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Final report of the Scottish Broadcasting Commission

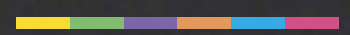


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Heavy rain forced evacuations in West Lothian today, and the forecast called for the majority of the wet weather to continue in the

SCOTTISH BROADCASTING COMMISSION





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SCOTTISH BROADCASTING COMMISSION



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FOREWORD

In its short existence, the Scottish Broadcasting Commission has triggered a wide-ranging and frequently passionate debate about the future of the industry and the services it provides to audiences in Scotland. We intended from the beginning to make an impact which would lead to action, and there have been some encouraging early results in the form of new commitments from the broadcasters.

But this is only a start. In publishing our final report and recommendations, we hope and expect that the debate will become even more visible and audible – with particular focus on the key opportunities and challenges we have identified in broadcasting and the new digital platforms.

What has been refreshing is the extent to which both the industry and its audiences are at least as excited about the future as they are critical of some of the weaknesses of the past and present.

This heightened level of awareness should not be squandered and most definitely our report should not be the last word. Scotland will continue to need policy development not just in broadcasting, but in media and communications more widely.

Chairing the Commission has been both a privilege and a pleasure and I thank my fellow members and our dedicated secretariat for their unstinting commitment and insight.

One of our number, Ray Michie, passed away in May of this year after a long battle with illness. That was a sad loss for us, but much more so for her family and many friends. The consolation was the example Ray had set throughout her life and career of passionate public service and a deep commitment to the cultural and democratic health of Scotland. We hope she would have approved of this report.

Blair Jenkins
Chair
September 2008



EXECUTIVE SUMMARY

- 1.** It is our belief and aspiration that more high-quality creative content should be produced in Scotland in future than has ever been the case in the past. Within the right framework, this will certainly deliver better television services and more choice on more platforms for Scottish viewers. Stronger broadcasting within a wider and fast-growing digital media sector will also provide the basis from which to develop a dynamic and successful production industry creating world-class content for worldwide audiences. This is a historic opportunity and we firmly believe that Scotland stands on the threshold of something special.
- 2.** Broadcasting is important to the economic, cultural and democratic health of the nation. At its best, it has a unique power and impact which can enrich our imagination and our thinking, and our space to share, discuss and challenge as a society.
- 3.** Our vision encompasses a very substantial increase in investment in Scotland by the UK's public service broadcasters, with the BBC and Channel 4 expected to inject additional tens of millions of pounds into our creative economy. It also sees new outlets and opportunities for talent and innovative ideas, with the proposed launch of a new Scottish Network making more original content from Scotland available on television and on demand to viewers at home and abroad. We also foresee an explosion of creativity as schools, colleges and universities connect to the new technologies and the new creative challenges. There are now global audiences awaiting those with global ambitions.
- 4.** Scotland needs a new framework for broadcasting that takes us through the transition period of digital switchover. The entire process is due to be completed in Scotland by 2011. This represents a profound change and opportunity, but there are also substantial challenges.
- 5.** Scotland has undoubtedly benefited from being part of the overall broadcasting ecology of the UK, which has produced a rich tradition of high production values and public service content. However, Scotland has always been rather marginalised within this generally successful UK framework and that needs to change. We need a more successful industry and more satisfied audiences.
- 6.** We would encourage everyone to look at the issues around broadcasting with fresh eyes, in an open-minded and non-partisan way. Broadcasting should not serve as a surrogate for the constitutional debate in Scotland. We could and should have a very high degree of public and political consensus around these issues, although our proposals will be further strengthened and improved by the vigorous public debate which we hope will ensue after the publication of this report.
- 7.** The case for creating a new Scottish digital television network has strengthened considerably and this is the single most important recommendation we are making in our report. The channel should function as part of a wider and deeper network of Scottish content, with rich online services complementing and enhancing the programmes in the linear broadcast channel.
- 8.** The crucial goal is to have a secure and sustainable source of competition for the BBC in high-quality public service content produced for Scottish audiences. The importance of plurality in key broadcasting genres is widely understood, as is the danger of monopoly. Audiences also support the concept of choice and competition, and have made it clear to us that they wish to be provided with a greater volume and range of Scottish content.



9. There are many positive reasons for a Scottish Network, which together not only make the case but begin to shape an emerging remit for a new network designed for the digital age:

- providing audiences in Scotland (and elsewhere) with a greater volume of high-quality Scottish programming
- development of opportunities for emerging talent on and off screen
- the chance to take risks and innovate in programme content and style
- contributing a significant role in supporting the economic growth of the sector, and providing in broadcast and online form the secure base of our pyramid of creative content production
- the potential to link to work on creativity and technology in our higher and further education sectors and to the innovation we wish to encourage in society at large
- connecting with the Scottish diaspora as a natural wider audience for Scottish material, and giving Scottish producers and their content access to the UK and global markets
- establishing a trusted brand for Scottish content at home and abroad as choice expands and audiences fragment in broadcasting and broadband.

10. We believe the new network should be set up on a not-for-profit basis. This would ensure that the maximum percentage of public money invested ends up paying for content rather than going to the bottom line, with the highest degree of transparency and accountability under the governance of a board of trustees. Importantly, a channel which is not pursuing advertising revenue would not be competing for the main source of income of Scotland's existing commercial media, which face significant pressures on revenues and costs.

11. The Public Service Broadcasting (PSB) review, currently being undertaken by the industry regulator Ofcom, highlights the likely need for new solutions to fill the emerging gap that Scotland will represent in the plurality of the UK's public service broadcasting system. We accept the analysis and advocate a new public Scottish Network as the most effective, proportionate and ambitious solution. It is a missing piece in the UK's jigsaw of public service broadcasting. As such, it is clear to the Commission that funding for the network should be found as part of future funding for UK public service broadcasting. This is reinforced by the reality that the deficit in public service broadcasting arises because of policy decisions made at a UK level and which will raise for HM Treasury billions of pounds from the sale of cleared digital spectrum from all parts of the UK.

12. The Commission has not done detailed planning around the likely costs of an attractive and sustainable new service. However, we think an indicative figure would be annual costs of £50 - 75 million, depending on the final programme mix. We believe this initiative will complete the virtuous circle in which our economic, cultural and democratic aspirations support each other.

13. Scotland has never had a universally available television channel of its own, one with not only a strong sense of public service to Scotland but also a strong sense of public ownership by Scotland. After more than 50 years of opt-out television services, with schedulers struggling on both BBC and ITV to find decent peak time slots for Scottish programmes, it is right to have a network based in Scotland serving audiences in Scotland.



The Commission recommends the creation of a new Scottish Network: a digital public service television channel and an extensive and innovative online platform. The network should be funded out of the new UK settlement for PSB^a plurality and should be licensed and given full regulatory support by Ofcom. (page 38)

The Commission recommends that the remit for the new network should include a commitment to high-quality information and entertainment, including news and current affairs covering Scottish and international issues, and innovative and ambitious cultural content. (page 38)

The Commission recommends that the new network should seek to maximise its educational and economic impact, through partnerships with further and higher education and with Scotland's creative industries, and by promoting Scottish content in the UK and overseas. (page 38)

14. It is clear that some of the issues and challenges facing PSB are common to all parts of the UK, while there are others which are particular to Scotland. The Commission has proceeded on the basis that public service broadcasting still has a clear and essential role in ensuring the delivery of important forms of programming that will not result from a purely market-based approach, but which are desirable for nurturing and sustaining civic society and a participative democracy.

15. As we reported in our interim report on the cultural phase of our work, many concerns were raised about the content of what is broadcast on television. Members of the public told us what they would like changed and what they valued; children and young people gave their perspectives on how well they were being served; and the organisations concerned with equality matters that were represented at our workshop were particularly keen that the rich diversity of modern Scottish society was fairly reflected on our screens and in the workforce in the industry.

The Commission recommends that broadcasters (including the new Scottish Network) should pay close regard to the views expressed by audiences in Scotland and recorded on the Commission's website.^b (page 21)

16. The BBC remains the cornerstone of public service broadcasting, in Scotland as in other parts of the UK, but most of the evidence we heard or received was critical of a perceived lack of ambition in BBC Scotland productions. Contributors and commentators spoke of the limited range of cultural and creative content and of a sense that the energy and vitality of modern Scottish life was not being adequately reflected. In news and current affairs, a frequent criticism was of the lack of opportunity for serious and in-depth examination of important public policy issues. However, there were exceptions and the Gaelic current affairs series *Eòrpa* was repeatedly praised in evidence and at public meetings as an example of an ambitious and purposeful programme.

The Commission recommends that BBC Scotland should review its television commissioning policy and funding for Scottish programmes to address concerns about ambition and range. (page 22)

17. There were also concerns expressed to us that the influence of Scotland needed to be strengthened on BBC policies and priorities at a UK level. While internal management structures are in the end a matter for the corporation itself to determine, the Commission is of the view that it would be appropriate for the Controller of BBC Scotland to have a place on the BBC's main Executive Board.

^a PSB – Public Service Broadcasting

^b <http://www.scottishbroadcastingcommission.gov.uk>



18. As the process of digital switchover nears completion in the UK, spectrum scarcity no longer provides a lever for achieving public policy outcomes in broadcasting. There is certainly some residual economic value in having a PSB licence, but commercial broadcasters are now able to make a new calculation of whether or not those benefits exceed the costs of meeting their public service obligations.

19. This has potentially serious consequences for broadcasting in Scotland, where digital switchover will be completed by 2011 but its impact might be felt rather sooner. What has become certain is that we cannot rely in future on ITV staying within the framework of public service broadcasting. Increasingly, it is on a trajectory which inevitably leads it into more purely commercial territory.

20. For viewers in Scotland, while programmes like *Emmerdale* and *Coronation Street* would still be shown, the consequence might be either a reduced level of Scottish programming on STV – or, in the worst case, no Scottish programming at all. As for STV itself, the company says it wishes to play a key PSB role as part of the overall broadcasting ecology of Scotland, but in the absence of new sources of public funding support, it will not be bound by public service requirements and will produce Scottish programmes on its two Scottish services only at its commercial discretion.

21. The view of the Commission is that, if the ITV network remains within the broad PSB framework, then the STV licences derive considerable benefit from having the broadcasting and associated advertising rights for the most successful commercial service in the most populated parts of Scotland. There should be no expectation of subsidy for providing a bare minimum of Scottish content in return for those benefits. We would not support allocation of public funds for this purpose, although because of its historic brand strength and viewer loyalty we do think it is important that STV continues to be a supplier of news and current affairs for Scottish audiences.

22. We would hope that Ofcom will also be able to secure a continuation of the current levels of non-news Scottish programming on the STV services, but would stipulate that the maintenance of Scottish news and current affairs is essential.

The Commission recommends that Ofcom seeks to maintain the current non-news programme obligations in the two STV licences, but is clear that maintaining Scottish news and current affairs on those services is an absolute requirement of any new settlement. (page 24)

23. In the south of Scotland, the key issue is ITV's controversial proposal to merge the Border TV news programme with that of Tyne Tees, thereby reducing the quantity of Scottish news available to viewers in that part of the franchise area. It seems to the Commission that a local opt-out for the south of Scotland viewers might sit more naturally within STV's *Scotland Today* programme, given the importance of a Scottish framework for those viewers in terms of key areas of domestic policy and legislation. However, the wishes of people living in that area are of paramount importance and we think it is appropriate to await the outcome of Ofcom research and consultation in the region.

24. The relevance and appropriateness of UK network television news and current affairs for audiences in Scotland has been the dominant issue in broadcasting debates in Scotland over the last ten years, at times arguably to the exclusion of other important policy considerations in this area.

25. Because of a particular BBC proposal much debated inside and outside the corporation, this is often referred to for convenience as the "Scottish Six" debate. Although that proposal was discussed only in relation to the news hour between 6pm and 7pm on BBC1, it has become the shorthand description for the general principle of combined or integrated television news programmes aimed at audiences in Scotland.



26. It is perhaps opportune that during the period of the Commission's deliberations, the BBC Trust initiated a major and highly critical review of the corporation's performance in relation to reporting and reflecting accurately and appropriately the new complexity and diversity of the UK and its constituent nations.^c The BBC Executive has responded with an action plan which promises significant improvements within months rather than years. Both the Trust and Executive have promised a high degree of transparency and accountability in the monitoring and validating of the success of these initiatives.

27. The issue for the Commission is securing the best, most relevant and accurate, and most-valued service for viewers in Scotland. We see an integrated news service as a key part of the proposed new Scottish Network, but this does not exempt the BBC from considering this option also.

28. However, we also agree that this is a matter in the first instance for the BBC Trust and Executive. Our hope and expectation is that this debate can be depoliticised as much as possible, that the BBC will look at these issues with fresh eyes, and come up with some imaginative editorial proposals for further improving its news and current affairs services for audiences in Scotland. We also believe the other UK broadcasters should review the accuracy and relevance of their news services in light of the BBC Trust findings.

The Commission recommends that the BBC Trust ensures better news coverage of the devolved nations and requires that services in future are more fully aligned with the needs and wishes of viewers in Scotland. Options to be considered should include models for fully integrated news programmes from Scotland combining Scottish, UK and international news. (page 28)

The Commission further recommends that all broadcasters in the UK should review the performance of their news services in reporting the four nations in a manner that is accurate and relevant for all. (page 29)

29. BBC Radio Scotland is a significant force in the Scottish media as the only dedicated broadcast service aimed at all of Scotland and all those who live in Scotland. However, strong criticism of the station's ambition and space for originality in programming came across in evidence from some of those who might have been expected to be natural supporters. We received many comments about the need to provide more serious and substantial content, with more highly-crafted features and documentaries. The criticisms were frequent and heartfelt.

The Commission recommends that the BBC reviews the role, remit and funding of Radio Scotland in light of its unique national status and importance to Scottish cultural life. (page 30)

30. We have been persuaded of the importance of community radio stations, particularly in parts of Scotland underserved by other media, and would wish to see their value more widely recognised. An early issue for Ofcom to resolve is that the licence status of several rural Scottish stations of clear community character prevents them from benefiting from the new support (including grant funding) devised by the regulator under its community radio licences.

The Commission recommends that regulation and support for community radio should be reviewed by Ofcom in Scotland to strengthen this form of broadcasting and its benefits to the public. (page 31)

^c *BBC Trust Impartiality Report: BBC Network News and Current Affairs Coverage of the Four UK Nations*, BBC Trust, 2008 – <http://www.bbc.co.uk/bbctrust/research/impartiality/nations.html>



31. It was evident from the point at which the Commission began its work that to achieve the kind of transformational change we felt was needed in broadcasting in Scotland, it would be necessary to secure very substantial increases in the value and volume of production for the UK television networks. More programmes commissioned from Scotland – particularly in the high-value genres of Drama, Comedy and Entertainment – would mean more resources being available, more talent attracted and retained, and more successful production businesses. There would also be dramatic benefits for the wider creative economy.

32. It was also clear that the levels of television production from Scotland had been in steep decline. Most of the difficulties seemed to stem from the heavily centralised nature of broadcasting in the UK. All of the UK network channels and all of the key decision-makers are based in London. In an industry where relationships are as important as ideas, producers in Scotland felt disadvantaged by geographical distance from the power base. There seemed to be a distinct lack of engagement with the Scottish sector by network commissioning editors. The Commission takes the view that quotas are necessary at this stage to encourage UK public service broadcasters to engage with the supply side of the industry on a truly pan-UK basis.

33. We welcomed the announcement from the BBC Trust in May that in future it would be using the Ofcom definition for measuring and meeting the targets for network production. This is not just a matter of semantics. In this year's annual report from the BBC Scotland Executive,^d network production from Scotland under the more liberal BBC interpretation is valued at £51.8 million. However, using the Ofcom definition, that figure comes down to £31.6 million – a difference of a little over £20 million. This is clearly a valuable change from the perspective of the Scottish production sector because it will mean more programmes made in Scotland.

34. Recently the BBC has quantified the additional sums that will be spent in Scotland on network television programmes. In 2007/08 the total spent on original production in the UK was around £850 million. A share of that budget equivalent to Scotland's population share of about 8.6% would be between £70 and £75 million, an increase of about £40 million per annum.

35. However, the switch to the Ofcom programme criteria has produced a further complication. Because the Ofcom definition is "more demanding than the BBC's definition, and applying it in future represents a significant stretch", the BBC Trust has extended the deadline for hitting the Scottish target from 2012 to 2016.

36. The Commission has not heard a convincing explanation of why it should take as long as 8 years to achieve the goal of 8.6% of productions being commissioned from Scotland. The key point is that, for every year of delay, many millions of pounds are being lost to the creative economy in Scotland, along with all the attendant cultural and economic benefits of that activity. The difference between achieving the population share of BBC network spending in 2016 rather than in 2012 is some £20 million per year. It is a deficit Scotland can no longer afford.

The Commission recommends that the BBC Trust and Executive should fulfil the commitment to secure 8.6% of network television production from Scotland (under the Ofcom definition) by the end of 2012; and maintain that level, in line with population share, as a minimum thereafter. (page 43)

^d BBC Scotland Executive Report 2007/8, p.17, BBC, 2008 –

http://downloads.bbc.co.uk/scotland/aboutus/review/2007_2008/bbc_scotland_executive_report.pdf



37. The BBC has told the Commission that it is to appoint three new commissioning executives in Scotland – one each in Factual, Entertainment and Daytime programmes. We very much welcome this move, however, the Commission is deeply aware of the scale of the change that is required at the BBC. The metropolitan culture is firmly entrenched, as is the notion that London is the natural centre of things and the proper location for positions of power in broadcasting. We also know that symbols are important – which is why it is right to make the argument that the BBC should move at least one of its four main national television channels to Scotland.

