



UK Coalition for Cultural Diversity

UKCCD Response to DCMS Consultation on potential change of ownership for Channel 4 Television Corporation, September 13 2021

The UK Coalition for Cultural Diversity, UKCCD, is the UK's leading civil society network supporting UNESCO's groundbreaking Convention on Diversity of Cultural Expressions, 2005. UKCCD acts as a consultative partner to UNESCO-UK and the UK government on the implementation of the aims and obligations of the treaty, which became legal in this country in March 2008. UKCCD is a founder member of the International Federation, IFCCD, which links over 600 creator and cultural organisations worldwide.

Introductory Points

1 Channel 4 as part of a whole PSB ecology

Any review of Channel 4's future ownership model needs to take into account the impact any change will have on the whole PSB system. This system has evolved in response to the UK's specific needs and requirements. The policies which have delivered our outstanding record have depended on the UK government defending our cultural sovereignty in part through the development of our PSB environment. Each PSB has different creative and commercial priorities, and targets distinctive audiences according to remits and obligations which are different but which contribute to an ecology of broadcasting which particularly serves local, regional and UK audiences.

2 Critical times for local production

This consultation takes place at a time of particular vulnerability for the independence of UK audiovisual production following the rise in SVoD streaming during the pandemic and the skills shortage resulting from Brexit. For the first time PACT has recorded that UK commissions are in a minority¹, whilst the UK Film Commission has reported on a doubling of studio space as USA companies and investment groups expand their production capacity, including In Broxbourne, Hertfordshire; Dagenham (Sky), Twickenham (Time and Space Studios); Elstree,

¹ <https://www.pact.co.uk/latest-updates/news/detail.html?id=revenues-fall-as-pandemic-hits-tv-production-sector>

(Universal); Leavesdon Studios (Warner Bros); Pinewood (Disney) and Shepperton (Netflix). The mission and production business models of these companies are not coincident with the aims of diversity for a local audience at the heart of PSB.

3 Limited evidence of consultation

Whilst it is the government's duty to monitor and ensure the best return for public investment, the evidence in the government's consultation paper fails to provide a sound case that privatisation would deliver the public interest value which Channel 4 is set up to provide. Therefore UKCCD would dispute the consultation report's conclusion that Channel 4's *ability to...continue serving its public purpose and contribute value to the UK is likely to be best served by private ownership.*²

4 Qualitative diversity rather than quantitative choice

The consultation considers that since the establishment of Channel 4 'choice is no longer a problem'³ since audiences now have access to so much content through a combination of free to air TV, streaming and pay subscription services. This is a quantitative rather than a qualitative appraisal which ignores the structures necessary to sustain the breadth, range and cultural diversity of public service content. UKCCD believes that it is the dominance and limitation in their audiovisual offering of many of the companies providing the so-called 'choice', which make it essential to continue to support cultural diversity by sustaining and strengthening our existing PSB channels and their governance. Significantly, this will defend a system where audiences are addressed as British citizens first and consumers second, and where diverse public service programming is available to all rather than discriminating against individuals on the basis of their ability to pay, or not, for streaming services.

5. Research and Development

From the outset, Channel 4 has served, evolved and underpinned the successful ecology of independent producers, not least with its 'Workshop Agreements' which developed skills, gave accessibility to equipment and broaden the national production base to produce an independent sector capable of supplying a diversity of material to mainstream audiences. These strategies continue in Channel 4's contribution to skills training and to maximising diversity through a strong interest in trialling risky, innovative content. These are features which are not evident in the business models of competitor private companies, even where they serve a PSB remit.

6. Trends in independent production sector

There is an assumption that since Channel 4 was created, the independent production sector is now thriving and well established. This was apparent in John Whittingdale's recent observation at the Edinburgh International Festival where he said: 'There are a number of areas in which the remit could be changed. To give one example, when C4 was created, the independent production sector didn't really exist in the UK. It is now very strong, there are some companies that are bigger than

² Consultation on a potential change of ownership of Channel 4 Television, DCMS Pg 16

³ Ibid

Channel 4, they don't really need much support.'⁴ UKCCD believes this seriously confuses the diversity of the production base necessary to serve the local interests of the UK, with the capacity of a number of commercially successful companies, largely based in London and the South East, and often foreign owned, to deliver to market objectives.

