

Small Screen



Big Debate



**The Future of Public
Service Media**

Channel 4's response

March 2021

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Foreword

When I was 19 years old, I sat and watched the very first night of Channel 4 as it beamed out into the world. *Brookside*. *Walter*. *The Comic Strip*. What a night! Immediately, programmes with a style and content that felt new, tough, young, funny, risky and brave. In the space of one night, I could feel a distinct and powerful change.

Seventeen years later, the channel changed my life. In 1999, it broadcast *Queer As Folk*, a programme which confirmed my hope that original work could be done, that I was capable of finding a voice in this industry, that minority voices could become the mainstream. It set me on a path which has lasted until today. 22 years after that, I launched *It's A Sin* on Channel 4, and I'm now receiving emails, texts and DMs daily, telling me how lives have changed as a result of the show. Families now able to tell the truth about how their uncle died; men and women freely stating their HIV status out loud, for the first time, without shame; charities telling me that HIV testing numbers have gone through the roof. £300,000 for charity has been raised from the sale of a single t-shirt design, based on the show's catchphrase.

That, to me, is public service broadcasting. Far more than a service. It's a joy.

I've done my best over the years, to recognise my responsibilities within broadcasting, and to use that authority well, I hope. (Aided and abetted by thousands of others, in case I make myself the hero of my own story!) Under Jane Tranter's leadership, I took *Doctor Who* to Cardiff, which helped to revolutionise the Welsh film and TV industry. And working with Nicola Shindler, we've seen the Northern production centre go from strength to strength.

And always, always, lives change. Lives are changed by television. I've seen it happen. These shows create ambitions, they foster dreams in the young, they use age-old skills and broadcast them in shows that are seen around the world. I often think, when we talk about a show's budget, it sounds like the money is spent on champagne. But the money is spent on jobs. On people. On lives. As well as the dreamers, like the actors, writers and designers, it pays the riggers and drivers and hotels and caterers, the electricians and the carpenters and the accountants, security and secretaries, trainees and interns, hundreds of them for every show. The money goes out into the world and makes those lives better.

I think we've seen the power of TV more than ever during the lockdown. We've all loved a good bit of telly in these strange days, but I think the PSB institutions in particular have provided a voice, a comfort, a debate, a challenge, even a friendship. Streamers will stream no matter what the weather; PSB loves to look at the world, and react, and help. The act of broadcasting with public service in mind creates a voice, an attitude, a dynamic, a drive, and a capacity to adapt, that simply does not exist in programmes created purely to be sold.

Of course, we're British. We'd rather apologise than boast. But here, in this industry, right now, I have to make a stand and be proud. I've spent a lifetime working in and promoting PSB, and I'm more certain than ever that these voices are needed. Breaking the silence. Shining a light. Showing us the new, and showing us the old through new eyes. This form of broadcasting is one of Britain's greatest traditions, and I'm so excited to see what it can achieve in the years to come.

Russell T Davies

11 March 2021



Summary of recommendations

Channel 4 strongly supports Ofcom's commitment to securing a robust public service media (PSM) framework for the future.

To deliver this commitment, Channel 4 believes that Ofcom should:

- **Champion the value of national institutions in delivering significant long-term investment in PSM content and infrastructure (e.g. skills, talent base, reaching young and diverse audiences), and ensure these institutions are the heart of any new PSM framework.** Whilst we support sustainable provision of more PSM, it is vital that any benefits received by new providers of PSM are also matched by an appropriate level of obligations. Any future provision of PSM should also retain the fundamental features of universal availability and free to air, which have been the cornerstone to the success of the existing system.
- **Urgently address the growing gap in PSM prominence and risk of reduced availability by accepting the PSBs' joint proposal on prominence, inclusion and fair value and recommending that the Government legislate at the earliest opportunity.** This would ensure a standardised regulated version of the PSB streaming players is offered for free to all major platforms, and ensure that these players were carried and made prominent on these platforms with built-in flexibility for platforms and PSBs to negotiate for anything beyond the standard regulated offer.
- **Support the current funding model for PSM, with its mix of public and commercial funding and universal, free to air provision.** We call on Ofcom to support Channel 4's unique publicly-owned, not for profit business model. Channel 4 has a robust, resilient commercial funding model which will remain driven primarily by advertising; and, as highlighted by our Future4 strategy, Channel 4 is well-placed to pivot its business model from linear to digital advertising revenues, and to diversify its revenue beyond advertising.
- **Modernise the current quota system to give flexibility over how PSM providers can best deliver programming commitments (for example, by delivering news across digital and linear).** Channel 4 is committed to maintaining its current remit and believes there will still be a role for specific commitments that guarantee provision of certain types of content that other broadcasters will not provide, such as news.
- **Acknowledge the imbalance of power between UK PSBs and global digital platforms and recommend that the relationship between online platforms and PSBs is one of the issues addressed in the 'code of conduct' recommended by the Competition & Markets Authority (CMA),** which is aimed at ensuring platforms cannot abuse their market dominance.
- **Continue to encourage and enable PSB collaboration so Channel 4 and the other PSBs maintain scale in response to growing digital competition.** This would include Ofcom support for PSB initiatives to future-proof free to air TV platforms.
- **Identify ways to further support commercial broadcasters, including ensuring a level playing field with online providers in relation to advertising regulation** and identifying opportunities to unlock further commercial funding through reducing restrictions such as advertising minutage and product placement rules.
- **Endorse broadcasters updating their commissioning Codes of Practice to reflect the wider set of rights needed to deliver PSM, including the central importance to broadcasters of VoD rights and an archive proposition.** PSBs are now streaming services, and viewers expect to access streamed content from them as standard. A clear steer from Ofcom could be provided by an update to the existing guidance that supports the Codes of Practice, or as part of Ofcom's Statement on the future of public service media.

Introduction

1. Public service broadcasting has never been more culturally or economically important

The UK’s public service broadcasting (PSB¹) ecology plays a vital role in British public life, supporting democratic values and culture and promoting social cohesion and a shared national identity.

Given the impact of the Covid-19 pandemic, as well as wider structural changes such as the growth of social media and disinformation, this role is more important than ever. Universal, accessible and accountable television is a fundamental part of bringing different communities in the UK into focus and at the same time, building an image abroad of what we offer to the world.