38. This would reinforce the corporate priority of dispersing commissioning power and send the clearest possible signal of the commitment to change. A UK-wide BBC television channel based and managed in Scotland would be a highly visible and potent symbol of the organisation re-imagining itself as a genuinely UK-national broadcaster. It is also a change which we believe can be made without major organisational disruption and without the need to relocate large numbers of people.

The Commission recommends that the BBC should establish and maintain a substantial network commissioning presence in Scotland and transfer the management of one of its four national television channels to Scotland. (page 43)

39. With Channel 4, we remain disappointed at a future model which envisages the Scottish sector taking only a little more than 2% of the budget for the main core service. If Channel 4 were to commit to an equivalent target to that announced by the BBC – a floor of almost 9% – the financial difference could amount to an additional £25 million into the Scottish sector. We can see no reason why that commitment could not be made as deliverable by 2012, particularly given that Channel 4 is making the case to receive substantial public funding in future to allow it to continue to deliver its remit in the face of growing competitive commercial pressures.

40. We think Channel 4 has to go further in developing as a truly UK-wide rather than metrocentric broadcaster. We believe at least one of the major Channel 4 commissioning departments should be relocated to Scotland; this would have not only symbolic value, but would enable producers in Scotland to develop the kinds of relationships with that commissioning team that London companies are able to take for granted.

The Commission recommends that Channel 4 should have a mandatory target for production from Scotland of 8.6% in line with share of population, and that the Channel should base one of its commissioning departments in Scotland. (page 44)

41. The commitments we are seeking for increased production in Scotland are valuable, but how they are achieved is also important. We believe that the BBC and Channel 4 have a responsibility, as recipients of substantial benefits from being the main public service broadcasters, to support the industry across the UK and ensure sustainable capacity is secured. As sources of demand for the production supply base, there is much these broadcasters can do to encourage and assist independent production companies to raise their game to fulfil the need for high quality, ambitious network programmes from Scotland.

The Commission recommends that the BBC and Channel 4, and the new Scottish Network once established, work together (with the public agencies) on delivering the strategic aims of strengthening and diversifying the independent production base in Scotland. (page 45)



42. We have outlined what would be two key interventions on the demand side in broadcasting: the creation of a new Scottish Network and the commitment of the BBC and Channel 4 to very substantial increases in the value and volume of productions sourced from Scotland. To maximise the economic benefits of these initiatives, we will need a coherent and integrated strategy for development of the supply side of the industry. The supply side interventions would have two main aims: first, to ensure that the production companies are geared up to meet the new levels of demand and, second, to enable the wider digital media sector to leverage these new resources into multimedia, multiplatform and multinational markets for creative content.

43. In setting out a broad strategic direction for the industry, it is clear that public funding and other forms of support should be directed towards the priority outcomes of securing a healthy and sustainable broadcasting industry that is well-positioned for a fast changing future. These will require activities such as:

- Creating more companies of scale to deliver the major long-running series that will be required to hit broadcaster targets.
- Growing the opportunities for networks, collaborations and partnerships among the myriad of small, medium and micro-businesses that can serve the demands for unique, diverse and adventurous programme ideas.
- Encouraging more high potential start-ups to keep the sector refreshed and re-energised.
- Putting creative producers alongside creative technologists (perhaps in experimental project-based settings) to bring the kinds of innovation in content and applications that will drive future growth and inspire new, possibly global, business ventures.
- Involving the higher and further education sectors whose record of innovation and expertise will underpin long-term sustainability.
- Nurturing, attracting and retaining the key talent that wins and delivers commissions for audiovisual content.

44. The Commission believes that Scottish Enterprise (and Highlands and Islands Enterprise) will have to take a more flexible approach to this sector than would customarily be the case in other parts of the economy. This stems in part from the nature of the sector, which contains large numbers of small creative enterprises which may not satisfy the usual criteria for Scottish Enterprise involvement. However, these small and micro businesses are a crucial part of a diverse and healthy supply base.

45. We see the following three points as vitally important in how Scottish Enterprise proceeds:

- We need a clear and consistent commitment from Scottish Enterprise that broadcasting is included as a priority for the agency.
- We need to be certain that the digital media sector is correctly defined to contain broadcasting and that the strategic focus incorporates creative audiovisual content and the technology that supports it.
- It is important that Scottish Enterprise has a clear understanding of the distinctive nature of the broadcasting sector and establishes identifiable, appropriate and dedicated funding to support it, which can be deployed in the fast and flexible way that a rapidly-changing industry requires.

The Commission recommends that Scottish Enterprise produces the economic development strategy for the sector by the end of December 2008, together with an action plan for how this is to be delivered, taking full account of this Commission's report. (page 47)



46. However, we are also persuaded that the lead role in “advocacy” of the sector which has been outlined for the proposed new agency Creative Scotland should have a very clear and muscular meaning. We would see Creative Scotland as the natural and logical body to drive forward the collaborative working and necessary synergy required on the ground to achieve our goals for this industry.

The Commission recommends that Creative Scotland takes the leadership role in bringing together broadcasters, production companies, economic development bodies, skills agencies and further and higher education to work collaboratively in delivering what is required to ensure a thriving creative content sector. (page 48)

47. New skills will be required to adapt to new ways of working and the changes that converging platforms may bring. We are aware that Skillset – the agency tasked with managing skills development for the sector – is developing a new skills strategy for the industry in Scotland and we urge that it takes full account of our conclusions and recommendations and support the challenge of realising the vision we have for broadcasting. The aim should be to identify and eliminate any skills gaps that prevent us from achieving our full potential in creative audiovisual content and engagement with technological opportunities.

The Commission recommends that Skills Development Scotland, Skillset and the further and higher education sectors ensure they are positioned to anticipate changes in the skills requirement in the fast-moving broadcasting environment and realign their activities accordingly to avoid skills gaps in Scotland. (page 50)

48. Throughout the Commission’s investigation we have approached our work on the basis of primarily looking for improvements to the sector in Scotland and to the outcome for the viewing public. A secondary, and subsequent, consideration has been whether the existing accountability framework will support delivery of our recommended improvements.

49. We are clear that there are merits in a UK framework for broadcasting, especially since more and more requirements for structure and regulation stem from Europe and further afield. However, we have concluded also that there need to be arrangements put in place to ensure sufficient attention is given to monitoring the industry and the services provided to people in Scotland.

50. Irrespective of the politics surrounding questions of devolving or reserving policy responsibility, we are clear that there should be more accountability in Scotland for broadcasting as it affects Scotland. This applies in particular to those broadcasting services that are specific to Scotland: BBC Alba and our recommended new Scottish Network.

51. We do not believe, at the present time, that broadcasting should be devolved. Convergence of platforms and new technology developments intrinsically link broadcasting to telecommunications where there also appears merit in a UK approach. However, that does not mean that this option should be wholly discounted. We are making recommendations in this report to increase the influence Scotland has over its broadcasting services and the accountability of those services in Scotland. We are equally clear, however, that if these steps are unsuccessful in meeting the needs of the viewing public in Scotland, then the question of devolving all of broadcasting to Scotland may need to be considered in future.

The Commission recommends that the Scottish Parliament takes an active role in considering the broadcasting industry and services audiences in Scotland receive, in order to provide a visible and public forum for debate. (page 53)



52. There is scope under the Scotland Act 1998 to devolve executive functions relating to reserved matters to Scottish Ministers. In line with our recommendations on greater accountability to Scotland, instead of being consulted on appointments of Scotland's representatives on UK organisations in broadcasting, responsibility for such appointments should move from the Secretary of State to Scottish Ministers. Similarly, those executive functions that currently rest with the Secretary of State relating to MG Alba (and in future, our proposed Scottish Network) should move to Scottish Ministers.

The Commission recommends that Scottish Ministers should have greater responsibility, within the UK framework, for those operational functions of broadcasting directly affecting Scotland. (page 53)

53. Without anticipating plans of Scottish Ministers or decisions of the Scottish Parliament to establish Creative Scotland, we see scope for that organisation to monitor and report on creativity and culture in Scotland – including broadcasting – as part of its intended advocacy role. This would provide a mechanism for drawing to the attention of Scottish Government and Scottish Parliament any concerns, or reassurances, there may be about the quality, range or diversity of the creative audiovisual content on our screens. Similarly, the BBC Trust and Ofcom should monitor and report to the Scottish Parliament on the quality of broadcasting services in Scotland and across the UK as they affect Scottish interests.

54. Correspondingly, the enterprise agencies in Scotland should be monitoring the economic strength of the broadcasting industry in Scotland as part of their role in helping to deliver the Scottish Government's economic strategy.

The Commission recommends that the relevant public agencies in Scotland, the BBC Trust and Ofcom monitor and report annually on the broadcasting industry and services to audiences in Scotland, in line with their respective responsibilities. (page 54)

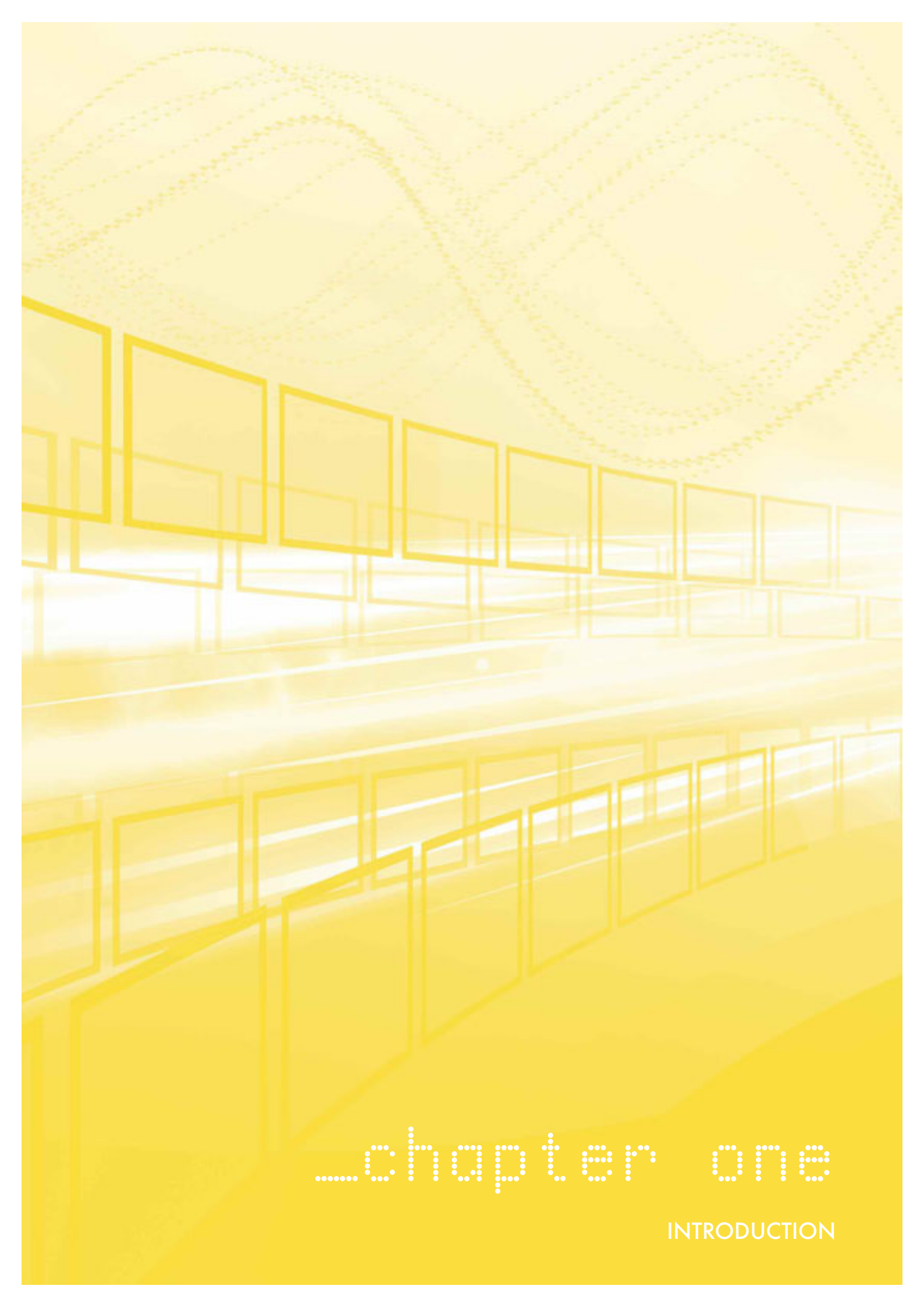
The Commission recommends that the influence and responsibilities of Ofcom Scotland should be strengthened and there should be specific representation for Scotland on the main Ofcom Board (at UK level). (page 54)

55. To realise the vision we have set out for broadcasting in Scotland, an on-going determined effort will be required by those in the Scottish Government to drive forward our recommendations to fruition. There are actions to be taken forward by various operators and public agencies and responsibility clearly rests with the Scottish Government to monitor and press for progress. We acknowledge the impact the Commission has already had, in some cases by its mere existence, in bringing pressure to bear on the industry, provoking action for improvements and gaining greater recognition for the needs of audiences in Scotland. We have very real concerns that the end of the Commission's lifespan could result in the industry easing up and returning to old ways. It is up to the Scottish Government to maintain the momentum and appetite for change that we have achieved and secure the vision we set out in this report.

56. We urge all of those to whom our recommendations are directed to make public their commitment to take action along with a delivery timescale. The Commission recognises that some of our recommendations will take time to fully implement. However, there is ample opportunity to make swift progress in many and no reason why all our recommendations should not be fully effective within 4 years.

The Commission recommends that Scottish Ministers report overall progress on implementing our report to the Scottish Parliament in September 2009, 2010 and 2011. (page 55)





chapter one

INTRODUCTION

1.1 This is the final report of the Scottish Broadcasting Commission on our independent investigation into the current state of television production and broadcasting in Scotland. The First Minister established the Commission in August 2007 to define a strategic way forward for the industry and to

- make recommendations for Scottish government action in those areas that lie within the scope of the powers currently devolved to the Scottish Parliament
- focus attention on issues where other organisations have responsibility and encourage action to address these issues
- identify matters for further consideration and debate in the Scottish Parliament

1.2 In doing so, and as requested, we have taken account of the economic, cultural and democratic importance of broadcasting to a modern, outward looking Scotland and its creative industries. Interim reports on the findings in each phase of our work were published in January, March and May 2008.¹

1.3 The Commission began its investigation in October 2007 and through our website we have aimed to be open and transparent about our approach. We gathered views and comments from those in the industry and from the general public; we held a series of public events around Scotland (11 locations) where discussions were held about what people would like to change or keep on our screens; we held a workshop on diversity interests; and we worked with the Children's Parliament and the Scottish Youth Parliament on consulting young people for their views. We also commissioned research into international approaches in supporting broadcasting; and into audiences' views on the service they receive in Scotland.

1.4 A central plank of our investigation lay in the many hours of oral evidence we heard from operators in and around the industry and other interested parties and commentators. The transcripts of 83 hours of evidence are published on our website,² along with all the written submissions we have received and reports on consultations and public events.

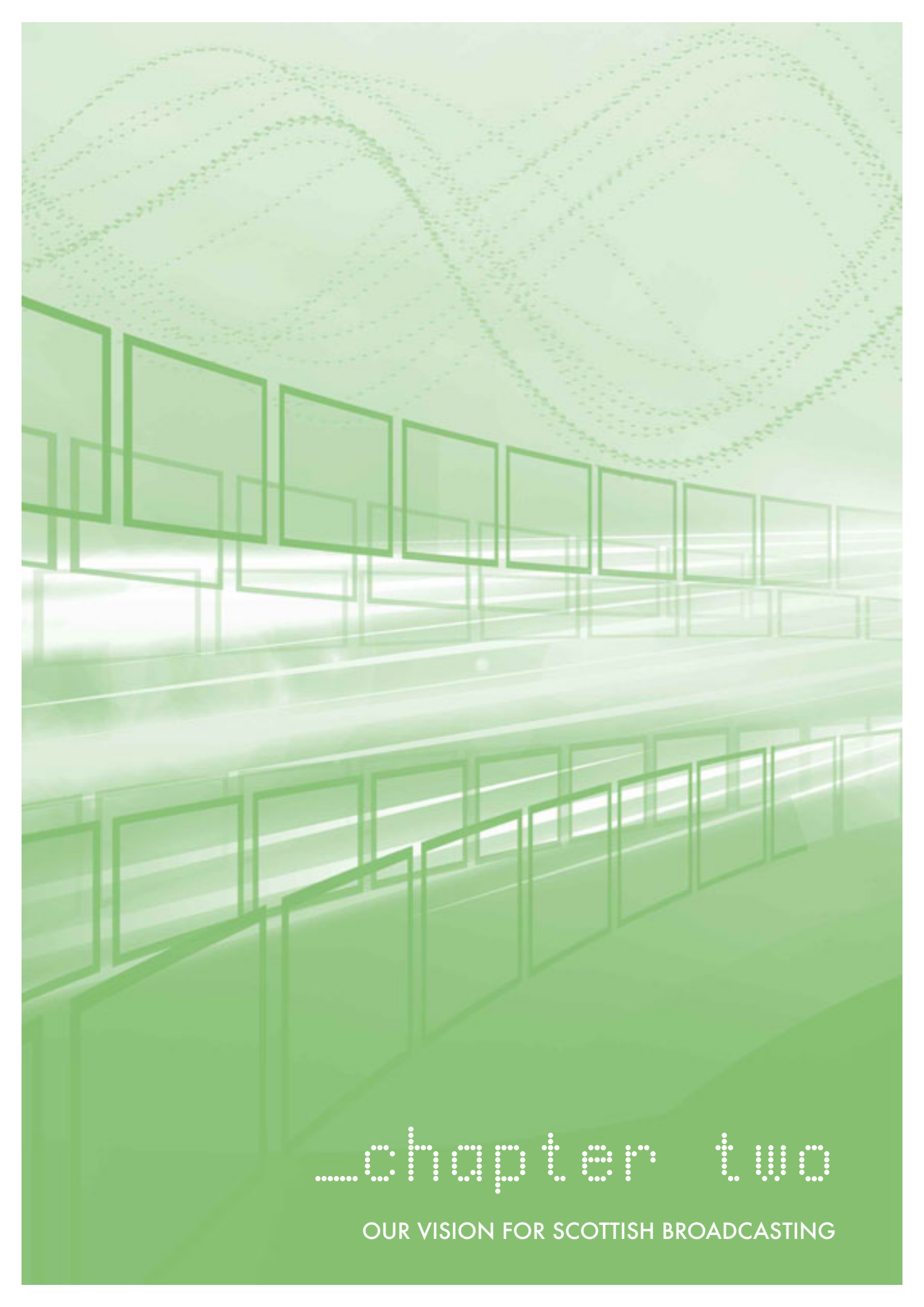
1.5 We have been enormously impressed by the enthusiasm and willingness of the very many people who have helped us in our work. The eagerness of all to improve broadcasting in Scotland indicates to us that this is the right time to be bold and imaginative in our ambitions for this sector and the service it provides to people in Scotland. We are extremely grateful for everyone's contribution, for their time and generosity in sharing their views and opinions and helping us to understand and appreciate their hopes and concerns for broadcasting. Our thanks go to all.

