

## Your response

Question	Your response
<p><b>Question 1: Do you have any comments on the methodology Ofcom proposes to use to determine the financial terms? Where you disagree with any of our proposals, please explain why.</b></p>	<p>Confidential? - N</p> <p>STV notes at paragraph 2.7 that Ofcom intends to take a similar approach to that previously used in determining financial terms of the licences:</p> <p><i>“We have broadly followed the same approach as the methodology used for the previous determination of financial terms of the Channel 3 and Channel 5 licences in 2014.”</i></p> <p>STV agrees that the methodology to be used by Ofcom remains appropriate for those areas of consideration that apply in the same way to the licence term starting in 2024 as was the case in 2014. These include the valuation of the benefits associated with holding Channel 3 PSB licences such as EPG prominence and access to universally available DTT spectrum.</p> <p>Ofcom has also identified aspects of a future licence and regulatory regime which may have an impact on the review of the financial terms – for example the effect of a new Media Bill, currently published in draft form which may bring additional obligations and rights in respect of digital platforms.</p> <p>In the case of proposed legislative changes, the timing and outcome of which are currently uncertain, STV agrees with the approach outlined by Ofcom at paragraph 2.90:</p> <p><i>“For the purposes of the licence valuations, we will take account of information we may receive from current licensees when considering how a new entrant would value new benefits or obligations associated with the Media Bill, and how it would reflect any uncertainty over timings”</i></p> <p>As Ofcom notes (note 35, p19), information has already been provided to the regulator in the form of research and projections prepared by Mediatique on behalf of both STV and ITV. This</p>

work, submitted as part of the s229 report preparations, has been used to estimate the value of additional benefits arising from potential prominence on digital platforms.

It is worth noting that both the Meditaque work, and Ofcom's adjusted analysis in its s229 report show that for STV's Channel 3 licences, the cost of providing the PSB obligations is higher than the value of benefits associated in almost all cases across the next 10 year term. Only if the most positive assumption (Ofcom's "high" EPG value) is used would the STV licences show a positive return, and even then only for a short period at the start of the term where there is no reform of prominence for digital, and for a few further years should prominence be secured on digital platforms.

These negative values are consistent with the outcome of previous valuations, which has resulted in nominal payments only by STV (and indeed all other commercial PSB licensees) since at least 2015 as outlined in Table 2, paragraph 2.105.

STV has no further comments on the proposed methodology and looks forward to the review of financial terms itself as part of the licence renewal process in the coming months.