The current PSB system largely comprises dedicated, integrated institutions (the public service broadcasters, or PSBs) who are tasked with delivering public service objectives. Integrated PSB institutions bring the nation together at important national moments, acting as a valuable source of trusted information and content that speaks to the big issues of the day from a uniquely British perspective. The PSBs provide Britain with national resilience at a time of crisis and a common space for public debate and shared experience. Their investment in British TV talent, programmes and companies also helps to showcase the UK to the wider world, projecting British ideas, culture and talent on a global stage.

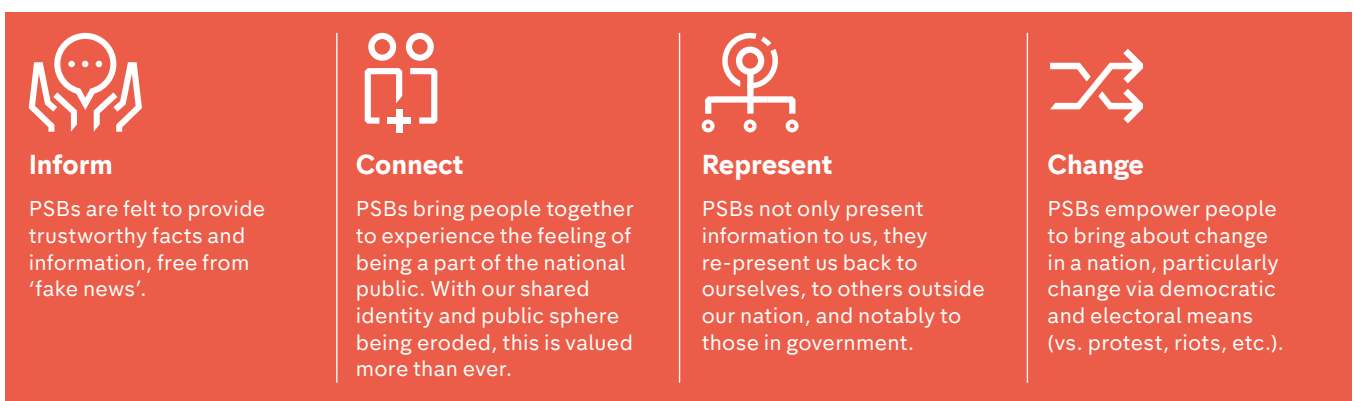
Like other core elements of public infrastructure, integrated PSB institutions have public service at their core. The BBC and Channel 4 in particular are national institutions who have public incentives encoded into everything they do as an organisation. This means they can make long-term, guaranteed investment in both content and in the creative infrastructure that supports it, as well as supporting other national public policy goals. Channel 4 is a commercially funded, not for profit PSB, whose entire

purpose is to deliver our remit – rather than purely commercial companies who are likely to be driven by other more short-term motivations. Our public service delivery is intrinsic to who we are and is at the heart of every decision we make. Public motivations are encoded into our organisational culture, from the commissioning process, casting and storyline development to scheduling, social media and marketing. Together with the BBC, ITV and Channel 5, we have delivered decades of sustained investment in the UK’s creative economy. This has subsequently attracted SVOD services like Netflix, Apple, Amazon and Disney to produce content in the UK.

PSBs continue to play a central role in the day-to-day life of the country – as Ofcom note, BARB data shows that around 85% of people continue to watch broadcast content every week². Crucially, the PSBs provide scale and volume of British content for British audiences – the main five PSB channels (BBC One, BBC Two, ITV/STV, Channel 4 and Channel 5), S4C and the BBC’s other public service channels show around 32,000 hours of first-run original UK content per year³. By contrast, streaming services such as Netflix and Amazon Prime provided only 182 hours of UK-produced content in 2018⁴.

Ofcom’s consultation document found that public service broadcasting remains highly valued by audiences of all ages. New Channel 4 research commissioned in 2020 from Tapestry identified four themes that PSBs are uniquely placed to deliver against, as outlined in Figure 1 and discussed in more detail below.

Figure 1: New research identifies characteristics the PSBs are uniquely placed to deliver to British viewers⁴



1 For the purposes of this response, we use ‘PSB’ when referring to the public service broadcaster institutions (BBC, ITV, Channel 4, Channel 5) and ‘PSM’ when referring to the future ecology and concept of public service content.
 2 Consultation, Future of Public Service Media, Ofcom 2020.

3 Tapestry research for Channel 4, What’s the unique role of Channel 4 & Public Service Broadcasters? July 2020.
 4 Ofcom. Covid-19 news and information: Consumption and attitudes, Week 47. Page 51.

Introduction continued

A. Inform

Ofcom research has consistently found that audiences consider the delivery of 'trusted and accurate news' as the aspect of PSB that they value most highly¹, both on a personal and societal level.

This has never been more apparent than during the current coronavirus pandemic. Amidst significant uncertainty and disruption, the public has turned to PSBs for trusted news, information and entertainment. Channel 4 dedicates an hour each night in peak-time to in-depth, impartial, trusted news and current affairs. In 2020 the 7pm weekday *Channel 4 News* had its best year for share since 2008. Its 16-34-year-old share was up +52% YoY, with BAME share up +8%. Throughout the pandemic Ofcom's research on trust in media has regularly found *Channel 4 News* to be the most trusted national news provider with the latest data showing that 77% of viewers state they trust it for information/news about coronavirus².

B. Connect

Both Ofcom and Channel 4 research have also identified a particular value in shared viewing experiences. Viewers associate this to a large extent with PSBs, as opposed to 'streaming services'³ which younger viewers in particular tend to watch on their own⁴. For example, the first episode of Channel 4's 2020 series of *The Great British Bake Off* was watched by more than 10.8 million viewers, making it one of the most viewed programmes in Channel 4's history. The programme's return in September brought the nation together amidst a hugely challenging year. In the words of the Daily Telegraph, "*its much-needed, eagerly awaited return came as a soothing balm after a deeply strange six months*"⁵. Other series such as *Strictly Come Dancing* and *I'm A Celebrity Get Me Out Of Here* similarly provided viewers in 2020 with shared national experiences, comfort and connection at a time of national lockdown.