1.6 This report aims to fulfil our remit in making recommendations to the Scottish Government and others on the actions required to deliver our strategic vision for broadcasting in Scotland. We have endeavoured to provide a succinct final report to avoid repetition of evidence which is already published. The full history of evidence and research behind our conclusions and recommendations can be found in our interim reports and on our website.² This final report and the executive summary are also available on our website.

¹ Commission interim reports available at <http://www.scottishbroadcastingcommission.gov.uk/about/documents>

² www.scottishbroadcastingcommission.gov.uk





chapter two

OUR VISION FOR SCOTTISH BROADCASTING

2.1 It is our belief and aspiration that more high-quality creative content should be produced in Scotland in future than has ever been the case in the past. Within the right framework, this will certainly deliver better television services and more choice on more platforms for Scottish viewers. Stronger broadcasting within a wider and fast-growing digital media sector will also provide the basis from which to develop a dynamic and successful production industry creating world-class content for worldwide audiences. This is a historic opportunity and we firmly believe that Scotland stands on the threshold of something special.

2.2 Our vision encompasses a very substantial increase in investment in Scotland by the UK's public service broadcasters, with the BBC and Channel 4 expected to inject additional tens of millions of pounds into our creative economy. It also sees new outlets and opportunities for talent and innovative ideas, with the proposed launch of a new Scottish Network making more original content from Scotland available on television and on demand to viewers at home and abroad. We also foresee an explosion of creativity as schools, colleges and universities connect to the new technologies and the new creative challenges. There are now global audiences awaiting those with global ambitions.

2.3 We took the view from the start that our investigation should extend beyond traditional linear broadcasting – although that remains hugely important. We have defined our area of focus as the production, distribution and consumption of creative audiovisual content, by whatever means and on any or all of the many platforms now available. Our response bears in mind that traditional broadcasting is being supplemented, not superseded. However, what is clear is that this digital age brings greater choice, more control for audiences, increased convenience, and more opportunities to innovate and take creative risks.

2.4 Broadcasting is important to the economic, cultural and democratic health of the nation. At its best, it has a unique power and impact which can enrich our imagination and our thinking, and our space to share, discuss and challenge as a society.

2.5 Television production in particular is at the heart of our creative industries and the economic case for its development is compelling. We need our production base to have more sustainability, which is about having more diversity, critical mass and scale. With new interactive and multimedia services, the boundaries of broadcasting are being expanded and indeed are routinely crossed by content creation companies. Scotland can have a booming audiovisual production sector taking advantage of these opportunities.

2.6 The cultural role of broadcasting is also crucial: Scottish viewers watch an average of four hours of television every day³ and it remains the main mechanism by which people see their lives and cultures reflected and celebrated. More portrayal of Scotland on the UK networks and more ambitious content produced and designed for audiences in Scotland will strengthen this role of securing cultural expression and cohesion.

2.7 Our broadcasting should also to some extent reflect our values and priorities as a society and a thriving production sector is good for film, design, theatre, writing and many other forms of cultural and artistic content. Schools, colleges and universities can ensure through media literacy, technology and creative teaching that many learn to originate and participate and talent is encouraged.

³ *The Communications Market 2008: Nations and Regions – Scotland*, Ofcom, 2008
<http://www.ofcom.org.uk/research/cm/cmnr08/scotland/>



2.8 Television is also the most important and most regularly used source for news and information, which is why it is so vital to a healthy democracy. Viewers regard News as the most important of the public service genres. Already and increasingly, traditional news broadcasting is being enhanced by ever-richer factual content available online and engaging a wide range of users, particularly to have a more participative relationship with the content. There will be more opportunities for the individual to express his or her views, and to see the other person's point of view.

2.9 Scotland needs a new framework for broadcasting that takes us through the transition period of digital switchover. Analogue signals will be switched off in parts of the south of Scotland in November (2008), not many weeks after the publication of this report. The entire process is due to be completed in Scotland by 2011. This represents a profound change and opportunity, as we will explain more fully later. There are also substantial challenges.

2.10 We have tried to anticipate the longer-term context within which our recommendations would be located and implemented. A great many organisations, in Scotland as elsewhere, are trying to predict the media landscape of the future. We would not take issue with much of the analysis that is readily available elsewhere on the key trends and significant drivers which are changing the shape of the industry. These include:

- greater consumer choice and control
- fragmentation of audiences as more channels and services arrive
- growing global markets for content
- cheaper and more numerous distribution platforms as telecommunications and broadcasting increasingly converge
- a shift in emphasis from "mass media" to "my media".

2.11 There is every reason to believe that a combination of technological change, creative renaissance and well-designed public intervention should produce better outcomes in Scotland for audiences and for the industry itself than have been achieved in the past. Much in this landscape is indeed uncertain and changing quickly, but often the best way to predict the future is to create it.

2.12 Our articulation of a clear creative vision recognises that competition – plurality is the often-used noun in this debate – is essential if we are to have vital and vibrant public service broadcasting in Scotland. We will argue more fully later in this report for the creation of a new Scottish Network – a linear digital television service and an online platform to which many will contribute.

2.13 We believe this initiative will complete the virtuous circle in which our economic, cultural and democratic aspirations support each other. A strong global online brand will be created to gather and promote Scottish content. There should be a national focus in our education system and elsewhere on technology know-how and creativity as a means of lifting aspirations and ambitions generally, encouraging greater engagement and more participation. The new content would be made available on as many platforms and devices as possible, so that audiences in Scotland and elsewhere could find and use the content easily, and indeed create their own.



2.14 Scotland has undoubtedly benefited from being part of the overall broadcasting ecology of the UK, which has produced a rich tradition of high production values and public service content. Although we heard criticism of the BBC in our evidence-gathering, for instance, it remains the case that the corporation represents the main pillar of public service broadcasting and every other country would love to have it. The UK television heritage is of outstanding original drama, documentary and comedy which have informed and entertained generations of audiences.

2.15 However, Scotland has always been rather marginalised within this generally successful UK framework and that needs to change. We need a more successful industry and more satisfied audiences. Currently, there seem to be lengthy periods in the network television schedules where very little in the way of Scottish material is presented, with the exception of local news.

2.16 In recent years in the industry in Scotland, we have had an apparent decline in confidence, a palpable and very serious reduction in network television production, and the continuing drain of talent to other parts of the UK where broadcasting careers have looked more likely and more substantial. In the past, and up to the present day, there has been a lack of a clear public policy framework for broadcasting in Scotland – testimony to the paucity of debate around the issues and the absence of an obvious forum. The BBC has largely been left to its own devices, and its own priorities. STV has been allowed to reduce its licence obligations in dramatic fashion without any obvious public analysis of the consequences for the industry and its audiences.

2.17 The case for public intervention is made both by recent decline and by future potential. Everyone has to be held accountable for this, not just the broadcasters. We need to look forward and think big and ambitiously. The industry will need a number of integrated initiatives over the next five to ten years. We know now with certainty that there will be substantially increased volumes of content and this should be high-quality. We should plan in light of this to achieve more international recognition of what Scotland has to offer.

2.18 Our vision is of Scotland producing world-class content for worldwide audiences, of a nation with greatly enhanced opportunities for its creative talent. We believe there can be richer and more substantial cultural and democratic content available to people living in Scotland and the UK, and to the many millions elsewhere who feel an emotional or familial bond to this country. We envisage more international links and a growing recognition of Scotland as a centre of innovation and cultural activity. There would be new opportunities to showcase the best of our work and talent to global audiences, and to promote more widely our world-class festivals and events.

2.19 In the following sections of this report, we describe how this can be made to happen. We also propose ways in which the accountability framework for broadcasting can be improved to give Scotland more influence and input in relation to policy and performance and the services to audiences and licence-fee payers in Scotland. Broadcasting needs to serve Scotland better. The good news is that it will.

2.20 We would encourage everyone to look at the issues around broadcasting with fresh eyes, in an open-minded and non-partisan way. Broadcasting should not serve as a surrogate for the constitutional debate in Scotland. We could and should have a very high degree of public and political consensus around these issues, although our proposals will be further strengthened and improved by the vigorous public debate which we hope will ensue after the publication of this report.

2.21 Significant changes and decisions will be needed to achieve this vision. We recognise that the economic significance of the sector is huge and it is central to the creative economy. We will need ambition, leadership, innovation, and informed risk-taking. We need great projects with talented people working on them. The sector above all needs to collaborate to compete, a substantial shift in Scottish media culture but necessary if we are to succeed on a global scale.





chapter three

SERVING AUDIENCES AND SOCIETY

3.1 The number of channels broadcasting in the UK has doubled in the last 5 years – increasing from 236 in 2002 to 470 in 2007.⁴ Nevertheless, the combined audience share of the five main channels (BBC 1 and 2, ITV, Channel 4 and Five) has only declined from 77.7% to a still impressive 63.5%. These core channels are the ones that have public service obligations and produce the vast majority of UK-originated programmes. It is not surprising, therefore, that the bulk of our evidence centred on these broadcasters.

3.2 Our investigation of broadcasting in Scotland has been conducted more or less in parallel with the second major review of UK public service broadcasting (PSB) by the industry regulator Ofcom. From the debate thus far, it is clear that some of the issues and challenges facing PSB are common to all parts of the UK, while there are others which are particular to Scotland.

3.3 The Commission has proceeded on the basis that public service broadcasting still has a clear and essential role in ensuring the delivery of important forms of programming that will not result from a purely market-based approach, but which are desirable for nurturing and sustaining civic society and a participative democracy.

3.4 In defining public service broadcasting, we see no reason to depart from Ofcom’s interpretation, which is expressed as a set of four purposes and six characteristics⁵ in serving audiences. The purposes are:

- informing our understanding of the world
- stimulating knowledge and learning
- reflecting UK cultural identity
- representing diversity and alternative viewpoints.

3.5 Ofcom explains that the characteristics required of such broadcast content are to be high-quality, original, innovative, challenging, engaging and widely available.

Why watch TV together? “You can have a laugh and a discussion” (Children’s Parliament)

3.6 From a Scottish perspective, it is important that we have UK-wide services which meet these criteria, but it is also a fundamental requirement that there should be public service broadcasting addressing the distinctive cultural and democratic needs of audiences in Scotland. Television is the dominant platform for public access to news and information in Scotland, being regularly used for that purpose by more than 80% of the population.⁶ It is also the primary means by which Scottish culture can be reflected and celebrated.

3.7 As we reported in our interim report on the cultural phase of our work, many concerns were raised about the content of what is broadcast on television. Members of the public told us what they would like changed and what they valued; children and young people gave their perspectives on how well they were being served; and the organisations concerned with equality matters that were represented at our workshop were particularly keen that the rich diversity of modern Scottish society was fairly reflected on our screens and in the workforce in the industry.

⁴ *The Communications Market 2008 – Television*, Ofcom, 2008 – <http://www.ofcom.org.uk/research/cm/cmr08/tv/>

⁵ *Ofcom’s Second Public Service Broadcasting Review – Phase One: The Digital Opportunity*, p.18, Ofcom, 2008 – http://www.ofcom.org.uk/consult/condocs/psb2_1/consultation.pdf

⁶ *Public Attitudes to Broadcasting in Scotland*, p.4, TNS System Three, 2008 – <http://www.scotland.gov.uk/Resource/Doc/222294/0059796.pdf>



“Young people... need to be portrayed as individuals and not as one” (Scottish Youth Parliament)

“The spectrum of content should be both more Scottish in emphasis and internationalist in perspective”
(website comment)

“People take the mickey out of Scotland, they think we all have ginger hair and big tartan hats”
(Children’s Parliament)

3.8 While we recognise the challenges broadcasters have in meeting the viewers’ needs and wants, we believe that the points raised with us should not be overlooked or discounted.

3.9 **The Commission recommends that broadcasters (including the new Scottish Network) should pay close regard to the views expressed by audiences in Scotland and recorded on the Commission’s website.**

PUBLIC SERVICE BROADCASTING IN SCOTLAND

3.10 Of the four public service television broadcasters which serve the whole of the UK, only the BBC and ITV are currently obliged to provide programmes designed and transmitted particularly for audiences in Scotland. The BBC offers such programmes in opt-out slots on BBC1 and BBC2, while on the main ITV network the three Scottish licences (stv Central, stv North, and Border) contain minimum (some would say minimal) requirements for programmes made in and about their respective parts of Scotland.

3.11 The BBC remains the cornerstone of public service broadcasting, in Scotland as in other parts of the UK, but Scottish programmes currently constitute only about 5% of the overall television schedules of BBC1 and 2 in Scotland.⁷ Management at BBC Scotland told us in evidence that their priority was to achieve impact rather than volume, with the focus being increasingly on quality rather than quantity of programming.

3.12 Most of the evidence we heard or received was critical of a perceived lack of ambition in BBC Scotland productions. On general programmes, contributors and commentators spoke of the limited range of cultural and creative content and of a sense that the energy and vitality of modern Scottish life was not being adequately reflected. In news and current affairs, a frequent criticism was of the lack of opportunity for serious and in-depth examination of important public policy issues. However, there were exceptions and the Gaelic current affairs series *Eòrpa* was repeatedly praised in evidence and at public meetings as an example of an ambitious and purposeful programme.

⁷ BBC Scotland Annual Review 2007/8, p.17, BBC, 2008 – <http://www.bbc.co.uk/scotland/aboutus/review/bbcse/ff/>



3.13 Viewers are rarely aware of the full range of programmes transmitted by any broadcaster and there are undoubtedly other examples of well-made and high-quality BBC Scotland productions. On the basis of the evidence given to us, however, perhaps the two impressions that need to be addressed with most urgency by the organisation are that the BBC in Scotland is not open to new ideas and that inadequate funding is a primary cause of limited programming ambitions.

3.14 There were also concerns expressed to us that the influence of Scotland needed to be strengthened on BBC policies and priorities at a UK level. While internal management structures are in the end a matter for the corporation itself to determine, the Commission is of the view that it would be appropriate for the Controller of BBC Scotland to have a place on the BBC's main Executive Board.

3.15 **The Commission recommends that BBC Scotland should review its television commissioning policy and funding for Scottish programmes to address concerns about ambition and range.**

3.16 If references to BBC Scotland programmes were usually tinged with a strong sense of disappointment, then mentions of STV programmes made specifically for Scotland were notable largely for their rarity. Scotland's main commercial broadcaster seemed almost to have slipped from the consciousness of many of the individuals and organisations who gave evidence to the Commission.

3.17 Currently, STV has an obligation to produce its daily news bulletins in each of the two licence areas (north and central) plus four hours per week of non-news Scottish programming transmitted across both licence areas. The non-news requirement reduces to three hours per week from the beginning of 2009. While the decline in the volume of output from the broadcaster is perhaps what is most obvious about STV (soon to be less than half what it was in central Scotland ten years ago), it was clear from the evidence that only in the area of news is it now regarded as a serious competitor to the BBC. The Commission accepts the financial reality that this position is unlikely to change for the better.

3.18 Border Television has never been required to provide the same volume of Scottish content for audiences in the south of Scotland. However, its local news has traditionally been one of the most highly-rating programmes of its kind in the ITV service. The licence obligation for the region is one hour per week of non-news local programming, uniformly available across both sides of the border served by the single licence. Historically, Border has tended to acquire much of the local programming output of STV for use in the Scottish parts of its franchise area to augment its own regional production. There is a strong argument that viewers in the south of Scotland should receive the same amount of Scottish content as people in the rest of Scotland although, as we shall see, that aspiration faces an even greater threat in future years.

DIGITAL SWITCHOVER

3.19 The historic basis for sustaining commercial public service broadcasting in the UK has been the scarcity of analogue spectrum. In return for the privileges and financial benefits of access to this spectrum, it was possible to require commercial broadcasters to compete with the BBC in providing substantial elements of public service content within their schedules of programmes.

3.20 As the process of digital switchover nears completion in the UK, spectrum scarcity no longer provides a lever for achieving public policy outcomes in broadcasting. There is certainly some residual economic value in having a PSB licence, but commercial broadcasters are now able to make a new calculation of whether or not those benefits exceed the costs of meeting their public service obligations.



