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Communications and Digital Committee

2nd Report of Session 2021–22

The future of Channel 4

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See Appendix 1.

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Q in footnotes refers to a question in oral evidence.

SUMMARY

Channel 4 has been one of the UK's public service broadcasters since 1982. In addition to Channel 4, Channel 4 Corporation (C4C) now operates a portfolio of channels: E4, More4, Film4 and 4seven, as well as All 4, its on-demand service. It is state-owned and commercially funded.

In July 2021, the Government launched a consultation on privatising C4C and stated that privatisation was its preferred option. This was not the right approach. The Government should have set out its vision for the future of public service broadcasting as a whole before examining what place Channel 4 should have in that ecosystem, and which business model it needs to realise that role. What kind of content public service broadcasters should produce, for what audiences and in what markets are crucial questions that must be answered before a decision is made about the ownership of C4C.

C4C relies almost entirely on advertising revenue because it is a publisher-broadcaster and does not produce its own programmes. This business model is designed to guarantee investment in the independent production sector. C4C's size and agility have benefits, and it has moved to digital content distribution faster than many rivals. However, the unique business model also poses challenges to C4C's future. C4C lacks the intellectual property, access to capital, opportunities to diversify revenues and to consolidate with others which privately owned public service broadcasters enjoy.

We are not convinced either by those who claim that privatisation is an urgent necessity or by those who warn that it would be a catastrophe for viewers and independent producers. Rather, the risks and opportunities of privatisation must be weighed against the risks and opportunities of continued state ownership. This will depend in part on how willing the Government is to protect C4C's public service remit and contribution to the creative industries as part of any sale. We also recommend that, regardless of ownership, Channel 4's role in supporting small, medium, diverse and regional production companies should be strengthened, while ensuring that the interests of large, established production companies do not take precedence over the Corporation's sustainability.

We welcome the Government's and C4C's sincerity in seeking the strongest future for the brand. However, the board of C4C should be open to all possibilities for achieving this: including privatisation. Likewise, it would be remiss for the Government not to consider possible reforms which might make C4C more sustainable without a change of ownership.

The debate on C4C's ownership has been a binary one: between privatisation and the status quo. It should instead start by establishing our ambitions for C4C, before considering how best they can be realised.

The future of Channel 4

CHAPTER 1: CHANNEL 4 IN THE PUBLIC SERVICE BROADCASTING LANDSCAPE

1. Public service broadcasters (PSBs) have long been central to the consumption and production of TV programmes in the UK. They include the BBC, ITV, Channel 4 and Channel 5, which operate throughout the UK, and STV, S4C and UTV, which operate in Scotland, Wales and Northern Ireland respectively. PSBs are defined by six characteristics: to be high-quality, original, innovative, challenging, widely available and distinctive.¹
2. Channel 4 Corporation (C4C) has been a state-owned, commercially funded public service broadcaster since 1982. It operates a portfolio of channels in addition to its main channel: E4, More4, Film4 and 4seven. Programmes are available online through its video-on-demand service, All 4.
3. On 6 July 2021, the Government launched a consultation on privatising C4C. The consultation paper stated that privatisation was currently the Government's preferred option.² The consultation closed on 14 September and the Government is now considering the responses.
4. In 2016, when privatisation was last considered, our predecessor committee concluded that the risks of privatisation, both for C4C and for the creative industries, outweighed any potential benefits.³
5. As we discussed in *Public service broadcasting: as vital as ever*, the landscape in which PSBs operate is rapidly changing. They face growing competition, both for viewers and for production crews, from subscription video-on-demand services (SVODs) such as Netflix and Amazon.⁴ Since we produced our report in November 2019, there has been further significant change. Young people aged 16–24 now spend more than twice as much time watching SVODs and YouTube each day (163 minutes) as watching live TV, recorded TV and broadcaster video-on-demand services combined (78 minutes).⁵
6. In November 2020, the Government set up an advisory panel to make recommendations on the future of public service broadcasting. The panel had met five times as of 12 October 2021. The Government has consulted on the regulation of video-on-demand platforms and Ofcom made a series of

1 Ofcom, 'Public service broadcasting in the digital age' (8 March 2018), p 3: https://www.ofcom.org.uk/_data/assets/pdf_file/0026/111896/Public-service-broadcasting-in-the-digital-age.pdf [accessed 9 November 2021]

2 Department for Digital, Culture, Media and Sport, *Consultation on a potential change of ownership of Channel 4 Television Corporation* (6 July 2021): <https://www.gov.uk/government/consultations/consultation-on-a-change-of-ownership-of-channel-4-television-corporation/consultation-on-a-potential-change-of-ownership-of-channel-4-television-corporation> [accessed 9 November 2021]

3 Communications Committee, *A privatised future for Channel 4?* (1st Report, Session 2016–17, HL Paper 17)

4 Communications and Digital Committee, *Public service broadcasting: as vital as ever* (1st Report, Session 2019, HL Paper 16)

5 Ofcom, *Media Nations 2021: Interactive report* (5 August 2021): <https://www.ofcom.org.uk/research-and-data/tv-radio-and-on-demand/media-nations-reports/media-nations-2021/interactive-report> [accessed 9 November 2021]

recommendations to the Government on the future of public service media on 15 July 2021.⁶ These recommendations include:

- Modernising the objectives for public service media
- Legislating to mandate prominence for public service broadcasters' on-demand services on TV platforms
- Updating rules on commissioning programmes from independent producers
- Introducing flexibility to allow additional providers to deliver formally recognised public service media and examining the case for new fiscal incentives.⁷

7. In June 2021, Enders Analysis warned: “Singling out Channel 4 for special treatment, without an overarching vision for reforming the UK public service broadcasting landscape in this period of rapid change, is foolhardy and shows a lack of appreciation as to the interdependence of the constituent parts.”⁸
8. Robert Specterman-Green, Director, Media and Creative Industries at the Department for Digital, Culture, Media and Sport, told us that the Government will set out its position on the ownership of C4C as part of a statement of its view of the future of public service broadcasting in a White Paper.⁹
9. **The Government should not have consulted on the future of C4C—and stated that privatisation was its preferred option—before explaining its proposals for the future of public service broadcasting. Although we welcome the Government’s commitment to set out its position on these issues in a White Paper, it is difficult to reach a conclusive view on the ownership of C4C without understanding the future public service broadcasting landscape of which it would be a part. Instead, this report analyses challenges and opportunities which must be central to any final decision.**

6 [Q 63](#) (Robert Specterman-Green)

7 Ofcom, *Small Screen: Big Debate* (15 July 2021), p 6: https://www.smallscreenbigdebate.co.uk/_data/assets/pdf_file/0023/221954/statement-future-of-public-service-media.pdf [accessed 9 November 2021]

8 Enders Analysis, ‘Channel 4 Privatisation, here we go again’ (22 June 2021): <https://www.endersanalysis.com/reports/channel-4-privatisation-here-we-go-again> [accessed 9 November 2021]

9 [Q 65](#)

CHAPTER 2: C4C'S BUSINESS MODEL

10. C4C operates in a rapidly changing and competitive international market. Throughout our inquiry, witnesses identified the same threats to C4C's sustainability: viewers migrating to digital services, declining linear (traditional broadcast) TV advertising revenue and increased competition—from subscription video on demand services (SVODs) such as Netflix and Amazon Prime, and from newly consolidated entities (such as Sky, acquired by Comcast, and 21st Century Fox, acquired by Disney).
11. C4C and the Government agreed that the key objective for all parties in the discussion of C4C's future is its flourishing. Alex Mahon, CEO of C4C, told us, "Where there is definitely a shared objective, of everyone, if I can search for one, it is making Channel 4 stronger. That is definitely shared by us and the Government."¹⁰ Julia Lopez, Minister of State at the Department for Digital, Culture, Media and Sport, agreed, stating that her interest "is the sustainability of a channel that the public values, that I value as a Minister, that has an important role in the public service broadcasting landscape and that we want to see thrive."¹¹
12. However, we found a lack of consensus among witnesses on the level of risk C4C faces.

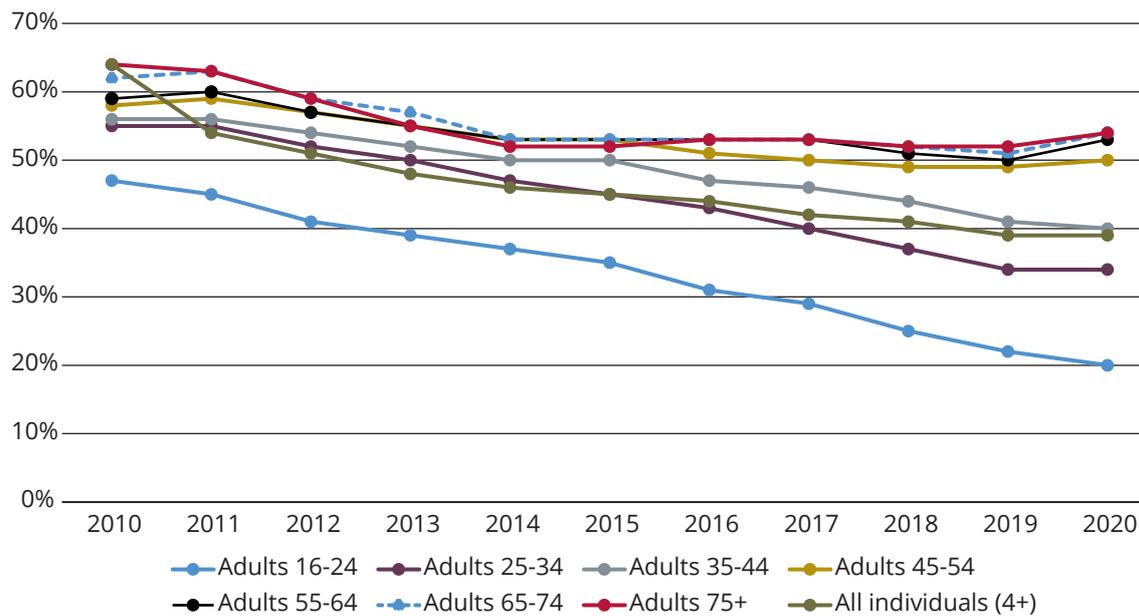
Sustainability

13. C4C's business model depends on advertising, which constitutes 90 per cent of its total revenue. Traditionally, this has been based on linear TV advertising, but linear TV viewership and revenues are in long-term decline. Ebiquity has forecast that an advert broadcast on linear television in 2022 will be seen by 14.4 per cent fewer people than one broadcast in 2018. Forecasted declines for the period 2018 to 2022 are most pronounced in the 16–17-year-old (60.9 per cent), 18–24-year-old (48.4 per cent) and 25–34-year-old (45.3 per cent) age groups, on which C4C focuses.¹²
14. Figure 1 shows how the percentage of adults viewing at least 15 minutes of Channel 4 on linear television in an average week has declined. The sharpest decline is among 16–24-year-olds: whereas 47 per cent watched 15 minutes of Channel 4 in an average week in 2010, only 20 per cent did in 2020 despite a slowing in the decline due to lockdowns.

