

*Championing
excellence and diversity
in broadcasting*



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VLV SUBMISSION TO THE COMMUNICATIONS AND DIGITAL SELECT COMMITTEE CALL FOR EVIDENCE ON THE FUTURE OF CHANNEL 4

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INFORMATION ABOUT THE VLV

1. The Voice of the Listener & Viewer (VLV) is an independent, not for profit membership-based charity, free from political and sectarian affiliations. VLV supports high quality broadcasting which maintains the democratic and cultural traditions of the UK. We support the independence and integrity of the BBC and encourage work which demonstrates commitment to the principles of Public Service Broadcasting (PSB). VLV is a charitable company limited by guarantee (registered in England and Wales No 4407712 - Charity No 1152136).

INTRODUCTION

2. In making this submission VLV's concern is to highlight the impact which changes to the Channel 4 operating model are likely to have on UK audiences and, more widely, UK citizens.
3. VLV makes these comments in the context of the government's proposal to privatise the Channel 4 Corporation (C4C). VLV considers that the government's consultation completely fails to provide adequate evidence to demonstrate the need to privatise Channel 4.
4. VLV believes Channel 4 is currently delivering its remit in a way which benefits audiences, citizens and the creative economy of the UK. We consider that its recent performance demonstrates it will be able to continue to do so going forward. As we set out in this submission, there is, at the very least, a strong possibility that many of these benefits are likely to be lost, or at least significantly impaired, if it were to move into private ownership.
5. VLV is concerned that the government is likely to dilute the C4C remit and publisher-broadcaster model in order to make it more attractive to a buyer. Such changes will undermine the delivery of its PSB remit and would be detrimental for UK audiences.
6. Any consideration of C4C's operating model and remit needs to take into account how changes will impact on the PSB system as a whole and not on C4C alone. The **PSB system** is interconnected, comprising competing broadcasters with portfolios of channels, each providing a range of content for different audiences; each has different creative and commercial priorities, a different remit and obligations which combine to provide structure to the whole PSB sector. Channel 4's role within this system is to provide innovative, risk-taking, sometimes controversial and challenging content, which is especially popular among young adult and more diverse audiences¹.

1) What, if any, developments over the last five years give cause to re-evaluate the ownership of Channel 4 Corporation?

7. VLV does not consider that developments since 2016 give good reason for the government to privatise C4C. On the contrary, VLV believes that C4C, the PSBs and the public service broadcasting system as a whole needs support more urgently than they did in 2016 to ensure that audiences continue to have access to trustworthy, regulated information and culturally relevant content to support informed democratic public engagement in the UK.

¹ Channel 4's is the youngest profiling PSB, with double the young audience share of BBC. 80% of UK 16-24 year olds are signed up to All 4. *Channel 4 Annual Report 2020*, 22 June 2020, Pg. 46

8. Since 2017, when the government last concluded that there would be no benefit in privatising Channel 4, developments relevant to the broadcasting sector include:
 - Streaming, online and on demand services have become more dominant in the market.
 - Live viewing of linear TV and associated advertising income have declined, but not as fast as predicted².
 - Inflation of production costs has continued to rise, largely driven by the global players³.
 - American technology companies increasingly dominate the market and act as gatekeepers to content.
 - The world has been affected by the Covid-19 pandemic.
 - Disinformation has become more widespread.
9. While Covid-19 has distorted market trends, with increased viewing across all platforms, the pandemic demonstrated the important benefits which audiences look for in PSB, in particular reliable television news and information⁴. A plural provision of such content is essential with the rise in the spread of disinformation. In this context it is more important than ever that the government supports high quality UK PSB content to support UK democratic processes.
10. Channel 4's provision is an essential element of PSB, especially because it is popular among young adult, more diverse audiences, a sector which feels underserved by PSB.
11. Instead of undermining the PSB system by privatising Channel 4, which VLV predicts will reduce the volume of PSB content and destabilise the PSB system, it is crucial the government provides the PSBs with greater regulatory certainty.
12. Taking into account developments over the last five years and having considered the available evidence, VLV believes that Channel 4 should be financially sustainable if it continues to successfully implement its Future 4 strategy, evolving as necessary to respond to market developments. VLV does not believe that it needs to be part of a larger media organisation to play an important role in the UK's broadcasting ecology or to be able to deliver its public service remit for UK audiences.

2) If Channel 4 Corporation were privatised, what would be the benefits? What would be the risks and to what extent could they be mitigated?