3.21 This has potentially serious consequences for the broadcasting ecology of Scotland, where digital switchover will be completed by 2011 but its impact might be felt rather sooner. Most obviously, there is a very serious question mark over whether ITV will continue to remain within the public service framework. The UK's main commercial broadcaster has made it very clear that it is weighing up its options and the fact that it does not own the STV licences becomes very important if a decision is made to withdraw from PSB status. Ofcom has stated the position very directly:

*"While ITV plc would undoubtedly be able to continue broadcasting the ITV1 service on a nationwide basis on satellite and on commercial DTT⁸ capacity, it would no longer be under any obligation to provide a core network service to the licensees which it does not own, around which they can sell advertising in their nations and around which they insert their own programmes for the nations. A loss of PSB status by ITV1 would therefore remove the economic foundation of the other national licensees' businesses."*⁹

3.22 At the point at which this report is being written, it is not clear what the outcome of ITV's calculations will be. What has become certain, however, is that we cannot rely in future on ITV staying within the framework of public service broadcasting. Increasingly, it is on a trajectory which inevitably leads it into more purely commercial territory.

3.23 For viewers in Scotland, while programmes like *Emmerdale* and *Coronation Street* would still be shown, the consequence might be either a reduced level of Scottish programming on STV – or, in the worst case, no Scottish programming at all. It is of course possible that Ofcom will secure a new arrangement with ITV to keep it technically within the PSB system, but it is hard to see this involving any more Scottish content than a bare minimum of news and current affairs. And any deal struck in 2008/2009 with the current ITV Board could very well be temporary and be overturned in the next few years. ITV can hand back its licences at any time with only 12 months' notice and a financial penalty that looks small alongside the potential benefits of abandoning regulatory obligations.

3.24 In a letter to the Commission, the Chief Operating Officer of ITV makes clear that it is ultimately an economic question for the company:

*"We would prefer to remain a PSB if we can justify it but ultimately, as a commercial organisation, we cannot justify to our shareholders a situation in which we provide PSB benefits at a loss. Clearly, therefore, we have been emphasising to Ofcom in the context of the PSB review the urgent need to ensure that the PSB obligations we are asked to deliver in the short, medium and long term in the run up to DSO¹⁰ and beyond do not exceed the benefits of our licences...and therefore that we are not put in a position where we are obliged to explore alternatives to PSB status."*¹¹

3.25 ITV says that, strictly speaking, the future of the two principal Scottish licences is a question for STV and Ofcom:

"However we do recognise that, in the absence of the current ITV network schedule, the reach, impact and viability of the current Channel 3 services in Scotland would be in jeopardy."

8 DTT – Digital Terrestrial Television

9 Ofcom's Second Public Service Broadcasting Review – Phase One: The Digital Opportunity, p.72, Ofcom 2008 – http://www.ofcom.org.uk/consult/condocs/psb2_1/consultation.pdf

10 DSO – digital switchover

11 See <http://www.scottishbroadcastingcommission.gov.uk/about/documents/FurtherWrittenEvidenceITV>

3.26 As for STV itself, the company told us that it wishes to play a key PSB role as part of the overall broadcasting ecology of Scotland, but also insists that such programme obligations will be commercially unsustainable even before the point of completed digital switchover in Scotland in 2011. STV says that, in the absence of new sources of public funding support, it will not be bound by public service requirements and will produce Scottish programmes on its two Scottish services only at its commercial discretion. STV says it faces a “funding gap” which threatens its ability to continue to compete with the BBC even in news and current affairs, and the company is arguing for some guaranteed public funding for the news services on its two Scottish licences.

3.27 The view of the Commission is that, if the ITV network remains within the broad PSB framework, then the STV licences derive considerable benefit from having the broadcasting and associated advertising rights for the most successful commercial service in the most populated parts of Scotland. There should be no expectation of subsidy for providing a bare minimum of Scottish content in return for those benefits. We would not support allocation of public funds for this purpose, although because of its historic brand strength and viewer loyalty we do think it is important that STV continues to be a supplier of news and current affairs for Scottish audiences.

3.28 We would hope that Ofcom will also be able to secure a continuation of the current levels of non-news programming on the STV services, but would stipulate that the maintenance of Scottish news and current affairs is essential. We also note that the company has recently made efforts to strengthen its news offering in Scotland, both by creating more localised opt-outs and by the introduction of *The Five Thirty Show*.

3.29 **The Commission recommends that Ofcom seeks to maintain the current non-news programme obligations in the two STV licences, but is clear that maintaining Scottish news and current affairs on those services is an absolute requirement of any new settlement.**

3.30 In the south of Scotland, the key issue is ITV’s controversial proposal to merge the Border TV news programme with that of Tyne Tees, thereby reducing the quantity of Scottish news available to viewers in that part of the franchise area. ITV now envisages a 15-minute opt-out for Border within the merged programme, with an average of about 6 minutes of Scottish news per day. The plans are currently being reviewed by Ofcom, which is consulting viewers in the south of Scotland about their preferred option. It seems to the Commission that a local opt-out for the south of Scotland viewers might sit more naturally within STV’s *Scotland Today* programme, given the importance of a Scottish framework for those viewers in terms of key areas of domestic policy and legislation. However, the wishes of people living in that area are of paramount importance and we think it is appropriate to await the outcome of the Ofcom research in the region.

3.31 It is ironic that the strong likelihood of further reductions in the volume and range of Scottish programmes available on the ITV1 licences should have emerged at a time when there is substantial evidence to suggest that audiences in Scotland wish to have more Scottish content. In research undertaken for the Commission,¹² 84% of those surveyed thought it was important that television should “inform and teach you about Scotland” – but one third of respondents (33%) were not satisfied with how programmes are meeting that responsibility. The biggest gaps appear to be history and heritage programmes, where 56% of respondents felt that there was too little coverage of Scottish material; and in documentaries where 51% thought there should be more Scottish content.

12 *Public Attitudes to Broadcasting in Scotland*, TNS System Three, 2008 – <http://www.scotland.gov.uk/Resource/Doc/222294/0059796.pdf>



3.32 In this public attitudes survey of more than 1000 adults in Scotland, 81% of respondents said that they would be interested in watching a new television channel made for people living in Scotland. The highest levels of demand for programmes on any new Scottish channel were for news programmes (58%), documentaries (52%) and history or heritage programmes (50%). What is noteworthy is that the demand seems to be precisely for those types of programmes which most obviously meet the Ofcom definition of public service broadcasting.

“Perhaps more history programmes on Scotland would be welcome” (Scottish Youth Parliament)

3.33 The public also seems in no doubt about the importance of there being substantial competition for the BBC in Scotland, the concept usually referred to in industry debates as “plurality”. However, with the changes outlined above, there is a clear risk to the guaranteed continuation of plurality of provision in Scottish public service broadcasting and – without intervention – there is the strong possibility of the BBC becoming effectively a monopoly supplier.

3.34 The Commission also considers it vital for plurality to exist in Scottish broadcasting, most obviously in news and current affairs, but also in areas like documentaries and cultural programming. There should not be only one source of commissioning. Recently the Chairman of Ofcom has stressed the importance of “distinctiveness” as a key aspect of plurality – that is, the different decisions made by different organisations with different cultures, brands and remits:

“Plurality is valuable both as a means to an end – competition for quality – but also as a value in itself in a diverse democratic society and market economy....There may be areas where plurality does not matter that much...But there are genres and areas where distinctive voices remain vital.”¹³

3.35 A clear example in a Scottish context would be the next Scottish Parliamentary elections in 2011, or even the possibility of an independence referendum at some stage. It is inconceivable that Scotland could be left in a position where only the BBC would be providing more than news coverage and it would be a monopoly supplier of campaign programming, election or referendum debates and in-depth interviews of leading politicians. This would be good neither for the BBC nor for democracy.

3.36 We will return to this theme in the next chapter, where we argue the public service case for a new Scottish digital channel.

NEWS AND CURRENT AFFAIRS

3.37 The relevance and appropriateness of UK network television news and current affairs for audiences in Scotland has been the dominant issue in broadcasting debates in Scotland over the last ten years, at times arguably to the exclusion of other important policy considerations in this area.

¹³ Speech by Chairman of Ofcom (David Currie), 17 July 2008 – http://www.ofcom.org.uk/media/speeches/2008/07/lbs_psb



3.38 Devolution was always bound to have major implications for UK broadcast journalism, many of them not fully understood when the Scottish Parliament began its first session back in 1999. The editorial challenges of serving audiences around the UK with single uniform news bulletins were already apparent to some extent, but perhaps not the scale of change that was underway. What is clear now is that news and current affairs must continue to adapt and develop in response to the evolving structures and relationships of the nations of the UK.

“They say this is what’s happened this week but they mean in England”

“If people not from Scotland were watching the news they would think it was terrible and scary”
(Children’s Parliament)

“Scottish news is generally rather trivial, and cutting the normal news off in the middle to tell us there is a cat stuck up a tree in Lanarkshire is just annoying. Telling us about important news and specifically Scottish legislation is one thing. Cats are another.” (Scottish Youth Parliament)

“Bad news is generally reported more than good”
(Scottish Youth Parliament)

3.39 For more than ten years now there has been a significant level of debate about the advantages and disadvantages of providing audiences in Scotland with integrated television news programmes blending international, UK and Scottish news. Because of a particular BBC proposal much debated inside and outside the corporation, this is often referred to for convenience as the “Scottish Six” debate. Although that proposal was discussed only in relation to the news hour between 6pm and 7pm on BBC1, it has become the shorthand description for the general principle of combined or integrated television news programmes aimed at audiences in Scotland.

3.40 However, the issue of accuracy and relevance in network news programmes is not one for the BBC alone and it has also been discussed within the ITV system. The Editor-in-Chief of ITN News has said recently¹⁴ that there is a strong editorial case for a single integrated news service for Scottish viewers on that channel, but that allocation of the financial implications of such a change had not been resolved. STV also told us that the obstacles were primarily financial, rather than technical or editorial. It does remain the case, however, that Ofcom and the Westminster Parliament would have to approve any changes to the existing ITV network news arrangements, which are covered by Section 280 of the Communications Act 2003.

¹⁴ At “Democracy and Broadcasting: Is Scotland Being Served?”, 6 May 2008 – <http://www.scottishbroadcastingcommission.gov.uk/about/Events/Listen>



3.41 Much of the evidence in the democratic phase of the Commission's work focused on the substantial editorial challenges involved in reflecting an accurate picture of the evolving UK governance arrangements, with four nations frequently pursuing different policies and different priorities. Without doubting that broadcasters are genuine in their attempts to reflect this complexity, the vast majority of the formal evidence to the Commission and of views expressed at public meetings suggested that the UK is not satisfactorily reported to Scotland and that Scotland is not satisfactorily reported to the rest of the UK.

3.42 Public opinion on balance seems to favour a change in the structure of early evening television news to provide one integrated programme from Scotland covering international, UK and Scottish news. 53% prefer this option, while a substantial minority of 36% favour the status quo.¹⁵ The research also shows that 54% of viewers are only sometimes or rarely clear about whether or not items in UK news programmes apply to Scotland. This suggests a majority of the audience is regularly confused or uncertain about the relevance to Scotland of items on the network news programmes, although 75% think it is important that there should be clarity on this point. This is obviously an unsatisfactory finding.

3.43 It is perhaps opportune that during the period of the Commission's deliberations, the BBC Trust initiated a major and highly critical review of the corporation's performance in relation to reporting and reflecting accurately and appropriately the new complexity and diversity of the UK and its constituent nations.¹⁶ This "impartiality" review, including an in-depth examination of the BBC's journalism by Professor Anthony King, may turn out to be something of a landmark publication for the BBC, and perhaps also a decisive point in the long-running debate. It is also true and worth noting that other broadcasters were shown to be doing less well in this respect than the BBC.

3.44 Professor King is very critical of the BBC's journalistic response to the changing political and social complexion of the UK. We will not summarise all of his findings here, since they are readily available on the BBC Trust website. However, the Commission did recognise Professor King's identification of the crucial problem of "culture" or "mind-set" as one of the key sources of the failure to keep pace with the changing UK:

"Most people concerned with news and current affairs at the BBC are used to a UK with London at its centre and a London with Westminster at its centre. They are used to a state in which power is both highly centralised and highly concentrated. They are accustomed to a nation in which almost everything that really matters – politically, culturally, socially, financially – happens in or near London."¹⁷

3.45 The Trust has accepted the broad findings of this assessment and the concern that "BBC network news and current affairs programmes taken as a whole are not reporting the changing UK with the range and precision that might reasonably be expected given the high standards the BBC itself aspires to." The Trust also recognises that the BBC has a particular responsibility to serve the whole UK.

¹⁵ *Public Attitudes to Broadcasting in Scotland*, p.3, TNS System Three, 2008 – <http://www.scotland.gov.uk/Resource/Doc/222294/0059796.pdf>

¹⁶ *BBC Trust Impartiality Report: BBC Network News and Current Affairs Coverage of the Four UK Nations*, BBC Trust, 2008 – <http://www.bbc.co.uk/bbctrust/research/impartiality/nations.html>

¹⁷ *BBC Trust Impartiality Report: BBC Network News and Current Affairs Coverage of the Four UK Nations*, p.68, BBC Trust, 2008 – <http://www.bbc.co.uk/bbctrust/research/impartiality/nations.html>



3.46 The BBC Executive has responded with an action plan which promises significant improvements within months rather than years. The response appears to be serious and substantial, and seems to indicate a level of engagement and commitment in respect of these issues that goes further than anything previously acknowledged or implemented by the BBC. Both the Trust and Executive have promised a high degree of transparency and accountability in the monitoring and validating of the success of these initiatives.

3.47 On the integrated television news issue, Professor King says: “The choice of whether to maintain some version of the status quo or to provide greater choice for viewers and listeners in the four nations is one for the BBC Trust and the BBC Executive Board.” King talks of “parallel programming” which would provide viewers in each of the nations with a choice between the UK-wide news bulletin and something more suited to their own part of the UK.¹⁸

3.48 The Commission agrees that choice is an important consideration in this debate. There is no shortage of UK television news from London. It is on all 5 of the main channels. There are also two London-based 24-hour news channels, again providing uniform content for the whole of the UK. An integrated news from Scotland combining international, UK and Scottish news content could be said to be addressing a gap in the market – surely one of the main purposes of public service broadcasting. The issue for the Commission is securing the best, most relevant and accurate, and most-valued service for viewers in Scotland. We see an integrated news service as a key part of the proposed new Scottish Network, but this does not exempt the BBC from considering this option also.

“I’d love to see Scottish news and international news from a Scottish perspective” (website comment)

3.49 However, we also agree that this is a matter in the first instance for the BBC Trust and Executive. We have been told that the BBC is open-minded as to the possibility of structural change in television news for Scotland. We have also been told that the review of output in the light of the Trust’s Impartiality Review will be conducted rigorously and in good faith. The Trust will undertake further content and audience research in the next eighteen months to assess whether performance is improving.

3.50 Our hope and expectation is that this debate can be depoliticised as much as possible, that the BBC will look at these issues with fresh eyes, and come up with some imaginative editorial proposals for further improving its news and current affairs services for audiences in Scotland. We also believe the other UK broadcasters should review the accuracy and relevance of their news services in light of the BBC Trust findings.

3.51 **The Commission recommends that the BBC Trust ensures better news coverage of the devolved nations and requires that services in future are more fully aligned with the needs and wishes of viewers in Scotland. Options to be considered should include models for fully integrated news programmes from Scotland combining Scottish, UK and international news.**

¹⁸ *BBC Trust Impartiality Report: BBC Network News and Current Affairs Coverage of the Four UK Nations*, p.83, BBC Trust, 2008 – <http://www.bbc.co.uk/bbctrust/research/impartiality/nations.html>



3.52 The Commission further recommends that all broadcasters in the UK should review the performance of their news services in reporting the four nations in a manner that is accurate and relevant for all.

LOCAL TELEVISION

3.53 There have long been champions of local television services in Scotland as elsewhere in the UK and digital switchover has been identified by leading enthusiasts as an opportunity to argue the case for a more systematic and universal approach to the creation and distribution of new services.

3.54 The Commission heard evidence both on the technical feasibility and editorial desirability of community-based news and information services around Scotland. While there is further work to be done on the editorial and funding models for local television, it is certainly possible to envisage a number of new services proving attractive to audiences at a city or regional level.

3.55 If proposals are to be developed and taken forward, it would seem natural that any such initiative should be linked to the Scottish Network proposal. The Commission is not making any recommendation in relation to local television services, but would encourage their advocates to develop their thinking in relation to a new sustaining national service which could certainly accommodate opportunities for more localised broadcasting.

3.56 Meanwhile, in their evidence to the Commission, both the BBC Trust and the Executive made reference to proposals for a new Local Video Service delivered on broadband. The proposals envisage video reports being used to enrich the regional text service on the BBC Scotland website, which divides Scotland into 6 regions for news reporting purposes. These plans are currently being assessed in terms of their public value by the BBC Trust, and in terms of their market impact by Ofcom. The Trust is scheduled to reach its provisional conclusions in November 2008 and its final decision in February 2009.

3.57 The Commission would not wish to comment in detail on these proposals without having seen the responses to the formal consultation process now underway.

RADIO

3.58 The Commission's remit has directed it to focus primarily on television and our investigation has confirmed that it is in this area that most of the toughest strategic questions for the future lie. However, we also recognise that radio is a popular and significant part of Scotland's broadcast media, strongly linked to other parts of our work. This section considers the key questions arising during the investigation.

3.59 The Commission's ambition is for radio to complement other forms of audiovisual content by capitalising on its particular strengths. Radio has more time to give space to distinctive content, in-depth analysis and alternative voices. It can reach people in places and at times that television cannot. Radio can also offer a testing ground and development opportunity for shows, talents and ideas. Its lower fixed costs allow it to take opportunities at scales where television is not feasible.



3.60 Radio will evolve with the wider media landscape. Internet radio and podcasting are already popular routes to serve consumers and reach new audiences. In Germany, we learned that the public service broadcaster SWR is piloting new technology and content for radio on mobile phones, including background broadcast and recording of programmes to listen to on demand and a service analogous to the red button for digital TV.¹⁹ These developments might have a particular appeal for young audiences. An increasingly converged media world will doubtless see creators of content blur boundaries between radio, television and other forms to carve out new creative opportunities.