10 [Q 54](#)

11 [Q 62](#)

12 Ebiquity, 'Mind the Gap' (February 2020), p 5: <https://ebiquity.com/research/ebiquity-report-mind-the-gap/>

Figure 1: Average Channel 4 weekly reach, 15 minutes

Source: Ofcom, 'Media Nations 2021 interactive report' (5 August 2021): <https://www.ofcom.org.uk/research-and-data/tv-radio-and-on-demand/media-nations-reports/media-nations-2021/interactive-report> [accessed 15 November 2021]

15. In February 2019, Ebiquity found that due to declining viewing among young people it is now much more expensive to run an advertising campaign which will reach them. The cost of running a TV advertising campaign seen by half of 16–34-year-olds had increased from £560,000 in 2013 to £1.07 million in 2018. The company forecast that this would rise to £2.6 million in 2022.¹³ However, the actual figure may be higher as TV viewing among younger people fell more sharply than Ebiquity had forecast in 2019.
16. To compensate for the decline in linear advertising revenue, C4C has made significant progress in transitioning its viewers to digital viewership. A higher proportion of C4C's viewing takes place on its VOD service than ITV; in 2020 this was 12.5 per cent for All 4 and 2.9 per cent for ITV Hub.¹⁴ Enders Analysis notes that, compared with C4C, the commercially owned PSBs (ITV and Channel 5) have been "slow in streaming tech development as well as moving content exclusively online."¹⁵ In its response to the Government's consultation, C4C wrote:

"growth in digital revenues is compensating for linear challenges: Looking over the five-year period from 2017 up to and including our forecasts for 2021, we find that linear revenues have declined by only c. 2 per cent, whilst digital revenues have increased by c. 110 per cent; with overall revenues expected to be over £100 million higher in 2021 than in 2017."¹⁶

13 Ebiquity, 'TV at the Tipping Point' (February 2019), p 8: <https://www.ebiquity.com/research/ebiquity-report-tv-at-the-tipping-point/>

14 Enders Analysis, *Channel 4 privatisation: Valuation, buyers, problems*, 1 September 2021, p 5: <https://www.endersanalysis.com/reports/channel-4-privatisation-valuation-buyers-problems>

15 Enders Analysis, *Channel 4 privatisation: Valuation, buyers, problems*, p 6

16 Channel 4, *A potential change of ownership of Channel Four Television Corporation*, Channel 4 response to DCMS consultation (September 2021), p 17: [https://assets-corporate.channel4.com/flysystem/s3/2021-09/September 2021 - Channel 4 response to DCMS consultation - FINAL.%28accessible%29.pdf](https://assets-corporate.channel4.com/flysystem/s3/2021-09/September%2021-Channel%204%20response%20to%20DCMS%20consultation-FINAL-%28accessible%29.pdf) [accessed 15 November 2021]

17. Table 1 shows C4C's financial results from 2016 to 2020:

Table 1: C4C financial results (£ million)

	2016	2017	2018	2019	2020
Group revenue	995	960	975	985	934
Linear advertising revenue	844	785	774	767	689
Digital advertising revenue	84	100	120	145	161
Non-advertising revenue	67	75	81	73	84
Sales house net advertising revenue	1,056	1,002	994	950	NR
Sales house total	1,203	1,166	1,183	1,161	1,047
Operating surplus/deficit	-18	-25	8	-27	71
Surplus/deficit before tax	-15	-17	5	-26	74

Source: Enders Analysis, *Channel 4 privatisation: Here we go again* (22 June 2021)

18. These figures show an 18 per cent decline in linear advertising revenue and a 91 per cent increase in digital advertising revenue from 2016 to 2020, amounting to an 8 per cent decline in advertising revenue before adjusting for inflation.
19. In order for the period 2017–21 to show a linear advertising revenue percentage decline of 2 per as C4C forecasts, linear advertising revenue in 2021 would need to be c. £769 million. For digital advertising revenue to increase by 110 per cent in the same period, as C4C predicts, such revenue in 2021 would need to be c. £210 million, an increase of 30 per cent from 2020. Alex Mahon told us that C4C's "digital business" grew 30 per cent in 2020, but this refers to digital viewing, not digital revenues.¹⁷ The figures above show an increase in digital advertising revenue from 2019 to 2020 of only 11 per cent, and from 2018 to 2019 of 21 per cent. This leaves unanswered questions about C4C's forecasts for 2021.
20. C4C was praised by several witnesses for its resilience throughout the pandemic and its strong financial results for 2020. In 2020, total revenues were down 5 per cent year-on-year, despite being the broadcaster most exposed to a downturn in the advertising market and suffering a 50 per cent fall in linear advertising revenues at the height of the pandemic in April and May 2020.¹⁸ However, the exceptional circumstances under which these results were achieved make them an unreliable indicator of C4C's future financial health. C4C cut content spending by 21 per cent, which Enders Analysis described as "in no way sustainable given the explosion in programming spends of the streaming services."¹⁹

17 Supplementary written evidence from C4C (FCF0052)

18 Written evidence from Enders Analysis (FCF0050)

19 *Ibid.*

21. We were surprised that in both written and oral evidence, when C4C were asked to describe any potential benefits to privatisation alongside potential risks, C4C described only risks, such as the possibility of its public service remit and investment in content being eroded under a private owner.²⁰ Alex Mahon told us that in response to the Government’s consultation C4C “tried to be very factual, rather than theoretical on what other options could be.”²¹
22. C4C faces intensifying competition. Although 41 per cent of people told Ofcom in Q1 2021 that they used All 4—and 2 per cent subscribed to All 4+—viewing of broadcaster video-on-demand (BVOD) services is low. Overall viewing increased over lockdown. However, total viewing of BVOD services remained 11–12 minutes per person per day from 2019 to 2020 among both 16–34-year-olds and the general population. This compares unfavourably with growth in viewing of subscription video on demand (SVOD) services such as Amazon Prime and Netflix. Viewing of such services rose from 34 minutes a day in 2019 to 65 minutes in 2020 among the general population. Among 16–34-year-olds, it rose from 65 to 91 minutes.²²
23. Part of the challenge of determining C4C’s sustainability in the face of competition is the lack of detailed viewership data available for direct comparison. While Ofcom assesses overall BVOD viewing minutes per age group, and is able to detail this for BBC iPlayer, Netflix and Amazon, it told us that it is not able to do the same for All 4 because it does not receive the relevant figures from C4C. Ofcom told us it is “working with [C4C] to agree what All 4 data would be suitable for publication in the future.”²³ Enders Analysis has noted: “the Corporation should be proactive and instigate some evolution here to better reflect its performance within the entire viewing landscape ... This may well provide some sobering reading but would provide a more accurate assessment on where Channel 4 is positioned.”²⁴
24. C4C told us that All 4 has been watched for an average of 168 million viewer-minutes per day in 2021, with 76 million viewer-minutes per day for 16–34 year olds.²⁵ This suggests that the average UK adult watches All 4 for between 2 and 3 minutes a day, rising to between 4 and 5 minutes for 16–34 year olds.²⁶ In 2020 the average 16–24-year-old watched Channel 4 on linear TV for 4 minutes a day, compared with 13 minutes in 2010. Viewership among 25–34-year-olds and all individuals (ages 4+) also fell in this period, from 16 to 8 minutes and 15 to 10 minutes respectively.²⁷ All 4 viewing does not appear to have compensated for this decline.

20 Q 51 and written evidence from C4C (FCF0043)

21 Q 55

22 Ofcom, *Media Nations 2021* (5 August 2021), p 16: https://www.ofcom.org.uk/_data/assets/pdf_file/0023/222890/media-nations-report-2021.pdf [accessed 25 October 2021]

23 Further supplementary written evidence from Ofcom (FCF0049)

24 Enders Analysis, *Channel 4 privatisation: here we go again*, p 15

25 Supplementary written evidence from C4C (FCF0052)

26 Office for National Statistics, *Annual Population Survey* (29 December 2020): <https://www.ons.gov.uk/file?uri=/peoplepopulationandcommunity/populationandmigration/populationestimates/adhocs/> accessed 15 November 2021]

27 Ofcom, *Media Nations 2021 interactive report*

25. Enders Analysis thought that privatisation could significantly improve C4C's BVOD performance:
- “Given the likely buyer will be a large international media company with a significant content library, another major benefit of privatisation could be All 4 becoming a much more formidable competitor to BBC iPlayer and AVOD [ad-based video-on-demand] services”²⁸
26. Dr Helen Weeds, former Chief Economist at Ofcom, and Mark Oliver, co-founder and Chair of Oliver & Ohlbaum Associates, suggested that under C4C's current business model, net growth in its revenue will likely remain flat in the long term. Mark Oliver told us that “whereas digital media and the platforms have more than decimated the press, they have really left TV as a flat growth sector, with a bit of nominal growth and probably not much real growth for the last five to eight years in most developed markets.”²⁹
27. The greatest risk the advertising market poses to C4C's sustainability is likely not, as the Government suggests in its consultation, the potential volatility of “market shocks”.³⁰ C4C has highlighted its resilience in navigating short-term crises such as 2020's pandemic-induced advertising downturn. Rather than a sudden “precipitous financial crisis”, Mark Oliver argued that the greater risk was that, in an era of rising production costs and international competition, flat net growth could put gradually increasing pressure on C4C's budgets: “it might have to cut its cloth a bit more to what it can afford and that might start to erode the delivery of the remit, although not necessarily, because you can deliver the remit in cheap and cheerful ways.”³¹
28. Production costs continue to escalate in the UK, a trend we highlighted in *Public Service Broadcasting: as vital as ever*. Across high-end television, the average spent on purely domestic productions has remained well under £2 million per hour, whilst the budget for shows with international investment is now almost £6 million per hour.³²
29. Kevin Bakhurst of Ofcom told us that C4C may not be able to compete with Netflix's budgets in producing shows such as *The Crown*, but “there are long-running dramas such as *Hollyoaks*, which the audiences really value and are still watched by significant numbers. There is much less competition in those areas. You can choose to invest in other genres if you are getting priced out.”³³
30. Other witnesses, such as Lord Grade of Yarmouth, former CEO of C4C, and Luke Johnson, former Chair of C4C, argued that allowing C4C to be priced out of certain areas would amount to letting it fall into relative decline. Luke Johnson termed the status quo “benign neglect”, arguing that C4C “is becoming, in a much more diverse, complex and competitive

28 Written evidence from Enders Analysis ([FCF0050](#))

29 [Q 34](#)

30 Department for Digital, Culture, Media and Sport, *Consultation on a potential change of ownership of Channel 4 Television Corporation* (July 2021): <https://www.gov.uk/government/consultations/consultation-on-a-change-of-ownership-of-channel-4-television-corporation/consultation-on-a-potential-change-of-ownership-of-channel-4-television-corporation> [accessed 25 October 2021]

31 [Q 34](#)

32 British Screen Forum, ‘High-end Television Drama Investment: An Update’ (April 2021): <https://britishscreenforum.co.uk/wp-content/uploads/2021/04/British-Screen-Forum-High-end-Television-Drama-An-Update.pdf> [accessed 25 October 2021] p 8

