

Thanks Ann

Lords, Ladies and gentlemen. I'd like to extend my own welcome to you all and thank Ann and David for agreeing to host our second Westminster briefing this year.

Five months ago when stv was last here I set out our vision for broadcasting in Scotland and described the seismic changes that we've put in place at our company over the past 18 months to ensure that stv is in the strongest possible position to play our future role as Scotland's Broadcaster of choice.

Well, a lot has happened over the past five months and I want to convey a passionate plea to you all, if you care about the future of Scotland we ask you to care about the future of stv. For 51 years stv has been a cornerstone of Scottish media and Scottish life. We now need your help to ensure a vibrant future for our staff, our audiences and ultimately for the successful future of a progressive media sector in Scotland.

I'm joined today by a number of members of our team including our Chairman Richard Findlay, Lord Alli, Jamie Matheson and Vasa Babic from our Board and a number of members from our senior team.

Over the past 18 months the new team at stv has implemented a turnaround plan that has transformed the company that we inherited. Putting it bluntly, 18 months ago SMG was close to the edge of survival. It is now a new slimmed down company focussing 100% on serving Scotland, our audiences and advertisers with our stv brand at our heart.

Along the way we've re-capitalised the business, sold off non-core assets, invested in growth areas, such as new media, returned cash to shareholders and just this month re-named the company stv group plc to properly reflect who we are, what we do and our commitment to Scotland.

In short, we have now put stv back in its rightful place so as to once again play a leading role in driving the media sector in Scotland.

However, as you are no doubt aware there are currently a series of regulatory reviews which will have a profound impact on the future broadcasting ecology in both the UK and Scotland.

The Scottish Broadcasting Commission has set out its vision for the future. The general thrust of supporting the growth of Scotland's broadcasting sector is one we support. Specifically we fully support the Commission's quest to establish a Scottish Digital channel **but**, and it's a huge **but**, not at the expense of existing broadcasters.

We, stv, live in the here and now, in the real world. stv employs just under 400 staff in 5 cities across Scotland. In addition we will employ around 500 freelance staff this year spanning a range of creative and technical skills. We have created 35 new roles this year in digital media bringing offshore, outsourced skills in house. We work closely with Skillset Scotland and provide some 45 supported places for students and graduates and we contribute some £30m each year in salaries and fees to the Scottish economy. We are seeking a regulatory settlement that builds on the here and now by recognising our heritage and skills but most importantly our ability to deliver high quality PSB in a digital age.

We have a compelling vision for the future of broadcasting and seek your support for securing and strengthening our position in the sector. Not threatening our existence by ignoring the here and now. But instead being distracted and focussing on the excitement of a shiny new channel. We believe with a passion that we have a major role to play and our actions over the last 18 months show the desire of our staff and shareholders to have stv at the vanguard of a successful and thriving media industry. But we need your support to ensure that the interests of Scotland and stv are properly recognised by both Ofcom and the DCMS.

Let me confirm what stv believes in and importantly why we are very different to ITV.

Fundamentally we embrace the power of being local, delivering a combination of high quality network programming combined with compelling Scottish content. This model, which has served Scotland well for over 50 years, needs to evolve, **not** be thrown away.

Unlike ITV, stv is fully committed to being a commercial Public Service Broadcaster and we want to remain part of a UK wide, but Scottish branded, Channel 3 network.

Unlike ITV we want to continue and build on our Scottish news service which is so highly valued by viewers. Through its research, Ofcom recognises the high value of stv's contribution to our viewers. It concludes that Scottish news shouldn't be left solely in the hands of the BBC and our audience strongly supports the evolutionary model maintaining stv's value well beyond its PSB provision and representing Scotland's identity in a way which other channels do not. 60% of Scottish TV viewers would choose stv if they could only access one channel. 81% see stv as an essential source of information and entertainment. Our plea is **evolution** yes, **revolution** no.

However, Ofcom also recognises and has subsequently supported our plea for limited public funding in order to continue our current level of news provision. Ofcom has concluded that the cost of meeting our PSB obligations outweighs the benefits therefore rather than forcing us to cut Scotland's most successful, trusted news service, watched by over 1m adults every week let's find a way of supporting what works and what is valued by our audiences.