3.61 BBC Radio Scotland is a significant force in the Scottish media as the only dedicated broadcast service aimed at all of Scotland and all those who live in Scotland. Its continuing ambition to do so creates an important base of experience for new services in television and online. However, strong criticism of the station's ambition and space for originality in programming came across in evidence from some of those who might have been expected to be natural supporters. We received many comments about the need to provide more serious and substantial content, with more highly-crafted features and documentaries. The criticisms were frequent and heartfelt.

3.62 As a station with many listeners who look to it with high expectations for a range of quality programming, Radio Scotland's continuing importance is clear and a fresh consideration of its role and remit in national life might be highly timely and valuable. The BBC may well wish to consider whether a drive to raise radio commissioning from Scotland for the UK-wide networks would be in its interests and those of its audiences. Strengthening the cross-UK voice of those networks might reduce the pressure on BBC Radio Scotland as essentially the sole space for public service radio from Scotland while also further increasing talent and ambition in Scottish radio production to the benefit of BBC Radio Scotland. Whatever direction is taken, the Commission is enthusiastic for BBC Radio Scotland to contribute to and benefit from a virtuous circle of increased scale and ambition in broadcast media production and challenges it to achieve this.

3.63 The Commission recommends that the BBC reviews the role, remit and funding of Radio Scotland in light of its unique national status and importance to Scottish cultural life.

3.64 Scotland does not have a network of local BBC radio stations. Local radio in Scotland is provided by several commercial operators and takes a higher share of listening hours than the UK average. However, we were told that competitive pressures on commercial radio (in Scotland as elsewhere) have reduced the strength and distinctiveness of any public service content. Against this background, the **community radio** sector stands out as well-placed to create and fill distinctive niches in Scotland's broadcasting. Such stations have already demonstrated a significant diversity of activity – from coverage of the Scottish Parliament to broadcasting in Gaelic and other languages, and becoming embedded as a valuable part of community life in some areas of the Highlands underserved by other media. Community radio's strength lies not in providing a uniform or mass-market service, but in providing uniquely bottom-up opportunities for groups and communities to use broadcast media for their own ends. At its best, this can fit naturally with radio's intrinsic qualities of immediacy, intimacy and creative freedom. There are also potential links to be exploited with wider social initiatives to build community capacity and training opportunities for those who may feel distant from conventional media, including for example young people.

¹⁹ See <http://www.scottishbroadcastingcommission.gov.uk/about/minutes/GermanyStudyVisit>



“Radio Scotland can’t possibly capitalise on radio’s unique strengths - immediacy and intimacy... it has to try to be everything to everyone.”
(written submission)

3.65 Those who gave evidence on community radio discussed the increasing opportunities to broadcast via the internet, a route that may also offer chances to add other forms of content. However, community radio stations also face real obstacles. Small-scale operations have an intrinsic fragility, particularly in a fast-changing media world. Stations have challenges in demonstrating and making tangible the benefits they bring – most directly in measuring audiences. And any form of public support needs to deliver additional and sustainable benefits for money spent without weakening the independent spirit of community broadcasters. The evidence gathered by the Commission suggests that several steps could be taken to increase the public benefit from Scottish community radio. An early issue for Ofcom to resolve is that the licence status of several rural Scottish stations of clear community character prevents them from benefiting from the new support (including grant funding) devised by the regulator under its community radio licences. We would propose that Ofcom should take a more flexible view on the criteria for such licences, devolving the decision-making to its senior staff in Scotland.

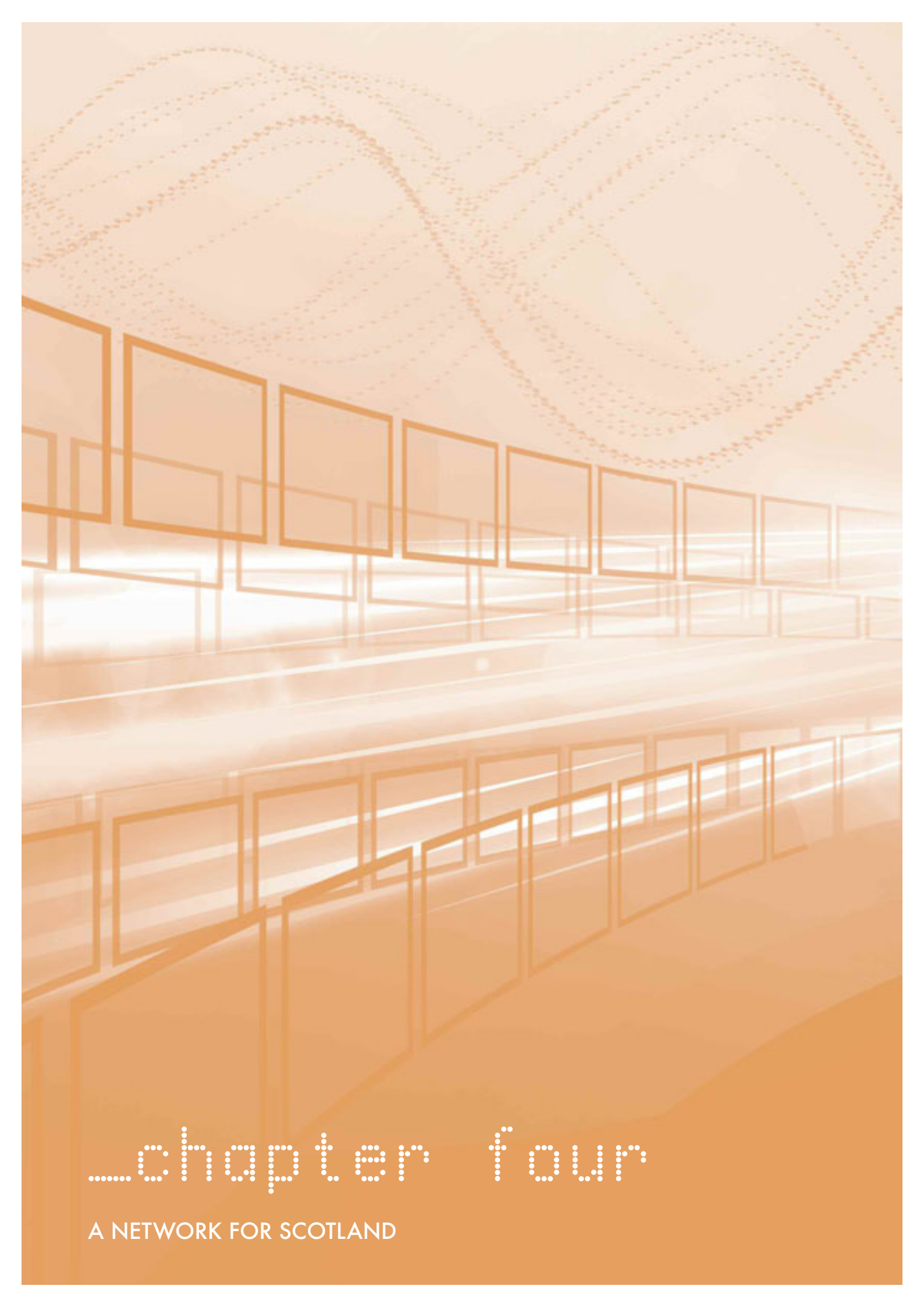
3.66 We also believe that the Scottish Government and other public bodies should consider a greater use of Scotland’s community radio stations in their public information campaigns.

3.67 The Commission recommends that regulation and support for community radio should be reviewed by Ofcom in Scotland to strengthen this form of broadcasting and its benefits to the public.

BBC ALBA

3.68 One imminent addition to Scottish broadcast services is the new Gaelic language television channel, due to launch as BBC Alba on most digital platforms in September 2008. This is a much-welcomed and overdue initiative and hopes are high for the success of the new venture. However, there is some concern that the new service will be reviewed and its future prospects decided at too early a stage in its development – probably some 18 months after it is launched.

3.69 The service is based on a linear television channel complemented by radio and online content. The main channel will be available on satellite, cable and broadband platforms. However, the BBC Trust has reserved its position on carriage on digital terrestrial television, which is clearly emerging as the main digital platform and will be vital to the service achieving maximum impact and reach. The position on digital terrestrial television carriage will be reviewed at the end of 2009 or beginning of 2010 and it is greatly to be hoped that BBC Alba will at that point secure carriage on that platform in addition to the others.



chapter four

A NETWORK FOR SCOTLAND

4.1 The case for creating a new Scottish digital television channel has strengthened considerably since the Commission began its investigations and deliberations in October 2007. The arguments now seem to us to be so compelling that this is the single most important recommendation we are making in our report. We will also argue that the channel should function as part of a wider and deeper Scottish Network of content, with rich online services complementing and enhancing the programmes in the linear broadcast channel.

4.2 The crucial goal is to have a secure and sustainable source of competition for the BBC in high-quality public service content produced for Scottish audiences. The importance of plurality in key broadcasting genres is widely understood, as is the danger of monopoly. Audiences also support the concept of choice and competition, and have made it clear to us that they wish to be provided with a greater volume and range of Scottish content.

4.3 From the evidence we have seen and heard, we believe that there would be widespread support for a new network in Scotland with a clear cultural and democratic remit to provide more high-quality Scottish programming. The service would not have its own in-house production teams but would source all content from external suppliers and in particular from the Scottish independent production sector. Online content and developments would be supplied by the growing volume of Scottish digital media companies and from the many creative content initiatives in Scotland's further and higher education sectors.

4.4 The new service would also add considerably to the democratic contribution from Scottish broadcasting. The news programmes would be outward-facing and report on international, UK and Scottish affairs in an integrated and comprehensive fashion. There would also be the opportunity to do the kind of in-depth discussion and analysis of Scottish and global issues that so many people feel is missing from the existing broadcast services, certainly at times when it is convenient to watch.

4.5 We feel certain this new enterprise would chime with the aspirations of many of the key players in Scotland's cultural and creative industries. The Director of the National Theatre of Scotland spoke of the breadth and depth of the writing talent in Scotland and of the need to use this invaluable cultural resource. The Director of the Edinburgh International Festival told us of his hopes that the best of its artistic events could be distributed to international audiences via broadband and this is exactly the kind of venture the new network could support and facilitate. The Edinburgh Festivals are arguably the UK's biggest arts event of the year, of global and not just UK significance, and unquestionably deserving of more national and international exposure and coverage than is currently afforded by the UK's public service broadcasters.

4.6 It has become ever clearer in recent months that the Scottish licences within the ITV system will not be a secure and sustainable source of public service competition for the BBC. There are a number of possible outcomes to the current debate about the future plans of ITV and the implications for the STV and Border services, but it is worth repeating that none of these looks likely to produce a satisfactory solution for Scotland.

- ITV might decide (as it has warned) to hand back its PSB licences and become a purely commercial broadcaster. In this scenario, ITV could broadcast directly to Scottish audiences and cut out STV.
- ITV could agree a new arrangement with Ofcom to remain within the PSB framework, but has already made it clear that it will do so only on terms which substantially reduce its licence obligations. If STV is able to continue under this scenario, it is likely to provide little more than the *Scotland Today* news programmes.



- STV itself has said that it will be seeking a guaranteed level of public funding if it is to continue providing its news programmes, and will produce any other form of Scottish programming only at its own commercial discretion.
- Even if a short-term deal is done that retains ITV as a public service broadcaster and includes STV opt-outs in news and current affairs, there is every likelihood that ITV will complete its transition into a purely commercial broadcaster and hand back its licences in the next few years, which it can do at any point with only twelve months' notice.

4.7 It is evident that within the UK broadcasting framework the distinction between what is public service and what is commercial is becoming sharper and clearer. There is an increasing divergence between PSB and PLC. It would not be sensible to rely on the ITV system to deliver Scottish public service content in future, or indeed for plurality in Scotland to depend on the financial priorities of whoever happens to be on the ITV Board.

4.8 Our firm conviction that a new Scottish public service channel is both required and desired does not depend solely on the need for guaranteed and more substantial competition for the BBC, nor indeed on the reality that the ITV system is highly unlikely in future to deliver much in the way of Scottish PSB content. There were many positive reasons emerging from evidence to the Commission in all three phases of our work programme, which together not only make the case but begin to shape an emerging remit for a new network designed for the digital age:

- providing audiences in Scotland (and elsewhere) with a greater volume of high-quality Scottish programming
- development of opportunities for emerging talent on and off screen
- the chance to take risks and innovate in programme content and style
- contributing a significant role in supporting the economic growth of the sector, and providing in broadcast and online form the secure base of our pyramid of creative content production
- the potential to link to work on creativity and technology in our higher and further education sectors and to the innovation we wish to encourage in society at large
- connecting with the Scottish diaspora as a natural wider audience for Scottish material, and giving Scottish producers and their content access to the UK and global markets
- establishing a trusted brand for Scottish content at home and abroad as choice expands and audiences fragment in broadcasting and broadband.

4.9 Research conducted for the Commission by media analysts²⁰ into international broadcasting policy concluded that public service broadcasters are one of the more effective ways of achieving policy goals in broadcasting. While there is a challenge in attracting and retaining audiences in a multi-channel world, they are secure from some of the difficulties increasingly facing other forms of public support.

4.10 In outlining the benefits and new opportunities created by a Scottish channel, it becomes increasingly obvious that the potential online and interactive elements which would be an intrinsic and defining part of the new service are particularly exciting. What we are really talking about is a Scottish Network, with the linear television channel and online platform equally filled with high quality, strong and imaginative content.

²⁰ *Broadcasting and Production Policy Mechanisms: An International Evaluation of Effectiveness*, Nordicity, 2008 – <http://www.scottishbroadcastingcommission.gov.uk/Resource/Doc/4/0000459.pdf>



4.11 One attractive option would be to make the television programmes and any associated material available online for people not only to view but also to re-edit and remix the content. The new platform could become a space where the creative talent of Scotland can experiment and innovate, potentially with thousands of hours of usable media made available under a Creative Commons type of licence.²¹ We are also attracted by the idea of “open access” server technology so there is the potential for users to develop new software applications from source code. We can foresee this opportunity being of great value to schools, colleges and universities where the next generation of creative talent and creative technologists will find both a platform and an audience for their work.

4.12 All of this new and unique content will have instant global access under a strong Scottish brand. This user-generated and indeed user-manipulated content can help to give us a cutting edge in international creativity. It is also easy to see how Scotland could create more cross-platform entertainment and events, with the potential for global audiences.

4.13 The educational dimension of the Scottish Network would be important. A core part of the remit and ethos would be to reflect strong brand values in terms of creativity, quality, international reach and outlook – including the examination of global issues from a Scottish perspective. We would also expect the new network to have close links with universities and colleges for creative and educational content, and for joint development of new technologies associated with multimedia digital content on converged platforms.

“The development of interactive broadcasting opens new vistas for participation in all kinds of political, commercial and educational activities”

“New technology could provide a mechanism to engage and inform all our communities”

“We are entering a new economy of abundance where individuals can be both consumers and producers”
(website comments)

4.14 From the evidence we received and from our own discussions, some key characteristics of the new service began to be apparent. The new network clearly had to be public service in spirit and letter, by constitution and by conviction. That would also free the channel from the unrelenting competitive pressures that drive commercial broadcasters to prioritise ratings above everything else.

²¹ See <http://creativecommons.org/>



4.15 We considered a number of possible models for the new service:

- a new Scottish channel partly supported by advertising revenue and partly by public funding
- a new channel wholly supported by public funding
- a Channel 4 Scotland as an additional member of the C4 portfolio of channels
- expanding the new Gaelic television service (BBC Alba) to include Scottish programming in the English language.

4.16 In our discussions with Channel 4, it became apparent that developing a Scottish service was not high on its list of priorities. Management at Channel 4 are focused on securing the future funding and role of their core channel. We also felt that Scottish viewers would not feel the same sense of ownership with the Channel 4 brand as would be the case with a new channel genuinely managed in and for Scotland.

4.17 There would be the possibility of including Scottish programmes produced in English on BBC Alba, and we think this is an option the Gaelic channel will pursue in any case. However, BBC Alba will clearly wish to fulfil its remit by transmitting Gaelic programmes in the peak evening viewing hours. In addition, as a service provided in partnership with the BBC, it would not be a suitable conduit for securing plurality in key Scottish public service content. However, we do believe that BBC Alba and the proposed new Scottish network would benefit from a high degree of cooperation and collaboration.

4.18 We believe the new network should be set up on a not-for-profit basis. This would ensure that the maximum percentage of public money invested ends up paying for content rather than going to the bottom line, with the highest degree of transparency and accountability under the governance of a board of trustees. These arrangements are also consistent with the ethos of public service and public purposes. Importantly, a channel which is not pursuing advertising revenue would not be competing for the main source of income of Scotland's existing commercial media, which face significant pressures on revenues and costs.

4.19 The architecture of public service broadcasting is designed at a UK level and Ofcom is tasked with reviewing its effectiveness. The PSB review currently in progress highlights the likely need for new solutions to fill the emerging gap that Scotland will represent in the plurality of the UK's public service broadcasting system.²² We accept the analysis and advocate a new public Scottish Network as the most effective, proportionate and ambitious solution. It is a missing piece in the UK's jigsaw of public service broadcasting. As such, it is clear to the Commission that funding for the network should be found as part of future funding for UK public service broadcasting. This is reinforced by the reality that the deficit in public service broadcasting arises because of policy decisions made at a UK level and which will raise for HM Treasury billions of pounds from the sale of cleared digital spectrum from all parts of the UK.

