department for
culture, media
and sport

Local Media Action Plan

19 January 2011

improving
the quality
of life for all

Our aim is to improve the quality of life for all through cultural and sporting activities, support the pursuit of excellence, and champion the tourism, creative and leisure industries.

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Foreword by the Secretary of State

Putting power in the hands of citizens, neighbourhoods and councils is at the heart of the Coalition Government's policy agenda. Public service reform across every area of life from education to policing will see a radical shift in control from Whitehall to the town hall and from Ministers to citizens.

With more power devolved to the local level it is vital that we have a thriving and sustainable local media sector in order to hold those with new responsibilities to account. Advances in technology means that the media industry has gone through significant change over the last few years. But television still remains a powerful form of media and the most valued source of news for most people. For local democracy to flourish I believe that our most important media medium must be able to report on local content in depth and to a high standard. As such the Coalition Government will do all it can to ensure that localness is at the heart of our media sector and that local television services can flourish.

This Action Plan sets out how we will do this. It follows on from Nicholas Shott's review which concluded that local television was commercially viable in both the short term and the long term provided that certain conditions were met. In this document the Government sets out how we plan to meet these conditions.

The end result will be a radical transformation of the broadcasting sector as we know it. Not only will we see a brand new channel on Digital Terrestrial Television but this channel will also act as a backbone for many new local television services. In the future I want every community to have the opportunity to access truly local television content. More significantly I want them to be able to access content viewed from a local perspective. But I do not want to impose a version of these services from Whitehall. By definition local television should be locally determined. It should also be commercially sustainable. I am sure that local services across the country will differ greatly. Local demand, local creativity and local content will vary from place to place. This is as it should be. Provided certain standards in quality are still met I want to encourage as flexible and as vibrant a sector as possible.

It is not surprising that much of the traditional media establishment have been slow to respond positively to this vision of the future. It means a dramatic change to the way that things currently work. It will put power is put into the hands of new local production companies, new local media organisations and new local advertisers. At the very least it will ensure that the existing media sector puts local content at its heart.

This Action Plan sets out a clear pathway to a new more localised broadcasting sector. But it is not something that Government can do alone. Government's role is to remove barriers and facilitate the emergence of local television services. But it is the sector itself which will deliver on this vision. So I would encourage everyone interested in this sector to get in touch. I look forward to hearing from you.

JEREMY HUNT

January 2011

Executive Summary

1.1 Introduction

This action plan sets out how the Government will facilitate the creation of a new generation of local TV services. Creating the right conditions for local television to emerge in the UK forms a key part of the Government's vision for the UK's media industry. The UK has a strong and diverse media tradition as well as a good track record in rising to new challenges presented by multimedia and multi-platforms. Despite significant technological changes, television remains the main platform for the consumption of news[1]. But while television in the UK provides international, national and regional news, it has struggled to provide truly local content. The Government believes that now is the right time to address this gap and wishes to see an increase in local TV content with more locally-focused perspectives.

As the Government seeks to decentralise power from Westminster and give people a greater say in how their communities are run, the Government wants to see a strong local media sector that has plurality in platform and voice. Local press and local radio are well-established in the marketplace and hold direct experience of delivering local content to local audiences. Local websites provide even more locally targeted information and offer links to other media platforms. However, local television does not currently have any strong foothold in the UK and given the right conditions, the Government believes that local TV services can take an active role in local as well as national democracy. In the nations (Scotland, Wales and Northern Ireland), local or nations-based news is particularly important as part of devolution. Local TV can be a tool to hold local institutions to account and encourage local political engagement. It provides viewers with information about where they live and issues that affect them, all from a local perspective.

Technological change continues to have a massive impact on the media markets and our daily lives. Internet protocol television (IPTV) is the latest technical development which will provide video on demand and connect the television set to the internet. This will allow audiences to receive television services in a seamless way whether these are distributed through traditional broadcasting technologies such as roof top aerials (digital terrestrial), cable or satellite and those distributed via

[1] http://stakeholders.ofcom.org.uk/binaries/broadcast/reviews-investigations/psb-review/psb2010/Perceptions.pdf

fixed broadband or wireless. In his independent review[2], Nicholas Shott said that in the long term, local TV looked set to be delivered through IPTV technology. The Government agrees that IPTV is likely to become the distribution means for local TV services as well as other TV services as it has the scope to be far more local and targeted at individual localities in a way that distribution via television masts cannot.

