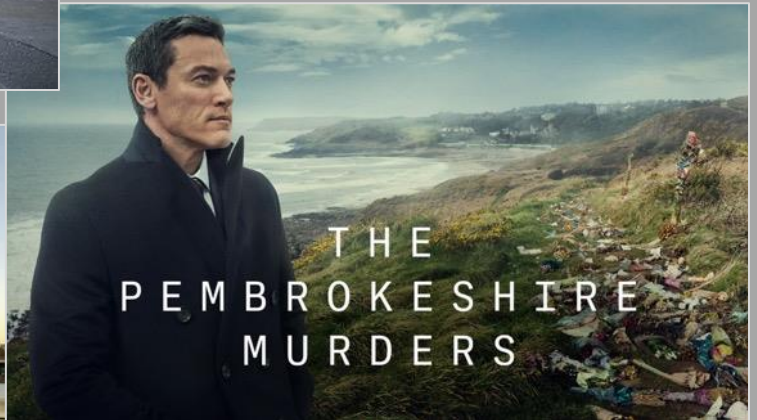


Mediatique



ITV in the Nations and Regions: Storied past, dynamic present, challenges ahead
A report for ITV, May 2021

Key Findings

- ITV asked Mediatique to analyse the implications for the Nations and Regions ('N&R') of changes in the TV economy in the UK, the globalising nature of TV distribution and production markets and the pressures building on the compact that has traditionally enabled the delivery of Public Service Broadcasting ('PSB') outcomes.
- Rapid changes in the TV industry are fuelling fundamental pressures on the domestic TV ecology, with particular and potentially damaging implications for viewers, for the creative economy of the UK's Nations and Regions and for national broadcasters, including the PSBs.
- This should matter because, in 2019, ITV's financial impact in Nations and Regions totalled £538m according to new analysis conducted by Mediatique and commissioned especially by ITV for this report; for every £1 spent directly on ITV's own staff, another £4.85 was generated elsewhere in the economy (either through ITV's spending on freelancers, other contractors and procurement of local services, or via economic activity generated as a result of the expenditure). Around 43% of ITV's employees ('full time equivalent') are based in 34 centres outside the M25.
- Taking together ITV's own payroll and its supply chain expenditure, each £1 spent generates an additional 78p in the wider economy. ITV's financial impact would be £105m higher (at around £643m) if the calculations included the additional £59m that ITV spent with regional independent production companies too.¹
- As outlined in detail in this report, the economic role played in the Nations and Regions by ITV – and indeed the other PSBs as well – is a critical one: it contributes to skills development, enables talent to progress and flourish, generates jobs and tax receipts in multiple regions in the UK and has a financial impact well beyond its direct investments.
- ITV's ability to continue to contribute in the Nations and Regions is, however, under threat; and the risks are not just economic. The sizable presence (and spend) of ITV in the Nations and Regions of the UK is also reflected on screen, via content that is produced in the UK, by people in the UK, about the UK for UK viewers, in contrast to content from more globally oriented players.

Market context

- TV markets globally are evolving quickly, driven by changes in technology, consumer behaviour and business models; emblematic of these changes has been the emergence of well-funded, global digital players benefiting from their ability to address UK audiences on connected TVs and other devices via the internet, deploying new business models such as subscription video on demand ('SVOD') on a global scale, often facing little regulatory oversight.
- In parallel, some of these global players (for example Google, Amazon and Apple) are emerging as 'gatekeepers' in this connected world, extracting substantial value from content providers, controlling the means of addressing connected consumers and collecting and monetising consumer data. These players favour their own content or content supplied by cash-rich partners, often auctioning access to their connected platforms, and the most prominent positions within them, to the highest bidder and seeking to charge ongoing fees that are far beyond the ability of national broadcasters such as the UK PSBs, negotiating only for the UK, to pay.

¹ The only reason the impact of this spend is not added to the £538m number in our base case is because ITV does not have direct visibility of exactly how the money is spent by the independent producers outside London. The additional (notional) £105m of economic impact from that £59m spend is calculated using the same multiple applied to derive the £538m figure, assuming, as an illustration, that the spend categories and impacts are similar.

- While domestic broadcasters, including ITV, remain popular and relevant, as Ofcom's research for the PSB Review² has shown recently, their revenues face growing pressure as market globalise and competition for viewing, talent and revenue increases, with implications for the commercial funding models underpinning national TV content (chiefly TV advertising and traditional pay TV).
- For many years the UK has had a fundamentally national TV market where players financed by advertising, pay-TV revenue or the licence fee competed on a level playing field: this offered high levels of competition but also ensured PSB delivery of a wide range of UK original content, accurate and trusted news across the UK and representation in and of the Nations and Regions.
- This ecology helped to underpin the PSB compact through which certain 'regulatory assets' (access to scarce broadcast spectrum, prominence in linear TV listings) were granted to licenced broadcasters such as ITV in return for commitments to news, UK content production, meeting quotas for commissioning from external, independent producers and ensuring significant production outside London.
- That equitable national TV market is being fundamentally disrupted. This is particularly the case as global content players increasingly make more TV in the UK, as US technology and other players seek to control the distribution of TV globally and as new and powerful global advertising platforms establish ever more dominant positions across more and more media. The national TV market of the past 20 years is being transformed at pace and becoming part of a much bigger global market. Increasingly the level playing field of recent years is being upended.
- The powerful new entrants (Amazon, Netflix, Google and Apple), alongside big US studios emulating the streaming models favoured by global digital giants, are providing an attractive, compelling service to those UK consumers who are willing and able to pay for them. Increasingly they are also setting up production hubs in the UK too. There is much to welcome economically from such inward investment. However, it is important to be clear that these new global players are making content for the world and not just the UK and they do not produce the range and depth of original UK content typically offered by the BBC, ITV, Channel 4 and Channel 5; nor, left to the market, are they incentivised ever to do so.
- Furthermore, the content expenditure of these new global players is largely confined to a few global genres (drama, comedy) and their investment in physical production hubs is concentrated in London and the South East of England. At the same time the new investment has driven significant cost inflation for national players and resulted in US style 'all rights' commissions from UK producers, leaving suppliers with less or even no ancillary revenues.
- For their part, PSBs continue to meet quotas for regional news, regional content, regional production, independent production, and to abide by regulated Terms of Trade where rights are shared with independent producers. Yet at the same time, PSB rights of access and guaranteed prominence do not extend to new, digital platforms – which are often controlled by the new-entrant digital giants who compete against the PSBs for audiences. The PSBs' commitment to a wide range of original UK content, multiple genres, news and programming that is made in and about the Nations and Regions is becoming more difficult to sustain against these mounting structural challenges.
- The PSB commitment to the Nations and Regions of the UK is a battle against market forces pulling in the opposite direction. The long-term pull of London as the centre of film/TV production and related services has been well documented with a recent study³ showing that whereas in 1991 36.5% of film, TV, video, radio and photography employees were located in London, by 2018 this was 54.9%. There is strong evidence to show that, absent intervention, value would continue to cluster in London at the expense of growth elsewhere.

² Ofcom, [Public Service Broadcasting](#).

³ Policy & Evidence Centre & Nesta, [The Changing Spatial Distribution of Employment Clusters in England, 1991-2018](#).

ITV and the Nations and Regions

- As we set out in detail in this report, the role played by ITV in the Nations and Regions is key in a significant number of areas: economically in terms of direct and indirect investment in content as well as in skills development, jobs creation, talent promotion, in entry level initiatives with underrepresented groups, etc. But the results are seen on screen, too, through representation of the whole UK on TV, rooted in a physical presence around the UK – in the case of ITV both directly and through its production ‘labels’, many of which have significant operations outside London.
- ITV’s current dispersed regional structure reflects ITV’s original history as a set of regional franchises. While a result of this history, the dispersed structure has been sustained over time in part because of the PSB compact (which created a viable PSB role for ITV) and in part because of the level playing field in a national TV market that enabled national TV players, like ITV, to flourish even as competition accelerated with the arrival of multichannel TV.
- In 2019, ITV’s spend out of London (‘OOL’) on the main channel (as reported to Ofcom) totalled £265m, with an additional investment totalling tens of millions of pounds on regional news.⁴ All told, ITV had 2,116 full-time equivalent employees outside London in 2019⁵ (around 43% of ITV’s total group employees), and supported thousands of freelance jobs.⁶
- ITV helps create a critical mass of production capability and provides a means for people either to work locally (benefiting from increased opportunities generated by ITV and other broadcasters) or to develop their skills management and entrepreneurial talent, both in TV but in a range of adjacent areas too. While difficult to quantify, the impact of training, employment and talent incubation over time is likely to be significant.
- ITV’s regional presence is suffused throughout ITV’s content on screen – through Nations and Regions news (3,400 hours in 2019), and through numerous programmes it makes (for itself or other broadcasters) such as *Coronation Street*, *Emmerdale*, *Shetland*, *The Pembrokeshire Murders*, *The Bay* and many others.

ITV in the Nations and Regions at a glance



2,116

ITV FTE employees in the N&R in 2019, 43% of ITV



3,608

Freelance contracts across *Coronation Street*, *Emmerdale* and N&R news in 2019



306

New hires in the N&R 2019



28

ITV apprentices in the N&R from 2011-2019



34

Key TV production hubs, bureaux and locations in N&R 2019



14

of 24 labels have presences in the N&R

⁴ In addition to this direct content costs for Nations and Regions News (exact figures are commercially sensitive), there is an additional overhead allocation for central costs. All relevant costs driven by news activity in the Nations and Regions are included in the review of ITV’s Financial Impact in the Nations and Regions in our report.

⁵ Where data has permitted, and in cases where the difference has been meaningful, employee headcount data provided by ITV have been adjusted to account for the differences between headcount and full-time equivalent employees (‘FTEs’).

⁶ There were as many as 4,200 freelancers who worked for ITV nationally in 2019, often engaged on multiple projects. While we do not have the data to determine the number of these likely to be working in the Nations and Regions, we can identify 2,609 freelance contracts across *Coronation Street* and *Emmerdale* alone in 2019, and another 919 for Nations and Regions news.


3,436

Hours of N&R news produced in 2019


1,663

hours of (non-news) OOL⁷ programming for ITV in 2019

£265m

Nations and Regions content spend on main channel as reported to Ofcom in 2019 (excluding N&R News)


78%

Weekly reach for ITV in the North East in 2019

ITV's financial impacts

- In addition to employing 2,116⁸ people outside London ITV's activities directly and indirectly support a further 2,553 full-time equivalent jobs; it generated £538m of value in the Nations and Regions in 2019, of which £92m was directly expended on staff on ITV's payroll and £210m on freelancers and other contractors.⁹ For every £1 of direct payroll expenditure, £4.85 of additional value was generated through the supply chain and indirectly in the local economy. For every £1 of payroll and supply chain expenditure taken together, another 78p was generated. This excludes National Insurance and VAT contributions, and further value generated through business rates paid locally.
- Another £59m commissioned by ITV on independently produced Nations and Regions content supplied by external providers is excluded for modelling purposes from our 'multiplier' calculations, only because we do not know for certain how it was spent in sufficient detail for the application of the multipliers. If this expenditure is assumed to generate impacts in line with ITV's 'in-house' expenditure (direct payroll and supply chain), the incremental impact would be £46m for an additional total value of £105m, taking the total impact to £643m.¹⁰
- ITV employed 4,189 individual freelancers in 2019 across the whole of its businesses. While data is not available to specify how many of these worked outside London, around 3,600 freelance contracts were entered into in 2019 to cover *Coronation Street*, *Emmerdale* and Nations and Regions news alone.
- ITV's Nations and Regions broadcast footprint also makes possible expenditure of c£350m of regional advertising, very likely to generate incremental economic growth in local markets.
- The multiplier effects, as provided in our analysis, speak for themselves: the number of jobs in place (and being created), the commitment to training, the value to local supply chains and to local governments and the Exchequer are testimony to the role of ITV in securing positive outcomes in the Nations and Regions.
- Added to this are less easily quantified but no less important impacts over time, including the number of people trained by ITV who subsequently go on to work in cinema, games or other adjacent industries, who

⁷ Out of London.

⁸ Except where noted, we have elected to translate all employment figures to a 'full-time equivalent' ('FTE') basis throughout the report. The salaries associated with these jobs exclude National Insurance contributions, which are delivered to the Exchequer and not available to promote economic activity directly through consumer spending in the relevant regions.

⁹ ITV entered into contracts with nearly 3,500 unique suppliers in the Nations and Regions in 2019, many of which were likely to be SMEs (although granular data is not available).

¹⁰ Note that the total expenditure in the Nations and Regions, before any multiplier effect, is therefore £362m – i.e., the £59m of third-party commissions and a further £303m of direct payroll and procurement of freelancers and contractors (the rounded sum of £92m and £210m). This is higher than the out-of-London expenditure reported to Ofcom: the difference is made up of expenditure not allocated to content (e.g., some overhead and contracts for professional services) and any content made for ITV's diginets. See Section 4 on modelling for a discussion of how the 'in house' impact has been calculated and why this approach cannot be used for the externally supplied element owing to lack of granular data on how the investment is spent.

set up independent production companies of their own or who establish technical services operations of various kinds, contributing to local and national economic growth.

ITV impacts in the Nations and Regions at a glance (2019 figures)



£538m

Total contribution to the economy



£643m

Implied (notional) total contribution including ITV's expenditure via independent production companies



£92m

Expenditure on direct payroll in the Nations and Regions in 2019



£210m

Expenditure on suppliers and freelancers in the Nations and Regions in 2019

Jeopardy for PSB delivery outside London in future

- The PSBs have delivered benefits – economic, cultural and democratic – to the UK's Nations and Regions that could not have been provided by the market alone: this was partly the result of an effective PSB compact of rights and responsibilities but also a level playing field in what for many years were fundamentally national TV and advertising markets. ITV is a lynchpin of this delivery, as this report shows.
- However, those supportive elements of PSB delivery and investment in a TV ecology across the UK are now threatened as TV and advertising markets globalise and as large gatekeeper platforms increasingly seek to control TV distribution in the UK and extract as much value as they can from content providers. At stake is the visibility and viability of UK PSB content (which continues to be both popular and perceived by audiences as important); at risk is the substantial public benefit delivered by PSBs across the UK.
- There is a very real prospect in the next few years of value being extracted from the UK creative industries, particularly the PSB system, and shifted abroad – specifically to providers and platforms based in the US. The evidence suggests that in future, absent intervention, the competitive playing field in the UK will not be level between global and national TV operators.
- The new global players in TV production and distribution, valuable though they are to the UK, will not replace the public benefit delivered by ITV (or the other PSBs) particularly in the Nations and Regions of the UK. The content of the new global players is mostly made for a global market and their models are mostly pay-exclusive (i.e., based on people paying directly for content) and the range of genres they offer are limited (and are unlikely ever to include news, particularly news in the Nations and Regions). The evidence to date also suggests that the investment of these new players will be focussed in the most economically efficient manner in the South East of England rather than spread across the whole UK.
- Accordingly, without a rejuvenated PSB compact for ITV and other commercial PSBs the risk is that there would in future be:

Worse outcomes for UK viewers: less UK focussed content, less choice, less on-screen portrayal of the whole UK, demise of plurality in Nations and Regions news

- Absent an effective and renewed PSB compact, UK audiences would be watching more programming made for a non-UK market, a radically narrower number of genres and be much less exposed to programming made in, for and about the UK, which would be produced in lower and lower volumes. The impact on audiences would be acute for local and regional news and current affairs, and 'niche' genres with smaller audiences. These outcomes would not be evenly distributed since, as pay TV becomes the mainstream, those people

who will not or cannot pay for TV would no longer have the range of content on free-to-view TV in the UK that they have been used to.

- The absence of a sustainable PSB ecology would undermine the economics of commercially funded Nations and Regions programming (particularly news) from ITV, leaving the BBC as the only direct provider of such content. This would reinforce a real deficit in scrutiny, accountability and national/regional focus in a media ecology already suffering from the significant decline of the press across the UK. There is no sign of the market filling this gap any time soon.
- As the previous year has shown, public service information at local level has been critical to the campaign to combat Covid-19; this would also be a risk in the absence of PSB.

Worse outcomes for the UK's Nations and Regions: Less TV production and less economic activity outside London

- The central role of the PSBs in the dispersal and maintenance of TV production across the UK is clearly evident from the data and analysis provided in this report. Maintaining that level of activity outside of London and the South East, let alone building on it, can be both harder and more expensive than focussing on the established hub in London and the South East of England where the pools of skilled labour, on-screen talent and facilities are deepest in the UK.
- The extent to which global content players have to date concentrated on expanding production facilities and operations in London and the South East of England illustrates the most efficient, market-based outcome. The PSB commitment to the Nations and Regions sustains a vibrant and growing sector but it is a battle against market forces pulling in the opposite direction. Without that viable PSB commitment there is no reason to think that London-centric concentration would not intensify as more discretionary TV production drifted back to the South East of England. Filming outside of London would of course continue but the viability of major TV production bases in Leeds and Salford would increasingly come into question.
- Such a scenario is likely to play out even with a continued PSB presence in the Nations and Regions (whether the BBC alone or alongside Channel 4) in the event that ITV, absent a rejuvenation of the PSB compact, ceased to be a PSB or continued with a much-diminished role. A reduction in ITV's presence outside London would have profound implications for the scale of activity that could be delivered by those PSBs that remained, with their impact reduced as the economics of regional hubs shared with ITV became more challenging absent the contribution of ITV's employment, investment and commissioning.

A shift in expenditure away from Regional Independent Producers

- The PSBs are the key customers of independent producers based in the UK's Nations and Regions. The demise of a flourishing PSB system and a drift for TV overall to London and the South East would inevitably lead to less demand for content from such producers. This problem would be magnified as broader independent production interventions became harder to sustain – both in terms of quotas but also the regulated Terms of Trade. In a world where a PSB ecology is no longer flourishing and the distribution platforms are extracting more and more value from UK TV content, there would very likely be a concerted shift back to a situation where the producer had to concede all rights in return for a commission. There might well be no alternative for commercial PSBs other than to seek 'all rights' deals; and such an outcome would have knock-on effects for the broader health of the UK TV economy.
- A summary of the key implications and impacts for the Nations and Regions of the decline in a strong and sustainable PSB ecology are set out in the table below:

Implication	Result	Impact on Nations and Regions
No viable obligations for nations/regions programme (esp. news) production	<ul style="list-style-type: none"> Minimal if any commercially viable nations/regions programming, particularly news Closure of network of ITV offices across the UK Even fewer journalists in local communities No credible rival to BBC in nations/regions programming (esp. news) 	<p>↓</p> <ul style="list-style-type: none"> <i>Far less national and regional news output across broadcast TV</i> <i>Far fewer hours focused on local community</i> <i>Less democratic accountability and media plurality</i>
Reduction of Out of London commissioning and production	<ul style="list-style-type: none"> Fewer high-quality regional and local programmes for national audiences Fewer opportunities for regional indies Less money being spent OOL 	<p>↓</p> <ul style="list-style-type: none"> <i>TV output becomes: less British, less reflective of UK audience, and increasingly sourced from non-UK and non-regional players</i> <i>Loss of business for N&R indies</i>
Reduced support services in N&R	<ul style="list-style-type: none"> Greater centralisation in London as commitment to regional hubs diminishes Less spend on back-end services in N&R stemming from greater centralisation Loss of jobs unlikely to be replaced <i>in situ</i> 	<p>↓</p> <ul style="list-style-type: none"> <i>Spend accumulates in London and does not spread across UK</i> <i>Loss of regional jobs with no clear replacement</i> <i>Less money in the N&R</i>
Overall financial impact from loss of N&R production activity	<ul style="list-style-type: none"> Multiplier effect severely capped in these areas Fewer job opportunities for talent Less support for suppliers and indirect suppliers 	<p>↓</p> <ul style="list-style-type: none"> <i>Loss of key contributor to UK public-service outcomes</i> <i>Less concentration of skills set</i> <i>Less rich pool of UK regional output</i>
Less representation of the UK on TV and exacerbated social exclusion	<ul style="list-style-type: none"> Potential for services to prioritise national over local/regional/nations services Rural and less well-connected areas most at risk Attractive paying audiences super-served at the expense of universal coverage (players may chase younger audiences online rather than maintain expensive traditional free-to-access linear services) 	<p>↓</p> <ul style="list-style-type: none"> <i>Loss of service to audiences</i> <i>Particularly older, C2DE audiences that are more likely to use FTA linear services</i> <i>Rural communities will face this risk significantly</i>
N&R producers and indies become highly vulnerable	<ul style="list-style-type: none"> Commissioning spend shifts to London and away from independent producers Less varied content commissioning Terms of Trade protections unviable leading to more all-rights deals with producers 	<p>↘</p> <ul style="list-style-type: none"> <i>Less spend on UK content producers, for a narrower range of genres</i> <i>Decline in spend with indies</i>

- This gloomy prospect is not inevitable. However, Government will have to act if the PSB compact is to be sustainably renewed for a digital era. Renewal will require intervention to establish a new level playing field for PSBs to enable them to compete effectively with global players and to secure prominence and value from their UK-focussed content on global TV platforms in the UK. Such intervention would in turn help to sustain a national system of Public Service Media ('PSM'), via both TV broadcasting **and** online distribution. However, above all, it would continue to enable the PSM system to sustain the TV economy of the UK's Nations and Regions.
- Of course, at the same time, there are also measures that Government could take that would instead accelerate many of the negative outcomes we outline in this report. A prohibition on TV advertising of food and drink

products high in fat, salt and sugar before 9pm, for example, would have precisely that negative effect given the scale of impact such a measure would likely have on UK broadcasting and commercial PSB.

- Sustaining the TV economy is not simply about PSM, important though that is. Other measures that could also help deliver even greater, broader benefits to the UK's Nations and Regions might include specific help on ensuring the ability of ITV and other broadcasters to favour investments in the Nations and Regions – e.g., targeted tax credits with an N&R focus and a mandating of publicly owned broadcasters (the BBC, Channel 4) to do more outside London (in line with the direction of travel suggested in their recent public announcements). These might be amplified by general strategy around improved transport links (e.g., TransPennine connections to better connect Manchester/Salford and Leeds, properly to create a Northern Powerhouse in TV and film production) and significant changes to focus apprenticeship and other talent promotion schemes outside London.

ITV's total presence¹¹ in the Nations and Regions – at a glance



¹¹ Heat map includes all locations where ITV has presence in the Nations and Regions, including Studios and external labels. Size of bubble indicates number of Full Time Equivalents ('FTEs') in each ITV city/location. Pull-outs are the cities and locations where ITV has greatest presence. Note: excludes STV, the only Channel 3 licensee not part of ITV plc.

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1) Introduction

- 1.1 ITV plc ('ITV') asked Mediatique Limited ('Mediatique') to analyse the implications for the Nations and Regions of changes in the TV economy in the UK and in particular the globalisation of TV distribution and production markets and the resulting pressures building on the compact that has traditionally enabled the delivery of Public Service Broadcasting ('PSB') outcomes.¹²
- 1.2 Rapid changes in the TV industry – the advent of new technology (faster broadband, greater take-up of connected devices), shifts in consumer behaviour, evolving business models and the very rapid establishment of global players in content, but above all in TV distribution (with the rise of powerful global online gatekeepers) – are together fuelling fundamental pressures on the domestic TV ecology. The changes have particular and potentially damaging implications for the delivery of PSB/Public Service Media ('PSM') outcomes and for the creative economy of the UK's Nations and Regions.
- 1.3 The shift from the national to the global will create real issues in the medium term, assuming the objectives of PSB continue to be worth pursuing, as it is the national players – specifically the public service broadcasters either funded by the licence fee (the BBC) or heavily reliant on advertising (ITV, Channel 4 and Channel 5) – that have to date been the most heavily committed to original UK content creation, regional on-screen presentation and to investment and other activity in the Nations and Regions. They justified these commitments, funded either by public money or commercial revenues, against the very real value of prominence on linear programme guides and access to spectrum. Structural changes in the market, and the advent of new competitors vying for a share of consumer attention and money, have eroded the very revenue streams that underpin delivery of commercial PSB and have diminished, in the eyes of some observers, the justification for a universal licence fee.
- 1.4 Even with the pressures of recent years (in viewing and revenue terms), the PSBs collectively spent £2.6bn in 2019 on content, supporting local talent and deepening and broadening the UK TV skills base. Collectively, PSBs account for 80% of expenditure on original commissions outside of London and are still the primary clients for out-of-London production suppliers.¹³ The BBC, ITV and more recently Channel 4 have a network of offices around the country, sustaining jobs and skills as well as funding or making a significant amount of content in the Nations and Regions (encouraged by regulations not imposed on digital new entrants).
- 1.5 Global streamers such as Netflix, Amazon and Apple, already strong competitors in terms of distributing their offerings directly to UK households, have invested recently 'upstream' in UK-originated content and production hubs. However, this investment has tended to be in a limited number of genres of global appeal and clustered in London and the South East, entrenching the overwhelming bias toward London in commissioning, production and as a distribution centre.
- 1.6 Put another way, the market left to its own devices, and absent a PSB framework, incentivises productions in the South East and content that does not necessarily represent regional voices.
- 1.7 There remain significant structural and market challenges in delivering on the PSB Nations and Regions mandate, not least in terms of the lack of surrounding infrastructure that makes London such an important hub for production: good transport links, density of local talent and crew, breadth of freelance availability, etc. Nevertheless, ITV and other PSBs have continued to operate physically in the Nations and Regions (joined, recently, by Channel 4) and to represent a diversity of regional views and genres (including, critically, regional news). A fundamental question posed by recent changes in the TV market is around the extent to

¹² The views expressed in this report are those of Mediatique and not necessarily of ITV. See Important Information at the end of this document.

¹³ Ofcom, [Review of Regional TV Production and Programming Guidance, Statement, 2019](#).

which commercial PSBs such as ITV can continue to buck strong market trends absent a fundamental reform of the PSB/PSM system.

- 1.8 Options for facilitating out of London ('OOL') production are numerous: improved transport links, more flexible apprenticeship programmes, new subsidies to encourage the creation of production facilities, tax incentives to increase production regionally, including incentivising 'returning' series and/or re-location of London-based productions. As important, indeed more, will be changes to the PSB compact itself.
- 1.9 To assist in determining what is at stake, this report examines the current role of ITV in the Nations and Regions and its impact in generating broader economic impacts outside of London, directly (including through its local supply chains) and through its indirect impact regionally. We then analyse the potential disbenefits of further globalisation absent a renewed and reformed PSB compact, specifically in the Nations and Regions, and conclude with observations on potential ways forward to address structural challenges.
- 1.10 At time of writing, the UK is under a third Covid-related lockdown, mirroring the experience across the majority of 2020. The year just gone was undoubtedly a unique one, not only within the TV landscape but across all daily lives more generally. To ensure that our analysis is representative of underlying trends, we have used 2019 as the main base year for our analysis. This circumvents two potential issues in the creation of this report: lack of available and comparable data from 2020, and artificially inflated (or deflated) numbers attributable to behaviours stemming from the lockdown. Where useful, we include data from 2020, but overall, we argue that 2019 represents the most appropriate and up-to-date reference year for an impact analysis of ITV and its operations in the Nations and Regions.¹⁴

Report structure

1.11 The structure of this report is as follows:

- In **section 2**, we set out an overview of recent developments in the UK TV landscape, the role of the PSBs in generating content (and broader economic impacts) outside of London and the future of content production and distribution in light of a globalising TV economy;
- In **section 3**, we summarise ITV's commitment to the Nations and Regions and the impact of its these activities, including analyses of key sites and regional hubs, employment, production and viewing;
- In **section 4**, we lay out our methodology for determining the multiplier effects from ITV's expenditure in the Nations and Regions and detail our key calculations in this regard;
- In **section 5**, we examine what the UK market might look like absent a reform of the PSB compact and highlight what would at risk in this context if ITV were no longer to operate as a PSB; and finally,
- In **section 6**, we set out our conclusions.