4.20 The Commission has not done detailed planning around the likely costs of an attractive and sustainable new service. We think an indicative figure would be annual costs of £50 – 75 million. At the lower end of the range, this assumes three or four hours of high-quality original factual production on the channel every day, with a complete catch-up and on-demand service online, and a fully interactive website aimed at audiences not just in Scotland but around the world. At the upper end of the range, it should be possible to introduce drama and entertainment. While we wish to see the volume and range of programmes enhanced, a balance has to be struck to ensure that programmes are of sufficient quality. As a cost comparison, the Welsh language channel S4C is directly funded by grant-in-aid of about £95 million annually from the UK government.²³

22 *Ofcom's Second Public Service Broadcasting Review – Phase One: The Digital Opportunity*, p.13, Ofcom 2008 – http://www.ofcom.org.uk/consult/condocs/psb2_1/consultation.pdf

23 *S4C Statement of Accounts 2007*, S4C, 2008 –

<http://www.parliament.stationery-office.co.uk/pa/cm200708/cmselect/cmcomeds/36/7042405.htm>



4.21 Although on balance we feel the new network should not seek to attract advertising revenue in the UK, it would be possible for other forms of revenue to be explored. This might include advertising and sponsorship opportunities on the broadband service outside the UK, and other forms of revenue for what would become a global portal for original Scottish content. We also believe that co-production opportunities with international partners could help to secure high-quality content without the new network having fully to underwrite the production costs.

4.22 Ofcom should help the new channel with gifted or discounted digital spectrum, and prominence on electronic programme guides (EPGs), using those “regulatory assets” that it already controls to give the new channel the best possible positioning. The new network would need to achieve some kind of scale in terms of both impact and reach. It would be important in Scotland to have universal access to this new high-quality content, which raises the issue of ensuring the widest possible access to next generation high-speed broadband at the earliest possible date. The channel needs to be universally available, prominently positioned on EPGs in Scotland, easy to find and with the individual programmes well promoted and marketed.

4.23 The Scottish Network will be a new linear television channel and a rich and interactive online platform aimed at everyone who is interested in Scotland. The remit will focus on innovation, risk-taking, creative ambition and cultural content – all of it with a desire to combine the popular with the genuinely challenging.

One pen picture for a new channel: “The channel would have like themes or sections and you could chose to watch what you wanted when you wanted to watch. The themes would be:

ArtScotland (about what artists there are in Scotland and helping children with art),

ActScotland (about drama programmes)

FamilyScotland (stuff about Scottish families)

RockScotland (where you could see concerts and Scottish music)

SportsScotland (It’s always English football on telly and so you could see more Scottish football and other Scottish sports)

SaturdayNightScotland (Scotland’s got talent!).

There would be some good programmes like we already know from Disney too.” (Children’s Parliament)



4.24 At this stage in the evolution of our national life, Scotland needs a dedicated digital network. We need to transform our view of what is possible in the creative content industries. It is important to state that the new network would not in any sense enable the BBC to do less for audiences in Scotland; on the contrary, we think the arrival of a strong competitor may be just the stimulus that BBC Scotland needs in terms of raising its own game.

4.25 Scotland has never had a universally available television channel of its own, one with not only a strong sense of public service to Scotland but also a strong sense of public ownership by Scotland. After more than 50 years of opt-out television services, with schedulers struggling on both BBC and ITV to find decent peak time slots for Scottish programmes, it is right to have a network based in Scotland serving audiences in Scotland.

4.26 **The Commission recommends the creation of a new Scottish Network: a digital public service television channel and an extensive and innovative online platform. The network should be funded out of the new UK settlement for PSB plurality and should be licensed and given full regulatory support by Ofcom.**

4.27 **The Commission recommends that the remit for the new network should include a commitment to high-quality information and entertainment, including news and current affairs covering Scottish and international issues, and innovative and ambitious cultural content.**

4.28 **The Commission recommends that the new network should seek to maximise its educational and economic impact, through partnerships with further and higher education and with Scotland's creative industries, and by promoting Scottish content in the UK and overseas.**





chapter five

BROADCASTING AND THE CREATIVE ECONOMY

5.1 A new dedicated Network for Scotland would deliver not only cultural and democratic benefits, but also a highly valuable boost to the creative economy. In particular, it would offer outlets for new talents to find their first broadcasting opportunities. However, this will not be sufficient on its own to generate the critical mass of innovative activity in this area that is required. A strong and sustainable creative content sector needs access to the high-volume and high-value production that delivers scale in research and development and in the indigenous talent pool.

5.2 It was evident from the point at which the Commission began its work that to achieve the kind of transformational change we felt was needed in broadcasting in Scotland, it would be necessary to secure very substantial increases in the value and volume of production for the UK television networks. More programmes commissioned from Scotland – particularly in the high-value genres of Drama, Comedy and Entertainment – would mean more resources being available, more talent attracted and retained, and more successful production businesses. There would also be dramatic benefits for the wider creative economy.

“A healthy television industry allows actors, designers, costume makers, directors, etc. all to thrive and helps support and strengthen other creative industries like theatre” (website comment)

5.3 It was also clear that the levels of television production from Scotland had been in steep decline. Figures released annually by the industry regulator Ofcom showed that our share of network commissions from the four UK public service broadcasters (BBC, ITV, Channel 4 and Five) was 2.6% in 2006, half of what it had been a few years earlier. In May of this year, Ofcom published the figures for 2007 which showed Scottish production still stuck at 2.6%.²⁴ It was a priority for the Commission to understand what lay behind such disappointing numbers and to identify actions which would lead to dramatic improvement.

5.4 The establishment of the Commission seemed to have an immediate impact. One month after our investigation was announced, the BBC Director General made a widely-reported speech at the opening of the new Pacific Quay studios in Glasgow,²⁵ saying that network television production from Scotland had to grow to a level more consistent with our share of the UK population (close to 9%). In his initial evidence session with us in December 2007, the Director General said that delivery of this target would be his personal responsibility. The Chairman of the BBC Trust confirmed that this had become an important corporate objective and said there was “a recognition that aspiration is not enough”.

²⁴ *The Communications Market 2008: Nations and Regions – Scotland*, p.39, Ofcom, 2008
<http://www.ofcom.org.uk/research/cm/cmnr08/scotland/>

²⁵ Mark Thompson, 20 September 2007, http://www.bbc.co.uk/pressoffice/speeches/stories/thompson_pq.shtml



5.5 As our inquiries into the Scottish sector progressed, a number of likely causes emerged for the recent decline – and the longer-term underperformance – in relation to network television commissions from Scotland. Most of the difficulties seemed to stem from the heavily centralised nature of broadcasting in the UK. All of the UK network channels and all of the key decision-makers are based in London. In an industry where relationships are as important as ideas, producers in Scotland felt disadvantaged by geographical distance from the power base. There seemed to be a distinct lack of engagement with the Scottish sector by network commissioning editors.

5.6 This problem of metropolitan concentration had been compounded by increased commercial pressures and a more competitive market, making commissioning teams even more risk-averse and unwilling to use suppliers from outside a small preferred group. For the Scottish sector, a vicious circle could be delineated where fewer commissions made it more difficult to attract and retain key talent, fund research and development and build companies of scale.....all of which in turn led to fewer commissions.

5.7 The benefits of quotas, or targets for production commissions, from Scotland featured frequently in the evidence presented to us. Many favoured such a mechanism to counter the London-centricity of the industry. Others had concerns that quotas would dull competition and therefore reduce quality. The Commission takes the view that quotas are necessary at this stage to encourage UK public service broadcasters to engage with the supply side of the industry on a truly pan-UK basis.

5.8 Ofcom has three criteria for out-of-London geographic attribution which are recognised and observed by all of the commercial PSBs: to count towards mandatory regional quotas, a production must meet at least two of these three criteria:

1. The production company must have a substantive business and production base in the UK outside the M25.
2. At least 70% of the production budget (excluding the cost of on-screen talent, archive material and copyright costs) must be spent in the UK outside the M25.
3. At least 50% of the production talent by cost must have their usual place of employment in the UK outside the M25.

5.9 Currently there are no mandatory quotas for Scottish production, but Ofcom requires that anything declared in official returns from broadcasters as a production from Scotland should pass the same test as that required for the out-of-London quota – that is to say, if you substitute the phrase “in Scotland” for the phrase “in the UK outside the M25”.

5.10 Another major difficulty in Scotland was the absence of any discernible overarching strategy for the industry. The main broadcasters, production companies and support agencies had not been working together with any shared sense of direction or clear objectives. There was a strong perception that Scottish Enterprise had largely disengaged from the sector, that Scottish Screen was inhibited by its resources and a lack of certainty about its future, and that until the announcement of the Commission there was a lack of political or public focus on the challenges facing the broadcasting sector in Scotland.

5.11 The Commission questioned the most senior management at the main public service broadcasters on their intentions and commitments in relation to commissioning more programmes from Scotland. We are able to report some significant progress, some causes for concern and some further work to be done.



BBC

5.12 While welcoming the clear public commitments in this area from the BBC Executive and Trust, the Commission has been keen to see the detail of how and when the new ambitions for productions from Scotland would be achieved. It became apparent during the first phase of evidence that there was a potential stumbling block in the way of arriving at a clear target and timetable. The difficulty stemmed from the fact that the BBC was not working to the same definition as Ofcom and the rest of the industry for what could legitimately be described as a Scottish production. While the BBC has observed the above Ofcom criteria in its returns to Ofcom, it has employed a much wider interpretation of what can be counted and described as a Scottish production in its own annual reports.

5.13 In our interim report in January 2008, we urged the BBC and Ofcom to resolve this issue in the course of this year. We then welcomed the announcement from the BBC Trust in May that in future it would be using the Ofcom definition for measuring and meeting the targets for network production. This is not just a matter of semantics. In this year's annual report from the BBC Scotland Executive,²⁶ network production from Scotland under the more liberal BBC interpretation is valued at £51.8 million. However, using the Ofcom definition, that figure comes down to £31.6 million – a difference of a little over £20 million. This is clearly a valuable change from the perspective of the Scottish production sector because it will mean more programmes made in Scotland.

5.14 Recently the BBC has quantified the additional sums that will be spent in Scotland on network television programmes. In 2007/08 the total spent on original production in the UK was around £850 million. A share of that budget equivalent to our population share of about 8.6% would be between £70 and 75 million, an increase of about £40 million per annum.

5.15 However, the switch to the Ofcom programme criteria has produced a further complication. Because the Ofcom definition is “more demanding than the BBC's definition, and applying it in future represents a significant stretch”, the BBC Trust has extended the deadline for hitting the Scottish target from 2012 to 2016.

5.16 In a recent letter to the Commission,²⁷ the Chairman of the BBC Trust explains that the “formal target” for the BBC is to achieve 17% of network production sourced from the three devolved nations by 2016. Within that total, the Trust has “challenged the BBC to source a proportion of network programmes from Scotland and the other Nations equivalent to their share of the UK population”. Based on current plans, the BBC hopes to have exceeded a figure of 6.1% of network productions sourced from Scotland by 2012.

5.17 While welcoming the Trust's efforts and accepting their contention that the new target “goes well beyond any previous commitment”, the Commission has not heard a convincing explanation of why it should take as long as 8 years to achieve the goal of 8.6% of productions being commissioned from Scotland. The current figure (under the Ofcom definition) is 3.3% and, with the new studios at Pacific Quay now open and operational, we believe the original timetable remains eminently achievable.

²⁶ *BBC Scotland Executive Report 2007/8*, p.17, BBC, 2008 –

http://downloads.bbc.co.uk/scotland/aboutus/review/2007_2008/bbc_scotland_executive_report.pdf

²⁷ See <http://www.scottishbroadcastingcommission.gov.uk/about/documents/WrittenEvid-BBCTrust>



5.18 The key point is that, for every year of delay, many millions of pounds are being lost to the creative economy in Scotland, along with all the attendant cultural and economic benefits of that activity. The difference between achieving our population share of BBC network spending in 2016 rather than in 2012 is some £20 million per year. It is a deficit we can no longer afford.

5.19 **The Commission recommends that the BBC Trust and Executive should fulfil the commitment to secure 8.6% of network television production from Scotland (under the Ofcom definition) by the end of 2012; and maintain that level, in line with population share, as a minimum thereafter.**

5.20 The BBC has told the Commission in its most recent evidence that it is to appoint three new commissioning executives in Scotland – one each in Factual, Entertainment and Daytime programmes. We very much welcome this move, on the assumption that the BBC will use it to address some of the main concerns of producers in Scotland about getting access to commissioning teams and building the kinds of relationships that lead to trust and indeed to commissions. These commissioning executives must therefore have sufficient power and influence on budgets to achieve this outcome.

5.21 However, the Commission is deeply aware of the scale of the change that is required at the BBC. The metropolitan culture is firmly entrenched, as is the notion that London is the natural centre of things and the proper location for positions of power in broadcasting. We also know that symbols are important – which is why it is right to make the argument that the BBC should move at least one of its four main national television channels to Scotland. This would reinforce the corporate priority of dispersing commissioning power and send the clearest possible signal of the commitment to change. A UK-wide BBC television channel based and managed in Scotland would be a highly visible and potent symbol of the organisation re-imagining itself as a genuinely UK-national broadcaster. It is also a change which can be made without major organisational disruption and without the need to relocate large numbers of people.

5.22 **The Commission recommends that the BBC should establish and maintain a substantial network commissioning presence in Scotland and transfer the management of one of its four national television channels to Scotland.**

CHANNEL 4

5.23 With Channel 4 (C4), the picture remains a little fuzzier. While noting a number of welcome initiatives aimed at developing the sector in Scotland, we found it difficult to quantify the detail of any new commitment being made by the core television channel. Following its last evidence session with the Commission, Channel 4 sent a note of clarification:

“By 2012 we aim to spend at least £14m in Scotland, through a range of activities. This includes our aim to spend at least 2.85% of our total programming expenditure in the nations (this is a 50% increase from our 2007 nations spend). Whilst we cannot predict what our programming budget will be in 2012 – in light of the current advertising instability and the financial challenges facing Channel 4 – we can make reasonable estimates as to the economic impact on Scotland of this commitment; if our programming budget remains the same and Scotland retained the same share of our nations spend that they have in recent years, we would spend about £9m per annum in Scotland by 2012. This is an increase of £2m – or 34% – from our 2007 figure.”²⁸

28 *Channel 4 and the Nations – additional note for Scottish Broadcasting Commission –*
<http://www.scottishbroadcastingcommission.gov.uk/Resource/Doc/4/0000458.pdf>

5.24 Taking account of some of the caveats in the above extract, we remain disappointed at a future model which envisages the Scottish sector taking only a little more than 2% of the main Channel 4 budget for the core service. A commitment to increase spend in the Nations by 50% is not enough coming from such a low base. If Channel 4 were to commit to an equivalent target to that announced by the BBC – a floor of almost 9% – the financial difference could amount to an additional £25 million into the Scottish sector. We can see no reason why that commitment could not be made as deliverable by 2012, particularly given that C4 is making the case to receive substantial public funding in future to allow it to continue to deliver its remit in the face of growing competitive commercial pressures. It is also the case that C4 has a particular commitment to risk-taking and finding new suppliers, so should not find it difficult to do business with the developing skills base and supply chain in Scotland.

5.25 Channel 4 is arguing that its public service contribution is broader than just the core channel, and encompasses the totality of television channels (E4, More4, etc.) and online platforms (channel4.com, etc.). It wishes Ofcom to take this broader range of services into the calculation of Channel 4's PSB value within the UK. We would agree with this interpretation (which is more in line with that for the BBC), and think that 8.6% of what is determined to be the total PSB contribution of Channel 4 should be secured from Scotland under the Ofcom definition of what legitimately counts as a Scottish production.

5.26 Where we also agree with Channel 4 is in its view that it is entirely dependent on the strength of the independent sector and the existence of production companies with sufficient scale and capability to produce network content. To quote from C4's evidence: "...it is large, long-running series that will ultimately deliver the scale of impact that the Commission would like to see from the network broadcasters." Channel 4 argues that "it does not have the scale to support the creative communities of the nations alone and therefore a strategy aligned between the BBC and Channel 4 is needed." The Commission would agree with this view and would strongly propose that the two leading PSB broadcasters work together to strengthen and diversify the independent supply base in Scotland in line with their new commitments and strategies.

5.27 Channel 4 is also planning to launch a new £50 million digital media fund to develop online and interactive content and Scotland is one of the main centres for this proposal. This initiative – known as 4IP – is in addition to any new investment for the television channels and should further help to develop the creative content sector in Scotland. C4 has said it will base one of the new digital media commissioners in Scotland.

5.28 While this is very welcome, we think C4 has to go further in developing as a truly UK-wide rather than metrocentric broadcaster. We believe at least one of the major Channel 4 commissioning departments should be relocated to Scotland; this would have not only symbolic value, but would enable producers in Scotland to develop the kinds of relationships with that commissioning team that London companies are able to take for granted. Proximity is important culturally and structurally – it is much easier to have a good relationship with a supplier when dropping in on each other does not involve air miles.

5.29 We think Channel 4 should have a broader and deeper set of obligations as a PSB in Scotland and that what we have outlined is appropriate and proportionate. As with the new commitments from the BBC, it will be important that we continue to have the in-depth annual industry data from Ofcom to provide a very visible scoreboard for monitoring and evaluating performance.

5.30 **The Commission recommends that Channel 4 should have a mandatory target for production from Scotland of 8.6% in line with share of population, and that the Channel should base one of its commissioning departments in Scotland.**



5.31 The commitments we are seeking for increased production in Scotland are valuable, but how they are achieved is also important. We believe that the BBC and Channel 4 have a responsibility, as recipients of substantial benefits from being the main public service broadcasters, to support the industry across the UK and ensure sustainable capacity is secured. As sources of demand for the production supply base, there is much these broadcasters can do to encourage and assist independent production companies to raise their game to fulfil the need for high quality, ambitious network programmes from Scotland.

5.32 The Commission recommends that the BBC and Channel 4, and the new Scottish Network once established, work together (with the public agencies) on delivering the strategic aims of strengthening and diversifying the independent production base in Scotland.

