

14<sup>th</sup> September 2021

**PMA Submission to the UK Government DCMS regarding a consultation on a change of ownership of Channel 4 Television Corporation.**

The [Public Media Alliance](#), [PMA] is the largest, global association of public media organisations. The PMA has a well-established international reputation for its unique insight into public media worldwide and is regularly called upon to submit evidence to government consultations and enquiries. It is with this unique focus and expertise that PMA submits the following evidence to the DCMS consultation on the privatisation of Channel 4 television in the UK. For the sake of transparency, it should be noted that Channel 4 is not currently a member of the PMA.

In summary, the Public Media Alliance believes that there is no economic or societal benefit to be gained from the privatisation of Channel 4. There is also very little support for it across the UK media industry. It is our view that Channel 4 should remain in public ownership and continue with its role as an integral and trusted part of the UK's internationally respected public service media landscape.

Our submission follows the questions as set out in the online submission form and runs for a total of eight pages.

- **The current TV broadcasting market certainly faces challenges, but PMA does not believe that these challenges present barriers to a sustainable Channel 4 in public ownership.**

Research worldwide continues to demonstrate that audiences are built and maintained on trust, and it is well established that Channel 4 holds [a loyal and diverse audience across the UK](#). Its current remit as a public broadcaster is to serve that UK audience and not to make profit for a commercial owner. By all measures Channel 4 succeeds on the delivery of its current remit and this has been broadly acknowledged by the [Minister](#) and DCMS as well as by Ofcom, the UK broadcast regulator.

The independence of any public broadcaster is fundamental to building that public trust. Audience trust also rests on the accountability of Channel 4 as a publicly owned broadcaster. The current management of Channel 4 has not sought, and does not welcome, the proposed change of ownership. One must therefore question why the government is seeking to impose such a change and what implications this has for the independence of the channel. Trust in the channel and therefore audience loyalty, may well be threatened by government interference in how the channel is governed and funded. This is likely to critically undermine its role and reputation as a public broadcaster both in the UK and internationally.

Many broadcasters worldwide have faced severe financial challenges following the global COVID-19 pandemic. However, Channel 4 reported a record financial surplus as shown in its [2020 Annual Report](#). It also reported a 2020 pre-tax profit of £74million. As a result, no members of the organisation's Board have requested an increase on its £200million borrowing limit, highlighting the public broadcaster's resilience compared to many of its commercially owned competitors in the UK and internationally. The channels Chief Executive, Alex Mahon, [sets out clearly](#) why its resilience should mean it remains in public ownership.

While it is appropriate for the UK Government to review any company under public ownership, the Government's proposal to put Channel 4 into commercial ownership is perplexing and appears to have very little support from any sector of the UK media industry.

In the light of PMA's international experience, creating more commercially funded channels in a country leads to the creation of a bland TV market with all stations competing for the same advertising revenue and audiences. The UK TV industry is built on excellence and that rests on the plurality of the UK television sector which would be weakened by a decision to privatise Channel 4. Once privatised, there would be fewer channels willing or able to support the production of such diverse and innovative content for the UK public. The move would substantially weaken the diversity and quality of content offered to UK audiences.

There are indeed many challenges facing the global TV industry but evidence, including data in Channel 4's most recent [annual report](#), indicates that with the channels Digital Transformation Strategy, the management of Channel 4 have devised a clear and relevant response to the rapid evolution of the television industry. This can only be damaged by privatisation.

With its unique funding model, Channel 4 has held a central and critical place in the UK's highly successful creative economy for almost four decades. In PMA's assessment there seems to be no valid reason or evidence for a need to change that model. The UK is seen as an established leader in public media and to change the ownership of Channel 4 would damage an institution that has a strong international reputation. This would in turn reflect very poorly on the UK Government from an international perspective.

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

This question indicates a complete lack of understanding of the globally accepted definition of ‘public service media’! The strength of public media lies in its strong and stable *public* funding and *public* ownership. This enables it to be innovative and creative, making significant contributions to a genuinely pluralistic TV market. Channel 4 does not receive public funding and its ‘Not for Profit’ status is central to its success as a highly innovative channel. This status means that the channel is obliged to invest in producers across the UK and to make content relevant to a diverse UK audience. [Figures](#) show that privatisation would result in a 30% drop in C4’s contribution to the creative economy’s supply chain, and £2bn would be transferred to a private owner. This would detract from much needed reinvestment in the UK creative sector.

International experience indicates that the introduction of a commercial owner to Channel 4, is likely to have an adverse effect on both the channel and the UK creative economy reducing the amount of diverse content produced for UK audiences. Channel 4 also has a reputation for producing investigative journalism that holds power to account, again this is likely to negatively impacted by privatisation.

- **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?**

According to [Channel 4’s Annual Report for 2021](#) the channel is currently ahead on its All4theUK Strategy and is also set to reach its 50% spend commitment in the UK nations and regions, two-years in advance of its target.

