receiving audio description. Some people have purchased a non-subscription service which offers the public service channels only (one off cost of £120 for the receiving equipment) while others have a subscription package of one kind or another. Having invested in going digital these viewers are increasingly frustrated that the public service broadcasters—the BBC, ITV, Channel 4 and Channel 5—do not make their audio description available on Sky in an intelligible form as a matter of policy.

3.2 All the BBC and other public service broadcasters would need to do to ensure blind and partially sighted Sky can receive and enjoy their excellent audio description would be to buy a piece of decoding equipment costing £6,000 run the audio description they have already prepared for broadcast on terrestrial through this equipment to get it in the right format, then they uplink this to satellite. They pay NOTHING to Sky. They simply pay the satellite provider, Astra, £20,000 per annum per channel for the extra bandwidth. The BBC and other broadcasters have different regional versions of many of their channels. It would suffice if they transmitted the audio description on just one version of each channel, since the programmes they are describing are national ones. Letting viewers know what channel number to key in to access it would be a simple matter.

WHY ON EARTH DOESN'T THE BBC TRANSMIT ITS AUDIO DESCRIPTION ON DIGITAL SATELLITE ALREADY?

3.3 As we understand it the BBC has cited cost as a factor, although as we illustrate above, the cost is in fact incredibly small. However we believe the major factor is that the BBC does not like the Sky system, claims it is bad for consumers and claims it will jeopardise the market for DTT receiver-mixed audio description. RNIB emphatically disagrees on all counts.

3.4 Blind and partially sighted people have nothing but praise for the Sky audio-narrative service The In Touch programme on Radio 4 asked its listeners a few months ago for their views on audio description and how viewers wanted to receive it. These comments are typical:

"You asked if the listeners wanted AD well this one does. You also asked how we wanted to receive it. Anyway we can. When do we want it?—I wanted it the day I got my audio description set up on my Skybox. I despair of this penny pinching and mean spirited country sometimes, it is shameful."

"I subscribe to Sky and pay for it I have expensive digital TV set which gives all free channels why should I have to spend money on another box to get AD equipment when Sky has a service which works now."

3.5 *Sky may not fulfil all the ideal user requirements for an audio-description service but since it is there now, and works, it is highly valued.* If the BBC can be prevailed upon to simulcast their audio-description on satellite in the appropriate format, just under half a million people would benefit. An example of the additional programming they would gain access to and enjoyment of in any given week is in the table below.

3.6 The BBC, ITV et al claim that to simulcast their audio description on Sky Digital would somehow jeopardise the development of receiver-mixed audio description for digital terrestrial. This is utterly ludicrous. Receiver-mixed technology has already been agreed by the Digital Television Group as a required standard for Freeview boxes from 2006. Meanwhile there is firm progress on the manufacturing side, following RNIB's Industry Forum in May which raised awareness among set top box and silicon manufacturers of the market for audio description:

- Nebular Electronics are in the process of producing software for use with their PC card which would enable blind and partially sighted people to access receiver-mixed audio description on their laptop or PC; and

- Pace are seriously looking at adapting their new PVR set top box which has 2 built in audio decoders. A software download would enable visually impaired people to use Pace's new PVR (retail price £349) to get gold standard audio description with the potential for a cheaper version (for under £200) being developed to further boost the market.

3.7 The fact is that for the foreseeable future there will be two different transmission systems for audio description operating in the UK. We are not for one moment suggesting the BBC should use anything other than the receiver-mixed transmission system for broadcasts on digital terrestrial—it is the gold standard, it is the only one they can practically use for transmission on that platform and the equipment won't be long in coming. But to enable access to audio description for satellite viewers they should bite the bullet and use Sky's transmission system. When the first receiver-mixed enabled boxes come on the market in the near future Sky's audio narrative service will get a run for its money and blind and partially sighted people will have wider choice. Ironically, simulcasting the terrestrial broadcasters' audio description on Sky would increase demand for the more sophisticated receiver-mixed technology—people are hardly likely to ask for something more sophisticated if they have little to no experience of the service in any form.

4. LEGAL IMPLICATIONS

4.1 The BBC may be in breach of the Disability Discrimination Act 1995 for failing to enable access to its audio-description via digital satellite. Sighted satellite viewers are able to enjoy the BBC's programmes, but visually impaired viewers are denied this ability. The DDA explicitly applies to the access to and use of a means of communication. Section 21 of the DDA places a duty on service providers including broadcasters to amend policies, procedures and practices which prevent disabled people using a service and to provide auxiliary aids and services. Simulcasting its audio-description on digital satellite so that visually impaired Sky viewers can receive it would, in our view, constitute such a reasonable adjustment. An unjustified failure to comply with a section 21 duty amounts to unlawful discrimination since the failure has the effect of making it impossible for blind and partially sighted people to access the audio description and thus impossible or unreasonably difficult for them to follow the television programmes. The BBC would find that, in view of the low cost involved in making the necessary adjustment—ie simulcasting audio description on Sky—there is in fact a very strong case under the DDA. There would be no justification available to for failing to make such a reasonable adjustment. Nor would it be a defence to say that people should wait for a reception solution to become available on a different platform.

December 2003

7. Memorandum submitted by the Campaign for Press and Broadcasting Freedom

THE MERGER OF CARLTON AND GRANADA, AND THE IMPLICATIONS FOR PUBLIC SERVICE BROADCASTING

1. *The Campaign for Press and Broadcasting Freedom* is a membership organisation, established in 1979, designed to promote accountability and diversity in the UK media. We have campaigned vigorously on issues of public service broadcasting, press regulation, censorship and representation. We were active in the coalition of civil organisations that were critical of the measures contained in the Communications Bill, which later came to be embodied in the 2003 *Communications Act*. Here we outline our concerns about the merger of Carlton and Granada and its implications for the future of public service broadcasting.

2. The 1990 *Broadcasting Act* introduced a greater degree of commercial competition into the broadcast media. The result of this, as ITC head Patricia Hodgson pointed out, has been to put "quality in the UK . . . under pressure. Programmes of less popular appeal are increasingly marginalised from peak-time schedules".¹ There is now a large and ever-growing body of evidence to suggest that the effect of this measure on the range and quality of UK TV has been largely negative and destructive.² This competition has been intensifying throughout the 1990s, and the 2003 *Communications Act* is explicitly designed to increase competition even further.