Benefits of privatisation

13. VLV cannot see any benefits for citizens in the UK if C4C is privatised. The only potential beneficiary of privatisation of C4C would be the new commercial owner of C4C.
14. If Channel 4 is acquired by a commercial company this is likely to lead to the maximisation of profits for the benefit of its investors. It is likely that the publisher-broadcaster model will be diluted, to allow in-house production, and the remit will be watered down. These changes are likely to lead to a reduction in the choice and quality of PSB content for audiences.

² *Television Viewing: Most is still watched Live*, Enders Analysis, 20 July 2021

³ Ofcom 2021 [Recommendations to Government on the future of public service media](#)

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

Risks of privatisation

The economic, social and cultural costs of privatising Channel 4.

Issue	Public characteristics	Private characteristics	Overall impact of privatisation	Economic impact of privatisation	Social and cultural impact of privatisation
Motivation	Public impact and value balanced with the need to be sustainable. Reinvestment of surplus into content.	Providing a profit for shareholders while delivering the minimum amount of content to satisfy the PSB remit. No requirement to reinvest profits into content.	Reduction in volume of and spend on high quality PSB content because profits will not be reinvested for the benefit of citizens and production costs will be minimised.	In-house production will mean less investment in the UK creative industries. Fewer jobs and training in the independent production sector and the nations and regions.	Less innovative, risk-taking content will mean a narrower range of content and perspectives on air which means audiences will be less well informed and engaged with as wide a range of subjects. Audiences will be less exposed to a plural range of views, which encourages greater tolerance and understanding of other perspectives.
PSB Remit and Content Mix	PSB content alongside more commercially successful content. More innovative, risky content financially supported by commercially successful shows.	Aim for more commercially successful content to attract mass audiences while still delivering the minimum amount to satisfy C4's remit.	Less challenging, new original UK PSB content. Less distinctive content, taking C4 towards the creative middle ground. More repeats and acquisitions, some of which may be international. Competition between the PSBs will be reduced. In the past C4 innovation has led other broadcasters to take greater creative risks.	Producers of PSB content – including UK current affairs, innovative content, arts, religion, etc – will no longer be commissioned. Many of these are smaller, SMEs in the nations and regions. Fewer jobs and economic benefits for the UK as a whole	Reduction in new original UK PSB content will be detrimental for UK audiences. Reduced range and choice for audiences. More international acquisitions will reduce the relevance of content for UK audiences. Weaker representation of the UK.
News	Independent, distinctive, trusted news and current affairs and investigations, including excellent international content which is one of C4 News' strengths.	Reduced investment in more expensive aspects of news.	More studio which is cheaper, fewer location reports and investigations, less international content. A reduction in the diversity of supply of high quality PSB news. A reduction in online news content designed to engage younger adult and diverse audiences.		Democratic engagement could be reduced, especially among key younger and diverse audiences for whom C4 News is popular. Reduction in the range and plurality of high quality news in the UK which would be detrimental for citizens.
Audience Choice	C4 especially excels at engaging younger and more diverse audiences with innovative content.	A commercial owner will aim to attract the largest audience possible. They will provide a more mainstream commercial offering, taking fewer risks and innovating less. Less popular content will be dropped.	Reduction in the range of new original PSB content choice for audiences. Less creative innovation. Less risky, challenging content which is one of C4's hallmarks. Less content which appeals to younger and diverse audiences.		A reduction in PSB content which opens our eyes to new topics and attitudes. A reduction in content which particularly appeals to younger adult and diverse audiences. A reduction in innovative and challenging content which is beneficial societally.
Changing the Publisher-Broadcaster model	C4 worked with nearly 300 production companies in 2020. It especially supports SMEs and new entrants. Benefits UK economy by providing 10,000 jobs and encouraging growth in the creative industries.	Work with established producers to minimise risk and transaction costs and rationalise operations; likely to be based in the south east. In-house production and possible renegotiation of Terms of Trade to retain more IP.	Reduced range of voices and perspectives on air. Less regional and national production. Reduced representation of the UK's nations and regions.	Reduced investment in the nations and regions, especially in SMEs and new production companies. Reduced investment in training. Renegotiation of the Terms of Trade will be detrimental to independent producers.	Having content provided by fewer independent producers, especially new and smaller companies, will lead to a reduced range of perspectives on air which will lead to less audience exposure to new ideas and new voices. Reduced representation of the UK on screen