PMA believes that Channel 4 should continue to build on this significant contribution to the production industry of the UK’s nations and regions. However, all the evidence suggests that it would be more difficult for it to do so under private ownership. Private ownership would *de facto* be focused on increasing the profit of the channel for commercial owners and shareholders, rather than reinvesting profits in content of broad public value, as the channel does so successfully today. Under commercial ownership, the focus of the channel would inevitably no longer primarily be to deliver high quality, original, local content to UK audiences.

Channel 4’s CEO, Alex Mahon, was quoted by [The Guardian](#) as saying “As a board we have not been pushing for greater financial liberation” adding that privatisation would lead to reduced investment in content made outside London.

This is no better demonstrated than by the vital role of [public service media stations in the US](#), which are among the few providers of locally relevant content and programming for diverse audiences. The rest of the traditional media market in the US is saturated by commercial media players which have no obligation or financial incentive to provide such services in their quest for profit.

- **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)?**

Channel 4 should remain in public ownership, but it should be able to explore additional revenue streams. This should not however, come at the expense of its public ownership or mandate. With its appeal to diverse youth audiences, it should be encouraged to expand its international presence, which according to some [reports](#) it is already exploring. With the strength of the international reputation of the UK creative sector, Channel 4, with its excellent reputation for high quality film and drama and innovative factual productions, is well placed to strengthen its international partnerships and commercial activities overseas.

With a healthy and world renowned independent production sector there seems to be no good reason to change the remit of Channel 4 to enable it to produce its own content. It was not established to produce content and adding this new obligation would most likely disrupt its operations and undermine its currently strong relationship with the UK independent production sector.

Channel 4 works with more small production companies than any other broadcaster. According to a report by [Ampere Analysis](#), a move to privatise and enable it to produce its own content would result in 60 British TV companies going out of business. The same analysis says that nearly 140 of the 200 or so production companies that have worked with Channel 4 over the past two years, relied on the broadcaster for more than half of their work.

It is also likely that a new owner would aim to cut 40-50% of Channel 4's programming budget, to bring it more in line with commercial peers and to maximise returns to shareholders rather than to the benefit of the public.

With this in mind, any changes to its remit should only enhance its public service remit and obligations, while maintaining public ownership.

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

Channel 4 was specifically established with a model that aims to stimulate the independent production sector in the UK. It has done so successfully throughout its existence. There is a great deal of competition, both nationally and globally, in the production and distribution of English language content. PMA firmly believes that Channel 4's unique publisher-broadcaster model underpins both the channel's own success and the success of the UK independent sector. This model also enables Channel 4's unique and innovative position in the UK's globally respected public media landscape.

The recent independent [report](#) by consultancy firm EY finds that a scenario where Channel 4 is privatised with its unique publisher-broadcaster model removed could result in a £2 billion (29 per cent) reduction in the broadcaster's contribution through its supply chain to the economy by working with creative companies, including the UK independent production sector, over a ten year period when compared to the forecast with no change of ownership. The UK's creative industries and landscape are globally renowned, and are an important source of income, particularly in a post-Brexit and post pandemic economic environment. This potential loss of investment would further increase the risk of job losses within the sector.

- **With reference to supporting evidence, what would the economic, social, and cultural costs and benefits of Channel 4 moving out of public ownership be on the following:**

**a. Overall audience experience**

The PMA believes that there would be significant societal and cultural costs and little benefit to moving Channel 4 out of public ownership. With its current model, Channel 4 is creative and innovative and especially successful at attracting young and diverse audiences. That model has been well tested and developed by the management of Channel 4 for the past forty years. The Channel has proved to be adaptable and, under its current remit, able to respond successfully to changes in audience behaviours and advances in media technology.

With limited resources the channel provides an exceptional news service that brings global, as well as domestic issues to a broad UK audience.

Channel 4's current remit has enabled it to challenge accepted tastes and thinking for nearly forty years and in doing so it has given a voice to many marginalised groups and young audiences. By so doing it has significantly contributed to the health of UK democracy.

Currently Channel 4's specific remit is to produce original, relevant, content for UK audiences. In PMA's unique global experience, any commercial owner would inevitably prioritise the production and commissioning of mainstream content that it expects to be commercially successful, in order to maximise profits. The drive for profit would also be likely to change Channel 4's current focus on UK audiences with a drive to commission content that appeals to global audiences and increases international sales.

Channel 4's current UK focus also plays a significant part in the channels commissioning of content that reflects the UK and its interests to the wider world. An international commercial owner is more likely to seek to commission homogenous global content for profit motives rather than content which serves a broad public interest in the UK.