7. Publisher-Broadcaster model

For the diversity of supply, it is vital that the government safeguard the publisher-broadcaster model which Channel 4 has pioneered. If, as the government recommends, Channel 4 were to retain more rights in the content it commissions in order to diversify its income, this will transfer value from the UK independent production sector into the hands of a single corporation which may not be British owned and thus the IP rights to its programming will not necessarily benefit the British audiovisual economy. There is evidence from European producers' experience of Netflix's business model, that Netflix invariably wishes to retain all IP rights on commissioned productions, thus undermining independent producers' ability to maintain a viable business model. In the UK this will compromise the diversity of the British audiovisual production base and the diversity of cultural perspectives on screen.

8. Former Review of Conservative Secretary of State, Karen Bradley

UKCCD notes that Karen Bradley - former Secretary of State for the Department of Culture, Media and Sport, who carried out a review of Channel 4 in 2017 – recently wrote in The Times that Channel 4 is not an asset to be sold off. Were she looking for an ideal British broadcaster with distinctive British content, programming which resonates and helps define our national story, international recognition, and economic contribution to the creative industries, Channel 4 still meets the remit: 'It may seem like I'm asking for a lot out of my vision of an ideal British broadcaster, but we do actually have all of this already in Channel 4 – and at no cost to the public.'⁵

9 Current Strength of C4 Television Corporation

UKCCD notes that Channel 4's accounts for 2020 demonstrate a record financial surplus of £78 million. It is investing in far more independent productions than its competitors Channel 5 and ITV and it has an ambitious development plan, Future 4, which is taking on the challenges of the new broadcasting environment. From these points of view it is not clear how the government views the benefits to its citizens of privatisation nor does it provide impact assessments whether it remain in public or private ownership.

⁴ <https://www.broadcastnow.co.uk/channel-4/john-whittingdales-c4-views-in-full/5162789.article>

⁵ Karen Bradley *Channel Four means more to British people than an empty sell-off*. The Times, July 21 2021

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?

1. The broadcasting market is changing particularly in the shift to viewing on-demand, both on-line and subscription, especially amongst younger audiences. There has also been an inflation in production costs largely driven by the global players⁶, in particular the American giants, Amazon, Apple and Netflix.
2. However, UKCCD believes that the decline in linear viewing the move to on-line is overstated in the consultation. Live TV still commands 57% of all time spent with the TV set in the UK and 79% of broadcast content viewed on television is watched live, with a further 8% seen later on the same day.⁷ And, as is highlighted in the consultation document, the share of Channel 4's linear channels has remained remarkably robust since 2010 with only a drop of 1.1% on the main channel and 1.4% in the portfolio in a decade.⁸ Claire Enders has said 'I think we can see a lot of longevity in the advertising model in the UK'⁹.
3. UKCCD does not consider privatisation is the best solution to sustain Channel 4's role in the future. This is more likely to be secured by the Government updating regulation to maintain a level playing field between all national broadcasters and foreign, commercial competitors, particularly with regard to safeguarding the remits for public service broadcasting.
4. Channel 4, like all public broadcaster, require measures to be taken to safeguard data transparency. This will ensure evidence is made available to producers on the commercial exploitation and audience reach of their programmed. It would also facilitate a proper openness about the algorithms used for promotion. This is essential to enable British independent film producers, authors and directors to better understand the market and audiences that they are catering for.

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?

1 The publisher –broadcaster model which has been a mainstay of delivering diverse, innovative and successful programming, would be threatened. This is because this model would be seen by a private owner as a restriction on maximising return on its investment in content through secondary sales of IP. A new owner is

⁶ Ofcom 2021 [Recommendations to Government on the future of public service media](#)

⁷ Television Viewing: Most is still watched Live, Enders Analysis, 20 July 2021
https://mcusercontent.com/e582e02c78012221c8698a563/files/aa2d1219-628c-ecfc-47f1-3d0ba4b71bf4/Television_viewing_Most_is_still_watched_live_2021_073_01.pdf

⁸ Pg 10 consultation document.

⁹ Clare Enders video presentation July 2021

likely to renegotiate the Terms of Trade so they can retain more intellectual property rights in the commissions they fund. These terms of trade are likely to be a key part of the negotiation that determines the price for Channel 4, and the short-term interests of the Treasury will be in direct conflict with the longer-term interests of a sustainable and profitable UK independent production sector at this point.

There is also a likelihood that a private company would want to produce content in-house so they can retain 100% of the IP, a point highlighted by John Whittingdale at the Edinburgh International TV Festival In August¹⁰. This would be to the detriment of independent producers and undermine the strength of the creative industries sector.