33 [Q 25](#)

media landscape, gradually more and more irrelevant. At some point, the momentum will slow and you get into a vicious spiral.”³⁴

31. Although the market is changing rapidly, Alex Mahon told us that the question of ownership is raised with a frequency and ad hoc approach that is destabilising for C4C:

“We created a very good strategy for changing the structure of the organisation and moving a significant number of personnel to the nations and regions, really shifting our focus in terms of what we are doing. We are part way through that plan... It worries me that the carpet would get ripped from underneath that when we have barely started.”³⁵

32. **When asked about the potential benefits of privatisation, C4C’s response listed only potential disadvantages. We would have been more reassured to see C4C, as a publicly owned corporation, openly demonstrate that the potential benefits of privatisation had been considered by its board, and judged to be outweighed by the risks.**
33. *If C4C remains in public ownership, we recommend that its board be required periodically to publish analysis of the sustainability of C4C’s business model. As part of this process, C4C would be expected to notify the Government of potentially significant threats to its sustainability, at which point the Government might choose to launch a review of C4C’s ownership. If the Government wishes to launch such a review without this notification from C4C, it should first be required reasonably to demonstrate the scale of the threat to C4C’s business model. The Government should remain circumspect about reviewing C4C’s ownership, mindful of the disruption this may cause the Corporation in fulfilling its remit and purpose.*
34. **Enhanced measurement and transparency of All 4 viewing would lead to greater confidence in the sustainability of C4C’s business model and enable a more detailed assessment of the competitiveness of the UK broadcasting sector. Ofcom should be able to compare the performance of publicly owned public service broadcasters’ video-demand services.**
35. *Improved monitoring and assessment of viewing data is a priority and we recommend C4C and Ofcom resolve the lack of standardised data as quickly as possible.*

Alternative revenue streams

36. Throughout our inquiry, witnesses have suggested that the crucial question is not just whether C4C is sustainable in its current form, but what vision of its future should be adopted—what scale it should operate at, and in what markets.
37. Claire Enders, founder of Enders Analysis, told us that C4C was “demonstrably sustainable”, and that there was no urgent case for a change in its model. However, she outlined a vision for C4C “of much greater ambition

34 [Q 48](#)

35 [Q 56](#)

than sustainability”, whereby private investment would enable it to compete and champion British content on an international scale.³⁶

38. In its consultation, the Government outlined several potential benefits to privatisation:

- Improved and sustained access to capital
- The ability to take advantage of strategic partnerships and acquisition opportunities
- The ability to expand into international markets
- The ability to invest more heavily in an agile manner to ‘future-proof’ its business model
- The ability to diversify its revenue sources.³⁷

39. C4C is already seeking to diversify its revenues, as outlined in its Future 4 Strategy:

- The Expansion of 4Studio (its Leeds-based digital content agency, established in 2020)
- Launching the Global Format Fund (a £30 million fund to invest in new British-created and produced content formats that have global potential, with all net receipts from producer exploitation shared equally between the producer and C4C)
- Scaling existing venture funds: the Indie growth Fund (which launched in 2014 to provide funding to UK-based indies and has since made 25 investments with 16 companies in the portfolio) and Channel 4 Ventures (which offers high-growth brands TV advertising in exchange for an equity stake in the business)
- Enhanced digital distribution partnerships (forging new arrangements alongside existing deals such as with Sky to broadcast Formula 1 and with Amazon to show the US Women’s Open final)³⁸

40. Enabling C4C to invest in intellectual property ownership would enhance its market power and enable it to expand further into international markets. Under the Terms of Trade—rules to protect independent production companies established by the Communications Act 2003 and negotiated between Pact (Producers Alliance for Cinema and Television) and the PSBs—C4C cannot make acquiring the secondary and international rights a precondition of buying the primary (first-run) rights to a programme. If they wish, independent production companies can therefore negotiate a better deal for secondary and international distribution with another broadcaster or SVOD. As a ‘publisher–broadcaster’, all C4C’s content spending must

36 Q 38

37 Department for Digital, Culture, Media and Sport, *Consultation on a potential change of ownership of Channel 4 Television Corporation* (July 2021): <https://www.gov.uk/government/consultations/consultation-on-a-change-of-ownership-of-channel-4-television-corporation/consultation-on-a-potential-change-of-ownership-of-channel-4-television-corporation> [accessed 25 October 2021]

38 Channel 4, *Future4 Strategy* (November 2020): https://assets-corporate.channel4.com/_flysystem/s3/2020-11/Future4%20-%20External%20flyer%20-%20FINAL%20%28Accessible%29.pdf [accessed 29 October 2021]

be invested in independent suppliers. C4C therefore lacks the long-term revenue from intellectual property which Netflix, Sky and others enjoy.

Box 1: Terms of Trade

The Terms of Trade are codes of practice adopted by public service broadcasters, regulated by Ofcom under the Communications Act 2003.

The Terms of Trade give independent producers control over the ‘secondary rights’ to their content, and thus the ability to monetise content they have produced in international markets.

Ofcom is required under Section 285 of the Communications Act to issue and maintain guidance to PSBs in drawing up their Codes of Practice for commissioning from independent producers. These arrangements apply to external commissions made by the main UK PSB channels (BBC1, ITV, Channel 4 and Channel 5) and the digital channels operated by the BBC and Channel 4 of programming from independent producers (companies that are wholly independent of, or up to 25 per cent owned by, broadcasters providing a service aimed primarily at the UK). Separate Terms of Trade arrangements are agreed between each of the PSBs and Pact (Producers Alliance for Cinema and Television) on behalf of qualifying independents.

Part or whole ownership (over a 25 per cent threshold) by a broadcaster providing a service aimed primarily at the UK removes production companies from regulatory protection under the Communications Act 2003 and their status as qualifying independents under the Terms of Trade.

Prior to the introduction of the Terms of Trade, which came into force in 2004, the independent production sector was highly fragmented and was highly dependent on the main PSB network groups. There was little scope for independent production companies to negotiate on production fees or take strong positions in rights against which to build up an asset base. The independent production sector has grown since the introduction of the Terms of Trade, with revenues rising from £1.5 billion in 2004 to £3.3 billion in 2019 (the disruption of the pandemic led to a decline in revenue for the first time since 2016, reaching £2.9 billion).

The majority of the UK’s independent production sector is represented by Pact, which has 629 members of varying sizes. Data provided by Pact show that 575 of these members (91 per cent) have a turnover of under £5 million. John McVay OBE, Chief Executive of Pact, told us that “there is only one Pact member company whose turnover exceeds £350 million and does not benefit from any of the interventions or regulation introduced by successive UK Government’s to support the growth of UK SMEs.” However, Pact’s data indicate that there are three Pact member companies whose turnover exceeds £350 million, implying that there are two independent production companies with revenues of over £350 million who continue to benefit from Terms of Trade provisions.

Sources: Ofcom, *Guidance for Public Service Broadcasters in drawing up Codes of Practice for commissioning from independent producers*, https://www.ofcom.org.uk/data/assets/pdf_file/0022/87052/statement.pdf [accessed 15 November 2021], Ofcom, *Small Screen: Big Debate—a five-year review of Public Service Broadcasting (2014–18)*: https://www.ofcom.org.uk/data/assets/pdf_file/0013/192100/psb-five-year-review.pdf [accessed 15 November 2021], O&O Associates, *Pact 2021 Census and Supplementary written evidence from John McVay (FCF0054)*

41. Changing the Terms of Trade, such as by placing a cap on the turnover of eligible producers, would enable C4C to negotiate for long-term intellectual rights of the content it commissions and therefore form profitable

international content partnerships. Claire Enders told us: “The shape of global IP exploitation has changed beyond measure because of the global streaming businesses ... There is a huge impetus on ownership of IP, which is manifest in the rising share prices of companies that exploit it successfully in digital at scale.”³⁹

42. If C4C were able to develop in-house production capacity, this could help to diversify its revenues. BBC Studios and ITV Studios can produce programmes both for the BBC and ITV respectively and for other broadcasters, in the UK and abroad. ITV Studios has helped to insulate ITV from the advertising market, generating 42 per cent of the company’s revenues in 2020. If C4C were privatised, Mark Oliver told us that relaxing publisher-broadcaster model would almost certainly be a condition of sale: “ If Channel 4 is not allowed to own production, it becomes a poison pill to a new owner, so I suspect something will have to change.”⁴⁰
43. In *Public Service Broadcasting: as vital as ever*, we recommended that Ofcom should consider whether the Terms of Trade unfairly disadvantage public service broadcasters in a competitive market. The Terms of Trade were originally introduced to protect independent production companies from the dominance of public service broadcasters, but the sector has since matured significantly. We consider the impact of reviewing the Terms of Trade on the independent production sector in Chapter 3.
44. There is a potential alternative for the Government to investigate—neither privatisation nor the status quo: relaxing the Terms of Trade and enabling C4C to negotiate for a greater share of intellectual property in the content it commissions, drawing on its existing capital to do so. Charles Gurassa, chair of C4C, told us:
- “We have plenty of capital. We have money that we are not using. In fact, even under the current restrictions—and there are questions about why those restrictions exist—we could borrow another £200 million on top of our £500 million assets ... We have plenty of cash. It is growing.”⁴¹
45. Kevin Bakhurst of Ofcom noted that C4C “is not totally precluded in its current licence from owning production rights. In the end, Ofcom can agree to it.”⁴²
46. **The Terms of Trade and the publisher-broadcaster model restrict C4C’s ability to derive long-term profit from commissions or from international content partnerships, outside of the rights it will retain from commissions launched through the Global Format Fund. *Given the degree of consolidation in the market, in order to uphold their original purpose of protecting small and medium-sized independent production companies, the Terms of Trade should be modified for larger companies and the publisher-broadcaster model should be relaxed. Alongside enabling C4C to retain a greater share of intellectual property rights to the content it commissions, this would also make it possible for C4C to develop its in-house production capacity. We discuss this further in Chapter 3.***

39 [Q 38](#)

40 [Q 34](#)

41 [Q 51](#)

42 [Q 25](#)

47. Enders Analysis cautioned that building a catalogue of intellectual property ownership would likely require substantial investment, as C4C would essentially need to “start from scratch” in purchasing secondary and international rights. Such a strategy could “take years to come to fruition or require much greater spend.”⁴³ It is unclear whether C4C’s existing access to investment would be sufficient to render this strategy successful.
48. Mark Oliver was also sceptical, arguing that “if [C4C] wants to do anything significant, it needs more capital.” He added that a clear benefit of privatisation would be in providing this capital, enabling C4C “to diversify across different media with its youthful brand and iconoclastic image, and possibly diversify internationally.”⁴⁴
49. Privatisation is not the only route to ensuring capital investment, however. For example, the Government could raise C4C’s borrowing limit, which is within its power. Alex Mahon told us that C4C would be in favour of investigating this.⁴⁵
50. In its response to the Government’s consultation, C4C also highlighted the range of levers the Government may consider separate to ownership, including extending PSB prominence across digital platforms, revising licence obligations and reviewing the commercial relationships between platforms and publishers through the Digital Markets Unit. C4C believes: “these measures could have a material impact on Channel 4’s successful transition to a digital-first organisation.”⁴⁶
51. In July 2019, Ofcom recommended that PSB prominence be extended across digital platforms.⁴⁷ In *Public service broadcasting: as vital as ever* we supported this, arguing that Government should introduce legislation to implement a new prominence framework in line with Ofcom’s recommendations.⁴⁸
52. Lord Burns told us that “without doubt the biggest issue for all the PSBs at the moment is prominence. It is about how you retain prominence on the new smart TVs in the way we have prominence of the normal, linear approach.”⁴⁹ Julia Lopez MP, Minister of State at the Department for Digital, Culture, Media and Sport, confirmed that prominence was a key issue the Government was considering in tandem with its consultation into the future of Channel 4.⁵⁰
53. Enders Analysis concluded in a previous report that while privatisation may enhance C4C’s access to capital, privatisation alone would not “command an improvement in market power to alleviate the existential difficulty of negotiating fair terms for access to FAANG [Facebook, Apple, Amazon, Netflix and Google] platforms, where much viewing is headed,” and that