The UK audience experience is enhanced by the presence of a publicly owned Channel 4 in addition to other UK public broadcasters. It offers an alternative but reliable and trusted voice while not burdening the taxpayer. Countries such as Sweden, Germany, Australia, and the USA all have more than one public broadcaster, each contributing a unique, yet complimentary public service that enhances democracy. Privatising Channel 4 would result in the government actively weakening democracy by lessening the availability of publicly accountable and trusted news and information.

#### **b. The Channel 4 TV corporation itself**

Channel 4 is internationally respected due to its success, especially with young audiences. The corporation is trusted due to a public awareness of its independence from both commercial and political interference. It is a trusted, publicly owned organisation and a UK-wide source of rigorous, fact-checked news and information. According to the [Reuters Institute's Digital News Report 2021](#), the top three most trusted news brands in the UK are public broadcasters: BBC (62%), ITV (61%) and Channel 4 (58%). Under public ownership, Channel 4 is publicly accountable for delivering on this remit, whereas a privatised, potentially internationally owned organisation, would be more difficult to hold to such an obligation. For this reason and as previously stated, the commercialisation of the channel would weaken UK democracy.

While all broadcasters are obliged to meet strict impartiality guidelines, it would be the diminished type and diversity of content that will cause audiences to move away from a privatised Channel 4.

**c. Investment in the independent TV production sector**

From its inception, Channel 4's DNA has been to support the independent production sector in the UK. It has significantly shaped the UK production sector as one of the most commercially successful production sectors globally.

The success of the UK creative economy is envied worldwide. This is partly due to the global reach of the English language, but also because the UK has an established media workforce and expertise in terms of producing high quality and innovative content. The privatisation of Channel 4 is likely have a harmful effect on the UK creative economy, as outlined in an independent [report and analysis by EY](#).

**d. Investment in the independent film sector**

In its response to the UK Broadcasting regulator Ofcom's report 'Small Screen Big Debate, the [British Film Institute](#) notes Ofcom's comment that Channel 4's support for the independent film sector is vital via Film4.

**e. Investment in the TV advertising market**

According to Channel 4's most recent [annual report](#), digital advertising revenues increased by 11% in 2020, despite the negative economic effects of COVID-19. In 2020, digital advertising made up 17% of Channel 4's total revenues, up from 15% in 2019. These figures demonstrate clearly that Channel 4 remains desirable for advertisers. This is largely due to its trusted position in the media market as a publicly owned organisation. That trust appeals to advertisers who are keen to be seen associated with such a brand. This is especially pertinent given the growing cases of advertiser boycotts of media brands as consumers become more morally and ethically aware in their media consumption. As the current income and audience figures demonstrate, the presence of a publicly owned Channel 4 can only be a good thing for advertisers.

**f. Investment in the creative industries sector more widely**

Channel 4's current remit and model enables the channels [advertising revenue](#) to be invested back into the independent production sector. If the channel were to be privatised this income would be lost. The channel also currently invests in media training, for the benefit of the UK industry as a whole. This initiative would be unlikely to be supported by a commercial owner of the channel.

**g. Competition between Channel 4 and other PSB and Non-PSB channels**

Channel 4 is dynamic and creative. As in any pluralistic media economy, it drives others, including the BBC, and ITV, to achieve high production quality and standards as well as commercial success. In 2020, broadcast watchdog and regulator Ofcom praised the channel, saying: “Channel 4’s investment in UK-originated content reached record levels. Each year [2014-2018], it continued to show a broad range of high-quality programmes, with audiences consistently rating the main channel, Channel 4, more highly than other PSB services in taking creative risks, as well as in tackling issues others wouldn’t, and being the home for alternative voices that are especially important as part of a diverse, multicultural democracy.

**h. The regions and nations of the UK**

According to two independent reports, one by [3Vision](#) and another by [Oliver and Ohlbaum](#) commissioned by the UK screen trade association, PACT, the privatisation of Channel 4 would adversely affect the independent production sector in the UK with independent companies based in the UK nations and regions being impacted the most.

Commenting on the reports the CEO of Pact, John McVay said, “The industry has taken a big hit from the pandemic, and we are still in the recovery phase. The Government’s Production Restart Scheme has played an important part in that recovery, and it may take many years for the industry to build back to where it was prior to the pandemic,” but he added “In particular smaller, out of London companies have been detrimentally affected by the pandemic and with the future sale of Channel 4 on the cards, it’s those indies – who see Channel 4 as one of their primary buyers – who are going to suffer most.”

The UK’s strong and well-established creative production sector should be supported at a time when demand for its products is growing from global SVOD’s. If privatised there would be a predicted 35% decline in jobs supported by the channel in the nations and regions. It is surprising that during a period of recovery following the financial impacts of the global pandemic, the UK government would be willing to risk such a negative impact on jobs in such a critical sector in the UK nations and regions.

Across the UK, Channel 4 has an established reputation for supporting emerging talent and training. Both these areas are critical for the success of the UK creative economy and both are likely to be significantly damaged by the proposed privatisation of the channel.



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