However, it is uncertain when IPTV will be sufficiently well-established and widely in use; accordingly the Government proposes to facilitate a transitional phase for local television by putting in place a new framework that will allow existing and new entrants an opportunity to provide local services on mainstream television. This plan sets out the steps the Government will take to help create new local TV services in the UK. It builds upon the Nicholas Shott review submitted to the Secretary of State in December 2010 which outlined the conditions necessary for local TV to emerge in the UK. The Government agrees with Nicholas Shott's overall assessment that commercial viability of local TV is achievable and has considered the scope of how the conditions he set out can be met. While a number of issues remain to be determined, these will be addressed over the coming months by taking into account responses to this plan. There are regulatory and commercial barriers that have prevented local TV from emerging and the Government is seeking to tackle each of these to kick-start the emergence of local TV.

1.2 New network channel

The Government's goal is 10-20 local TV services operating by 2015 with the first local services licensed from summer 2012. These services will be supported through an affiliate/network construct. This network concept was recommended by Nicholas Shott as the only way to achieve a sustainable model. This is broadly supported by analysis carried out for Ofcom[3]. It has parallels with the way local TV works in other countries but the model for the UK has to be wholly specific and adaptable to the way the UK's media markets work in order to meet the needs and expectations of local audiences.

The Government is ready to take the necessary steps to enable local TV. Engineering investment in multiplex capacity and arranging EPG prominence will provide significant incentives. In return, the Government is creating a new opportunity for a new network channel that will carry local services at specified times during the day. It may also carry some network content if that is how the network channel provider believes the maximum revenue can be generated to support a network of local service provision.

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[2] http://www.culture.gov.uk/publications/7655.aspx

[3] http://stakeholders.ofcom.org.uk/binaries/consultations/psb2_phase2/statement/annex4.pdf

The Government is initiating a process commencing with a request for expressions of interest for the provision of this new local TV network channel (which might also be termed a spine or backbone). Further details are set out at the end of this document.

The Government is encouraging existing and new media providers or groups of providers to come forward to compete to provide this. It is not for the Government to prescribe an ownership structure but we are creating the overall framework in which a network channel and local content can be provided. Expressions of interest will help Government design the award process which is expected to begin this summer. The Government then intends to implement a new licensing regime as necessary to foster the creation of local TV services whose output will be carried within the network channel's schedule.

Depending on the technical route, in some areas, the network channel may not be able to provide services because technical (capacity) limitations are likely to mean that not all parts of the UK can be served by specific local content. In time, the Government expects this will be balanced by local content provided via IPTV. The Government is also interested in understanding whether local TV can be delivered on IPTV platforms in the short to medium term and expressions of interest will need to consider this.

The process of award will be contingent on the chosen capacity option and the final design of the award process, with award confirmed by summer 2012.

1.3 Action plan and how to respond

Responses to this action plan are requested in two stages:

1. Pages 20-24 set out the areas the Government will be taking action on and what you should consider if sending expressions of interest. **These should be submitted to DCMS by 01 March 2011** and sent to the Local Media Project Team at the Department for Culture, Media and Sport: local.tv@culture.gsi.gov.uk

   Or by post to: Peter Bakewell
   Media Team
   Department for Culture, Media and Sport
   2-4 Cockspur Street
   London
   SW1Y 5DH

2. The Government is also interested in hearing from industry and from members of the public about the local TV plans. Questions to consider include:

- What would be the appropriate balance of local and network content?
- Would local perspectives on national and international news be desirable and/or feasible?
- Apart from news and current affairs, what other local content would be desirable?
- What times of day are most appropriate for the broadcast of local content?
- Would a selection of 'local interest' content be well received if broadcast as network programming?
- How local should the content be? Community, town, nearest city, county, borough?
- How do these issues differ across the devolved nations? Broadcasting policy remains a reserved matter but what do audiences in the nations want from any local TV services?

Please send your comments to the contact details listed above by **13 April 2011**.

Key Issues

2.1 Why local TV is important

Local media is a fundamentally important component of the UK's media market. It can provide citizens with a voice, local businesses with a platform for promotion and advertising and the local democratic process with greater accountability and a vehicle to communicate with constituents. The Government is seeking to transfer more power from the centre by encouraging local institutions, communities and individuals to take a more active role in the way Britain functions. Local media has an important role to play in drawing communities together and offering greater degrees of localism as it reflects back communities' stories and information of direct interest and relevance. Local audiences are the receivers of local views, news and information that is specific to their area and their lives.

However, local media including local newspapers and local radio face some big challenges in making a sustainable return on investment. Audiences are taking advantage of new technologies to absorb content, which opens up new business opportunities for media companies. These opportunities require the development of new revenue streams beyond advertising, which will take time to become commercially viable, putting pressure on traditional business models and revenue streams. Local media competes in a multichannel, multiplatform world and as technology evolves IPTV is already expected to be the next major milestone in televised media. As the world becomes more global, it is fair to assume that more people are seeking more local content and information about where they live to provide relevance and belonging and this is where local media can make a difference. IPTV presents huge opportunities for all media, but local media can expect to benefit from this significantly due to the lower overall production costs and accessibility to local audiences presented by this technology.