43 Enders Analysis, *Channel 4 privatisation: Valuation, buyers, problems* (September 2021), p 3

44 [Q 34](#)

45 [Q 54](#)

46 Channel 4, *A potential change of ownership of Channel Four Television Corporation* (September 2021), p 4: <https://assets-corporate.channel4.com/flysystem/s3/2021-09/September%202021%20-%20Channel%204%20response%20to%20DCMS%20consultation%20-%20FINAL%20%28accessible%29.pdf> [accessed 15 November 2021]

47 Ofcom, ‘Review of prominence for public service broadcasting’ (July 2019), p 1: [recommendations-for-new-legislative-framework-for-psb-prominence.pdf \(ofcom.org.uk\)](#) [accessed 11 November 2021]

48 Communications and Digital Committee, *Public service broadcasting: as vital as ever* (1st Report, Session 2019, HL Paper 16), p 60

49 [Q 10](#)

50 [Q 63](#)

extending prominence was a “start” in formulating the legislation that would be necessary to ensure C4C’s sustainability alongside the other PSBs.⁵¹

54. **The potential benefits of privatisation to C4C’s sustainability are increased access to investment in programming, content partnerships and technology through access to capital. This would enable C4C to diversify its revenues, enhance its sustainability and be more ambitious internationally.**
55. **However, privatisation is not the only way in which C4C could access capital. The discussion of C4C’s future threatens to become a binary debate between privatisation or the status quo. *The Government should produce an analysis of alternatives to a change of ownership before proceeding with any sale, including a full and transparent account of projected revenues. The Government should investigate the possibility of raising C4C’s borrowing limit to give the Corporation more access to capital while still being publicly owned, and how this could be achieved.***
56. ***Regardless of the question of ownership, the Government should implement in full Ofcom’s recommendations for PSB prominence. The Government should also review licence obligations and how to ensure fair terms of access to online platforms.***

51 Enders Analysis, *Channel 4 privatisation: Valuation, buyers, problems*, p 5

CHAPTER 3: INDEPENDENT PRODUCTION COMPANIES

57. Throughout our inquiry, witnesses underscored the role of C4C in stimulating the independent production sector. Unlike other public service broadcasters, C4C has no in-house production company; it is a ‘publisher-broadcaster’ which must commission content from a range of external production companies.
58. Some witnesses argued that C4C does more to support independent producers than competitors. John McVay OBE, Chief Executive of Pact, described the publisher–broadcaster model as a “genius construct” for facilitating entrepreneurship and nurturing new talent.⁵²
59. As we argued in Chapter 2, relaxing the Terms of Trade and enabling C4C to acquire a greater share of the secondary and international rights to programming could create, as a previous report by Enders Analysis states, “a conceivable revenue boost” that would significantly reduce C4C’s dependence on the advertising market.⁵³
60. Some witnesses from the independent production sector have argued, however, that retaining IP in their productions for C4C under the Terms of Trade was crucial in enabling them to grow their own companies and contribute to the diversity and plurality of the sector. A report commissioned by Pact argues:
- “it is the right to IP ownership that allows new start-ups to access finance, grow, export, attract a buyer and inject renewed creativity into larger independents and the broadcasters’ studios, before key talent splits off to create a new start-up and begin the cycle again”.⁵⁴
61. Alex Mahon, CEO of C4C, emphasised the value of the existing system to the sector: “we keep the barriers to entry very low and we allow the big ones to make more money ... It’s a Governmental choice whether there should be the support for the small and medium businesses or there shouldn’t.”⁵⁵
62. However, several witnesses questioned the size of some companies that are included under the Terms of Trade. While intervention is designed to foster start-ups, much larger companies are also included. Lord Grade and Luke Johnson argued that C4C’s original role of stimulating independent production companies was no longer necessary, as the sector had reached maturity. Lord Grade told us:
- “[C4C] was the mother and father of the independent sector, which is one of the great success stories of the British creative industries, but it is no longer the only buyer. There are a million buyers out there for independent producers, which do not need protection.”⁵⁶
63. Between 2010 and 2020, the contribution of PSB commissions to sector revenue fell from 58 to 41 per cent, due in large part to the growth of

52 [Q 15](#)

53 Enders Analysis, *Channel 4 privatisation: Valuation, buyers, problems*, p 3

54 Oliver & Ohlbaum Associates, ‘Channel 4’s Impact on the UK’s International Competitiveness and Global Profile’ (September 2021), p 14

55 [Q 53](#)

56 [Q 43](#)

international revenue.⁵⁷ Claire Enders praised C4C's record in fostering plurality in the independent production sector but told us:

“RTL owns Fremantle, Banijay is 30 per cent owned by Vivendi ... These companies that dominate Pact are arguing to continue to have terms of trade and exemptions that they probably have not needed for a generation. I will not go to the stake to defend the interests of Endemol Shine, thank you very much.”⁵⁸

64. Luke Johnson added that C4C “negotiates with one hand tied behind its back on IP ownership” while independent producers are made “millionaires”. He also questioned the practice whereby PSBs bid against each other for existing content such as *The Great British Bake-Off*, further driving up the price of programmes in the context of already escalating production costs.⁵⁹

65. Lord Grade argued: “the minnows will become big if they are good enough”.⁶⁰ However, several witnesses indicated there is still ample reason to stimulate the smallest production companies, underscoring that the market power of the SVODs can create a ‘producer-for-hire’ relationship: “You get given a salary and that is it—take it or leave it.”⁶¹ Krish Majumdar, co-founder of Me + You productions told us that enabling small independent production companies to retain IP is crucial for the plurality of the sector:

“Off the back of *An Idiot Abroad*, I managed to set up a production company because I had a stake in the IP... Lots of people and distributors want to buy into it and support it, but we retained our independence. That is really important, because we can decide the shows that we want to do, the things that are important to us and what we want to say about this country, sell our shows internationally, and benefit from that.”⁶²

66. Enders Analysis identified the Government’s potential support for renegotiating the Terms of Trade to restore C4C’s original purpose of supporting and building start-ups and small indies. It quoted John Whittingdale, the then Minister of State for Media and Data, as saying in August 2021, “We may look at perhaps changing the remit, so it is more targeted on those [start-ups/small indies], and not on the kind of big independent production companies which are now successful, and selling programmes to every single broadcaster.”⁶³

67. ***Regardless of the question of ownership, we recommend that changes be made to the Terms of Trade for all PSBs, and the publisher–broadcaster model relaxed for C4C. Enabling C4C to invest in IP ownership would substantially enhance its financial resilience and market power in the face of global competition. The interests of large, established production companies should not take precedence over C4C’s long-term sustainability. We also recommend that C4C’s role in stimulating small, medium, diverse and regional production companies be strengthened, and that the Terms of Trade should be revised to apply to producers with a turnover under a certain cap.***

57 Oliver & Ohlbaum Associates, *PACT 2020 census*, p 3

58 [Q 39](#)

59 [Q 47](#)

60 [Q 47](#)

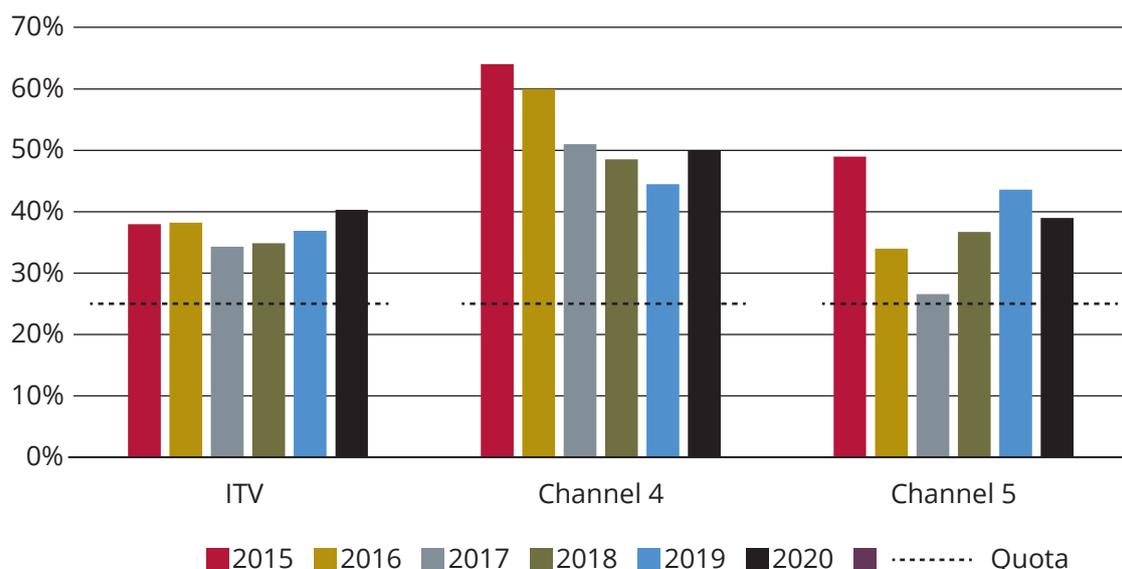
61 [Q 16](#) (Elizabeth Karlsen)

62 [Q 15](#)

63 Enders Analysis, *Channel 4 privatisation: Valuation, buyers, problems*, p 3

68. As well as operating under the Terms of Trade, all public service broadcasters have quotas enforced by Ofcom to commission original content from independent producers. Under the Communications Act 2003, ITV, Channel 4 and Channel 5 all have the same quantitative obligations to commission 25 per cent of programming hours from independent producers. All three have consistently exceeded these quotas, as figure 4 shows, with privately owned ITV and Channel 5 exceeding the quota by smaller margins than Channel 4.