5.33 As we reported in the first of our interim reports in January of this year, it has not been possible to get any form of commitment from ITV for increased levels of network production from Scotland. The main commercial broadcaster is seeking to withdraw from most of its public service obligations and it does not seem that any attempt to secure a new commitment to Scottish commissions has any real prospects of success.

5.34 What is also clear, however, is that the increase in commissions and related initiatives from the two main PSB broadcasters – BBC and Channel 4 – will help to create a more robust and diverse production sector that can compete for business on a purely commercial basis with ITV and other non-PSB broadcasters at home and abroad. The broader and deeper base of talent and the emergence of more companies of scale will position the Scottish sector more favourably in the market for creative content.

GROWING THE CREATIVE ECONOMY

5.35 The broadcasting sector in Scotland has enormous potential as a significant contributor to the creative economy. As one of the creative industries it does not sit in isolation from other creative enterprises nor is it isolated within Scotland's borders. The overlaps and interconnections with other parts of the economy are numerous and its reach readily extends to the global markets. That environment offers ample opportunities – but it also offers challenges to the industry in Scotland.

5.36 A recent report²⁹ on the wider entertainment and media market predicts that in the UK it will grow by 5.8% compound annual growth rate for the next 5 years to reach US\$152 billion by 2012. Globally, substantial growth is forecast for the segments which relate to production and other revenues (including advertising) around audiovisual and internet content.³⁰

Segment	Global revenues 2007 US\$m	Global revenues 2012 US\$m (UK share)
Internet Advertising	63,191	120,365 (13,953)
TV subscriptions and Licence fees	173,541	280,791 (21,328)
TV advertising	162,302	215,822 (7,802)
Filmed entertainment	85,904	111,199 (7,210)
Video Games	41,948	68,345 (6,952)

²⁹ *Global Entertainment and Media Outlook 2008-2012*, PricewaterhouseCoopers, 2008 – http://www.pwc.co.uk/eng/publications/global_entertainment_media_outlook_2008_2012.html

³⁰ *Global Entertainment and Media Outlook 2008-2012*, p.10 PricewaterhouseCoopers, 2008

5.37 There is no reason why Scotland's economy and broadcasting industry should not be part of that growth. Within the creative industries in the UK, the Work Foundation³¹ reported that "software (including computer games and electronic publishing) and tv and radio between them account for around two-thirds of overall GVA of the creative industries" – over £20 billion for software and over £7 billion for television and radio in 2004.

5.38 We have outlined earlier in this report what would be two key interventions on the demand side in broadcasting: the creation of a new Scottish Network and the commitment of the BBC and Channel 4 to very substantial increases in the value and volume of productions sourced from Scotland. To maximise the economic benefits of these initiatives, we will need a coherent and integrated strategy for development of the supply side of the industry. The supply side interventions would have two main aims: first, to ensure that the production companies are geared up to meet the new levels of demand and, second, to enable the wider digital media sector to leverage these new resources into multimedia, multiplatform and multinational markets for creative content.

5.39 This is an economic opportunity that can and should be seized by many parts of Scotland. The strategy should be alert to the potential of different places without excluding others. The facilities at Pacific Quay have the potential to revitalise Glasgow, the industry's traditional principal cluster. But Edinburgh's thriving cultural and political life, the world-class strength of digital media on Tayside, and the unique resources and increasing connectivity of rural Scotland are examples of places that should be enabled to benefit. We are quite clear that the current challenge of London-centricity should not be replicated in Scotland.

5.40 The Scottish production sector does also need to help itself to grow and thrive. It is clearly a 'hits business' so competition is fierce and entrepreneurialism must abound. The view we were given from those in the industry is that they need a hand-up not handouts from the Government and public sector. This industry is positively brimming with self-motivated individuals driven to succeed and therefore intervention that develops the sector and increases opportunities will result in dividends to the Scottish economy.

SCOTTISH ENTERPRISE

5.41 For Scottish Enterprise (and each of the other organisations with a role in economic development) to play its part in meeting the new levels of demand, it will have to align its support structures with the needs of the sector. Business development support will be crucial for companies to move into higher-value programme genres, to develop formats that will lead to returning series, and to create content with international appeal. We will need to build the capacity of the sector in Scotland to ensure that the predicted growth is achievable and long-lasting.

5.42 It would not be appropriate for the Scottish Broadcasting Commission, in this strategic investigation, to attempt to specify in detail all the individual initiatives that might be taken in support of the sector. But in setting out a broad strategic direction for the industry, it is clear that public funding and other forms of support should be directed towards priority outcomes of securing a healthy and sustainable broadcasting industry that is well-positioned for a fast changing future. These will require activities such as:

- Creating more companies of scale to deliver the major long-running series that will be required to hit broadcaster targets.

³¹ *Staying ahead: the economic performance of the UK's creative industries*, The Work Foundation, 2007 p.30, Department of Culture, Media and Sport – http://www.culture.gov.uk/reference_library/publications/3672.aspx



- Growing the opportunities for networks, collaborations and partnerships among the myriad of small, medium and micro-businesses that can serve the demands for unique, diverse and adventurous programme ideas.
- Encouraging more high potential start-ups to keep the sector refreshed and re-energised.
- Putting creative producers alongside creative technologists (perhaps in experimental project-based settings) to bring the kinds of innovation in content and applications that will drive future growth and inspire new, possibly global, business ventures.
- Involving the higher and further education sectors whose record of innovation and expertise will underpin long-term sustainability.
- Nurturing, attracting and retaining the key talent that wins and delivers commissions for audiovisual content.

5.43 The Commission believes that Scottish Enterprise (and Highlands and Islands Enterprise) will have to take a more flexible approach to this sector than would customarily be the case in other parts of the economy. This stems in part from the nature of the sector, which contains large numbers of small creative enterprises which may not satisfy the usual criteria for Scottish Enterprise involvement. However, these small and micro businesses are a crucial part of a diverse and healthy supply base.

5.44 The Chief Executive of Scottish Enterprise told the Commission that criteria for support in this priority sector would be more flexible, although the agency will focus on the companies that can achieve rapid and high levels of growth. The Commission is seriously concerned about this. It appears that Scottish Enterprise is transplanting the approach it has used for other sectors on an assumption that one size will fit all. It will not – and it risks limiting the economic contribution broadcasting can make. Scottish Enterprise has established an Industry Advisory Group for what it calls the digital media sector, and is looking to this group to develop an all-embracing strategy for the industry.

5.45 We see the following three points as vitally important in how Scottish Enterprise proceeds:

- We need a clear and consistent commitment from Scottish Enterprise that broadcasting is included as a priority for the agency.
- We need to be certain that the digital media sector is correctly defined to contain broadcasting and that the strategic focus incorporates creative audiovisual content and the technology that supports it.
- It is important that Scottish Enterprise has a clear understanding of the distinctive nature of the broadcasting sector and establishes identifiable, appropriate and dedicated funding to support it, which can be deployed in the fast and flexible way that a rapidly-changing industry requires.

5.46 What the sector will require from Scottish Enterprise, and the other public organisations involved in economic development, is the intelligent design of public funding mechanisms and an integrated approach to the development of the digital screen-based industries. To understand fully the broadcasting sector and its needs, Scottish Enterprise and the other development organisations may need to refresh their own skill set.

5.47 The Commission recommends that Scottish Enterprise produces the economic development strategy for the sector by the end of December 2008, together with an action plan for how this is to be delivered, taking full account of this Commission's report.



CREATIVE SCOTLAND

5.48 Throughout the work of the Commission we have been very aware of the on-going discussions and debate around where lead responsibility should lie for development of the creative industries sector – the proposed new agency Creative Scotland, or the existing enterprise agencies. As far as broadcasting and digital media are concerned, it seems right to the Commission that the enterprise agencies should be focused on growing the economic value of the sector and Creative Scotland should be focused on growing what might be called the “creative capital” of the nation, making sure we have the talent and skills mix that is required.

5.49 However, we are also persuaded that the lead role in “advocacy” of the sector which has been outlined for Creative Scotland should have a very clear and muscular meaning. There will be a continuing need to ensure that all parts of the sector are delivering what is required for the full economic and cultural benefits to be realised. We would see Creative Scotland as the natural and logical body to bring together the broadcasters, the production companies, economic development bodies, skills agencies and further and higher education to drive forward the collaborative working and necessary synergy required on the ground to achieve our goals for this industry.

5.50 It is also clear to the Commission, certainly for the broadcasting sector, that creativity and innovation (where new ideas are transformed into business ventures) are mutually dependent for a successful and sustainable industry. The proposals for Creative Scotland, as the lead for creativity in Scotland, will ideally place that agency to identify, nurture and encourage creative talent and where ideas show business promise to draw this swiftly to the attention of the appropriate economic development body (Scottish Enterprise, Highlands and Islands Enterprise or Local Authorities with responsibility for Business Gateway services).

5.51 Likewise innovation must be facilitated and cultivated by the economic development bodies, with creative businesses being supported to raise their game and step up to the next level. The categorisation of creative industries by NESTA³² which is based on the business model adopted by each, rather than the type of sector, offers a useful method to distinguish where public sector intervention for economic development is best targeted; and where intervention to support cultural aspirations is more appropriate.

5.52 **The Commission recommends that Creative Scotland takes the leadership role in bringing together broadcasters, production companies, economic development bodies, skills agencies and further and higher education to work collaboratively in delivering what is required to ensure a thriving creative content sector.**

5.53 The world of broadcast commissioning and consumption is changing at a rapid pace and we need to ensure that the industry in Scotland has the necessary education and knowledge of new technology and market awareness to stimulate business development and commercial success. Collaboration with others in Scotland, who are already operating at world class level, will build confidence and provide the springboard for innovation in the broadcasting industry. The digital design and technology researchers in our universities and art schools and our many companies in the games industry are prime examples.

³² *Creating Growth*, pp.53-55, NESTA, 2006 –

<http://www.nesta.org.uk/assets/Uploads/pdf/Research-Report/Archive/Creating-Growth-full-report.pdf>



5.54 The public agencies, particularly the enterprise bodies, have been given a clear role by the Scottish Government to support its economic strategy in which the creative economy is identified as one of the priority sectors.³³ This recognition of the promise and potential of the creative industries for economic benefit is a timely opening to align economic development activities and ensure they are fit for purpose for the specific needs of the broadcasting industry and the fast-moving technological environment of audiovisual distribution.

5.55 The connectivity between creativity and innovation, where new ideas become business ventures, is vital. That is not to say that all creative ideas must have a commercial purpose. Rather it is about providing the right opportunities and environment to develop and exploit the business possibilities from such creative endeavour to achieve, or indeed accelerate and maximise, economic returns.

SKILLS

5.56 In tandem with the above economic development activity and to keep pace with growth and change, we must not lose sight of the need for education and training provision for those in and entering the industry; and for those working in related creative industries which link to broadcasting, such as writers, theatre designers, composers and games designers. Throughout our investigation, we heard many comments about the creative and technical talent residing in Scotland – and leaving Scotland. The talent exodus was a real concern to many who also hold the firm belief that ‘talent follows the money’.

“Investment in local talent is key”

“We have the talent that can produce good TV”
(website comments)

5.57 Building a robust broadcasting industry in Scotland will provide new opportunities and new adventures for creative and talented individuals. Achieving a critical mass of creative talent will also act as a magnet to others who want to participate in the resulting dynamic living and working environment. Business and entrepreneurial skills must be encouraged and nurtured; willingness to experiment should be praised and failure must not be stigmatised. In our survey of independent production companies in Scotland³⁴ high-end talent was raised as an increasingly important issue for Scotland and a barrier to company growth. We agree with the suggestions that broadcasters, production companies, economic development bodies and skills agencies must work together at strategic and operational levels to develop talent through joint initiatives. We would add Creative Scotland and further and higher education to that mix. This relates to our earlier recommendation for Creative Scotland to lead collaborative working, which clearly should include identifying and delivering the skilled workforce the industry needs both now and in the future.

³³ *The Government Economic Strategy*, p.29, Scottish Government, 2007 – <http://www.scotland.gov.uk/Resource/Doc/202993/0054092.pdf>

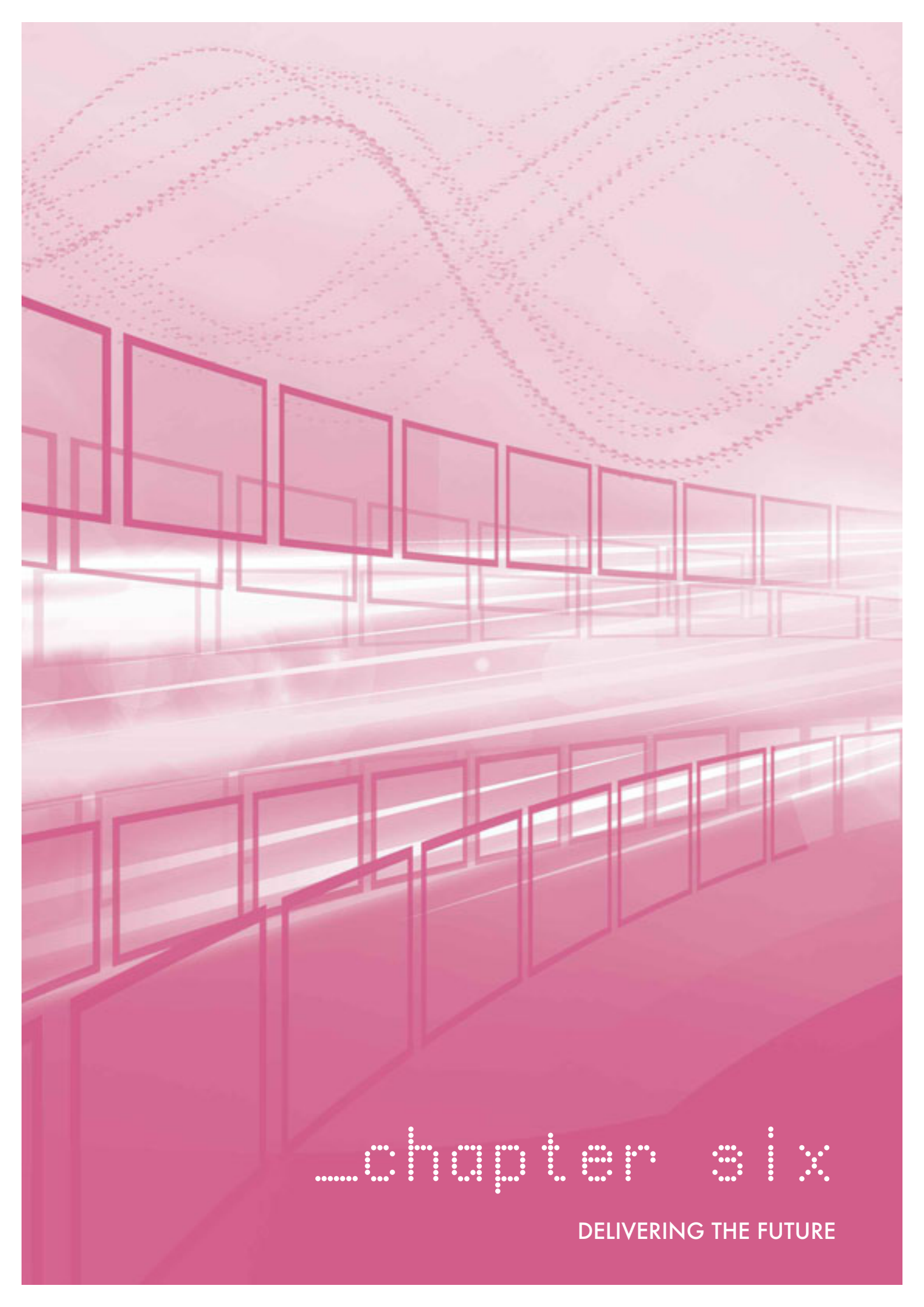
³⁴ *Survey of Television Production in Scotland 2006*, EKOS, 2008 – <http://www.scottishbroadcastingcommission.gov.uk/Resource/Doc/4/0000287.pdf>



5.58 Our proposals for a new Scottish Network include an exciting provision for building a foundation of creativity and technical ability in our schools and colleges and universities. That is the preparation we need for positioning the industry in the global market. We must not let that drift when our young people enter the workplace. For those already working in the industry, new skills will be required to adapt to new ways of working and the changes that converging platforms may bring. We are aware that Skillset – the agency tasked with managing skills development for the sector – is developing a new skills strategy for the industry in Scotland and we urge that it takes full account of our conclusions and recommendations and supports the challenge of realising the vision we have for broadcasting. The aim should be to identify and eliminate any skills gaps that prevent us from achieving our full potential in creative audiovisual content and engagement with technological opportunities.

5.59 **The Commission recommends that Skills Development Scotland, Skillset and the further and higher education sectors ensure they are positioned to anticipate changes in the skills requirement in the fast-moving broadcasting environment and realign their activities accordingly to avoid skills gaps in Scotland.**





chapter six

DELIVERING THE FUTURE

6.1 Our vision for broadcasting in Scotland is deliberately aspirational and stretching – and it is also achievable. The outcomes for the public in Scotland in terms of economic, cultural and democratic benefits are without doubt worth reaching for.

6.2 We need to see concentrated action by all involved in the broadcasting sector with the right support from the public agencies to deliver the future we envisage. We also need to put in place the right mechanisms to monitor progress and drive forward all our recommendations through to completion. This chapter looks at how that can be achieved.

ACCOUNTABILITY FRAMEWORK

6.3 Throughout the Commission’s investigation we have approached our work on the basis of primarily looking for improvements to the sector in Scotland and to the outcome for the viewing public. A secondary, and subsequent, consideration has been whether the existing accountability framework will support delivery of our recommended improvements.