Television as a media platform remains a powerful and trusted form for viewers. Local TV has the potential to offer many economic, social, cultural and democratic benefits. In a new age of localism, local TV can give individuals an alternative way to engage with their local community and political structure. It provides a space in which local issues can be considered and local people can engage on a scale which has local relevance.

A combination of market incentives, a reduction in regulatory barriers and innovation from market participants will provide local television with the best opportunity to emerge in a sustainable way in the UK. The challenge for local TV has long been a commercial viability one and the Government specifically sought to address this by commissioning Nicholas Shott, Head of UK Investment Banking at Lazard to examine what the necessary conditions for local TV are and how a new model might work.

2.2 Where we are now

In his report published in December 2010[4], Nicholas Shott concluded that commercially viable Local TV is possible if a particular set of conditions are met including the requirement of a backbone or network provider to provide a sustaining network along with national advertising underwriting and EPG prominence.

The Government agrees with the Shott review that IPTV is likely to be the optimal long term platform for local TV and will serve smaller communities better than services broadcast on the digital terrestrial (DTT) network as a low-cost solution. Indeed, IPTV is likely to support a number of television-type services and the Government's strategy on universal broadband will directly facilitate this. However, IPTV penetration forecasts suggest it will be a number of years yet before significant IPTV penetration is reached in the UK. In the short to medium term therefore local TV on terrestrial platforms is more likely to be able to build brand awareness, have a direct reach into households and become a trusted destination for viewers seeking more local news and content. It therefore represents an important new focus within public service broadcasting and can act as a catalyst for delivery of high quality local content as new connected (IPTV) technologies emerge.

Commercial public service broadcasting (PSB) forms an integral part of the UK's media and enjoys a global reputation. Yet, the Government is concerned that the ongoing provision of commercially-provided public service content in particular is suffering as a result of these long-term changes happening in the market. Public service content, especially local and regional news, has for a long time been at risk. The Government faces a choice of letting the decline in such PSB content continue or seeking to identify alternative ways that not only sustains this type of non-centralised content but increases the amount available on TV.

The Government wants to see new local TV services emerge to serve communities across the UK. The conditions are now right with lower costs brought about by new technologies including potential capacity opportunities following digital switchover.

The Government's plans for local TV were first expressed in the Coalition Programme[5] which stated that "we will enable partnerships between local newspapers, radio and television stations to promote a strong and diverse local media industry." The Secretary of State subsequently set out his vision for

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4 http://www.culture.gov.uk/publications/7655.aspx

5 http://www.cabinetoffice.gov.uk/media/409088/pfg_coalition.pdf

Local Television in his keynote media speech[6] at The Hospital Club on 8 June 2010 and in a speech to the Royal Television Society International Conference on 28 September 2010.[7]

2.3 Available evidence

Local media has been the subject of several reports and enquiries. Ofcom published a discussion paper on Local and Regional Media in 2009[8] and the House of Commons Culture Select Committee conducted an inquiry on the Future for Local and Regional Media[9] publishing their findings in early 2010.

These reports stress the importance of local content to audiences. Nine out of ten adults regularly consume some form of local news; 79% of people rate local news stories as important; and 75% of people feel more attached to their city/town/village than those who feel more attached to their region (56%)[10].

The Shott review stresses the importance of providing *high quality* local TV. Audiences expect excellent quality television; and the content must be sufficiently compelling to sustain audience viewership. The Government agrees with this view and believes that high quality content will be essential for a sustainable service.

A key part of the content offer is likely to be news; perhaps both local and national news locally anchored providing a local perspective. The Shott review identified news as being a key driver for local TV, and this clearly fits into the Government's view that local TV is likely to provide news in order to meet audience expectations of their local services. However, it is important to note that the local TV content offering may be different in different locations. The very essence of localism should mean that a local TV service in one city is not simply a carbon copy of that on offer at another location.

The Government expects the local content to originate locally and be sufficiently local, but the licensing regime for the local services will be as light touch as possible to minimise costs and regulatory burdens to the new local TV services.

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[6] http://www.culture.gov.uk/news/ministers_speeches/7132.aspx

[7] http://www.culture.gov.uk/news/ministers_speeches/7447.aspx

[8] http://stakeholders.ofcom.org.uk/binaries/research/tv-research/lrmuk.pdf

[9] http://www.publications.parliament.uk/pa/cm200910/cmselect/cmcumeds/43/4302.htm

[10] Page 13, *Local TV Review*, Nicholas Shott, London 2010

2.4 Local TV economics

Ofcom recently produced for the Government two in-depth reports to assist in the thinking on Local Television; these were a technical delivery options report[11] and a review of how localness can be emphasised in the public service broadcasting framework[12]. According to this report only a very small number of linear stations are currently delivering local services via terrestrial transmission in the UK such as Channel M in Manchester, Northern Visions NvTv in Belfast; and MATV in Leicester. Commercial local TV ventures are rare and this is a problem the Government is seeking to address.