3. The new regulator, OFCOM, has responsibilities to maintain a tiered system of public service broadcasting as well as to encourage competition between broadcasters. The tensions this sets up are, in our view, far more likely to be resolved in the interests of competition, as has happened in ITV in the 1990s, rather than in the interests of quality.

¹ P Hodgson, "Priorities for Quality Television" in Westminster Media Forum, *New Future or Missed Opportunity? Reaction to the draft Communications Bill 2002* (London: WMF, June 2002) p.30.

² S Barnett & E Seymour, *A Shrinking iceberg travelling south . . . Changing Trends in British Television: A case study of drama and current affairs* (London, Campaign for Quality Television, 1999).

ITV

4. ITV was deliberately designed from the start to compete with the BBC, based on the principle of ensuring regional differentiation between companies and high quality public service programming. The merger of Carlton and Granada undermines the first principle directly and the second indirectly.

5. In the light of the ITC's behaviour in the 1990s, we fear that Ofcom will be tempted to carry on maintaining the fiction that there are separate licences for the different ITV companies, whilst having in fact to preside over an ITV whose corporate strategy will be unitary and holistic. Such an ITV will have every reason to pressurise Ofcom to remove the remainder of its regional obligations in order to help it to compete more effectively. Indeed, going by past experience, it is a fair bet to predict that the merged company will argue that the regional obligations, when placed in the context of the competition which it faces in the broadcasting market, will constitute an example of precisely the "regulatory burdens" that Ofcom is required to review and remove.

6. There is no regulatory incentive for a merged company to conform to obligations of a regional nature, unless the *Communications Act* is amended in order to require it to do this. Regional production in the UK, in terms of both jobs and output, was in steady decline throughout the 1990s as more and more of the regional companies lost their autonomy and identity. Only an analyst completely unversed in recent broadcasting history would predict that the newly merged company would take steps to spend more money, in real terms, on regional production.

PUBLIC SERVICE BROADCASTING

7. There has always been controversy about what public service broadcasting has meant. And, in practice, public service broadcasting has shifted over time as a working set of practices and assumptions. Yet, public service broadcasting has been underpinned by a regulatory and financial environment designed above all to sustain high quality programming. The new regime installed by the 2003 *Communication Act* has all but removed that framework.

8. Most tellingly, the Act exposes the ITV system to an even more intensive wave of competition than it faced after the 1990 Act, and whose negative effects were noted above by Patricia Hodgson. The effects of this wave have been recognised by the government in its willingness to allow a merger in ITV, on the grounds that the UK needs to strengthen its TV sector, and that increased company size is the only way to achieve this. Yet, at the same time, the government has created the potential for a situation in which ITV is not only faced with competition from the fathomless pockets of NewsCorp, or from one of the other global corporations now freed to buy C5, but also with the prospect that one of these corporations may simply purchase it outright.

9. Thus, we would argue, the economic conditions under which ITV could sustain diverse kinds of quality programming at peak time and across the schedules have been fatally weakened by successive governments.

RECOMMENDATIONS

10. If the Committee is intent on enhancing the quality of public service broadcasting available to all citizens at very low cost, then it must surely view the merger of Carlton and Granada with dismay. It should also look critically at the regulatory and political conditions which have allowed that merger. For, we and many others would argue, these changes are more the product of a fashion for "the market" amongst policy makers, opinion formers and politicians than of any objective assessment of the conditions needed to sustain a diverse broadcasting system in the UK.

11. We would recommend that the Committee ask the government to review, as a matter of urgency, the current regulatory framework to ensure that:

- a. ITV is required to enhance its public service requirements, and, in so doing, to build up regional programming and production;
- b. its competitors, (mainstream satellite and terrestrial commercial broadcasters) are required to have a greater number of public service requirements;
- c. Ofcom is required to promote public service requirements across all the main visual media.

12. The 2003 Communications Act, is the latest and most severe stage in a sustained attack on public service broadcasting in the UK, an attack which was first launched in the 1980s and which found its legislative embodiment in the 1990 and 1996 Broadcasting Acts. "Death by a thousand cuts" is the best way to describe the orthodoxy that now grips the minds of civil servants, politicians and media executives, all of whom have bought into the deregulatory policies that came from the USA in the 1970s and which then took political shape in Britain in the 1990s. In the States these policies are now coming under intense attack from an extraordinarily wide range of concerned citizens' groups and NGOs, as well as from those actually working in the broadcast media, and it is deeply disturbing to witness these increasingly discredited policies being put into practice in Britain.

13. The Committee now has an opportunity to address this problem within a fresh intellectual framework. It can abandon the now-tired orthodoxies of the post-Peacock era, recognising that in ITV they have resulted in putting quality under intense pressure and marginalising quality programming in favour of mass-market programming. In so doing, the Campaign urges the Committee to reinstate public service ideals at the heart of television in the UK, not because we wish to return to some mythical “golden age” of British broadcasting, but because we believe that this is the only hope for a better, more diverse broadcasting system in an increasingly competitive environment. Outside the pages of the Murdoch and Black press, there is a great deal of reliable evidence that the vast majority of British people value tremendously the kind of broadcasting which public service values have helped to create, and they and their descendants will judge harshly those who, whether by accident or design, destroyed it for ever.

8 December 2003

8. Letter from Mr Iain McBride, on behalf of the joint unions at Meridian TV in Maidstone to Ofcom

Thank you for your letter which I read with interest and a degree of bewilderment as a number of key points seem to have been completely missed.

At no point have we disputed the need for investment in new technology, indeed some of our equipment has gone from being state of the art to state of the ark. We are also well aware of the “we are not interested in bricks and mortar” mantra which is being repeated by Granada’s management. We are not arguing against the move from the Southampton site. What we do believe is wrong is the decimation of Meridian’s output, and a radical change to its approach to news gathering which we think will give viewers an inferior product. Interestingly, you mention Anglia as a positive example. My understanding is that their evening news programme comes a very poor second to the BBC in the ratings, unlike our current output in the South East. Both Anglia newsrooms also “claim” Norwich as a common news area—we’ve never claimed any part of Hampshire.

What seems to be missing is any acceptance of the fundamental sea change in the approach to regional television and, bearing in mind that we have been told this is the “blueprint for the future of ITV”, the implications for other companies throughout England and Wales. Sport and network factuals will simply disappear under the Meridian plan. The basic approach to news will be changed forever. A news team that is at the heart of the community will be destroyed. Despite assurances to MPs jobs are being lost. Two reporters’ posts and two of the three news desk positions have vanished under the Meridian plan for the South East. Sport in Kent and Sussex for the news programme will be covered from Hampshire—though the logistics of this make it impossible. How long will it be before “shared” features make an appearance across all three programmes.

