

The **Creative Industries Federation** is an independent, not for profit, membership organisation which represents, champions and supports the UK's creative industries. The Creative Industries Federation, with its sister company Creative England, is part of the non-profit group, Creative UK.

www.creativeindustriesfederation.com

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

While there is general agreement among the Federation's membership that today's market provides a myriad of high-quality content for audiences to choose from, much of it provided by commercial players, there is also a shared view that the public service broadcasters, with their different and specific remits, and requirements to be freely and universally available, continue to do something important for UK audiences. Channel 4 plays a crucial role in supporting the wider cultural and creative sector.

The service provider genuinely intertwines with UK theatre, advertising, film, museums and other sectors which benefit from this major public intervention. There is a high degree of cross-fertilisation across the value chain of the creative and cultural industries, and Channel 4 has been at the heart of this – from developing visual artists like Steve McQueen into an Oscar-winning feature film director or Grayson Perry into a BAFTA-winning TV presenter.

It is certainly clear that the broadcasting market is changing significantly. Linear viewing is declining, particularly among young audiences, and there is an increase in competition from other providers. However, these challenges are not specific to public ownership, and Channel 4 under its existing model is already undergoing a digital transformation process in response to these trends. For example, digital advertising now makes up 17% of total revenues. Channel 4 also has a young profile, with 80% UK 16-24 year olds signed up to All 4, which had a record 1.25bn streams in 2020. This shows that the broadcaster is already well-placed to secure its own future and also the future of public service broadcasting, particularly for young adults.

The TV broadcasting market faces significant challenges impacting on both PSBs and the wider sector. For example, decisions driven by parts of Government not concerned with broadcasting in particular, such as the current proposals to restrict the advertising of High in Fat, Salt and Sugar (HFSS) products further, can have a dramatic negative impact on the PSB ecosystem. Advertising is the lifeblood of Channel 4 and the broadcaster has been demonstrating robust finances. Between 2016 and 2020, Channel 4's revenue from digital advertising almost doubled, from 8% total revenue (£84m) to 17% (£161m).¹ This income supports the diverse and powerful content that contributes to the positive, UK-based, brand recognition of the broadcaster. However, we urge the Government to think carefully before taking such steps, especially where evidence of desired impact is currently lacking.

¹ Figures from Channel 4 (2021) Annual Report and Financial Statements 2020, p. 218

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

- Making informed decisions

It is important to note that at present, no impact assessment or economic analysis has been undertaken by government on the sale of Channel 4 and more broadly there is very little research or evidence on the potential impact of privatisation. The Federation strongly urges government to commission independent analysis to further understand the effects of a sale on economic contributions, job creations and losses, and local creative ecosystems. It is critical that no decisions are taken until the results of this analysis have been fully comprehended. Moreover, the results of this analysis should be shared with all interested parties, who should be given the opportunity to consult on the findings. It is worth noting that new EY research, commissioned by the broadcaster, demonstrates that the privatisation of Channel 4 could reduce Channel 4’s economic contribution in the supply chain, particularly in the nations and regions, by 29%.

It is also vital that an independent diversity impact assessment is undertaken prior to making any decisions, following the same transparent consultation process as outlined above. No decision should be taken on the proposed privatisation of the corporation without clear action and communication on both assessment and consultation processes listed above.

The Federation also strongly encourages that the ongoing strategic review of Public Service Broadcasting is undertaken independently, without the outcome of the review being pre-determined.

- The mixed ecology

The mixed broadcast and media market sits within the broader creative industries ecology. The UK’s creative industries accounted for 6% of GVA and 6% of national employment in 2019. It contributed £116bn to UK GVA and employed 2.1m people, 33% of which are freelance. The creative industries are underpinned by microbusinesses which make up 95% of the businesses in the sector. One of the great strengths of the UK’s creative industries and our media players is that it is a truly mixed ecology, where public, private and hybrid organisations each play their part, competing fiercely but at the same time creating value and driving growth across the entire creative industries. There is industry-wide consensus that a plurality of voices within the market contributes to its success.

Market capacity has been unlocked by two important interventions – the current regulatory system and sustained public investment. These market interventions over the past forty years have sparked a richness of demand, scale and scope – the UK has the most demand in Europe for content creation. It is vital that stable funding is retained for institutions of scale, such as Channel 4, who can make investments reliably and sustain skills bases and production hubs which form the bedrock of the value chain.

