

Consultation on the privatisation of Channel 4 - briefing doc

Background

What is this document?

This is a briefing document to help individuals and organisations who are opposed to the privatisation of Channel 4 to respond to the [government's current consultation](#), providing model answers to the consultation questions (from page 3). It has been produced by the [Media Reform Coalition](#), with input from a range of other organisations including We Own It, Voice of the Listener and Viewer, and the British Broadcasting Challenge. **The consultation closes at 23.45 on Sept 14th 2021.**

Why is Channel 4 important?

Channel 4 was launched in 1982 to serve diverse and minority audiences who were not being served by the BBC and ITV, and to support creativity and innovation within the independent television and film sector. It has a unique structure – funded by advertising, but not-for-profit and publicly owned. It also commissions entirely from independent producers rather than making programmes in-house (the 'publisher-broadcaster' model).

Since the 1990s, Channel 4 has become more commercial and less willing to take risks with innovative content, and it has become less supportive of a diverse independent production industry as the sector has become more concentrated in a few large production houses (or 'super indies'). However, the channel continues to play an essential economic and cultural role within UK public service broadcasting, including through its news and current affairs – which are widely considered more independent of government than equivalents from the BBC.

Why does the government want to privatise it?

Channel 4 has been under threat from privatisation almost since it was launched – Margaret Thatcher wanted to privatise it in the mid-80s, and John Whittingdale MP (leading the current moves) has been putting forward similar plans for 25 years. Yet it has never been clear that there has been a significant problem at the channel that

needs addressing – and while there are long-term challenges such as competition from streaming services, there is no evidence that privatisation would be a solution.

It therefore seems likely that privatisation is being put on the table at this time either because of the government's general hostility to public media, and/or as a means of putting pressure on an institution which is trying to hold the government to account.

Is this just about defending Channel 4 as it is?

Channel 4 isn't perfect, but it plays a vital role in the media landscape in the UK, and the government has offered no evidence that selling it off would benefit audiences or make it more sustainable in the long term. The consultation is focused on the question of privatisation, and the model answers provided here largely defend the organisation as it currently is.

However, the Media Reform Coalition believes that a transformed Channel 4 could return to the pioneering ethos of its early years. In our own response to the consultation, we will be emphasising the possibilities for transforming the Channel – creating a new funding model, mutualising it so that it can never be sold off, and using digital technologies to create more democratic and participatory relationships with its audiences. If you would like to know more about these ideas, take a look at our [BBC and Beyond](#) campaign.

How to use this document

This document provides model answers to the questions in the consultation. For questions 1-5 we've provided short answers outlining the main arguments, and then a series of bullet points with supporting evidence. You can use as much or as little from this briefing as you want, but we know the government often discounts identical answers so making minor changes is worthwhile.

Many of the questions are vague and designed to build the case for privatisation. The model answers and evidence provided below have tried to make the strongest case against privatisation within this limited framing.

Consultation questions and model answers

1. Do you agree that there are challenges in the current TV broadcasting market that present barriers to a sustainable Channel 4 in public ownership? Please provide supporting evidence.

Headline answer:

No

Although there are challenges in the current TV broadcasting market, there is nothing about being *publicly owned* that makes Channel 4 unsustainable. In fact, its unique structure, remit and ownership model make it well-suited to facing these challenges and meeting the changing needs of UK audiences.

Supporting evidence:

- The current TV broadcasting market does face a number of challenges, including declining advertising revenue, steady reductions in audience share due to competition from streaming services and gaming, and high inflation as large multinationals drive up production costs.¹ However, these challenges would all still exist if the channel was privatised, so we do not agree that public ownership itself is the barrier to sustainability.
- The government's concerns about the channel's financial sustainability are solely based on the fact that 90% of C4's income currently comes from advertising. This does not take into account the Future4 strategy – which C4 is currently successfully implementing – which will make it far less reliant on linear TV advertising in the future.
- The pandemic demonstrated the important value and benefits that audiences look for in public service media (PSM), with particular increases in audiences seeking out television news.² Netflix and the Disney Channel may have *entertained* UK audiences through the pandemic, but neither was able to *inform* or *educate* the different publics within the UK – an especially important remit at a time of local lockdowns and widespread disruption of schooling. Far from making PSM obsolete, the growth of streaming services makes it clear how important it is to support distinctive, locally produced programming aimed at the UK's diverse audiences.

¹ Ofcom 2021 [Recommendations to Government on the future of public service media](#)

² Ofcom 2021 [Recommendations to Government on the future of public service media](#)

2. Would Channel 4, with a continued public service broadcasting licence and remit, be better placed to deliver sustainably against the government's aims for public service broadcasting if it was outside public ownership? Please provide supporting evidence.

