



British Broadcasting Challenge

Response to the consultation on a potential change of ownership of Channel 4 Television Corporation

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.

No.

This is a loaded question. The government has provided no evidence that public ownership, in itself, constitutes a barrier to the financial sustainability of Channel 4. There are a number of *challenges* in the TV broadcasting market and among these there is a decline in advertising revenue, but this situation would still exist if Channel 4 were privatised and taken over by another broadcaster.

The current management of Channel 4 is well aware that 90% of its funding comes from advertising revenue which is declining and has successfully developed the Future4 strategy to address this.¹ The government consultation document acknowledges this, but fails to follow through on the evidence of its own consultation document: that by the first quarter of 2020 17% of Channel 4 revenue came from digital advertising and 9% from non-advertising sources.²

Furthermore, the consultation document ignores the fact that Channel 4 has successfully managed its finances through the pandemic and has not requested any increase in its borrowing limit of £200 million.

The consultation document assumes that there is a need for Channel 4 to have access to large amounts of capital but fails to explain why this is necessary for Channel 4 to flourish as part of the UK's public service broadcasting system. The only way in which Channel 4 would have access to large amounts of capital would be through acquisition by one of the major global companies. This would inevitably mean that the volume of certain programme genres expressly designed for a British audience would be diminished.

The consultation document provides no evidence that Channel 4 cannot continue in public ownership to serve a British market with original and distinctive content, which is made in the UK.

¹ <https://www.channel4.com/corporate/future4>

² <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#list-of-all-consultation-questions>



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

No.

There is no logic to the government’s position on private ownership. Much of Channel 4’s success lies in its distinctive institutional ethos, which has evolved over nearly 40 years of not having to worry about shareholders and being free to reinvest its surplus revenue in content focused entirely on fulfilling a unique public service remit. Its Future4 strategy is designed precisely to enable it to survive and thrive as a publicly owned publisher-broadcaster which will continue to invest in independent production companies. Channel 4 demands innovation and risk-taking. Shareholders do not like risk, they much prefer the safety of last year’s ratings successes.

As well as fewer risks and less innovation, there will be three other consequences to a privately owned Channel 4. First, there will be less emphasis on news and current affairs: commercial imperatives will demand a more entertainment-led diet, and the idea of a peak-time one hour news bulletin focusing almost entirely on serious issues will be anathema to a commercially driven culture.

Second, there will be less UK-focused content. Global distribution demands will dictate a far more mid-Atlantic emphasis on content that will suit audiences in different global markets (especially the US). *Sex Education* is an excellent example of a drama made in the UK with recognisably American cultural references.

Third, a commercial owner will be driven towards the bigger, globalised independent production companies which are able to absorb significant development costs and thereby subsidise some of the creative process. Inevitably, the number of small independents with roots throughout the UK, whose revenues and jobs depend on Channel 4 commissions, will be whittled down. The effect will be the precise opposite of the government’s stated “levelling up” objectives.

The government has suggested that the Channel 4 remit could stay or even be strengthened, but history tells us that inexorable commercial pressure will be placed on Ofcom to relax these requirements. More importantly, no amount of public service obligations will compensate for the qualitative part of the remit that is impossible to quantify. As Enders Analysis has shrewdly observed: “Channel 4’s audience obligations will almost certainly remain – these encourage such intangibles as innovation, experimentation, and creativity, the bedrock of Channel 4’s point of difference in the UK market – however we note that this fuzzy part of the remit is difficult to measure and, as such, profit-oriented buyers would have the opportunity and incentive to game these obligations.”



3. 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.

Yes.

Channel 4 has taken huge steps to spread its work throughout the country. It has moved its HQ to Leeds (in 2019) and set up Creative Hubs in Glasgow and Bristol, with consequent impact on supply chains in the North and South West, as well as providing employment in the creative industries there. It has taken seriously the support needed for new and small production companies across the UK by establishing funds and mentoring programmes (e.g. Emerging Indie Fund/Indie Growth Fund, 4Skills).

Channel 4 also contributes to the re-distribution of wealth across the country by its regional policies. In 2019 it contributed £274 million to the regions' economies and has pledged to increase its content budget target in the Nations and Regions to 50% by 2023. The DCMS's consultation document acknowledges this.

We know that regional and national diversity of programme-making leads to greater cultural reflection of the local, regional and national lives of the viewers, thus enriching the whole nation's cultural capital (Alan Bennett once spoke memorably about "introduction the nation to itself"). Research shows that culturally specific allusions on the screen are far fewer in programmes made by large national or international streaming companies.³ To lose this is to lose key parts of a sense of Britishness.

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.

No.