2. If Channel 4 is taken into private ownership it is likely that there will be less culturally specific British content commissioned because this will be more difficult to sell internationally. This will lead to a reduction in original new UK content telling British stories, which is a vital component of the PSB remit.

3. In recent years the privately owned channels ITV and Channel 5 have sought to reduce their quotas of programming fulfilling their PSB remit citing commercial pressures. UKCCD considers this indicative of how a commercial company will be forced to put shareholder interest above the interests of the UK citizens whom the PSB environment is structured to serve. UK audiences will be adversely affected.

4. Regulation of the broadcasting environment in the commercial sector is still struggling to keep up with the impact of new business models maximising the benefits of the digital era. Up until Brexit, cultural policy had been designed in tandem with European partners and many of the relevant regulations that the British government helped to devise are still being transposed into the UK policy book. In this uncertain and fragile, evolving context, and given the evidence that public ownership provides the best protection for the proper accountability, monitoring, and data collection necessary to deliver PSB aims, it would be unwise to risk privatisation of Channel 4. This is to some extent recognised in the consultation: the *'concept that TV has the opportunity to contribute to the cultural, economic and democratic life of the United Kingdom... but for reasons including market failure will not achieve this effectively without a robust regulatory framework.'*¹¹

5. The consultation bases its conclusions on Channel 4's future sustainability on its historic over-reliance on TV advertising income. However, there is evidence to show how Channel 4's very successful digital strategy aims to diversify Channel 4's income. Over 25% of its revenue in 2020 came from sources other than TV advertising¹². Its focus is on digital growth over linear ratings, reducing the corporation's reliance on linear TV advertising income with the goals to double All 4 Viewing by 2025, for

¹⁰ If Channel 4 were acquired by an owner that did have an in-house production facility, then obviously, they will be able to use it. Broadcast.

¹¹ Consult Pg 16

¹² Channel 4 Annual Financial report and statements year ended 31 December 2020, pg 7. 17% income from digital advertising, 9% from non-advertising revenue.

digital advertising to be at least 30% of total revenue by 2025 and non-advertising income to be at least 10% of total by 2025.

6. It is significant that Channel 4's digital strategy is more developed than the other commercial PSBs (ITV and C5) - both of which are privately owned.

7. Whilst the report suggests that private ownership would encourage commercial partnerships, UKCCD notes that Channel 4 has already established successful partnerships with global media companies. In many ways, apart from the strength of its production record, these have been successful particularly because Channel 4 is small enough not to pose a threat to global players which means they feel more able to work in partnership.

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?

1. It should be acknowledged that following the recommendations of Karen Bradley's report on behalf of the Conservative Party in 2017, Channel 4 has successfully shifted the centre of its operations to Leeds and intensified its interest in regional programming. It has created Creative Hubs in Glasgow and Bristol and a sales hub in Manchester. This is to be applauded.

58% of Channel 4's hours were produced in the nations and regions in 2020, representing 47% of its expenditure on first-run originated programming.¹³

2. The strength of Channel 4's commitment to training is also focussed on 'levelling up' in the sense that the skills gap is often in the regions and The Emerging Indie Fund, Indie Growth Fund and Indie Accelerator as well as the 4Skills programme take account of this. It should be noted that this commitment is in line with the dual approach at the outset of Channel 4 in the 80s which was not only to commission with a diverse innovative brief but to ensure that the skills base existed to provide it and outside the mainstream.

3. Regional programming, much of which has limited universality, is most vulnerable to the aims of a private commercially driven company not least because regional programming and regional voices will be considered more relevant to a national rather than an international audience. In addition, a private company is likely to prioritise relationships with better-established, larger producers who are mostly based in London or the south east.

¹³ Channel 4 Annual Report 2020, pg 100.

4 Should the government remove the publisher-broadcaster restriction to increase Channel 4's ability to diversify its commercial revenue streams?

1. It is the great distinction of the Conservative government of the time that the fourth channel was devised as Channel 4 rather than ITV 3. This was in recognition that to compliment the UK audience need it would be necessary to devise a funding structure for the channel that was not subject to commercial pressure.

This enabled the first director of the Channel, Jeremy Isaacs, to revolutionise the approach to programme making through the publisher-broadcaster model. It is this which has generated so much innovation and changed the nature of the broadcasting production base so that it can now sustain today's on-line players.