Headline answer:

No

Channel 4 currently delivers on its public service obligations while being financially healthy, and is implementing its Future4 strategy to secure its future. Privatisation would reduce the amount available to spend on content as it would have to generate profits for shareholders, and it is likely a privatised Channel 4 would have a reduced public service remit. It is hard to see how this would be more sustainable than the current model, or how audiences would benefit.

Supporting evidence:

- Privatising C4 would fundamentally change it from a public service corporation to a commercial corporation. This would mean that it had to produce profits to return to shareholders, rather than being able to reinvest all surpluses in making programmes as it currently does. This would inevitably lead to a reduction in less commercially viable content, such as news and current affairs, which is currently cross funded by popular entertainment shows.
- Privatisation of many other services and institutions has led to worse service, higher prices and unaccountable behaviour.³ The government has not presented any evidence for how audiences would benefit from the privatisation of the Channel, and how the likely disadvantages would be addressed. Despite these obvious risks for the public, the government has stated it will not conduct an impact assessment before making a decision about privatisation.
- In recent years, publicly-owned Channel 4 has exceeded and extended its public service quota obligations, while privately-owned ITV and Channel 5 have both sought to reduce their quotas. It therefore seems likely that a commercial buyer would only be interested in the Channel if the existing remit was diluted, leaving audiences worse off.

³ We Own It <https://weownit.org.uk/privatisation-fails>

- Channel 4's current finances are healthy, ending the year 2020 with a record financial surplus of £74 million. Although this was achieved by reducing their content budget by £150 million, this was in the context of a global pandemic affecting the entire television sector. While revenues from television advertising are steadily declining across the board,⁴ privatisation would not help with this and would add the additional financial burden of creating profits for shareholders. CEO Alex Mahon has noted that advertising revenue is up on 2019 levels; in the longer term, a sustainable financial future will require Channel 4 to be less reliant on television advertising, and the channel is already securing alternative revenue streams through its Future4 strategy (see question 5).

3. Social public service value. Should Channel 4 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? Please provide supporting evidence.

Headline answer:

Yes

As the government's levelling up agenda recognises, the concentration of the UK economy in London and the south east is detrimental to the country as a whole. The TV and film industry is similarly concentrated, and Channel 4 plays an important role in redistributing wealth around the country through its commissioning. This should be further supported by devolving and distributing decision-making power, and by focusing on commissioning from small and medium-sized enterprises (SMEs) rather than super indies who tend to be located in the south-east.

Supporting evidence:

- The TV and film sector, like the UK economy generally, remains centred on London and the south-east. In 2020, 52.5% of the UK's public service broadcasters' budgets were spent inside the M25.⁵ We strongly support greater regional economic development across the board as well as within media industries, in line with the government's broader levelling up agenda and parallel processes within the BBC.

⁴ Ofcom 2021 [Recommendations to Government on the future of public service media](#)

⁵ Enders Analysis 2021 [Programming outside the London bubble](#)

- Channel 4 has increased the proportion of its content spend originating outside of London over the past decade from 39% in 2010 to 47% in 2020.⁶ This is a positive trend, but still hugely disproportionate to the capital's population. The relocation of Channel 4's headquarters to Leeds and creation of the Glasgow Creative Hub are welcome moves, along with its Emerging Indie Fund and 4Skills programmes which are supporting people outside London to enter the creative industries. However, these geographical moves need to be accompanied by a significant devolution of decision-making power in order for the nations and regions to fully benefit from them.
- The concentration of production spend with super indies, which are mostly located in the south-east (and many of which are not even UK owned), impedes Channel 4's ability to support the economic development of the UK's nations and regions. The Channel should return to its original model of procuring primarily from SME production houses located across the UK (see answer to question 5).
- The growth of the streaming sector makes it even more important that Channel 4 (along with other public service channels) commissions from across the UK. Research has shown that even when programmes commissioned by streaming services are set and produced in the UK, they have fewer British idioms and references because they are aimed at an international audience.⁷ This trend will inevitably lead to greater underrepresentation for the nations and regions outside of London since these have less 'brand recognition' internationally.
- Privatising Channel 4 is likely to conflict with the government's levelling up agenda within the television and film sector, since it will almost certainly result in more commissioning from London and the south-east. It is concerning that the government has stated that it does not intend to carry out an impact assessment prior to deciding whether to privatise Channel 4 - we believe such an impact assessment is essential before a decision is made, so that the impact on regional economic development is fully understood.