This plan is bad for viewers. We had hoped that Ofcom would be a robust defender of public interest broadcasting and would represent the viewers. We hope this faith has not been misplaced.

2 January 2004

9. Letter from Ofcom to Mr Iain McBride, on behalf of the joint unions at Meridian TV in Maidstone

MERIDIAN TELEVISION

Thank you for your letter to Lord Currie of 10 December. I understand that you have written to a number of his fellow Board Members and he has asked me to reply on their behalf. We have had an opportunity to look into the important matter of the delivery of Meridian’s news obligations in the South East sub-region and the proposals for new premises near Fareham.

Ofcom is mindful of the importance which Parliament has attached to the continued delivery of regional news and other programmes by Channel 3 licensees. We are keen to ensure that viewers are well-served in terms of regional programmes. While Ofcom’s regulatory powers are not vested until 29 December, a number of us have met with senior directors in Granada, who of course own the Meridian licence, following earlier discussions with the local management. It is important that Ofcom understands and has confidence in their strategy for ensuring continued investment in delivering their regional programme and production obligations for the licences which they control.

I believe it is important to make a distinction between the size and nature of studio complexes, built and established in an era of very different methods of programme-making and technology, and the quality of the services delivered. Your letter acknowledges the need for new investment. It is also vital that these companies operate efficiently if they are to continue to invest in the programme services at a level at which they can serve the public and compete in a world where 50% of UK homes have multi-channel television.

You will be well aware that the television landscape is very different from when Meridian won its licence in 1991.

In the case of Meridian’s proposed changes in Maidstone and the South East, Meridian’s management has supplied information on their plans which indicate that they are maintaining significant resources in the sub-region, albeit in new premises in which they are installing more technologically advanced digital equipment. Colleagues here and in the south region have been given detailed information that the reporting staff in the south East will remain at its present strength, as will the camera teams. The regional editor, news

editor, programme producer and several other newsroom-based journalists will also remain in the sub-region. We understand that the new Maidstone operation will have a fully-equipped newsroom and mini-studio with two-way transmission lines for down-the-line interviews, editing equipment and be supported by a dedicated satellite links truck to cover breaking stories and allow presentation from time to time from locations in the South East. While presentation of the news will come from Southampton, the news-gathering and editorial decision-making will remain based in the South East. This is a model that has operated successfully for Anglia Television for more than a decade in delivering two different, targeted news services for the East and West of their region while basing presentation of the news in Norwich.

You mentioned bureaux which Meridian had failed to provide. The ITC approved the dropping of Dover in exchange for more inject points, Hastings replaced Tunbridge Wells, and the Isle of Wight replaced Basingstoke. All other bureaux have been maintained.

As far as plans for the closure of the Southampton studio complex is concerned, many of the same considerations apply in terms of the need to upgrade equipment and operate from premises more fit for purpose. We recognise that these proposals impact on network production from Southampton. There are a few important points to make here. Meridian had originally intended to operate as a publisher broadcaster without an in-house network operation. With the acquisition of the old TVS studios, it has had periods since 1993 where its success in gaining ITV network commissions and work for other channels has fluctuated considerably. As you will be aware the ITV networking arrangements must operate in such a way that no individual ITV company or group has a guarantee of commissions as suppliers are chosen on the basis of quality, price and relevance to the schedule.

Ofcom must set and enforce regional production quotas for production outside the M25 and ensure that a suitable proportion of expenditure on ITV network programmes is referable to a suitable range of production centres outside the M25. We will be considering how this requirement should be interpreted, and we are establishing arrangements to gather the necessary data for ITV to demonstrate that there is a reasonable geographic spread in the sourcing of network programmes.

We recognize that for many staff employed at Meridian this is a very worrying time.; I hope that you can see from the above that we have questioned the company closely about its plans. I can assure you that we will be vigilant in ensuring that Meridian meets its programme obligations to its region and sub-regions but we must put our major focus on outputs and not interfere in legitimate managerial, operational and investment decisions that are a matter for the company.

18 December 2003

10. Memorandum submitted by Meridian Maidstone NUJ/BECTU

Following a detailed analysis of the transcript from the Select Committee attended by Clive Jones and Mick Desmond, coupled with what the company has subsequently announced, we would like to make a few points we believe are pertinent.

As you can see from the points highlighted, what was said to the Committee is simply not borne out by events.

- Regarding lack of consultation—Maidstone staff found out what was planned only when the operations director of Granada, Ian McCulloch, slipped up at a private dinner and revealed the studio would be closed by next summer.
- The Maidstone studio at New Hythe was never purpose built, as constantly claimed by management. It is the combination of two already existing industrial units. The proposed site at Fareham is not purpose-built either. It is the top storey of a three-floor block. Initially the new super news centre was supposed to have three studios with the newsroom as backing for all of them—and already this has been found to be unworkable and three separate studios will have to be built on this floor. (Also no planning permission has been sought for the satellite dishes which will be needed on the roof.)
- Jeremy Dear (NUJ) describes the consultation as a “sham”. It certainly is for the staff in Factuals and Sport who are also to be moved out of Southampton. John Cresswell and John Hollywood from Granada told these staff at a meeting in Southampton on Friday 12 December, that there is no commercial justification for them to remain in Southampton.
- Michael Fabricant asked about Meridian’s proposals—“what is it going to mean in terms of programming in the region? Is there going to be less regional news as a consequence? Is there going to be any less regional production as a consequence? Yes there will be less—it is inevitable that if you have a journalist doing the editing of the pictures, he or she will be doing the job of two people. Time spent physically putting together the finished story ready for broadcast is time not spent on the next story. Already lack of investment has chipped away at our regionality. It’s a trick to cover up the fact that a story was filmed in say Poole in Dorset to have it sent to Maidstone and re-voiced by a Kent journalist, removing all location references in the script and broadcasting it as if it was filmed in the South east—we have fought against this practice and had limited success. But not only do we argue there will be more of this—we believe in future there won’t be the time or the staff to even re-voice it and remove the Dorset references! When these newly-trained

journalists on this new, untried technology fail to make their deadlines for whatever reasons—lack of experience and crashed computers being the BBC and Sky examples—then whoever is producing the Maidstone show in Southampton will grab a feature from ANYWHERE simply to fill up the screen at 6pm. This is not the quality viewers in the south-east expect or are accustomed to.

