

# **An Evaluation of OFCOM Assumptions in Phase II of the PSB Review**

For Northern Film & Media

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|  |           |
|--|-----------|
| <b>1. Executive Summary.....</b>                                     | <b>1</b>  |
| <b>2. Objective.....</b>   | <b>2</b>  |
| <b>3. Methodology .....</b>  | <b>2</b>  |
| <b>4. Qualitative Survey.....</b>                                    | <b>2</b>  |
| <b>4.1. Provision and Viewing of Regional Programmes.....</b>        | <b>2</b>  |
| <b>4.2. Attitudes to Programming .....</b>                           | <b>5</b>  |
| <b>5. Quantitative Research.....</b>                                 | <b>13</b> |
| <b>5.1. An Overview of Ofcom’s Research Methodology .....</b>        | <b>13</b> |
| <b>5.2. Cost per Hour of Regional Programming.....</b>               | <b>16</b> |
| <b>5.3. Cost Per Viewer Hour: The Case of the Smaller Region..</b>   | <b>20</b> |
| <b>5.4. Programme Performance.....</b>                               | <b>22</b> |
| <b>6. Alternative Programme Policy for Nations and Regions .....</b> | <b>23</b> |
| <b>Appendix One: Demographics of Survey Sample .....</b>             | <b>27</b> |

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# 1. Executive Summary

Northern Film & Media is very concerned by the proposal to reduce the ITV commitment to regional non-news programming outside peak time.

A survey conducted in the Tyne Tees reveals continuing support for regional news, and other regional programming. Nearly half the sample said they watched regional news every day.

The support for Regional News and Regional Non-news is stronger in the Tyne Tees area than in some other parts of the country.

The support for Other Regional Programmes is particularly strong among older people, nearly half of whom say they watch these programmes.

Furthermore, Ofcom's proposal to reduce regional hours is not supported by adequate evidence.

The data used by Ofcom to determine "opportunity cost" covers the year 2002. It therefore predates a substantial decrease in ITV non-news regional hours of some 33% in 2003, following an agreement made between the ITC and ITV in 2002.

The opportunity costs are derived from projects described by their original authors as "pilot" studies and needing "further work".

They are based on data and assumptions, which are not disclosed by Ofcom and cannot at present be tested by third parties.

Data reproduced by Ofcom on the costs of production of regional programmes throughout the UK shows variations that do not seem reasonable. Ofcom should ascertain that this data is accurate and as been collected on a consistent basis.

There is inadequate recognition that the high relative costs of regional vs. network programmes are particularly associated with the smaller regional ITV franchises, making them a special case rather than part of a general problem.

Some regional programming achieves good audiences. In the view of Northern Film & Media, Ofcom has moved too quickly to reductions, and failed to consider the case for alternative – and better – programming.

In addition, Ofcom, in recommending a one-step-for-all solution, has failed to recognise the opportunity for specific solutions tailored to the needs of a particular region.

Ofcom's proposed policy of a reduction in hours will damage programme supply activity in the Tyne Tees area, which relies heavily on regional programming.

Without undertakings from the BBC to extend regional coverage, Northern Film & Media strongly opposes the Ofcom proposals.

## **2. Objective**

Phase II of Ofcom's *review of public service broadcasting* proposes a reduction of ITV1's regional non-news programming from 3 hours per week to 1.5 hours in 2005 with all reductions occurring out of peak hours. It adds that "even this level of provision might not be sustainable before switchover". These conclusions draw on evidence published in the Phase II report, particularly in the supplement subtitled *Reshaping television for the UK's nations, regions & localities*.

Northern Film & Media is concerned that these actions may be both detrimental to the quality of life of viewers in the Tyne Tees area and have a negative impact on the local programme supply industry. As a consequence, Northern Film & Media have commissioned David Graham & Associates to review the evidence for this proposal in the Phase II Review.

## **3. Methodology**

The research methodology adopted falls into two phases. In the first we set out to compare Ofcom's survey findings at national level with views in the Tyne Tees region by conducting a regional survey. We summarise the findings of this in the first section of this report. In the second part of the report, we examine the basis on which Ofcom has reached its views on the "opportunity cost" of regional programming, which appears to be fundamental to its decisions on the future of regional programming.

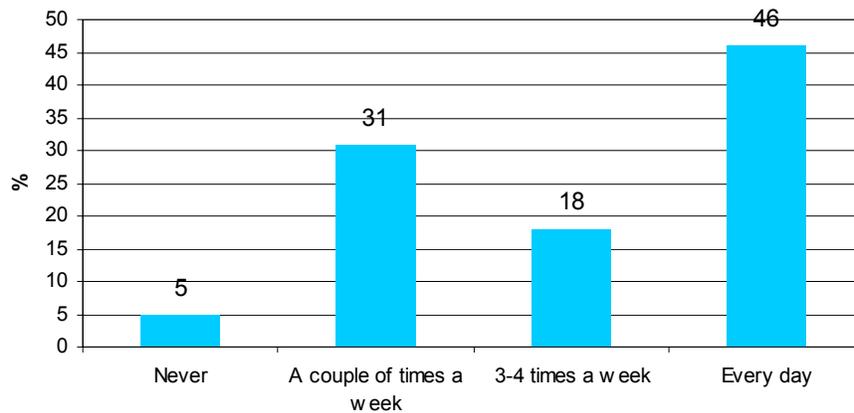
## **4. Qualitative Survey**

The survey base was 100 adults who reside in the Tyne Tees reception area, selected to represent the demographic profile of the North East region. The demographic profile of the survey base is included in Appendix One of this report.

### **4.1. Provision and Viewing of Regional Programmes**

The importance of regional news programming to viewers in the North East is undisputable, with nearly half of those surveyed claiming to watch regional news every day and just 5% never watching regional news.

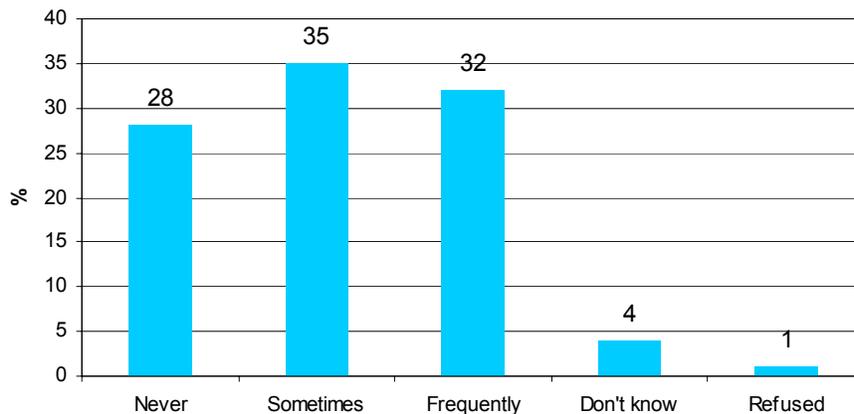
**Figure 1: How often do you watch regional news programmes?**



**Source: DGA Metrics**

Viewing to non-news regional programming is more evenly split, with 32% of respondents frequently watching this type of programming and 28% never watching.

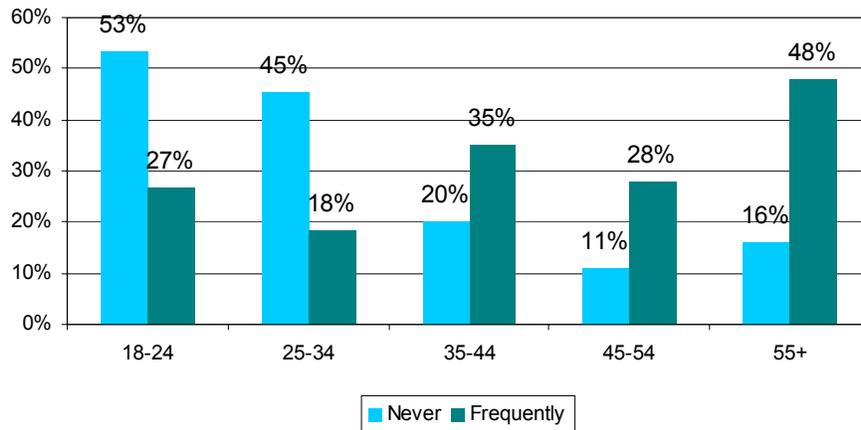
**Figure 2: Do you watch any other regional programmes?**



**Source: DGA Metrics**

Viewing of non-news regional programming is heavily differentiated by age group. Almost half of all respondents aged 55+ frequently watch non-news regional programming, whilst just over half of respondents aged 18-24 never claim they never watch non-news regional programming (see Figure 3).

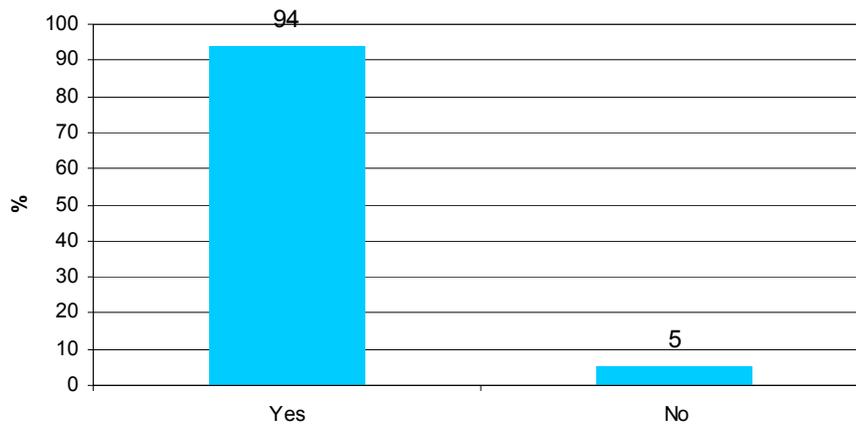
**Figure 3: Do you watch any other regional programmes – by age group**



Source: DGA Metrics

Respondents were near unanimous in thinking it important that the main channels provide programmes that reflect the needs of the North East, with only 5% disagreeing with this (a further 1% didn't know).