Ofcom explains that some of the reasons why local television has been more widespread in other countries include: (a) they have large urban markets spread across large geographical areas where advertising revenue is principally locally focused; (b) they have higher levels of cable television penetration which has allowed targeted local services; and (c) there have been local, regional and national government subsidies.

The Shott review on the commercial viability of local TV in the UK identified that funding for local TV could come from a number of sources. Both local and national advertising offer potential revenue options, with the latter offering significant opportunities for long-term sustainability. Further, the Shott review recognised the importance of the role to be played by PSBs in supporting local TV to emerge. This includes the BBC's licence fee settlement (agreed in October 2010) which will provide a significant investment opportunity to help with the capital and operational costs of local TV over its first few years.

A key part of the Government's vision is that local TV in the UK should be commercially viable and sustainable. The objective is for new content to be provided and funded through commercial revenues. The Government's role is to remove regulatory barriers and act as an enabler by creating the right framework for local TV to emerge.

The Shott review made it clear that a number of revenue streams will be required in order to ensure sustainability of local TV and to balance significant costs associated with broadcasting. The costs associated with local TV can be defined in three broad categories: the costs of the network channel; the direct costs associated with the local services; and the indirect costs of the local services.

Direct costs to local TV services are incurred in relation to the production of high quality content and transmission costs, although these are likely to vary depending on the final decision on capacity. Additional costs are associated with the acquisition of network content, although again the exact costs incurred will change depending on whether the network channel is an existing broadcaster

[11] http://stakeholders.ofcom.org.uk/binaries/broadcast/tv-ops/Local_TV_FINAL.pdf

[12] http://stakeholders.ofcom.org.uk/binaries/broadcast/tv-ops/psb-localness.pdf

(with associated back catalogue content) or a new entrant. The indirect costs associated with local TV also need to be met such as advertising sales, broadcast technical support, marketing and administration.

The Shott review suggested these total costs would be £25m per year for an illustrative 10 station local TV network. This figure applied to a very specific scenario and is supported by a range of information received from a number of stakeholders. These figures could change – and in some cases quite significantly – if the business model or capacity solution were to change.

In the licence fee settlement, reached in October 2010, the BBC committed to provide start-up capital costs of up to £25m in 2013/14 for up to 20 local TV services and up to £5m per annum of ongoing funding from 2014/15 for three years to acquire local TV content for BBC use. Shott identified that this revenue would be important to local TV, particularly during the first few years as local TV establishes itself.

The exact deployment of the BBC contribution is yet to be determined, and with a cap of £25 million on start-up support, not every option can be pursued. The start up funding from the BBC could be used to enable a video stream by either reengineering a national multiplex to create capacity or by providing the engineering to create new local GI multiplexes. The BBC could also provide value for local services through areas such as studios, equipment and training.

The BBC has been considering how it can best help facilitate local TV and discussions are ongoing. Government is also working with the BBC to determine how European regulatory restrictions would affect this funding and ensure that value for money is achieved.

In order to provide a commercially sustainable local TV service, the network channel will also need to develop a strong advertising proposition, at both a local and national level. In his report, Shott considered the importance of national advertising being underwritten (his suggestion was that this could be to the value of £15m). The network channel will need to consider how such advertising revenue could be underwritten or secured prior to the launch of local TV and other revenues that support the business model. The Government will not underwrite or subsidise local TV and so business models will need to be sufficiently robust to cover operational costs (i.e. costs of carriage and transmission).

It is clear that the final local TV framework will need to have a solid financial model in place with a robust business plan that can balance the generation of sufficient revenues to cover the operating costs. As part of the expressions of interest process, the Government will therefore want to understand potential models including how national advertising sales can be secured.

2.5 Locations for local TV

The eventual aim for local TV is that it is made available throughout the UK, providing local and relevant content to all who want to access it. However, given the commercial uncertainty involved in relation to acquiring capacity and developing a sustainable revenue proposition, it is clear that local TV cannot simply be launched across the UK immediately.

Nicholas Shott recommended that services are focused on at least 10 conurbations to start with and largely based his assumptions on a Geographic Interleaved spectrum (GI) technical model. This would help establish the concept of local TV and help to determine the exact audience demand and audience numbers needed to sustain a local TV service. Therefore, local TV will need to cover locations where the population is large enough to sustain advertising revenues. However, this does not necessarily preclude local TV in other localities. Arguments have been put forward that suggest a network of local services built around the main DTT transmitters (i.e. around 80 localities) could eventually be formed notwithstanding a multitude of services that could be carried via IPTV. And we are very keen to hear from other potential operators about which areas they believe such services would be possible given the technical considerations set out below.