1 Consultation, Future of Public Service Media, Ofcom 2020.

2 Ofcom. Covid-19 news and information: Consumption and attitudes, Week 47. Page 51.

3 Streaming services is the terminology Ofcom use in their research to distinguish from PSBs – however we note that All 4 and other PSB VoD services are also streaming services and therefore we would recommend a clearer category distinction.

4 Jigsaw/Ofcom, An exploration of people's relationship with PSB, with a particular focus on the views of young people, page 32.

5 <https://www.telegraph.co.uk/tv/2020/09/22/great-british-bake-2020-live-updates-series-11-contestants-compete/>

6 https://mcusercontent.com/e582e02c78012221c8698a563/files/c17ce16f-5383-4c71-ab54-bee7511fd3d1/Outsourcing_culture_When_British_shows_aren_t_British_2021_023_.03.pdf.

C. Represent

Ofcom's research has also shown that viewers attach value to content which feels authentic to their own experience of living in the UK. Ofcom found that 65% of viewers who use both services felt PSBs were better than 'streaming'⁴ services at 'providing programmes which reflect UK life and values'.

PSBs offer time sensitive content, covering issues of the here and now. Viewers think PSBs tell the national and regional stories, while content providers feel more global, more American. A recent report⁶ from Enders Analysis found that the UK output commissioned by the SVoDs is predominantly less 'British' than that commissioned directly by the PSBs. There also remains a vital role for PSBs to reflect the specific diverse nature of the UK population and of different parts of the UK. Figure 2 provides data on how broadcasters and SVoDs perform amongst viewers for reflecting the lives of different people in Britain.

The pandemic has highlighted the unique ability of PSBs to adapt quickly to the agenda of the day and reflect the mood and needs of the UK population with scale and impact. Channel 4 commissioned 29 Current Affairs films and documentaries in response to the crisis. Programming such as *Jamie Oliver's Keep Cooking and Carry On* and *Grayson Perry's Art Club* tapped into the mood of a nation looking for inspiration and creativity. As a result, lockdown has increased the public's appreciation for the PSBs. As shown in Figure 3, more people believe lockdown would have been worse without the PSBs (and their VoD services, e.g. BVoD) than those who thought this about the SVoDs.

D. Change

During the pandemic Channel 4 has also used its reach with young viewers and strength in digital and social media to deliver core public health messages to hard-to-reach audiences. We launched a digital on-screen graphic across all our channels and services urging the audience to 'Stay at Home', reaching 78% of the UK population, and used top on-screen talent in an irreverent 'We Need Your Buttocks' campaign to promote the stay at home message. The young male focused campaign reached 41% of the target audience of all 16-24 men. In February 2021 we also joined with the other commercial broadcasters to simultaneously show a public information film urging ethnic minority communities to take the Covid-19 vaccine.

Channel 4 drama *It's A Sin* is a powerful example of public service broadcasting's continued ability to create meaningful change in UK society. It has kickstarted a long overdue national conversation about the history of the AIDS crisis and inspired a four-fold increase in HIV testing.

Introduction continued

Figure 2: Brand reputation data on reflecting lives of different types of people in Britain

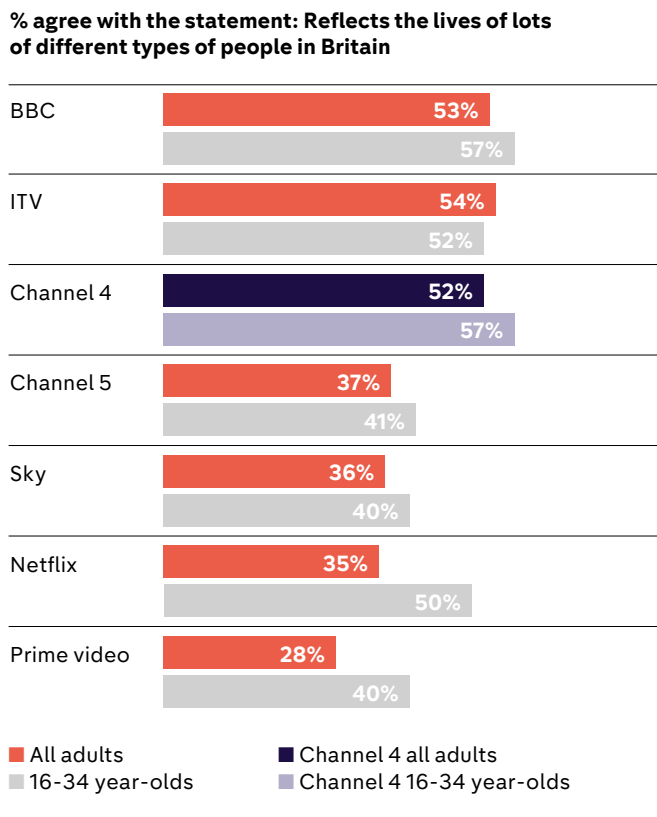
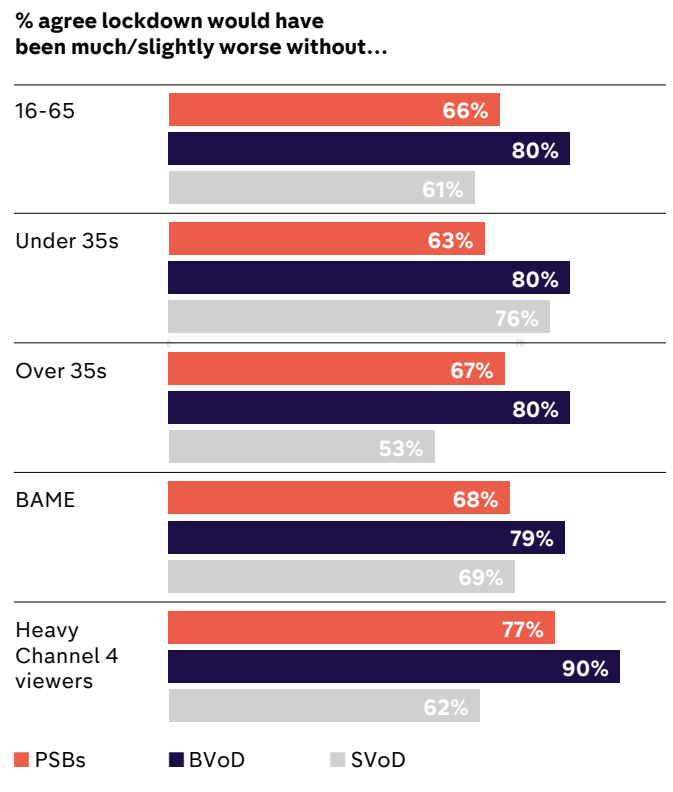


Figure 3: Channel 4 research on perceptions of PSBs after lockdown

7 in 10 people believe lockdown would have been worse without PSBs (and their BVoD services)



Note: A16. How would lockdown have felt to you without each of the following channels or services?