A note on sources and methodology

1.12 We used a range of sources for this report, including where possible Ofcom, and references are provided in context throughout. We were also given access to very detailed data from ITV on the basis that we aggregated these and remained aware throughout of commercial sensitivities. The forecasts of market developments are those of Mediatique. The impact analysis is based on accepted principles for the calculation of the multiplier effects stemming from investment. These are fully described in Section 4.

¹⁴ Where available, we have used data published by sector regulator Ofcom; we have also reviewed materials published by other broadcasters, including the BBC, Channel 4 and Sky. Detailed data on ITV's Nations and Regions investments were provided by ITV directly. This report was commissioned by ITV. See disclaimer at Important Information at the end of this report.

2) Key developments in the UK TV landscape

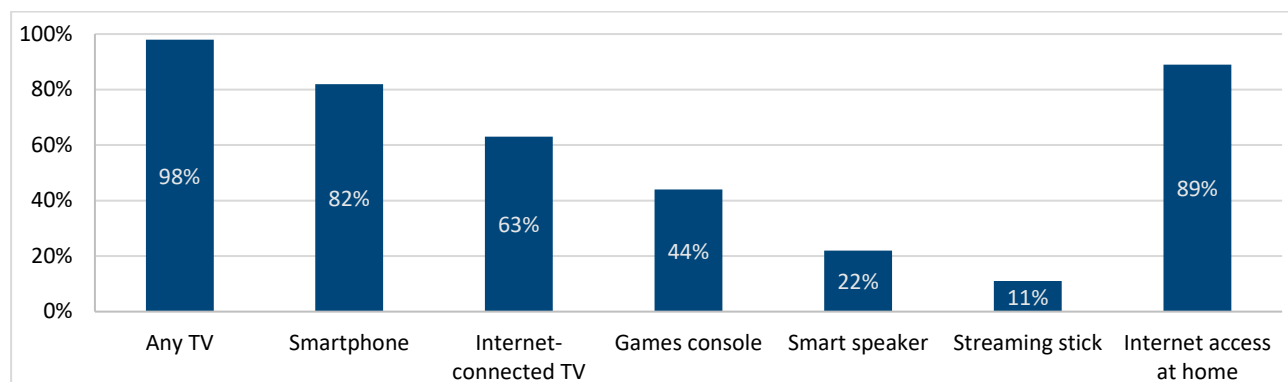
Key findings in this section

- IP connectivity and smart device penetration, coupled with shifts in consumer behaviour and new entry by a range of digital giants, have led to a globalisation of TV markets, with material amounts of TV viewing displaced in favour of on-demand ('non-linear') services, particularly of content supplied by fast-growing global SVOD streamers
- At the same time, global distributors such as Google, Amazon and Apple are emerging as 'gatekeepers' in this connected world, extracting very substantial value from content providers, controlling the means of addressing connected consumers, collecting and monetising consumer data and often promoting their own content; they (alongside 'pure' streamer Netflix) are also increasingly active themselves in UK content commissioning and even production
- Pressures on broadcast revenue models have grown as viewing has decreased, with TV advertising and traditional pay TV both facing structural headwinds and with on-demand propositions in the ascendency: this has disadvantaged nationally focussed broadcasters reliant on ad and pay-TV income and favoured digital (mostly US technology) players targeting on-demand revenues, benefiting from global scale and access to capital and operating with little regulatory oversight
- International investment has eroded traditional content rights windows in the UK and led to higher costs for key content; national broadcasters, still popular and relevant with audiences, face increased costs and competition for talent on and off screen
- The impact of these forces on the sustainability of the PSB compact, which has underpinned commitment to local content, regional news, investment in the Nations and Regions (in return for access to broadcast spectrum and guaranteed prominence in linear TV listings) is considerable; these 'regulatory assets' have declined in value as IP substitutes for broadcast and prominence provisions do not (yet) extend to the emerging, connected platforms and devices and their wider user interfaces
- Notwithstanding these pressures, the PSBs continue to be the major producers of original UK content and sustain high levels of investment in the Nations and Regions
- International players are also investing in UK content and in production infrastructure in the UK, as the globalisation of distribution is accompanied by the globalisation of commissioning and production; however, content expenditure is largely confined to a few 'global' genres and physical presence in the UK is wholly concentrated in and around London and the South East

The globalisation of TV: the arrival of TV on the internet as a mass-market product

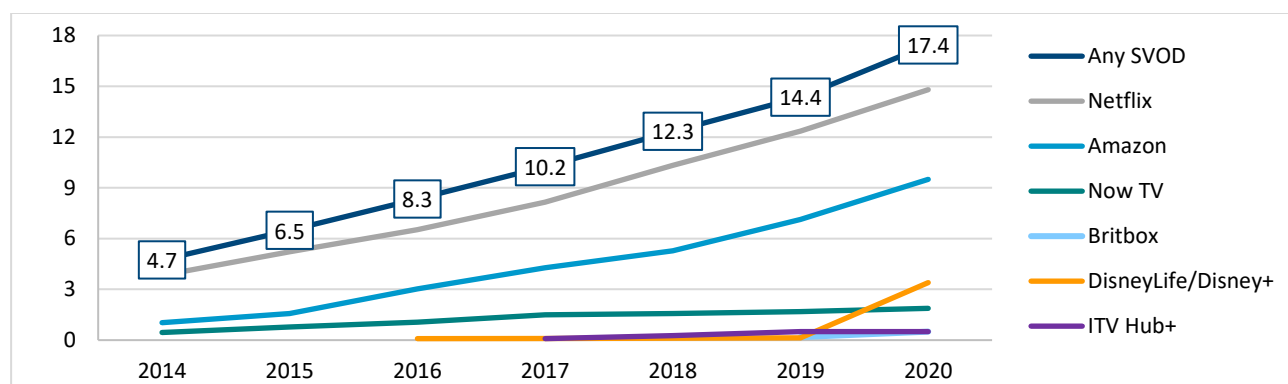
- 2.1 UK consumers, as is the case in major mature markets worldwide, are now largely online (nearly 90% of adults have internet access at home, via fixed broadband and/or mobile) and in possession of a range of (increasingly connected) devices through which to access traditional and emerging forms of audio-visual ('AV') content, including live TV, on-demand/catch-up, short-form and user-generated content, radio, streamed music and podcasts.

Figure 1: Device ownership and connectivity of UK adults (16+), 2020 (Ofcom)



2.2 Increasing broadband speeds and rising device ownership have enabled a marked growth in the take up and use of Video-on-Demand services, including SVOD (Netflix, Amazon Prime Video, Disney+), BVOD (ITV Hub, BBC iPlayer) and AVOD services (YouTube).¹⁵ The growth in SVOD penetration in particular has been rapid; from under 5m UK households in 2014 this grew to 17.5m by Q3 2020.

Figure 2: SVOD households in the UK, in m, 2014-2020 (BARB, Mediatique)¹⁶

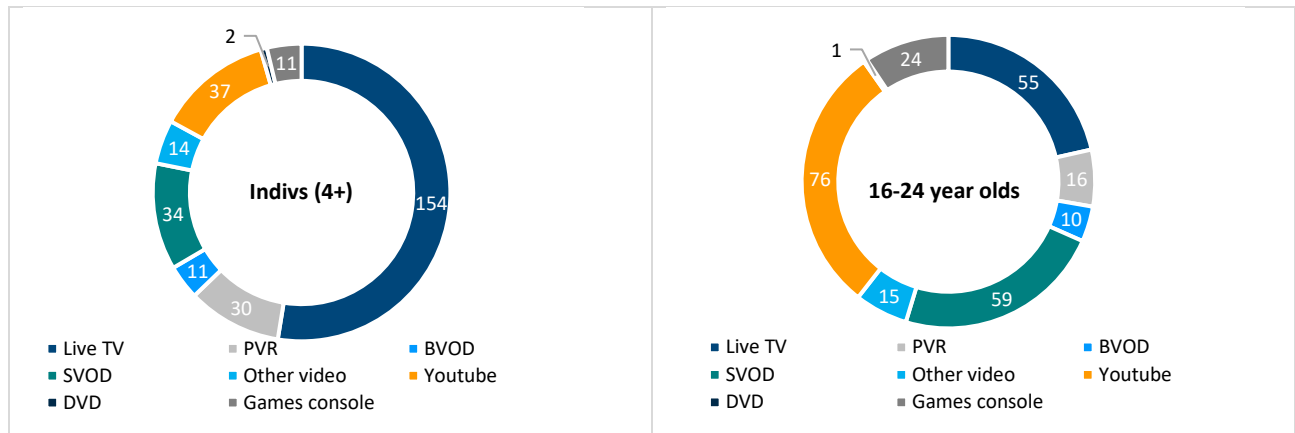


2.3 As with all previous increases in choice for consumers in TV (from the introduction of competition to ITV from Channel 4 and Channel 5, to the arrival of multichannel TV and Digital Switchover), the inevitable result is a redistribution of viewing time – in this case by consumers who have reduced their viewing of broadcast ‘live’ TV in favour of a range of other AV consumption. While the trend toward greater non-linear usage can be observed across all age demographics, younger age cohorts are particularly heavy users of non-linear services, with those aged 16-24 watching over an hour and a quarter of YouTube alone per day, compared to just 37 minutes for all individuals.

¹⁵ Subscription Video on Demand (‘SVOD’) applies to any service for which consumers pay an ongoing (usually with no fixed term) fee. Broadcasting Video on Demand (‘BVOD’) denotes on-demand services from broadcasters, which typically carry digital advertising (BBC iPlayer is funded by the licence fee). Advertising Video on Demand (‘AVOD’) is the umbrella term for all ad-funded on-demand services, and includes YouTube, Daily Motion, etc.

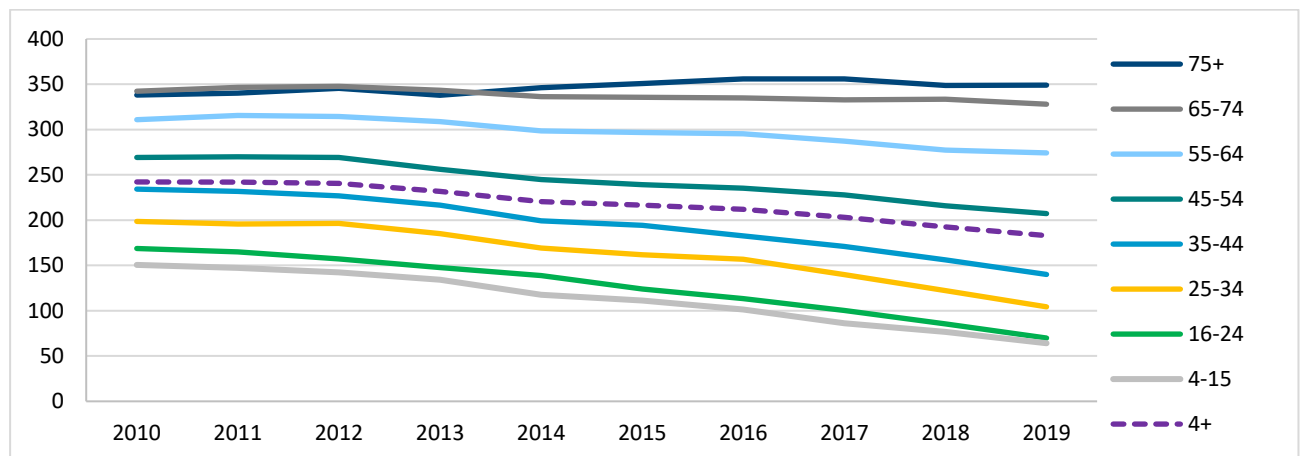
¹⁶ 2020 data refers to Q3 rather than year-end due to lack of available data as a result of Covid-associated restrictions.

Figure 3: Total daily viewing by type, individuals (4+) and 16-24 year olds, in mins, 2019 (Ofcom)



- 2.4 These trends have been observable for several years, with a marked demographic variation, as shown in the 10-year trailing data for consumption in daily TV minutes, with every cohort except the 75s and over watching fewer minutes over the period to 2019.

Figure 4: Average daily TV minutes per person by age group, 2010-2019 (Ofcom)



- 2.5 The decline in live TV viewing is unsurprising. Audiences have a finite amount of leisure time; as a consequence of increased competition for audiences, particularly in recent years since the rapid growth in SVOD, non-linear consumption has taken share from broadcast TV. What is perhaps more surprising is the extent to which live TV viewing is holding up, which suggests continued widespread audience interest in PSB content, something that Ofcom's own research for the PSB Review confirmed. In addition, of course, a proportion of this non-linear consumption will include viewing to non-linear services provided by broadcasters themselves (for example, via catch-up or 'start again' functionality, or streamed on-demand via BVOD players such as BBC iPlayer and the ITV Hub). But it is viewing to global SVOD players that has seen the most rapid growth.

The emergence of new gatekeepers

- 2.6 The growth of SVOD, and viewing to non-linear generally, brings an associated risk stemming from the very nature and scale of SVOD services (and the connected platforms through which they are offered).
- 2.7 For the most part, SVODs are operated by global – predominantly US – players. Some, Disney's Disney+, NBCUniversal's Peacock, WarnerMedia's HBO, for example, are direct-to-consumer propositions created by broadcasters or global studios seeking to reclaim lost audiences (or gain new ones). Others, however, are from tech-focused companies (for example, Netflix, Amazon, Apple and Google). With the notable exception of Netflix, which remains a pure-play SVOD proposition, these providers also operate in adjacent markets across the content and distribution value chain.

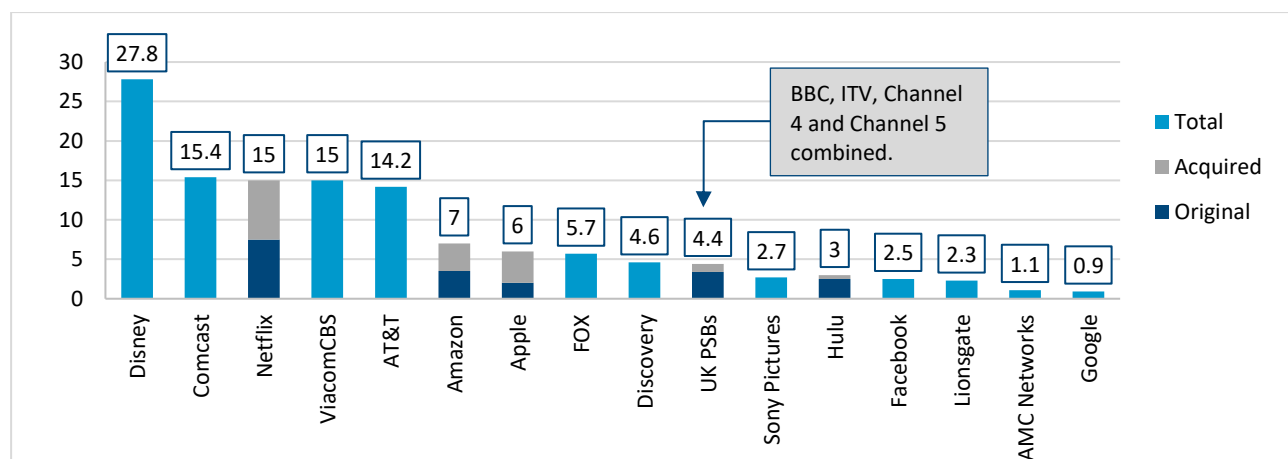
- 2.8 In particular, these companies have expanded their hardware offerings to include a range of connected devices and smart/voice-assisted devices (on top of smartphones) and proprietary software (i.e., the operating system) that runs these devices. More recently, certain players have also extended their reach by providing their software to third-party manufacturers, e.g., Google's Android TV.
- 2.9 Control of the OS generates a range of benefits, mainly derived from data collection and its subsequent use or sale – for example, to deliver targeted advertising and personalised content choices. Perhaps more importantly, their presence across the connected TV value chain in particular means that global tech players are often in control of the 'user interface' through which consumers access content. This is significant in terms of the PSBs because prominence is not as protected on these new platforms and systems as it is through the EPG that functions in free TV households or via traditional pay-TV services from the likes of Sky and Virgin.
- 2.10 Specifically, the positioning of apps, the outcomes of searches and recommendations and how content gets surfaced to the user are either more likely to favour the operator's own content or the content of third parties prepared to pay the highest price for access and prominence. The result is that the PSB prominence obligation on linear TV platforms is less and less valuable and relevant as people increasingly access TV in other ways on unregulated interfaces, often controlled by global technology companies.
- 2.11 It is worth noting, too, that traditional pay-TV operators like Sky (itself owned by a US cable and studio giant, Comcast-NBCU) are evolving their own propositions to emulate the approach of the digital players – by aggregating SVOD streamers themselves and seeking to migrate to IPTV away from broadcasting as a means of securing a 'gatekeeper' status in future.
- 2.12 We use the term 'new gatekeepers' to describe the ways in which the balance of power is shifting in favour of large, global players, operating at scale. These impacts are likely to be compounded over the medium term by the emerging forms of search, navigation and content display, including the integration of voice control within smart and connected devices, and data-driven recommendation algorithms that disaggregates content from its source (whether a channel or VOD app).
- 2.13 Furthermore, there is also increasing evidence that as well as monetising prominence in all its aspects to the highest-paying global bidders, the gatekeeper platforms will increasingly seek to extract as much value as they can from content providers on their platforms. Amazon's standard terms for content providers on its TV platforms are 30% of advertising inventory being made over to Amazon. Ultimately this value extraction will be particularly problematic for national players who are already contending with the economics of making and monetising content that may only be particularly attractive in a single territory, as they will also face competition for limited 'real estate' on platforms from players aiming to address global audiences.

Globalisation of TV commissioning and production

- 2.14 Initially, SVOD players sought to take advantage of the globalisation of *distribution* enabled by internet delivery, using attractive content to win subscribers in multiple territories. More recently, players such as Netflix, Amazon and Apple are now helping to establish a globalisation of *commissioning and production* in key markets such as the UK, leading to content price inflation in large part driven by competitive bidding for talent. Their activities in the UK have reinforced a long-established talent axis linking Los Angeles, New York and London.
- 2.15 Thus, content is now being commissioned and bid for in the UK not only by national broadcasters but global studios, SVOD streamers, connected device manufacturers and even social media companies. This continues a trend that had already been established in the era of 'multi-channel', when the likes of Sky, Discovery and UKTV began seriously to invest in original content in the UK, attracted by the English language and a deep pool of creative talent. But global market players, both new entrants and existing US giants bolstered by

mergers,¹⁷ tend to have large content budgets – especially when compared to national PSBs and other domestic players. Certainly, their sheer size dwarfs UK players. Amazon, Apple, and Alphabet (Google) rank 9th, 12th and 29th respectively in Fortune Global 500 companies in 2020.¹⁸

Figure 5: Content spend at selected market players, \$bn, 2019 (Mediatique, Variety Intelligence, press releases)¹⁹



- 2.16 There are likely to be benefits from a more aggressive role by new entrants in UK content commissioning and acquisition, not least from greater opportunities for UK production companies to create content for distribution to a wider range of global clients. At the same time, there have been negative effects, too, including content cost inflation (which has generated pressures for national broadcasters unable to match global pricing trends) and significant impacts on rights windows (as global players seek exclusivity, thus reducing the value of ancillary windows). Cost inflation has been particularly evident in the key genres of drama, comedy and high-end factual, where national broadcasters, in particular the PSBs, are starting to be priced out of some content.
- 2.17 A further impact of the pivot of global streamers to commissioning and acquiring content in the UK has been an increase in demand for production facilities, driven in part by the decision of, *inter alia*, Netflix and Amazon to set up regional production centres in key markets, including the UK. However, in the UK context, this activity has been wholly concentrated on the already crowded London and South East market. In contrast to the expansion of the PSBs regionally, the global streamers – where they are investing in physical production infrastructure and related office space and other properties – have made limited spending commitments outside of London and the South East of England. This is consistent with trends we see worldwide, as global players tend to concentrate investments in cities with an already present cluster of skills and operations.²⁰
- 2.18 London remains an attractive location for global players as a regional hub for any European operations (in spite of Brexit, few have chosen to relocate wholesale, with some exceptions²¹) and also as a production base. The English language is a key attraction, as is the fact that London already has ready access to a deep

¹⁷ Disney-Fox, Comcast-NBCU, ViacomCBS and AT&T-Time Warner are examples.

¹⁸ [Fortune Global 500 2020](#).

¹⁹ Split of original to acquired where published or reported.

²⁰ Writing in the [FT](#) in 2021, Rana Foroohar points out that “...concentration in a few “superstar cities” is a global trend. It also tends to snowball as the most talented young people are attracted to a handful of urban centres, driving up property prices and making it tougher for anyone who isn’t part of the superstar club to get a leg up on the socio-economic ladder.” She quotes a study by [Kinsey](#) confirming this point.

²¹ In early 2019, Sony followed Panasonic in moving its European headquarters from the UK to the Netherlands, as reported in [Broadcast](#). Certain advantages of a London base (including in terms of transborder broadcast reception) remain in place as the UK and many (but not all) European Union member states are also signatories to the European Convention on Transfrontier Television.

talent pool across production, post-production and VFX ('virtual special effects'), and, particularly since the introduction of the high-end TV tax break in 2013, demand for studio space has grown rapidly.

- 2.19 Similarly, the South East is well connected in terms of transport links, and benefits from the clustering of other creative industries (advertising, marketing, other related content services) in the city and surrounds.
- 2.20 And thus it is perhaps not surprising that new investment from global streamers in UK production capacity is wholly focused on London and surrounding areas (most notably, Elstree, Pinewood and Shepperton).

Figure 6: Scale of studio-related activity, selected cohort (Mediatique)

Studio	Region	Key details
SKY / NBCU Sky Studios Elstree	Within M25	Sky announced a 32-acre TV and film studio in Elstree, with the backing of Comcast and sister company NBCUniversal. ²² It will house 12 sound stages, for Sky Originals and Universal Studios Group, and is due for completion in 2022. ²³
NETFLIX Shepperton Studios	Within M25	Netflix signed a long-term lease (allegedly 10 years) for 14 of Shepperton's sound stages as well as workshops and office space in October 2019. ²⁴ Known as the Netflix production 'hub' in the UK.
NETFLIX SEGRO Park Enfield	London	Netflix is similarly in talks with SEGRO Park to lease 230,000 sq. ft of warehouse space in North London. ²⁵
DISNEY Pinewood Studios	Within M25	Disney signed a long-term lease for all stages, backlots and other production accommodation (except a few TV studios) at Pinewood in September 2019. ²⁶ It was already a major user of the facilities before the lease was signed.
APPLE	London	Apple has hired production support specialist MBS to locate studio space around London. No further information has been made available. ²⁷

- 2.21 Importantly for our current analysis, new content creators have no requirements to spend in the Nations and Regions and are not incentivised in any way to make programming that is reflective of life in the Nations and Regions. Indeed, their self-defined remit is on content that is universally relevant to a global audience. Left to the market, there is no incentive to behave otherwise. Further, the benefit accrued by the independent sector from the additive spend from international sources may be eroded as these operators start to solidify their presence in the UK by building out their own production capabilities here and increasingly seek to make content themselves.

Implications for PSBs and for UK-focussed TV production

- 2.22 These shifts in technology, changes in consumption patterns and globalisation of content production and distribution online generate multiple challenges for PSBs and for UK focussed TV production, particularly increased commercial pressures on national market players historically more reliant on TV advertising, licence fee and/or other linear-associated TV revenues. This includes, most significantly, the PSBs (the BBC, ITV, Channel 4 and Channel 5) – the players most committed to UK original content and most inclined (partly for reasons of regulation) to invest in the Nations and Regions.

²² Broadcast, '[Sky plans major TV and film studios at Elstree](#)', December 2019.

²³ Broadcast, '[Huge film and TV complex, Sky Studios Elstree wins planning approval](#)', July 2020.

²⁴ Broadcast, '[Netflix to open production hub in Shepperton](#)', July 2019.

²⁵ The Telegraph, '[Netflix in talks over new UK film studio as global streaming boom continues](#)', February 2021.

²⁶ Broadcast, '[Disney signs long term lease for most of Pinewood Studios](#)', September 2019.

²⁷ The Telegraph, '[Apple searches for London studios amid streaming boom](#)', September 2020.

Revenue trends and outlook

2.23 Over the past five years, TV revenues in the UK have reflected these market developments, with pressures on the licence fee and TV advertising (despite relative pricing strength, NAR has declined in real terms since 2014). In the same period, traditional pay-TV revenues have been broadly flat, reflecting both ‘cord cutting’ (outright cancellations) and ‘cord shaving’ (the migration of subscribers to smaller, cheaper bundles); these impacts, too, are linked to the challenge from new entrants such as Netflix and Amazon, which now compete directly with traditional pay-TV platforms. Indeed, the only sustained growth has been in video on demand (in both its ad-funded and subscription-funded guises).

Figure 7: TV revenue categories and growth, £m, 2014 vs. 2018 (Ofcom, Mediatique)

Category	2014	2018	CAGR 2014-2018
Pay TV ²⁸	6,408	6,459	0.2%
Licence Fee (TV allocation) ²⁹	2,970	2,525	-4.0%
NAR ³⁰	4,138	3,884	-1.6%
SVOD	352	1,075	32.3%
BVOD ³¹	149	401	28.1%
Non-BVOD AVOD ³²	363	625	14.5%
Total	14,380	14,969	1.0%

2.24 Over the next few years, these trends are expected to persist. As can be seen from Figure 8 below, we expect that, by 2024, more than 20m UK households (more than 70%) will have at least one SVOD service, with Netflix and Amazon Prime Video remaining the market leaders and a significantly expanded share for Disney+ against its current market position (the service only launched in March 2020 but has grown impressively since then).³³ In other words, the pressures on the revenues historically associated with broadcast TV (TV advertising and traditional pay TV) will remain significant and indeed will grow as a result of the powerful gatekeeper control over internet-distributed TV increasingly exerted by global technology platforms, absent any intervention to level the negotiating playing field.

²⁸ We refer to pay-TV subscription fees as the income accruing to Sky UK, Virgin Media, BT TV and TalkTalk TV as per the methodology adopted by Ofcom. The figure excludes linear TV advertising attributable to multichannels; production revenues attributable to pay-TV operators; revenue derived from DVD sales; satellite/box or other installation fees; broadband and telephony charges; and revenues from Pay per View and Electronic Sell Through.

²⁹ Not restated in Ofcom Media Nations 2020; Mediatique used 2018 figure published in Ofcom’s *Small Screen: Big Debate* and restated for inflation using ONS published time series data.

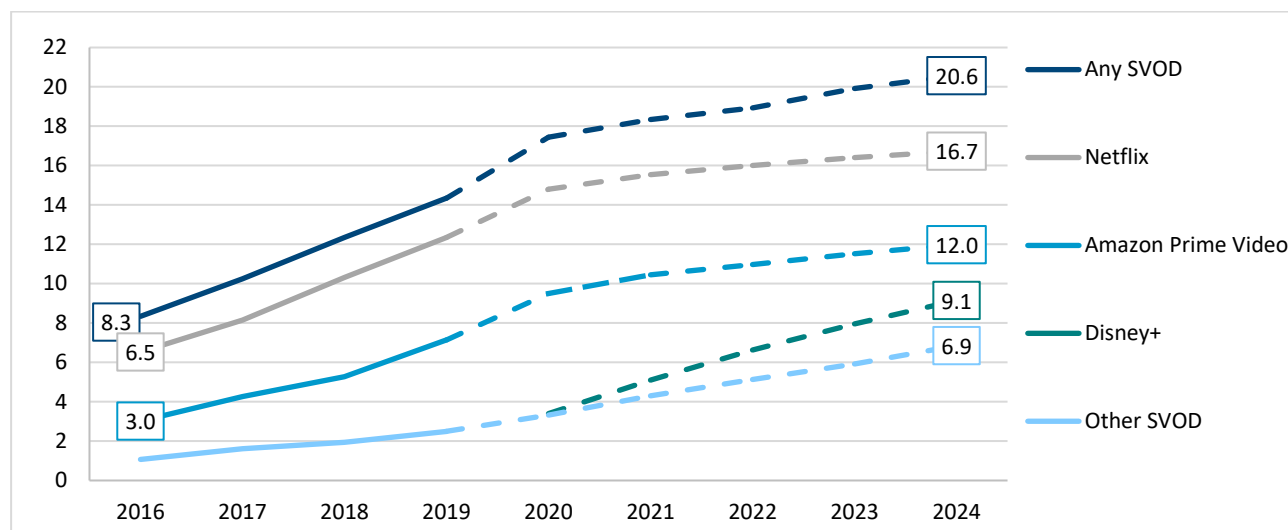
³⁰ Net Advertising Revenues generated via linear TV.

