

Privatising Channel Four: A Bad Idea Whose Time May Have Come

Patrick Barwise¹

UK Culture Secretary Oliver Dowden has launched a consultation on privatising Channel Four (C4).²

We've been here before, most recently only five years ago. In 2015, the Cameron Government inadvertently revealed that it was 'considering' privatising C4, but dropped the idea in 2016 when it became clear that the likely proceeds were small and the claimed benefits largely illusory, and that privatisation would almost certainly damage UK independent producers and C4's public service remit.³

All these factors still apply, if anything even more today. In particular, the likely proceeds are probably even lower now because technology and market trends have reduced the value of commercial broadcasters and because telecoms companies like BT – who were among the potential buyers in 2015 - are now, rightly, moving out of TV. Nor is this a great time for the Government to be kicking independent producers, already hit by Covid and, potentially, Brexit.

A brilliant Conservative creation

C4 is a Conservative creation, launched by Margaret Thatcher and Home Secretary Willie Whitelaw in 1982 to offer competition to the BBC and ITV with a unique operating model as a publicly-owned but advertising-funded 'publisher-broadcaster'. C4 is precluded from producing or owning programmes. Instead, it commissions most of them from independent producers, supplemented by selected acquisitions such as the foreign language drama series shown, with English subtitles, under the *Walter Presents* label. Its remit prioritises innovative programmes for younger and more diverse audiences, using the financial surplus from popular hits such as *The Great British Bake Off* and *Gogglebox* to subsidise *Channel 4 News* and other loss-making public service programmes.

This Conservative-developed model has worked brilliantly for almost 40 years. At no cost to the taxpayer, C4 broadcasts a wide range of universally available, free-to-air programmes; it provides competition to the other public service broadcasters and a home for new ideas and

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 Four*, Channel Four, May 2016, https://www.channel4.com/media/documents/press/news/Desktop/Barwise_final%204May'16.pdf

alternative voices; it has driven the spectacular growth of UK independent production and exports; and it gives advertisers additional ways to reach audiences, especially younger and minority viewers. It does all this with only 900 employees, 300 of whom will move to its new head office in Leeds, while others move to new creative hubs in Bristol and Glasgow.

So why - apart perhaps from ideological objections to C4's public ownership – would a Conservative government want to put all this irreversibly at risk?

Why is C4 privatisation now being proposed again?

One claimed reason for reviving the privatisation proposal, including in the consultation document, is that the C4 model is no longer sustainable because of ever-growing competition: for *viewers*, especially younger viewers, from video-on-demand services and social media (Netflix, Amazon, Disney, YouTube, Facebook, etc); and for *advertising*, especially from Facebook and Google.

These are important long-term trends. But, despite them – and now Covid too – C4 has defied the doomsayers year after year, delivering its remit, winning awards, investing in online delivery faster than most broadcasters and still covering its costs, even before the expected post-Covid recovery in TV advertising. It has just reported excellent results for 2020, including an 11 per cent increase in digital advertising revenue.⁴

And, in any case, a commercial owner (most likely a large US media company) would be *less* committed to the remit as it would need to maximise the return on its investment.

Some commentators have suggested that now is a good time to revisit privatisation because broadcasters are consolidating, mainly to combine their programme libraries. But that's irrelevant: because C4's remit doesn't allow it to own content rights, it doesn't have a programme library. And if, as strongly implied in the consultation document, ministers plan to attract potential buyers by dropping this part of its remit, that will seriously damage independent producers - especially in the nations and regions (not a good look when one of the Government's priorities is 'levelling up').

As in 2015, the consultation document's main argument is that privatisation would strengthen C4 by giving it access to capital markets. Again, the logic is unclear: C4 has a strong balance sheet and has not been pushing for more financial leeway to invest in new opportunities; 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 acquirer, even Disney.

⁴ <https://www.channel4.com/press/news/channel-4-annual-report-2020-record-financial-surplus-and-significant-digital-growth>

Similarly, the suggestion that privatisation might enable ITV and C4 to cut costs by combining their advertising sales operations wrongly assumes that this could not happen with C4 still in public ownership. Combining the ITV and C4 sales operations may or may not be a good idea,⁵ but has nothing to do with privatising C4.

If privatising C4 is a bad idea, why might its time have come?

But if privatising C4 was a bad idea in 2015 and is, if anything, an even worse idea now, why do I think '[its] time may have come'? Four possible reasons.

First, Covid has badly hit the public finances. The Treasury has never been sympathetic to public service broadcasting: as Voice of the Listener & Viewer has shown,⁶ the 2010 and 2015 funding deals imposed on the BBC by Chancellor George Osborne had, by 2019, already cut its real public funding by 30 per cent - far more than most people realise - in a market with rising real content costs, bid up by the likes of Netflix and Amazon. Treasury officials won't worry much about C4's remit if selling it off might raise a billion or so. In reality, the proceeds would quite likely be even less than that, but 'every little helps' and there's no shortage of bankers talking up the potential value in the hope of earning some fees.