- Clive Jones says the Southampton newsroom he built 14 years ago, he revisited 10 days ago and to his horror it has not changed. (1) It has. (2) If he perceives that it has not, what does that say about the level of investment in technology in that newsroom since 1989?
- Mr Jones again “We are not proposing to diminish the number of journalists on the ground at all. All we are talking about is moving a presenter and maybe a technical director”. We have been told Mr Jones is across all proposals and approves of them. And what is proposed is NOT what he told your committee. In the HR1 forms put to the Department of Trade and Industry and in the details given to staff it says clearly that in Maidstone two reporter posts will go and two out of three sub editors will move to Southampton. All the presentation team will go to Southampton. Interestingly all reporters are now immediately supposed to be sufficiently qualified to cover any county cricket match from our patch—Kent, Sussex and Essex. The News Editor and Deputy News Editor posts are being merged—the deputy found this out on the day her first baby was due.
- Mr Jones also said “In future we HOPE to have more facilities, new offices in Hastings/Ashford”. A hope is not a guarantee—nor even an aspiration. We point to the company’s previous record on Dover. We will also argue there is no logistical need for any base in Ashford.
- Mick Desmond says “Certainly the coverage in the press did not come from any comments from ourselves”. Not exactly. Meridian’s corporate public relations officer was quoted in the Bournemouth evening newspaper confirming the job losses and Maidstone move in advance of any official notification. While Granada was plainly stung by the Guardian story about the sell-off of the Manchester studios—an opportunity existed to tell the unions formally about this on a Friday and it was not taken. Instead, after the weekend, managers decided to tell the group of staff representatives instead, and who knows how it was leaked after that!
- Derek Wyatt asked: “The principle of Ofcom should be that when it takes evidence it should take it in the public domain so we can hear it, not behind closed doors, as it has been in the past 50 years of broadcasting.” Clive Jones “If Ofcom were to take that approach I am sure we would be happy to go along with it, but it would be a decision for the regulator, not for us.” On Friday, December 12th, in Southampton, John Cresswell and John Hollywood of Granada said they have held their first meeting with Ofcom—not behind closed doors already surely? In subsequent Ofcom letters to staff here, it is spelled out meetings have already taken place which staff and unions knew nothing about.
- Mick Desmond said “We have regional advisory groups, where again, they will play an active role in the process”. To our knowledge, no efforts have been made to contact any Meridian advisory group of the proposals for moving Maidstone.
- Clive Jones said “We are going to carry out a review of all our facilities which any sensible company would do.” Then “The main studio in Southampton has been used once in the last year.” Wrong. 54 days actually.
- Clive Jones clearly answered No when he was asked if the Westminster team of reporters were going to be affected. Yet they are currently under review and feel certain every single post is being questioned as is the whole structure of their output.
- Chairman Gerald Kaufman asked “On whose initiative was an application made to the ITC to move the ten o’clock news to 10.30?” Clive Jones—“It was at ours.” And we all know what a howling mistake that was, don’t we.

5 January 2004

11. Memorandum submitted by the National Union of Journalists at Meridian Television

Once again we know you have been invited to meet the Meridian managing director, Lindsay Chariton, and we should simply like to take this opportunity to make sure you are fully informed of events from the staff point of view beforehand.

You are, of course, already aware that the “no journalists jobs to go” line that was being delivered by Meridian last year is transparently not the case in the proposals that have been put forward.

Indeed, the attached plan for the new Meridian, (as compared to the existing version), has been drawn up by the unions because the company version over eight A4 pages is so unclear and inexplicit, it could not be useful to anyone except the managers who want to implement it!

We fear it is a superficial plan, with no staffing structure and, worryingly, with no reference to the European Working Time Regulations which are the only safeguards against staff working dangerously long hours. For example, the journey times for presenters, who we are told will be out with the satellite truck every day of the week, could be five hours a day, as the Hampshire base is 110 miles away from Maidstone, (never mind Thanet or Dover).

We believe the plans do not allow for any staffing backfill ie for weekends and holidays. You probably know that we have to adhere to strict Health and Safety regulations with all jobs we cover being risk assessed—there is no allowance for this.

In the layout for the new studios in Hampshire, there is a studio partition—but no one has worked out where it will go—to the side is an atrium, underneath is someone else’s company and above is the roof!

It would be fascinating to hear where in this country/Europe/the rest of the world a television news service is being run along the lines set out by Granada with Meridian the blueprint? We believe the Shopping Channel on cable will give you an idea of the standards set by the proposed technology in the UK.

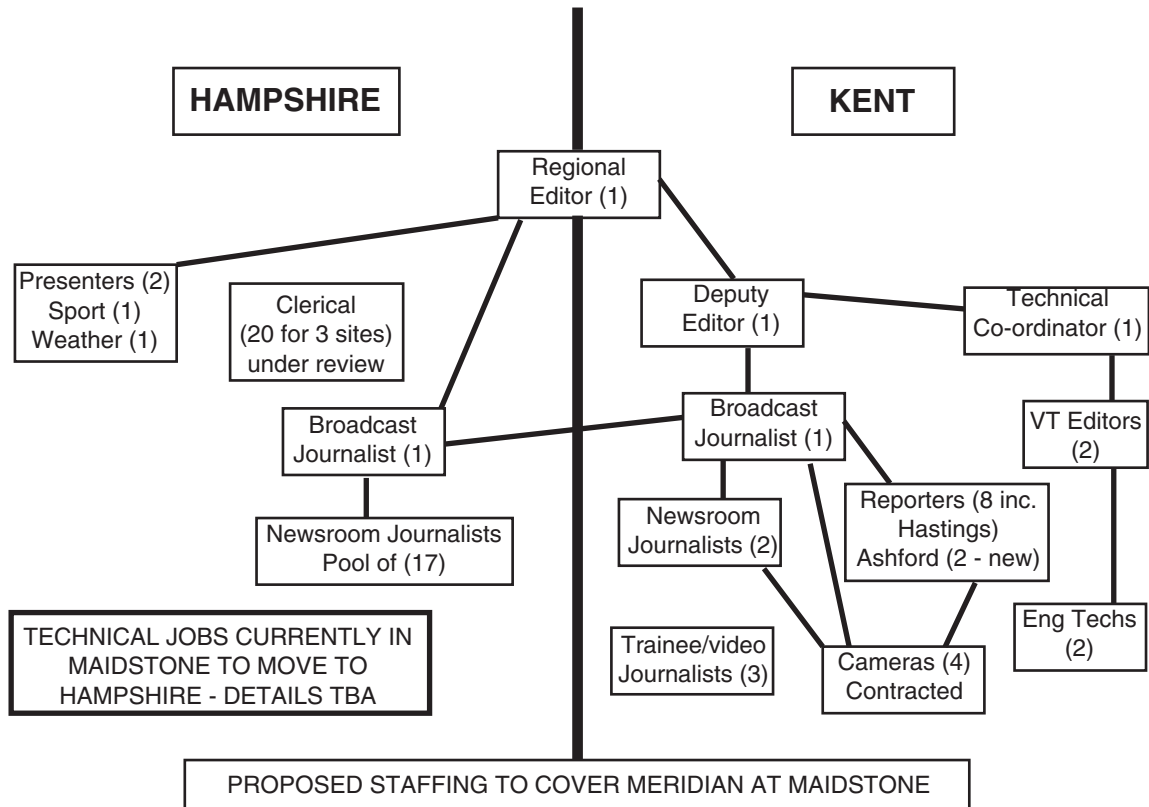
You will probably also be aware of the huge importance of a library of stories, not least because we have a legal obligation to record all output. We have up to 5,000 hours of library material at Maidstone alone, and there is no provision for this to go forward. There is no space allowed in the Hampshire site. If this is to be put onto disc, it will still take 5,000 hours to do—and as many if not more hours for Southampton and Newbury too—and no one has even scheduled work on this into the future plans.