³¹ All revenues generated by PSB VOD propositions *and* the revenues generated by channel group VOD propositions (e.g., Sky Go and Sky On Demand).

³² The dominant player in this category is YouTube, although it also encompasses Twitch, Daily Motion, etc.

³³ Our forecasts take into account the accelerating impact of the Covid-19 lockdowns.

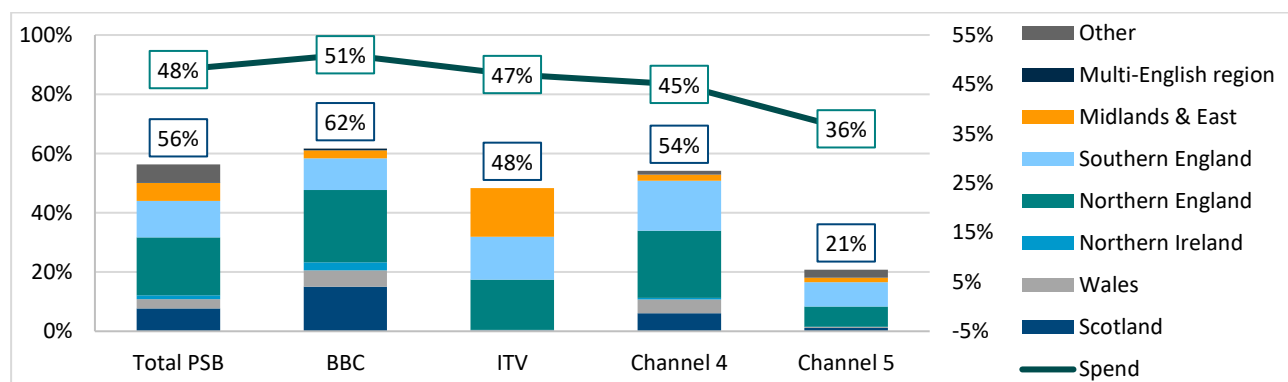
Figure 8: SVOD households in the UK, in m, 2016-2024 (Ofcom, BARB, Mediatique)



Implications for TV production in the Nations and Regions

- 2.25 The combination of two key dynamics – continued new entry from global operators in *distribution, production and TV platforms* and growing pressures on broadcast-associated funding models – has had a marked impact on the UK TV landscape.
- 2.26 In the remainder of this section, we review in detail the out-of-London market, the role of the PSBs and the emerging position of new entrants and others involved in the expanding production sector.
- 2.27 In 2019, the PSBs spent £2.52bn on first-run originations on their network channels³⁴ and remain, despite new entry, the biggest spenders on out of London ('OOL') content.
- 2.28 The PSB commitment to the Nations and Regions is codified by Ofcom regulations, not least those pertaining to made out of London ('MOL') quotas which have very recently been strengthened.³⁵ In 2019, each PSB performed well against its quota (set at 50% for BBC, 35% for ITV and Channel 4, and 10% for Channel 5 for both hours of content produced and content spend).

Figure 9: Hours and spend of content from regional suppliers by PSB, 2019 (Ofcom)



- 2.29 In the past few years, all four of the PSBs have emphasised their commitment to the Nations and Regions, not least in terms of production:

³⁴ [Ofcom Media Nations 2020: UK Report](#), p. 47.

³⁵ Following on from consultation in 2017, Ofcom published its Review of Regional Production and Regional Programming Guidance in 2019, strengthening the definition of regional production to mean one managed from a production company's 'substantive base' outside the M25. Further changes regarding how production fees and third-party funding should be allocated and regarding spot-checks and reporting regimes were also included. These changes come into effect in January 2021. [Review of Regional TV Production and Programming Guidance, Statement, 2019](#).

- ITV alone spent £265m on programming for ITV main channel from the Nations and Regions and, via its ITV Studios and labels subsidiaries, produced a further £64m in Nations and Regions content commissioned by third parties (e.g., the BBC). In addition, ITV spent tens of millions of pounds on Nations and Regions News programming. In 2020, ITV-owned regional labels Boom Group and Twofour realigned their focus to both creative development and content production in Cardiff and Plymouth respectively.³⁶
- The BBC announced in September 2020 that 57% of its suppliers were based outside the M25, with more than 60% of its network hours qualifying as out of London (and spend at 51%).³⁷ In March 2021, as part of its negotiation of a revised licence fee settlement from 2022, the BBC set out its 2022-2027 strategy, 'BBC Across the UK'³⁸, which sets a target of 60% of network TV commissions (by spend) to be made out of London, with 100 new and returning dramas/comedies reflecting life out of London (at least 20 of these are to be from the UK's Nations) and two new high-volume long-running scripted drama series from the North of England and one of the Nations. The BBC also announced new commissioning roles across various genres and based in Wales, Scotland, Northern Ireland and the North East and North West of England. Both BBC News and BBC Studios are to have an expanded role in the Nations and Regions.
- In 2018, Channel 4 announced its '4 All The UK' strategy which, as well as opening a national HQ in Leeds and Creative Hubs in Bristol and Glasgow (see below), committed Channel 4 to significantly increasing its Nations and Regions content spend to 50% by 2023 (equivalent to £250m in total).³⁹
- Channel 5 revealed its spend on regional programming had increased by almost two-thirds to account for 36% of its total spend on originations in 2019, equivalent to 380 hours of content (up from 289 hours the previous year). In total, 40% of its suppliers were based in the regions.⁴⁰ Broadcast estimates C5's total spend in the regions was around £50m in 2019.⁴¹

2.30 On top of the commitments to regional production, the PSBs also maintain a local presence, building local talent, developing skills and sustaining jobs both directly and indirectly via a network of offices, production hubs and local commissioners.

³⁶ ITV, '[Twofour and Boom Group realign nations and regions focus](#)', September 2020.

³⁷ Broadcast, '[BBC works with record number of N&R indies](#)', September 2020.

³⁸ BBC, '[The BBC Across the UK: 2022-2027](#)', March 2021.

³⁹ Channel 4's [4 All the UK press release](#).

⁴⁰ Broadcast, '[Channel 5 regional spend jumps](#)', October 2020.

⁴¹ Ibid.

Figure 10: PSB FTEs by location, 2019 or latest year available (Mediatique)

Employees	Total FTE headcount	FTE in London	Regional hubs and FTE in Nations and Regions
BBC	19,231 ⁴²	9,231	England (ex. London): 6,539 (including roughly 2,500 in Salford) ⁴³ Scotland: 1,346 Wales: 1,346 Northern Ireland: 770
		48%	52%
ITV	4,905 ⁴⁴	2,789	2,116 (see regional breakdown in next section)
		57%	43%
Channel 4	903 ⁴⁵	603 ⁴⁶	Leeds HQ: 250 Bristol Creative Hub: 50 Glasgow Creative Hub: 50 ⁴⁷
		67%	33%
Channel 5	201 ⁴⁸	201	n/a
		100%	n/a
Total PSB	28,045	50%	50%

- 2.31 The PSB commitment to the Nations and Regions sustains a vibrant, and growing, external supply sector. Yet it is a battle against market forces pulling in the opposite direction. The long-term ‘pull’ of London as the centre for film/TV production and related services has been well-documented, with a recent study showing that whereas in 1991, 36.5% of film, TV, video, radio and photography employees were located in London, by 2018 this was 54.9%.⁴⁹ There is strong evidence to suggest that, absent intervention, value would continue to cluster in London at the expense of growth elsewhere.
- 2.32 However, recent intensification by the PSBs of out of London production has shown real effects. In particular, there are nascent signs that production employment in the Nations and Regions is growing. In 2019, out of London producers accounted for a greater share of total sector employment; 37% against 31% the previous year.⁵⁰ Out of nearly 7,500 full-time equivalent production employees covered by the PACT Census, 2,763 (37%) were based outside of London. This was against 2,541 in 2018, despite overall direct employment falling over the same period. For the avoidance of doubt, these data are all in addition to the in-house operations of the BBC and ITV, which are not covered in the PACT census. It is worth noting, however, that much of this growth is likely to have been in response to increased commitment by PSBs to out of London productions, which have encouraged independents to increase in their own capacity to product outside the M25.

⁴² BBC Annual Report 2019-2020, p. 61. PSB-related staff only.

⁴³ KPMG’s Report on the role of the BBC in supporting economic growth, 2015, p. 21.

⁴⁴ Excludes ‘casual’ workers (i.e., freelancers), and refers to ITV employment across all assignment categories: Full Time, Part time (fixed term, permanent) and Joint Venture (full time, part time); includes all activities across Corporate, Media and Entertainment and the labels – also includes headcount from ITV labels not recorded on centralised management systems.

⁴⁵ Channel 4 Annual Report 2019, p. 136.

⁴⁶ This represents the remainder after 250 FTEs have been applied to Leeds HQ, and 50 each to Bristol and Glasgow.

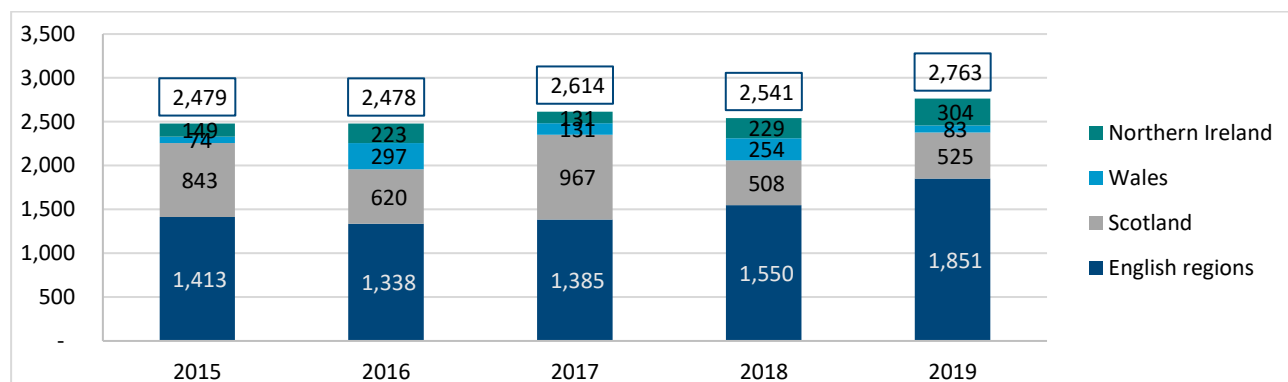
⁴⁷ FTE for Leeds, Bristol and Glasgow represent planned headcount at the time of announcement, and may not reflect current headcount as these teams continue to be recruited up to full strength.

⁴⁸ Channel 5 Broadcasting Report and Financial Statement, 2019.

⁴⁹ Policy & Evidence Centre & Nesta, The Changing Spatial Distribution of Employment Clusters in England, 1991-2018, p. 17.

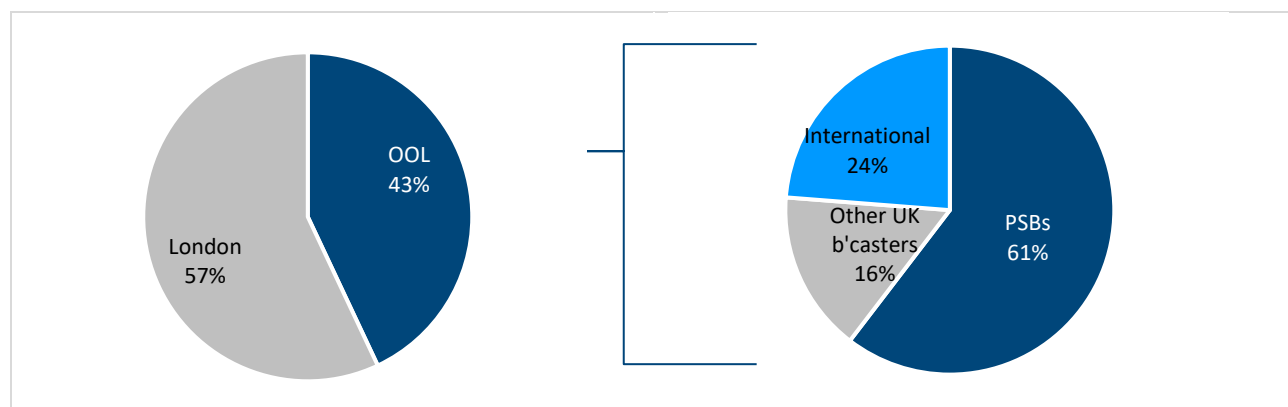
⁵⁰ Pact, Census 2020: Nations & Regions Annex, p. 9.

Figure 11: Out of London FTE employment by nation, 2015-2019 (Pact)



2.33 Primary commission spend on independent producers based outside of London has grown steadily year on year, reaching £1.042bn in 2019, equivalent to 43% of all primary commissioning value captured by Pact's annual census.⁵¹ Of this spend on OOL primary commissions, 61% was from a UK PSB.⁵²

Figure 12: Primary commission spend by location, and OOL primary commissions by commissioner type, 2019 (Pact)



2.34 While the PSBs still account for more than half of the total value of OOL primary commissions, international commissions represent a growing proportion: nearly a quarter of all spend in 2019, up from 17% in the previous year. We expect this to increase over the short term as the rate of commissioning continues to rise while overall PSB budgets remain flat.

Upcoming investment in UK production sector

2.35 Driven by growing demand for studio space generally (and at least in part in response to the increased demand for quality TV and films made in the UK), a range of players (local government, financial investors, property developers) are creating or expanding studio space, not just in London and the South East of England but in various parts of the country. It is instructive, however, that none of the global players has chosen to take space or contract long term with operators outside the M25.

2.36 In the Figures below, we list first the Nations and Regions locations where studio space is being planned; below this, we identify sites within the M25 and the South East.

⁵¹ Pact, [Census 2020: Nations & Regions Annex](#), p. 6. Regional classification in the Census is based on location of production and thus differs slightly from Ofcom compliance reporting which is based on MOL qualifying criteria.

⁵² Of the remainder, around 24% was from 'international' commissioners, which include Netflix, E!, Apple TV, HBO and a proportion of joint venture expenditure (e.g., HBO's investment, with Bad Wolf and the BBC, on Wales-produced *His Dark Materials*).

Figure 13: Upcoming studio openings and redevelopment in the Nations and Regions (Mediatique)

Studio	Region	Additional sq. ft.	Key investor (and type)	Key details
Belfast Harbour	Belfast	116,000	Belfast Harbour (government/council)	Addition of 6 new studios, production offices and support workshops – due for completion in 2021. (No anchor tenants announced)
Bottle Yard Studios	Bristol	47,800	Bristol City Council (government/council)	Addition of 3 new studios and production offices. (No anchor tenants announced)
First Stage Studio	Edinburgh	80,000	First Stage Studios (with Screen Scotland investment)	Redevelopment of existing space into 5 new studios and backlot. (No anchor tenants announced)
Kelvin Hall	Glasgow	TBA	Glasgow City Council (government/council)	Anchor tenant secured (but not named) as condition for further funding for site redevelopment from Screen Scotland.
Littlewoods Studios	Liverpool	TBA	Capital & Centric (property developer)	Complete restructuring of buildings into creative hub with purpose-build studio space – completion TBA. 2 pop-up studios operational by 2021. Anchor tenants: Twickenham Studios and Liverpool John Moores University.
Mercian Studios	Birmingham	TBA	Private investors	Creation of 6 sound stages and studios, with commercial space – opening 2022. (No anchor tenants announced)
Pentland Studios	Midlothian	208,000	PSL Land (property developer)	Creation of 9 new sound stages with 122,000 sq. ft of workshop space and a media hub. (No anchor tenants announced)
Space Studios Manchester	Manchester	40,000	Manchester City Council (local council)	Addition of 2 sound stages – opening autumn 2022. (No anchor tenants announced)
The Leeds Studios	Leeds	68,000	All Studios (studio owner)	Creation of 5 sound stages and production space – opened in 2020. (No anchor tenants announced)
The Leeds Studios	Leeds	TBA	360 Degrees Media (studio owner) with funding from Sheffield Council	Creation of 7 sound stages with post-production and VFX facilities – opened in 2022. (No anchor tenants announced)

Figure 14: Upcoming studio openings and redevelopment in London and South East of England (Mediatique)

Studio	Region	Additional sq. ft.	Key investor (and type)	Key details
Ashford International Studios	Kent	80,000	TCDI (studio owner/property developer)	Purpose-built studios and hub – opening 2022. Netflix and Amazon have expressed interest.
Dagenham/Eastbrook Studios	London	140,000	Barking & Dagenham Council (local council) with private investment	Creation of 12 sound stages and prop workshops – opening mid-2022. (No anchor tenants announced)
Elstree Studios	Within M25	31,450	Hertsmere Borough Council (local council)	Redevelopment of Big Brother lot into 2 new sound stages – opening TBA.
Garden Studios	London	62,000	Arts Alliance Ventures (investment firm)	Creation of 4 sound stages with production space – opening early 2021. (No anchor tenants announced)
OMA Film Studios	London	87,500	Location Collective (location agency)	4 new sound stages and backlot – opened Q3 2020.
SEGRO Park Enfield	London	230,000	SEGRO Park (property developers)	Netflix in talks to lease space for studio space.
Shepperton Studios	Within M25	465,000	Pinewood Group (studio owner)	Redevelopment to add 16 new sound stages, offices, workshops, parking and other infrastructure ⁵³ – completion date TBA.
Shinfield Studios	Reading	10,000	Blackhall Studios (US-based studio owner)	Development of space at Thames Valley Science Park into studios and a creative media campus – opening early 2022. Anchor tenants: Blackhall Studios and University of Reading
Sky Studios Elstree	Within M25	TBA	Sky/Comcast	Creation of 14 stages (opening 2022). Anchor tenants: Sky/NBCU
Twickenham Film Studios	London	TBA	TCDI (studio owner)	Upgrade and redevelopment of TV studio and new sound production studios to open in 2022.

2.37 While the scale of upcoming studio space creation is impressive, much of it is being funded by non-creative sources (governmental and council, private property developers, etc). There may be some cause for concern that the level of investment may not be sustainable, as the recent example of Pinewood pulling out of Pinewood Studios Wales demonstrates. Redeveloped at a cost of £10m by the Welsh Government, Pinewood left after five years. Independent investor Great Point has now taken over the studio, renamed Seren Studios.⁵⁴ This highlights the advantage in having upfront anchor tenants for these spaces to be commercially viable.

2.38 The map in Figure 15 below demonstrates the scale and scope of studio space around the UK. It clearly shows how the PSBs have been to a degree responsible for the clustering of studios in certain key locations, not just in London but also further afield in Scotland, and in the Manchester-Leeds complex. As well as being

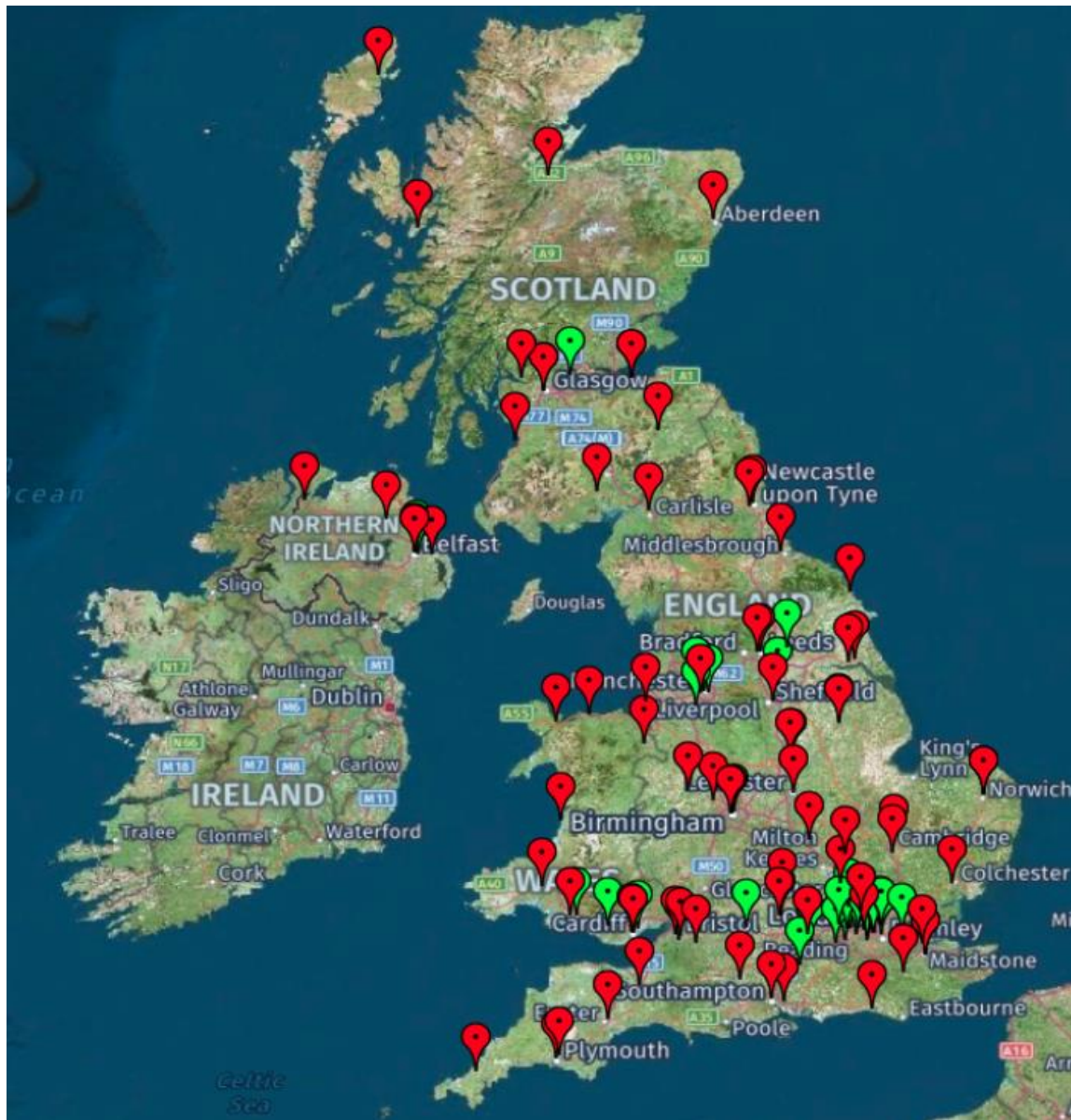
⁵³ As noted in Figure 6, Netflix leased space at Shepperton Studios in late 2019. This redevelopment is separate from the Netflix arrangements, adding additional square footage for other clients.

⁵⁴ Broadcast, '[Investors take over former Pinewood Wales Studio](#)', October 2020.

indicative of the role PSBs have taken in the deepening of infrastructure for TV production in locations around the UK, it also demonstrates a willingness to put roots down in places other than London – 49% of studio square footage linked with the PSBs is found regionally.

- 2.39 Finally, while there are signs that independent studios are now an expanding industry in their own right, production capability remains concentrated in key areas, particularly London and the South East.
- 2.40 We turn now to a detailed consideration of ITV's own Nations and Regions operations and strategy, before outlining our calculations of the financial impact outside London and the South East of the ITV operations and labels.

Figure 15: Location of production studios in the UK (PSB in red, non-PSB in green)⁵⁵



⁵⁵ For the PSBs, this includes any regional newsrooms/studios.

3) ITV's commitments to the Nations and Regions

Key findings in this section

- The impact of ITV in the Nations and Regions can be measured in a number of ways: in terms of physical presence, ITV employs 2,116 (FTE) outside London across 34 main bases (and home workers) for its Corporate and Media and Entertainment (including Nations and Regions News) segments, Studios and ITV-owned TV production labels – this represents around 43% of ITV plc group employees
- This structure is strengthened by a strong commitment to talent incubation and retention in the Nations and Regions, through training and outreach at the local level
- ITV's programming output reflects the whole of the UK, with 1,663 of 3,438 hours original hours on ITV main channel made out of London; further, its Nations and Regions News teams produce on average 3,436 hours of national/regional news (of which 3,058 hours are unique local news⁵⁶), broadcasting 18 flagship news programmes, supplemented by current affairs programming focusing on local issues made across the UK
- Total spend on out of London content on ITV main channel alone in 2019 was £265m (excluding spend on Nations and Regions News), of which £59m went to non-ITV external suppliers, mostly independent producers operating in the Nations and Regions; an amount totalling tens of millions a pound a year is also spent on News and Regions news
- ITV Studios and associated ITV-controlled TV production labels made nearly 1,500 hours of programming for an ITV channel that either qualified as Out of London or had at least a partial element of regional spend. The value of the out of London programming made for ITV alone was £211m in total.
- Furthermore, ITV studios and associated ITV controlled TV production labels also created a further 811 hours of programming for third parties, where the substantive base of the production entity and/or the filming location were outside London. This involved a further investment by £64m from other broadcasters paid to ITV Studios for that regional content
- This spend translates to strong (regional) viewing impacts for ITV's TV channel portfolio, with particular over-indexing in northern regions, Border and Northern Ireland
- ITV's commitment to the UK's regional SMEs is clear in the extensive service provided by the commercial team in every region across the UK, which creates thousands of ads at cost each year, to help small businesses advertise regionally or even sub-regionally access an otherwise expensive medium for advertising, with significant positive impacts for local and regional economic growth.
- There is also an impact, difficult to quantify, of ITV content on regional tourism and local pride, through shows such as *Doc Martin* and tourist attractions like The Emmerdale Village tour

ITV impact in the Nations and Regions – summary observations



2,116

ITV FTE employees in the N&R in 2019, 43% of ITV



3,608

Freelance contracts across *Coronation Street*, *Emmerdale* and *N&R news* in 2019



306

New hires in in the N&R 2019



28

ITV apprentices in the N&R from 2011-2019

⁵⁶ E.g., after accounting for programming shown in more than one region.


34

Key TV production hubs, bureaux and locations in N&R 2019


14

of 24 labels have presences in the N&R


3,436

Hours of N&R news produced in 2019


1,663

hours of OOL programming for ITV in 2019


£265m

Nations and Regions content spend on main channel as reported to Ofcom in 2019 (excluding N&R News)


78%

Weekly reach for ITV in the North East in 2019


18

Flagship local news programmes at 6pm


2.1m

Tickets sold since 2013 for ITV events

- 3.1 ITV has a profound impact on the UK's Nations and Regions, in part through its legacy as a network of regional broadcasters (see Figure 16), and in part through its continued commitment to the production and distillation of local stories for its national audience.
- 3.2 Its geographic footprint across the UK is extensive, with over 2,110 FTE employees working outside of London. These employees work across a range of different business activities, from commissioning and production to the back-end infrastructure that ITV plc requires. These activities also allow ITV to employ a cadre of casual and freelance workers (as we go on to discuss). While national and regional news output makes up a large portion of overall out of London output, genres such as drama, daytime, soaps and entertainment contribute extensively to ITV's national broadcasts.
- 3.3 This has a clear benefit for ITV's audiences, with nearly three-quarters of the UK watching one of ITV's channels each week. Meanwhile, regions in the North of England, as well as UTV in Northern Ireland, continue to outperform ITV's national average, indicating its popularity with audiences in the Nations and Regions. In general, the further you are from London, the more popular ITV's channels tend to be.
- 3.4 Finally, the wider national and regional TV ecosystem benefits from ITV's other activities, which includes its commitment to a regional ad sales model that allows the UK's small and medium-sized enterprises to advertise on a key media regionally where they might not otherwise have been able to afford a national TV ad campaign. The consequences of this can be very significant for individual companies and should be regarded as a key strength of ITV's activities regionally.