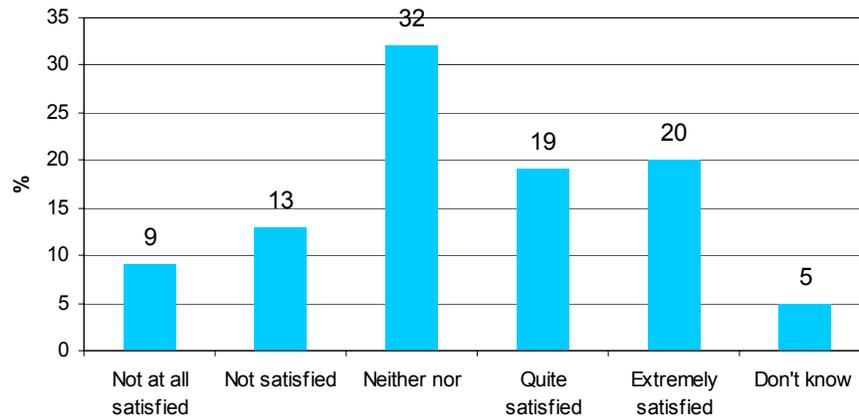
**Figure 4: How important do you think it is for the main channels to provide programmes that reflect the needs of the North East?**



Source: DGA Metrics

A high proportion of respondents (32%) were unsure as to their level of satisfaction with the representation of the North East. 39% were either quite satisfied or extremely satisfied, but 22% were not satisfied or not at all satisfied.

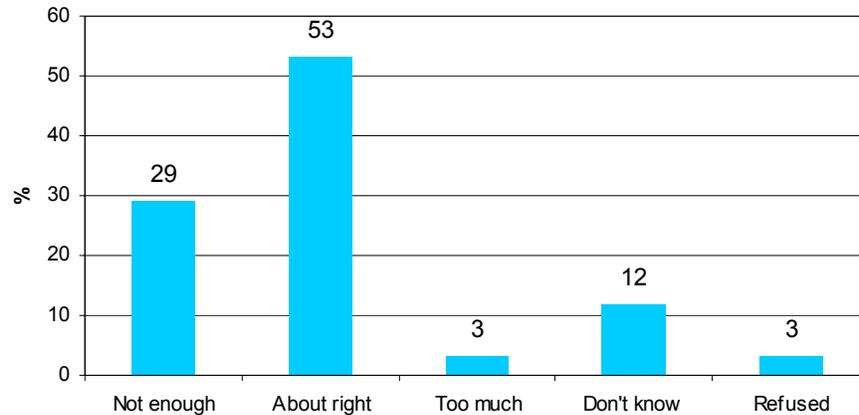
**Figure 5: Level of satisfaction with representation of the North East**



Source: DGA Metrics

The majority of respondents (53%) felt that the amount of non-news regional programming currently shown on television was about right, but 29% felt that there was not enough of this type of programming. Only 3% felt there was too much.

**Figure 6: Would you say the amount of non-News regional programmes on TV is...**



Source: DGA Metrics

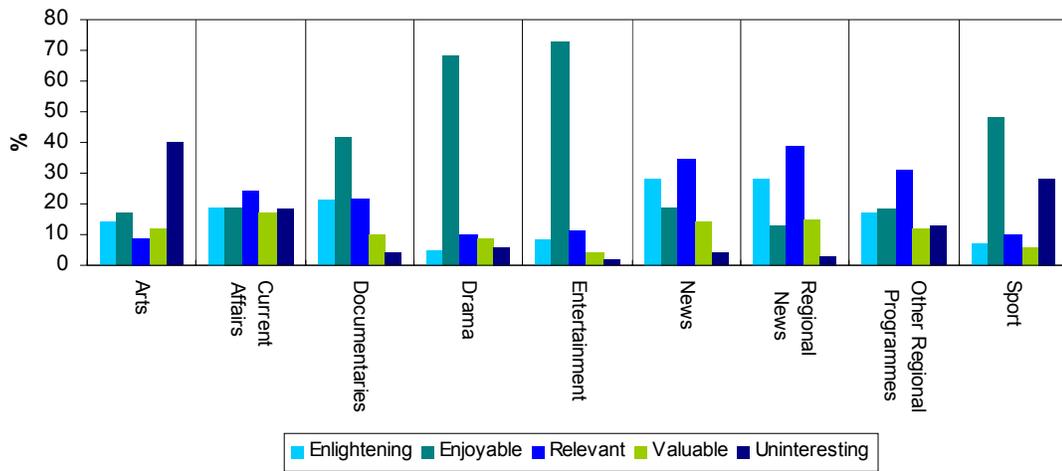
## **4.2. Attitudes to Programming**

The survey sought views on a range of programme types in order to contextualise attitudes to regional programming. In some cases it recreated questions from Ofcom's own questionnaire in order to compare attitudes of people in the North East to the UK as a whole.

Respondents were asked to select the best description (enlightening, enjoyable, relevant, valuable or uninteresting) for nine genres of

programming, including Regional News and Other Regional Programming (see Figure 7). 39% of respondents felt that Regional News was relevant, a higher proportion than any other genre (including Other News). Other Regional Programming was also seen as relevant by 31% of respondents. Drama and Entertainment were picked out as the most enjoyable genres, while Current Affairs prompted mixed opinions (24% felt it was relevant, but 19% said it was uninteresting). Arts programming drew the most negative reaction, with 40% of respondents describing it as uninteresting.

**Figure 7: Which of the following best describes your view of these types of programming:**



**Source: DGA Metrics**

The survey carried out for Ofcom by IPSOS UK as part of the PSB review asked respondents how important it was that the main terrestrial channels show a number of different types of programming, including categories such as 'High proportion of programmes made in UK' and 'Programmes for minority interests'. This question formed the basis of a question in the North East survey, allowing a comparison between this region and the UK as a whole.

National News was identified as the most important type of programming amongst respondents in the North East, closely followed by Regional News (see Table 1). The latter was not a discrete category in the Ofcom survey. Minority interest programmes garnered the least support in the North East, together with programmes representing different political/social views and programmes promoting understanding/reflecting needs of religious communities.

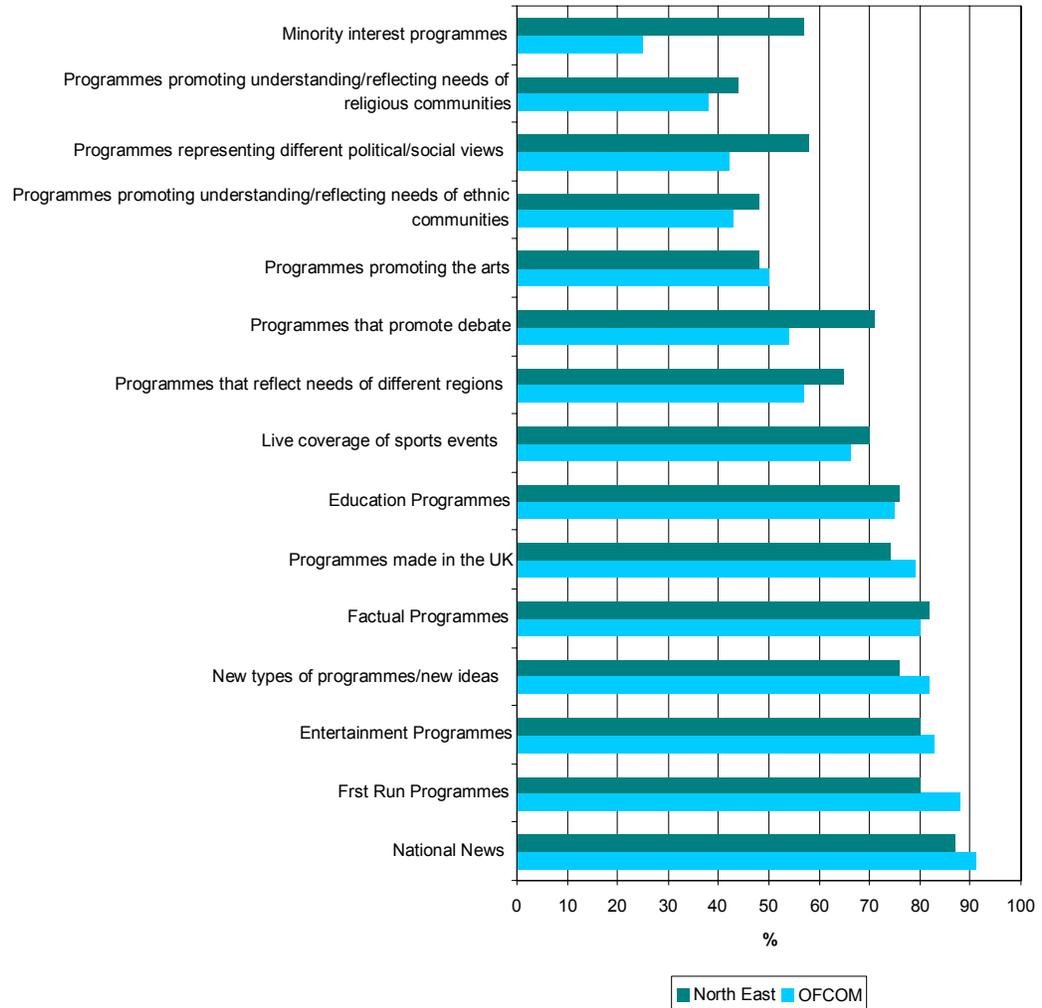
**Table 1: How important do you think it is for the main terrestrial television channels to provide each of the following:**