The Government recognises the argument that localities outside of large conurbations have similar needs for local content. However, the provision of local content to small audiences has to be balanced with getting local TV services off the ground, underpinning commercial viability considerations and the long-term prospect for local services in smaller and rural communities potentially being carried via IPTV in due course.

The Shott review considered local TV issues in respect of the devolved nations. The Government agrees that each nation has different local media markets and differs in geographical terms. A local TV solution in the nations might be nation-wide; alternatively, there may be opportunities for greater localisation. For example, the Government understands that GI spectrum is relatively abundant in Scotland and there is scope that this can be used for Scottish broadcasting purposes should a bidder acquire it for these purposes.

To a large extent, the locations will be defined by what providers believe is possible through the chosen capacity delivery route, because different capacity solutions have inherently different geographical possibilities. The reports provided by both Shott and Ofcom contain useful analyses of the top main conurbations in the UK by audience reach, transmitter coverage and coverage problems.

The diagram in Annex A shows the top twenty transmitters in the UK by coverage and associated population size.

2.6 Technical distribution (capacity)

The Government has been considering the available capacity options that would provide the optimum benefits, balanced against costs and risks. These are discussed in further detail in Ofcom's technical paper. These essentially fall between an existing national multiplex option and a new spectrum option. In weighing up the criteria to help determine the technical solution, the Government has been considering the following:

(a) Timetable and ease of implementation: the Government wants to see the first local TV licences in place in 2012;

(b) commercial viability: the Government expects to see a network affiliate model emerge and the viability of this structure will be influenced by the ability of the network channel or a partner to sell national advertising;

(c) affordability and localisation: the capacity options each have constraints and require various degrees of engineering (for example, to increase the scope for local opts). The cost of doing this needs to be balanced with the other key criteria including opportunity cost to Government and others; and

(d) legislation and regulation: seeking to secure capacity has regulatory implications; BBC spend also has to comply with EU rules which again have to be balanced with the other key criteria.

PSB multiplexes

The multiplexes (mux) which could be modified to provide an additional video stream for a network channel are the existing regionalised PSB multiplexes: Mux 1 (operated by the BBC) and Mux 2 (operated by Digital 3&4). These multiplexes offer coverage across the UK of 98.5% of households. These multiplexes are already regionalised, but do not currently have spare capacity. However, subject to further technical assessment, the Government understands that capacity could be made available through reengineering and spectrum optimisation work but this would involve significant new investment. Placing a new local network channel within one of these multiplexes would offer the best opportunity to reach the highest audience levels and consequently higher advertising revenues. The Government could seek to reserve that new capacity for local TV purposes. Carriage costs would be applicable for the network channel to be carried on the multiplex. The Government will be discussing the engineering scope, costs and timescales with the multiplex operators and others going forward.

Geographic Interleaved spectrum

The alternative option, as identified by the Shott review, is the use of GI spectrum which will be fully available after digital switchover. A network channel can be built using GI spectrum. In addition, GI spectrum inherently allows for localisation of content, and has historically been seen as a potential solution to the local TV delivery question.

GI spectrum has the greatest ability for localisation; relatively low operation costs; and the ability to transmit multiple services or channels over a single multiplex with revenue opportunities. Subject to planning and engineering work, GI could achieve significant population coverage although the likely level of coverage can only be determined once target locations are known, and it will not be as great as that provided by a PSB multiplex.

GI also has capacity for additional video streams in a way that a PSB multiplex does not. These additional video streams could be used to monetise content (such as teleshopping services or renting the capacity to a third party) which could provide a valuable revenue source for local TV services.

The Government's current policy towards spectrum allocation is a market-based one. This means that spectrum as a state resource should be openly auctioned with minimal conditions of use attached. Therefore, the Government does not intend to reserve GI spectrum for local TV. However, Ofcom's existing approach means that GI will be packaged and made available in a way that would be suitable for local TV purposes. The Government considers that GI could provide an alternative model for a network channel carrying local services or in addition to local TV provided by a national multiplex solution. Potential local TV providers are encouraged to consider GI within business models as part of the expressions of interest process.

The Government recognises that distribution by DTT is the optimum solution for reaching the majority of homes. 73% of homes have Freeview on primary or secondary sets[13]. Ideally, those homes served by satellite and cable television services should also have the opportunity to access local television. However, carriage on these platforms could be prohibitively expensive. Further consideration is necessary of the importance of satellite and cable penetration and how households watch television through second and third TV sets. The Government is considering whether invoking 'must carry' obligations on platform providers is appropriate. Consideration of the possible role of satellite and cable in the future of local TV is welcome and the Government wants to understand from expressions of interest for the network channel how the costs of reaching homes served by cable and satellite would be met.