Figure 16: ITV's 'map and clock' history

The current structure of ITV is a product of its unique heritage as a network of independently owned and operated regional companies that both produced and broadcast TV content.

Beginning in the 1950s, regional franchises were set up across the UK. In addition, London was divided into two licences – one covering weekdays and the other the weekend. Hence the concept of 'map and clock' licences.

These franchises were responsible for their own schedules, although news was provided by ITN. The ITV companies were subject to periodic reviews (often tied to being granted a new licence) to ensure high-quality programming and, particularly relevant to our report, to maintain their commitments to the regions they operated in, via their on-screen identities and programming.

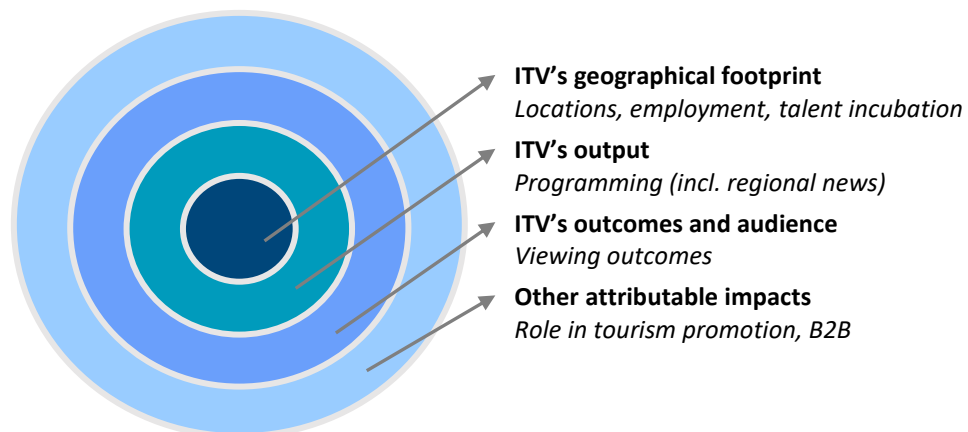
The network structure meant TV production – and its economic impact – was dispersed around the country creating high wage employment across the UK. However, as the number of commercial multichannels grew and competition for revenue increased, the ITV franchises began to consolidate in order to compete as there was less and less value in the Channel 3 licences to sustain multiple network production centres.

By the 2000s, the regional Channel 3 companies had all eventually merged to form ITV (with STV in Scotland), with cost reductions achieved through the concentration of production and other activities in a few key production centres.



- 3.5 The remainder of this section of the report is structured as per the categorisations of ITV's commitments to the Nations and Regions as set out in Figure 17.

Figure 17: Categorisations of ITV commitments and impact on Nations and Regions in the UK



- **ITV's geographical footprint:** here, we discuss ITV's physical presence in the Nations and Regions, starting with an overview of locations, hubs and key activities undertaken in these areas, before moving on to a discussion of ITV's N&R workforce. In this context, we also cover ITV's talent incubation out of London (including identification, escalation at ITV via training, and talent pool deepening in key OOL areas).
- **ITV's programming output:** thereafter, we discuss how ITV's programming output is heavily influenced by out of London considerations (from commissioning to the location of production and

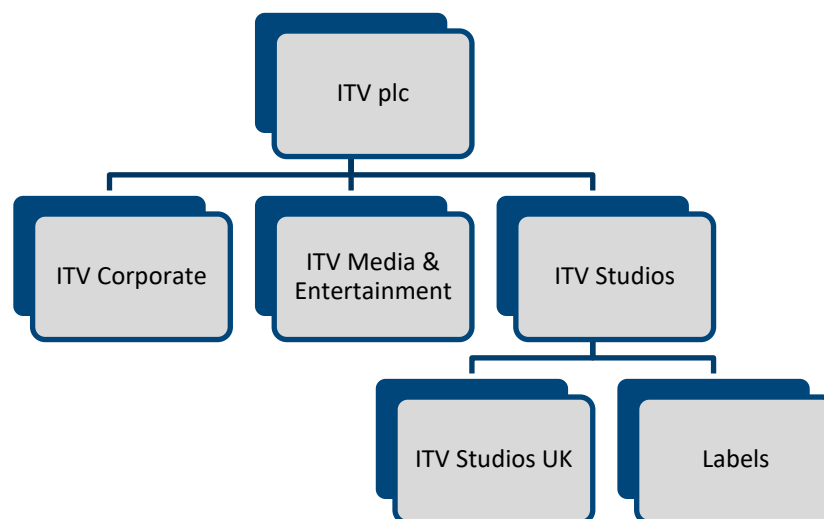
post-production and distribution). Our analysis is provided in two parts: ITV Media and Entertainment segment (including ITV's Nations and Regions services, particularly in terms of news and current affairs content), and the ITV-owned TV production Studios/labels. We also discuss here examples of where programmes have been moved out of London, and the impact.

- **Outcomes and audiences:** Here, we focus on ITV's audience impact in the Nations and Regions, specifically in terms of viewing outcomes for ITV's portfolio of channels and services, which remain very strong outside of London, particularly in the North.
- **Other attributable impacts:** Finally, we cover the range of indirect impacts through which the Nations and Regions benefit as a result of ITV activity. These include the role of ITV intellectual property in tourism (both directly through set visits and touring productions, and indirectly through inducing visits to regions where programmes are set) and the work of ITV's regional ad sales team which has been involved in aiding many regional businesses affordably to achieve larger scale over the past decade.

A note on terminology

3.6 Stemming in part from its history as disparate Channel 3 licence holders, in part from the recent acquisition of various production companies and in part from being a large company with an extensive remit, there are multiple ways of defining ITV's structure in the Nations and Regions. For the purposes of this report, we use the following simplified organisational chart to show some of the key definitions used later on. For the avoidance of doubt, this is not a summary of ITV's actual corporate structure, but rather Mediatique's schema for best assessing its activities in the Nations and Regions.

Figure 18: ITV simplified organisational chart, 2019 (Mediatique)



- 3.7 Specifically, when referring to ITV as a whole, we mean ITV plc, which is made up of ITV Corporate, ITV Media and Entertainment and ITV Studios. ITV Corporate is responsible for all corporate functions and operations. ITV Media and Entertainment covers ITV's national portfolio of channels, ITV Hub and ITV Hub+, as well as the Nations and Regions news groups. ITV Studios is made up of ITV Studios UK (i.e., UK-based production) and the labels owned and operated by ITV.
- 3.8 Throughout this report we follow ITV's own terminology when referring to the labels. For the avoidance of doubt, these are production companies that sit under the ITV Studios banner, either as in-house productions (e.g., Coronation Street, ITVS Entertainment), home-grown production vehicles (e.g., Potato), acquired production companies under the ITV Studios banner (e.g., 12 Yard) or acquired production companies that operate at arms-length (e.g., Boom, Twofour, Mammoth Screen). The labels are discussed more fully below.

3.9 Similarly, for the purposes of this report, we use ITV Studios as short-hand for ITV Studios UK, excluding the labels (which are discussed separately) and ITV Studios international operations (which include ITV Studios US, ITV Studios International and Global Formats and Distribution) which do not form part of our analysis.

ITV's geographical footprint: Overview of locations and activities in the Nations and Regions

3.10 Across the UK, ITV employs 2,116 employees at 34 locations outside London, as we describe in greater detail in this section.

ITV Corporate

3.11 Outside of London, ITV Corporate employs close to 470 FTE employees across a range of key business activities. This includes the Business Services Centre in MediaCityUK (Salford), rights management and content services and delivery in Leeds, viewer services in Birmingham, ITV's on-screen sign language provider, SignPost, in Gateshead, as well as commercial sales, technology, HR, finance and compliance employees who are based in many locations around the country as in the table below.

Figure 19: ITV Corporate key activities and FTE employment by location, 2019 (ITV)

Business activity	Description	Location	FTE
Business Services Centre	ITV's BSC manages purchase payments and key accounting functions.	Salford (MediaCityUK)	123.5
Content services and delivery	Responsible for scheduling and technical delivery across broadcast and online platforms.	Leeds, Salford (MediaCityUK)	116.4
Commercial sales	Manages the selling of advertising across ITV's platforms based on regional licences.	E.g., Salford (MediaCityUK), Leeds, Belfast, Birmingham, Bristol, Jersey, Dublin, Gateshead, Whiteley, Norwich, Cardiff, Carlisle, Maidstone	86
Viewer services	Manages audience enquiries.	Birmingham	28.5
SignPost	One of the UK's main sign language providers, SignPost also creates deaf-lead programming.	Gateshead	19.2
Rights management	Responsible for ITV's IP rights and catalogue both in the UK and internationally.	Leeds	14.6
Technology	Manages equipment hire for productions.	Belfast, Leeds, Whiteley, Norwich, Salford (MediaCityUK)	20.8
<i>ITV also employs the following staff regionally, as part of larger teams based in London:</i>			
Workplace services		Leeds, Salford (MediaCityUK)	14.4
HR		Salford (MediaCityUK)	12.4
Finance		E.g., Belfast, Leeds, Whiteley, Norwich, Cardiff, Birmingham, Gateshead	7.3
Compliance		Bristol, Leeds, Salford (MediaCityUK)	6
Other		Wales, primarily Cardiff	18.4
Total FTE:			467.5

ITV Media and Entertainment

3.12 A fundamental part of ITV's Nations and Regions commitment comes via ITV's national and regional news bureaux, which hold the relevant ITV licences. Out of a total of 800 employees for Nations and Regions news teams, 96% work out of London, equivalent to 662.5 FTE headcount in the Nations and Regions. The table below outlines the main structure.

Figure 20: ITV Nations and Regions News centres and bureaux by licence (FTE in brackets), 2019 (ITV)

Licence	Main production centre	Opted services	Other bureaux
Anglia	Norwich (43.8)	Anglia East	Northampton (2.4)
		Anglia West	Cambridge (6)
Border	Gateshead (50.4)	n/a	Edinburgh (5) Selkirk (2) Carlisle (18.3)
Tyne Tees		n/a	Billingham (4.4)
Central	Birmingham (61)	Central East	Leicester (2.7) Nottingham (6.3)
		Central West	
Channel	St Helier, Jersey (41.6)	n/a	Guernsey (6)
Granada	Salford (53.3)	n/a	Liverpool (1.7)
Meridian	Whiteley (49)	Meridian East	Brighton (4) Maidstone (14.8)
		Meridian West	
		Meridian Thames Valley	Didcot (5.4)
UTV	Belfast (71.8)	n/a	Derry (3.5)
Cymru Wales	Cardiff (66.5)	n/a	Colwyn Bay (3)
West Country	Bristol (50.8)	West Country East	
		West Country West	Exeter (3) Plymouth (7.4) Truro (2.1)
Yorkshire ⁵⁷	Leeds (51.3)	Yorkshire North	Hull (2.4) Sheffield (2.9)
		Yorkshire South	Lincoln (1.9)
Total main production site FTE:	539.5	Total regional bureaux FTE:	105.2

3.13 Altogether, there are 645 FTE employees working across ITV Nations and Regions News' 11 production centres⁵⁸ and 20 news bureaux out of London. These are assisted by an additional 18 FTE employees working from home within the nations/regions of Anglia, Border, Wales, Granada, Meridian, Tyne Tees, West Country, Yorkshire and UTV.⁵⁹

3.14 Further support from a fleet of 12 satellite trucks and more than 100 LiveU units is made available to enable newsgathering and production in the Nations and Regions. Further, ITV's contract with ITN for the provision

⁵⁷ The news output for Yorkshire is also known as ITV News Calendar. For clarity, we refer to it as ITV News Yorkshire in line with naming conventions for other regions.

⁵⁸ There are 11 production centres for 12 licences as the Border and Tyne Tees services are presented from the same studio in Gateshead, supplemented by the bureaux and additional homeworkers in both regions. The table excludes London.

⁵⁹ For privacy and data protection, we have not identified the exact locations where these homeworkers are based.

of national news services includes 15 correspondents, producers and camera operators working in Scotland, Wales and West Country, the Midlands and East Midlands and Manchester.

- 3.15 As shown in the table above, five licences are further broken down into 'opted services' meaning that even more local content is broadcast to viewers in these areas. In total, including the London service, there are therefore 18 flagship 6pm programmes for the UK's Nations and Regions. This output is discussed in the Production section below.

ITV Studios

- 3.16 Set within the corporate structure of ITV Studios are ITV's 14 in-house⁶⁰ and 10 acquired labels.⁶¹ To avoid confusion, we refer to the in-house labels as ITV Studios segments. Of these segments, seven of the 14 register a presence out of London (as presented in the table below).

Figure 21: ITV Studios segments with a presence out of London, 2019 (ITV)

Label	Base(s)	Key business	Total headcount	Headcount in Nations and Regions location(s)
Coronation Street	Manchester	Continuing drama production	271	Manchester: 269
Emmerdale	Leeds	Continuing drama production	283	Leeds: 279 Manchester: 2
Quay Street Production	Manchester	Drama production	<i>[Set up in January 2021]</i>	
MultiStory Media	London, Manchester, Cardiff	Non scripted production	63	Manchester: 24
ITVS Entertainment	London, Manchester	Non scripted production	180	Manchester: 90 Leeds: 2
12 Yard	London, Glasgow	Non scripted production	14	Glasgow: 1
ProVision	Leeds, London, Manchester	Kit Hire	25	Leeds: 10 Manchester: 12
			Total OOL headcount:	689

- 3.17 Of the remaining internal ITVS segments that do not currently have a base outside of London (ITV Studios Daytime, Silverprint, Tall Story Pictures, Jeff Pope, Happy Prince, and Patrick Spence), some are involved in a case-by-case basis in content production outside of London, and these are discussed in the Production section.

Labels

- 3.18 Further to the 14 in-house ITV Studios segments, ITV is also responsible for 10 production companies of which seven have some form of presence outside of London.⁶²

⁶⁰ These are: Coronation Street, Emmerdale, ITV Studios Daytime, Silverprint, Tall Story Pictures, Jeff Pope, Happy Prince, Patrick Spence, Quay Street Productions, MultiStory Media, ITV Studios Entertainment, Potato, 12 Yard, and ProVision. Happy Prince, Patrick Spence and Quay Street Productions were set up variously in 2020 and early 2021 and thus are not represented in the production data that follows.

⁶¹ These are: So TV, The Garden, Big Talk, Possessed TV, Cats on the Roof, Mammoth Screen, Twofour, Boom Cymru (which also includes Gorilla, Bait Studio and Oxford Scientific Films), World Productions and Monumental TV.

⁶² The table above refers exclusively to Studios headcount data provided by ITV and its external labels; an FTE-adjusted figure for this table is 297 – it is this adjusted figure that contributes to the ITV OOL FTE number referenced in our financial impact analysis in Section 4.

Figure 22: ITV Studios external labels with a presence out of London, 2019 (ITV)

Label	Base(s)	Key business	Total headcount	Headcount by location(s)
The Garden	London, Leeds	Factual production	23	Leeds: 2 London: 21
Big Talk	London, Manchester	Drama and comedy production	23	Manchester: 1 London: 22
Possessed TV	London, Manchester	Entertainment production	6	Manchester: 1 London: 5
Mammoth Screen	London, Belfast	Drama production	25	Belfast: 5 Yorkshire: 1 London: 19
Twofour	London, Plymouth	Non scripted production and post production	360	Plymouth: 176 Cardiff: 24 London: 160
Boom Cymru/ Gorilla/Bait Studio	Cardiff	Production, post production and FX services	172	Cardiff: 172
World Productions	London, Cardiff, Glasgow	Drama production	13	Glasgow: 2 London: 11
			Total OOL headcount:	384

3.19 Of these labels, ITV's out of London presence is dominated by two brands: Twofour (headquartered in Plymouth with an office in London) and Boom Cymru (based entirely in Cardiff).⁶³ Recently, ITV's commitment to regional programming was re-confirmed via these two entities, with several key staff hires to focus on creative development and production: Twofour is looking to strengthen the commissioning axis between its Plymouth and London bases, and Boom Group is continuing to grow its production capacity in Cardiff.⁶⁴



CASE STUDY: *Gorilla & Bait Studio*

- Gorilla is a subsidiary of Boom and the leading post-production facility in Wales
- It runs 100 edit suites across two sites in Cardiff and works on post-production, grading as well as data handling/storage and VFX (via Bait Studio)
- In-house work for Boom previously made up the majority of work, however external clients now represent roughly 60% of current projects
- Have also been involved in the filming of such programmes as *Surgeons at the Edge of Life* and *One Born Every Minute*

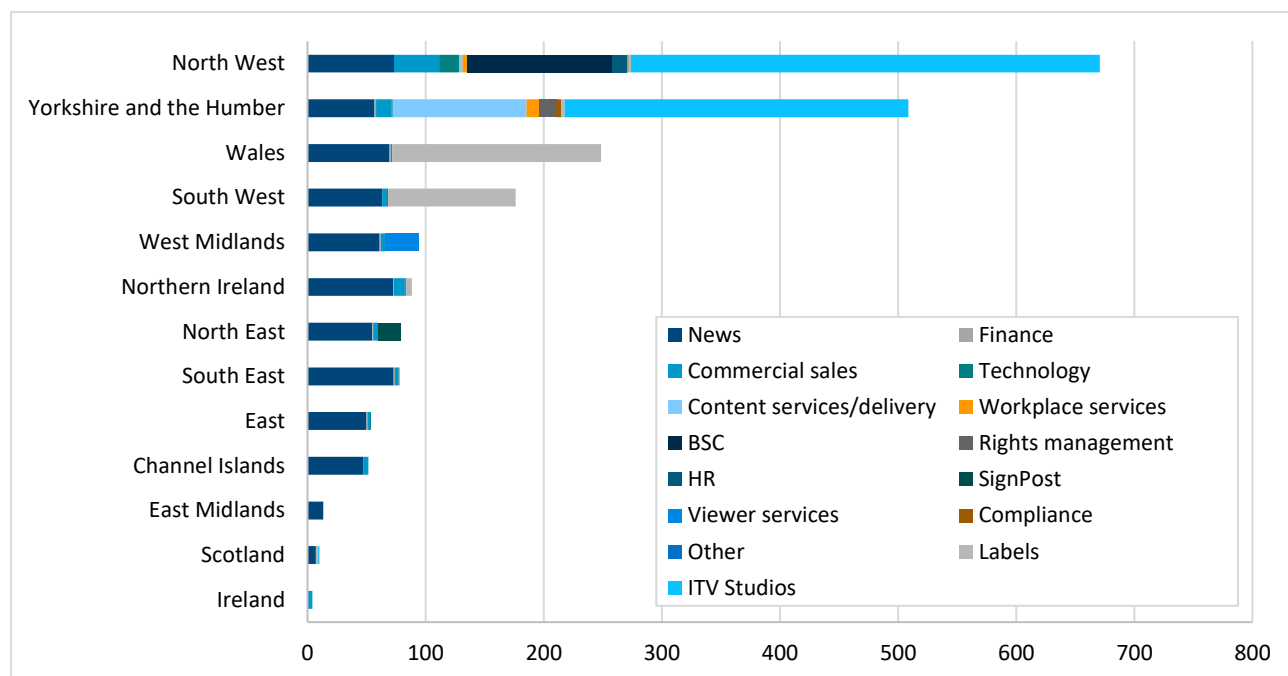
⁶³ Boom Cymru also owns Oxford Scientific Films, which is based in London and operates separately from the rest of the group, and thus is treated as a separate entity here. Note that the headcount figures provided here are adjusted to an FTE basis in the financial impact analysis in Section 4 (where data has permitted).

⁶⁴ ITV, [‘Twofour and Boom Group realign nations and regions focus’](#), September 2020.

ITV's geographical footprint: Employment and talent incubation

3.20 Taken altogether, ITV – across Corporate, Media and Entertainment (including Nations and Regions News), Studios and the labels – employs 2,116 staff across the UK outside of London, or around 43% of ITV plc group's total (excluding freelancers and casual staff).⁶⁵

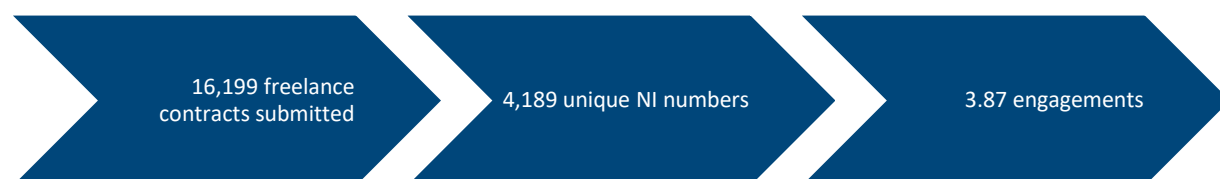
Figure 23: Total ITV FTE headcount in the Nations and Regions, 2019 (ITV)⁶⁶



3.21 The predominance of Yorkshire and the North West in the table above demonstrates the two key hubs of Leeds and Salford, although perhaps disguises the breadth of locations where ITV has some sort of presence. In the table above, 34 individual towns and cities are represented.

3.22 The table above does not include freelancers at ITV. Freelancers represent a large proportion of ITV's day-to-day workforce across the UK. Using top-down data from ITV's HR resources, we find that up to 4,189 individual freelancers were engaged by ITV across the country in 2019.⁶⁷ Against this, there were just under 16,200 freelance contracts⁶⁸ submitted in the year, meaning that freelancers working for ITV are engaged on multiple projects during the year; an average of just under 4 per freelancer.

Figure 24: Key data on freelancers at ITV, 2019 (ITV)



⁶⁵ Due to the nature of ITV's output, the total figure of 4,905 employees at ITV swells to 7,711 when including the 'casual' freelance workers who are employed on a temporary basis across ITV's various subsidiaries. We do not include these here but this category is treated at greater length in Section 4, where we calculate the financial impact of ITV in the Nations and Regions.

⁶⁶ We have included the 4 FTE employees based in Dublin both in the data and within the table, as these form a part of the UTV commercial sales arm, however, these are clearly not UK employees.

⁶⁷ This figure is based on the number of unique National Insurance numbers included in ITV's freelance database for 2019. This data is inputted by freelancers themselves and therefore should be seen as the upper limit, in order to account for any errors in form submission, although this is estimated to be very low, at less than 1%.

⁶⁸ This figure is based on the number of freelancer forms submitted and therefore should be taken as the upper limit for number of freelance contracts in the year.

3.23 Freelancers work across ITV, but there are particular business functions where they are essential to the operations of ITV. These are set out in the table below.

Figure 25: Selected categories of freelance work at ITV (ITV)

Role	Approximate number of contracts in 2019	Details
Producers/assistant producers	1,800	<ul style="list-style-type: none"> Oversees entire production process, or segments, depending on role
Runners	1,750	<ul style="list-style-type: none"> (Entry-level) position as a generalist, working across all aspects of production
Wardrobe, hair and make-up departments	1,800	<ul style="list-style-type: none"> Responsible for costume, hair and make up for on-screen talent
Camera operators ⁶⁹	825	<ul style="list-style-type: none"> Producing footage, including on-location, live and outside broadcast
Editors	700	<ul style="list-style-type: none"> Responsible for post-production assemblage of raw footage into finished content
Directors/assistant directors	550	<ul style="list-style-type: none"> Includes main director(s) and any assistants, or those directing segments of production
Researchers	475	<ul style="list-style-type: none"> Responsible for information – can be specialists or generalists – depending on requirements
Sound recordists/mixers	400	<ul style="list-style-type: none"> Covers a range of specialist roles including Foley, production mixers and dialogue editors

3.24 While it has not been possible to disaggregate the number of freelancers employed in the Nations and Regions alone, i.e., excluding those based in London, we note that *Coronation Street* and *Emmerdale* were together responsible for employing freelancers across 2,689 freelance contracts in 2019. A further 919 freelance contracts were recorded by the Nations and Regions News teams.⁷⁰ This demonstrates not only the scale of freelancers engaged by ITV in the Nations and Regions in a given year, but also the strength of these three units – *Coronation Street*, *Emmerdale* and Nations and Regions News – in supporting widespread, high value, employment opportunities across the UK. In section 4 of this report, we address the breakdown of full-time staff to freelance and casual workers.

3.25 The various segments of ITV plc all require a strong recruitment pipeline of new talent, both on and off screen. Each works separately to identify talent – from an early stage – and to provide opportunities to people from a range of backgrounds to join ITV’s range of entry schemes, apprenticeships, and employment (see *Talent Incubation at ITV*, below).

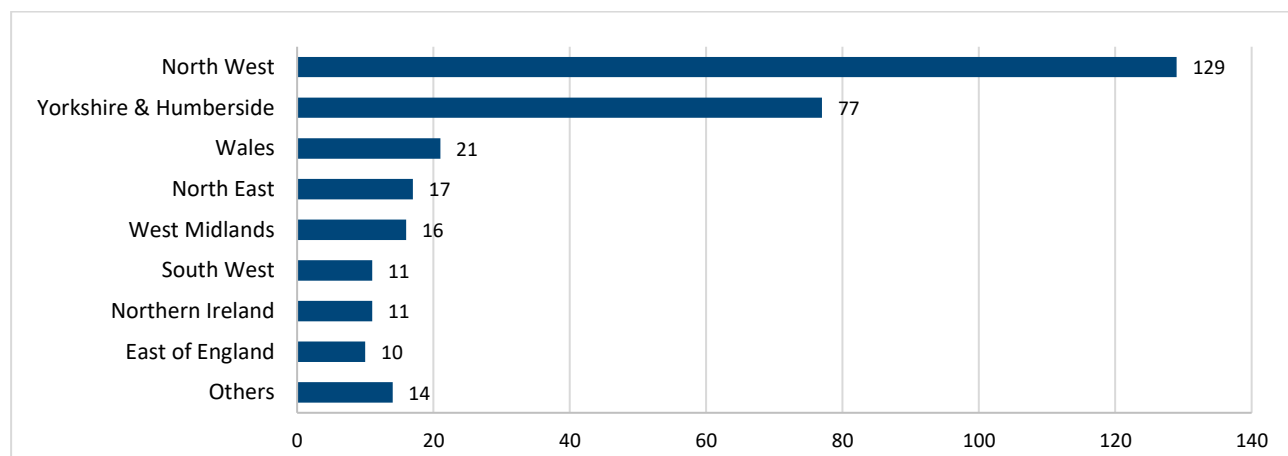
3.26 In 2019, ITV hired 797 new employees, of which 307 were based out of London.⁷¹ As per the chart below, the majority of these were based in the North West, reflecting the location of MediaCityUK for ITV Studios.

⁶⁹ This does not include contract camera operators for ITV News divisions, which employed 15 operators over a total of 2,080 contract days in 2019.

⁷⁰ This does not mean unique freelancers, as many of these contracts could accrue to the same individual multiple times. It does, however, illustrate the scale and scope of freelance work within ITV’s Nations and Regions operations.

⁷¹ These figures refer to count of unique individuals hired during the year and varies slightly from the total number of job roles hired for during the year (723).

Figure 26: ITV recruitment in the Nations and Regions, permanent and fixed term only, 2019 (ITV & Mediatique)⁷²



Talent incubation at ITV

3.27 Talent incubation can be assessed in three different stages: outreach, talent identification and development and talent pool deepening.