| <b>Programme Type</b>  | <b>Not important</b> | <b>2</b> | <b>3</b> | <b>4</b> | <b>Extremely important</b> |
|--|----------------------|----------|----------|----------|----------------------------|
| National News  | 1%                   | 2%       | 6%       | 7%       | 84%                        |
| Regional News  | 1%                   | 1%       | 4%       | 13%      | 81%                        |
| First Run Programmes   | 1%                   | 2%       | 8%       | 15%      | 73%                        |
| Entertainment Programmes   | 1%                   | 2%       | 14%      | 22%      | 61%                        |
| New types of programmes/new ideas  | 1%                   | 3%       | 14%      | 21%      | 61%                        |
| Programmes made in the UK  | 1%                   | 1%       | 18%      | 19%      | 60%                        |
| Factual Programmes   | 2%                   | 2%       | 16%      | 28%      | 52%                        |
| Programmes from all areas of the UK  | 1%                   | 6%       | 17%      | 24%      | 52%                        |
| Live coverage of sports events   | 22%                  | 2%       | 10%      | 14%      | 52%                        |
| Education Programmes   | 3%                   | 6%       | 16%      | 24%      | 51%                        |
| Programmes that promote debate   | 11%                  | 11%      | 24%      | 22%      | 32%                        |
| Programmes promoting the arts  | 17%                  | 14%      | 19%      | 22%      | 28%                        |
| Programmes that reflect needs of different regions                           | 11%                  | 9%       | 23%      | 33%      | 24%                        |
| Programmes promoting understanding/reflecting needs of ethnic communities    | 18%                  | 15%      | 24%      | 24%      | 19%                        |
| Programmes promoting understanding/reflecting needs of religious communities | 20%                  | 14%      | 28%      | 20%      | 18%                        |
| Programmes representing different political/social views                     | 13%                  | 17%      | 28%      | 24%      | 18%                        |
| Minority interest programmes   | 17%                  | 27%      | 30%      | 13%      | 12%                        |

**Source: DGA Metrics**

Figure 8 compares the results of the North East survey to those of Ofcom's national survey, looking at the percentage of respondents that described each programme type as 'important'<sup>1</sup>.

**Figure 8: % of Respondents Selecting Important**



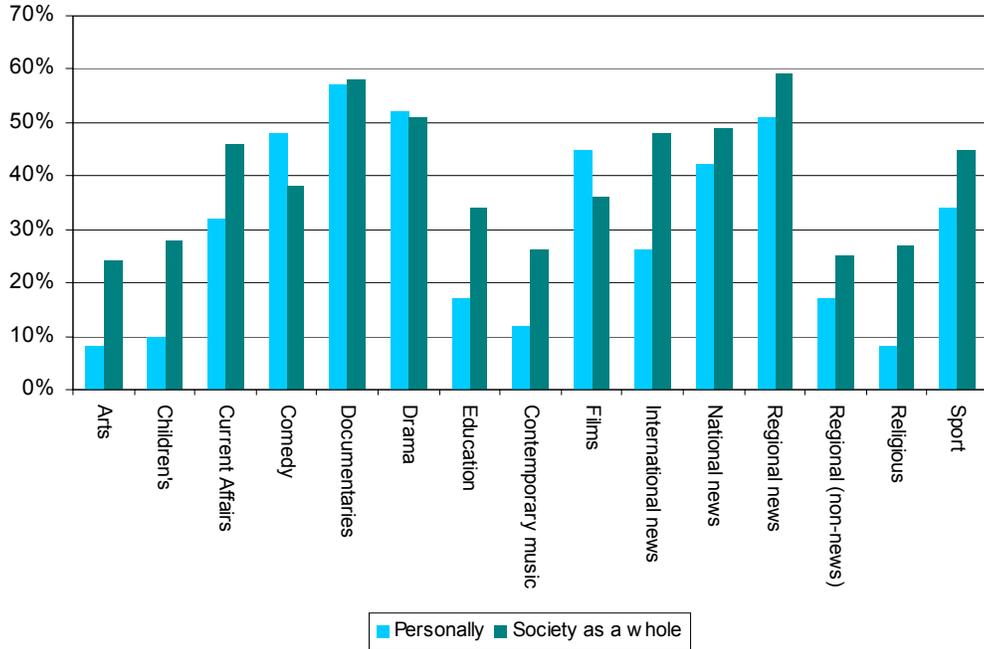
**Source: DGA Metrics**

Both surveys yield similar results, although viewers in the North East display less interest in 'Minority interest programmes'. No comparison can be made for regional news, as this programme type was not listed in the Ofcom survey.

Ofcom also asked its survey panel to identify genres of programming which they consider to be most valuable, both to themselves personally and to society as a whole. Figure 9 shows the response to a similar question from the North East survey.

<sup>1</sup> The North East survey used a five point system, with 1 being not at all important and 5 being very important. In order to compare against Ofcom figures we have amalgamated the top two categories as 'Important'.

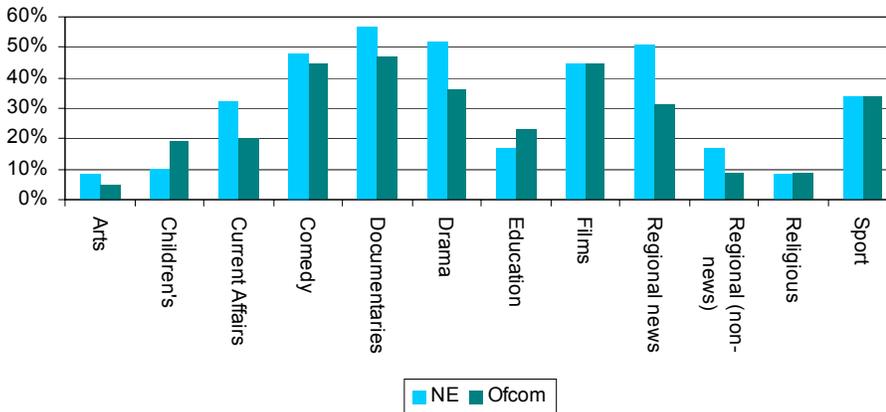
**Figure 9: Which of the following programmes, on the main TV channels, do you consider to be valuable to you personally / valuable to society as a whole?**



Source: DGA Metrics

We have mapped the results of the North East survey against the data from the Ofcom survey where possible to provide a comparison. When asked which genres are important to them personally, respondents in the North East follow a similar pattern to those in Ofcom's national survey. One exception to this is regional programming — half of all respondents in the North East felt that regional news is important to them personally, compared to 30% of Ofcom respondents. Non-news regional programme was also seen as more valuable in the North East survey.

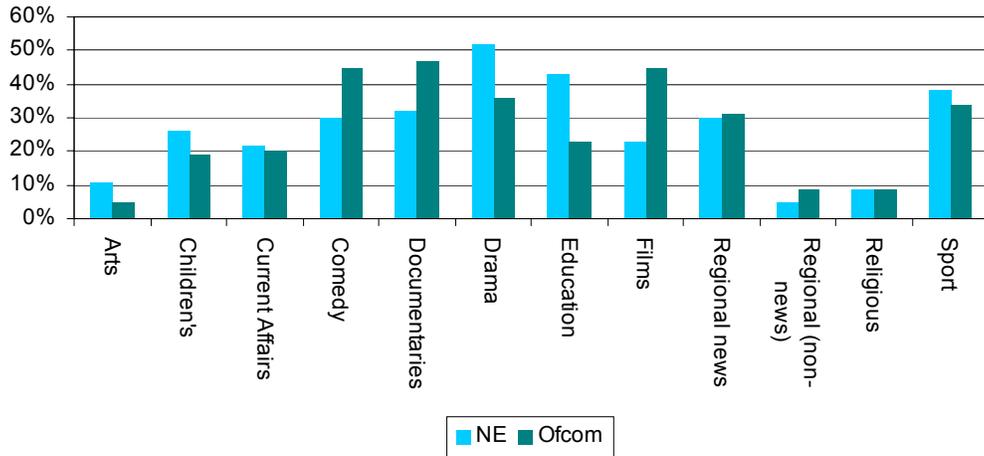
**Figure 10: Which of the following programmes do you consider to be of value to you personally?**



Source: DGA Metrics

The perceived importance of regional programmes to society as a whole was similar in both surveys, with viewers in the North East putting comparatively more emphasis on Drama and Education at the expense of Comedy and Documentaries.