Secondly, some observers, including MPs on the culture select committee, have suggested that the revived privatisation proposal may be payback for C4's perceived hostility to the Prime Minister.⁷ In August 2019, Dorothy Byrne, C4's then head of news, described the PM in a high-profile speech as a 'known liar'.⁸ Three months later, it replaced both him and the Brexit Party leader Nigel Farage with melting ice sculptures when they refused to appear in a climate change debate with the other party leaders.⁹ More generally, C4 privatisation is seen by some as part of the PM's undermining of any institution that can call him to account and limit his power, from Parliament to the judiciary, the Cabinet, the civil service, the BBC, the Electoral Commission, unhelpful Westminster lobby correspondents, the Intelligence and Security Committee and the independent advisor on ministerial standards.

⁵ The net benefit of combining the ITV and C4 sales operations is debatable. There would be cost savings and other potential efficiencies, making the combined operation better placed to compete against Google and Facebook. But it would have a dominant market share of around 70 per cent of UK TV advertising, raising difficult issues of market definition and market power. There is also no guarantee that ITV would be the highest bidder for C4 in an auction with a level playing field.

⁶ <https://www.vlv.org.uk/news/vlv-research-shows-a-30-decline-in-bbc-public-funding-since-2010/>

⁷ Ben Woods, 'Channel 4 goes to war over privatisation plan', *Daily Telegraph*, 23 June 2021, <https://www.telegraph.co.uk/business/2021/06/27/channel-4s-battle-remain-independent/>

⁸ That the PM is indeed a 'known liar' is not, as far as I know, disputed (he has twice been fired for lying and there are many other documented examples of his lies: Peter Osborne, *The Assault on Truth: Boris Johnson, Donald Trump and the Emergence of a New Moral Barbarism*, Simon & Schuster, 2021). But pointing this out did not make C4 popular at Number Ten.

⁹ Jim Waterson, 'Tories threaten Channel 4 after ice sculpture takes PM's place in debate', *Guardian*, 28 November 2019, <https://www.theguardian.com/politics/2019/nov/28/ice-sculpture-to-replace-boris-johnson-in-channel-4-climate-debate>

And maybe Ofcom: he is allegedly still trying to appoint as its next chairman Paul Dacre, former editor of the *Daily Mail* - a ferocious critic of the BBC, C4 and, indeed, Ofcom itself – despite the independent assessment panel having unanimously rejected Dacre’s appointment.¹⁰

Thirdly, it has been suggested that the privatisation project is part of the PM’s wider culture war, driven by his senior advisors, power couple Munira Mirza and Dougie Smith.¹¹ According to well-placed sources, Dowden and education minister Gavin Williamson are ‘not blowing a dog whistle, it’s a Dougie whistle. We’re all culture warriors now’ and ‘Dougie has Dowden on a string.’¹²

Finally, privatising C4 has long been a pet project of the media minister John Whittingdale. In 2015, when - as culture secretary - he last proposed it, his media special advisor was Carrie Symonds, now married to the Prime Minister. Whittingdale and the new Mrs Johnson are said to be still in touch, so perhaps the idea now has another inside track at Number Ten, in addition to Mirza and Smith.

Can it be stopped?

If, for whatever reasons, the Government has decided to privatise C4 regardless of the facts, the only ways in which it can be stopped are a Conservative backbench rebellion big enough to deny it a majority¹³ or clear evidence of a significant political price.

The immediate task for citizens opposed to the proposal is therefore to make their views known on as large a scale as possible through their responses to the consultation and also the 38 Degrees ‘Stop the privatisation of Channel 4’ petition.¹⁴

¹⁰ Alex Barker, George Parker and Nic Fildes, ‘Boris Johnson orders rerun of search for Ofcom chair after Paul Dacre rejected’, *Financial Times*, 27 May 2021, <https://www.ft.com/content/71bdca31-285a-48ac-b2a8-89946372b22c>

¹¹ Ben Woods, ‘Channel 4’s battle to remain independent’, *Sunday Telegraph*, 27 June 2021, <https://www.telegraph.co.uk/business/2021/06/27/channel-4s-battle-remain-independent/>

¹² Tim Shipman, ‘How the Tories weaponised woke’, *Sunday Times*, 13 June 2021, <https://www.thetimes.co.uk/article/how-the-tories-weaponised-woke-ilmwh0p36>

¹³ There is almost certainly a House of Lords majority opposed to C4 privatisation, but its power is limited to maximising the time, energy and political capital needed to force through the required legislation.

¹⁴ <https://you.38degrees.org.uk/petitions/stop-the-privatisation-of-channel-4>