15. VLV considers if Channel 4 is privatised there is a strong risk that:

- a) **Reduction in the range of content:** There will be a decline in less commercially successful genres which will lead to a reduction in the volume, range and diversity of PSB content.
- b) **Less innovation:** If C4C is taken into private ownership it will be less risk-taking, so audiences will be exposed to fewer innovative programmes.
- c) **Reduction in UK original culturally specific content:** A commercial owner of C4C will want to produce content in-house to retain the IP and maximise international sales with content which is globally attractive, leading to less distinctive UK culturally-specific content.
- d) **More repeats and acquisitions:** UK original content will be reduced and replaced by acquisitions and repeats which cost less.
- e) **Reduction in spend on content:** C4C's licence doesn't specify how much it should spend on content, except for quota for the Channel 4 main channel to spend 30% outside the M25⁵. C4C currently spends 70% of its income on new content. It is notable that Channel 5 and ITV commit a lower proportion of their revenues to content than C4C does. It

⁵ https://www.ofcom.org.uk/data/assets/pdf_file/0017/7073/c4licence.pdf

is likely that a commercial owner will reduce expenditure on content.

- f) **Decline in UK independent production:** If C4C's publisher-broadcaster model is diluted this will reduce commissions from UK independent producers which will be detrimental for the creative industries, audiences and the UK economy.
- g) **Fewer commissions for new, smaller independent producers:** C4C's support for small production companies is valuable because it provides opportunities for new producers and ensures provision of content from new voices. A commercial owner will minimise risk by commissioning from experienced, established producers.
- h) **Reduction of content representing the Nations and Regions:** Representation of and production in the nations and regions of the UK will decline as a commercial broadcaster will rationalise its operations, rely on better established producers, mostly headquartered in the south east, and aim to reduce transaction costs.
- i) **Reduction of investment in training:** Since 2015, C4C's training and skills work has involved over 10,000 people. A private corporation will have less interest in providing support to train new entrants in the TV production sector.
- j) **A dilution of Film4's distinctively British content:** Film 4's commissioning priorities are "stories with contemporary relevance, based around British-led talent or content"⁶. A commercial owner is likely to prioritise generic content aimed at international audiences rather than innovative, British-led filmmaking which reflects UK culture and issues.
- k) **An increase in competition for the middle ground between the PSBs:** C4's innovation has inspired other broadcasters to take greater creative risks. If C4C is privatised it is likely to aim to attract the mass audiences to maximise advertising income. This will lead to greater competition for mainstream audiences between C4C, the other PSBs and UK commercial broadcasters.
- l) **Advertising sales' houses:** If a UK broadcaster buys C4C, there will be a reduction in competition in advertising sales houses which will be detrimental to the advertising market and UK commercial broadcasting more generally.
- m) **Over-reliance on foreign global giants:** If C4C's publisher-broadcaster model is diluted, independent producers will become more reliant on foreign global media giants to commission their content. These companies have no commitment to maintaining the UK production industry unlike C4C and this puts the UK production industry at greater risk.

Mitigations

- 16. While some of the potential impacts of privatising C4C might be mitigated by increasing quantitatively-measured commitments and quotas, VLV does not believe the government will consider such a move because it would make C4C less attractive to a potential buyer.
- 17. Even if increased quotas were imposed to mitigate the negative impacts of privatisation, these are not likely to be practical or to achieved the desired aims. For example,

⁶ <https://www.channel4.com/commissioning/4producers/film4/film4-faqs>

- The challenge of trying to ensure that C4C maintains its level of commissioning from smaller production companies has been highlighted by John McVay of PACT. He said, 'Imagine I'm a small indie about to get a big commission from C4 – but also have an idea in with the BBC. If I win the BBC order, will I suddenly become non-qualifying and no longer get my show away with C4?'⁷.
- Measuring 'innovative' or 'risk-taking' content using a quota would be impossible since defining such content is subjective. While there is a quota for original productions on the main Channel 4 channel, this does not ensure such content is innovative *per se*.

18. VLV is concerned that even if additional quotas were imposed, they would not guarantee continued PSB delivery in the longer term because a commercial owner is likely to argue in due course that it needs to reduce its obligations, as have privately-owned ITV and Channel 5, citing commercial pressures.

3) If Channel 4 were to remain in public ownership, what would be the benefits? Insofar as they are valid, how could concerns about its longer-term viability be addressed?

Benefits of public ownership

19. VLV believes that there are benefits in C4C remaining in public ownership. The underlying motivation of any broadcaster influences its creative decisions. Many PSB programmes are not commercially successful. If C4C were privatised its motivation would shift because it would have a responsibility to provide a return to its shareholders. In contrast, as a publicly owned broadcaster C4C prioritises public good while aiming to break even.