3.28 Addressing the first of these, ITV runs a variety of entry schemes, apprenticeships and outreach programmes outside London aimed at ensuring a diverse and broad base of potential future employees are exposed to ITV's various businesses. Schemes include formal mentoring programmes; funding provisions for attachments to national and regional newsrooms; and screenwriting and production workshops.

Figure 27: Examples of ITV talent outreach programmes, 2019 (ITV)

Name of scheme	Details
School Outreach	<ul style="list-style-type: none"> Volunteering to carry out career talks in local communities; focus on schools in diverse and less privileged areas of the country
School Partnerships	<ul style="list-style-type: none"> Formal links established with schools and colleges; encouraging young people to think about opportunities in News and Television (e.g., Eastern High, Cardiff and Dixon Academy, Leeds)
Open Newsroom Day	<ul style="list-style-type: none"> A single day in the year when all newsrooms open doors to young people from diverse backgrounds; includes career advice from journalists and insight into day to day operations
University Q&As / Meet the ITV North Talent Managers	<ul style="list-style-type: none"> Showcasing ITV as an employer for all roles, not just in TV production, and encouraging new talent from under-represented groups
University Assessment Days	<ul style="list-style-type: none"> Identification of key talent so ITV can approach as they finish university; preparation for practical assessments (Yorkshire universities only)
Diversity and inclusion	<ul style="list-style-type: none"> Working with a number of jobs boards and charities to increase diversity of job and apprenticeship applicants: Evenbreak, Diversity Jobs, Creative Access, Stonewall
Work experience	<ul style="list-style-type: none"> 36 placements in 2019, with one turning into paid work for two years. Special partnerships with Universities of Salford and Sheffield to encourage N&R participation but open to all
Participation with third-party schemes	<ul style="list-style-type: none"> Including RTS Futures, Beyond Brontës, SharpFutures, NFTS (Leeds), Grierson Doc Lab, Digital Cities Big Bang Stem Event saw over 8,000 primary and secondary school pupils go behind the scenes on <i>Coronation Street</i> to showcase role of technology in media production
Job opportunity information	<ul style="list-style-type: none"> Shared via Creative Access, Edinburgh TV Festival, SharpFutures, Disabled People in TV, My First Job in TV, People in TV, Scriptwriting North, How to Get a Job in TV
Networking events	<ul style="list-style-type: none"> Via Creative Access and Disabled People in TV

⁷² Other includes Scotland, East Midlands, Channel Islands and the South East.

3.29 ITV also has a strong record in diverse talent recruitment and development. These opportunities span ITV's various businesses but some of the most notable are attached to ITV Studios, Continuing Drama, and the production of Nations and Regions News.

Figure 28: ITV talent development programmes, 2019 (ITV)

ITV Segment	Name of scheme	Details
Studios & Network	Creative Access Partnership	<ul style="list-style-type: none"> Annual investment in a number of paid 6–9 month training contracts for journalists/technicians from Black, Asian and minority ethnic backgrounds
	Original Voices	<ul style="list-style-type: none"> Regular workplace training opportunities in Continuing Drama; development of writing skills of Black, Asian and minority ethnic applicants
	First Break	<ul style="list-style-type: none"> ITV partnership with ScreenSkills to give work experience in production of long running soaps (<i>Coronation Street</i> and <i>Emmerdale</i>)
	Technology Graduate Scheme	<ul style="list-style-type: none"> Starting in 2020, this is a two-year placement across teams at ITV working with media technology; of six placements, three will be based in Leeds
	Apprenticeship Scheme	<ul style="list-style-type: none"> Strong historical commitment to recruiting apprentices – 259 since 2011; over last three years, 28 have been based in Nations and Region; in 2021, ITV will recruit for a second degree-level apprentice to work as a Data Scientist
	Trainee Research Scheme	<ul style="list-style-type: none"> Fixed term employee contracts for early career employees
	HETV trainees	<ul style="list-style-type: none"> Eight trainees funded by ScreenSkills for <i>Vera</i>, <i>Wild Bill</i>, <i>Bancroft</i>, <i>Barking</i> and <i>The Bay</i> in 2019
	Sponsorship	<ul style="list-style-type: none"> Via ScreenSkills for Series Producer Programme – one in London and one in MediaCityUK Specific training for continuing drama via UCLan drama course
Nations and Regions News	Trainee Journalist Scheme	<ul style="list-style-type: none"> Launched in 2005; recruits on average 8-10 trainees every year. Assessment centres representative of broadcast communities.
	Breaking into News	<ul style="list-style-type: none"> Annual competition: 10 regional newsrooms offer a 6-week mentoring programme to facilitate aspiring journalists to create a local news report
	Newsroom Attachments	<ul style="list-style-type: none"> Regional News funds Network newsroom attachments in London; funding provided by News covers accommodation and travel for 4 weeks to 3 months
	Opening Doors scheme	<ul style="list-style-type: none"> Short secondments for employees to gain experience working in other parts of ITV's businesses

3.30 So, for example, since the Trainee Journalist Scheme was launched, it has recruited 8-10 trainees every year (generally one trainee is recruited to each region outside of London). In the past five years, ITV has appointed 49 new trainees into traineeships outside of London. Of these, 33% were recruited from Black, Asian and minority ethnic backgrounds. Further, ITV has appointed up to 50 roles at entry level since the Trainee Journalist Scheme was launched.



CASE STUDY: Talent identification: Tahmeena Alam

- Previously working in print media, Tahmeena's first taste of ITV was through the 'Breaking into News' competition with the Media Trust
- She was matched with a mentor to put together a story – ITV Cymru Wales spotted her potential and offered her a training contract as part of the Pathway scheme, resulting in more short-term rolling contracts, and she subsequently secured a staff position in 2017
- She produced a week-long series on racism in Wales and was assistant producer on ITV Cymru Wales' political programme, *Sharp End*
- She recently moved to ITV Calendar as a permanent Production Journalist

- 3.31 One of the key benefits of ITV's Continuing Dramas is that permanent production infrastructure acts as a hub for training and development. As production bases that are consistently well resourced with talent in front of and behind the camera, they are a key training ground for newfound talent to observe, learn and progress.
- 3.32 'Original Voices' is a strong example of this benefit in effect. The scheme, which has run five times since 2013, gives aspiring writers from Black, Asian and minority ethnic backgrounds a chance to spend time with the Story and Writing teams from both *Coronation Street* and *Emmerdale*.



CASE STUDY: Talent development: Original Voices

- Initiative aims to develop writing skills of applicants from Black, Asian and minority ethnic backgrounds and connect ITV with underrepresented talent
- Winning submitters are invited to spend a month in Story offices and develop storytelling skills; after this, they are invited to spend a month in the Script Department. Each candidate is assigned a mentor
- At the end of the process, candidates are given the opportunity to write a shadow script to learn the whole 'story to script' process
- All candidates are paid a fee on a fixed term contract

- 3.33 Another notable highlight in this context is ITV's recently agreed partnership with ScreenSkills, established in 2019, which creates a formal pathway to roles in TV production for people from socio-economically disadvantaged backgrounds.⁷³



CASE STUDY: Talent escalation: First Break, ScreenSkills

- A collaborative initiative that targets 18+ individuals who have studied BTECs, NVQs, are career-changers, low-waged or unemployed
- The programme first puts on an event for 100 candidates to learn the basics of working in TV – participants are then invited to apply for 40 places on a two-day boot camp to learn more, including information on broadcasters, indies, set etiquette and practical workshops
- Finally, 10 candidates are selected, given a mentor, and work fully paid for five days job shadowing on both of ITV continuing dramas

- 3.34 In production of Nations and Regions news, from 2011 to 2019, 259 apprentices completed a programme with ITV across the UK, and 28 of these apprenticeships were based in the Nations and Regions. Fully 85% of the total number have made progressions into new roles or continued into further study; 73% went on to work within the media industry, and 61% progressed into roles at ITV. While the full impact is difficult to calculate (and indeed we do not attempt to quantify this in our financial analysis in section 4, below), many

⁷³ ScreenSkills, '[ITV and ScreenSkills join forces on new social mobility initiative](#)', May 2019.

ITV-trained people clearly move on to significant careers in and outside TV, adding to overall skills and entrepreneurship locally/regionally and at aggregate level nationally.



CASE STUDY: Talent escalation: Gamal Fahnbulleh

- Gamal started as a bursary student in the ITV Granada Newsroom
- From there, he moved to ITV's Breakfast Show and worked in the ITV Network newsroom
- After a stint at Sky News as a presenter, he returned to ITV Granada where he is now one of two main presenters, alongside Lucy Meacock



CASE STUDY: Talent escalation: Nimesh Joshi

- Nimesh joined ITV News Central on a 3-month contract as a Newsroom Journalist in 2010, and secured a staff position in 2012 and won RTS Midlands' Best New Talent the same year – while taking full advantage of a number of attachments provided by ITV News
- From 2013, he was a content editor at Central before becoming Deputy Head of News at ITV News West Country in May 2016.
- He transferred to Channel as Programme & Digital Editor, before moving back to Central in the same role.
- He currently represents ITV News on ITV's Inclusion and Diversity Council

3.35 ITV also contributes to the deepening of the talent pool in the Nations and Regions. Its commitment to skills development, training and talent escalation not only affords opportunities to the communities in which it operates but a sustainable source of growth to the talent pools on which it then relies.

3.36 A good example of this can be found in ITV Cymru Wales, where formal commitment to the development of Welsh language talent has directly led to the creation of a new cohort of journalists.



CASE STUDY: Keeping talent local: ITV Cymru Wales

- ITV Cymru Wales has formed a successful relationship with S4C to develop the next generation of Welsh language journalist and producers, via the commission of Welsh-language News and Current Affairs content
- As of 2020, the traineeship affiliated with Hansh (S4C's online short form service), was in its fourth year, and has created a new pathway for emerging talent
- It has also led to a brand new digital only commission, *Grid*, a series of current affairs films for younger, digital audiences

3.37 The impact of these sorts of commitments is the creation of broader ecosystems in cities outside of London; commissioned content acts as lynchpin for establishing more permanent structures that contribute to production and broadcast regionally. Productions can start to cluster once the talent pool in a given region reaches a critical mass, with enough work to sustain a base of employees and/or freelancers rather than these same individuals being drawn from elsewhere (i.e., London).

3.38 To a certain extent, we have seen this happen in the Manchester-Leeds and Bristol-Cardiff axes. Invigorated by PSB investment – whether in terms of infrastructure (as in the BBC's new Welsh headquarters and, upcoming, Channel 4's new headquarters and hubs in Leeds, Glasgow and Bristol) or through key

programming, such as *The Voice Kids* for ITV in Manchester – the clustering of on screen and off screen talent is a key outcome. However, this is also an area where external pressures (transport, access to public funding for apprenticeships and traineeships, lack of local infrastructure) tend to be felt most acutely.

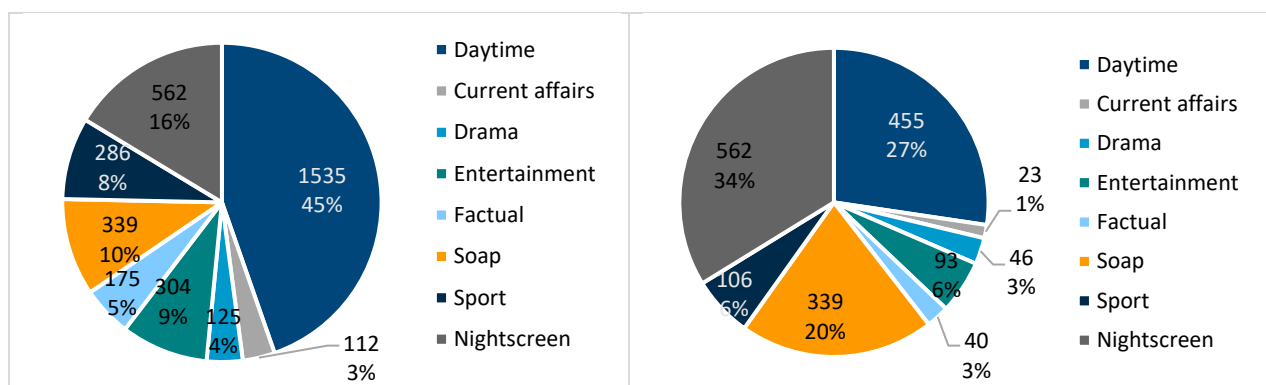
ITV's programming output

3.39 Just as the internal structure of ITV can be categorised in various ways, so too can its production. For example, many of the internal elements of ITV plc create programming for ITV Media and Entertainment on broadcast channels and online via ITV Hub. Equally, ITV Studios and the labels also create content for third parties, including for other PSBs and other broadcasters. To ensure the full production activity of ITV is covered, but not double-counted, this section is broken up into various categories. The first is ITV Media and Entertainment's total schedule for its main and portfolio channels, i.e., ITV, ITV2, ITV3, ITV4, ITVBe and CITV. In the second example, we look specifically at ITV Nations and Regions News output. Third, we consider the role of ITV Studios and the labels, specifically where they have produced content regionally that has not broadcast on an ITV property. Finally, we analyse the benefits and costs associated with moving a programme out of London.

ITV Media and Entertainment

3.40 In 2019, ITV spent £1.09bn on content.⁷⁴ Of this, £852m is spent on ITV's main channel, with the remaining £239m on its digital channels – CITV, ITV2, ITV3, ITV4 and ITVBe. In order to assess its commitments to programming from the Nations and Regions, we look specifically at its spend on first-run UK originations on ITV main channel. ITV spent £558m on first-run originated network content (i.e., excluding Nations and Regions news) broadcast on ITV main channel in 2019, equivalent to 3,438 hours of original programming.⁷⁵ Daytime was the biggest genre by first-run originated hours, along with soap, entertainment and sport, with daytime and soaps the biggest contributors from the Nations and Regions (the latter sourced 100% from regional centres), as per the charts below.

Figure 29: Breakdown of first-run UK originated hours and OOL hours on ITV main channel, by genre, 2019 (ITV)



3.41 These hours were produced across the country. Roughly, 1,663 hours (48%) were produced outside of London. The total cost of these OOL hours (excluding news) was £265m in 2019. The £265m went to a range of producers, including ITV Studios and the labels (discussed below) as well as independent producers in the Nations and Regions.⁷⁶ The total production cost accruing to non-ITV related (i.e., neither ITV Studios or label) independent production companies in the Nations and Regions was £59m, reflecting 33 titles across current affairs, drama, daytime, entertainment and factual.

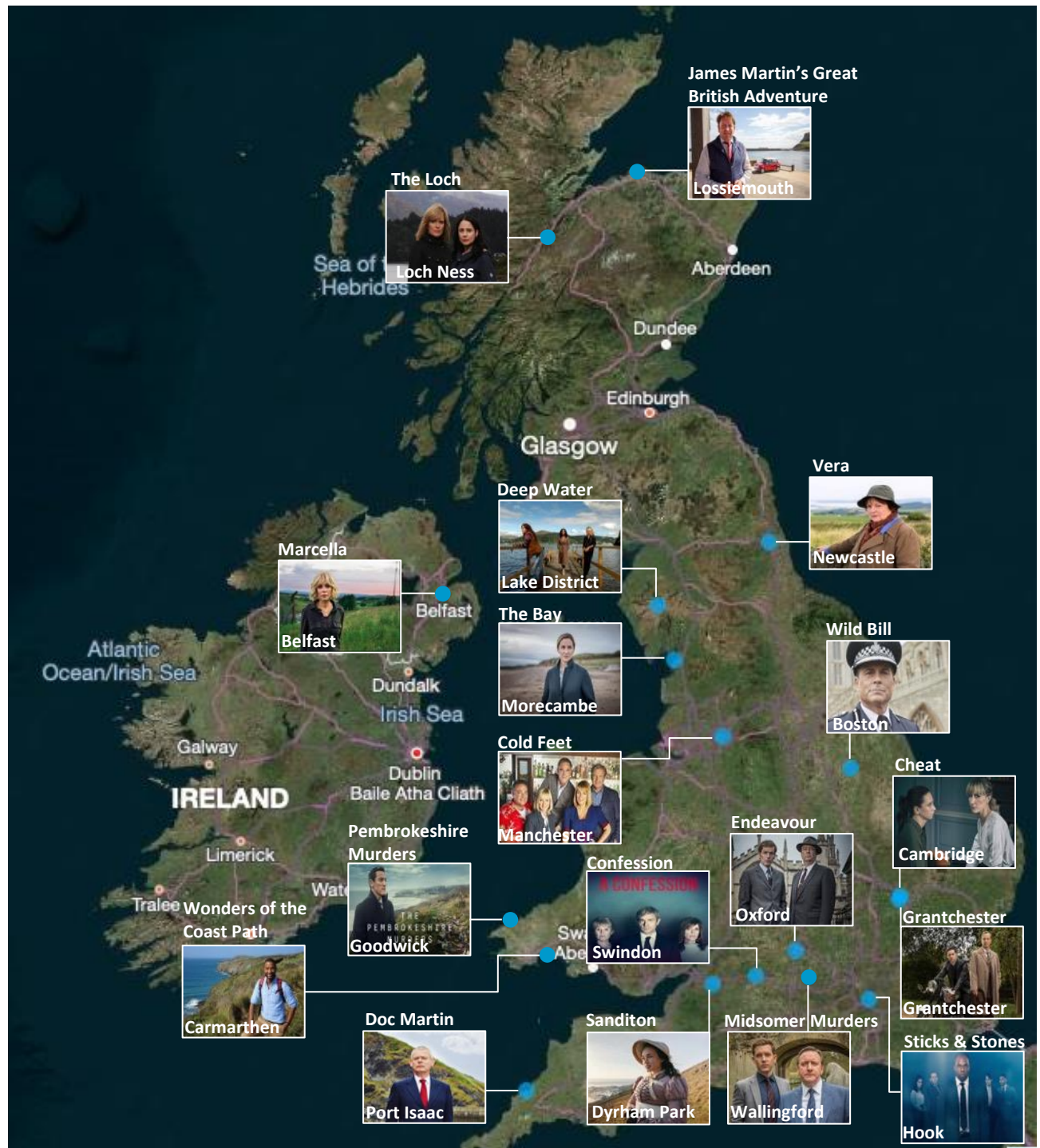
⁷⁴ ITV, 2019 Annual Report, p. 37.

⁷⁵ For the purposes of this section, we have used programming broadcast or otherwise transmitted in 2019, rather than commissioned or produced but not broadcast during the year.

⁷⁶ These hours do not include ITV's Nations and Regions news commitments, which are covered in the next section – representing additional expenditure in 2019. See paragraphs 3.44ff.

3.42 Although responsible for a relatively small proportion of total hours, it is important to highlight the role of drama productions, both in terms of overall spend these programmes bring into the Nations and Regions, and also the audience impact. We highlighted in the previous section that the UK is experiencing significant cost inflation in the drama category, but nonetheless ITV has remained committed to broadcasting a range of high-quality dramas that are, crucially, filmed and set in the UK, specifically in the Nations and Regions. These dramas allow audiences to see themselves reflected in their local communities, a crucial public service. The map below demonstrates the scope of UK locations reflected in ITV programming across a number of genres in recent years.

Figure 30: Selected ITV programmes by location⁷⁷, 2019-2021 (ITV)



⁷⁷ Regional programming produced and/or broadcast in the period specified (2019-2021).

- 3.43 One of the key benefits of a regional network for a predominantly national broadcaster like ITV is the cross-pollination between activities in the Nations and Regions and commissioning. One of the best examples of this is in the production of *The Pembroke Murders*, broadcast in 2021 (discussed in the case study below). It demonstrates how having employees 'on the ground' means ITV at national level is much more exposed to new stories, ideas and ways to connect with people at a local level.



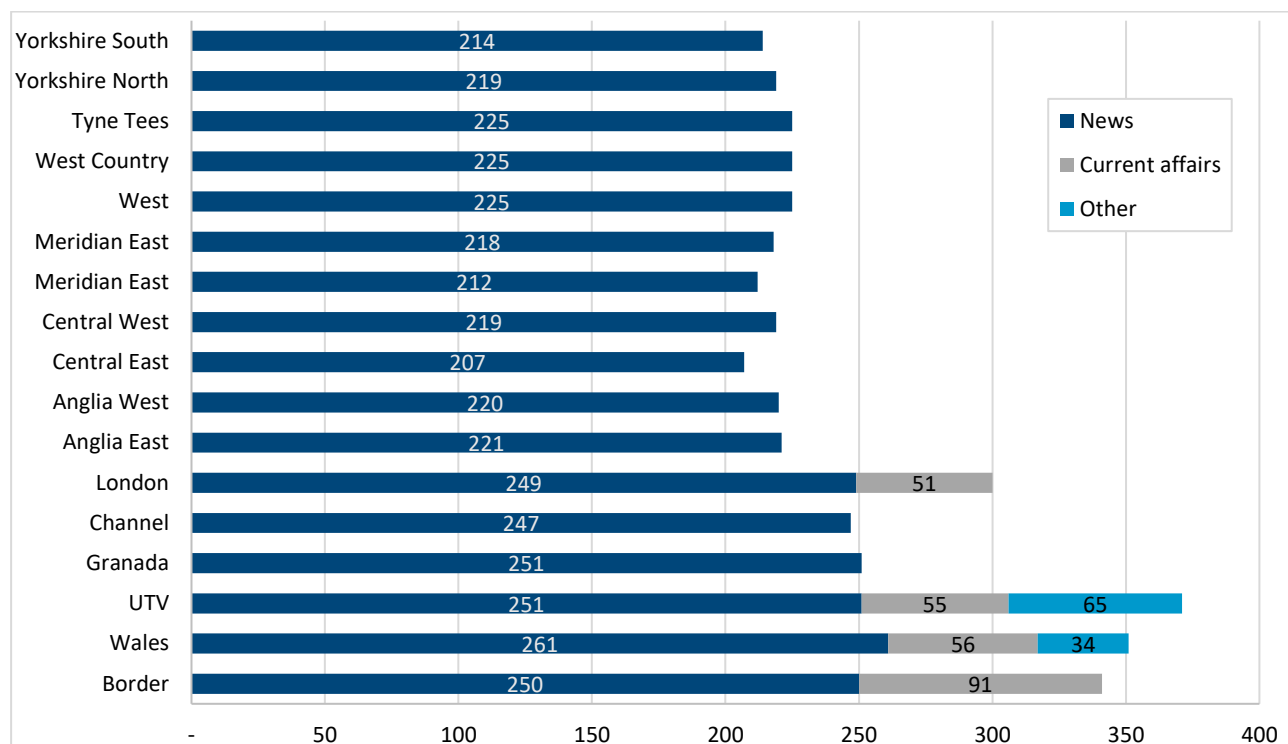
CASE STUDY: *The Pembroke Murders*

- Both an ITV and a Welsh story through and through
- The case of two unsolved double murders in Wales, first reported by ITV Cymru Wales journalist Jonathan Hill during the 1980s, and re-opened in 2006, were turned into a book by Hill and the lead detective in 2013
- The book was optioned as a screenplay (written by Hill) and produced in Wales by World Productions in association with Welsh independent producer, Severn Screen, for ITV with a largely Welsh cast (including in lead roles), crew (including in director and producer roles) and millions of pounds of spend in Wales
- The programme achieved a 37% share when first broadcast, and 11m viewers when including a late-night repeat and devices over 1st week from broadcast – one of ITV's most successful dramas of recent years

Nations and Regions news

- 3.44 ITV Nations and Regions News is required to provide a set amount of news content every week per area. UTV and Cymru Wales have an obligation to provide 240 minutes a week, with Border required to provide 200 minutes each week. Within the English regions, the obligation is 150 minutes each week. Because five of the Nations and Regions News teams (Anglia, Central, Meridian, West Country, and Yorkshire) produce opted services, and some news content may be relevant in different regions simultaneously, the total requirement comprises a unique requirement (105 minutes a week for Anglia, Central, Meridian and Yorkshire, 135 minutes for West Country, Tyne Tees, 180 for Border) and a shared allowance making up the remainder in each category.
- 3.45 For every nation/region, this total requirement was achieved, with an average of 230 minutes (3.8 hours) of local news produced by the nations/regions in 2019 every week.

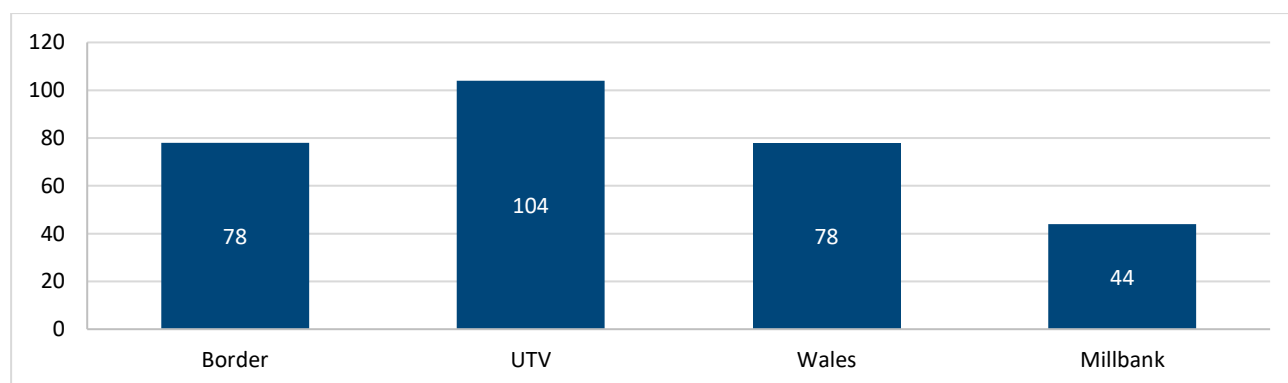
Figure 31: Broadcast news and current affairs minutes per week by region, 2019 (ITV)⁷⁸



3.46 Taken altogether, ITV Nations and Regions News produced 3,436 hours of news content in 2019, of which 3,058 hours (89%) were unique and the remainder shared between services.

3.47 The three national services – UTV, Border and Cymru Wales – produced an additional amount of current affairs and other content, as shown in the chart below. Millbank is included here as the location of shared studio facilities for the production of regional current affairs content (produced by the individual regional News services themselves), of which 44 hours were produced in 2019.

Figure 32: Total hours of non-news programming produced by ITV Nations and Regions News, 2019 (ITV)⁷⁹



3.48 Taken together, Nations and Regions News spent tens of millions of pounds in the Nations and Regions in 2019.⁸⁰ The majority was spent on staff, freelancers and contract crews, with rest allocated to travel and site costs, news-making equipment and facilities (such as SNG truck contracts, PA News contracts, technology

⁷⁸ This does not include an additional 51 minutes per week produced in the Meridian region for the Meridian Thames Valley opted service, as this is not included in Ofcom's required reporting. However, it is equivalent to roughly 44 hours of additional local news programming each year for the Meridian licence region.

⁷⁹ Hours produced at Millbank are divided among: Tyne Tees/Border, West/West Country, Anglia, Meridian, Central, Yorkshire, London and Granada.