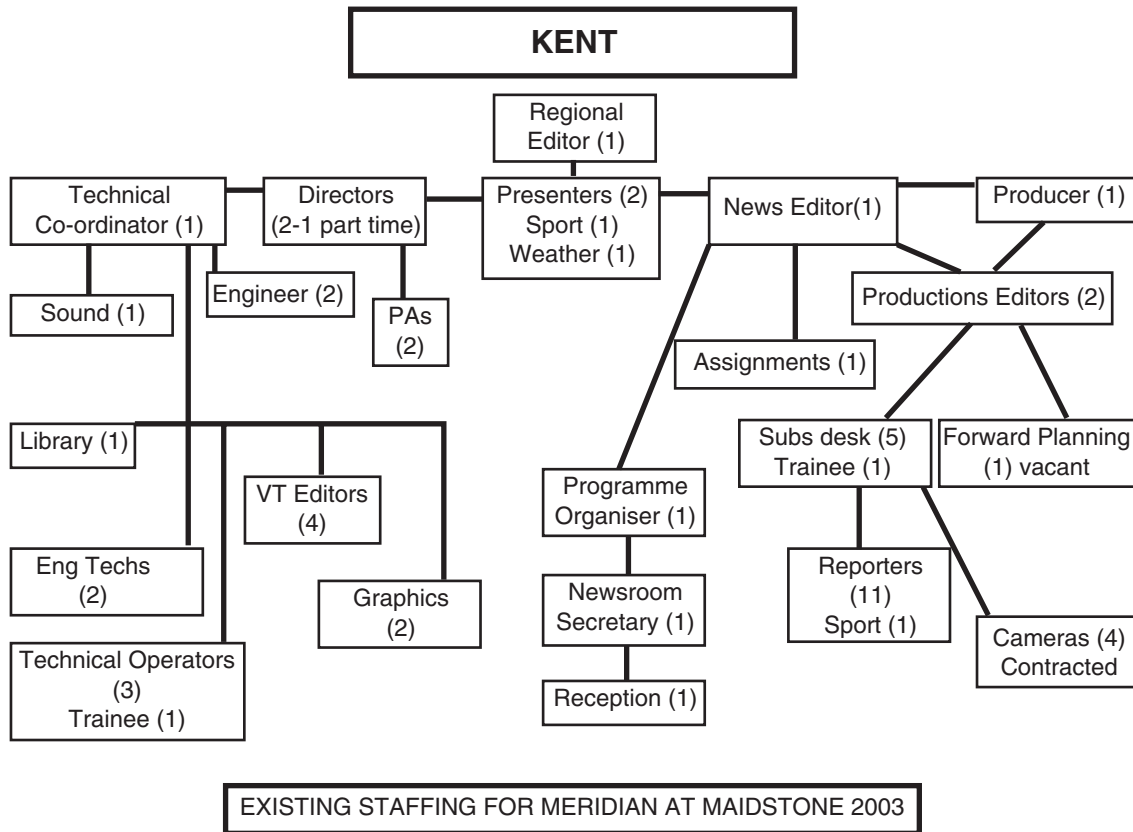
There is now talk of Newbury and Southampton going first into the brave new world, with Maidstone as back up. But after that we will all be going it alone. LNN which use a Sony server based system similar to what is wanted for Hampshire saw the system crash for three days this Christmas—fortunately they could revert to the tape-based system. We would not have that option. And this proves as we have stated before that the problem with this technology is that it crashes just like anyone’s own home computer, but with rather more public consequences.

We hope you’ll be interested in our latest viewing figures for the week beginning 14 December. The BBC from it’s all-singing, all-dancing top of the range production centre in Tunbridge Wells was 15%—Meridian in the south east was 34%. How often do we have to say it?—it’s not the technology, it’s the people and the programme they make.

We hope you can continue to address these issues and win an assurance that Meridian’s successful South East programme will continue to be broadcast from Kent, where it should be.

15 January 2004





12. Letter from Mr Hugh Robertson MP to Meridian Broadcasting Ltd

As you are probably aware, I asked to visit the Meridian Studios at Maidstone, following our meeting at Westminster, to try and increase my understanding of the issues involved. Along with Paul Clark and Jonathan Shaw, I also attended an open meeting with the staff to hear their concerns.

At that meeting, a number of concerns were raised:

1. Journalists relate to the area in which they live. Clearly Kent will suffer if the majority of your journalists are based outside the county. I had personal experience of this when Sandy Fleming managed to track me down at the County Showground at Detling about an excellent story that you ran about local developers. The story would never have reached you (or me!) under the new system.
2. The creativity of journalists, and thus the success of your programmes, is clearly enhanced by your journalists working together. The new system will negate this.
3. Reporters cannot generate the same number of reports without the scale of backup that they enjoy at the moment.
4. The existing technology is nearing the end of its life cycle and has to be replaced anyway. This is, thus, largely a matter of necessity rather than an exciting new technological development.
5. The new technology promised for Kent is, as yet, unproven.
6. There appears to be some discrepancy over the figures for the number of staff totally devoted to Maidstone currently and under the proposed new system. Please could you confirm both these numbers?