In summary, the Government considers that a network channel provided through a national PSB multiplex would offer the best opportunity to gain revenue through national advertising, with significant audience reach across the country but is limited in the number of local services that can be carried; while a network channel using geographic interleaved spectrum would cover fewer households (with a potential reach of over 50% of the population), it does potentially offer greater localisation and overall lower engineering and operational costs.

[13] http://stakeholders.ofcom.org.uk/market-data-research/tv-research/dtv/dtu-q2-2010/

2.7 A network channel

The success of local TV will be dependent on the local services being able to capture the attention of their local audience. The Shott review noted that there is a significant desire from individuals to be involved in their local communities and to be involved in local TV. The Government believes that this interest should be harnessed to generate compelling local content. This could be enhanced further through the involvement of existing local media operators such as local papers and local radio, who have the understanding and capability to report on local issues and who have a direct interest in the health of local media.

The Government considers there are several options available around the ownership model of the network channel and local services and the Shott review discussed possible models which potential providers may choose to consider. However, it is not for the Government to determine ownership or what local content should be provided. Importantly the network channel needs to be strong and sustainable enough to carry local TV and continue to accommodate local services as these grow in number. In order to foster the most appropriate ownership model and remove unnecessary barriers, the Government has already proposed removal of the local cross-media ownership rules and will lay an order shortly. This will allow existing local media providers to consider how they might engage with the local TV proposition.

The best opportunity for local TV is through a new network channel that provides an affiliate structure for local TV services.

A new network channel carrying local services is vital to ensuring commercial viability as it reduces unnecessary duplication of effort and allows for sharing of costs where possible. The network channel will need to have the capacity to provide a network service. This means supplying network content of sufficient quality to attract audiences and advertising. This network will be required to fit around the local services. These local services could be provided by the network channel or by third party local TV service providers.

One way this could be provided is through sharing services, organising resources and sourcing network content which could be shown across the country when the local TV service is not being shown. Another is combining local content with network content in individual locations tailored for those localities. The right capacity option becomes an important consideration here. The Government wants to understand what market players think they need to make local TV most effective in line with the objectives and considerations set out in this plan.

The Government wants to see a market-based solution emerge and is prepared to exercise its available powers and facilitate the right conditions to incentivise the market. The Government is also considering whether new primary legislation is needed to secure incentives such as a prominent EPG position for local services. However, a quicker route is through the existing legislative framework under section 310 of the Communications Act 2003.

Of course, it is not for Government to design a local TV solution in isolation; this is a task which requires the input of key market players with an understanding of what will be successful at a local level. This is why we propose to begin the process inviting expressions of interest about the nature of the services that may be provided. This will give potential providers an opportunity to say what they believe is practicable.

Action Plan

This section sets out the specific measures the Government is seeking to take.

3.1 Expressions of interest for the network channel

We want to hear what it will take to deliver a robust local TV network for the UK. In return for multiplex capacity to facilitate the broadcasting of the network channel and prominent EPG position, DCMS is inviting expressions of interest from parties who believe they can provide a network channel that will carry local services.

This is very much an informal stage in the process; there will be no formal consideration to determine a preferred bidder or rule any bidder out as this is not a formal tender. The Government will not be making any judgements on the merits of any of the proposals submitted other than to help inform the decision about technical solutions and the design of any future award process.

This is the first step in an ongoing dialogue with interested parties to ensure that the design and process of the eventual model is sufficiently robust. It is open to all potential providers who can provide a network channel which would carry local TV services within its schedule, providing other scheduled content; sharing services and costs; and managing a national advertising offer. The Government is keen to hear from existing national and local media providers as well as new entrants. Expressions of interest should clearly distinguish DTT or IPTV elements.

Expressions of interest should take the form of indicative proposals. The expressions of interest should include:

- a vision statement, in no more than one page that sets out a high level outline of what they would offer for the new network channel;
- an indicative business plan, outlining the local TV model and how it relates to the proposals set out in this Plan and in particular, the timescales involved and deliverability; technical understanding and platform requirements including how local services could be carried on DTT and on IPTV; reasonable explanation of the financial assumptions including indicative revenues and costs (and how any start-up funding made available from the BBC might be used to help with the engineering requirements for a local TV network); and how the services will be commercially viable;

- an illustrative schedule listing the type of content that would be provided by the network channel and the split between peak and off-peak hours. This should include an explanation of why this particular scheduling was chosen;
- what, if any, additional measures are needed that can be facilitated by the Government;
- an explanation of how the local services will be accommodated within the schedule and the relationship between the network channel and the local services;
- a consideration of any split between areas of the country and how (or whether) these will be built into the model and expected audience share including consideration of how the devolved nations may be served; and
- an indication of the expected locations to be covered by the local services under the network channel (although it is understood that this could change depending on the eventual capacity solution), with an expectation that this would consist of at least 10 locations.