- Commitment to the full diversity of UK voices

Under its current model, Channel 4 invests in content and drives growth in UK-owned IP through commissions, partnership and co-productions. The current remit specifically requires that the Channel 4 main channel:

- 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
- Exhibits a distinctive character²

It is of course difficult to predict how a commercial owner might manage the Channel 4 Corporation, however consideration should be given to the qualitative and difficult to define nature of the above. It is possible that if profit margins are a driving force behind decision making, Channel 4's content may overtime become less risk-taking and diverse. Programmes that showcase the success of this risk-taking element include shows such as *It's a Sin*, which was notably successful in bringing conversations about the history of the AIDS crisis and its impact on the gay community and gay culture, to the mainstream media. However, consideration should also be given to less well-known programmes, such as *Frank of Ireland*, which are a strong example of the risks that Channel 4 currently undertakes and represents programmes that may cease to exist under a change in ownership. Any reduction in the plurality of the current television offering in the UK, particularly where that reduction removes representation of diverse voices and locally recognisable British content, should be viewed with significant concern.

- Film4

The statutory remit around Channel 4's film offering is light touch,³ however Film4 goes above and beyond the minimum requirements and is set to contribute £250m funding to independent British film over the next decade. Film4 also produces content that is recognisably British, which sets it apart from many streamers producing trans-atlantic output. As one of three key public funders (Film4, BBC, BFI) of which only the former two have commissioning capabilities, Film4 occupies an incredibly important role in the UK film ecosystem, ensuring that there is plurality in public organisations able to commission British films. Channel 4 therefore plays a key role in ensuring there is a multiplicity of choice of British film content – vital in ensuring the UK's continued position as a world-leader in national media content.

Should Channel 4 continue its contribution to levelling up the regions and nations of the UK through retaining a presence outside London and a strengthened regional production remit? Please provide supporting evidence.

Channel 4 currently invests in local value chains and creative hubs across the nations and regions, creating employment opportunities and increasing the volume of work for independent production companies and freelancers, therefore driving increased economic activity in local areas. From 2010, policies were introduced by government to increase economic activity outside the M25, driven by the regulatory system. Now, out of London spend is growing across the mixed media market. Investment outside of London has been led by funded institutions of scale and accompanied by investment from other media players. This institution-led approach illustrates the clear role that funded institutions of scale have to play in the government's levelling up agenda.

² [Channel 4 Licence \(ofcom.org.uk\)](https://www.ofcom.gov.uk/consult/condocs/channel4/channel4_licence/)

³ To be found in the Communications Act and the Digital Economy Act

Channel 4's commitment for 300 jobs outside of London and 50% outside of London spend by 2023⁴ has led to the establishment of creative hubs in Leeds, Glasgow and Bristol – activity which contributes to the broader narrative thrust of shifting the centre of gravity away from London. The investment into these smaller centres of excellence has created a catalyst for broader growth across their respective regions, with other actors within the value chain considering relocation, and an increasing volume of work for local freelancers and microbusinesses. Channel 4 supports over 10,600 jobs in the UK across its supply chain every year, of which nearly 3000 are outside of London. Channel 4 is on track to meet its target of 50% of originated spend with nations and regions producers by 2023, with £189 million of nations and regions spend across its portfolio in 2019, £35m of which was in the UK's devolved nations. The creation of the National HQ in Leeds has been the catalyst for a clustering of TV, film and creative organisations in the city and surrounding area, with a number of independent production companies springing up in the city, UK TV establishing new Leeds based hubs, trade association Pact opening its only out-of-London office in the city and the country's first Centre of Screen Excellence launching there in 2020.

A specific example of how Channel 4 supports the creative industries within regional creative hubs can be found in their work with Grayson's Art Club, which has been a lifeline of support for the Manchester Art Gallery during lockdown and has enabled them to sell hundreds of thousands of pounds of merchandise online before the exhibition itself opened.

The career support component of Channel 4, known as 4Skills, must also be considered. This component focuses on bringing people from diverse backgrounds into TV, with a particular focus on the nations and regions. Though part of Channel 4's remit includes a career support component, quantifying the fulfilment of this part of the remit is left mostly to Channel 4 itself. At present, Channel 4 is exhibiting a strong commitment to delivering against this objective. The broadcaster has recently announced several new initiatives to further catalyse career development and employment opportunities: from a £5m investment to support 15,000 young people each year with training and development; to launching new training and work placements for people from lower socio-economic backgrounds; to training programmes for people with disabilities in advance of the 2024 Paralympic Games.⁵

Channel 4's work to support and upskill a diverse range of young people all across the UK is incredibly valuable and set to grow in the coming years. Should Channel 4 come under new ownership, it would be vital that the sale includes a stronger level of accountability to deliver against the skills development objective. However, at this stage it would be incredibly difficult to quantify the future potential of Channel 4's upcoming skills work, making it also difficult to draft prescriptive guidance to ensure a new owner carried out this function to an equal or greater effect in the future.