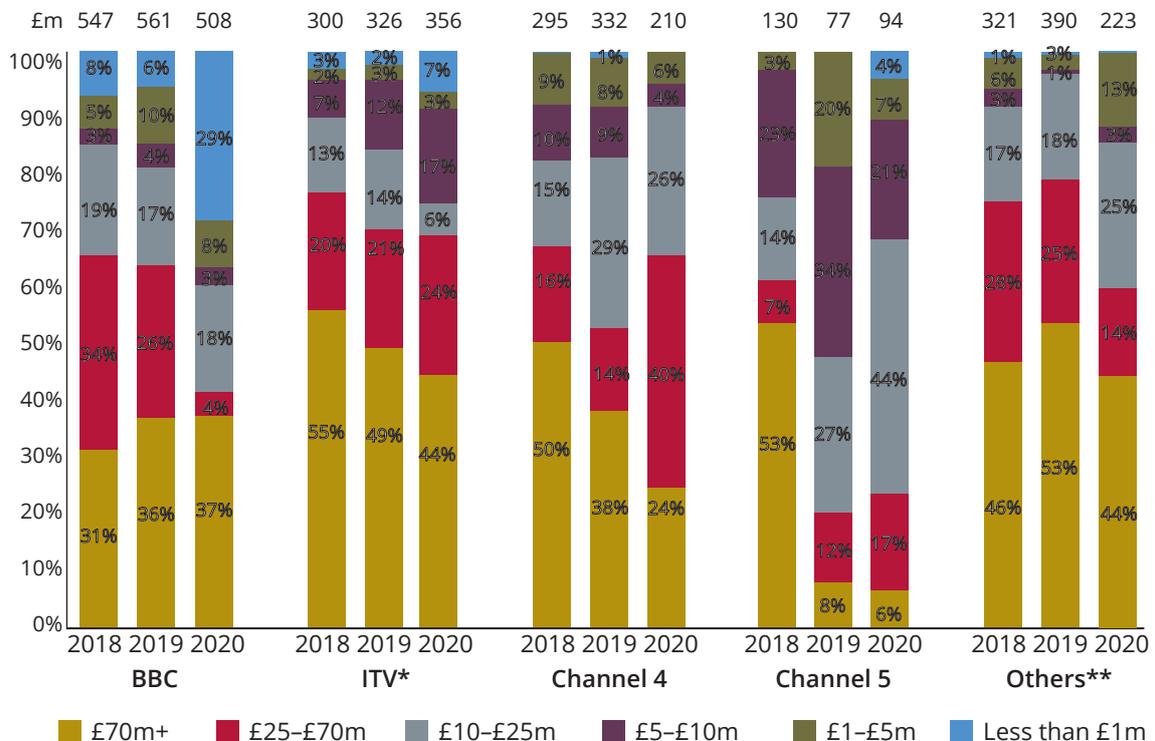
Figure 2: PSB performance against independent production quota in qualifying hours



Source: Ofcom, *Public Service Broadcasting: Annual Report 2021* (4 August 2021): <https://www.ofcom.org.uk/tv-radio-and-on-demand/information-for-industry/public-service-broadcasting/annual-report-2021> [accessed 15 November 2021]

69. Figure 3 shows the size of production company each broadcaster gave commissions to from 2018 to 2020.

Figure 3: External commissioning value by UK broadcaster split by company turnover band, 2018–20



Source: *Pact UK Television Production Census 2021, Oliver & Ohlbaum analysis (July 2021)*

Note: *Includes STV/UTV **Includes Sky and other multichannel groups

70. As Figure 3 shows, though Channel 4 spends a greater proportion of its commissioning spending on smaller production companies than ITV, it spends a smaller proportion than does Channel 5. The proportion of Channel 5's commissioning spending going to producers with a turnover of less than £5 million rose from 3 per cent in 2018 to 20 per cent in 2019. This put it ahead of the BBC (16 per cent), Channel 4 (9 per cent) and ITV (5 per cent). This suggests that private ownership does not necessarily lead to decreased investment in SME companies.

71. *The quota on commissioning programmes from independent production companies should be refocused on smaller independent production companies in order to strengthen broadcasters' role in stimulating start-ups and smaller producers.*

72. As part of its Indie Growth Fund, C4C provides funding to help small independent production companies grow their business, in exchange for a stake in the company and proceeds from the eventual sale of the company.⁶⁴ In February this year, Lightbox, one of the first companies to join the Fund when it launched in 2014, jointly agreed with C4C to buy back its shares

64 C4C, 'Indie Growth Fund': <https://origin-corporate.channel4.com/corporate/indie-growth-fund> [accessed 5 November 2021]

for an undisclosed amount.⁶⁵ As well as helping to foster the independent production sector, the Fund assists C4C in diversifying its revenues. As raised in Chapter 2, C4C has already committed to scaling up the Indie Growth Fund as part of its Future 4 Strategy. In addition, Charles Gurassa told us C4C has access to further capital it is not currently using.⁶⁶

73. ***C4C should consider investing more of the existing capital it has highlighted to us, up to its borrowing limit, in the Indie Growth Fund in order to partner with and grow more small, diverse and regional production companies. This would help foster new talent in the independent production sector, alongside helping C4C diversify its revenues.***

74. Several witnesses noted that the production sector outside London is significantly less developed. Green Dragon Media, a production company, told us that as an SME in Northern Ireland they were particularly concerned about the impact of any change to C4C, arguing that privatisation:

“would bring an end to development funding for micro indies who needed help to make their ideas commissionable. It would end the nations and regions remit and put in place a homogenized one size fits all commercial doctrine that would not benefit the local production industry nor the national audience... We can’t compete with the super indies both in terms of development spend or ease of access to the front line of commissioning.”⁶⁷

75. The TAC (Teledwyr Annibynnol Cymru), the trade association of the independent television production sector in Wales, praised C4C’s investment in the region, telling us that C4C has spent £77m in Wales over the last ten years. In contrast, the TAC expressed concern that a new private owner of C4C would be unlikely to commit to the same level of regional investment, noting that “where the type of media organisation which might purchase Channel 4 has already invested in UK production, this has tended to be in South-east England. Netflix’s production hub is in Surrey’s Shepperton Studios and Disney’s has a long-term lease for Pinewood Studios near London.”⁶⁸

76. Alex Mahon told us: “We particularly focus on the supply chain in the nations and regions ... That is how we are building up companies in Yorkshire, how we are doing it in Scotland and how we are changing the sector in all those places... The sector is not as developed, so a lot of work needs to go into how you nurture those smaller and medium businesses and how you grow them up.”⁶⁹

77. Ofcom imposes a quota for production in the nations and regions, which it defines as programmes that are made outside the M25, of 35 per cent for both Channel 4 and ITV, and 10 per cent for Channel 5 (in terms of

65 Channel 4, ‘Lightbox exits Channel 4’s Indie Growth Fund’ (4 February 2021): <https://www.channel4.com/press/news/lightbox-exits-channel-4s-indie-growth-fund> [accessed 5 November 2021]

66 Q 51

67 Written evidence from Green Dragon Media (FCF0010)

68 Written evidence from the TAC (Teledwyr Annibynnol Cymru) (FCF0034)

69 Q 53

both hours and spending).⁷⁰ Channel 4 has volunteered to increase this to 50 per cent by 2023.

Privatisation

78. Several witnesses argued that if the Government decides to proceed with privatisation it could harm the independent production sector. A report commissioned by Pact argues that if C4C were privatised and permitted to make and control its own programmes, an estimated £80 million of content spending would be lost to an in-house production arm in the first year, and after five years this would rise to £1 billion. The report also claims that this would result in an opportunity cost of £3.7 billion to the sector over a 10-year period.⁷¹
79. In a report commissioned by C4C, EY stated:
- “If the new owner of Channel 4 reduced its total spend on commissions as a proportion of revenues in line with that of ITV, but committed to 50 per cent of this lower total spend being in the Nations and Regions, we estimate that Channel 4’s contribution to GVA through its supply chain in the Nations and Regions would decrease by 18 per cent (£500m), and the number of jobs supported by Channel 4 in its supply chain each year in the Nations and Regions could decrease by 18 per cent (600 roles) compared to a scenario where Channel 4 is not privatised.”⁷²
80. As this highlights, there is no quota for the amount C4C spends on content as a proportion of its revenues. This presents a risk that a new private owner of C4C could cut overall content spending to reduce costs, while maintaining the proportions set out in quotas. The Media Reform Coalition shared this concern, citing research by Ampere Analysis suggesting that if C4C were privatised, a new owner would likely seek to increase profit margins for its shareholders by cutting its content budget by between 40 and 50 per cent.⁷³
81. The Government, however, questioned some of the assumptions underlying the EY report, which it told us were unevidenced:
- “Using Channel 4’s historical growth trends and assumptions from Channel 4’s three-year plan to forecast over a ten-year period does not answer the question about Channel 4’s long-term sustainability ... Without any consideration of a downside scenario, in which changes in the market could lead to concerns about Channel 4’s future sustainability under its current ownership and operating model, we feel the report is not a balanced piece of analysis.”⁷⁴

70 Ofcom, ‘Regional TV production and programming’, 15 February 2021: <https://www.ofcom.org.uk/tv-radio-and-on-demand/information-for-industry/tv/regional-production-programming> [accessed 3 November 2021]

71 Oliver & Ohlbaum Associates, ‘Channel 4’s Impact on the UK’s International Competitiveness and Global Profile’, September 2021, p 61

72 EY, *Assessing the impact of a change of ownership of Channel 4: An economic, social and cultural impact assessment of the impact of privatisation* (September 2021), p 5 <https://assets-corporate.channel4.com/flysystem/s3/2021-09/September%202021%20-%20EY%20-%20Assessing%20the%20impact%20of%20a%20change%20of%20ownership%20of%20Channel%204%20-%20FINAL.pdf> [accessed 22 November 2021]

73 Written evidence from the Media Reform Coalition (FCF0039)

74 Supplementary written evidence from Department for Digital, Culture, Media and Sport (FCF0051)

82. The express purpose of EY’s report is not to analyse C4C’s sustainability—rather, its purpose is to analyse the potential impact of privatisation on C4C’s economic contribution in terms of GVA and employment and its investment in the independent production sector. As such, it repeats and maintains C4C’s case that the corporation is self-evidently sustainable. In response to the Government’s criticism, EY told us that:

“Looking forward, Channel 4 expects to remain financially sustainable under its current ownership model, and our analysis is based on this expectation. The scope of our work was to consider the potential impact of different scenarios for the privatisation of Channel 4 on the UK economy, and on the creative sector in the UK more generally, it was not to conduct an assessment of Channel 4’s commercial model and financial projections.”⁷⁵

83. The report does not consider how the potential impact of privatising C4C could be mitigated by other policy actions or market changes such as increased spending by other broadcasters or content providers. EY state that they “consider this to be a wider policy consideration and not within the scope of our analysis.”⁷⁶
84. EY argue that their assumption that C4C “would behave in line with ITV and Channel 5” is reasonable “as these are comparable UK linear commercial public service broadcasters.” It defends its assumption that if privatised, C4C would reduce its commissioning costs as a percentage of total revenue to the same proportion of comparable revenues as ITV. The report also correctly states that C4C “invests significantly more in UK content than Channel 5.”⁷⁷ However, it elides the fact that though Channel 5 has a smaller overall content budget, it spends a similar proportion of its revenues on content as does C4C (C4C spent 71 per cent of its revenues on programming in 2018, while Channel 5 spent 70 per cent. ITV was much lower at 50 per cent).⁷⁸ Channel 5’s overall content budget has also increased since its acquisition by Viacom in 2014, with first-run spending up by an average of 7 per cent per year between 2014 and 2018.⁷⁹
85. Enders Analysis also questioned EY’s conclusions, arguing that “historically when broadcasters have changed hands in this country there has been a significant uptick in investment.”⁸⁰ Enders added:

“A new entity will have a significantly larger budget to bring to bear on the UK’s creative ecosystem, allowing much more substantial investment ... In terms of bringing new and original programming to the viewer, it is clear that Channel 4 is doing less, whilst Channel 5 has increasingly performed the reverse, galvanised by the superior resources the parent can bring to bear”.⁸¹

75 Written evidence from Ernst & Young ([FCF0053](#))

76 *Ibid.*

77 Written evidence from Enders Analysis ([FCF0050](#))

78 Ofcom, *Small Screen: Big Debate—a five-year review of Public Service Broadcasting (2014–18)*, 27 February 2020, p 42: https://www.ofcom.org.uk/data/assets/pdf_file/0013/192100/psb-five-year-review.pdf [accessed 15 November 2021]

79 Ofcom, *Small Screen: Big Debate—a five-year review of Public Service Broadcasting (2014–18)*, 27 February 2020, p 35: https://www.ofcom.org.uk/data/assets/pdf_file/0013/192100/psb-five-year-review.pdf [accessed 15 November 2021]

80 Written evidence from Enders Analysis ([FCF0050](#))

81 *Ibid.*

86. Taken together, EY and Enders Analysis’ evidence indicates that it is hard to conclude with any certainty whether privatisation would necessarily lead to an increase or decrease in C4C’s investment in content as a proportion of its revenues.
87. Claire Enders had seen “no resistance” from potential buyers to the idea of enhanced quotas, such as an increase in independent production quotas closer to C4C’s actual expenditure. In the event of a sale, she told us: “the Government can and should—and will, I am sure, after speaking to Ofcom—specify that Channel 4 will continue to trade with small companies and in the nations and regions.”⁸²
88. ***We recommend that regardless of ownership C4C’s voluntary higher quota for production in the nations and regions be codified in legislation and enforced by Ofcom.***

Skills and training

89. Alex Mahon referred to the investment C4C makes in training, tripling their existing commitment to training 15,000 young people in the industry each year.⁸³ Krish Majumdar argued that C4C made unique contributions not just to training but to increasing the diversity of the industry: “It has the Alpha Fund, which looked at minority-led companies and gave them money to do research and development. That money was easier to access than at any other broadcaster.”⁸⁴
90. Enders Analysis cautioned: “Channel 4’s various apprenticeship schemes, youth outreach programmes and production traineeships are certainly valuable, but it would be very difficult to draft prescriptive guidance that would guarantee a similar or better outcome under a different owner.”⁸⁵
91. ScreenSkills cited C4C’s contributions to skills and training, including through its “pivotal” role as a founding partner with the BBC of the ScreenSkills Unscripted TV Skills Fund.⁸⁶ However, it noted that privately owned networks including Sky, A+E Networks UK, Discovery UK and Channel 5 are now signatories to the fund, and “would not suggest that a commitment to training and skills is limited to those without a profit motive.”⁸⁷
92. ScreenSkills highlighted potential alternative sources of funding for skills and training, such as direct government investment, as part of a wider skills strategy, or increased allocation of National Lottery funding.⁸⁸
93. ***We welcome C4C’s historical commitment to skills and training. If C4C is privatised, the Government should consider how to mitigate any impact on skills and training, such as a fund to support the***

82 [Q 39](#)

83 [Q 54](#)

84 [Q 15](#)

85 Written evidence from Enders Analysis ([FCF0050](#))

86 The Unscripted TV Skills Fund was launched in June 2021 to address skills gaps and shortages in unscripted television production across the UK. Contributions from broadcasters who are signed up are matched by productions. It supersedes the existing ScreenSkills TV Skills Fund, which has relied on broadcaster contributions alone, and the Indie Training Fund, which has been supported by indie contributions.

87 Written evidence from ScreenSkills ([FCF0004](#))

88 *Ibid.*

development of skills in the TV production industry, including through apprenticeships.

CHAPTER 4: REMIT

94. Under the Communications Act 2003, Channel 4's duties are:
- To make a broad range of relevant media content of high quality that, taken as a whole, appeals to the tastes and interests of a culturally diverse society
 - To make high-quality films intended to be shown to the general public at the cinema in the United Kingdom
 - To broadcast and distribute such content and films
 - To make relevant media content that consists of news and current affairs
 - To make relevant content that appeals to the tastes and interests of older children and young adults
 - To broadcast or distribute by means of electronic communications networks feature films that reflect cultural activity in the United Kingdom (including third party films)
 - To promote measures intended to secure that people are well-informed and motivated to participate in society in a variety of ways
 - To support and stimulate well-informed debate on a wide range of issues, including by providing access to information and views from around the world and by challenging established views
 - To promote alternative views and new perspectives
 - To provide access to material that is intended to inspire people to make changes in their lives.⁸⁹
95. The Digital Economy Act 2010 stipulates that C4C's programming must:
- Demonstrate innovation, experimentation and creativity in the form and content of programmes
 - Exhibit a distinctive character
 - Make a significant contribution to meeting the need for the licensed public service channels to include programmes of an educational nature and other programmes of educative value
 - Appeal to the tastes and interests of a culturally diverse society.⁹⁰
96. Like other public service broadcasters, Channel 4 has quantitative obligations. These include duties relating to original productions, news, current affairs, and spending on and hours of programmes produced outside London.⁹¹

89 Ofcom, *Channel 4 Corporation Remit* (July 2017), p 10: https://www.ofcom.org.uk/_data/assets/pdf_file/0018/104094/Channel-4-Corporation-Remit-Research-Report-2017.pdf [accessed 9 November 2021]

90 *Ibid.*

91 Channel 4, *A potential change of ownership of Channel Four Television Corporation* (September 2021), p 33: <https://assets-corporate.channel4.com/flysystem/s3/2021-09/September%202021%20-%20Channel%204%20response%20to%20DCMS%20consultation%20-%20FINAL%20%28accessible%29.pdf> [accessed 9 November 2021]

97. Witnesses noted that the qualitative obligations are harder to regulate and are to some extent left to the interpretation of C4C's management, whereas the quantitative obligations offer a clearer standard.⁹² Notwithstanding this, Professor Richard Tait argued: "British broadcasting history shows there is a danger in placing too much emphasis on the role of regulation and remits in ensuring public service broadcasters deliver on their promises and commitments."⁹³
98. Several witnesses were concerned that privatisation could reduce the quality and distinctiveness of C4C's content. Krish Majumdar, co-founder, Me + You productions, argued that C4C is more willing to take risks than other broadcasters: "No other broadcaster would have commissioned many of the programmes I have made and they have gone on to be nominated for awards or won awards."⁹⁴ Elizabeth Karlsen added that Channel 4 is more willing to take a risk on individual creatives than privately-owned broadcasters.⁹⁵
99. Lord Burns, former Chair of C4C, suggested: "The long history of the commercial broadcasters when it comes to obligations upon them has been to want to chisel away over time at the things that are loss-making."⁹⁶ Dr Helen Weeds, former Chief Economist at Ofcom, similarly warned of the risk of "a slow undermining of what Channel 4 is delivering" under commercial pressures.⁹⁷ Professor Richard Tait was sceptical about Ofcom's ability to prevent this.⁹⁸
100. Dr Weeds added that a private owner looking to maximise profit could focus on commissioning content which will appeal to global audiences, becoming less focused on local and regional interests.⁹⁹
101. Lord Burns gave Channel 4's coverage of the Paralympics as an example of what could be lost: "No other broadcaster would be doing the Paralympics in the way Channel 4 has, and it seems to me that that is a fine example of what you would describe as public service broadcasting."¹⁰⁰
102. However, David Elstein, former CEO of Channel 5, questioned the view that Channel 4's coverage of the Paralympics was not a commercially attractive proposition and added that even if it were not so: "you cannot make a decision about the bigger picture of the prospect for public service broadcasting and for Channel 4 under private ownership on the basis of 1 per cent of transmissions during the year."¹⁰¹
103. Others were more optimistic than Lord Burns and Dr Weeds about the relationship between the public service remit and any buyer's commercial interests. Mark Oliver, co-founder and Chair of Oliver & Ohlbaum Associates, told us that rather than simply being a burden, the remit "probably helps sustain the brand image for innovation, quirkiness, iconoclasm, et cetera,

92 [Q 58](#) (Alex Mahon), [Q 33](#) (Helen Weeds), [Q 46](#) (Lord Grade of Yarmouth)

93 Written evidence from Professor Richard Tait ([FCF0031](#))

94 [Q 12](#)

95 [Q 15](#)

96 [Q 7](#)

97 [Q 36](#)

98 Written evidence from Professor Richard Tait ([FCF0031](#))

99 [Q 36](#)

100 [Q 2](#)

101 [Q 3](#)

which Channel 4 is known for and has a value.”¹⁰² Julia Lopez MP, Minister of State at the Department for Digital, Culture, Media and Sport, shared this assessment.¹⁰³

104. Lord Grade of Yarmouth, former CEO of C4C, agreed: “If anybody acquiring that business destroys that brand, they are doing nothing but destroying value for their own shareholders.”¹⁰⁴ As did Claire Enders, founder of Enders Analysis, who told us: “I am certain that no one would buy Channel 4, a politically delicate asset that the Government has dumped on repeatedly, without wishing it an exceptional future, the very best of futures”.¹⁰⁵
105. She added that advertisers “were very specific about really liking advertising on Channel 4 as it is. They would be the first line of resistance if Channel 4 found its income going down, having started to change its mix in any material way away from something that is innovative, fresh and progressive.”¹⁰⁶
106. The Government and Enders Analysis suggested that investment in public service content could increase under a private owner.¹⁰⁷ Enders Analysis noted:
- “Sky runs a high-quality and structurally unprofitable news operation and has built up a public service profile with Sky Arts (now a free-to-air channel), alongside the launch of Sky Nature and the provision of Sky Kids, both of which have clear educational components—none of this is mandated by Ofcom through quotas”.¹⁰⁸
107. Alex Mahon, CEO of C4C, agreed that a private owner “would still do things that felt noisy and punchy with the brand”, such as *The Great British Bake Off* and *Married at First Sight*. However, she distinguished these from other programmes such as *Help!*—a drama about a care home—which “contribute to the social health and welfare of Britain” but which she felt a private owner would not commission because they would lose money.¹⁰⁹ Charles Gurassa, Chair of C4C, added that while Channel 4 could produce its own version of other “distinctively British” programmes such as Amazon Prime’s *Clarkson’s Farm* “tomorrow”, others would not produce *It’s a Sin*, Channel 4’s drama about AIDS, or a documentary on sexual abuse in the police.¹¹⁰
108. Channel 4 compared its fulfilment of news obligations favourably with that of commercial PSBs.¹¹¹ However, Enders Analysis noted that “ITV produces significantly greater minutage of news in peak-time [than Channel 4], and also provides regional news programming” while Channel 5 is making a change to its news schedule which will require greater investment.¹¹²