Expressions of interest should total no more than 10 pages and should be submitted by email by 01 March 2011 to: local.tv@culture.gsi.gov.uk

Our aim is to identify prospective bidders to provide a network channel and to inform the next stage in the process. We do not expect organisations or groups of organisations who have an interest in this to incur great cost or resource expenditure. It should also be noted that the Government cannot offer any guarantees at this stage but remains committed to finding a local TV solution.

3.2 Multiplex capacity

The Government is working on identifying the best option that can reach the right number of conurbations, is technically feasible in engineering terms, is consistent with the Government's overall timetable and can provide maximum commercial opportunities for a sustainable network. The Government is continuing to discuss the options with the multiplex operators.

Geographic interleaved spectrum may become available through an auction offering bidders the opportunity to acquire and utilise this from 2013 subject to decisions on Ofcom's approach and timing. GI remains inherently suitable for local TV purposes and packaged together could offer an alternative approach to using an existing national multiplex. Expressions of interest for the network channel should consider the most appropriate technical capacity solution for their business models.

While there is no proposal to subsidise or underwrite any business models, the Government recognises that attaining multiplex capacity can be prohibitively expensive and has agreed support from the BBC for this element of the venture. The Government's current policy is not to reserve GI spectrum which will be released through auction in due course. While the Government is considering how the capital investment funding secured through the BBC settlement can be used to support the creation of a new video stream on a national multiplex, we are also considering whether this funding might alternatively be suited to building local multiplexes using GI if this presents itself through the expressions of interest as a viable option.

3.3 EPG prominence

Subject to further consultation, the Government will bring forward secondary legislation following award of the network channel to designate electronic programme guide (EPG) prominence for the local services on the network channel. The channel will satisfy public service obligations and any other conditions around creating a viable network model delivering high quality local content. The Government believes new secondary legislation will offer a clear incentive, certainty and clarity to the local TV network channel and EPG providers.

However, if the secondary legislation does not secure the appropriate prominence for local services then the Government is minded to introduce new primary legislation to secure page one/screen one EPG prominence. This will ensure the regulatory regime underpinning EPGs adequately reflects the importance of public service broadcasting in circumstances where broadcast television services and internet TV services start to combine.

3.4 New local licensing framework

To create new local public service broadcasting services, should it be required, the Government will implement a new licensing regime designed to provide a clear framework for local TV. The Government is minded to bring forward an order under section 244 of the Communications Act 2003 which would go some way towards recognising the public service role local services can provide. It may also set out the relationship between the network channel and local services.

3.5 BBC funding

Following the BBC licence fee settlement, the Government has agreed that the BBC will provide start-up costs of up to £25m in 2013/14 for up to 20 local TV services and up to £5m per annum of ongoing funding from 2014/15 for three years to acquire content for BBC use. The exact deployment of the BBC contribution is yet to be determined and with a cap of £25 million on start-up support, not every option can be pursued. The BBC funding is likely to be used to cover capacity costs and engineering work to modify a national multiplex or build GI multiplexes. The BBC could transfer value through other means such as sharing facilities or providing training.

The Government plans to set out how this funding will be used in conjunction with the award process for the network channel and after agreement with the BBC. This is subject to European rules on state aid and the Government is investigating this closely and the implications for the Government's timescales.

3.6 Timetable and next steps

The Government is keen to establish local TV as soon as possible, in order to derive the most benefit for citizens and local media involved in this venture. The plan is ambitious but the Government is determined to meet this. An indicative timeline is given below, building on that already set out in the DCMS Structural Reform Plan[14].

What	When	How
Informal expressions of interest for a new network channel	19 January – 01 March 2011	Responses to be submitted to DCMS by 01 March, taking into account the objectives set out in this plan.
Formal competition for network channel	June 2011 – Summer 2012	This is likely to involve a formal award process instigated by DCMS.
Development of new licensing framework	Throughout 2011	As required, the Government will design a new framework following consultation on this action plan and in conjunction with Ofcom and others.
EPG prominence	Throughout 2011	The Government expects to bring forward an order under section 310 of the Communications Act 2003 to designate either the new network channel or class of local licences. This will depend on the final model. If primary legislation is required, the timetable will be extended.
Local licences awarded	Summer 2012	Depending on the outcome of the network channel award and the implementation of a new licensing regime, the Government hopes that the first licences will be awarded during 2012.