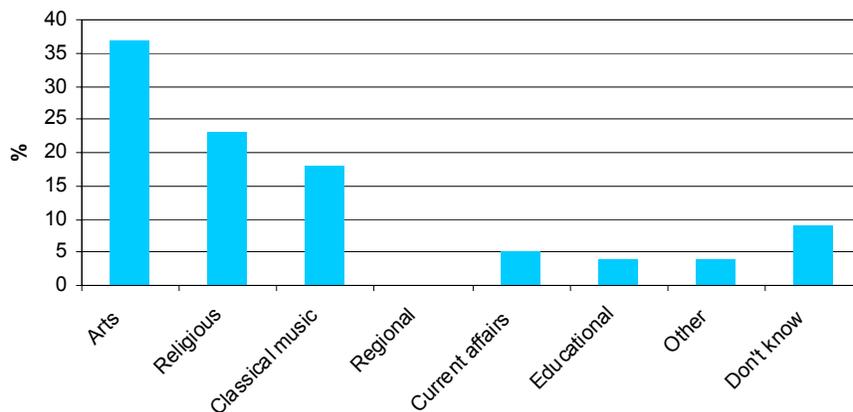
**Figure 11: Which of the following programmes do you consider to be of value to society as a whole?**



Source: DGA Metrics

As part of the North East survey, respondents were asked a hypothetical question that necessitated removing one 'public service' genre from the schedules. No respondents elected to remove regional programming, with the majority opting for Arts (37%), Religious (23%) or Classical Music (18%).

**Figure 12: If you had to remove one of the following from the schedules, which would it be?**

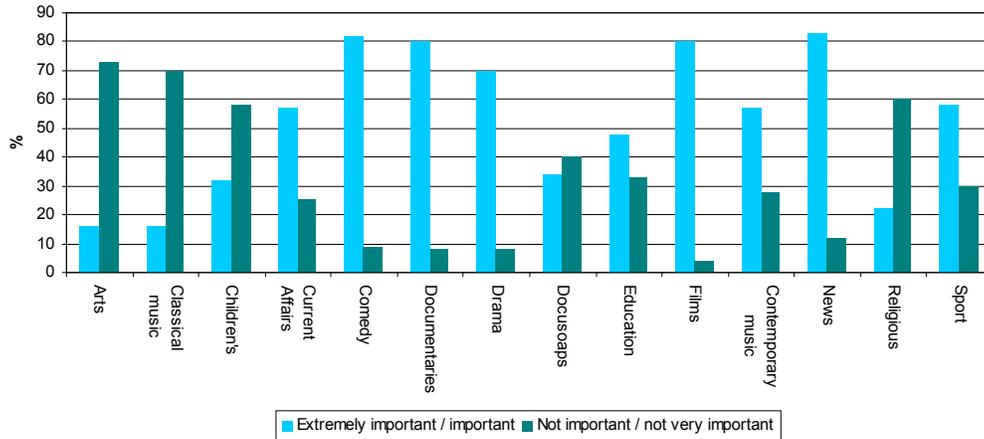


Source: DGA Metrics

Respondents were also asked how important various genres of programming were to them (Figure 13). This question was designed to assess overall appeal of different genres, and did not distinguish between

network and regional productions. Over 80% of respondents felt that News was extremely important or important, with only 12% saying that it was not important or not very important. Films, Comedy, Documentaries and Drama also stood out as important, while Arts, Classical Music, Children's and Religious were the least important.

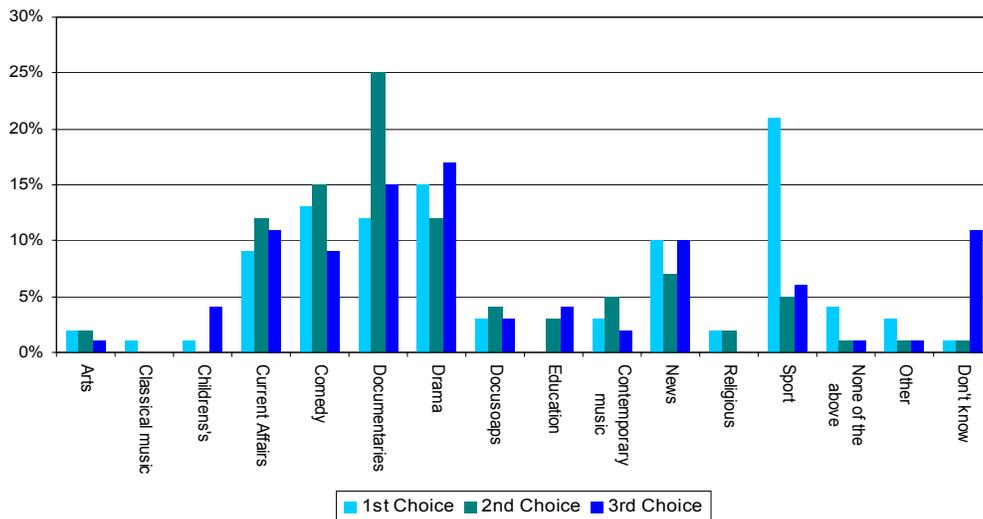
**Figure 13: How important are each of the following types of programmes to you?**



Source: DGA Metrics

Respondents were then asked which three programme types they would like to see made specifically for the North East, based on the same list of genres. 21% of respondents gave Sport as a first choice, higher than any other genre. Only 10% of respondents gave News as a first choice, despite being highlighted as an important genre elsewhere in the survey results. This may be because adequate regional news coverage already exists, leading respondents to focus on other types of programming that are less abundant.

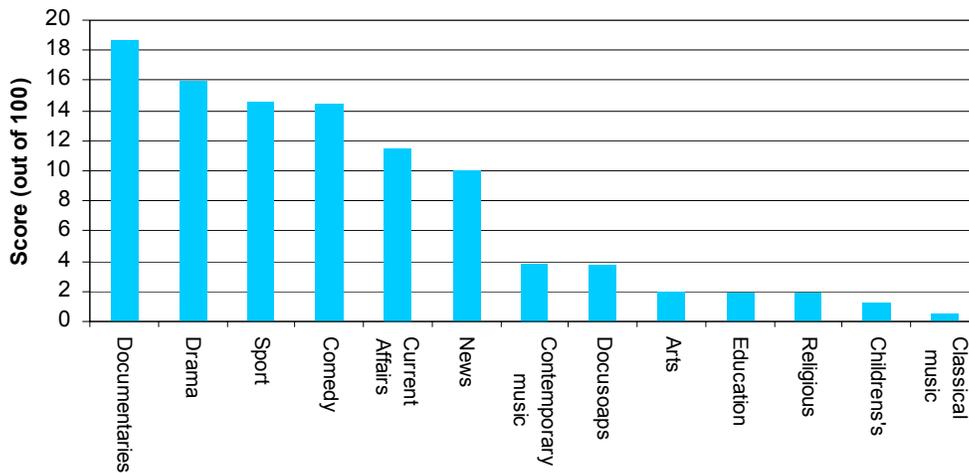
**Figure 14: Which types of programmes would you like to see made specifically for viewers in the North East?**



Source: DGA Metrics

The three levels of desirability (first choice, second choice and third choice) have been amalgamated to give an overall score out of 100 for each genre. Combining rankings in this way makes Documentaries the most requested genre, with a high proportion of respondents selecting this as a second or third option.

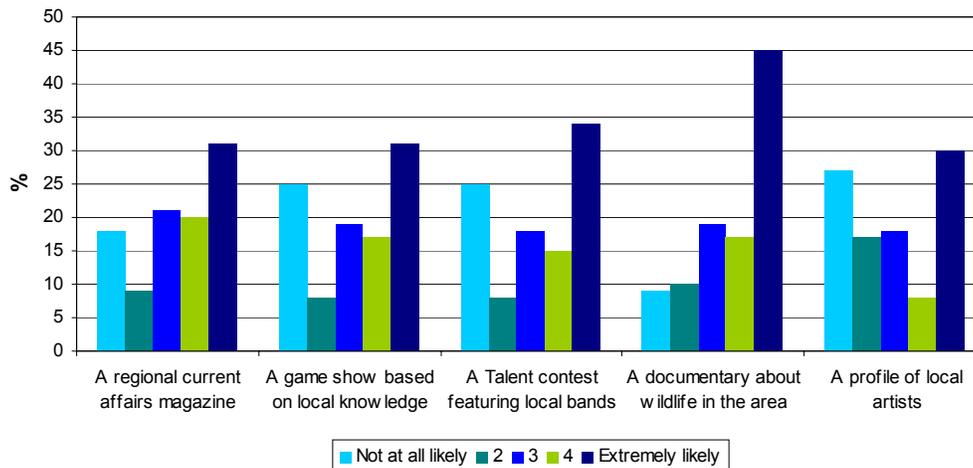
**Figure 15: Which types of programmes would you like to see made specifically for viewers in the North East? (Overall score out of 100)**



Source: DGA Metrics

The final question in the North East survey presented respondents with five fictitious programme formats and asked them how likely they would be to watch each one. In each case the majority of respondents said they would be 'extremely likely' to view, but a documentary about wildlife was the most unanimous choice.

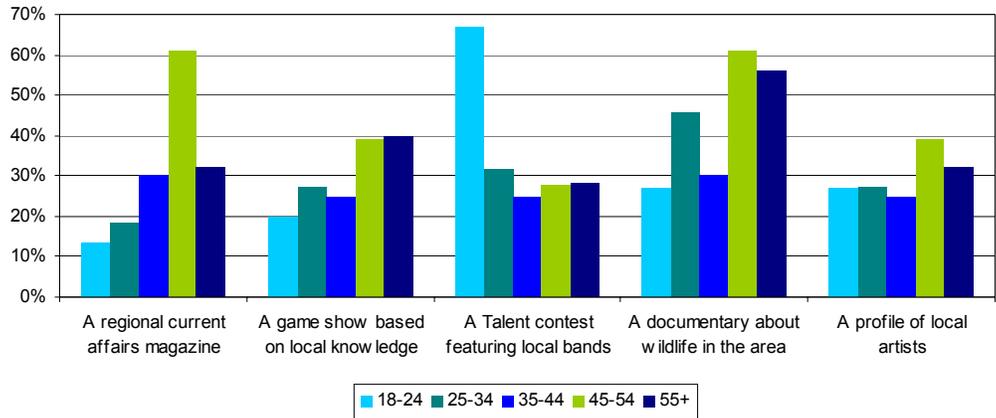
**Figure 16: How likely would you be to watch the following types of programmes?**



Source: DGA Metrics

For most questions in the survey, little difference was observed in the opinions of respondents from different age groups. However, this final question did split opinion between the age groups. 67% of respondents aged 18-24 said they would be extremely likely to watch a talent contest featuring local bands, compared to 28% of respondents aged 55+. Conversely, 61% of respondents aged 44-54 said they would be extremely likely to watch a regional current affairs magazine, compared to 13% of respondents aged 18-24.