102 [Q 34](#)

103 [Q 63](#)

104 [Q 46](#)

105 [Q 39](#)

106 [Q 38](#)

107 Written evidence from Enders Analysis ([FCF0050](#))

108 *Ibid.*

109 [Q 58](#)

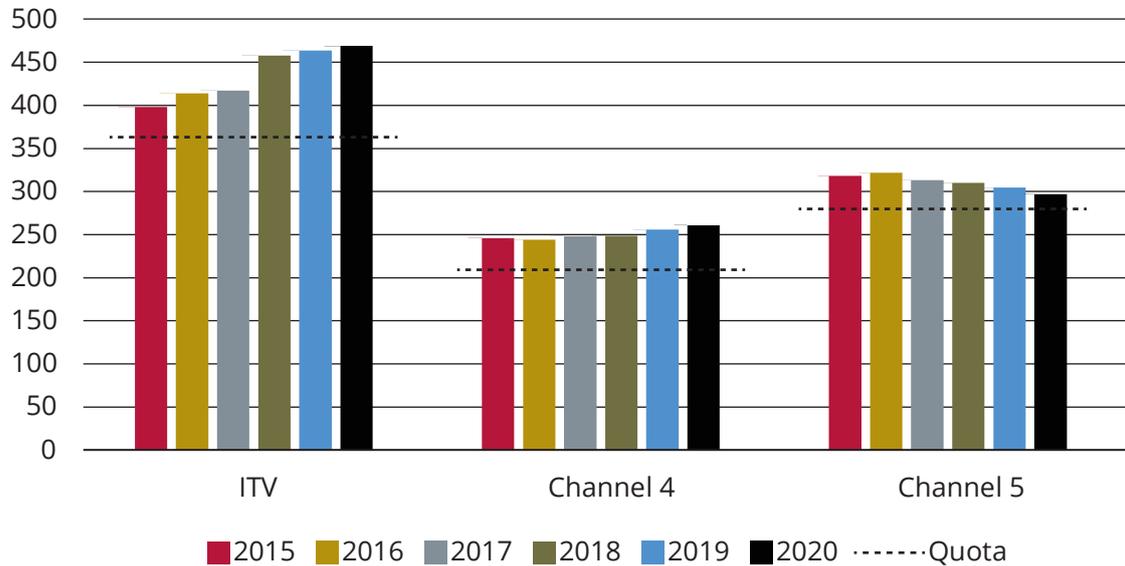
110 [Q 60](#)

111 Channel 4, *A potential change of ownership of Channel Four Television Corporation* (September 2021), p 9: <https://assets-corporate.channel4.com/flysystem/s3/2021-09/September%202021%20-%20Channel%204%20response%20to%20DCMS%20consultation%20-%20FINAL%20%28accessible%29.pdf> [accessed 9 November 2021] and [Q 58](#) (Alex Mahon)

112 Written evidence from Enders Analysis ([FCF0050](#)) and [Q 58](#)

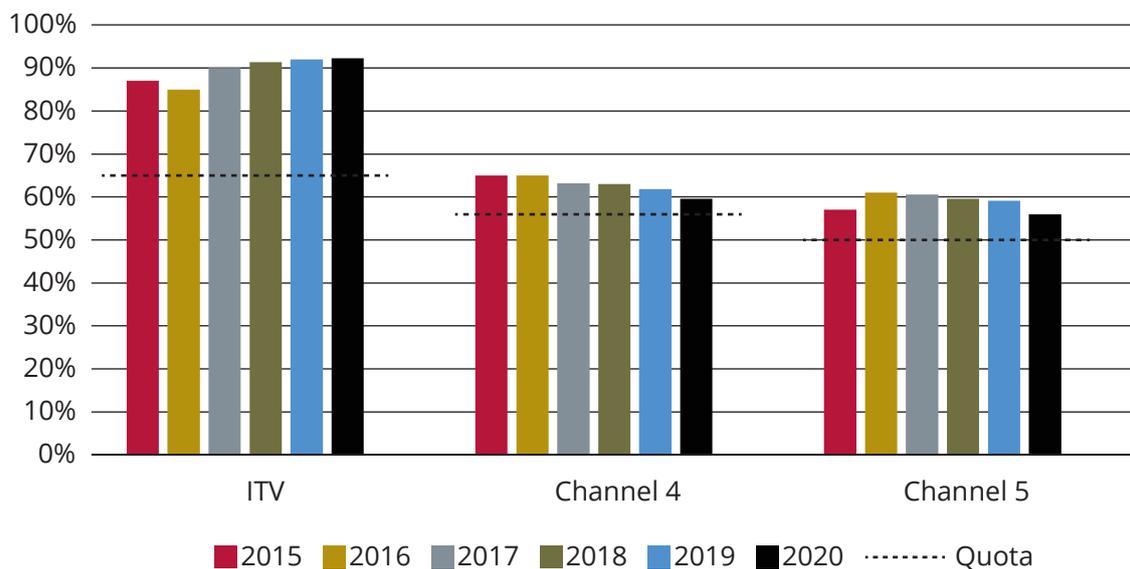
109. Figures 2 and 3 show that ITV, Channel 4 and Channel 5 all exceeded their obligations in broadcasting national and international news and original production in each year from 2015 to 2020.

Figure 4: Hours of national and international news per year



Source: Ofcom, PSB Annual Compliance Report 2021 (August 2021): <https://www.ofcom.org.uk/tv-radio-and-on-demand/information-for-industry/public-service-broadcasting/annual-report-2021>

Figure 5: Original production (hours shown)



Source: Ofcom, PSB Annual Compliance Report 2021 (August 2021): <https://www.ofcom.org.uk/tv-radio-and-on-demand/information-for-industry/public-service-broadcasting/annual-report-2021> [accessed 24 November 2021]

110. There was some disagreement among proponents of privatisation about what remit a privatised Channel 4 should have. Lord Grade of Yarmouth and Luke Johnson, former Chair of C4C, argued that a prescriptive remit would be undesirable, as it would stifle innovation, and unnecessary given the

strength of the brand.¹¹³ Conversely, Claire Enders and David Elstein saw an opportunity to clarify and strengthen Channel 4’s public service obligations.¹¹⁴ This could include the Government’s intention to introduce requirements relating to ‘Britishness’.¹¹⁵ To address C4C’s concern that a new owner could cut spending on content, Enders Analysis argued that quotas for expenditure on public service content could be introduced.¹¹⁶

111. Lord Grade told us that the highest bidder for C4C may not be the right bidder. Claire Enders agreed and recommended a ‘qualified bidder’ process modelled on the competition for the National Lottery licence.¹¹⁷
112. The minister confirmed: “What is offered by any potential buyer in terms of the public service broadcasting remit is something that we would be considering alongside whatever price was being proposed.”¹¹⁸
113. **As it does not own intellectual property, Channel 4’s commercial value is in its brand. It would not be attractive for a new owner to undermine the brand by moving significantly away from the types of programmes it currently broadcasts. However, a private owner might avoid commissioning some programmes which have clear public service value but would not attract a large audience.**
114. *Regardless of ownership, the quantitative obligations on Channel 4—such as in relation to original production and news—should be retained. The Government should consider introducing quotas related to content expenditure to guard against cost-cutting in this area.*

113 [Q 49](#)

114 [Q 38](#) and [Q 5](#)

115 Adam Sherwin, ‘Ministers plan legal requirement for broadcasters to make “clearly British” shows like Only Fools and Horses’, *iNews* (15 September 2021): <https://inews.co.uk/news/john-whittingdale-public-sector-broadcasters-british-only-fools-fleabag-1201634> [accessed 9 November 2021]

116 [Q 60](#) (Alex Mahon) andwritten evidence from Enders Analysis ([FCF0050](#))

117 Written evidence from Enders Analysis ([FCF0050](#))

118 [Q 63](#)

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

1. The Government should not have consulted on the future of C4C—and stated that privatisation was its preferred option—before explaining its proposals for the future of public service broadcasting. Although we welcome the Government’s commitment to set out its position on these issues in a White Paper, it is difficult to reach a conclusive view on the ownership of C4C without understanding the future public service broadcasting landscape of which it would be a part. Instead, this report analyses challenges and opportunities which must be central to any final decision. (Paragraph 9)
2. When asked about the potential benefits of privatisation, C4C’s response listed only potential disadvantages. We would have been more reassured to see C4C, as a publicly owned corporation, openly demonstrate that the potential benefits of privatisation had been considered by its board, and judged to be outweighed by the risks. (Paragraph 32)
3. If C4C remains in public ownership, we recommend that its board be required periodically to publish analysis of the sustainability of C4C’s business model. As part of this process, C4C would be expected to notify the Government of potentially significant threats to its sustainability, at which point the Government might choose to launch a review of C4C’s ownership. If the Government wishes to launch such a review without this notification from C4C, it should first be required reasonably to demonstrate the scale of the threat to C4C’s business model. The Government should remain circumspect about reviewing C4C’s ownership, mindful of the disruption this may cause the Corporation in fulfilling its remit and purpose. (Paragraph 33)
4. Enhanced measurement and transparency of All 4 viewing would lead to greater confidence in the sustainability of C4C’s business model and enable a more detailed assessment of the competitiveness of the UK broadcasting sector. Ofcom should be able to compare the performance of publicly owned public service broadcasters’ video-demand services. (Paragraph 34)
5. Improved monitoring and assessment of viewing data is a priority and we recommend C4C and Ofcom resolve the lack of standardised data as quickly as possible. (Paragraph 35)
6. The Terms of Trade and the publisher-broadcaster model restrict C4C’s ability to derive long-term profit from commissions or from international content partnerships, outside of the rights it will retain from commissions launched through the Global Format Fund. (Paragraph 46)
7. Given the degree of consolidation in the market, in order to uphold their original purpose of protecting small and medium-sized independent production companies, the Terms of Trade should be modified for larger companies and the publisher-broadcaster model should be relaxed. Alongside enabling C4C to retain a greater share of intellectual property rights to the content it commissions, this would also make it possible for C4C to develop its in-house production capacity. We discuss this further in Chapter 3. (Paragraph 46)
8. The potential benefits of privatisation to C4C’s sustainability are increased access to investment in programming, content partnerships and technology through access to capital. This would enable C4C to diversify its

revenues, enhance its sustainability and be more ambitious internationally. (Paragraph 54)