Base: 2,067 consumers aged 16-65 (nat rep)



GOGGLEBOX

Since it first hit our screens eight years ago as 'a mix of Harry Hill and The Royle Family', *Gogglebox* has turned watching other people watch TV into a viewing phenomenon.

The BAFTA-winning show has captivated viewers with its fly-on-the wall format, its portrayal of everyday life and relationships, and its real-life cast of armchair critics sharing their insightful, passionate and sometimes emotional critiques of the week's biggest and best shows. From a retirement home in Bristol to a caravan in Hull, *Gogglebox* offers an intimate glimpse inside the nation's living rooms and presents a modern, diverse Britain on screen.

Series 16 of *Gogglebox* – filmed during the pandemic using rigged cameras and a remote crew – was the most-watched series to date, attracting an average consolidated audience of 5.8 million viewers per episode and a 25% share of the viewing audience. It also had a strong regional appeal; locals in Wales and the North of England were 16% more likely to tune in than the rest of the UK.

The show uniquely provided both light relief from – and a connection to – life in lockdown, replicating the 'sofa conversations' that were happening right across the country. For many, *Gogglebox* was the ultimate companion, giving viewers a sense of community and shared experience during the pandemic. It was ranked as the 'most different' TV show during lockdown as well as the most popular, with 81% of viewers rating it as 'good' or 'great'.

"It's the one tiny bit of normalcy and routine that brightens up my week," said one viewer. Others described *Gogglebox* as an 'old friend', 'the light at the end of the tunnel' and 'the healing balm I so desperately needed'. It's the show that 'turned Friday night into laughter night' and 'captured the mood of the nation'.



IT'S A SIN

Set in the 80s, *It's A Sin* chronicles the lives of gay friends living in a crumbling £80-a-month London flat nicknamed 'The Pink Palace' – and growing up in the shadow of AIDS.

Unflinching and challenging, as well as vibrant and optimistic, *It's A Sin* is the first mainstream series to tackle the British experience of the AIDS crisis. "I think it's vital, I think it's the untold history," says writer and executive producer Russell T Davies. "Here we are talking about something that happened in recent history that is so unknown to people."

The five-part drama, which launched in January and was immediately available to stream on All 4, has been described by critics as a 'masterpiece' (*The Guardian*), 'a reminder to find joy in the scariest times' (*The Independent*) and 'landmark television you'll never forget' (*Stylist*). Sir Elton John called it 'a triumph of creativity and humanity'.

Tackling the fear, fake news and uncertainty surrounding a new disease, the show has educated, shocked and resonated with an audience in lockdown. Pulling in an average 3.3 million viewers and 14.5% share of the viewing audience, the first episode is All 4's most popular drama launch on record. The whole series has racked up 6.5 million views so far, making it All 4's biggest ever instant box-set, third biggest series to date and most binged new series ever.

During its debut week, *It's A Sin* dominated social media: its social content reached four million users across Facebook, YouTube, Twitter and Snapchat, and the show's hashtag #ItsASin was seen by more than 83 million people.

The series has also sparked a surge in internet searches about HIV. According to figures published by the Terrence Higgins Trust charity, the phrase: 'Why was AIDS so deadly during the 1980s?' saw a 3,100% jump. And *It's A Sin* is helping to save lives: the number of people taking a test for HIV through the charity has almost quadrupled since the first episode was broadcast.

Introduction continued

PSBs are the lynchpin of the UK's creative industries

PSBs have played a vital role for many years in nurturing creative businesses across the UK, acting as a catalyst for the UK's globally successful creative industries. This sector has been growing at five times the rate of the UK economy, and contributes £111.7 billion to the UK economy – more than the automotive, aerospace, life sciences, and oil and gas industries combined¹.

The creative industries will be key to the UK's economic recovery after the pandemic. ONS data showed that in summer 2019, 9% growth in the TV and film industry was key to the UK avoiding recession, countering a contraction in the manufacturing sector². In 2020 the film and TV production sector was able to get back into production quickly following interventions such as the Production Restart scheme – with the last quarter of 2020 recording a £1.19 billion spend on UK film and high end TV³. Despite disrupted production schedules over five to six months, production spend for the whole of 2020 was just 21% down on 2019's record levels.

PSB investment is the lynchpin of the creative industries. In addition to the importance of the PSBs as UK-owned businesses focused on telling stories for British audiences, over several decades PSB's have led to the development of a vibrant production sector. This encompasses hundreds of independent production companies located across the country and a creative workforce comprised of thousands of freelancers working across film, television, theatre, gaming and the arts. There is a high degree of cross-fertilisation across the value chain of the creative industries, and the PSBs have 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 to commissioning playwrights like James Graham and Lisa McGee to write our scripted series. We have a huge number of skills and development initiatives aimed at supporting writers, film-makers, producers and crew, to the benefit of the wider creative industries, such as our 4Playwrights scheme which has supported some of the UK's best theatrical writers at the early stages of their career, including Jack Thorne and Lucy Prebble.

This talent base has attracted global inward investment – for example, Netflix has stated publicly that it had chosen to build a production hub in the UK because of the long-term investment of the PSBs in developing UK talent and building creative brands⁴. PSBs are still the primary investor in UK content, with a total PSB spend on new UK TV content of £2.8 billion in 2019, out of the estimated £4.5 billion invested in UK content overall⁵. Ofcom's data shows that independent production outside London generated more than £1 billion of revenue in 2019, of which commissioning for the main five UK PSB channels accounted for 61% (over £600 million)⁵.