**Figure 17: % of respondents extremely likely to watch - by age group**



Source: DGA Metrics

## 5. Quantitative Research

### 5.1. An Overview of Ofcom’s Research Methodology

In reaching a view of the relative cost of regional programming, Ofcom relies heavily on data derived from cost per hour figures, supplied by ITV companies, an analysis of “opportunity cost” and a project using conjoint analysis, which assesses viewers’ relative preferences for different types of programming.

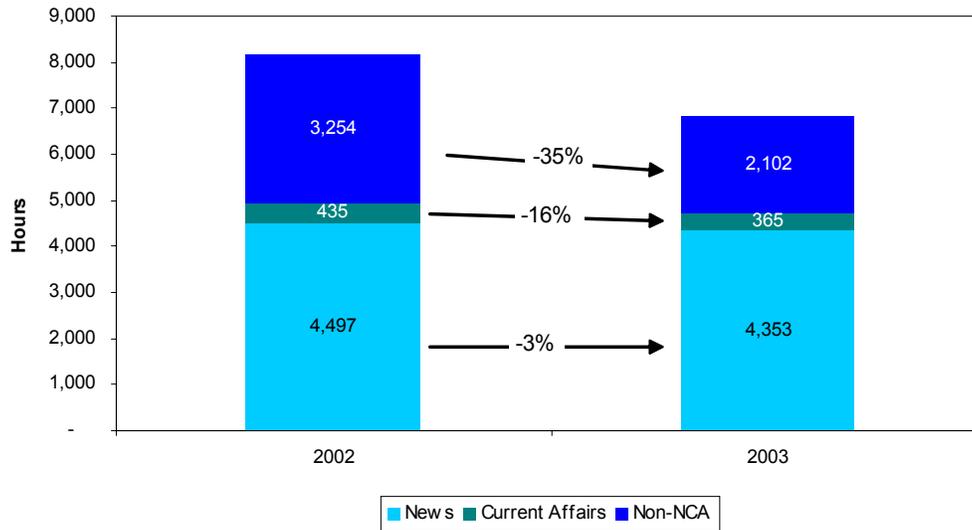
The analysis of opportunity cost is presented on page 19 of the Ofcom report *Reshaping Television for the UK’s Nations, Regions and Localities*<sup>2</sup>. The figure on that page reveals that the opportunity costs for Regional News, and Non-News and Current Affairs (“Non-NCA”) regional programming are disproportionately expensive. These are estimated to represent “around two thirds of the total cost of ITV1’s PSB activities”.

These conclusions derive from a research project conducted by the ITC in 2002. The figures presented therefore relate to a period before the ITC agreed to a decrease in ITV1 regional hours. This agreement was made in 2002 and led to a significant reduction in ITV1’s off-peak non-news

<sup>2</sup> *Ofcom Review of Public Service Television Broadcasting – Phase 2: Reshaping television for the UK’s nations, regions and localities*, Ofcom, 2004

regional programming in 2003. Figure 3.5 on page 15 of the same Ofcom report reveals the extent of this decline. According to Ofcom, ITV broadcast 2,102 hours of non-NCA programming in 2003, a decrease of 35% on the 2002 figures on which the opportunity cost analysis is based.

**Figure 18: ITV regional hours, 2002-2003**



**Source: Ofcom / DGA Metrics**

Due to this decrease in hours it is likely that the real opportunity cost of non-NCA regional programming in the current scenario is at least one third less than the figure stated by Ofcom. In reality the decrease may be even more pronounced, since most ITV regions have already had an opportunity to remove some of their least viable regional slots.

We would also question the methodology used in deriving the opportunity costs. We have researched the source material for this data and find that the original project was described as a "pilot study". This study attempted, for the first time, to estimate the "opportunity costs" of ITV's PSB programming obligations. The methodology adopted involved taking each specific PSB obligation (i.e. each example of programming falling under PSB obligations in that year) and then calculating:

- The additional production costs of the relevant PSB programmes that were actually shown, compared to those of alternative non-PSB programmes that might have been shown in their place; plus
- The net advertising revenue ("NAR") foregone by showing the relevant PSB programmes rather than more commercial non-PSB programmes.

This methodology required the creation of a stylised schedule that represented the types of programme that ITV actually showed in 2002, along with a series of alternative schedules. These showed what might have been broadcast, had each of the PSB obligations not existed. By deducting the estimated costs of alternative programming and adding in

estimates for the advertising revenue generated, "opportunity costs" are generated.

The original research document goes on to list a number of caveats associated with this "pilot study", acknowledging that the results remain "estimates based on a series of both significant and minor assumptions". For instance, the model required assumptions both about what sort of programming ITV1 would have put on instead of its PSB obligations, the cost of such programming and the audience it would have achieved, all of which are necessary for an estimate of the "lost" revenue using this methodology. A number of other caveats were added to the list.

The report also acknowledged the hypothetical nature of the model since, in addition to having to transmit regional programmes under its PSB obligations, ITV1 has a separate obligation to maintain regional production facilities, which would remain part of the cost structure, even if they were utilised less frequently. It is not clear that the associated overhead was deducted from the estimated revenues of the non-PSB substitutes.

The opportunity cost study was then combined with another piece of original work, which is also used as evidence in the PSB review, and published on page 40 of the Phase II report on nations and regions. Conjoint analysis introduces the idea of "constrained choices", on the principle that a preference for one thing is usually at the expense of something else. The result of the analysis was that "other regional programming" falls lowest in the public scale value for the range of PSB genres studied.

This particular research project offered respondents a number of different schedules with a different mix of programmes. In comparing responses to the different schedules, the researchers found that respondents were more likely to substitute regional programming for other preferences when confronted by such choices. From this, in turn, they derived the conclusion that "when forced to make a choice based on the actual delivery of regional programming, respondents appeared to place a much lower value on ITV1's regional programming than in previous studies".

However, the research paper introducing this work also added an important caveat: "when asked about the importance of various genres, however, regional programming scored highly (consistent with previous studies), indicating that further work is needed to understand the key drivers of these results, including perhaps a review of the quality of the programming delivered".

Drawing on this work and some other studies referred to but not quoted in the review, Ofcom concludes that "these studies suggest that viewers feel it is desirable that non-news programming is provided, as a public service principle. However, given scheduling constraints, they feel it is acceptable to reduce the amount of output – especially given the option of a *quid pro quo* of raising the budget and consequent production values".

We question whether the two studies that we have examined in detail, experimental and interesting though they are, provide an adequate base for the policy proposals drawn from them in the Ofcom review. In particular, we believe that Ofcom should publish the source data and the precise methodology used in both studies. The opportunity cost study should also be updated to reflect the current level of ITV regional programming.

Some more detailed questions about the data in the Ofcom review are developed below.

## **5.2. Cost per Hour of Regional Programming**

In an annex to Phase II of its PSB review, Ofcom gives hours of output and spend for ITV1 regional programming by genre (News, Current Affairs and Non-NCA) in each of the four nations. We used these figures to derive the average cost-per-hour of ITV1 regional programming in each nation (Table 2).

**Table 2: Estimated cost per hour of regional programming on ITV1**

|                         | <b>News</b> | <b>Current Affairs</b> | <b>Other</b> |
|-------------------------|-------------|------------------------|--------------|
| <b>England</b>          | £23,529     | £30,043                | £34,009      |
| <b>Scotland</b>         | £8,415      | £11,765                | £19,713      |
| <b>Wales</b>            | £9,160      | £35,714                | £25,641      |
| <b>Northern Ireland</b> | £9,756      | £27,273                | £13,821      |

Source: Ofcom / DGA Metrics

The resulting cost-per-hour figures show wide variations across the regions. News is over twice as expensive in England as in the other three nations, while the cost-per-hour for Current Affairs and Non-NCA programming is also significantly higher. We find these cost-per-hour figures very hard to understand. In particular, it seems counter-intuitive that the English regions should have a significantly higher cost-per-hour than the other nations without obvious reason. Indeed, the derived cost-per-hour of BBC regional programming is typically lower in England than in other areas.