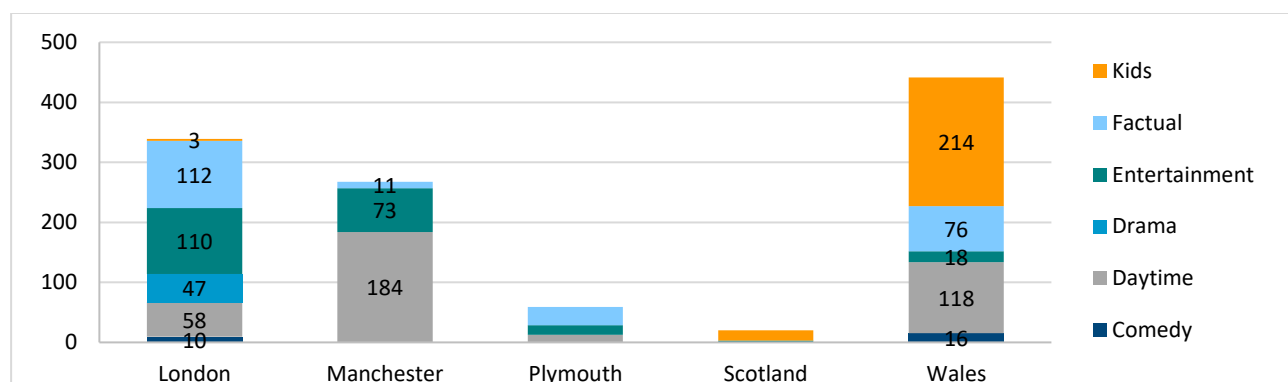
⁸⁰ The exact figures are not published by Ofcom, as they relate in large part to a contract with ITN that is commercially sensitive. For the avoidance of doubt, Mediatique was provided with granular data that was used to calculate the impacts outlined in Section 4.

and graphics, weather-related contracts) as well as any other costs (and revenues) from non-news programme production. An additional amount was spent in London including a central service recharge from ITV Plc, and any recharges to news production at Millbank to facilitate the production of news regionally.

ITV Studios and labels

- 3.49 ITV Studios in the UK is the largest commercial producer in the country and produces content not only for ITV's own channels (roughly 65% for ITV main channel), but for other UK broadcasters as well. In 2019, ITV Studios and the labels produced 4,130 hours of TV content across a range of genres.
- 3.50 Of this, the majority was destined for broadcast on an ITV channel (specifically, original programming was created for CITV, ITV, ITV2 and ITVBe) with 715 hours of programming destined for an ITV channel qualifying as out of London and 745 hours containing at least a partial element of regional spend.⁸¹ The total value of this out of London programming was £218m, of which £211m is made up of revenues from ITV⁸² and the remainder from deficit funding, third parties or advertiser-funded.
- 3.51 ITV Studios and the labels also produced over 1,127 hours of programming for other channels in 2019, across a similar range of genres. Of these, 339 hours were created by labels with a base in London, with the remainder coming from production companies/labels based outside of London, as per the chart below.

Figure 33: ITV Studios and labels content for other broadcasters by substantive base and genre, total hours, 2019 (ITV)

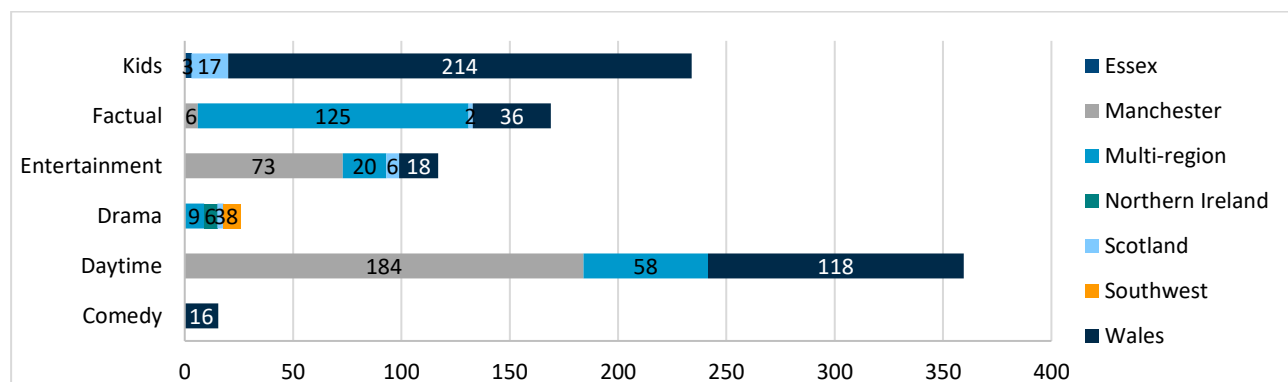


- 3.52 However, analysing the location of the substantive base of each production obscures the fact that many of these programmes are filmed on location in a much wider number of regions across the UK, and indeed, further afield.
- 3.53 Thus when looking at location of filming, 922 hours (82%) were made out of London by ITV Studios and labels for other channels. A further 68 hours were made overseas, meaning that total hours produced in London for other channels was just under 138, or 12% of total commissions.

⁸¹ This, by definition, includes all MOL-qualifying hours.

⁸² This is counted in the section on ITV Media and Entertainment spend above.

Figure 34: ITV Studios and labels OOL hours for other broadcasters by genre and location, 2019 (ITV)



3.54 Taking the substantive base and filming location together, we find that 811 hours (or 66 programmes) created by ITV Studios and the labels for other channels can be considered regional. While the total value of these shows does not accrue *in toto* to ITV, ITV is responsible for the ‘unlocking’ of the value of these commissions in the N&R. The total revenue raised by these programmes was close to £64m in 2019, which include nearly £6m in tax credits (only applicable for certain content).



CASE STUDY: *Shetland*

- A crime drama for BBC One first broadcast in 2013, *Shetland*'s fifth series was broadcast in 2019
- It is produced by London-based Silverprint Pictures on-location in Scotland and qualifies for MOL status
- The high production value means it also qualifies for the HETV tax credit and demonstrates the additional value that can accrue when production companies are incentivised to produce programmes regionally
- A 2017 survey found tourist visits were up 13% on 2013, with one-third of tourists citing the programme as an influence

The impact of moving programmes out of London

3.55 There are some instances where programmes commissioned or produced in London are moved for subsequent series to an out of London production base. This practice, known as ‘lift and shift’, can be helpful where programmes can act as an anchor for other commissions and sustain an ecosystem of production capacity.

3.56 However, this is likely to depend on the nature and genre of the programme that moves, the location of the senior – or decision-making – team, and whether the requirements of the production schedule can allow for the same (or similar) team to be able to create new programmes around it. It is for this reason that returning series can be particularly effective at encouraging additional spend out of London, rather than one-off programmes filmed on-location.



CASE STUDY: *Moving Tipping Point out of London*

- A condition of *Tipping Point*'s recommission in 2018 was that it would move out of London, to assist ITV in its need to meet OOL quotas
- RDF was able to accomplish this because it already had a base in Bristol (RDF West) and the senior production team and the talent were willing to relocate (this is not always the case)
- Filming at Bottle Yard Studios, ITV had to take on substantial additional costs as well as commit to a longer run than might otherwise have been the case had the show remained in London in order to underwrite the costs associated with the move

- 3.57 There are certain circumstances where this has been accomplished by ITV, however (of which *Tipping Point* is one of the best examples). Nevertheless, the clustering of talent, a wide and knowledgeable pool of freelancers, and the physical infrastructure required to produce programmes in London continue to make it an attractive place to commission and produce TV content. Accordingly, it can be expensive to move a commissioned programme out of London if it entails having to either relocate the production team and talent or to organise for an on-location production team to take over (which also entails a heightened degree of risk given the loss of established production knowledge and expertise).
- 3.58 An unintended consequence of the Covid-19 lockdown in the UK was shifting production of *I'm a Celebrity...Get Me Out of Here* to Wales from Australia. Despite the challenges of relocating a large and expensive show in a tight turnaround time, ITV Studios was able to secure a location, local crew and implement an on-location ingestion suite with remote editing and post in London.⁸³



CASE STUDY: *I'm A Celebrity...Get Me Out of Here*

- In 2020, *I'm a Celeb* was filmed in Wales due to Covid restrictions
- Over 50 local suppliers were used across all elements of the production, including transport, set builders, crew accommodation, merchandising, with a spend in excess of £3.5m in Wales.
- The first episode took 52.3% share, with 13.8m viewers (consolidated) – the programme's best launch since 2006
- Welsh language tutors reported increased interest in their services after the first programme aired

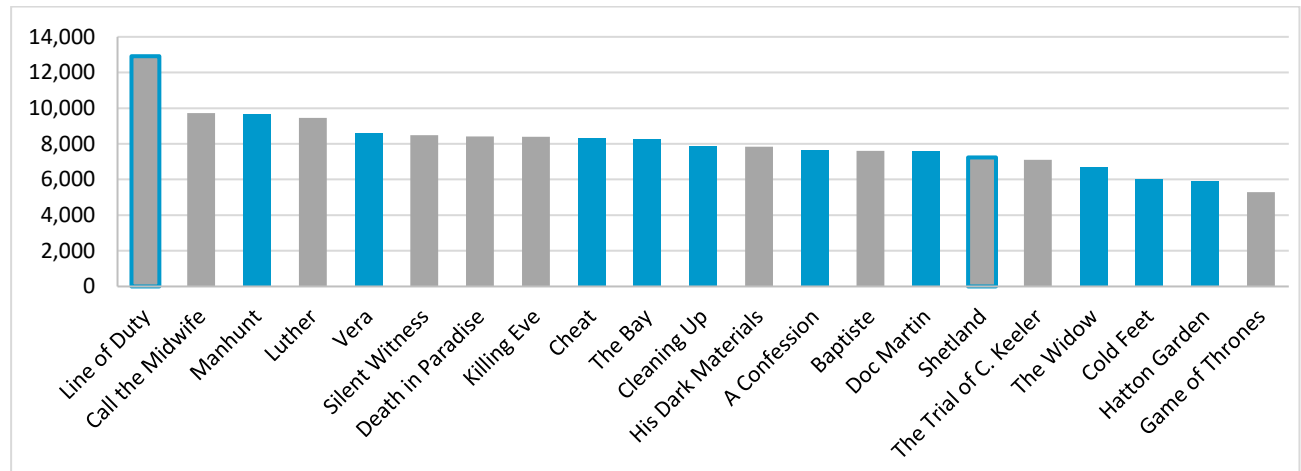
Outcomes and audiences

- 3.59 ITV's total production spend translates to strong viewing impacts across the UK, reflecting ITV's ability to create programming that speaks to audiences across all the demographics and geographies of the UK. Taking drama productions as an example, ITV excels in this genre and was responsible for broadcasting 10 of the best 20 performing dramas in the UK in 2019. ITV Studios was responsible for a further two (*Line of Duty* and *Shetland*) for other broadcasters. Not only were these programmes made all over the UK (see Figure 30), but they reflect life outside of London, as well as in it. Of ITV's 10 best performing dramas, five (*Vera*, *Cheat*, *The Bay*, *Doc Martin* and *Cold Feet*) are specifically set outside London. In addition, *Shetland* (produced by World Productions for the BBC) was filmed, produced and set in one of the furthest points away from London in the UK.⁸⁴ In comparison of scale, *Game of Thrones* (broadcast on Sky in the UK) – highly-touted as one of the biggest programmes on TV – fell one spot outside of the top 20, with an average of just under 5.3m viewers in the first 28 days.

⁸³ Broadcast, '[Post-production uncovered: I'm a Celebrity \(ITV\)](#)', November 2020. However, it remains to be seen whether it technically qualifies as an Out of London production under the Ofcom rules.

⁸⁴ ITV Studios was also responsible for the production of *Line of Duty*, the highest performing drama in the UK in 2019, further highlighting ITV's ability to create strong drama content.

Figure 35: Top broadcast dramas (28 day consol., in 000s), ITV = blue, ITVS for non-ITV = blue outline, 2019 (BARB, ITV)



3.60 ITV's USP is its large and broad audience. So whilst audiences are highest among older age groups, it also accrues the greatest share of viewing among 16-34 year olds compared to the other PSBs. It also reaches DE audiences to a greater extent than the other PSBs.

Figure 36: PSB core channels viewing shares by demographic, in %, 2019 (BARB, Mediatique)⁸⁵

PSB channel	A4+	A4-15	A16-24	A25-34	A35-44	A45-54	A55-64	A65+	AB Adults	C1 Adults	C2 Adults	DE Adults	Men	Women
BBC One	20.92	10.90	13.61	13.62	16.33	19.08	21.27	26.67	26.77	24.00	20.80	16.83	21.52	21.48
BBC Two	5.71	2.71	3.82	3.68	4.71	5.27	5.82	7.21	8.20	6.47	5.46	4.32	6.36	5.49
ITV	16.02	10.86	13.72	14.51	12.71	16.38	17.13	17.51	13.41	15.67	17.48	17.78	13.52	18.64
Channel 4	4.78	4.07	5.92	6.83	6.40	5.51	4.51	3.69	5.86	5.19	4.80	3.91	4.52	5.07
Channel 5	3.71	4.52	3.30	3.87	4.18	3.67	3.22	3.75	3.50	3.67	3.76	3.70	3.21	4.04

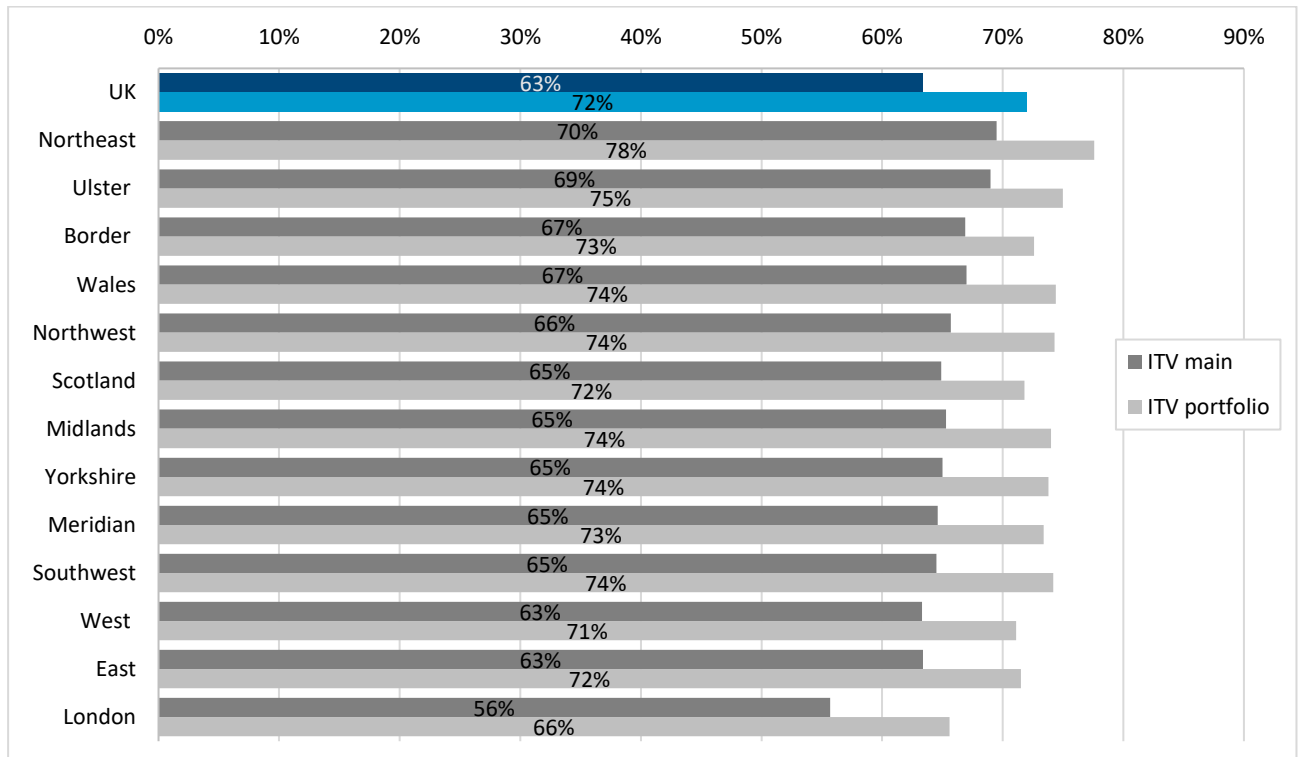
Figure 37: PSB portfolio viewing shares by demographic, in %, 2019 (BARB, Mediatique)³⁹

PSB portfolio	A4+	A4-15	A16-24	A25-34	A35-44	A45-54	A55-64	A65+	AB Adults	C1 Adults	C2 Adults	DE Adults	Men	Women
BBC	30.54	26.48	21.28	22.02	25.73	27.44	29.95	37.03	39.79	33.92	29.41	23.83	31.58	30.10
ITV	23.16	18.68	24.65	23.38	19.70	22.96	23.77	24.35	19.30	22.11	24.68	26.08	19.90	26.36
Channel 4	9.83	8.86	15.65	15.23	13.03	11.16	9.42	6.93	10.09	9.99	9.84	9.68	9.61	10.13
Channel 5	6.51	6.07	5.82	6.31	6.95	6.39	6.31	6.71	5.33	5.89	6.89	7.54	5.99	6.97

3.61 ITV continues to serve audiences across the UK, with an average national weekly reach of 63% for ITV main channel, and 70% for the entire ITV portfolio of channels. ITV performs particularly well outside of London and the South East; Indeed, London is the only region where weekly reach falls below ITV's national average (56% for ITV main channel and 66% for portfolio).

⁸⁵ Within the table, blue highlight represents the channel with the highest viewing share per age, socio-economic or gender category.

Figure 38: Weekly reach (% , 3 min, 28 day consol.) for ITV main channel and portfolio by region, 2019 (BARB, ITV)



3.62 Impact is strong in the North. The North East, Ulster and Border nations/regions see particularly high weekly reach; at almost 80% weekly reach in the North East. When looking at share of viewing, all of the most northern areas over-index against the national channel average for both ITV main channel, and for the totality of ITV's channels. Comparatively, the BBC's channels and Channel 4 over-index predominantly in southern regions.

Figure 39: Index of viewing share to national channel average by region, 2019 (BARB, ITV)

Area	ITV	ITV family	BBC 1	BBC 2	BBC 4	Channel 4	Channel 5
Border	123	118	94	112	107	96	99
Ulster	119	112	91	84	86	105	90
North West	114	110	92	101	108	98	104
Yorkshire	113	112	94	87	79	92	105
Wales	109	109	103	98	82	77	98
North East	106	108	99	91	97	91	98
Scotland	103	102	100	94	73	98	100
Midlands	98	101	94	89	89	105	99
East	96	94	104	109	121	111	105
Meridian	90	92	116	122	129	108	99
South West	88	93	127	124	114	94	93
West	87	84	124	118	113	106	92
London	87	87	93	99	105	103	99

Other attributable impacts

3.63 ITV's impact outside of London goes beyond production and viewing outcomes. ITV adds significant value through some of its non-production activities. These can be divided into two streams: benefits to local businesses and benefits to the wider consumer.⁸⁶

B2B benefits

3.64 The regional commercial team consists of 90 staff across nine offices, supporting ad sales in ITV's 14 nations/region map. This includes Channel TV since 2011 and UTV (in both Belfast and Dublin) since it was incorporated into ITV in 2016.

3.65 The structure of the team (and the availability of macro regions for ITV) assists clients in targeting much smaller regions (or groups of regions) rather than having to commit to a full national campaign if they are looking to advertise on TV. Because of this, ITV regional ad sales can accommodate the UK's small and medium-sized enterprises ('SMEs') as well as companies operating on a larger scale. Further, because advertising can be targeted at specific regions, its client base can include those that operate regionally.

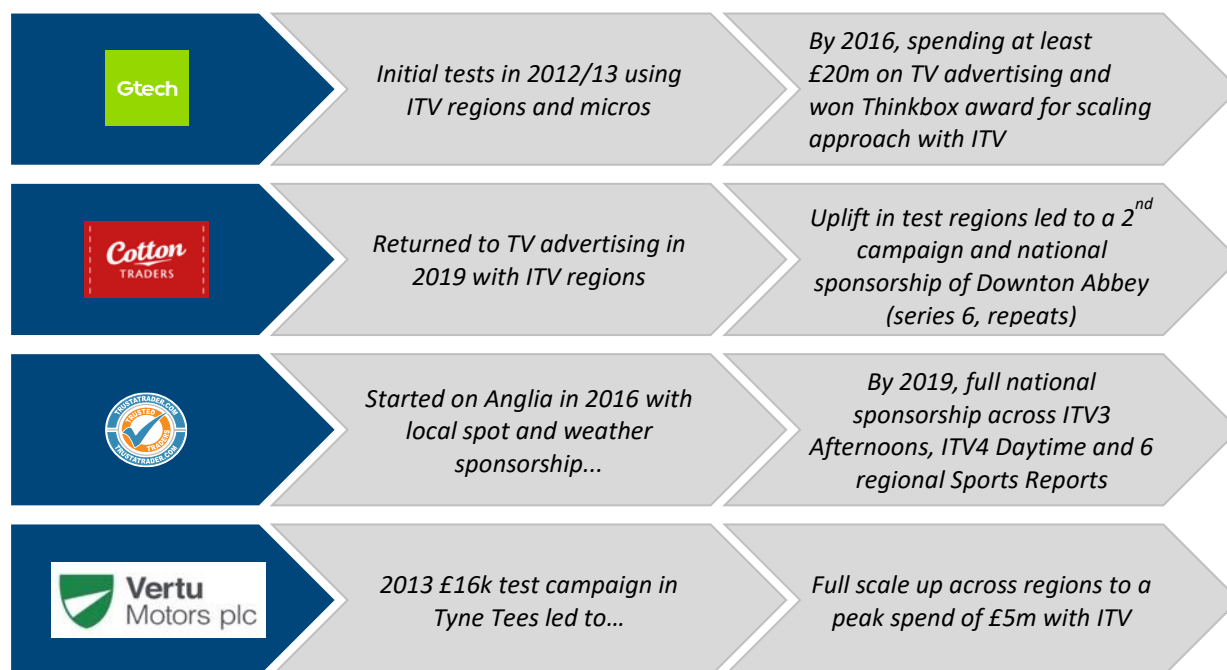
**CASE STUDY: UTV AD SALES**

- Part of the ITV family since 2016, the UTV sales team comprises 5 sales staff and 4 creative producers
- From 2016 to 2020, UTV has helped 291 businesses advertise on TV
- Of those, 205 businesses used UTV's creative team to produce ads at cost – around 1,000 such ads are produced annually
- Each year, new to TV brands make up roughly one third of UTV's clients (similar to other ITV regional sales teams)
- Similarly, UTV can work with agencies and direct clients, with the latter making up 177 of the 291 brands assisted since 2016

3.66 When looking at brand spend with ITV's regional ad sales, we see that the practice of small-value local test campaigns leading to more expensive national ad campaigns has emerged as a pattern. It suggests that the ad sales team provides an essential service to SMEs in the Nations and Regions in demonstrating the potential value of TV advertising to these brands.

⁸⁶ There is an argument to be made that ITV likewise confers benefits to a third stream: that of value to citizens: for example, through the provision of public service announcements and other Government messaging via a trusted national brand and in the UK's national languages, not least in times of crisis as shown during the Covid-19 outbreak and lockdowns of 2020 and 2021.

Figure 40: Examples of brands growing adspend with ITV regional test campaigns, 2012-2019 (ITV)



- 3.67 From 2011-2019, the ITV regional sales team assisted 3,662 businesses advertise on TV and in 2019 alone delivered £350m in revenue for ITV. For many of its clients, the department produced adverts at cost (many of which for a budget of less than £500). In total, around 1,000 such adverts are created each year, all using regional creative production. This is of fundamental importance to regional SMEs, which can thus ‘test’ the value of TV advertising.
- 3.68 Further, when lockdown posed many difficulties for local businesses, ITV assisted 196 new-to-TV brands from March to September 2020 alone. Of these, 96 were regional brands (i.e., not using the full ITV network). This was particularly important when certain shops were open but others were not, based on regionally enacted lockdowns.
- 3.69 The regional strategy is critical at a time when TV advertising faces structural headwinds and digital platforms are looking to divert advertisers away from traditional categories such as TV and newspapers toward tailored online advertising methods. At the same time, the regional approach can be deployed to accommodate hybrid campaigns across, e.g., ITV Hub and the broadcast channels.

Wider economic and consumer benefits

- 3.70 ITV also mobilises its intellectual property (‘IP’) to benefit audiences outside of its commitments to broadcast TV and streamed programming. In particular, the success of its set tours, live events and other ticketed performances over the past decade has shown the appetite that exists across the UK for live activities.
- 3.71 The Games, Live Events and Merchandise (‘GLAM’) team has organised several key activities over the past decade, including the very popular *Coronation Street* and *Emmerdale* tours which draw groups on trips from around the UK and, more recently, the *Ninja Warrior* sites. ITV works independently or with co-partners to implement IP or, in the case of *Ninja Warrior*, licence IP (originally from TBS in Japan), to create performances and live events for paying visitors.

Figure 41: Key ITV GLAM activities and location (ITV)

Activity	Location	Notes
<i>Coronation Street</i> : Quay Street	Manchester	<ul style="list-style-type: none"> Open from April 2014 to December 2015, over 900,000 visitors attended

Activity	Location	Notes
<i>Coronation Street: The Cobbles</i>	Manchester	<ul style="list-style-type: none"> 90,000 visitors since early 2018 New weekday exhibition space to be opened in 2022
<i>Emmerdale: The Village Tour</i>	Harewood Estate	<ul style="list-style-type: none"> Open for 40 days each year 25,000 visitors annually since 2016
The <i>Emmerdale</i> Studio Experience	Leeds	<ul style="list-style-type: none"> 200,000 visitors since autumn 2016
<i>Ninja Warrior</i>	Datchet, Stoke-on-Trent, Wigan, Cardiff, Gloucester, Edinburgh, Sheffield and Eastbourne	<ul style="list-style-type: none"> 250,000 visitors in 2020 alone⁸⁷ Further sites expected in 2021 and beyond
<i>I'm a Celebrity</i> Jungle Challenge	Manchester	<ul style="list-style-type: none"> Opening summer 2021 Expected 200,000 visitors per year

- 3.72 In addition to the above, ITV IP and talent have been used to host a number of nationwide tours that play arenas and theatres across the country. Since 2013, ITV has been involved in 100 such events, selling over 600,000 tickets in total. These have included *Dancing on Ice* The Tour, *Ant & Dec's Takeaway On Tour*, *This Morning* Live Exhibition, *Gino's Italian Escape* and *The Big Reunion*.
- 3.73 Taking visitor numbers from the nationwide tours, set visits and licensed activity centres together, ITV has sold over 2.1m tickets since 2013.
- 3.74 We have not attempted to place a value on the impact of specific programmes or shows on a region, although there is clear evidence that some programmes do add positive value to certain filming locations.
- 3.75 We discuss below the example of *Doc Martin*, filmed in Port Isaac in Cornwall by Buffalo Pictures (although not deemed a qualifying out of London production against Ofcom's criteria). Similar effects were felt on the Jurassic Coast in Dorset and in particular in West Bay/Bridport in 2013 following the success of *Broadchurch*. A study⁸⁸ at the time found that 77% of local businesses reported an increase in customer numbers (with 70% of local businesses seeing increased turnover) in 2013 post-broadcast, and 90% of all surveyed tourism-related businesses in the area agreeing with the statement: "I welcomed *Broadchurch* – it is the boost this area needs". This shows the profound impact that ITV programming can have beyond its own contributions to Nations and Regions areas.⁸⁹



CASE STUDY: *Doc Martin*

- Set in the fictional Cornish town of Portwenn, *Doc Martin* has been running for 10 series since 2004 and has had a substantial impact on Cornish tourism
- In early 2019, Cornwall Tourism presented the production team with a special reward for its "outstanding contribution to tourism"
- Research by Cornwall Tourism found that 10% of visitors cited *Doc Martin* as an influence, not only in the UK but internationally
- The production team has separately contributed over £130k to the village fund for use on local projects

⁸⁷ The sites, operated by third parties, were only open during permissible periods during the 2020 lockdowns.

⁸⁸ Dr. Joanne Connell (University of Exeter Business School) for West Dorset and Weymouth & Portland Shared Services Partnership, '[The Impact of Broadchurch on tourism businesses in West Dorset](#)', 2014.