- 1 <https://www.gov.uk/government/news/uks-creative-industries-contributes-almost-13-million-to-the-uk-economy-every-hour>.
- 2 ONS. GDP monthly estimate, UK: August 2019.
- 3 <https://www.bfi.org.uk/news/bfi-official-2020-statistics>.
- 4 <https://committees.parliament.uk/oralevidence/854/pdf/>.
- 5 Consultation, Future of Public Service Media, Ofcom 2020, p11.

Introduction continued

2. Channel 4 plays a unique role for the British public and British creative industries

Channel 4 was created to be a disruptive, innovative force in UK broadcasting.

We have a unique public service remit to serve younger audiences and champion diversity. As a publisher-broadcaster, we play a hugely important role in the success of the UK's creative industries, acting as a world-leading accelerator, investing in and stimulating the production sector and pioneering innovation in digital. Our Future4 strategy is aimed at articulating Channel 4's purpose for the digital era and the continued impact we want to have on British culture and creative industries.

Channel 4's vision and purpose for the 2020s

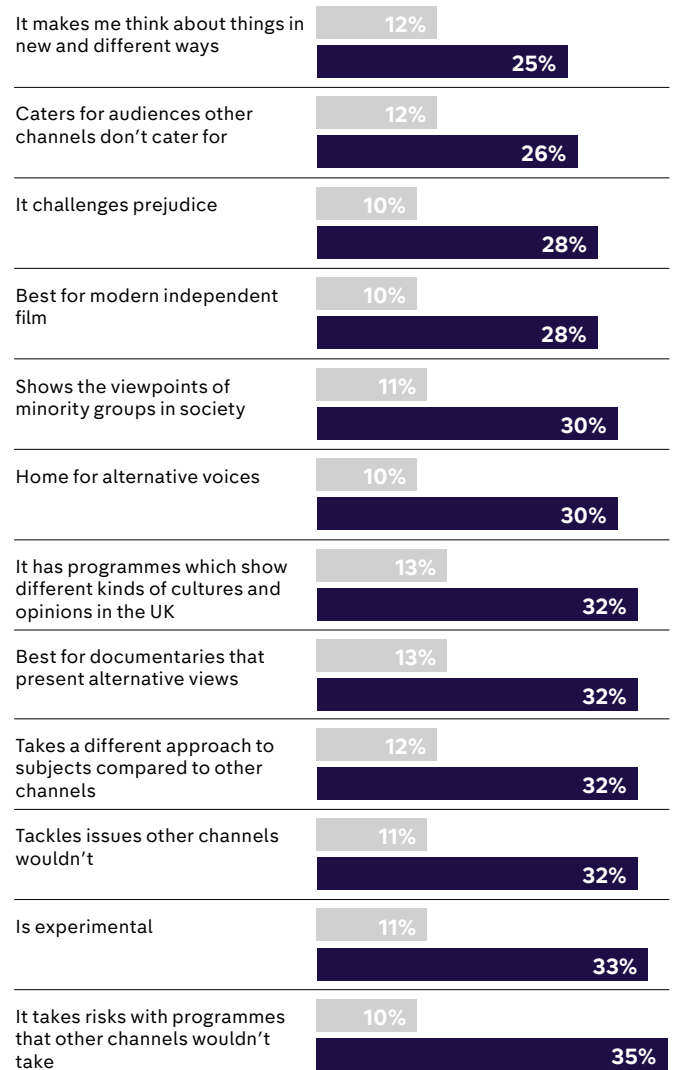
In 2020 Channel 4's Future4 strategy set out an updated purpose for the organisation – **to create change through entertainment**. This is centred on the positive impact Channel 4 has on the UK and the world – whether that is economic, social or cultural change. This is underpinned by three key statements that articulate Channel 4's vision – to represent unheard voices, challenge with purpose, and reinvent entertainment.

- **Representing unheard voices** is aimed at capturing Channel 4's commitment to represent the whole of the UK. This includes diverse voices, but it also means anyone whose voice or perspective isn't currently represented widely on screen, such as regional voices, older voices, people with no formal education or training and others. It's also about the creative industries in the UK and the special role we play in nurturing new talent and smaller companies.
- **Challenge with purpose** seeks to capture Channel 4's role in challenging conformity, challenging prejudice and holding power to account, whether that's individuals, governments or big business. This isn't about always offering the contrarian view but testing conventional thinking and preconceptions.
- **Reinvent entertainment** captures Channel 4's long-established role as an innovator in the creative industries, across all of our activities: TV, film, streaming, social media and more. This means developing new and emerging talent, finding new ways of reaching audiences, and new ways of working.

Ofcom's research shows that Channel 4 stands out among PSBs for taking creative risks, tackling challenging issues, and enabling a representative range of voices to be heard. Channel 4's own research, demonstrated in Figures 4 and 5, published annually through its Statement of Media Content Policy, demonstrates how viewers see Channel 4 as distinctive in tackling issues other channels wouldn't and in showing different kinds of cultures and opinions. While entertaining people and gaining ad revenue is important, as a public broadcaster, we also want to go beyond this and provoke important national conversations that include a wide range of perspectives.

Figure 4: Audience perceptions of Channel 4's distinctiveness

**Assets and capabilities: Brand and Reach
Statement of Media Content Policy (SMCP)
brand tracking statements – 16-34 year-olds H1 2020**

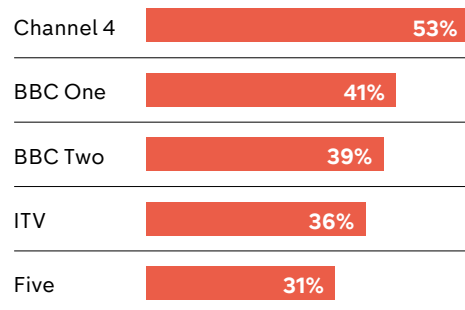


■ Average for other main PSB channels (BBC One, BBC Two, ITV1, and Channel 5) ■ Channel 4

Introduction continued

Figure 5: Audience perceptions of Channel 4's distinctiveness¹

% agreeing channel is innovative and ahead of the curve



Channel 4 is also critical to the success of the UK creative industries. As a publisher-broadcaster, Channel 4 commissions content from a particularly diverse range of producers, with 37 new suppliers among the 274 producers it worked with in 2020. The role we play as an accelerator for the creative sector is more important than ever, as the country recovers from the pandemic and Channel 4 in particular has a key role as a vital stimulus for the economic recovery of the creative industries, particularly outside London and amongst small companies and freelancer talent.