**Table 3: Estimated cost per hour of regional programming on BBC**

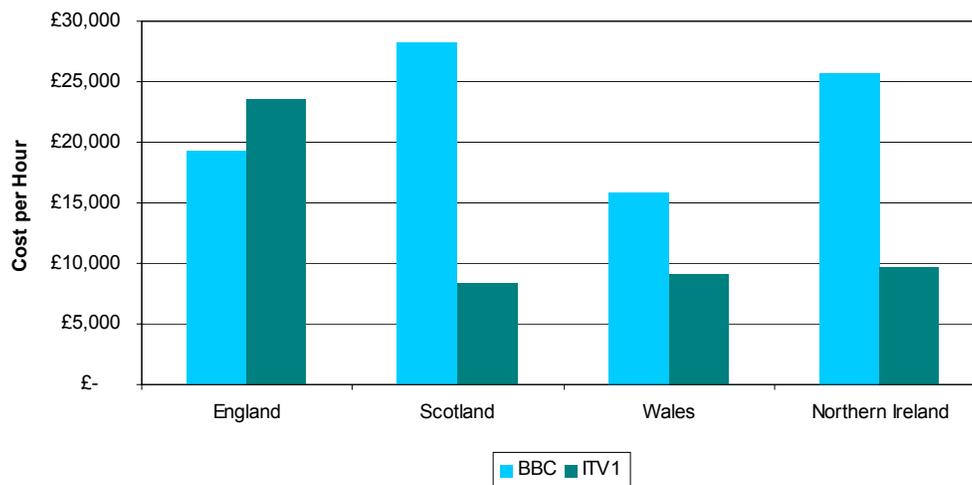
|                 | <b>News</b> | <b>Current Affairs</b> | <b>Other</b> |
|-----------------|-------------|------------------------|--------------|
| <b>England</b>  | £ 19,261    | £49,367                | £17,241      |
| <b>Scotland</b> | £28,222     | £39,394                | £81,953      |
| <b>Wales</b>    | £15,935     | £45,455                | £54,545      |

|                         |         |         |         |
|-------------------------|---------|---------|---------|
| <b>Northern Ireland</b> | £25,779 | £57,143 | £62,937 |
|-------------------------|---------|---------|---------|

Source: Ofcom / DGA Metrics

Regional news provides an opportunity to assess the difference between BBC and ITV cost-per-hour figures, since the cost-per-hour for non-NCA regional programming will be affected by the genre mix (for example, drama is typically more expensive than documentary). Figure 19 provides comparative regional new CPH figures for BBC and ITV in each of the nations.

**Figure 19: Comparison of regional news cost per hour - BBC and ITV1**



Source: Ofcom / DGA Metrics

In Scotland, Wales and Northern Ireland the BBC CPH figures for regional news is significantly higher than the ITV equivalent. England is the exception, with a higher CPH figure for ITV compared to the BBC. Taken together, these inconsistencies raise doubts about the accuracy of the figures.

For the Tyne Tees region, we have compiled an alternative list of CPH figures, based on interviews with producers in the area. These figures are based on indicative CPH for the main regional opt-out slots (see

Table 4).

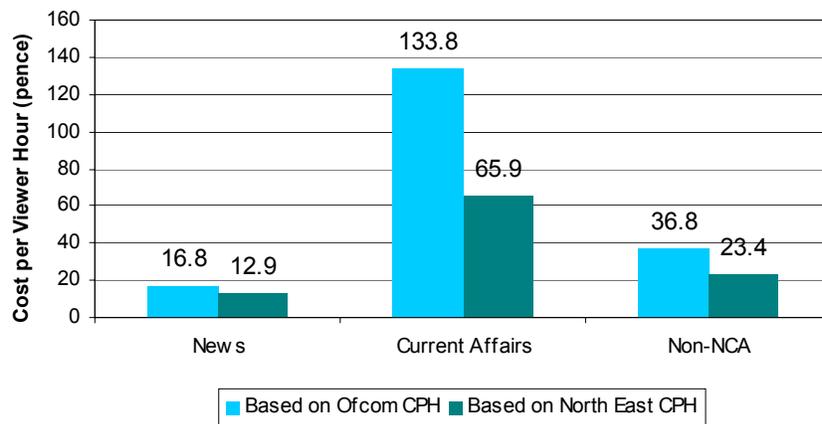
**Table 4: Indicative CPH for ITV1 regional opt-out slots in Tyne Tees**

| Slot         | CPH     |
|--------------|---------|
| 11:00        | £22,000 |
| 11:30        | £22,000 |
| Sunday lunch | £13,000 |
| Sunday tea   | £26,000 |
| Midnight     | £15,000 |
| News         | £18,000 |

Source: Northern Film & Media

We have used these figures as an alternative basis for calculating cost-per-viewer-hour figures for the Tyne Tees area. This gives significantly lower estimates for the cost-per-viewer-hours, as shown in Figure 20.

**Figure 20: Estimated cost per viewer hour for Tyne Tees regional programming**



Source: Ofcom / Northern Film & Media / DGA Metrics

Lower estimates would have a large impact on estimated opportunity costs and subsequently the balance between the public service merit of regional programming and its cost to ITV.

Ofcom do not provide source data within their report. It seems to us unlikely that such variances in the cost per hour of production of similar output exists within the ITV system. We strongly suggest Ofcom reviews these figures or seeks indicative data on the cost of production by genre, from a third party.

If these figures are, in fact, correct, it suggests variations in the efficiency of regional production units, of an order that should be addresses ahead of reductions in output.

### **5.3. Cost Per Viewer Hour: The Case of the Smaller Region**

Cost per Viewer Hour (CPVH) is used as a basis for assessing the efficiency of television programming in delivering audiences. Simply put, it is the amount a broadcaster spends (in pence) for one viewer to watch one hour of programming.

This methodology has been used by Ofcom in Phase II of its PSB review<sup>3</sup>, giving an estimated average cost per viewer hour of 13p for non-news regional programming compared to an average of 4.6p for ITV1 as a whole. We feel that working with averages across the fifteen ITV regions is of limited use, since in reality each region has its own characteristics which affect the CPVH figure — most notably the size of the population.

For example, the London region contains 10,950,000 television viewers, whilst the neighbouring Anglia region contains less than half this number at 4,082,000. A regional programme that appeals to a quarter of the available audience would attract 2,737,500 viewers in London and 1,020,500 viewers in Anglia. If the production cost was the same in both regions, the London programme would be approximately twice as efficient at delivering viewers as the Anglia programme.

Table 5 gives the average CPVH for all regional programming broadcast on ITV1 in the 12 months ending September 2004. We estimate the average CPVH figure across the whole of the UK at 14p. However, the average masks some large variations by region. In Border, with a population of just 597,000, the CPVH is 73p, while in the Central region (population 8,623,000) the CPVH is 7p. The Tyne Tees region falls between these two extremes, with a population of 2,833,000 and a CPVH of 22p.

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<sup>3</sup> *Ofcom Review of Public Service Broadcasting Phase 2 - Reshaping Television for the UK's Nations, Regions and Localities*, Ofcom, 2004

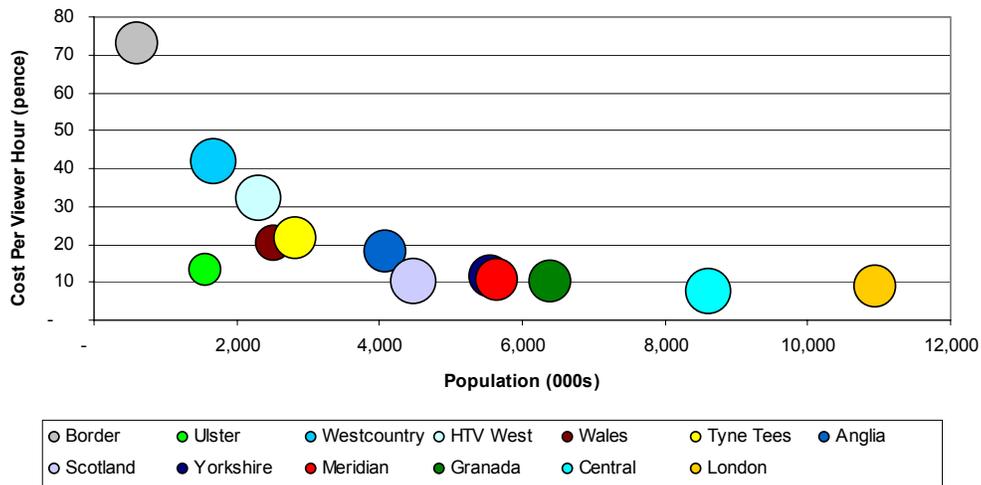
**Table 5: Cost Per Viewer Hour: All ITV1 Regional Programming, 12 Months Ending September 2004**

| Area          | Population (000s) | Hours        | Cost per Hour (£) | Spend (£)            | CPVH (p)  |
|---------------|-------------------|--------------|-------------------|----------------------|-----------|
| Anglia        | 4,082             | 409          | £ 24,241          | £ 10,841,052         | 18        |
| Border        | 597               | 395          | £ 25,023          | £ 10,737,339         | 73        |
| Central       | 8,623             | 419          | £ 24,646          | £ 11,033,035         | 7         |
| Granada       | 6,391             | 398          | £ 24,082          | £ 10,391,643         | 10        |
| HTV West      | 2,311             | 422          | £ 25,097          | £ 11,240,454         | 32        |
| London        | 10,950            | 413          | £ 24,594          | £ 10,915,472         | 9         |
| Meridian      | 5,646             | 396          | £ 24,241          | £ 10,433,977         | 10        |
| Scotland      | 4,478             | 898          | £ 10,640          | £ 11,470,907         | 10        |
| Tyne Tees     | 2,833             | 402          | £ 24,641          | £ 10,605,525         | 22        |
| Ulster        | 1,562             | 551          | £ 10,702          | £ 6,566,230          | 13        |
| Wales         | 2,532             | 473          | £ 13,123          | £ 7,835,796          | 20        |
| Westcountry   | 1,683             | 420          | £ 25,130          | £ 11,092,955         | 42        |
| Yorkshire     | 5,550             | 403          | £ 24,186          | £ 10,658,775         | 12        |
| <i>All UK</i> | <i>55,552</i>     | <i>5,999</i> | <i>£ 21,590</i>   | <i>£ 133,823,159</i> | <i>14</i> |

**Source: BARB / Ofcom / DGA Metrics**

Figure 21 plots this information in a bubble chart, showing population (x-axis), CPVH (y-axis) and spend (represented by the size of bubble). It is immediately apparent that the CPVH for regional programming is correlated to the population in each region. The one exception is Ulster, with a relatively low population and a CPVH of 13p (lower than the average of 14p). This is accounted for by Ulster's spend on regional programming of just £6.6m, less than any other region. The CPVH figure tends to stabilise in regions with a population greater than 4 million at around 10p.