20. The existing benefits of a publicly owned C4C include:

- The provision of a diverse range of perspectives fostered by commissioning from a large number of independent producers around the UK
- Providing audiences with new ideas and concepts, allowing a space for new voices
- Cross-funding less popular PSB content with popular entertainment content
- Innovative content which no other broadcaster would commission
- Independent news and current affairs investigations
- Engagement with younger and more diverse audiences who are not as attracted to PSB as other sectors of the audience
- Engaging audiences with news and other democratically valuable content on social media and online video platforms⁸
- Diversity – C4C has always been keen to promote diversity on and off screen and it performs better than most of the other PSBs in this regard
- Support for the independent production sector across the UK which has led to training, employment and economic benefits as well as better representation of the UK's nations and regions

Channel 4 longer term viability

21. The government is concerned about C4C's long term financial viability. However, as stated above, VLV considers that it has provided little evidence that privatising C4C will increase

⁷ C4 sale could cost indies £3.7bn in a decade, Broadcast Magazine, September 8 2021

⁸ Channel 4 Annual Report 2020, SMCP, June 22 2021, Pg.23

its sustainability. VLV believes that if C4C successfully implements and develops its Future4 strategy, evolving with market developments, then it should remain financially sustainable with its current remit and operating model and continue to play an important role in the UK's PSB system.

22. **Access to Capital:** While access to capital could allow C4C to invest more in digital development, for example, were C4C in need of additional capital - which would ultimately benefit audiences as well as the UK PLC in the form of additional income for the UK's creative industries - its current owner, the UK government, has cheaper access to capital than any potential future owner would have.
23. **Scale:** VLV believes that if C4C prioritises its distinctive, bespoke UK services which mix public service content with entertainment for UK audiences, it will continue to play an important role in the UK public service broadcasting system and does not need to be part of a larger player.
24. **Strategic partnerships:** Forming strategic partnerships with other platforms and media organisations will be beneficial for C4C's sustainability in the future, to increase its impact and reach. However, VLV disagrees with the government that C4C needs to be part of a larger media corporation to do this. C4C has already established successful partnerships with global media companies; these were formed on the basis that C4C is small enough to not pose a threat to global players which means they feel more able to work in partnership.

4) Should the regulation and/or remit of Channel 4 be changed, irrespective of its ownership? What would be the risks and benefits of any such changes to the UK Public Service Broadcasting system?

Remit

25. It is important that the remit which applies to Channel 4, its portfolio channels and digital output remains in place. In some regards the remit could be strengthened to ensure better delivery of market failure genres such as arts, religious content and international content which have all declined significantly on Channel 4 during the past decade⁹. VLV believes this is the only way to ensure a range of high quality free to air public service content is maintained for the benefit of audiences.
26. A notable aspect of C4C's role as a PSB is in attracting young adult and more diverse audiences who have been migrating most quickly to global on-demand platforms¹⁰. It is crucial that C4C continues to engage these sectors of the audience with high quality UK PSB content because they don't feel as well served by the other public service broadcasters.
27. It is also important that the publisher-broadcaster model is maintained so that a wide range of producers are commissioned. The benefit for audiences is that this increases the number of perspectives they are exposed to; it improves representation of the UK population on screen; and it encourages new voices and innovation.
28. If a buyer of C4C is allowed to produce content themselves, this will mean fewer commissions from independent producers and will transfer value from the UK independent

⁹ *Small Screen: Big Debate – a five-year review of Public Service Broadcasting (2014-18)*, Ofcom, 27 February 2020, page 21

¹⁰ *Consultation on a potential change of ownership of Channel 4 Television Corporation*, DCMS, 8 July 2021, Pg.10

production industry to a single corporation. The existence of a thriving independent production sector is both economically and culturally valuable for the UK.

Regulation:

29. C4C has both quota and non-quota commitments in its remit.

30. In its Annual Report C4C evidences the delivery of its non-quota commitments through qualitative research which shows that audiences value Channel 4 for tackling issues other broadcasters wouldn't¹¹ and Ofcom data accords, showing that C4C takes creative risks and enables alternative voices to be heard¹².

31. While qualitative assessment of C4C's impact is a useful indicator, such research is less robust than quantitative analysis. If changes to the regulation of C4C are considered it would be sensible to explore how to quantitatively assess delivery of the existing non-quota commitments to make this analysis more robust.

32. We are concerned that if C4C is privatised there is a risk that using a qualitative approach to evidencing delivery of C4C's remit will allow a commercial owner the opportunity to dilute such content without Ofcom or the government being able to challenge it.

¹¹ Channel 4 scores 38% vs 8% average for other PSBs - *C4C Annual Report and Financial Statements 2020*, June 22 2021, Pg. 112

¹² *Channel 4 Corporation's performance in delivering its media content duties 2014–2018*, Ofcom, 27 February 2020