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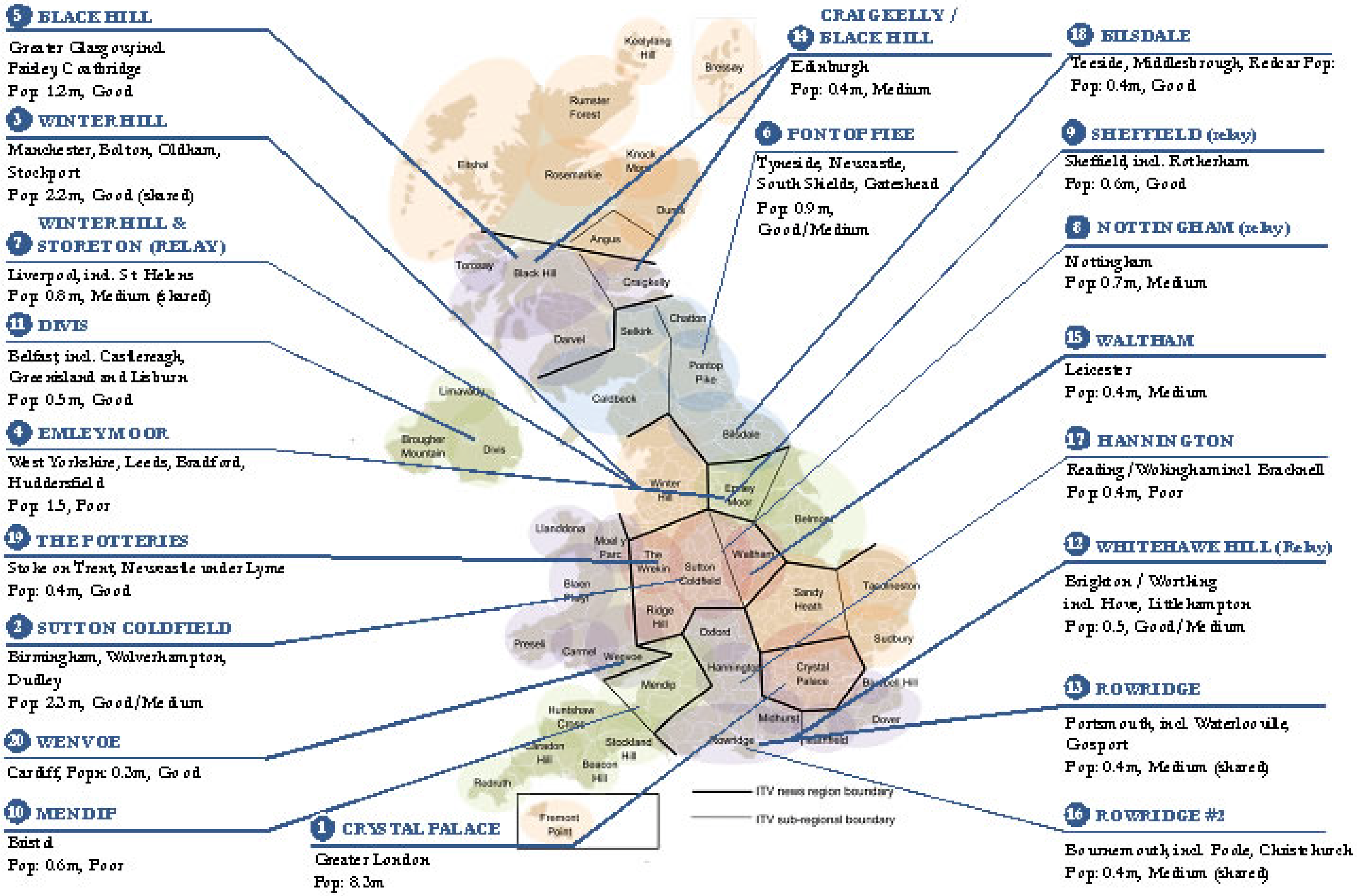
[14] http://www.culture.gov.uk/images/publications/DCMS-Business-Plan_2010-15.pdf (page 12)

By June 2011, DCMS expects to commence the formal stage for award of the network channel. The timescales for this process will depend on which multiplex capacity route is pursued. DCMS will continue to work closely with both Ofcom and the BBC in firming up final proposals given their respective interests in the local TV venture. DCMS will treat expressions of interest in confidence, subject to freedom of information requirements.

DCMS expects these licensing processes to be completed by summer 2012.

ANNEX A

Top 20 transmitters in the UK by coverage and main conurbations including an assessment of the potential geographic interleaved spectrum coverage. This is for information only and does not seek to dictate which localities might receive local TV.



Source: Ofcom/Shott review

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