**Figure 21: Relationship between Population, Cost per Viewer Hour and Spend (size of bubble): All ITV1 regional programming, 12 months ending September 2004**



Source: DGA Metrics

The cost-per-viewer-hour for regional news programming is significantly lower than for other types of regional content. In regions with a large population, the efficiency of regional news is, on fact, on a par with that of much network programming.

## 5.4. Programme Performance

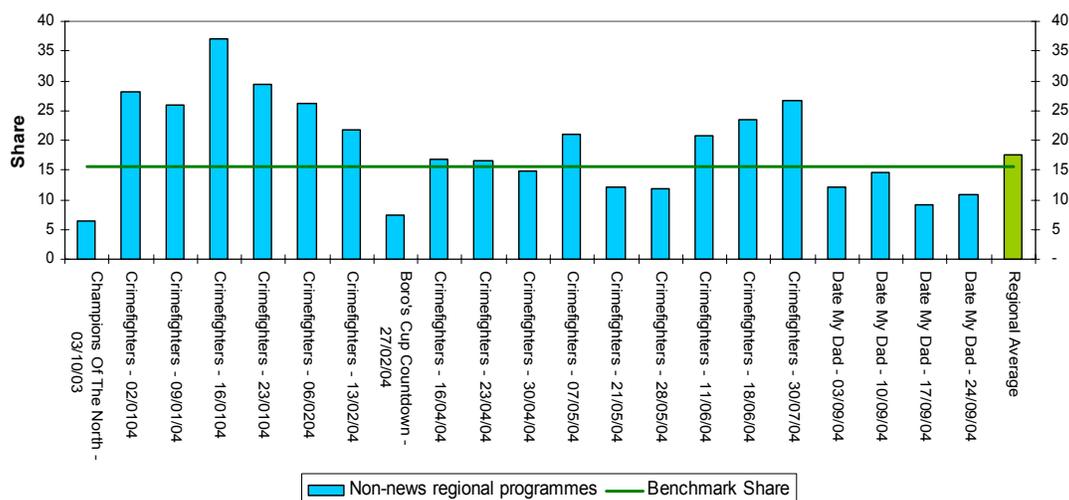
The ratings performance of ITV regional programming is often obscured by scheduling issues, particularly in peaktime where programmes are frequently scheduled against *EastEnders* on BBC1. Ofcom's own research in *Reshaping Television for the UK's Nations, Regions and Localities* highlights this issue. At the start of its section on viewer appeal (section 4.31) Ofcom reports that "ITV1's non-news output does not secure audiences as large as ITV1's average network audience." However, this appears to be based on a fairly crude methodology that fails to account for the often difficult scheduling of regional programmes.

The next section of the Ofcom report addresses this issue by factoring in the scheduling, and finds that "regional output performs slightly better than network programming in similar slots, except in Sunday afternoon slots". Yet in the main PSB Phase II document Ofcom claims that "much non-news programming receives low audiences", which appears to be at odds with this finding. Non-news regional programming may generally achieve low audiences because it is scheduled at difficult times (against *EastEnders*, or in late night slots when total TV viewing is low), but there is no evidence to suggest that ITV would increase viewing in these slots by replacing regional programming with network content.

Our own research indicates that some of the most successful non-news regional programmes of recent times have been shown in off-peak slots, such as the Friday 2300hrs slot. Tyne Tees showed a total of 21 regional

transmissions in this slot in the 12 months ending 30<sup>th</sup> September 2004. Over half of these transmissions exceeded ITV1's average share in the Tyne Tees area for the Friday 2300-2330hrs slot in that period of 15.4%. The average share for regional programmes in this slot was 17.6% — 2.1 share points above the slot.

**Figure 22: Tyne Tees regional transmissions in the Friday 2300hrs slot, 12 months ending 30th September 2004**



Source: BARB / DGA Metrics

## 6. Alternative Programme Policy for Nations and Regions

The ITV regions broadcast a combined total of 6,000 hours of regional programming in the 12 months ending 30<sup>th</sup> September 2004, including 4,000 hours of regional news. 36% of this output was scheduled in peaktime, with 43% shown in daytime and the remaining 22% broadcast in late night slots.

**Figure 23: ITV1 regional hours, 12 months ending 30th September 2004**

| Daypart                   | Current Affairs | News  | Non NCA | Grand Total |
|---------------------------|-----------------|-------|---------|-------------|
| Daytime (0600-1759hrs)    | 121             | 1,834 | 600     | 2,554       |
| Peaktime (1800-2229hrs)   | 38              | 1,687 | 425     | 2,150       |
| Late Night (2230-0559hrs) | 179             | 473   | 642     | 1,294       |
| <i>Grand Total</i>        | 337             | 3,994 | 1,667   | 5,999       |

Source: DGA Metrics

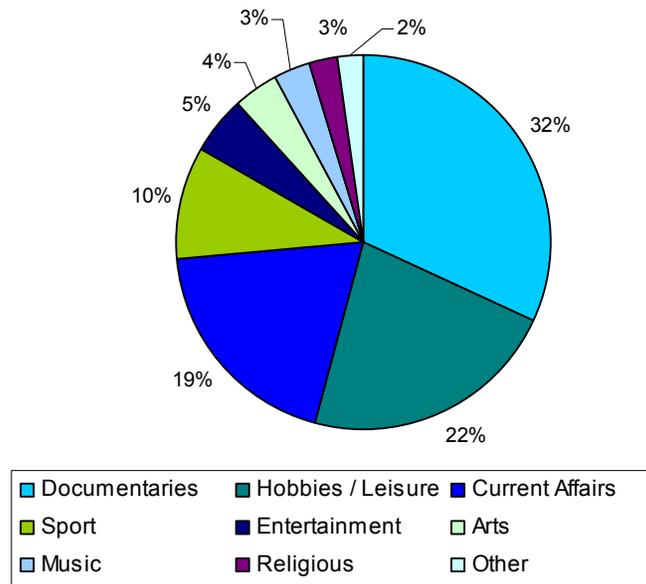
Ofcom's proposal in Phase II of the PSB report is to reduce ITV's hours of non-news regional programming in most regions from three hours a week to 1.5 hours a week, with all reductions occurring outside of peaktime. This would mean a reduction in the 1,500 hours of non-news programming currently broadcast outside of peaktime to some 1,000 hours.

Yet our survey revealed that only 3% of respondents in the North East believe there is 'too much' non-news regional programming (with 53% believing the current level of provision is 'about right').

Another concern is the likely impact on the regional production base, already fragile in some areas. For many independent production companies, regional slots (particularly in off-peak hours) provide an opportunity to develop their skills in a relatively low-risk environment and build up the experience often necessary to compete for network slots. This is particularly true outside of London.

A less radical solution may be to reassess the type of non-news regional programming provided by ITV1. 19% of ITV1 non-news off-peak regional programming broadcast in the 12 months ending September 2004 was Current Affairs, a genre that rarely attracts large audiences even at network level. In effect this creates two layers of PSB obligation, providing programmes for a regional audience and providing Current Affairs programming.

**Figure 24: Genre breakdown of ITV non-news off-peak regional programming, 12 months ending 30th September 2004**



Source: BARB / DGA Metrics

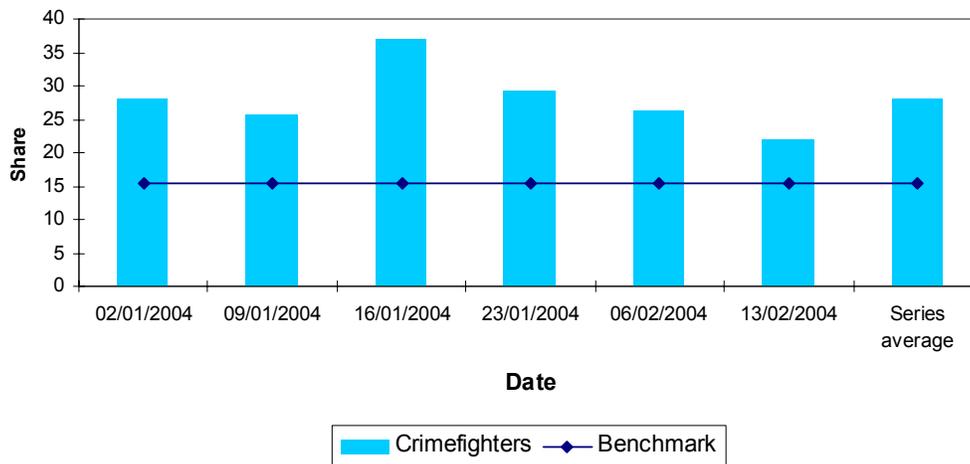
In our cost-per-viewer hour analysis, Current Affairs was identified as a particularly inefficient type of regional programming. The average CPVH figures for regional Current Affairs programming on ITV1 was 49p, over

twice the CPVH for other non-news regional programming. Replacing the majority of this off-peak regional Current Affairs with more popular (and therefore more efficient) types of programming would reduce the financial burden on ITV1 without depriving viewers or harming regional production economies.