⁸⁹ ITV label Mammoth Screen's production of *Poldark* (for the BBC) was likewise a contributor of significant tourism into Cornwall throughout its broadcast.

4) Financial impact of ITV in the Nations and Regions

Key findings in this section

- ITV's financial and employment contributions in the Nations and Regions in 2019 were numerous – we review them in three stages: ITV's gross value added (GVA) to the economy, the employment impacts associated with this contribution, and any other financial impacts contributed by ITV
- GVA is quantified by reviewing a firm's expenditure, and then estimating what secondary economic impacts this expenditure has – thereby presenting a more complete picture of economic contribution
- The impacts reviewed are split into four categories: 'Direct' (e.g., ITV's payroll costs); 'Supplier' and 'Supply Chain' (e.g., the cost of ITV procuring a contract with a supplier, and the associated economic impacts along the supply chain) and 'induced' (e.g., a proportion of ITV and supply chain employee wages spent regionally)
- ITV's total N&R expenditure in 2019 was £303m, represented by £92m expended on payroll, and £210m on the procurement of suppliers (e.g., professional services and freelancers); further £185m of value was generated by the secondary effects of ITV's procurement, and another £50m contributed by wage spending in the local economy by employees (both of ITV and its supply chain)
- In total, ITV contributed £538m to Nations and Regions' economies in 2019 – this means that for every £1.00 ITV spent directly on its staff, a further £4.85 was generated locally
- In the context of ITV's *total* expenditure across its payroll and suppliers (i.e., £92m and £210m), for every £1.00 spent, a further £0.78 was generated locally
- This value supported approximately 2,553 ('full time equivalent') jobs in Nations and Regions economies in 2019, meaning that for every direct ITV FTE in the Nations and Regions (2,116), there were 1.21 FTE jobs generated locally
- ITV had additional financial impacts in the Nations and Regions in 2019; it spent £59m with regional independent production companies in the year, although this sum was excluded from our core analysis because we could not reliably estimate how that money was subsequently spent by these external suppliers
- However, if, as above, £0.78 of value is generated by every £1 of ITV expenditure, then we might expect an additional £46m to be generated from the £59m sum, resulting in a total incremental impact of £105m; this would imply total impact from ITV in the Nations and Regions of £643m in 2019

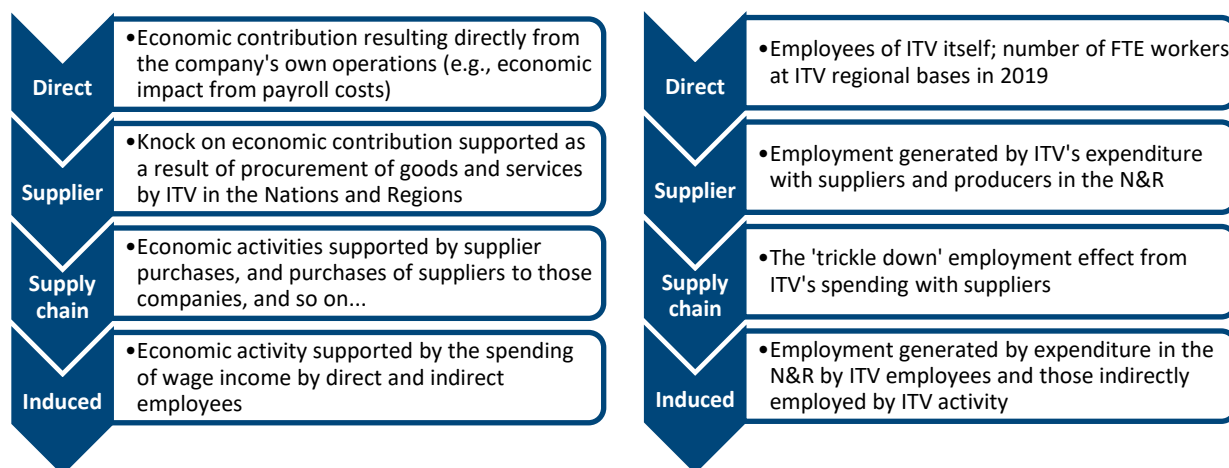
- 4.1 The contribution that ITV makes to the economy as a result of its operations across the Nations and Regions is significant; to quantify the full extent of this effect, we have reviewed ITV's Gross Value Added ('GVA') contribution via its activities in the Nations and Regions, and the potential effect on employment that these impacts generate.
- 4.2 We review these impacts in three stages: the GVA that ITV delivers via its activities outside of London, the employment impacts that are associated with this value contribution, and any other financial impacts which are contributed by ITV. The extent of the impact felt by these three categories can be estimated and quantified, as we detail below.

GVA analysis methodology

- 4.3 GVA is calculated by reviewing the expenditure of a firm and then estimating what further economic impact this expenditure has – when money is spent in the economy, there are secondary effects from the economic change or 'shock', so by estimating the secondary effects of ITV's expenditure, one is able to present a richer, more complex picture of its contribution to regional economies.
- 4.4 The economic impacts that we review are split into four categories: 'Direct' (e.g., ITV's payroll costs); 'Supplier' and 'Supply Chain' (e.g., ITV procuring a contract with a supplier or freelancer, and the wider

economic impacts associated with this⁹⁰) and ‘Induced’ (e.g., the estimated proportion of wages spent regionally on goods and services by direct and indirect employees). These economic impacts have reciprocal impacts on employment too.

Figure 42: Name and description of economic and employment impacts (Mediatique)



- 4.5 Mediatique reviewed detailed data supplied by ITV on its expenditure – payroll, freelance, supplier services, etc. We then used data published by the ONS and an ‘input-output’ model to estimate the economic and employment impacts contributed by ITV’s suppliers, the wider supply chain, and the induced spending on goods and services locally of all employees.
- 4.6 The ONS-informed model is a matrix used to estimate the relationships shared by the different sectors of the economy – in effect, it shows who buys what, and from who, in the economy as a whole. Its outputs are a set of multipliers and ratios that estimate the changes affected by an economic change or ‘shock’ (e.g., an item of expenditure), and what the implications are for the wider economy.
- 4.7 The multipliers are different for each economic sector, in effect highlighting that £1 of expenditure in one will not necessarily generate the same level of economic impact as £1 of expenditure in another.⁹¹

Figure 43: Mediatique GVA methodology (Mediatique)

ITV N&R GVA impacts - methodology	Notes
Establishment of objectives and data gathering	<ul style="list-style-type: none"> ITV & Mediatique - data gathering: <ul style="list-style-type: none"> <u>Direct payroll expenditure</u>: data request to ITV, relating to staff expenditure – permanent, fixed term and part time employees only <u>Procurement expenditure</u>: data request to ITV, relating to procurement of contractors, third parties and freelancers – value of contracts <u>Direct employment</u>: data request to ITV, relating to staff headcount – permanent, fixed term, part time⁹²

⁹⁰ In the context of ITV and its regional presence, reviewing this metric is particularly important: in 2019, ITV shared over 3,400 unique relationships with suppliers who contributed to its activities outside London, and these relationships had numerous concomitant impacts, including on employment.

⁹¹ For example, the ONS sector ‘Motion Picture, Video & TV Programme Production, Sound Recording & Music Publishing Activities & Programming and Broadcasting Activities’ has a GVA Multiplier of 1.58, whereas ‘Telecommunications Services’ has an ONS Multiplier of 1.36.

⁹² ‘Casual’ workers (i.e., freelancers) are not included in reference to ‘Direct’ ITV financial impacts; freelancers are transitory workers, and whilst there is a contract of employment between ITV and the employee, these are not defined as being a ‘direct’ contribution and therefore are accounted for separately. However, they are included in the total ITV ‘headcount’ figure used in our employment impact analysis below.

ITV N&R GVA impacts - methodology	Notes
	<ul style="list-style-type: none"> ○ <u>Indirect employment</u>: no data request to ITV required; model output is derived from expenditure analysis ▪ Mediatique – data gathering <ul style="list-style-type: none"> ○ ONS Output/GVA ratios – to estimate GVA per £1 of output, per industry ○ ONS Multipliers – to estimate indirect economic and employment impacts ▪ Scottish Government Multipliers⁹³ – to estimate induced impacts
Assignment of ONS Category and SIC Code⁹⁴	<ul style="list-style-type: none"> ▪ Review of ITV data files; to establish relevant ONS industry per line of ITV expenditure, to later assign ONS Category and SIC Code ▪ Manual assignment of ONS Product Category and SIC Code ▪ Manual assignment of ONS output/GVA Ratio and multiplier
Calculation	<ul style="list-style-type: none"> ▪ <u>Direct</u> <ul style="list-style-type: none"> ○ No calculation required; ITV supplied data ▪ <u>Supplier</u> <ul style="list-style-type: none"> ○ Economic: Supplier contract value multiplied by relevant sector output/GVA ratio ○ Employment: Estimation of GVA per FTE in relevant industry; division of supplier GVA by average GVA per FTE ▪ <u>Supply chain</u> <ul style="list-style-type: none"> ○ Economic: Supplier GVA multiplied by ONS GVA Multiplier ○ Employment: Supplier employment multiplied by ONS employment multiplier ▪ <u>Induced</u> <ul style="list-style-type: none"> ○ Economic: Payroll expenditure multiplied by Scottish Government published multipliers; Supplier GVA multiplied by Scottish Government published multipliers ○ Employment: ITV headcount data multiplied by Scottish Government published multipliers; Supplier employment multiplied by Scottish Government published multipliers
Collation of total ITV expenditure and associated impacts	<ul style="list-style-type: none"> ▪ Sum of impacts against ITV expenditure – statement of multipliers in excess of ITV expenditure and ITV FTE jobs

ITV's financial impact outside of London

- 4.8 The first way we review ITV's economic contribution is to isolate its payroll expenditure and separate it from the additional value generated in the economy. In effect, this states the economic impact that would be lost if ITV's own, direct payroll in the Nations and Regions was diminished. In 2019, ITV's direct contribution (via payroll) to the economy in the Nations and Regions was £92m.
- 4.9 However, ITV expended an additional £210m on the procurement of suppliers that contributed to its activities (e.g., professional services, caterers, transport, equipment hire and cleaning, etc., as well as a range of freelancers working in production, such as camera operators, set builders, lighting teams, etc.); its total

⁹³ ONS produces 'Type 1' Multipliers which refers to 'Direct' and 'Indirect' impacts only; a 'Type 2' multiplier accounts for induced economic and employment impacts i.e., impacts based on purchases and expenditure of employees. These are not published by ONS but are published by the Scottish Government; we revert to them only on the basis of estimating induced economic impacts.

⁹⁴ 'Standard Industry Code' – a unique code assigned to industries by the ONS in order to differentiate output, production and multiplier impacts, by industry.

expenditure therefore, via direct payroll and suppliers/freelancers, is £303m.⁹⁵ We have calculated that ITV contracted with 3,500 independent suppliers in the Nations and Regions in 2019, of which many are very likely to be SMEs (although the data set does not allow us to determine precisely).

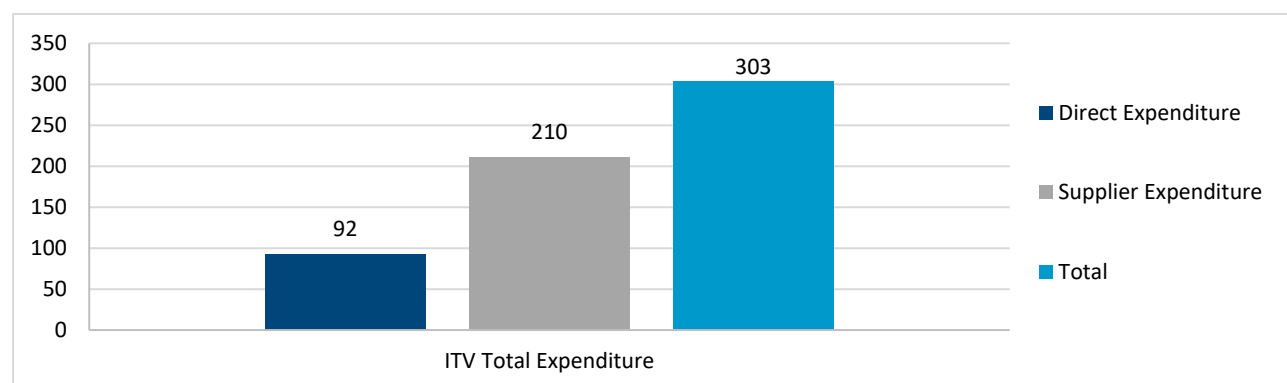
- 4.10 As is to be expected, suppliers operating in 'Broadcast' and 'Production' industries were contracted frequently, and these contracts often had a high associated value – the sum of contract value in these two categories was £84m and represented 44% of the total figure.⁹⁶
- 4.11 However, ITV also spent heavily in workplace services and property and professional services (representing 39% of total expenditure⁹⁷), demonstrating a varied commitment to regional economies and extension into industries other than its principal ones.

Figure 44: ITV expenditure on suppliers in the Nations and Regions, £000s, 2019 (ITV, Mediatique)

Expenditure category	Contracts value
Broadcast	30,238
Human Resources	916
Marketing	6,248
Production	53,620
Professional Services	17,249
Technology	13,760
Travel	12,765
Workplace services and property	56,642
Production – other	19,026
Total	210,464

- 3.76 Summing these two lines of expenditure together (£92m and £210m) confirms that ITV's total expenditure in the Nations and Regions in 2019 was £303m.⁹⁸

Figure 45: Total ITV expenditure in the Nations and Regions, £m, 2019 (ITV, Mediatique)



⁹⁵ Numbers do not sum exactly due to rounding. We exclude £59m of expenditure on third-party commissions (as discussed below); the total expenditure including this cost line is therefore £362m, £42m higher than the N&R content expenditure number report to Ofcom. This is likely to be made up of expenditure not allocated to production or accounted for by spending on diginets.

⁹⁶ We exclude 'Production – Other' from this calculation and from our reference to share of procurement expenditure; 'Production – Other' refers to ITV's freelance expenditure in the Nations and Regions and originates from a separate data source. Whilst it is likely the significant majority of this expenditure is related to 'Production', data granularity on role and business category was not sufficient to make this assumption.

⁹⁷ As above, this reference to share of expenditure refers to ITV procurement expenditure only and does not extend to include ITV payroll expenditure on freelance and transitory staff.

⁹⁸ There will be further fiscal impacts as a result of ITV activity in the form of national taxation (corporate and VAT), business rates and national insurance; we have excluded these impacts from our analysis to focus exclusively on the direct, indirect and induced impacts of ITV expenditure.

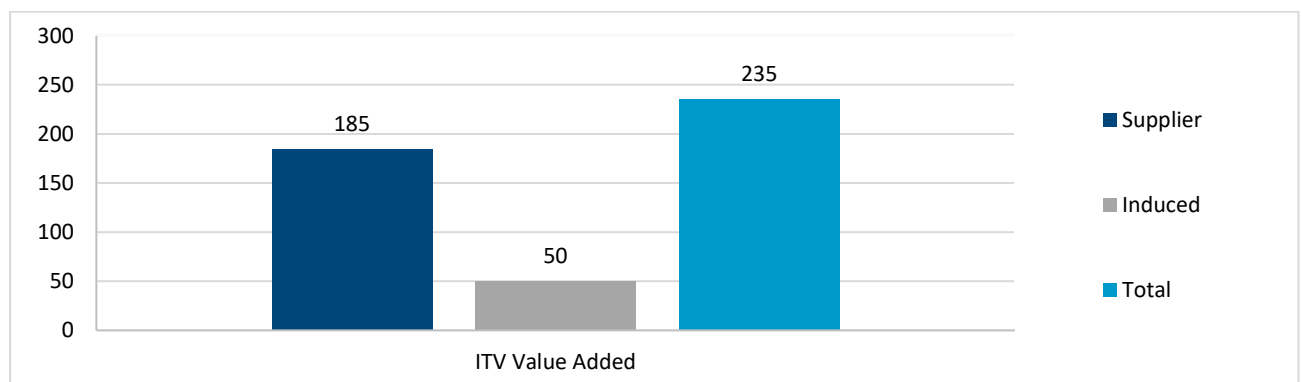
- 4.12 After applying multipliers to ITV's expenditure on suppliers based on ONS categories, we estimate that an additional £185m of value was generated in the local economy. Expenditure in 'Workplace Services and Property' had a particularly high impact, in effect generating an additional £0.90 in the economy for every £1.00 invested.

Figure 46: ITV supplier GVA contribution to economies in the Nations and Regions, £000s, 2019 (ITV, Mediatique)

Expenditure category	Contracts value	GVA	Total
Broadcast	30,238	27,108	57,346
Human Resources	916	740	1,656
Marketing	6,248	5,332	11,580
Production	53,620	47,965	101,585
Professional Services	17,249	13,815	31,064
Technology	13,760	10,576	24,336
Travel	12,765	11,164	23,929
Workplace services and property	56,642	50,862	107,504
Production – other	19,026	17,058	36,084
Total	210,464	184,620	395,083

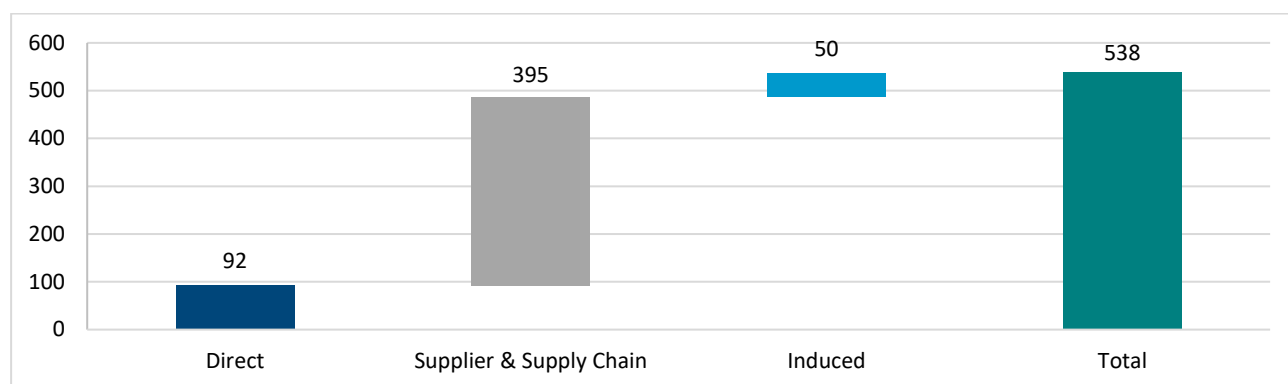
- 4.13 Thus the GVA of ITV's £210m of expenditure on the supplier chain was an incremental £185m.
- 4.14 We also estimate that an additional £50m was generated in the economy by the wage spending of ITV's employees, ITV suppliers and those contributing to the fulfilment of the wider supply chain, meaning that the total value added to the economy as a result of ITV expenditure was £235m (the sum of £185m and £50m).

Figure 47: Total ITV value added in the Nations and Regions, £m, 2019 (ITV, Mediatique)



- 4.15 These two totals, ITV's expenditure (£303m) and ITV's gross value added (£235m), suggest that it generated a total £538m in the economy in 2019; when viewed in this way, these data suggest that for every £1.00 ITV spends on its own staff and employees (i.e., £92m), a further £4.85 of economic activity is supported across the economy.

Figure 48: ITV GVA contribution to economies in the Nations and Regions, £m, 2019 (Mediatique)



- 4.16 The second way we review ITV's economic contribution in the Nations and Regions is assessing the value generated that is in excess of ITV's total expenditure (payroll plus supplier chain); in other words, what value has been added to the economy less the expenditure on ITV staff and the procurement of its suppliers.
- 4.17 As we have established, ITV spent £92m on the payroll of its own staff, and £210m on the procurement of suppliers and freelancers, totalling £303m (rounded). An additional £235m was generated in the economy as a result, composed of £185m of secondary supplier and supply chain impacts, and £50m of induced expenditure.
- 4.18 The output of this analysis is a ratio of ITV expenditure to value added across the economy: when ITV spends £1 in the Nations and Regions, either on itself or its suppliers and freelancers, a further £0.78 is generated elsewhere.

Figure 49: Direct, Indirect, Induced and Total impacts of ITV activity, 2019 (ITV, Mediatique)



ITV's employment impact outside of London

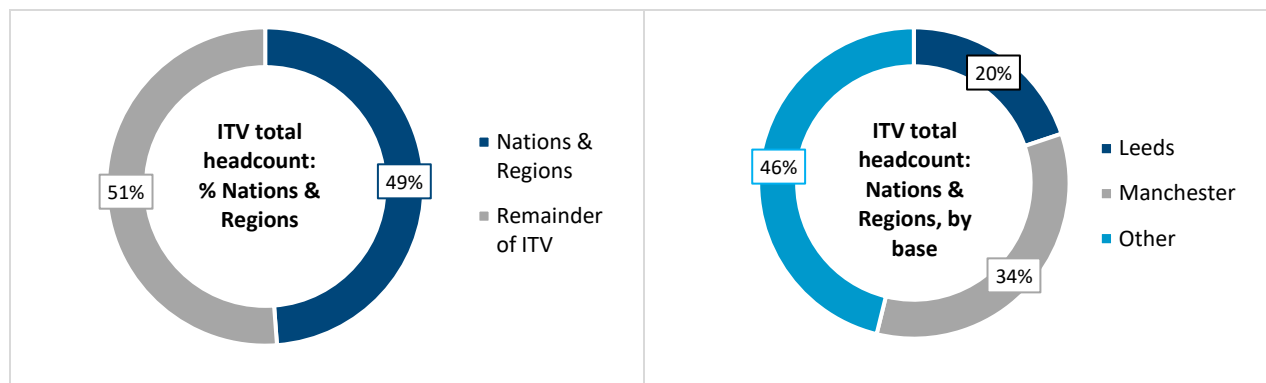
- 4.19 By adopting a comparable methodology to the above, we can also estimate the employment impacts that ITV generated as a result of its regional activity – both in terms of its direct contribution (i.e., the employment of its own staff), and the impacts affected by ITV's procurement of suppliers and contractors to support its activities.
- 4.20 Beginning in gross terms, we estimate that ITV had a total of 7,711 employees and freelancers in 2019 – this figure represents national 'employment' across ITV's relevant assignment categories, including freelancers.⁹⁹

⁹⁹ This cohort includes 'Fixed term' (full time and part time employees), 'Permanent' (full time and part time) employees, and 'Casual' staff across all of Corporate, Media and Entertainment, Studios and label activity. The final label ('Casual') is ITV terminology and used to describe freelancers, employees engaged directly for their expertise, on a specific programme and/or project for a finite period of time – the contract is between ITV and the freelancer. Members of this cohort are classed as 'workers' in employment law and thus entitled to statutory rights. They are distinguished from 'agency workers' and 'contingent workers', contracted via an intermediary company and not by ITV, who are not included in ITV headcount.

The equivalent figure in the Nations and Regions was estimated to be 3,764 and includes employees of all categories contributing to Corporate, Media and Entertainment, Studios and Label activities.¹⁰⁰

- 4.21 Leeds and Manchester were the two largest employment bases regionally, combining to represent 54% of ITV's headcount outside of London. Other significant bases in the context of total headcount include Birmingham, Belfast, Bristol and Cardiff.

Figure 50: ITV headcount in the Nations and Regions, 2019 (ITV, Mediatique)



- 4.22 The requirements of ITV's activities in broadcast and production naturally means a heavy reliance on freelance engagement, so whilst a statement of total ITV direct and freelance headcount in the Nations and Regions is useful in terms of scale, it is not necessarily indicative of its 'direct impact'¹⁰¹, nor of its impact in an FTE context.
- 4.23 To arrive at a robust approximation of ITV's relevant N&R FTE employees, we elected to discount freelancers from our estimations. This is not to discredit the value of this cohort in employment terms (and indeed, expenditure on freelancers is fully represented in our financial impact analysis); a high proportion of this group will be highly skilled and all will help make a significant contribution to ITV's activities. However, Mediatique did not have clear sight of contract lengths and/or the values associated with their procurement to credibly approximate how this portion of headcount would contribute to an aggregated FTE figure.
- 4.24 After removing this cohort for the purposes of the employment (although not the financial impact), we estimate that there were 2,116 FTE equivalent employees in the Nations and Regions in 2019¹⁰² – 24% of these were based in Leeds, 31% in Manchester, with the remainder occupying their roles in sites and areas across the UK.
- 4.25 ITV's indirect employment impacts were estimated by relying on earlier calculations for indirect economic contribution; by using the estimated GVA contribution per line of ITV expenditure, and an average GVA per FTE employee¹⁰³, we estimated that ITV's employment impact from the procurement of suppliers and freelancers resulted in the generation of an additional 1,933 FTE jobs in regional economies.

¹⁰⁰ A further 332 staff contributed to ITV headcount across the country but had no location assigned to their employment information in ITV's database; although it is likely that a proportion of these staff contribute to OOL headcount, we have chosen to discount them at this stage of our analysis.

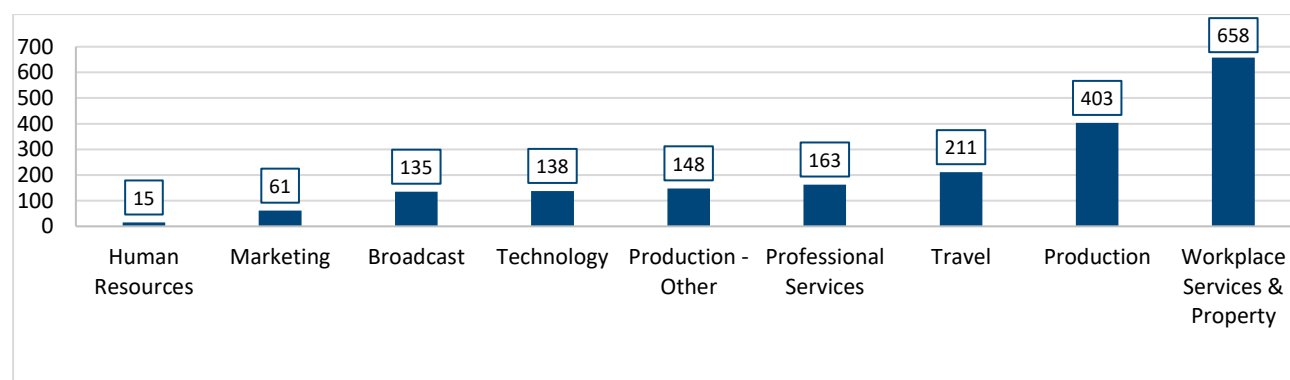
¹⁰¹ Headcount refers to ITV expenditure on staff and freelancers attached to its payroll; discounted were contractor and agency workers where the professional relationship is between ITV and an intermediary, and not ITV and employee.

¹⁰² As noted above, where data permitted, and in cases where the difference was meaningful, Mediatique amended employee headcount data provided by ITV to account for the difference between headcount and FTEs.

¹⁰³ ONS annually provides data on gross GVA per industry and gross headcount per industry (including FTE and part time employment figures). By estimating total FTE for each listed industry, we were able to reach an average GVA per FTE in each corresponding industry, and thus apply this figure with the GVA generated by ITV's activity with suppliers and procurement.