Through our investment in the best ideas, up-and-coming talent and by backing innovative formats, Channel 4 and other PSBs have helped build programme brands and independent production companies of scale on the global stage. Because independent producers that work with Channel 4 and other PSBs retain the intellectual property rights to their content, many have built IP-rich businesses with formats that have sold around the world, including recent titles such as *First Dates* and *The Circle*. The UK is now a major exporter of content, with total UK TV international exports estimated at £1.48 billion in 2019–20², the highest ever. Channel 4 was the original commissioner for seven of the top 25 best-selling UK unscripted formats around the world in 2019³. Unlike the longer-running formats from other UK broadcasters, three of these were developed in the last decade: *Money Drop*, *Gogglebox* and *First Dates*. As Channel 4 is a publisher-broadcaster, these exports bring in revenues for both Channel 4 and the external production sector.

Channel 4 has a particularly important role in supporting and championing new talent – whether that is on or off screen

(see Figure 6 for Film4's role in supporting talent). Since 2015, over 5,300 people have taken part in training schemes, apprenticeships or skills workshops offered by Channel 4, and on-screen we have backed first-time writers, directors and producers through initiatives such as 4Screenwriting, 4Playwrights and our pioneering Production Trainee Scheme – which saw 94% of our most recent cohort go on to secure a job in the industry.

In 2020 Channel 4 announced it would be bringing together all of its skills and training activity under a new banner of '4Skills'. Focused on developing talent in the Nations and Regions, 4Skills will reach out to people of all ages and from all sorts of backgrounds. 4Skills provides a range of opportunities including:

- Apprenticeships across Channel 4 with the first cohorts starting in our Leeds and Manchester bases in 2021.
- A new initiative focused on digital creativity and production that will provide open days, workshops and paid placements in partnership with 4Studio.
- A school- and college-aged engagement and outreach programme introducing children to careers in the broadcast industry.
- Relaunch of our Production Training Scheme with a 100% focus on the Nations and Regions.
- Virtual industry events to companies in the Bristol, Glasgow, Leeds, Cardiff and Belfast areas, providing a mix of commissioner sessions and workshops.
- Bespoke tailored training to address skills gaps in the Nations and Regions, working with key partners such as the ScreenSkills, TRC Media and PACT.
- Specific schemes focused on talent development such as the Factual Fast Track scheme in Wales, or our De Montfort University investigative journalism Masters.
- A new two-year partnership with the National Film and Television School, which has a focus on providing training for indies and freelancers in the Nations and Regions. In 2021 this partnership will deliver three separate weeks packed with free masterclasses, presentations and workshops.

We do this work because, as an integrated public service institution, each part of Channel 4 is continually thinking about how to maximise our wider contribution to the future of the industry. We believe we can play a key role in demonstrating the opportunity the creative industries present for young people to aim for aspirational jobs, wherever they are.

¹ Tapestry research for Channel 4, What's the unique role of Channel 4 & Public Service Broadcasters? July 2020.
² Vision. 2020. Pact UK TV Export Report 2019–20. page 3.
³ K7 Media (2020). *Tracking the Giants: The Top 100 Travelling Unscripted Formats*.

Introduction continued

Industry

Television

Role

Presenter



YINKA BOKINNI

After completing a law degree, Yinka Bokinni was at a crossroads. The weight of her parents' expectation weighed heavily on her. "My dad was so proud. I'm one of seven siblings – and only two of us had degrees," she explains. "I specialised in maritime law but it was just so boring; I had no idea what I wanted to do as a career."

Yinka decided to put law on the backburner while she found her passion in life. She began volunteering at Rinse FM. "I would wake up at 5am, finish the breakfast show at 10.30am, go home and nap, then work in a pub till 3am and get one hour of sleep before it all started again," she recalls.

In late 2019, she began presenting the breakfast show on Capital Xtra but always knew she wanted to break into television. "TV is such a dynamic medium but my career was all focused on radio," she says. To test her on-screen ability, Yinka delivered a talk for TedX Peckham, talking about her childhood growing up in north Peckham next door to Damilola Taylor, her childhood friend, who was murdered in 2000. That video has now had more than 120,000 views on YouTube.

When Yinka's agent heard that Channel 4 was scouting for new talent, she set up a meeting – Channel 4 then placed Yinka with BAME production company ACME and a new documentary was commissioned about Yinka's life. "My home became hell when I was ten," she says. "My eyes were opened to the evils of the world. This documentary is about me, Peckham, Damilola Taylor and that whole experience."

"Channel 4 helped me take my first steps down a new path," she says. "I've never worked on anything as big, serious and important as this project."

The experience was 'a baptism of fire' but ultimately cathartic, she says: "Channel 4 supported me through it all, whether it was people to speak to, days off, or help easing into uncomfortable issues. I'd never done a documentary before, so it was intense but I'm totally hooked now."

Growing up, Yinka didn't see many people like her on television. "I always thought TV was reserved for the glossy and glamorous," she says. "People of colour and women are part of the rich and diverse fabric of society. Hopefully seeing me on screen will resonate with other people too."

She hopes this is the start of an exciting new chapter in her life. "Radio is great for telling stories, and it's an honour to broadcast to millions every day, but it's anonymous," she says. "With TV, you get to go out into the world and experience life rather than being in a studio."

Introduction continued

Figure 6: Talent backed by Film4

Steve McQueen: In 2008, Film4 co-produced Black British director Steve McQueen's debut feature film, *Hunger*, which told the story of the 1981 Irish hunger strike and IRA figurehead, Bobby Sands. Since 2008, Film4 has collaborated with Steve McQueen on an additional four feature films, including *12 Years A Slave* (2013), which won three Academy Awards for Best Picture, Best Supporting Actress (Lupita Nyong'o) and Best Adapted Screenplay (John Ridley).