2. This publisher-broadcaster model has driven the UK's independent production sector. In 2019 Channel 4 spent £496m with UK external production. This was reduced in 2020 due to the pandemic but will increase again this year. This has a huge impact on the UK's audio-visual industry sector and in sustaining the freelance talents on which it depends.

3. Were the publisher-broadcaster model to be diluted or let go, although it might create more wealth for the corporate owner of Channel 4 through the access to income from IP, it would not help sustain the UK's independent audio-visual sector, nor would it encourage diversity. Channel 4 has led the way in demonstrating that sustaining diversity relies on diversifying the means and source of production.

4. With regard to the appropriation of IP, reference may be made to Netflix. Now that Netflix has poured money into high production value productions of universal appeal, it is now insisting on keeping all the rights. This weakens the independent producers that our ecology of broadcasting depends on, and since many productions may not be screened in the cinema it also undermines the cinema economy, cinema culture and the universality of exhibition for films where everyone can choose to see them in the cinema.

5 What would the economic, social and cultural costs and benefits of Channel 4 moving out of public ownership be on -

a Overall audience experience

i) It would inevitably result in less diversity, and less local production, as the investment in infrastructure would be constrained by different corporate aims, and less commercially attractive genres of content would be reduced.

It should be noted that Channel 4 currently splits its PSB remit into four aspects:¹⁴

- To champion unheard voices
- To innovate and take risks

¹⁴ Channel 4. What we do: Channel 4's remit. <https://www.channel4.com/corporate/about-4/what-we-do/channel-4sremit>

- To inspire change in the way we lead our lives
- To stand up for diversity across the UK

ii) The consultation states that one of the original reasons for creating Channel 4, to provide an alternative to the BBC and ITV, is no longer relevant because ‘choice is no longer a problem’¹⁵ since audiences have access to so much content through a combination of free to air TV, streaming and pay subscription services. UKCCD believes that choice and range of high-quality UK PSB content is still a great problem. Investment in PSB content has been declining since 2010 as BBC funding and advertising income for the commercial PSBs have both declined significantly.¹⁶ The reduction in PSB income has led to a reduction in investment¹⁷ especially in genres which are less commercially viable such as religious programming, children’s content, investigative journalism and local and regional broadcasting. Mediatique research shows this trend is likely to continue in the coming 5-10 years unless regulatory changes are instituted.¹⁸

iii) In addition, choice is affected by ‘discoverability’, a much disputed and unresolved area of cultural policy as it stands today. Likewise, the role of the algorithm in directing ‘choice’ is likely to drive audiences towards more of the same, and the most popular, instead of encouraging a broad-based approach to films, programming and news services.

iv) Channel 4’s role as a PSB provider has attracted younger and more diverse audiences, those who are considered to migrate most quickly to global on-demand platforms. These provide mostly drama and entertainment which is not culturally specific to the UK. Instead, Channel 4 has a good record of maintaining these audiences, with a far broader output. Viewing by 16-34 year olds in 2020 was 55% higher across the C4 portfolio than the corresponding all-audience share^{19,20,21} This role will be crucial for the foreseeable future.

b The Channel 4 Television Corporation

i) Although it is rarely discussed, it is crucial to the sovereignty of our broadcasting/ production sector that we maintain strong UK companies and do not sell off our prime assets to the service of global conglomerates. Channel 5, whereas it has been making some contribution to the PSB sector, remains a subsidiary of Liberty Gold whose investment plans will dominate its future, and not the interests of UK citizens.

¹⁵

¹⁶ BBC funding and advertising income down – <https://www.vlv.org.uk/news/vlv-research-shows-a-30-decline-in-bbc-public-funding-since-2010/> and PSB investment in first-run original content has fallen by 3% between 2017 and 2019 (Ofcom’s Media Nations report 2020)

¹⁷ *Communications Market Report 2020*, Ofcom, 30 September 2020, page 6

¹⁸ *Future models for the delivery of public service broadcasting*, Mediatique, December 2020, Figure 4.22

¹⁹ Consultation page 10

²⁰ Channel 4’s 16-34 audience profile is 14% –around double the 16-34 profile of BBC1 and BBC2 at 7% and significantly younger than ITV’s or Channel 5’s at 9%. 22 of the top 25 young shows on TV last year were on Channel 4. [C4 source](#)

²¹ Channel 4 News is the youngest and most diverse profiling PSB news programme reaching a vital audience during the pandemic. C4 source

ii) Broadcasting and independent production follow economic models which are fundamentally different to most commodity production and whose value is cultural regardless of the economic benefit to be derived. This is acknowledged in UNESCO's Convention on the Diversity of Cultural Expressions which the UK signed in 2008.