In the North East, this would mean replacing the Sunday lunchtime Current Affairs series *The Sunday Interview*. In the 12 months ending September 2004 the highest share achieved by *The Sunday Interview* was 12.1%, with a low of less than 1%. This has a pronounced effect on the overall efficiency of regional programming in the North East, but this programme could be replaced by a regional production with broader appeal rather than making way for a network programme (most likely a repeat or an acquisition).

A notable example of how regional programming can work was the *Crimefighters* series, launched in 2004. The series was produced as a 'franchise' across the Granada regions, with each region making its own fly-on-the-wall documentary series about the local police force. Tyne Tees was amongst the participating regions, and the first series achieved an average share of 28% in the Tyne Tees area in a Friday 2300-2330hrs slot. This almost doubled ITV1's average share of 15.4% in the same slot in the Tyne Tees region for the 12 months ending September 2004.

**Figure 25: Performance of *Crimefighters* in Tyne Tees region**



**Source: BARB / DGA Metrics**

Granada has extracted further value by showing *Crimefighters* on the Men and Motors satellite channel, bringing together episodes from each regional series for a UK-wide audience. Other regional programmes have found a secondary market on the burgeoning number of digital channels, thus generating more revenue and increasing efficiency.

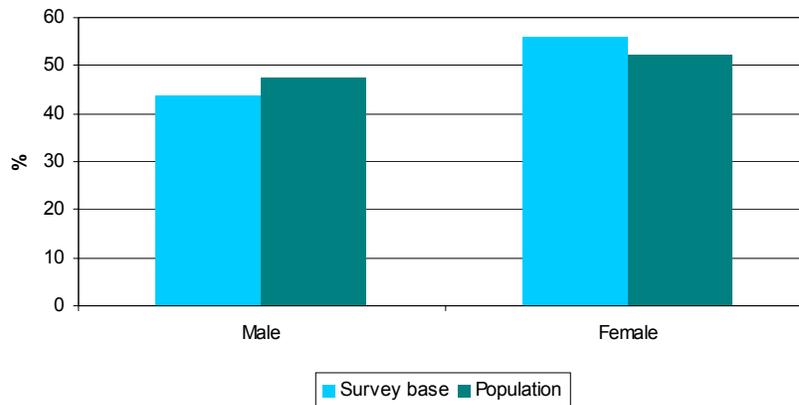
We feel that Ofcom should examine alternative programme policies designed to increase the efficiency of regional production before taking the more radical step of decreasing regional hours. This is likely to have an

irreversible effect on regional production economies unless the reduction in ITV1 hours is countered by a simultaneous rise in BBC non-news regional hours.

# Appendix One: Demographics of Survey Sample

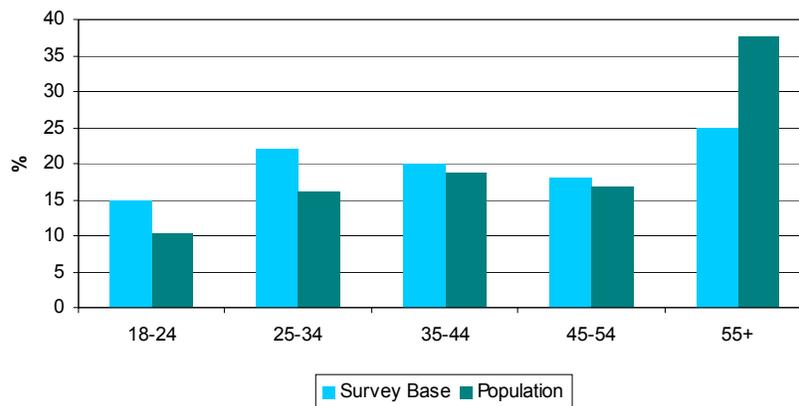
The following charts show the demographic profile of the survey base and compare to this to the demographic profile of all viewers in the Tyne Tees area, as given by the BARB audience measurement panel.

**Figure 26: Gender Profile**



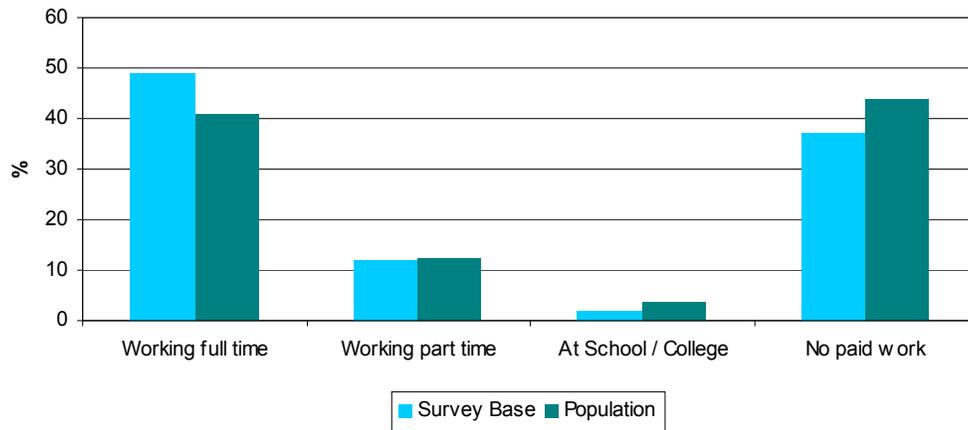
Source: DGA Metrics

**Figure 27: Age Group Profile**



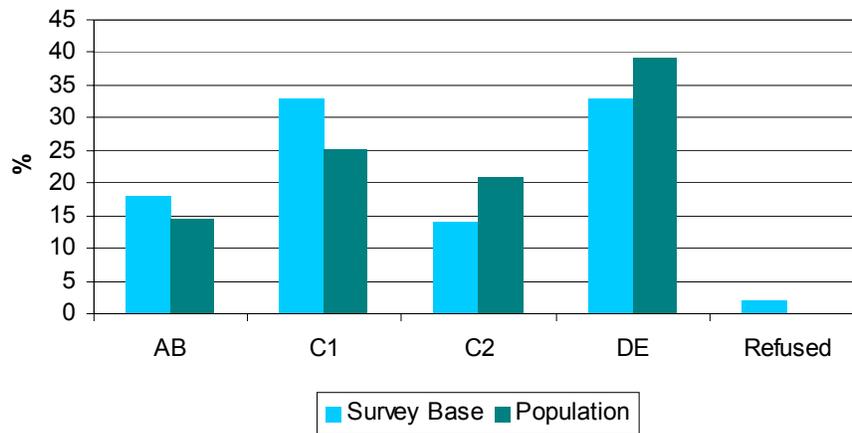
Source: DGA Metrics

**Figure 28: Working Status**



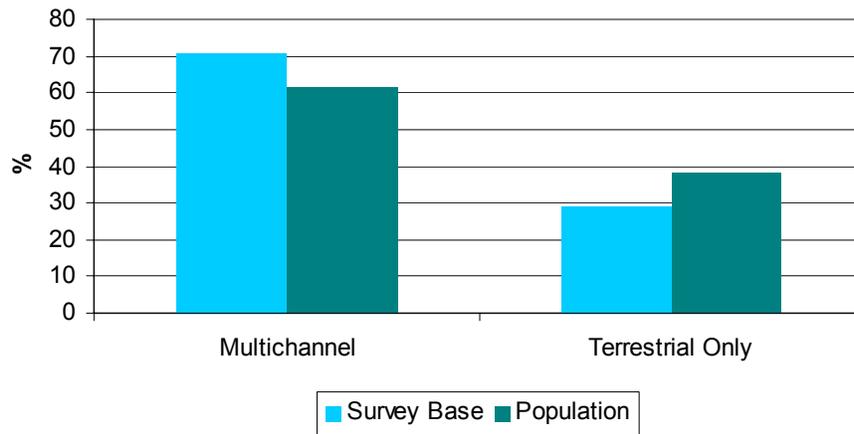
Source: DGA Metrics

**Figure 29: Social Grade**



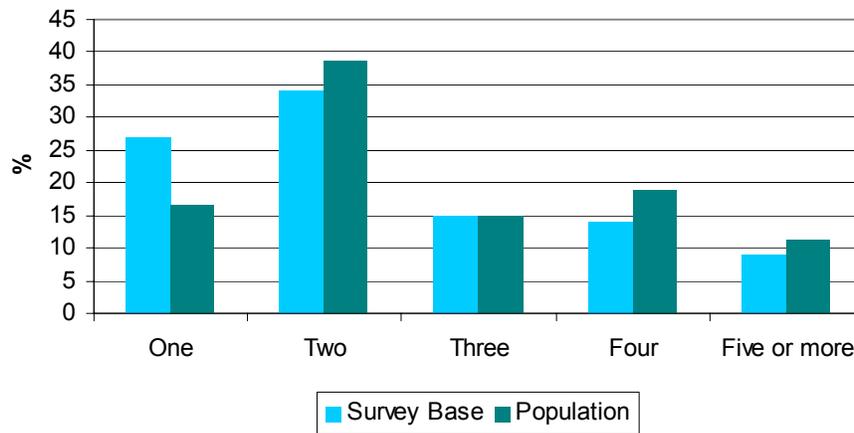
Source: DGA Metrics

**Figure 30: Reception Capability**



Source: DGA Metrics

**Figure 31: Number of People in Household**



Source: DGA Metrics