Finally, it does strike me that you have a group of loyal, motivated and capable staff that would be the envy of many local businesses. They run a hugely successful operation that is way ahead of the competition. I cannot remotely understand why you should wish to put this at risk.

I will look forward to seeing you on Tuesday 20 January

12 January 2004

13. Memo from Mr Nick Myers and Mr Alan Rook to Employees at Meridian

We're doing well—VERY well. Set against some ITV newsrooms with a virtual monopoly in their respective regions and a direct 680 opposition with greater resources Meridian Tonight in Maidstone is again the most watched regional news programme in mainland Britain with an audience share of nearly 40%.

A good illustration of our success is last Tuesday's High Speed Rail Link special. That show again achieved the highest regional news rating in mainland Britain. And our spies at the 880 in Tunbridge Wells tell us that—on watching our output that evening—they were forced to admit they'd got their treatment of the story "totally wrong". Sue Kinnear and the crew with her on location, along with those back here at base played a blinder with one of our best programmes of the year.

Our consistently high rating is a remarkable achievement that has been recognised at the highest level within Granada. Thank you to all of you for your hard work.

In the past few weeks we have carried out some market research. Viewers were asked to keep diaries of viewing habits, what they liked and disliked about Meridian Tonight and how they felt we compared to the BBC. We received high praise but we must also take note of their criticisms. There is always room for improvement and we cannot afford to relax.

THEY LIKE:

- Content and Feel of the programme.
- News versus Features—they feel the balance is about right, but they want more "good" news.
- Campaigns
- Interactivity—email response and phone polls well received. Even though did not take part they liked the fact that they could.
- Live Reporting—particularly when the main presenters get out.
- Sport—about right. But be aware that many women, who represent 60% of our audience, are liable to turn off. Keep it tight and relevant.

They felt that Meridian Tonight has very consistent strengths as a regional news show and gets close to its communities. It is relevant, humane, entertaining and informed and successfully blends news and magazine.

Regular themes—Meridian Reports, Campaigns, Features and Strands—and credible journalism are integral to the show's popularity.

Three quotes from the viewers' panel:

- "You always watch Meridian because it feels more friendly"
- "Meridian seem to go after the local stories more"
- "You are watching to see local stories—you want it light hearted—you want to be happy where you live"

THEY DON'T LIKE:

- Set and Use of Studio.
- Some stories not properly "rooted" in the region—seen as national issues not local.
- Style over substance—particularly on some lifestyle features. Make it relevant to me and my region, they say.
Pace—sometimes too slow. "Get on with it". They want tighter stings. That said they do like the "call to attention" and a reminder of regular themes in the programme.
- Too much misery. They want more good news. This doesn't mean we abandon hard news; it just means we must keep our eye on the balance throughout the programme. They want more of the feel good factor.
- Cheesyness. Just be careful—think about your piece to camera. They want a slick, professional performance.

Our audience is much more fickle—there is more competition, they get bored more quickly and have less loyalty.

They also watch on a few occasions each week—not every night. This is an important point. Too often we assume too much previous knowledge. Our audience does not have an encyclopaedic knowledge of our output. This means we must thoroughly re-state the background to a story and—if required—remind people why we're interested here in the South East.

The titles remain the shop window for the programme. We must pay more attention to our titles. There are many distractions in the average home at 6pm and a dull opening sequence will drive people away from their screens. We must get out of the habit of regarding the titles as an irritation but put more effort into providing the best shot of the day. Think about your title shot on location; think which shot will grab the attention. Titles must be cut before the item.

Viewers want to hear place names—they want to hear about the region they live in. This means we should make sure essential facts and place names are in both the link and the item. It “roots” the story to the region.

Our viewers sent a very clear message—if we don’t think it is local then we lose interest. Our audience likes us. They like our relevance and empathy for what is ‘our area. So, maintain a populist human-interest approach with tight, bright, engaging, enthusiastic, challenging journalism and presentation.

They still feel there is too much crime on the programme but they don’t want a soft approach. We need to make sure we are covering stories that really matter to people. Stories which affect their lives or provoke empathy . . . “it could have happened to me”.

Think about stories which affect a lot of people—the pensioners march and council tax rises. They may sound dry but sometimes these stories get the best response.

At the market research sessions viewers asked for more “good news” stories. Too much doom and gloom was their cry. This has to be treated cautiously. We don’t want to make the shows too soft as there’s plenty of evidence that people feel they have to earn part two by watching the hard news in part one.

But we can—and must—make a conscious effort to find more positive stories.

Live reporting. Sometimes we see the live truck as a burden not a bonus.

One viewer said: “I love the Meridian format . . . I love the way they move to outside reporters.”

The live link is a big asset to the programme—it gives the show an edge. We need to use it properly.

If you want to talk in more detail about the findings of the report then please come and see us. We are doing very well but must continue to perform to the highest level otherwise we will lose viewers.

So, as we near the end of 2003 it’s time to look ahead to 2004.

Here then are the plans (so far) for our feature strands, carrying us towards the summer of next year.

A WAY WITH WORDS—we’ve had some excellent features from Charles Lambert and Alison Waters. Their strand runs for another three weeks.

MERIDIAN CHECKOUT—Sandy Fleming has made a success of this .strand with a great deal of audience feedback in letters, e-mails and phone calls. She’ll be returning with her third series at the helm in late October.

CAN YOU CLAIM IT: Is Meridian Tonight’s winter campaign to be TX’d in November. The idea: learn about the benefits you might be entitled to. One of our anchor presenters will front this.

MERIDIAN REPORT—will continue with up to three features a week. We’ve maintained a high standard in this series, but we’re looking for harder news ideas as well as lifestyle content. Jon Parker’s suggested system of a “one week-on, two reports produced” format seems to be working, but we’d welcome any comment on this from reporters . . .?

COUNTDOWN TO CHRISTMAS—is a six-part series that’ll start in late in November. Ideas are still being firmed up, but “Top Toys” and “How the South East Used to Celebrate Christmas’ are among the themes being worked on. Volunteers and new ideas are more than welcome.

COME HOME FOR CHRISTMAS—is a Meridian programme idea about missing youngsters that provoked a huge audience reaction a few years ago. We’re aiming to use it again from late November in a co-production with LNN. One of our anchor presenters will be fronting the strand.