c Investment in the Independent Production Sector

i) There would be a reduction in sourcing. It is noteworthy that Channel 4 currently spends 70% of its income commissioning new content. Channel 5 and ITV commit a lower proportion of their revenues to new content. This is indicative of a difference in funding priorities for public and private companies.

ii) The UK's PSB sector makes an enormous contribution to training up the talent which goes on to feed our creative industries, and from which private producers and platforms benefit. Growing this base is essential to our thriving independent production sector. Since 2015, Channel 4's training and skills work has involved over 10,000 people. The publicly owned model allows Channel 4 to prioritise public priorities, such as investment in training, especially for young people from socio-economically disadvantaged backgrounds

d Investment in the Independent Film Sector

i) The growth of our independent film sector has depended on Channel 4's pioneering strategies of production and distribution. Even so there is much more that could be done to maximise the participation of PSB in enabling independent producers to put together a budget.

ii) Privatisation with its attendant commercial priorities would be likely to reduce UK specific commissions in favour of more generic content directed towards international audiences. 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"²².

iii) Channel 4 has no obligation to return a profit so it can focus on commissioning original, distinctive content and low-to middle budget productions in order to build its portfolio. It spends more on British film than any other UK broadcaster, investing £35-30m a year across a portfolio of films, 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".²³

iv) There has always been an important distinction to be made with regard to UK performance in the film industry between inward investment production, reliant on US subsidiaries and bolstered by the large franchises, such as Bond, and independent production which depends on very different and multiple financial sources including

²² (Channel 4 2021).

²³ Channel 4 2021 [Film4 FAQs](#)

co-production, traditionally with Europe, and investment from the PSB film companies. This business model, to which Channel 4 has greatly contributed, has incubated distinctive, local talent and built our reputation for successful films, and series, reflecting our national culture.

iii) Channel 4 Films, and BBC Films, form a successful part of a controlled environment, whilst those streaming/subscription companies which have become dominant – Netflix, Amazon, Disney –are increasingly imposing their own business models. These undermine independent production in retaining all IP rights. Effectively they act as gatekeepers as to what can and cannot be seen. These companies offer no data transparency for authors/producers to keep in touch with audiences, or for company practices to be monitored.

e The TV advertising market

f Investment in the creative industries sector more widely

i) Without Channel 4's commitment to a wide range of production companies – small and large, based in the South East and in the regions, representing minorities etc – there would be a less varied and thriving creative industry sector.

ii) Privatisation could also lead to a reduction in investment in skills and training in the creative sector. This commitment would need to be made compulsory for any private companies to provide the same level of development.

g Competition Channel 4 and other PSB and non-PSB channels

i) Channel 4 is part of an evolving ecology of PSB and has developed in reaction to and with inspiration from, its competitors, BBC, ITV, C5. The BBC and Channel 4 are internationally recognised for their outstanding productions, and their current and past performance function to maintain the high standard UK audiences have come to expect.

ii) 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 the broadcasting market has become more competitive all the PSBs have had to work harder to maintain their share. Privatisation will only increase this competition. Privatisation will only force Channel 4 to become more commercial, undermining its distinctiveness.

iii) Audiences are best served when different channels and platforms compete on the basis of quality, rather than how much money they generate. Although PSB channels are unlikely to match the high value production spend of the private companies in drama and film, they have a track record of success with distinctive creative talent in award-winning series such as *It's a Sin*.

iv) Channel 4 will continue to invest in truly independent news programming, with resources spread across the regions, and has invested significantly in investigative

journalism. Neither of these areas are currently well served by the channel's private competitors.

h The regions and nations of the UK

i) Since privatisation will impose different corporate loyalties, to shareholder rather than citizen, it is likely that a privatised Channel 4 would orientate less to the regions and more to the companies based in the South East which are more abundant and whose track records are pre-eminent.

ii) UKCCD would recall the words of Karen Bradley, former Secretary of State for the Department of Culture, Media and Sport: *'We may not have called it "levelling up" then, but that's exactly what it was, and I'm delighted to see that Channel 4 has supercharged those plans with a new HQ in Leeds, and regional sales and creative hubs in Manchester, Glasgow and Bristol. By the end of this year about 400 of its workforce will be based in the nations and regions of the UK.'*²⁴

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²⁴ Karen Bradley *Channel Four means more to British people than an empty sell-off*. The Times, July 21 2021