4. Should the government revise Channel 4's remit and obligations to ensure it remains relevant in an evolving broadcast market? If yes, what changes should be made (which could include new freedoms or changes to its obligations)? Please provide supporting evidence.

⁶ Enders Analysis 2021 [Programming outside the London bubble](#)

⁷ Enders Analysis 2021 [Outsourcing culture: When British shows aren't 'British'](#)

Headline answer:

Yes

In an era when its competition increasingly comes from US-based streaming services, Channel 4 needs to be offering something distinctive to remain relevant. Its remit should be refocused on serving minority audiences and supporting innovative programming, free from commercial pressures. Alongside this, the channel should have new obligations to prioritise commissioning from SME production houses rather than super indies, and its existing role in promoting digital innovation should be recognised and supported, including where this can support more participation from audiences.

Supporting evidence:

- Channel 4's initial remit was to "innovate in the form and content of programmes", and "to reach new audiences not catered for currently by British television". Its role in serving minorities in its early years was ground-breaking, and it provided mass audiences with opportunities to encounter experimental film, academic lectures and political views from across the spectrum. We believe its remit needs to return to these core principles and practices, while recognising the opportunities and challenges of the digital context.
- Channel 4's remit has been steadily undermined by commercial pressures since the early 1990s. These pressures intensified after the explosion of available TV channels with the digital switchover, and more recently with the arrival of streaming and on-demand video platforms. This has led to a greater reliance on tried-and-tested, cheaper to produce formats such as reality TV. In an era when this kind of content is readily available from other sources, Channel 4 should return to its core mission of serving minority audiences and supporting innovation.
- The channel is already pursuing a digital first strategy, and should be supported to pioneer cross-platform content which makes the most of the possibilities offered by digital technologies. It is also ideally placed to experiment with more participatory relationships with audiences, including public commissioning. We also believe the Channel needs new obligations to ensure that it prioritises SME independent production houses over commissioning from super-indies (see question 5).

5. Creative economy impact. Should the government remove the publisher-broadcaster restriction to increase Channel 4's ability to diversify its commercial revenue streams? Please provide supporting evidence.

Headline answer:

No

Channel 4 is currently financially healthy, and is already implementing its Future4 strategy to secure additional commercial revenue streams. Its unique structure as a publisher-broadcaster has had huge benefits for the film and television sector, and this would be undermined if Channel 4 began producing its own programmes. The government's priority should be to ensure that more commissioning spend goes to SMEs rather than super indies.

Supporting evidence:

- Channel 4's unique structure as a publisher-broadcaster has played an essential economic role in increasing investment in the film and television sector. Over its lifetime it has invested £12 billion in the independent production sector, and it makes an economic contribution of £992 million per year to the UK economy, supporting 10,000 jobs in its supply chain.⁸
- Channel 4 does not retain intellectual property (IP) rights on the programmes it commissions. Although this means that it can't generate additional income through selling this content internationally, this is highly beneficial to the film and television sector by creating a secondary source of income for production companies.
- The main barrier to this being more economically beneficial is not the publisher-broadcaster model, but the domination of the production sector by super-indies (defined by Ofcom as companies with turnover of over £70m). While data for Channel 4's spend is not available, we know that across the television sector super-indies account for around 38% of all revenues, despite making up only 1% of the industry.⁹ We also know that the number of independent production houses commissioned by Channel 4 has declined 33% over the last decade, from 239 in 2010¹⁰ to 161 in 2020.¹¹ This concentration of spend means that the wider industry is not benefiting as much as it should from Channel 4's being a publisher-broadcaster. The

⁸ EY 2021 [Channel 4's contribution to the UK](#)

⁹ Ofcom 2021 [The role of PSBs in the UK TV production sector](#)

¹⁰ [Channel Four Report and Financial Statements 2010](#)

¹¹ [Channel Four Annual Report 2020](#)

solution is not to change the Channel's structure but to impose new obligations to prioritise commissioning from SME independent production companies.

- Although Channel 4's finances are currently healthy, in the longer term it will need additional sources of income. Plans for this are already underway in its Future4 strategy, which prioritises digital growth over linear ratings. The strategy aims to double All 4 Viewing by 2025, to increase digital advertising to at least 30% of total revenue by 2025, and for non-advertising income to be at least 10% of total by 2025. The government has provided no evidence for why a private owner would be better placed to deliver this than the current ownership model, especially given the additional financial pressures if it has to generate profits for shareholders.

6. Other questions. With reference to supporting evidence, what would the economic, social and cultural costs and benefits of Channel 4 moving out of public ownership be on:

a. overall audience experience?