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

Channel 4's remit and obligations significantly contribute to the creative, diverse, and innovative content that the broadcaster produces. The remit and obligations commit Channel 4 to representing a broad

⁴ <https://www.channel4.com/press/news/new-ey-report-shows-channel-4-contributes-nearly-ps1billion-uk-economy-and-supports-more>

⁵ Alex Mahon at the opening of Channel 4's new National HQ in Leeds

diversity of UK voices, a feature that it is critical to protect to ensure that British film and television reflects British society. The diversity and quality of Channel 4's output also significantly contributes to the positive brand perception of the broadcaster. As noted by the Minister for Media & Data, the brand value of is a significant part of the attractiveness of Channel 4 and this value is underpinned by the current remit.⁶

It is also important to note that under its current model, Channel 4 consistently goes above and beyond its current remit in terms of performance against quotas, particularly in terms of qualifying hours commissioned from independent producers.⁷ Licensing requirements would require significant consideration before any decision around privatisation should be taken, as it is possible that a commercial owner will look to minimise obligations that contribute to the diversity of Channel 4's output, but that are costly or loss-making. It is critical that government considers how best to safeguard the public benefits that are less commercially attractive.

Channel 4 currently makes a significant contribution to a distinctively British brand of UK creative output. Channel 4's programmes are currently created with a UK audience in mind and portray the distinctive nature of UK culture across the regions and nations. Current regulatory interventions provide a bedrock of specifically British content, across a range of genres (news, current affairs, arts, documentary, drama, childrens) including programmes such as Grayson's Art Club, It's a Sin, Killing Eve and many more, which guarantees a range and volume of UK programming is made available to UK audiences that the market alone would be unlikely to deliver, at least with such scale and breadth.

Under the current publisher-broadcaster model, Channel 4 punches above its weight in distributing commissioning spend all across the UK, rather than purely in London and the South East. Channel 4 currently invests in risk-taking creative enterprises and smaller independent producers and therefore has a crucial role to play in supporting economic investment in the regions and nations.

It is therefore vital that the remits and obligations are retained, if not strengthened, to preserve the current quality and variety of content.

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

Channel 4's current publisher-broadcaster model means that everything aired on the channel is commissioned from third-party production companies. This holds tremendous value for the UK's broader creative ecosystem, as it has resulted in Channel 4 directly investing £12bn in the independent production sector, creating £992m+ GVA per year, and supporting over 10,600 jobs in the media supply chain.

Independent British Films form a critical part of the UK creative industries ecosystem. In fact, senior professionals currently working on big budget HETV or Inward Investment films in the UK typically require skills honed, and reputations built, through direct professional experience. 41% career credits for those who ended up working on a UK-based Inward Investment production in 2016 were Independent British Films, which confirms the positive career development attributed to working in these environments. It is critical that, as the UK looks to retain and grow its reputation for creative excellence, it supports environments that

⁶ <https://www.broadcastnow.co.uk/channel-4/john-whittingdales-c4-views-in-full/5162789.article>

⁷ <https://www.ofcom.org.uk/tv-radio-and-on-demand/information-for-industry/public-service-broadcasting/annual-report-2021>

contribute to talent development, especially in areas such as Independent British Films in which the relatively small size of production spend creates a huge contribution to the ecosystem.⁸ Channel 4's model underpins this UK production ecology, investing in independent producers and allowing producers to retain IP and export rights globally, which has been a catalyst for UK economic growth.

The publisher-broadcaster model elevates talent all across the UK, benefitting a significant number of smaller UK production companies through the provision of investment and exposure. Ofcom recognises this, stating that the publisher-broadcaster model is "the most significant" public policy intervention in support of the production ecosystem. The current model therefore supports the plurality of the UK's creative industries and output.

⁸ <https://britishscreenforum.co.uk/wp-content/uploads/2019/10/191017-Local-Heroes-and-Inbetweeners-FINAL-1-1.pdf>