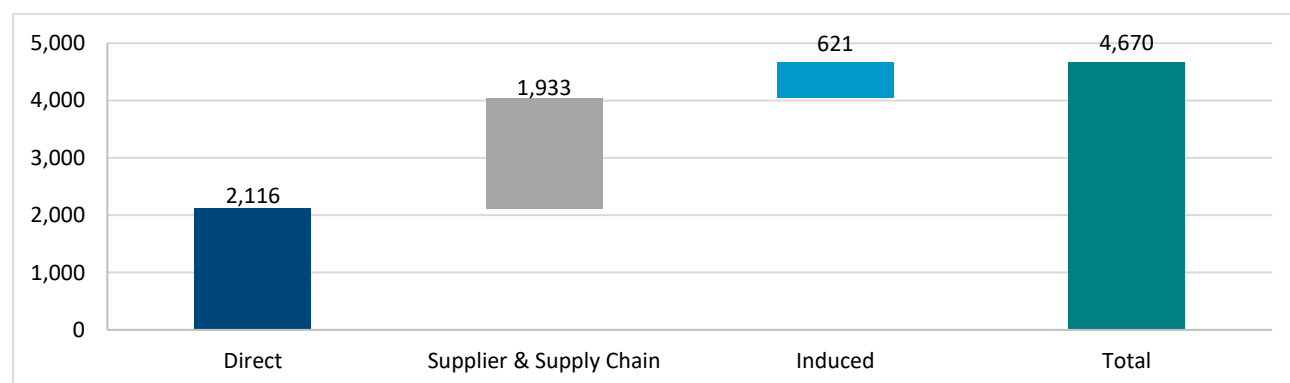
- 4.26 The employment category to benefit most from ITV's expenditure was Workplace Services & Property, gaining an estimated 660 FTE jobs as a result of the activity; perhaps expectedly, 'Production' was the next category to most benefit, gaining just over 400 FTE jobs.

Figure 51: FTE employment supported by ITV supplier procurement, 2019 (ITV, Mediatique)



- 4.27 In addition to these indirect employment impacts, there were further induced effects related to the spending of ITV employees and employees in the supply chain; we estimate that the spending of ITV employees and employees in the supply chain generated 222 and 399 FTE jobs respectively, a total impact of 621 in the Nations and Regions.
- 4.28 In this context, we are able to state ITV's contribution to regional employment after having excluded its employment of its own staff: we estimate that ITV generated approximately 2,553 additional FTE jobs in Nations and Regions economies in 2019, meaning that for every ITV FTE there was another 1.21 FTE jobs generated elsewhere.

Figure 52: ITV contribution to FTE employment in Nations and Regions economies, 2019 (ITV, Mediatique)



Additional ITV financial impacts

- 4.29 As referred to earlier, there was an additional sum spent with non-ITV related (i.e., neither ITV Studios or label) independent production companies in the Nations and Regions; the sum of this expenditure was £59m and was associated with commissioning of titles across current affairs, drama, daytime, entertainment and factual.
- 4.30 We include reference to it here to acknowledge its undoubted status as part of ITV's economic contribution in the Nations and Regions – without ITV's activity in commissioning these titles, it is uncertain whether regional investment would have materialised to a similar extent, and for this ITV deserves credit.
- 4.31 We have chosen to exclude the expenditure from the section of analysis above because we cannot reliably estimate how the money was spent: this remains at the discretion of the independent production companies supplying the content.

- 4.32 However, we have used the output ratio of our calculation as a proxy for generating an indicative GVA contribution from this sum of expenditure: if, as above, £0.78 of value is generated for every £1 of ITV expenditure, then we might expect an additional £46m to be felt in the economy from £59m expenditure, resulting in a total impact of £105m. And if we were to include this impact into the total associated with ITV's activities in the N&R, then the total impact would be £643m, rather than £538m.
- 4.33 Further, ITV Studios is also responsible for the production of content for other broadcasters, including those in its PSB cohort (e.g., the BBC, and both Channels 4 and 5). A portion of this content production will take place in the Nations and Regions and will therefore have a positive impact on local economies and employment.
- 4.34 We have assumed that the BBC and other relevant commissioning broadcasters may include such expenditure as a contribution to their own impacts in the Nations and Regions; to avoid double-counting, we have excluded this from our analysis.¹⁰⁴
- 4.35 Finally, while we have not attempted to quantify the impact ITV has clearly contributed, through its training and employment in the Nations and Regions, to the development of local entrepreneurship – e.g., through the migration of TV talent to adjacent industries, or the creation by former employees and trainees of independent production or technology and services companies in their own right.

¹⁰⁴ We note that the BBC, as part of its response to the Government on licence fee funding, commissioned KPMG to provide an updated [impact analysis](#) of the BBC activities.

5) The UK market in the absence of PSB reforms: focus on the Nations and Regions

Key findings in this section

- The PSBs have delivered benefits – economic, cultural and democratic – to the UK's Nations and Regions that could not have been provided by the market alone: this was partly the result of an effective PSB compact of rights and responsibilities but also a level playing field in what for many years were fundamentally national TV and advertising markets
- This outcome is now threatened as TV and advertising markets globalise and as large gatekeeper platforms increasingly seek to control TV distribution in the UK; at stake is the visibility and viability of UK PSB content (which continues to be both popular and perceived by audiences as important); at risk is the substantial public benefit delivered by PSBs across the UK
- The new global players in TV production and distribution, valuable though they are to the UK, will not replace that public benefit delivered by the PSBs, particularly not in the Nations and Regions
- The risk is that, without a rejuvenated PSB compact, the UK will have less original UK content that speaks to national experience, a shift of even more content investment to London and the South East and away from regional independent producers, substantial declines in content made in the UK's Nations and Regions (particularly news) and more pay and less free TV overall, disadvantaging a portion of the audience that does not or cannot pay for TV
- This gloomy prospect is not inevitable; however, Government will have to act if the PSB compact is to be sustainably renewed for a digital era: this will require intervention to establish a new level playing field for PSBs to enable them to compete effectively with global players and to secure prominence and value from their UK focussed content on global TV platforms in the UK; such intervention will in turn will help to sustain a national system of PSB TV broadcasting and online distribution but above all continue to enable that system to sustain the TV economy of the UK's Nations and Regions
- Of course, at the same time, there are also measures that government could take that would accelerate many of the negative outcomes we outline in this report; a prohibition on TV advertising of HFSS food and drink before 9pm, for example, would have precisely that effect given the scale of impact such a measure would likely have on UK broadcasting and commercial PSB

- 5.1 The PSB system in the UK has delivered significant benefit to the Nations and Regions of the UK. This has manifested itself not just in production and economic activity outside London but in representation of the whole of the UK on screen and a commitment to addressing all audiences regardless of geography or means. As a whole, the PSBs have been very efficient at leveraging public money (and other regulatory benefits) to generate value for local economies. This has been in part due to the statutory requirements stemming from the PSB compact and in part due to the nature of the PSBs themselves, including their network of dispersed regional physical infrastructure that is the consequence of their history and business strategies.
- 5.2 ITV's story outside London is instructive. As we outlined above, in an era of monopoly, ITV could be obliged to maintain multiple network production centres across the UK. There was sufficient value in the licences to be able to require this dispersal of activity (despite its inherent inefficiency) and still allow the then numerous regional companies that made up ITV to make a profit. As a result, high wage employment in TV was spread across the whole UK.
- 5.3 With the introduction of multichannel competition, this dispersal gradually became unsustainable as the value of the PSB licences fell and the ITV regional companies had to consolidate and concentrate production in fewer centres to create efficiencies. Despite ever intensifying competition, however, as this report shows, ITV remains a business rooted in the Nations and Regions of the UK, serving all audiences, stimulating regional creative economies across the UK not just in London and the South East of England.

- 5.4 In part this continued delivery by ITV is a function of history, but it is also a function of a viable PSB compact that has delivered benefits to broadly match the obligations taken on – both in terms of programming obligations (news, current affairs, etc.) but also industrial policy objectives such as production outside London and support for the independent production sector. But there is one final element that has been important over the past 20 years or so in securing this delivery for the UK – namely, a relatively stable national TV and advertising market. Whilst clearly the market became much more competitive over time, there was a broadly level playing field for all participants for many years. ITV is not unique in having delivered this substantial benefit to the UK – the same is true of the other PSBs too.
- 5.5 In other words, the system of balanced rights and responsibilities that stem from the PSB compact, in a market where the participants competed on a level playing field, helped to achieve a TV model that directly led to very high levels of investment in original UK content made by ITV in the UK and about the UK. This extensive commitment is not linked simply to quotas but rather arises as well from the broader structure of ITV's businesses and indeed the expectations of it as a PSB and the nature of the UK TV market.
- 5.6 But that equitable national TV market is being fundamentally disrupted, as we outlined in section 2. This is particularly the case as global content players increasingly make more TV content in the UK, as US technology and other players seek to control distribution of TV globally and as new and powerful global advertising platforms establish ever more dominant positions across more and more media. The national TV market of the past 20 years is being transformed at pace and becoming part of a much larger global market for TV. The level playing field of recent years is being upended.
- 5.7 It might be argued that this would not matter provided the new SVOD and pay-TV competitors were set to replicate the contribution that PSB players made in the old system. But there is no sign that that will be the case. The content the non-PSBs produce is mostly made for a global market not a UK specific market, their models are mostly exclusionary (i.e., based on people paying for content) and there are many programme genres that they are most unlikely to make, particularly news content. Further, the evidence to date suggests that the new players' investments in content in the UK will be focussed in the most economically efficient manner in the South East of England above all.
- 5.8 Even all of this would perhaps not matter if the national PSBs were able to co-exist and flourish alongside the new global players, continuing to serve UK audiences with what Ofcom's research shows viewers still want from the PSBs as well as delivering other industrial policy priorities, particularly around the production of TV outside of London. However, as we outlined in section 2 above, there is an increasing consensus that this will not be the case in the medium term. Above all, the evidence suggests that in future, absent intervention, the competitive playing field in the UK will not be level between global and national players.
- 5.9 In particular, it now appears very likely that, absent intervention, the asymmetric economic advantages enjoyed by global SVODs, the incentives of global online TV gatekeepers to favour these global streamers and the market power of the gatekeepers in an increasingly connected world will conspire to undermine the visibility and viability of PSB content, imperilling the public benefit that PSB delivers for the UK. The old PSB interventions by themselves – access to broadcast spectrum and prominence for linear TV channels – will no longer underpin the PSB system as they have done.
- 5.10 In short, the very real prospect in the next few years is that of value is being extracted from the UK creative industries and particularly the PSB system and being shifted abroad – specifically to the US and particularly by global online platforms that are fast becoming the new global gatekeepers of TV.
- 5.11 It is worth being clear sighted about what this will likely mean, absent intervention:
- Less original UK TV content produced overall, as the PSBs contend with a market that is tilted in favour of global content players and global aggregators and gatekeepers;

- More content that caters to global tastes rather than specific UK audiences, as commissioners seek programmes where extensive international value can be released;
- Substantial declines in Nations and Regions news leading, ultimately, to a monopoly in Nations and Regions news from the BBC;
- A shift in content spend to London and the South East of England, with the possible exception of continuing drama, and consolidation in the capital led by new entrants seeking to capitalise on easier and skilled places to base production (we have already seen the first stages of this process outlined in section 2);
- Commissioning from independent producers (particularly those outside London) favouring large production companies based in the South East of England which are better leveraged to take on the capital risks associated with 'producer-for-hire' arrangements as Terms of Trade become increasingly difficult to justify – this impact will likely affect smaller, regional outfits to a greater degree; and
- More commercially attractive audiences becoming super-served with more and more provision of pay-TV content and less free-to-air TV and hence less widespread availability of original UK content for a broad audience that reflects the entire UK population, available regardless of means.

5.12 These issues are discussed more fully below.

Impact on viewers

5.13 The UK TV market has hitherto been sustained by the confluence of private enterprise and policy intervention, a co-existence that has allowed the sector to flourish both domestically and internationally, with UK audiences very well served and UK TV content highly valued abroad¹⁰⁵ (with year-on-year growth in international exports for UK TV productions¹⁰⁶). For many years the UK TV ecology has achieved the tricky feat of offering viewer choice, the delivery of public value and economic success.

5.14 But that equilibrium is at risk now. Ofcom's numbers show a continued slow decline in investment in original UK TV content by the PSBs overall as the TV licence fee comes under pressure and as competitive challenges for commercial PSB intensify too. These pressures will intensify if PSB content is increasingly hard to find (compared to global SVOD content) on the user interfaces of online TV platforms (Google/Android, Amazon, Samsung) that audiences are increasingly adopting to discover and access content in a world of online TV distribution. Financial jeopardy will be amplified as those platforms start to demand ever increasing compensation from PSBs simply for being on platforms at all.

5.15 The effect of this value extraction from UK PSB will, over time, also affect the types of content that is commissioned. In particular, the global platforms are showing the way with their commissioning strategies, which prioritise content for a global audience and not for any particular national audience (this was highlighted recently in work by Enders Analysis showing the dearth of specific UK references in global SVOD dramas compared to PSB drama¹⁰⁷). If PSB content investment becomes less economically viable, and the content becomes harder to find, then in practice the centre of gravity in TV in the UK will increasingly shift to global and away from national content. In other words, audiences would less and less see their world, their lives and concerns reflected and portrayed on screen, something that the Ofcom PSB research specifically highlights as being important to UK audiences.

¹⁰⁵ EY for Ofcom, '[International perspectives on public service broadcasting](#)', October 2020: "Although the UK ranks broadly in the middle of the countries considered in our analysis in terms of public funding for PSBs per head of population, the UK PSBs' content is recognised globally for being among the best in the world in terms of quality".

¹⁰⁶ Pact, [UK TV Exports Report 2019-2020](#).

¹⁰⁷ Enders Analysis, '[Outsourcing culture: When British shows aren't "British"](#)', March 2021.

- 5.16 There would almost certainly also be a narrowing of the genres of content on the PSB channels too as more expensive nationally focussed PSB content became harder to sustain. Most vulnerable here would be expensive genres of programming such as Nations and Regions news, Nations and Regions current affairs, UK-specific TV drama, etc. Again, audiences in the UK would be less and less likely to see their lives, and people like them portrayed on TV in the UK. There would likely be more repeats and more acquisitions on UK TV.
- 5.17 In sum, UK audiences, absent an effective and renewed PSB compact, will be watching more programming made for a non-UK market, a radically narrower number of genres and be much less exposed to programming made in, for and about the UK. The impact on audiences will be acute for local and regional news and current affairs, and 'niche' genres with smaller audiences. These outcomes will not be evenly distributed since as pay TV becomes the mainstream those people who will not or cannot pay for TV will no longer have the choice of content on free to view TV in the UK that they have been used to.

Impact on Nations and Regions

- 5.18 The central role of the PSBs in the dispersal and maintenance of TV production across the UK is clearly evident from the data and analysis provided in this report. Maintaining that activity outside of London and the South East, let alone building on it, can be both harder and more expensive than focussing on the established hub in London and the South East of England where the pools of skilled labour, on-screen talent and facilities are deepest in the UK.
- 5.19 The extent to which global new entrants have wholly concentrated on expanding production facilities and operations in London and the South East of England illustrates the most efficient, market-based outcome in the absence of a sustainable PSB ecology in the UK in future. In the absence of such an ecology, there is no reason to think that such concentration would not intensify as more discretionary TV production by the PSBs drifted back to London and the South East of England. Filming outside of London would of course continue but the viability of major TV production bases in Leeds and Salford would increasingly come into question.
- 5.20 Such a scenario is likely to play out even with a continued PSB presence in the Nations and Regions (whether the BBC alone or alongside Channel 4) in the event that ITV ceased to be a PSB. A reduction in ITV's presence outside London would have profound implications for the scale of impact that could be delivered by those PSBs that remained, with their impact likely to be reduced as the economics of regional hubs shared with ITV became more challenging absent the scale of ITV's employment, investment and commissioning.
- 5.21 Also at risk would be the substantial economic impact associated with ITV's regional news investment. But the effect of this on the Nations and Regions of the UK would not simply be economic. The absence of a sustainable PSB ecology would undermine the economics of commercially funded Nations and Regions programming (particularly news) from ITV, leaving the BBC as the only direct provider of such content. This would reinforce a real deficit in scrutiny, accountability and national/regional focus in a media ecology already suffering from the significant decline of the press across the UK. There is no sign of the market filling this gap any time soon.

Impact on the independent production sector

- 5.22 The PSBs are the key customers of independent producers based in the UK's Nations and Regions. The demise of a flourishing PSB system and a drift of demand for TV overall to London and the South East would inevitably lead to less demand for content from such producers. This problem would be magnified as broader independent production interventions became harder to sustain – both in terms of quotas but also the Terms of Trade. In a world where a PSB ecology is no longer flourishing and the distribution platforms are extracting more and more value from UK TV content, there would very likely be a concerted drift back to a situation where the producer has to concede all rights in return for a commission. There might well be no alternative

for commercial PSBs to pursue such ‘all rights’ deals but such an outcome would have knock-on negative effects for the broader health of the UK TV economy.

- 5.23 Of course the drift to a ‘work-for-hire’ system, as typified in the US, is already well underway as this is precisely the model of most SVOD commissioners. However, under this system the independent producer cannot monetise the back-end rights to their productions as efficiently or lucratively as they can currently (or indeed, at all).
- 5.24 The burden of these impacts would inevitably disproportionately fall on smaller independent producers in the Nations and Regions. This is particularly true compared to the ‘super-indies’¹⁰⁸ (the majority of which are based in London) as the smaller players are less able to take on the financial risk of bigger commissions themselves. This compares to the current practice, where ITV fully funds 85% of all of the programmes it commissions (many of the remaining 15% of programmes that are not fully funded are dramas). Current trends, unaddressed by changes in policy and regulation, would lead to a situation where regional producers are less protected whilst also suffering from a decreasing pool of commissions.

Figure 53: Implications and impacts for the Nations and Regions (Mediatique)

Implication	Result	Impact on Nations and Regions
No viable obligations for nations/regions programme (esp. news) production	<ul style="list-style-type: none"> Minimal if any commercially viable nations/regions programming, particularly news Closure of network of ITV offices across the UK Even fewer journalists in local communities No credible rival to BBC in nations/regions programming (esp. news) 	<p>↓</p> <ul style="list-style-type: none"> <i>Far less national and regional news output across broadcast TV</i> <i>Far fewer hours focused on local community</i> <i>Less democratic accountability and media plurality</i>
Reduction of Out of London commissioning and production	<ul style="list-style-type: none"> Fewer high-quality regional and local programmes for national audiences Fewer opportunities for regional indies Less money being spent OOL 	<p>↓</p> <ul style="list-style-type: none"> <i>TV output becomes: less British, less reflective of UK audience, and increasingly sourced from non-UK and non-regional players</i> <i>Loss of business for N&R indies</i>
Reduced support services in N&R	<ul style="list-style-type: none"> Greater centralisation in London as commitment to regional hubs diminishes Less spend on back-end services in N&R stemming from greater centralisation Loss of jobs unlikely to be replaced <i>in situ</i> 	<p>↓</p> <ul style="list-style-type: none"> <i>Spend accumulates in London and does not spread across UK</i> <i>Loss of regional jobs with no clear replacement</i> <i>Less money in the N&R</i>
Overall financial impact from loss of N&R production activity	<ul style="list-style-type: none"> Multiplier effect severely capped in these areas Fewer job opportunities for talent Less support for suppliers and indirect suppliers 	<p>↓</p> <ul style="list-style-type: none"> <i>Loss of key contributor to UK public-service outcomes</i> <i>Less concentration of skills set</i> <i>Less rich pool of UK regional output</i>
Less representation of the UK on TV and exacerbated social exclusion	<ul style="list-style-type: none"> Potential for services to prioritise national over local/regional/nations services Rural and less well-connected areas most at risk Attractive paying audiences super-served at the expense of universal coverage (players may chase younger audiences online rather 	<p>↓</p> <ul style="list-style-type: none"> <i>Loss of service to audiences</i> <i>Particularly older, C2DE audiences that are more likely to use FTA linear services</i> <i>Rural communities will face this risk significantly</i>

¹⁰⁸ Large, integrated suppliers, often owned by non-UK companies and able to sustain content funding models (e.g., deficit funding) and take financial risks that are unavailable to smaller entities.

Implication	Result	Impact on Nations and Regions
	than maintain expensive traditional free-to-access linear services)	
N&R producers and indies become highly vulnerable	<ul style="list-style-type: none"> ▪ Commissioning spend shifts to London and away from independent producers ▪ Less varied content commissioning ▪ Terms of Trade protections unviable leading to more all-rights deals with producers 	<p>↘</p> <ul style="list-style-type: none"> ▪ <i>Less spend on UK content producers, for a narrower range of genres</i> ▪ <i>Decline in spend with indies</i>

- 5.25 It is important to be clear that this gloomy prospect is not inevitable. There are measures the UK can take now and over the coming years that will help to sustain a national system of PSB and help to ‘turbo charge’ the TV economy of the UK’s Nations and Regions at the same time. It is worth noting that there are certain measures that Government might take which would actually make matters worse: the prohibition on TV advertising after 9pm of food that is high in fat, salt and sugar, is an example.
- 5.26 In the brief final section below, we outline some options for Government to consider that would have the effect of promoting viable PSB outcomes.

6) Conclusions and ways forward

- 6.1 For many years we have had an effective system of PSB intervention in the UK which has delivered for the creative economy across the whole country. However, as this report has outlined, the UK creative economy is being significantly disrupted by the internet-driven globalisation of TV production and distribution as well as the rise of global TV gatekeepers such as Google/Android and Amazon.
- 6.2 Of course, that globalisation brings with it real benefits for the UK in terms of almost unlimited choice of TV and film content and increasing investment in an industry where the UK is a world leader. However, it has downsides too, particularly in relation to the threats posed to a national TV ecology based around the PSBs. This is not because PSB content is not valued and consumed at scale by UK audiences (Ofcom's PSB research has shown that it is) but because of (a) intense but asymmetric competition between global content players and national operators like the PSBs, but above all (b) the increasingly powerful position of online TV gatekeepers, auctioning all forms of prominence on their platforms to the highest bidder and extracting more and more value from content players on their platforms.
- 6.3 The initial losers in this context will be national operators such as the PSBs offering free-to-view rather than paid-for content and with little leverage when negotiating for one market in competition with others negotiating agreements for the whole world. But of course, the ultimate losers will be the viewers and citizens of the UK.
- 6.4 If the UK is to continue to have an effective national TV system for the long term, delivering for the whole country, there will need to be reformed PSB interventions to help to ensure that the system continues to be both viable and relevant. These interventions will need to build on the historical approach to prominence enshrined in the Communications Act (2003 but updated for an internet, on-demand TV era: the new rules must lead to a regulated playing field between global platforms and national PSBs if the latter are to be included prominently on emerging platforms and are to get fair value for their content. Without this, we can expect to see many of the pernicious outcomes described in section 5.
- 6.5 However, even with a reformed and modernised PSB compact, it is unrealistic to expect the PSBs alone to be able to sustain a globally competitive hub for TV outside of London in what is a hyper-competitive TV market. This is particularly true given that the PSBs have few advantages of scale compared to their competitors and in the light of the extraordinary market forces that pull TV and film production to London and the South East of England. The PSBs can be an important part of the answer if we get the future PSB interventions right; however, there is more that could be done across the market as a whole. We review some of these possible policy options below.

Figure 54: Constraints/enablers for more Screen Sector investment and activity in the Nations and Regions (Mediatique)

Type	Constraint	Solution
Infrastructure	<ul style="list-style-type: none"> Lack of reliable transport links and capacity, specifically between the growing powerhouse of the Leeds-Manchester axis <i>Makes travel for cast/crew challenging and costly and means local talent can become siloed with two separate smaller labour markets and a move to a job in either Leeds or Manchester involving almost as much upheaval as a move to London</i> 	<ul style="list-style-type: none"> Improve TransPennine public transport links (trains, buses, etc) Improve road links
	<ul style="list-style-type: none"> Lack of consistent broadband coverage at appropriate superfast or fibre-optic speeds, particularly out of London 	<ul style="list-style-type: none"> Focus on improving rural connectivity as per recommendations from the

Type	Constraint	Solution
	<ul style="list-style-type: none"> Slows down production, especially for remote editing, and increases cost and technological burden on productions 	<ul style="list-style-type: none"> Government's Rural Gigabit Connectivity Programme¹⁰⁹ TransPennine Initiative (to deliver gigabit-capable infrastructure along the rail route) to be extended
	<ul style="list-style-type: none"> Post-production facilities tend to be clustered in London Spending on local OOL commissions leak back to the capital Lack of opportunities for smaller post-production houses to grow 	<ul style="list-style-type: none"> Support for local post-production facilities: e.g., tax credits, local grants, incentives to place business with post-production houses outside London.
People	<ul style="list-style-type: none"> 'Pull' of London for freelancers, on screen talent and crew Steady rather than growing demand for talent on and off screen, making it harder to pursue a career in the North or to build latent capacity capable of flexing to meet increased demand OOL productions often need to relocate cast/crew regionally, meaning additional production costs and transport arrangements 	<ul style="list-style-type: none"> Broad support for production in the regions (e.g., tax credits for out of London production using local crew), incentives for freelancers and TV production companies to relocate out of London etc, to create critical mass and ability of local crews to gain enough work to support staying regionally See Production, below
	<ul style="list-style-type: none"> Lack of funding for specialist Nations and Regions upskilling for cast and crew Adds to potential for even more clustering in London 	<ul style="list-style-type: none"> Public funding (and/or redirected Apprenticeship levy funding) specifically to train and upskill Nations and Regions-based employees and Grants for students studying in related vocational programmes (across all levels: NVQs, diplomas, degrees, certificates, (higher) apprenticeships, etc)
	<ul style="list-style-type: none"> Limits (from HMRC) on what training can be given to freelancers ITV cannot provide useful training (past the mandatory requirements) to those working for them on a temporary basis 	<ul style="list-style-type: none"> Review of these to allow for freelancers to access training that can be provided to employees
	<ul style="list-style-type: none"> Difficulties around the apprenticeship levy 	<ul style="list-style-type: none"> Greater flexibility in the use of the apprenticeship levy to allow it to pay for apprentice salaries and training for more senior people who will help to attract more production outside London. Changes (as trailed) to levy to allow engagements at multiple companies by a single apprentice
Production	<ul style="list-style-type: none"> Lack of tax credits specifically for Nations and Regions programming Lower level of high-end, high-budget dramas (TV and film) created in the Nations and Regions 	<ul style="list-style-type: none"> Review of whether programmes produced in the Nations and Regions should have bigger reliefs under the HETV tax relief system (subject perhaps to obligations around employment and training in the area of the production) Potential of tax system to incentivise returning programmes to encourage development of critical mass with enough

¹⁰⁹ DCMS, [Rural Gigabit Connectivity Programme](#), August 2020.

Type	Constraint	Solution
		work to keep skilled people employed locally

- 6.6 In addition to safeguarding the future of the UK PSB system as a key intervention in the UK-wide creative economy, one of the key objectives of any policy aimed at enhancing the screen sector outside London should be to increase demand for TV and film production in the North of England, building on the hub that is already there. Stimulating private-sector demand, particularly through fiscal incentives, is key to growing the talent pool, increasing investment in training, increasing capital investment, enhancing entry-level opportunities and creating the depth of capacity that will be required to rival the South East of England. There are likely to be other incentives that could be deployed to persuade both skilled freelancers and screen businesses to move out of London and the South East of England to other hubs in the UK, particularly in the North. Within that, Government and policy makers may also want to consider the role of the publicly funded PSBs, the BBC and Channel 4, in yet deeper involvement in the Nations and Regions. However, as we set out above, a package of interventions will be required.
- 6.7 Finally, one of the big questions that is raised by the growth of the global SVODs in the UK is around their responsibilities to the TV and film ecology of the UK. Should there be obligations on them to invest across the country, not just where it is economically most efficient for them in London and the South East? Should the UK follow the lead of other countries in Europe and impose minimum domestic content investment obligations on their services as a percentage of their turnover? Should we oblige them to deal differently some or all of the time with producers, allowing suppliers to keep more rights rather than be bought out entirely? Should there be obligations on SVODs to buy minimum amounts of their content from third-party producers? All of these are questions likely to need answering if we are to sustain a world-leading TV ecology across the whole of the UK in the long term.

Important information

The views expressed in this report are those of Mediatique Limited and not of ITV plc or its shareholders. It is based in part on data provided by ITV.

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