We believe the impacts on audience experience will be strongly negative. Privatisation will lead to the content being less interesting and engaging, with more reliance on generic, low-cost content such as reality TV. Audiences will be less well informed as the Channel will be less likely to invest in news and current affairs, which are amongst the most expensive programmes to produce. A commercial owner which is trying to maximise audiences (in order to maximise revenues) will be less concerned with serving minority audiences, and will invest less in innovative and risk-taking content, including content from new untested voices and small production companies. This will mean that communities across the UK will be less well represented, and that there will be less diversity of content available for viewers.

b. the Channel 4 Television Corporation itself?

Channel 4 is regulated by a public service ethos to provide content which fulfils its public mission. Privatisation would fundamentally change the corporation into a commercial enterprise aimed at making profits. Keeping the Channel 4 Television Corporation in public ownership helps to ensure it can focus on meeting its public service obligations.

c. investment in the independent production sector?

A commercial owner is likely to rely even more heavily on tried and tested TV formats, international dramas, and other generic content. It is also likely to further concentrate its spend with super-indies rather than small independent production houses, because there is less risk involved in commissioning from established companies. We believe this is the wrong direction of travel, and the Channel should instead have new obligations to increase investment in SME production companies located around the UK.

A commercial owner is also likely to want to change the publisher-broadcaster model so that Channel 4 retains some or all of the IP of the programmes it commissions. This will undermine the financial viability of smaller independent producers as IP is an important source of secondary income.

d. investment in the independent film sector?

Channel 4 spends more on British film than any other UK broadcaster, and Film4 has been a huge global success - its films have collectively won 37 Academy Awards. Film 4's current commissioning priorities are "stories with contemporary relevance, based around British-led talent or content", and "distinctive voices and work that aims to push the boundaries, within any given film genre".¹² As with general TV commissioning, a commercial owner is likely to orient its film commissioning towards generic content aimed at international audiences rather than innovative, British-led filmmaking.

e. the TV advertising market?

The most likely buyer for Channel 4 is another UK broadcaster – either ITV or Channel 5. This would reduce the number of sales houses from 3 to 2, reducing competition and allowing for greater monopolies on TV advertising sales. The ISBA (which represents UK advertisers) is opposed to the privatisation of Channel 4, particularly highlighting its role in supporting the UK's creative sector which local advertising production depends upon.

f. investment in the creative industries sector more widely?

Privatisation is likely to lead to more homogenous content, less risk-taking and innovation. Commissioning is likely to become further concentrated in super indies rather than supporting SME production companies and emerging voices. A private

¹² Channel 4 2021 [Film4 FAQs](#)

owner would be likely to try and change the publisher-broadcaster model, reducing investment in the creative industries. It would also make collaborations with other public arts institutions more complex and costly.

g. competition between Channel 4 and other PSB and non-PSB channels?

Short answer:

Audiences are best served when different channels and platforms compete on the basis of quality, rather than how much money they generate. Privatising Channel 4 will increase negative competition based on commercial criteria – leading to more generic content and reduced investment in news and current affairs.

Longer answer:

Our public service broadcasting (PSB) system was created on the principle that channels should compete on the basis of quality, rather than revenue or maximising audiences. Channel 4 was set up with a distinct remit to provide content for groups that were not being served by the BBC and ITV, as well as to invest in the independent production sector as a publisher-broadcaster. As all our PSB channels have become more centralised and commercialised, Channel 4's distinctiveness has been eroded. Privatisation will only increase this negative competition based on commercial criteria, rather than supporting the PSB system as a whole to recommit to competing on quality and ability to serve the public.

In terms of non-PSB channels, competition is largely genre specific. For news and current affairs (where the main competitor is Sky), privatisation would almost certainly result in a reduction of investment. In terms of drama, Channel 4's competition increasingly comes from streaming services, especially as both seek to appeal to younger audiences. Here the Channel will inevitably be outspent, and privatisation will not solve this. However, as the blockbuster success of *It's a Sin* demonstrated, where the Channel focuses on providing high quality content tailored for UK audiences – the content that streaming services will not provide – it is currently well able to compete. Privatisation would be likely to disincentivise investment in this kind of content.

h. the regions and nations of the UK?

Channel 4 has a particular role to play in serving the regions and devolved nations of the UK, both by procuring from independent producers around the country, and by fulfilling its remit to serve minority audiences that wouldn't be served by private

markets. The major barriers to Channel 4 doing this more successfully are commercial pressures to maximise audiences and the majority of production spend going to a handful of super-indies. Privatisation will increase commercial pressures, and make it harder to impose new obligations to procure from SME production companies.