6.4 We are clear that there are merits in a UK framework for broadcasting, especially since more and more requirements for structure and regulation stem from Europe and further afield. However, we have concluded also that there need to be arrangements put in place to ensure sufficient attention is given to monitoring the industry and the service provided to people in Scotland. To date the Scottish Parliament and Scottish Government have had very little active involvement in developing policy or the regulations affecting broadcasting or in debating the performance of the broadcasters or the state of the industry in Scotland – or, indeed, the resulting outcome this has for people in Scotland. Yet, as we have seen in evidence, there is a specific need to ensure Scottish identity and culture is reflected on our television screens.

6.5 Responsibility for policy and forming the regulatory framework currently rests with the UK Parliament at Westminster. We learned from the Department of Culture, Media and Sport that it takes a ‘light touch’ approach to the domestic broadcasting market and focuses more of its attention on Europe where UK interests need to be promoted and reflected in the development of new directives. We are not criticising that approach; it is understandable. However, it has led to a gap in the scrutiny of the domestic market that has allowed the industry in Scotland (and in other parts of the UK) to fall to its current depressed levels. In turn, the platform for Scottish culture and identity has dwindled. That is not acceptable.

6.6 Irrespective of the politics surrounding questions of devolving or reserving policy responsibility, we are clear that there should be more accountability in Scotland for broadcasting as it affects Scotland. This applies in particular to those broadcasting services that are specific to Scotland: BBC Alba and our recommended new Scottish Network. This is **not** about editorial control or governmental influence over content. The UK has long experience of creating public service broadcasters with robustly independent governance arrangements. With those proper safeguards in place, it is about ensuring that people in Scotland are adequately and appropriately served by broadcasters, especially those with public service obligations.

6.7 Pre-devolution, the UK was often viewed as a unitary state and we see that approach prevailing in the broadcasting regulatory framework and its application: the starting point is the UK perspective, with its component nations (and regions) being, if anything, a secondary consideration. This will always risk distortion for the smaller nations because one size does not always fit all. Therefore we would encourage an attitudinal shift towards working from the individual nations upwards rather than from London downwards – the starting point should be the component nations, which can then combine to build an integrated UK perspective. Such a change in approach would recognise and respect the diversity and identity of the nations, while maintaining the overall UK context.



6.8 We do not believe, at the present time, that broadcasting should be devolved. Convergence of platforms and new technology developments intrinsically link broadcasting to telecommunications where there also appears merit in a UK approach. However, that does not mean that this option should be wholly discounted. We are making recommendations in this report to increase the influence Scotland has over its broadcasting services and the accountability of those services in Scotland. We are equally clear, however, that if these steps are unsuccessful in meeting the needs of the viewing public in Scotland, then the question of devolving all of broadcasting to Scotland may need to be considered in future.

6.9 In our discussions with representatives from the political parties and with Ofcom, BBC and Channel 4, we found that there was general support for increasing the role of the Scottish Parliament and Scottish Ministers in discussing the future of broadcasting in Scotland, within the overall UK framework. This would mean that, for example, broadcasters in Scotland should report annually by invitation on their performance to the relevant Committee in the Scottish Parliament; and MSPs could debate the broadcasting industry in Scotland and the service audiences receive. It is a fundamental aspect of any democracy that the provision of a public service is openly debated and held to account in the public forum of parliament and we do not believe that this can be achieved adequately for Scotland's specific needs for broadcasting by the current UK arrangements.

6.10 The Commission recommends that the Scottish Parliament takes an active role in considering the broadcasting industry and services audiences in Scotland receive, in order to provide a visible and public forum for debate.

6.11 We have noted that since Scottish devolution in 1999, the Scottish Affairs Select Committee at Westminster has not investigated broadcasting in Scotland, other than news and current affairs in 2002 and the work of BBC Scotland in 2000.³⁵ Nor has it been examined by the Scottish Parliament. That gap in monitoring and accountability needs to be closed.

6.12 There is scope under the Scotland Act 1998 to devolve executive functions relating to reserved matters to Scottish Ministers. In line with our recommendations above on greater accountability to Scotland, **the Commission recommends that Scottish Ministers should have greater responsibility, within the UK framework, for those operational functions of broadcasting directly affecting Scotland.** For example, instead of being consulted on appointments of Scotland's representatives on UK organisations in broadcasting, responsibility for such appointments should move from the Secretary of State to Scottish Ministers. Similarly, those executive functions that currently rest with the Secretary of State relating to MG Alba (and in future, our proposed Scottish Network) should move to Scottish Ministers.

6.13 The steps we recommend to increase influence and accountability in Scotland will provide greater alignment with the devolved responsibilities for economic development and culture, as they apply and are intrinsically linked to the broadcasting industry. Without anticipating plans of Scottish Ministers or decisions of the Scottish Parliament to establish Creative Scotland, we see scope for that organisation to monitor and report on creativity and culture in Scotland – including broadcasting – as part of its intended advocacy role. This would provide a mechanism for drawing to the attention of Scottish Government and Scottish Parliament any concerns, or reassurances, there may be about the quality, range or diversity of the creative audiovisual content on our screens. Similarly, the BBC Trust and Ofcom should monitor and report on the quality of broadcasting services in Scotland and across the UK as they affect Scottish interests.

³⁵ http://www.parliament.uk/parliamentary_Committees/scottish_affairs_committee.cfm



6.14 Correspondingly, the enterprise agencies should be monitoring the economic strength of the broadcasting industry in Scotland as part of their role in helping to deliver the Scottish Government's economic strategy.

6.15 **The Commission recommends that the relevant public agencies in Scotland, the BBC Trust and Ofcom monitor and report annually on the broadcasting industry and services to audiences in Scotland, in line with their respective responsibilities.**

6.16 In addition, we have concluded that the influence of Scotland on UK policy and operational matters should be strengthened. Our recommendations above to increase accountability and consideration of the broadcasting industry in Scotland will raise the level of knowledge and understanding of broadcasting and how it serves Scotland's interests. This will better position the Scottish Parliament and Scottish Ministers to engage with the Westminster Parliament and UK Government in advancing Scotland's needs within the UK policy and legislative framework for broadcasting.

6.17 With regard to Ofcom, we believe that there should be at least one member of the main Board specifically to represent Scotland's needs. Understandably, as a UK organisation, Ofcom has been operating on a unitary UK basis as it seeks to develop and implement a regulatory regime that fits all of the UK. However, as devolved arrangements have evolved and matured, that ability to make one size fit all can be challenging. For example, the potential withdrawal by ITV from public service obligations poses a specific risk for Scotland of a lack of plurality and competition for the BBC. We therefore believe that the role of Ofcom Scotland should be strengthened to allow greater flexibility and for decisions to be made in Scotland, as well as greater accountability direct to the Scottish Parliament. The UK Government should consider whether the Communications Act 2003 should be updated to reflect in statute the need for Ofcom to have greater due regard to the individual nations comprising the UK.

6.18 **The Commission recommends that the influence and responsibilities of Ofcom Scotland should be strengthened and there should be specific representation for Scotland on the main Ofcom Board (at UK level).**

IMPLEMENTING OUR RECOMMENDATIONS

6.19 To fulfil the Commission's remit, we have described our vision for the future of broadcasting in Scotland and recommended actions to make that happen. We recognise that all the changes we want to see happen will not be accomplished overnight – but nor have we written this report to see it gather dust after an initial flurry of enthusiasm.

6.20 To realise the vision we have set out for broadcasting in Scotland, an on-going determined effort will be required by those in the Scottish Government to drive forward our recommendations to fruition. There are actions to be taken forward by various operators and public agencies and responsibility clearly rests with the Scottish Government to monitor and press for progress. We acknowledge the impact the Commission has already had, in some cases by its mere existence, in bringing pressure to bear on the industry, provoking action for improvements and gaining greater recognition for the needs of audiences in Scotland.



6.21 We have very real concerns that the end of the Commission's lifespan could result in the industry easing up and returning to old ways. It is up to the Scottish Government to maintain the momentum and appetite for change that we have achieved and secure the vision we set out in this report.

6.22 Within the Scottish Government, broadcasting as part of the creative industries sits within the portfolio of the Minister for Europe, External Affairs and Culture. However, as we have seen in the earlier chapters of this report, delivering improved cultural experiences for television audiences and opportunities for television producers, writers, performers and so on is heavily dependent on the economic development of the industry in Scotland. We therefore alert Scottish Ministers to the key role we see for the Cabinet Secretary for Finance and Sustainable Growth in ensuring delivery of our recommendations, in addition to the Minister for Europe, External Affairs and Culture and with input from the Cabinet Secretary for Education and Lifelong Learning.

6.23 Some of our recommendations require action by UK organisations: Westminster Parliament and UK Government, the BBC, Channel 4 and Ofcom. We make no apologies for that. As an independent Commission charged with identifying a strategic way forward for broadcasting in Scotland we have focused on a vision that achieves improved outcomes for audiences and the industry in Scotland. A thriving and sustainable industry in Scotland will also bring benefits for audiences and the broadcasting and creative sector across the UK.

6.24 We therefore urge all of those to whom our recommendations are directed to make public their commitment to take action along with a delivery timescale. The Commission recognises that some of our recommendations will take time to implement in full. However, there is ample opportunity to make swift progress in many and no reason why all our recommendations should not be fully effective within 4 years.

6.25 **The Commission recommends that Scottish Ministers report overall progress on implementing our report to the Scottish Parliament in September 2009, 2010 and 2011.** That will allow public scrutiny of all the organisations to whom our recommendations are directed and of the steps they have taken to realise our vision for a transformed broadcasting industry and services for audiences in Scotland.



ANNEX: COMMISSION MEMBERSHIP

Blair Jenkins, Chair

Blair Jenkins is one of the most experienced figures in Scottish broadcasting. He has been Director of Broadcasting at STV and Head of News and Current Affairs at BBC Scotland. From 1998 to 2003 he was Chairman of BAFTA Scotland and he has also been a member of the Royal Television Society's steering group on current affairs.

Chris Ballance FRSA

Chris Ballance joined the Scottish Green Party in 1980. Throughout that time he has been active in environmental and community campaigns as well as acting as an MSP representing the South of Scotland from 2003 to 2007. He is also an award-winning playwright, a member of the Writers' Guild of Great Britain and Scottish Society of Playwrights and has written for screen and radio.

Norman Drummond FRSE

Norman Drummond has experienced a wide range of public leadership roles within the Church, the Services, secondary and tertiary education and public service. Norman is a former BBC National Governor and Chairman of the Broadcasting Council for Scotland and is a Fellow of the Royal Society of Edinburgh. His current activities include involvement as founder of the leadership and business consultancy Drummond International and social enterprise Columba 1400, and chairmanship of the Lloyds TSB Foundation for Scotland.

The Rt. Hon. The Lord Fraser of Carmyllie QC

Peter Fraser is an advocate and parliamentarian of wide-ranging experience. After election as Conservative MP for Angus in 1979, he served in several positions before becoming Lord Advocate in 1989. During this time he had ultimate responsibility for the Pan Am 103 Lockerbie investigation. After several further Ministerial roles, he headed an Inquiry into the cost over-run of the new Scottish Parliament at Holyrood. Lord Fraser has a full portfolio of interests and activities spanning commerce, charity and parliamentary affairs.

Murray Grigor FRSA

Murray Grigor left the BBC in 1967 to direct his award winning film on Charles Rennie Mackintosh. He has since directed over 60 films on all aspects of culture. He was the first film-maker to be honoured by the American Institute of Architects and the first recipient of the Royal Television Society Reith Award for "consistent and innovative effort in television". Director of Channel 4 1995-99, Murray is now directing a feature documentary in the USA and has just published a book with Sir Sean Connery on Scotland.

The Rt. Hon. Henry McLeish

Henry McLeish began his political career in Fife, Scotland in the early 1970s. Elected to the United Kingdom Parliament in 1987, he became a member of the Government in 1997. As Minister for Devolution he was instrumental in shaping Scotland's first Parliament in almost 300 years. Following election to the Scottish Parliament in 1999, he became First Minister of Scotland in 2000, taking responsibility for Scotland's emerging role on the European and world stage and implementing Scotland's social and economic policies.



Seona Reid CBE FRSA

Seona Reid took up the post of Director of Glasgow School of Art in September 1999. Prior to that she was Director of the Scottish Arts Council for nine years after an extensive career in arts management. She is currently a member of the Executive Committee of Universities Scotland and is on the Joint Future Thinking Taskforce on Universities. She is a member of the Arts and Humanities Research Council's Knowledge and Evaluation Committee and on the Board of Cove Park. In 2008 she was awarded a CBE in recognition of services to the creative industries.

Elaine C. Smith

Elaine C. Smith is an actress and comedian. Elaine is probably best known for her role as Mary Nesbitt in the BBC sitcom Rab C. Nesbitt. Set in Glasgow, the show was a cult hit and ran for nine years on BBC2. Since then, her activities have included television drama, film and stand up shows. She writes a weekly column in the Sunday Mail newspaper and is patron of many charities throughout Scotland. Elaine runs a small theatre and TV production company with her husband and is currently engaged in a national touring theatre production.

David Wightman

As the founder and former CEO of Creative Edge Software and the spin off consultancy business Edgies, David Wightman is an experienced technologist and entrepreneur with a strong track record in games, research development and media sectors. Creative Edge sold millions of units worldwide and won awards in the UK, USA and Japan. One of his main areas of interest is the business and entertainment opportunities arising from the convergence of emerging technology, evolving publishing models and new media channels.

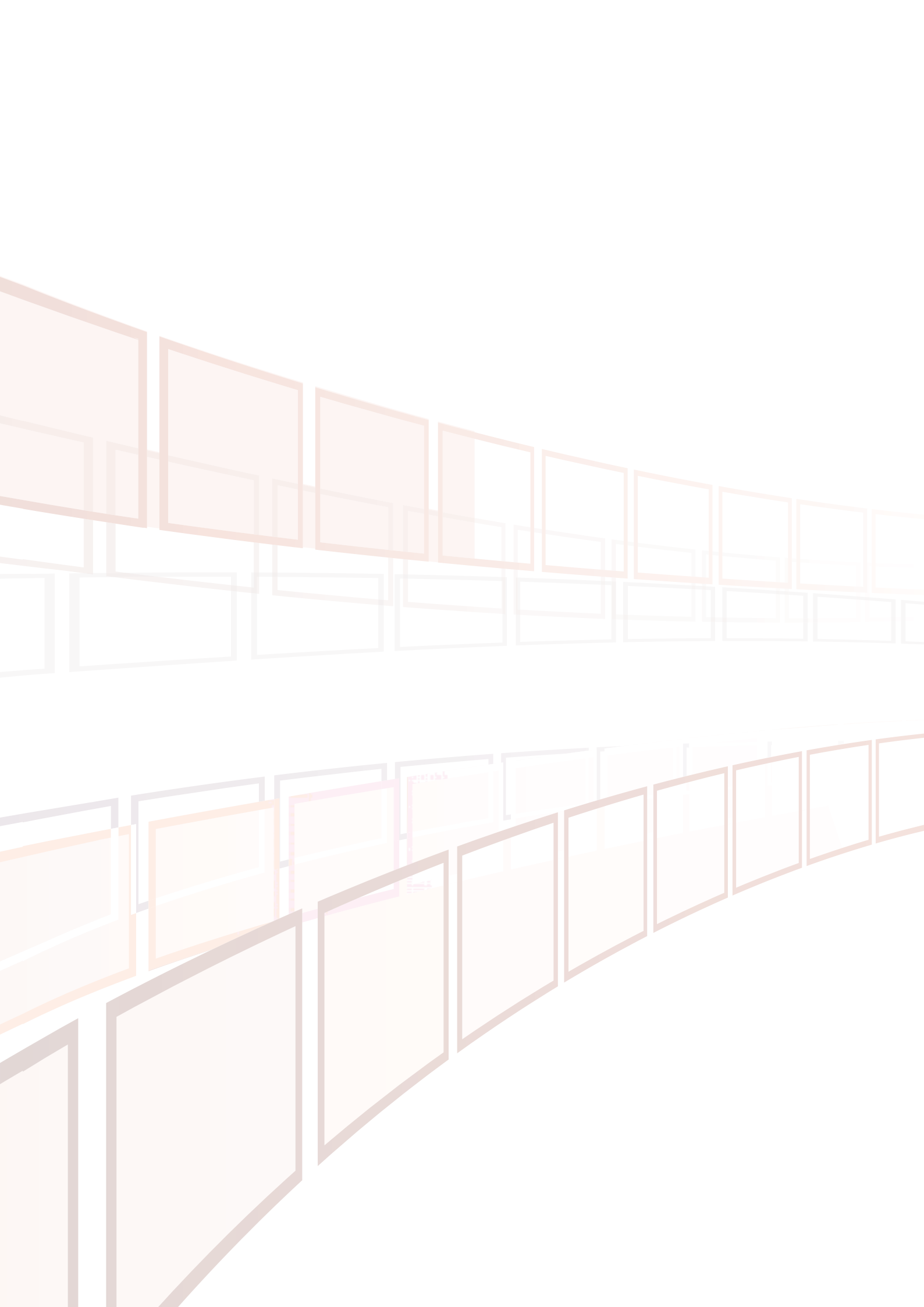
Baroness Michie of Gallanach, member of the Commission, passed away on May 6, 2008

Ray Michie's distinguished life in politics saw her serve as member of the House of Commons Select Committee on Scottish Affairs, Chairperson of the Scottish Liberal Democrats and, from 2001, as a life peer. She was a passionate advocate for the Gaelic language, for Scottish devolution, and for the wellbeing and prosperity of the Highlands. Ray became the first Peer to pledge the oath of allegiance in Gaelic when being introduced to the Lords.

Secretariat

The Commission has been supported in its work by a secretariat composed of Wendy Wilkinson, Dominic Curran, Samantha Fiander, Joyce Gibson (December 2007 – March 2008) and Marie-Claire Farmer (April – September 2008).





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