9. However, privatisation is not the only way in which C4C could access capital. The discussion of C4C's future threatens to become a binary debate between privatisation or the status quo. (Paragraph 55)
10. The Government should produce an analysis of alternatives to a change of ownership before proceeding with any sale, including a full and transparent account of projected revenues. The Government should investigate the possibility of raising C4C's borrowing limit to give the Corporation more access to capital while still being publicly owned, and how this could be achieved. (Paragraph 55)
11. Regardless of the question of ownership, the Government should implement in full Ofcom's recommendations for PSB prominence. The Government should also review licence obligations and how to ensure fair terms of access to online platforms. (Paragraph 56)
12. Regardless of the question of ownership, we recommend that changes be made to the Terms of Trade for all PSBs, and the publisher–broadcaster model relaxed for C4C. Enabling C4C to invest in IP ownership would substantially enhance its financial resilience and market power in the face of global competition. The interests of large, established production companies should not take precedence over C4C's long-term sustainability. We also recommend that C4C's role in stimulating small, medium, diverse and regional production companies be strengthened, and that the Terms of Trade should be revised to apply to producers with a turnover under a certain cap. (Paragraph 67)
13. The quota on commissioning programmes from independent production companies should be refocused on smaller independent production companies in order to strengthen broadcasters' role in stimulating start-ups and smaller producers. (Paragraph 71)
14. C4C should consider investing more of the existing capital it has highlighted to us, up to its borrowing limit, in the Indie Growth Fund in order to partner with and grow more small, diverse and regional production companies. This would help foster new talent in the independent production sector, alongside helping C4C diversify its revenues. (Paragraph 73)
15. We recommend that regardless of ownership C4C's voluntary higher quota for production in the nations and regions be codified in legislation and enforced by Ofcom. (Paragraph 88)
16. We welcome C4C's historical commitment to skills and training (Paragraph 93)
17. If C4C is privatised, the Government should consider how to mitigate any impact on skills and training, such as a fund to support the development of skills in the TV production industry, including through apprenticeships. (Paragraph 93)
18. As it does not own intellectual property, Channel 4's commercial value is in its brand. It would not be attractive for a new owner to undermine the brand by moving significantly away from the types of programmes it currently broadcasts. However, a private owner might avoid commissioning some

programmes which have clear public service value but would not attract a large audience. (Paragraph 113)

19. Regardless of ownership, the quantitative obligations on Channel 4—such as in relation to original production and news—should be retained. The Government should consider introducing quotas related to content expenditure to guard against cost-cutting in this area. (Paragraph 114)

APPENDIX 1: LIST OF MEMBERS AND DECLARATIONS OF INTEREST

Members

Baroness Bull CBE
 Baroness Buscombe
 Viscount Colville of Culross
 Baroness Featherstone
 Lord Foster of Bath (from October 2021)
 Lord Gilbert of Panteg (Chair)
 Lord Griffiths of Burry Port
 Lord Lipsey
 Baroness Rebuck DBE
 Baroness Stowell of Beeston MBE (from July 2021)
 Lord Stevenson of Balmacara
 Lord Vaizey of Didcot
 The Lord Bishop of Worcester

Declarations of interest

Baroness Bull
Director, No Bull Productions
Partner is freelance cameraman/film maker who is occasionally employed by independent production companies

Baroness Buscombe
No relevant interests declared

Viscount Colville of Culross
Series producer, Smithsonian Channel

Baroness Featherstone
No relevant interests declared

Lord Foster of Bath
Chair, Peers for Gambling Reform

Lord Gilbert of Panteg
No relevant interests declared

Lord Griffiths of Burry Port
No relevant interests declared

Lord Lipsey
No relevant interests declared

Baroness Rebuck
Non-executive Director, Guardian Media Group and Penguin Random House

Lord Stevenson of Balmacara
No relevant interests declared

Baroness Stowell of Beeston
No relevant interests declared

Lord Vaizey of Didcot
Adviser, Common Sense Media (not for profit education charity); member supports charitable aims of providing digital curriculum for children and content ratings for parents educating children
Adviser, Digitalis (online reputation company)
Adviser, LionTree LLC (telecommunications, media and technology)

The Lord Bishop of Worcester

No relevant interests declared

A full list of Members' interests can be found in the Register of Lords' Interests:
<https://members.parliament.uk/members/lords/interests/register-of-lords-interests>

APPENDIX 2: LIST OF WITNESSES

Evidence is published online at <https://committees.parliament.uk/work/1437/the-future-of-channel-4/publications/> and available for inspection at the Parliamentary Archives (020 7219 3074).

Evidence received by the Committee is listed below in chronological order of oral evidence session and in alphabetical order. Those witnesses marked with ** gave both oral evidence and written evidence. Those marked with * gave oral evidence and did not submit any written evidence. All other witnesses submitted written evidence only.

Oral evidence in chronological order

*	Lord Burns, former Chair, Channel 4 Television	QQ 1–10
**	David Elstein, former Chief Executive Officer, Channel 5	
*	Krish Majumdar, Chair, Bafta Board of Trustees, and Co-Founder, Me + You Productions	QQ 11–18
**	John McVay OBE, Chief Executive Officer, Pact	
*	Elizabeth Karlsen, Co-Founder, Number 9 Films	
**	Kevin Bakhurst, Group Director, Content and Media Policy, and Board Director; Kate Biggs, Director, Broadcast Policy and Commercial Broadcasters, Ofcom	QQ 19–31
*	Mark Oliver, Chair and Co-Founder, Oliver & Ohlbaum Associates	QQ 32–37
*	Dr Helen Weeds, Senior Consultant to the European Competition Practice, Charles River Associates	
**	Claire Enders, founder, Enders Analysis	QQ 38–42
*	Lord Grade of Yarmouth CBE, former Chief Executive Officer, Channel 4 Television	QQ 43–50
*	Luke Johnson, former Chair, Channel 4 Television	
**	Alex Mahon, Chief Executive Officer, and Charles Gurassa, Non-Executive Chair, Channel 4 Television	QQ 51–60
**	Julia Lopez MP, Minister of State for Media, Data and Digital Infrastructure; and Robert Specterman-Green, Director, Media and Creative Industries, HM Government - Department for Digital, Culture, Media and Sport	QQ 61–66

Alphabetical list of all witnesses

	Simon Albury MBE	<u>FCF0002</u>
	Alleycats	<u>FCF0017</u>
	Professor Robert Beveridge	<u>FCF0001</u>
	BlackLight Television	<u>FCF0012</u>
	Bristol Council	<u>FCF0035</u>
	Nicolas Brown (joint submission)	<u>FCF0018</u>
*	Lord Burns (QQ 1–10)	
	Cardiff University PEC (PSB workstrand)	<u>FCF0037</u>
**	Channel 4 Television (QQ 51–60)	<u>FCF0043</u>
		<u>FCF0045</u>
		<u>FCF0052</u>
	The Children’s Media Foundation	<u>FCF0029</u>
	Professor Stephen Cushion (joint submission)	<u>FCF0016</u>
	Directors UK	<u>FCF0028</u>
	DoubleBand Films	<u>FCF0019</u>
	Drummer TV	<u>FCF0005</u>
**	David Elstein (QQ 1–10)	<u>FCF0007</u>
		<u>FCF0024</u>
**	Claire Enders (QQ 38–42)	<u>FCF0050</u>
	Equity	<u>FCF0013</u>
	Ernst & Young (on behalf of Channel 4 Television)	<u>FCF0053</u>
	Dr Martin Fuller	<u>FCF0021</u>
*	Lord Grade of Yarmouth CBE (QQ 43–50)	
	Green Dragon Media	<u>FCF0010</u>
	Dame Pippa Harris (joint submission)	<u>FCF0018</u>
	Hartwood Films	<u>FCF0006</u>
**	HM Government—Department for Digital, Culture, Media and Sport (QQ 61–66)	<u>FCF0047</u>
		<u>FCF0051</u>
	International Broadcasting Trust	<u>FCF0009</u>
	IPA	<u>FCF0044</u>
	ISBA	<u>FCF0033</u>
	ITN	<u>FCF0040</u>
	Professor Catherine Johnson	<u>FCF0003</u>
*	Luke Johnson (QQ 43–50)	
*	Elizabeth Karlsen (QQ 11–18)	

	University of Leeds Faculty of Arts, Humanities and Cultures	<u>FCF0041</u>
	Lime Pictures	<u>FCF0020</u>
*	Krish Majumdar (QQ 11–18)	
	Media Reform Coalition	<u>FCF0039</u>
	MG Alba	<u>FCF0036</u>
	National Union of Journalists	<u>FCF0048</u>
**	Ofcom (QQ 19–31)	<u>FCF0046</u>
		<u>FCF0049</u>
*	Mark Oliver (QQ 32–37)	
**	Producers' Alliance for Cinema and Television (QQ 11–18)	<u>FCF0032</u>
		<u>FCF0054</u>
	Public Media Alliance	<u>FCF0042</u>
	Ronachan Films	<u>FCF0008</u>
	Sandford St Martin Trust	<u>FCF0023</u>
	ScreenSkills	<u>FCF0004</u>
	Professor Richard Tait	<u>FCF0031</u>
	Teledwyr Annibynnol Cymru (TAC)	<u>FCF0034</u>
	Together TV	<u>FCF0025</u>
	Voice of the Listener & Viewer	<u>FCF0014</u>
	Matt Walsh (joint submission)	<u>FCF0016</u>
*	Dr Helen Weeds (QQ 32–37)	
	Writers' Guild of Great Britain (WGGB)	<u>FCF0022</u>
	Mal Young	<u>FCF0030</u>

APPENDIX 3: CALL FOR EVIDENCE

The House of Lords Communications and Digital Committee, chaired by Lord Gilbert of Panteg, is to hold an inquiry into the future of Channel 4. The Committee invites written contributions by Friday 17 September 2021.

The Committee expects to hear from invited contributors in public sessions in September and October 2021.

Aim of the inquiry

The Communications and Digital Committee wishes to investigate the remit and ownership of Channel 4, following its reports *A privatised future for Channel 4?* (published July 2016) and *Public service broadcasting: as vital as ever* (published November 2019).

Background

Channel 4 has been one of the UK's public service broadcasters since 1982. It is state-owned but run independently and on a commercial basis, with its profits being used to invest in content. Unlike the BBC and ITV, it has no in-house production arm; its programmes are all made by independent production companies.

The Communications Act 2003 defined Channel 4's remit as "the provision of a broad range of high quality and diverse programming which, in particular—

- demonstrates innovation, experiment and creativity in the form and content of programmes;
- appeals to the tastes and interests of a culturally diverse society;
- makes a significant contribution to meeting the need for the licensed public service channels to include programmes of an educational nature and other programmes of educative value; and
- exhibits a distinctive character."

Channel 4 Corporation also operates a portfolio of channels such as E4 and Film4. Programmes are available online through its All4 service. It transferred its national headquarters to Leeds in 2019, part of a wider project to move roles outside of London.

On 6 July 2021, the Government launched a consultation on privatising Channel 4 Corporation. The consultation paper states that privatisation is currently the Government's preferred option.

The Committee's predecessor concluded in 2016 that the risks of privatisation, both for Channel 4 and for the creative industries, outweighed any potential benefits.

Questions

The Committee seeks responses to the following questions to form the written evidence for its report. Contributors need not address every question and experts are encouraged to focus on their specialism. Other issues may be discussed provided that their relevance is explained. Submissions which have been previously published will not be accepted as evidence. However, published material may be referenced where relevant.

The Committee encourages people from all backgrounds to contribute and believes that it is particularly important to hear from groups which are often under-represented. The Committee's work is most effective when it is informed by as diverse a range of perspectives and experiences as possible.

1. What, if any, developments over the last five years give cause to re-evaluate the ownership of Channel 4 Corporation?
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?
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 viability be addressed?
4. Should the regulation and/or remit of Channel 4 be changed, irrespective of its ownership?