As well as our campaigning for limited public funding for our news coverage we also recognise that our audiences value home grown Scottish content. Ofcom is giving us in 2009 the freedom to reduce our non-news regional commitment from 4 hrs/week to 1.5 hrs/week. In these tough economic time we, of course, welcome this flexibility, however, we know that increasing our home grown Scottish content is critical to our audiences. We are therefore committed to increasing our non-news content in 2009. We haven't announced the detail of this publicly yet so you're hearing this first but we are working hard to serve up a series of exciting new Scottish programming initiatives in 2009 and turn back the clock of systemic decline. Watch this space.....

This new approach to programming will have a further benefit for media jobs in Scotland as we work more closely with independent producers and also continue to grow our in-house content business under the leadership of Alan Clements.

Many of you might remember my plea from last time for us to be recognised as a qualifying independent producer. The good news is that we've maintained a good dialogue with Ofcom and the DCMS and our arguments have been listened to, but frustratingly the bad news is that we remain a non-qualifying independent which is an impediment for us and a negative for the Scottish production sector in general. Everyone seems to be sympathetic to our position, including ITV, however, we need DCMS to endorse our independent status. This is an easy give and I believe our current status does not reflect reality and puts us in a disadvantaged position.

For example whilst we support last night's announcement from the BBC committing 9% of its commissioning budget to Scotland by 2016 it will be difficult for stv to benefit from this without being recognised as an indie producer.

You might also be aware of a number of inflammatory remarks made recently by ITV plc with regard to stv/UTV and Channel Television, the non-ITV plc owned Channel 3 broadcasters.

Firstly ITV plc announced that it subsidises stv and utv by some £25m per year. We totally refute this accusation and are currently working with an independent third party to show that ITV plc enjoys considerable value from its participation in the ITV network. ITV seems to have conveniently ignored these benefits, such as the ability to show ITV1 programming across its digital channels for a nominal price. stv and UTV believe the benefits to ITV plc are over £75m a year.

ITV has also announced that it believes that the interests of Channel 3 would be best served by having a single ITV branded service for the whole of the UK. We totally disagree with this suggestion. The thought of stv and UTV losing their identity and our audience being served from London seems completely at odds with what our audience wants; at odds with Ofcom's research; and out of step with the demands of our devolved nation.

Although we are sympathetic with much of the content of Ofcom's Stage 2 report, we would highlight two areas where we have grave concerns. The first is an alternative model for the Channel 3 network which seems to mirror ITV's quest for UK wide control. Just to be clear a single UK ITV licence would signal the death nail for commercial broadcasting in Scotland.

The second is where Channel 3 doesn't exist as a PSB and the onus for PSB is handed to the BBC and Channel 4. I would suggest these Ofcom models completely fail to capture the needs of contemporary Scotland. We will fight hard to ensure these ideas are destined for the scrap heap and we are able to move the debate on to how to use the here and now strengths of stv in order to create a vibrant future for an stv committed to delivering a commercial PSB solution that benefits the future for our staff, our audiences and Scotland as a whole. Our vision for the future is very clear:-

Priority 1 is very straight forward –

1. Strengthen who we are, the national commercial PSB of Scotland offering our viewers the best of ITV network programming, together with compelling locally made content. For this we are seeking your support for a small public subsidy for our news and current affairs output, to bridge the funding gap as our licence moves into deficit.

2. We also support the idea of a Scottish digital channel, but not at the expense of stv. The priority has to be to build on stv's existing strengths; we can then look at future channel opportunities and the role that we can play.
3. We also believe in the opportunity to deliver local TV services to Scotland's main cities and we'll continue to campaign for access to the spectrum that could support such city based services. In the interim we've launched a series of new on-line services including our stv video player where you can catch up with all our stv programming when you're here in Westminster. We will soon be launching City based on-line services to support our new breaking news site.

So in conclusion, we're excited by the future but equally we are having to fight hard just to safeguard our very existence. If you care about jobs, care about training, care about the development of the media sector in Scotland then I would urge you to engage in the current debate and in particular write to Ed Richards to confirm your desire for the broadcasting needs of Scotland to be recognised; for stv's current contribution and future desire to be recognised; to dismiss any notion of a "one size fits all" London-centric ITV; and to support Ofcom's evolutionary model for the future where stv, plays a leading role in delivering a commercial PSB solution that benefits the future of our staff, our audiences and ultimately the successful future of a thriving media sector in Scotland.