Andrea Arnold: In 2003, Film4 developed and funded Andrea Arnold's short film *Wasp*, which went on to win the Oscar for Best Short Film. Film4 subsequently worked with Arnold in 2011 when she directed *Wuthering Heights*, which won Best Cinematography at the Venice Film Festival. Most recently, Film4 supported Arnold's *American Honey*, which won the Jury Prize at the Cannes Film Festival in 2016.

Martin McDonagh: Film4 has backed all of writer-director Martin McDonagh's screen work to date. These collaborations include: his Oscar winning short film *Six Shooter* (2006); his Oscar nominated and BAFTA winning debut feature film *In Bruges* (2008); BAFTA nominated *Seven Psychopaths* (2013); and Oscar and BAFTA winner *Three Billboards Outside Ebbing, Missouri* (2017).

Daniel Kaluuya: Early in his career, Daniel Kaluuya appeared in, and wrote for, Channel 4's *Skins*, a drama series about teenagers in Bristol. Kaluuya has gone on to win Academy Award Nominations for his roles in *Get Out* and *Judas and the Black Messiah* – the youngest black actor to receive two acting nominations. He has also appeared in *Black Panther* and Steve McQueen's Film4-backed *Widows*. Film4 has recently funded Kaluuya's first short film as a writer, *Two Single Beds*, which was selected for the BFI London Film Festival 2020.

Bukky Bakray: In her first ever acting performance, Bukky starred in *Rocks*, a highly acclaimed slice-of-life drama in 2020 about a multicultural group of East London school girls. Bakray was discovered after director Sarah Gavron auditioned 1,300 students in a search for new talent. Bakray has subsequently been nominated for Best Actress and Rising Star at the 2021 BAFTAs, with *Rocks* as a whole securing seven BAFTA nominations at the time of writing and winning five awards at the British Independent Film Awards.



HOLLYOAKS

Hollyoaks first hit our screens in October 1995. Set in an affluent Chester suburb and aimed squarely at the teenage market, it was fun, frivolous and sexy. But the new soap on the block quickly developed a reputation for grit as well as glamour, breaking hard-hitting stories and bravely tackling taboos that affect young people's lives.

From major storylines on male rape, self harm, teenage mental health and far-right radicalisation, *Hollyoaks* has made it its mission to start conversations on big social issues – and boldly go where no soap has gone before.

It's not just the storylines. *Hollyoaks* has pioneered new soap formats such as post-watershed episodes, flash-forwards, flashbacks and dream sequences. It has also led the way on diversity and representation: it was the first mainstream TV soap to cast a trans actor to play a trans character as a regular cast member; the first to have a gay church wedding; and the first to cast an openly autistic actor.

From its multi-award-winning #DontFilterFeelings campaign to its made-for-mobile shows on Snapchat's Discover platform, where users can create their own cliff-hanger endings, *Hollyoaks* has used social media to reach young people in unique ways. Nearly 90% of viewers aged 16–34 think the show is 'for people like me' (answering 6 or above on a scale of 1–10).

Hollyoaks was named 'Best Soap or Continuing Drama' at last year's Broadcast Awards, where judges described it as 'the soap most willing to take on challenging issues – and do them justice.'

Introduction continued

3. Our 4 All the UK strategy sees Channel 4 take a leading role 'levelling up' the media and creative economy in the UK

Channel 4 has a long history of investment in the production sector outside of London with over £1.5 billion spent on content from the Nations and Regions in the last decade.

In 2018 we announced our 4 All the UK strategy, the biggest structural change in the organisation's history, aimed at ensuring we are serving the whole of the UK with an increased regional presence across our new National HQ and two creative hubs. As an institution that prioritises public purpose, we have been able to change the entire geography of the organisation in order to more fully represent the whole of the UK.

This plan included a commitment to significantly increase our Nations and Regions content spend to 50% on the main channel by 2023 (above our Ofcom quota of 35%), representing up to an additional £250 million during this period. It also included a major boost to regional representation, with *Channel 4 News* to be regularly co-anchored from a new studio in Leeds and our flagship daytime show *Steph's Packed Lunch* broadcast daily from Yorkshire.

We now have almost 250 jobs based in the Nations and Regions in our bases in Leeds, Manchester, Glasgow and Bristol, rising to more than 300 by the end of the year. This includes senior commissioning roles from across a range of genres, including daytime and features, drama and sports. We are on track to hit our target of 50% of originated spend with Nations and Regions producers by 2023, with £189 million of Nations and Regions spend across our portfolio in 2019, £35 million of which was in the UK's devolved Nations. In the last year we have launched a number of key strategic interventions as part of our wider 4 All the UK strategy. This includes our rapidly growing Leeds-based digital content unit, 4Studio, a key future facing part of our business; our new 4Skills training and development initiative which will turbocharge our efforts to find, nurture and develop talent in the Nations and Regions and open up opportunities in broadcasting; and our Emerging Indie Fund, designed to help independent production companies outside of London to break through key stages of growth. Our National HQ is also home to our Indie Growth Fund – our investment arm aimed at providing additional support to the UK independent creative sector by investing in UK-based SMEs, taking minority stakes to help them to grow their business to the next stage. The Fund's future strategy is focused on prioritising investment in the Nations and Regions, diverse-led and digital businesses across the UK.

The creation of our National HQ in Leeds has already been the catalyst for a clustering of TV, film and creative organisations in the city and surrounding area. This includes a number of independent production companies springing up in the city, UK TV establishing a new Leeds based hub, trade association Pact opening its only out-of-London office in the city and the country's first Centre of Screen Excellence launching there last year. We will soon be moving into our new National HQ building in the Majestic in Leeds, further cementing our status as a key anchor institution for Leeds and the wider Northern region.

In 2020 Channel 4 commissioned EY to provide a quantitative assessment of Channel 4's economic impact on the UK, particularly outside of London. The report found that Channel 4 supported over 10,600 jobs in the UK across its supply chain, of which nearly 3,000 were outside of London. This figure is based on 2019 data and therefore provides a foundation for significant growth as our 4 All the UK strategy takes effect. The results of this research are summarised in Figure 7, which provides a quantitative analysis of Channel 4's impact, and Figure 8, which refers to the wider range of non-quantifiable impacts of Channel 4's activity.

