

Oliver Dowden's Consultation on Privatising Channel 4

Patrick Barwise¹

On 6 July 2021, culture secretary Oliver Dowden published a consultation document laying out the Government's case for privatising Channel 4 (C4).² This note comments on its analysis and gives my personal responses to the consultation questions.

A red herring and a significant omission

The starting-point of the Government's case is how much has changed in the forty years since C4 was launched in 1982. As Oliver Dowden puts it in his ministerial foreword, '[T]his is 2021, not 1982 – and the broadcasting landscape has changed beyond recognition'. While this is obviously true, its relevance is unclear. (By the same logic, one could presumably argue – *a fortiori* – that we should privatise the monarchy, Parliament and the army, since the world has changed even more since their foundation).

Much more to the point is whether the changes in the broadcasting market since privatising C4 was last examined and rejected (by a Conservative government) in 2015-16 - just *five* years ago - mean that the balance of the evidence has now shifted in favour of privatisation. But the consultation document *doesn't even mention* the 2015 privatisation proposal and the reasons why it was rejected - nor any of the other times privatisation has been proposed and rejected over the last 25 years. The clear, highly misleading, impression given is that this is the first time it has been looked at since C4's launch in 1982.

I was directly involved in the 2015-16 debate as co-author of a report for C4 on the likely consequences if it were privatised.³ In summary, we argued that the proceeds would be small and the claimed benefits largely illusory and that, to attract serious bidders, the Government would need to weaken C4's remit, reducing its public service value. In particular, it would probably need to end C4's status as a 'publisher-broadcaster', precluded from owning the rights to the programmes it commissions, which has made it the driving force behind the huge growth and export success of UK independent producers. C4 used our report as part of its successful defence against privatisation in 2016. As far as I know, no one has ever publicly tried to refute our analysis.

¹ Patrick Barwise is emeritus professor of management and marketing at London Business School and co-author, with Peter York, of *The War Against the BBC* (Penguin, November 2020) <https://www.patrickbarwise.com/the-war-against-the-bbc>.

² *Consultation on a sale of Channel 4 Television Corporation*, DCMS, 6 July 2021 <https://www.gov.uk/government/consultations/consultation-on-a-change-of-ownership-of-channel-4-television-corporation/consultation-on-a-potential-change-of-ownership-of-channel-4-television-corporation>.

³ Patrick Barwise and Gillian Brooks, *The Consequences of Privatising Channel 4*, Channel 4, May 2016 https://www.channel4.com/media/documents/press/news/Desktop/Barwise_final%204May'16.pdf.

Leaving aside the consultation document's red herring about how much has changed since 1982 and its failure even to mention the 2015-16 debate, what are the strengths and weaknesses of its case for privatising C4 now?

The Government's case

The consultation document rightly acknowledges C4's success in meeting its remit (supporting UK independent production, commissioning diverse, risk-taking content, and contributing to the broader goals of public service broadcasting) while continuing to perform well financially - including in 2020, despite Covid-19.

However, as the Government rightly argues, this success may be threatened over the long term by ever-growing competition for advertising from free-to-air online services (mainly Facebook and Google) and by consumption trends, especially among younger viewers, mainly driven by competition from deep-pocketed US online TV players such as Netflix, Amazon, Disney and YouTube, who are also driving up programme costs.

The Government's claim is that privatisation would make C4 better able to adapt to these trends and that it would be better to privatise it now, rather than waiting until it is materially weakened by them.

The consultation document acknowledges that C4 already has a clear digital strategy, and it reports figures showing that, by 2020, over a quarter of C4's revenue already came from digital advertising (17 per cent) and non-advertising sources (9 per cent), significantly reducing its reliance on traditional TV advertising.

The document is frank about the Government's intentions, with no pretence that it is conducting this consultation with a completely open mind or looking at a range of options to ensure C4's long-term success: the *only* option it discusses is privatisation (euphemistically called 'facilitating a change of ownership') and it explicitly says that this is 'the government's preferred option'.

It also says, again rightly, that C4's status as a publisher-broadcaster has precluded it from diversifying through programme production, like ITV. In fact it pretty much admits that (as we said in 2016), for a successful privatisation, the Government will need to weaken C4's remit by allowing it, for the first time, to own programme rights. Almost everyone – including Pact, their trade association – agrees that this would be a body blow to the UK's independent producers, especially smaller ones in the regions and nations.

So, in broad terms, the consultation document acknowledges C4's continuing success, correctly explains why that success may be increasingly hard to sustain and admits that the

Government's preference is to privatise it, almost certainly with a reduced remit, probably including allowing it to own rights in the programmes it commissions.

None of the claimed benefits actually requires privatisation

The central weakness in the Government's case is that *none of the claimed benefits actually requires privatisation*: they could all be achieved while keeping it under public ownership.