This is a strangely drafted question as the first part has no logical connection with the second. The unique remit of Channel 4, to make programmes in new ways, on topics and with forms that are innovative and risk-taking and that represent the wider diversity of the UK to itself and to new audiences, is a philosophical imperative which is more, not less, relevant to contemporary Britain than in the past.

³ <https://www.thetimes.co.uk/article/small-screen-loses-the-british-touch-as-streaming-giants-create-world-tv-8zdcj6vgl>



The divisions and indeed range of ‘minorities’ of opinion and social conditions in the UK has grown – not diminished – since Channel 4 was launched: representing and sharing these myriad views, experiences, interests, particular locations and social varieties to each other is a clear contemporary challenge and Channel 4 is set up to do precisely this. But the Government is seeking to reassure us that it understands this unique value while asserting its right to dilute the remit. Why? Channel 4 was invented precisely in order to make it ‘relevant to the evolving broadcast market’, and has been extraordinarily successful in doing so: it has added economic and social value for British broadcasting as an industry.

The experience of changing remits to accommodate commercial pressure is very old and very unsuccessful. Throughout their history commercial PSBs such as ITV have sought permission from the regulator progressively to dilute or abandon their public service commitments in ways that made short-term commercial sense. While understandable (they wanted to maximise their immediate revenue), this was to varying degrees resisted by regulators and research repeatedly showed the long-term advantages of clear remits and public service programming: audiences appreciated unique, British-made programming about unique British topics (as well as larger, American-made material).

But such content has a social and political value as well, creating better informed audiences with a wider choice of uniquely UK-made content. Comparative international studies have repeatedly shown that nationally originated programming plays a unique role in mature broadcasting markets. Channel 4 was a development of this insight. Its remit has also been the basis of a thriving film and TV economy spread throughout the country.

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

No.

In 2020, Channel 4 reported a record pre-tax profit of £74 million, demonstrating that it can remain successful while relying on its current commercial revenue streams. It expects its revenues to increase to over £1 billion in 2021 for the first time, and has not needed to seek an increase in its £200 million borrowing limit. Removing the publisher-broadcaster model would be a solution to a problem that doesn’t exist.

The framing of this question around diversification of revenue streams means ignoring the numerous benefits of a publisher-broadcaster model, in particular the guarantee that Channel 4 invests in UK-made programmes produced by independent production companies. Over its lifetime, Channel 4 has invested £13 billion in the independent production sector, at no cost to taxpayers.⁴

⁴ <https://www.channel4.com/corporate/about-4/how-we-do-it/publisher-broadcaster>



As a direct consequence of the publisher-broadcaster model, Channel 4 works with approximately 300 production companies every year, including many small and medium-sized enterprises, for whom Channel 4 is their life blood. These companies are spread throughout the UK, with Channel 4 on track to spend half its original content budget in the Nations and Regions by the end of 2021. This is a 'levelling up' success story, enabling small entrepreneurs to grow, thrive and provide new job opportunities throughout the nations and regions.

The publisher-broadcaster model is also a 'global Britain' success story. It ensures that UK independent producers keep the broadcast rights to their output, enabling them to sell their own shows abroad, which in turn allows them to grow and launch the careers of new and original talent such as Steve McQueen and Sacha Baron Cohen. In 2019, 7 of the top 25 best-selling UK unscripted formats around the world had been commissioned by Channel 4.

The government has offered no convincing explanation for changing the publisher-broadcaster model. Channel 4's revenue streams are performing well, with 2020 seeing a record profit. Removing the restriction would reduce investment in small and medium-sized independent producers across the country, with a concomitant loss of jobs. This could also make it harder for new talent to break through and become national and international success stories, as opportunities become increasingly concentrated in larger, globalised corporations seeking to reduce risk and maximise return to shareholders.

6. 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 the following:

a. Overall audience experience?

We believe the impact on audience experience will be strongly negative. A commercial owner will want to maximise audiences to maximise revenue and will be less concerned with serving minority audiences. This will mean that communities across the UK will be less well represented, and content diversity will suffer.

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?

All independent production companies who have been consulted on the Channel 4 privatisation question have come out against it. This shows that privatisation will cause significant damage to the interests of independent production companies, especially smaller enterprises. A commercial owner is likely to rely even more heavily on tried and tested TV formats, international dramas, and content which is not directed at the many facets of UK culture and experience. 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.

The publisher-broadcaster model will not appeal to a private buyer and so privatisation will threaten 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. Film4'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". This priority will not fit a purely commercial model.

e. The TV advertising market?

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.

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

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.



Our public service broadcasting 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.

Here Channel 4 will inevitably be outspent, and privatisation will not solve this. However, as the blockbuster success of *It's a Sin* demonstrated, where Channel 4 focuses on providing high quality content tailored for UK audiences – the content that streaming services will not provide – it is currently more than able to compete. Privatisation would likely 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 commissioning programmes 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 expenditure 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.