THE CHRISTMAS SHOW—This year we’re aiming to broadcast our Christmas show as-live from the English Channel with the help of SeaFrance and P&O Stena Line. One presenter heading out to France, while the other is heading into Dover. Panto guests and the theme:

“Those who have to work at Christmas”

YEARENDERS—John Ryall will front three news reviews and Iain McBnde two sports reviews in the new year period. Each reporter will re-visit locations across the region to link their reports together with pieces to camera.

MERIDIAN COUNTRY—Sue Kinnear leaves us as anchor presenter in October, but will be a regular freelance face. She’s agreed to produce another series of Meridian Country. Six films with a rural feel that’ll be TX’d from mid-January.

HIDDEN HISTORY—Derek Johnson deserves great credit for the success of this strand. It’s one of the most popular we’ve ever run on our programme and has such obvious broad appeal that Meridian’s other newsrooms have been asked to produce their own versions. So, Derek will be back with Hidden History in late February with Alison Waters sharing the burden this time around.

THE LONGEST DAY—2004 marks the 60th anniversary of D-Day, the Normandy landings. Derek Johnson will be coordinating our coverage from this newsroom. As things stand we plan to run eight special reports in the two month run up to the anniversary. Again all ideas gratefully received.

And that's it, so far, until the Summer. Nothing is set in stone and all feedback is welcome.

The BBC is soon to re-launch their show with a format much closer to our own, with more money and some new faces. We CANNOT afford to be complacent. But after two years of direct opposition we still have TWICE their audience share. And that's thanks to all of you. Let's fight to keep that lead.

23 September 2003

14. Memorandum submitted by Mr Iain McBride, on behalf of the joint unions and staff at Meridian Maidstone

Thank you very much for your letter last month and for allowing our union representatives to address your Committee about the concerns for the future of ITV.

We were briefly reassured by Clive Jones' statement to MPs about Meridian in the South East that "We are not proposing to diminish the number of journalists at all. All we are talking about is moving a presenter and may be a technical director. The journalists will stay there, the reporters will stay there."

Unfortunately the plans unveiled by the company the following week did not reflect this. Two out of three news-desk jobs will go, two reporters' jobs will go, only two out of seven production journalists will remain. All presentation will be from Hampshire, with no dedicated sports staff remaining in Kent. Quite how someone from Hampshire can cover sports stories 120 miles away is just one of the baffling features of their plan.

Like staff at Granada Manchester who learned of the fate of their headquarters via a newspaper article we have no faith in anything we are told by the company.

We had hoped that Ofcom might be interested but it seems from the correspondence enclosed (*not printed*) that it is a done deal.

2 January 2004

15. Letter from Ofcom to Dr Julian Lewis MP

MERIDIAN TELEVISION

Thank you for your letter of 4 December. I am sorry for the delay in responding but I have now had an opportunity to look into the important matter of the delivery of Meridian's news obligations in the South-East sub-region and the proposals for new premises near Fareham. I shall deal with as many of the points raised by Ms Phipps in her letter to you as I can.

Ofcom is mindful of the importance which Parliament has attached to the continued delivery of regional news and other programmes by Channel 3 licensees. We are keen to ensure that viewers are well-served in terms of regional programmes. While Ofcom's regulatory powers are not vested until 29 December, colleagues here have met with senior directors in Granada, who of course own the Meridian licence, following earlier discussions with the local management. It is important that Ofcom understands and has confidence in their strategy for ensuring continued investment in delivering their regional programme and production obligations for the licences which they control.

I believe it is important to make a distinction between the size and nature of studio complexes, built and established in an era of very different methods of programme-making and technology and the quality of the services delivered. It is also vital that these companies operate efficiently if they are to continue to invest in the programme services at a level at which they can meet their network and regional public service obligations and compete in a world where 50% of UK homes have multi-channel television. You and Ms Phipps will be well aware that the television landscape is very different from when Meridian won its licence in 1991.

In the case of Meridian's proposed changes in Maidstone and the South-East, Meridian's management has supplied information on their plans which indicate that they are maintaining significant resources in the sub-region, albeit in new premises in which they are installing more technologically advanced digital equipment. Colleagues here and in the south region have been given detailed information that the reporting staff in the South-East will remain at its present strength, as will the camera teams. The regional editor, news editor, programme producer and several other newsroom-based journalists will also remain in the sub-region. We understand that the new Maidstone operation will have a fully-equipped newsroom and mini-studio with two-way transmission lines for down-the-line interviews, edit equipment and be supported by a dedicated satellite links truck to cover breaking stories and allow presentation from time to time from locations in the South-East While presentation of the news will come from Southampton the news-gathering and editorial decision-making will remain based in the South-East This is the kind of model that has—operated successfully for Anglia Television for more than a decade in delivering two different, targeted news services for the East and West of their region while basing presentation of the news in Norwich.

As far as plans for the closure of the Southampton studio complex is concerned, many of the same considerations apply in terms of the need to upgrade equipment and operate from premises more fit for purpose. We recognise that these proposals impact on network production from Southampton. There are a few important points to make here. Meridian had originally intended to operate as a publisher broadcaster without an in-house network operation. With the acquisition of the old TVS studios, it has had periods since 1993 where its success in gaining ITV network commissions and work for other channels has fluctuated considerably. As you will be aware the ITV networking arrangements must operate in such a way that no individual ITV company or group has a guarantee of commissions as suppliers are chosen on the basis of quality, price and relevance to the schedule.

Ofcom must set and enforce regional production quotas for production outside the M25 and ensure that a suitable proportion of expenditure on ITV network programmes is referable to a suitable range of production centres outside the M25. We will be considering how this requirement will be interpreted and are establishing arrangements to gather the necessary data for ITV to demonstrate that there is a reasonable geographic spread in the sourcing of network programmes.

I realise that for many staff employed at Meridian that this is a very worrying time, not knowing if their employment will continue in the region or outside. I hope that you can see from the above that we have questioned the company closely about its plans. I can assure you that we will be vigilant in ensuring that Meridian meets its programme obligations to its region and sub-regions but we must put our major focus on outputs and not interfere in legitimate managerial, operational and investment decisions that are a matter for the company.

19 December 2003

16. Letter from Mr Norman Baker MP to the Chairman of ITC

I am writing to you regarding the proposal by Granada Television to close its Meridian television, news studios in Maidstone.

I am dismayed to hear of this proposal and wish to express my great concern at the possible repercussions that this would have upon the quality of local news in the region it serves in Kent and Sussex, including upon my own constituents in Lewes.