The document's central argument is that privatising C4 'could afford it with an improved ability to respond to the rapidly-evolving landscape'. It lists five specific examples of how this 'could' happen:

- 'Improved and sustained access to capital'
- 'The ability to take advantage of strategic partnerships and acquisition opportunities'
- 'The ability to expand into international markets'
- 'The ability to invest heavily in an agile manner to "future-proof" its business model'
- 'The ability to diversify its revenue sources'

The main claimed benefit (which also underpins the others to the extent that, to varying degrees, they might require investment) appears to be the first – access to capital. However, the logic is, again, unclear. C4 has a strong balance sheet and has not been asking for an increase in its current £200m borrowing limit. And if it did, its current owner, the UK government, already has capital market access at least as good as – and probably cheaper than – that of any potential new owner, even Disney.

The claims about other supposed benefits of privatisation (improving C4's ability to make strategic partnerships/acquisitions, expand internationally, invest 'in an agile manner' and diversify its revenue sources) also wrongly assume that these are all impossible under public ownership.

This, presumably ideological, assumption (eg that public bodies are unable to invest 'in an agile manner') is belied by the fact – acknowledged in the consultation document – that C4 has so far done an excellent job 'future-proofing' its business through its successful digital and data strategy and by diversifying its revenue sources. Arguably, it has done more in these areas than the two privately-owned commercial PSBs, ITV⁴ and C5.

If the Government thinks C4 should do even more on these fronts, it should talk to its board and, if appropriate, increase its borrowing limit.

⁴ Apart from ITV's diversification into production, an option not available to C4.

Similarly, if it thinks that, to ensure C4's long-term sustainability, it will need to weaken its remit (eg allowing C4 own the foreign rights to the programmes it commissions and 'expand into international markets') it can easily do so while still keeping C4 under public ownership. For the reasons already explained – the damage to independent production companies – most commentators, including Pact and myself, think this would be a bad idea, but that has nothing to do with privatisation.

In fact, from my reading of the consultation document, *none* of the claimed benefits requires privatisation. This colours my answers to the six consultation questions.

The six consultation questions

The six consultation questions are mostly framed to encourage responses in favour of privatisation, but for those of us who disagree, it's not that hard to disregard the framing and work out how to respond. There are only two questions that really matter:

- Q2 asks if C4 'with a continued [PSB] remit' would be 'better placed to deliver sustainably against the government's aims for public service broadcasting if it was outside public ownership'
- Q5 asks if the Government should remove the publisher-broadcaster restriction 'to increase Channel 4's ability to diversify its revenue streams'.

Despite the skewed framing, my answer to both questions is a clear no.

Q1 asks if there are 'challenges' in the TV market that present 'barriers' to a sustainable C4 in public ownership. Despite the ambiguity of the word 'barriers', this tacitly suggests that C4 is unsustainable under public ownership *and would be more sustainable if privatised*. So my answer to this question is also no.

Q4 similarly asks if the government should 'revise' C4's remit and obligations 'to ensure it remains relevant in an evolving broadcast market'. *At some point*, that may be necessary – nothing to do with privatisation – but, for now, I'll say no to that one too.

Q3 asks if C4 should 'continue its contribution to levelling up the regions and nations of the UK through retaining a presence outside London and a strengthened regional production remit'. My - and I suspect most people's - answer to that softball question is yes.⁵

⁵ 'Levelling up' the UK would hardly be a priority for a US media or technology company, so this would most likely be one of the battle grounds between the new owner of a privatised C4 and the UK Government and Ofcom.

Finally, Q6 asks what the ‘economic, social and cultural costs and benefits’ of privatising C4 would be for a list of eight issues and stakeholders, from the ‘overall audience experience’ to the TV advertising market and the regions and nations of the UK. In my view, most of the impacts would be negative, while just a couple would be neutral or unclear.⁶

A final point on the questions. Despite itself providing absolutely no evidence that privatising C4 would make it more sustainable, the consultation asks respondents for ‘supporting evidence’ with their response to each question. Of course, it will be helpful if those with the time and resources to pull together evidence to support their responses do so, but this repeated request will surely discourage many people from responding. It certainly *looks* like an attempt to discourage ordinary people from responding to the consultation.

Should you respond?

Yes, please do! The consultation document is rather repetitious and not exactly a fun read. But it’s only 27 pages long and, if you care about the future of UK public service broadcasting, read it for yourself, form your own judgement (you may find the Government’s case more convincing than I do) and respond to the consultation questions - especially the key Questions 2 and 5.

If you have evidence to support your view, do include it. But don’t let the Government’s repeated request about this persuade you that you shouldn’t respond if you don’t have such evidence: C4 currently belongs to all of us and we’re all entitled to express our views on the Government’s plan to sell it off. No one asks you for ‘supporting evidence’ when you vote in an election – you just put a cross in a box based on your best judgement. In this case, by answering some or all of the questions, you’ll be doing a lot more than that.

The more people who respond, the harder it will be for the Government to ignore what we say.

The deadline for responses is **14 September 2021**.

⁶ The TV advertising market and competition with other channels.