Meridian's news studio in Maidstone provides an essential service to communities across Kent and Sussex. It is a genuinely *local* news service—it is based within the region and it seeks to report on the issues which directly concern its people. This approach has provided the bedrock for successful local news operations and Meridian's news studios in Maidstone have proven to be no exception. This highly successful format is reflected in the high ratings of its flagship news programme *Meridian Tonight*.

It is fanciful to suggest that the viewers in Kent and Sussex will be able to continue to enjoy the same level of quality local news coverage if this news is produced and broadcast from a studio in Hampshire. This proposal is quite unacceptable.

Quality, comprehensive and frequent local television news should not be viewed as dispensable. Rather, it represents an essential service to which all people should have access. It is the key duty of the public service broadcaster to perform this and ITV recognises this in its charter for the Nations and Regions, stating

“Regional news is one of the defining features and most popular aspects of ITV's output. ITV is committed to extensive regional and sub-regional news coverage in excess of that offered by BBC.”

I believe therefore that any action taken by Granada to close its Meridian studios in Maidstone would be a clear breach of their commitment to regional broadcasting. As chairman of the Independent Television Commission, I urge you to investigate this and question the legality of Granada's actions in failing to consult the Independent Television Commission about any possible change to their licence that a move to Hampshire may involve.

26 November 2003

17. Letter from the Chairman of ITC to Mr Norman Baker MP

MERIDIAN BROADCASTING LIMITED

Thank you for your letter of 26 November regarding Meridian's plans for their operations in the South-East sub-region. It is unfortunate that reports of their proposals implied that they were effectively pulling their South-East news operation entirely into Southampton. We have had detailed discussions with Meridian's management and this is not the case.

Developments in technology and working practices mean that it is legitimate for broadcasters to examine how they deliver the requisite range and quality of programmes. Meridian are moving to a new news centre in the Maidstone area and out of their current premises in the next six to 12 months. They plan to transfer the actual presentation of the news along with some production journalists to their main studio centre (also moving to near Southampton). However we have been given detailed information that the location reporting staff in the South-East will remain at its present strength as will the camera teams. The regional

editor, news editor, programme producer and several other newsroom-based journalists will also remain the sub-region. Meridian will also maintain news bureaux and reporters in Brighton and Hastings to service East Sussex.

Meridian have given us the necessary assurances that the volume, quality and sub-regional focus of their news service for the South-East will not be diminished. The new state-of-the-art news centre in Maidstone will have a fully equipped newsroom and mini-studio with two-way transmission lines for down-the-line interviews, edit equipment and be supported by a dedicated satellite links truck to cover breaking stories and allow presentation from other locations in the South-East. In these circumstances there is no requirement for any licence variation.

I hope I have been able to reassure you that although there are to be some changes in premises and employment of staff these are in our view legitimate.

4 December 2003

18. Letter from Mr Norman Baker MP to the Chairman of ITC

Thank you for your letter of 4 December concerning the future plans affecting Meridian Broadcasting Limited.

I can assure you that when I wrote to you I was under no illusions as to what the proposals entailed and am indeed fully aware of the new arrangements Granada has in mind. If you look at my letter again from 26 November, you will see that is the case. I enclose a further copy for you to reference. (*see above*)

Could I in particular draw your attention again to the fourth paragraph. I simply do not accept that the provision of news bureaux and reporters from Brighton and Hastings will in anyway provide the same sort of ballast as an operating studio in Maidstone would. Inevitably, judgements are going to be made in Southampton on an editorial basis and a priority basis, including doubtless on those stories which are deemed to be appropriate for sharing across the region. I think it is inevitable if senior management and production staff are based in Hampshire then there will be a Hampshire bias to Meridian's output.

I therefore note the plans which Granada have in place following any proposed closure to the Maidstone studio but would tell you that my opposition to these plans is undiminished for the reasons which I gave in my previous letter to you. I should also tell you that I have formally asked the Culture, Media and Sport Select Committee to investigate this matter and have a confirmation from Gerald Kaufman that my correspondence is being put before the Select Committee in advance of their hearing with ITV.

I will hope therefore that the ITC will take a rather more robust line with Granada than it has to date and will ask you to reconsider your position on this.

16 December 2003

Memorandum submitted by Mr Pat West, NUJ, ITV Studios, Nottingham

RE: THREAT TO FUTURE OF EAST MIDLANDS NEWS AND PROGRAMMES

The NUJ is gravely concerned that ITV may shortly announce plans to devastate its news operation and workforce in the East Midlands.

Press speculation is already rife that ITV has decided to close its Nottingham site and move operations to Birmingham. So far the Company denies it is pulling out of the East Midlands.

Should such plans be implemented the NUJ believes viewers in the East Midlands will get an inferior news service broadcast from Birmingham. The effect would be to turn the clock back to the 1970s and a much more limited regional news service.

The East Midlands now has a firmly established identity—both politically and culturally. It is the Government's intention to promote regionality. Any moves to roll back news coverage in this way would signify a slap in the face for the region's aspirations—East Midlanders regard themselves as separate and distinct from the West Midlands.

Almost two thirds of people claim their local ITV company is their main source of local news. (Cambridge Econometrics report, July 2002). ITV's Charter for the Nations and Regions says:

“Regional news is one of the defining features and most popular aspects of ITV's output. ITV is committed to extensive regional and sub-regional news coverage in excess of that offered by the BBC.”

This will be a hollow boast if programmes are produced and staffed by people who don't live in the area and who have no affinity with it.

ITV says it will be investing heavily in new technology for its news services. That is because our existing kit is fourteen years old, totally outdated and at breaking point.

The BBC is investing in expanding its regional news services. Meanwhile ITV is contemplating cutting back for commercial reasons. This would reduce plurality of debate, viewer choice and damage regional democracy.

ITV is already showing how much it values its regional staff. Six of our 14 regional programme producers are threatened with redundancy. These are people with a portfolio of award-winning programmes and many years experience behind them. Quality of regional programming may well suffer as a result.

Importantly, opportunities for guests, such as MPs, to come into our studios for interviews for us and other broadcasters would vanish. We are currently able to broadcast interviews to any television station in the world and for guests to speak with journalists across the globe.

To sum up—new technology doesn't persuade people to watch television news. Good stories do—it takes people living in the region to get them.

We appeal to you to lobby Ofcom to intervene to save the East Midlands ITV news and raise the issue with the Select Committee on Culture, Media and Sport. We also urge you to lend your support to an Early Day Motion to the same end.

16 February 2004