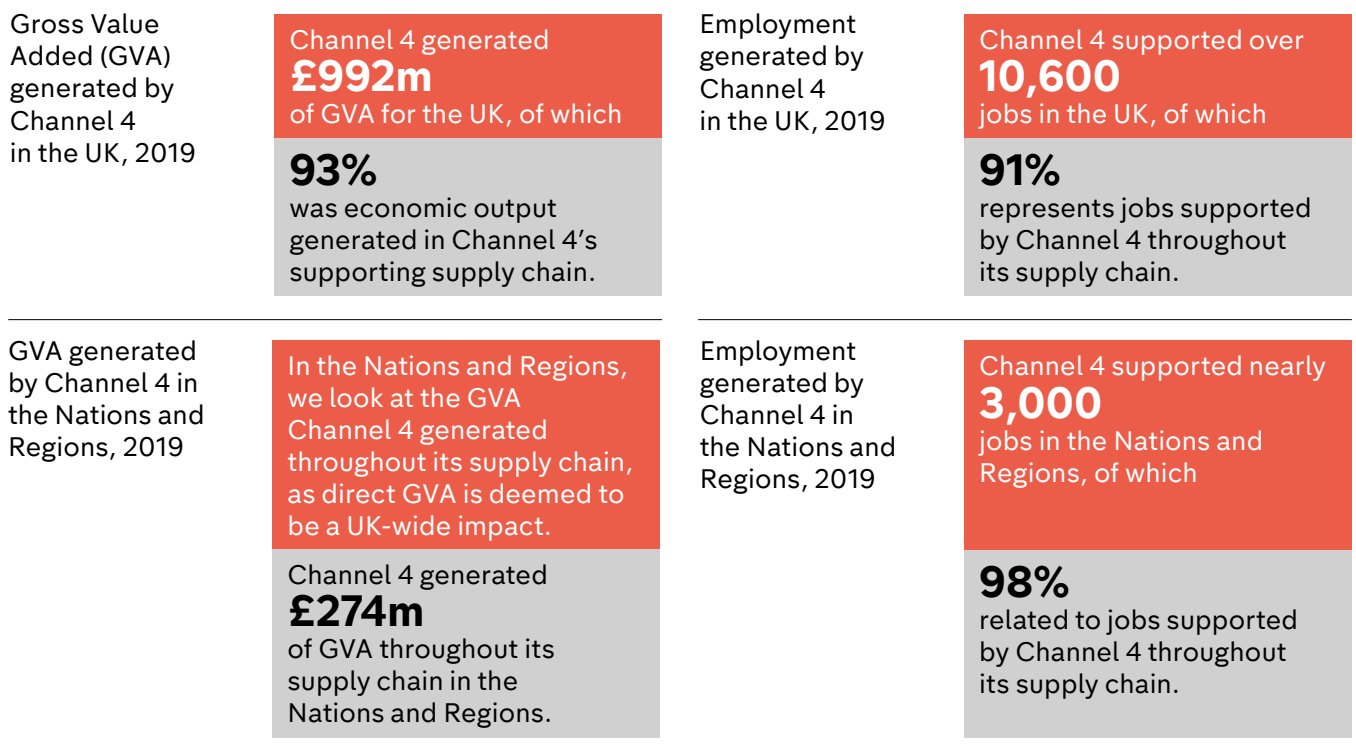


We viewed it as Leeds breaking through a glass ceiling. It was an opportunity to galvanise the existing creative community, to see external production companies expand their businesses and to attract in new parts of that industry.

Roger Marsh,
Chief Executive of
Leeds Enterprise Partnership

Introduction continued

Figure 7: Economic impact of Channel 4: statistics¹



¹ Economic Impact of Channel 4, EY, 2020.

Introduction continued

Figure 8: Economic impact of Channel 4: case studies

EY assessed five case studies to illustrate the breadth of Channel 4's contribution

Establishing a new headquarters in Leeds

- Creating almost 250 Channel 4 jobs when fully established, providing opportunities for people from different backgrounds in the Nations and Regions to begin a career in the media industry
- Building relationships between Channel 4 commissioners based in Leeds and the local external producers, helping the sector develop to the point where local producers can win more commissions with Channel 4 over time
- Supporting the development of a creative cluster in Leeds

Supporting a production ecosystem in Glasgow

- Spending £148 million on Scottish production for Channel 4's main channel since 2011, supporting the growth of local producers and contributing to the Scottish economy in terms of jobs and GVA
- Representing Scottish culture and values through the content Channel 4 commissions
- Investing £97,000 in local producers in 2019 and taking a stake in two Scottish producers
- Developing a Creative Hub in Glasgow, home to key creative decision makers

Supporting Black, Asian and minority ethnic talent

- Committing to commissioning programmes that represent the lives of minority ethnic audiences and improving on-screen representation of minority ethnic talent
- Committing to improving a diversity of off-screen talent and commissioning from more external producers led by people from minority ethnic backgrounds
- Supporting the careers of people from minority backgrounds through targeted mentoring, training and skills development

Providing training opportunities

- Supporting a wide range of training initiatives in line with Channel 4's remit, including the Production Training Scheme, which offers paid places at external production companies
- Targeting people with disabilities, people from Black, Asian and minority ethnic communities, and people from disadvantaged backgrounds to help improve diversity in the television industry
- In 2021 the Production Training Scheme will comprise entirely of trainees based in the Nations and Regions

Showcasing UK culture and values to the world

- Contributing to the UK's economy through international exports of the films Film4 supports and the television Channel 4 commissions
- Contributing to the UK's reputation abroad through film and TV exports, showcasing the diversity of contemporary life in the UK and its Nations and Regions to the rest of the world
- Nurturing talent who have gone on to have globally recognised careers, and who play a role as international exports in representing the UK to the rest of the world as a diverse creative hub

Introduction continued

4. Channel 4 is transitioning to a digital future with its Future4 strategy

As the public service broadcaster with the youngest audience profile, Channel 4 is at the forefront of responding to changing viewing habits.

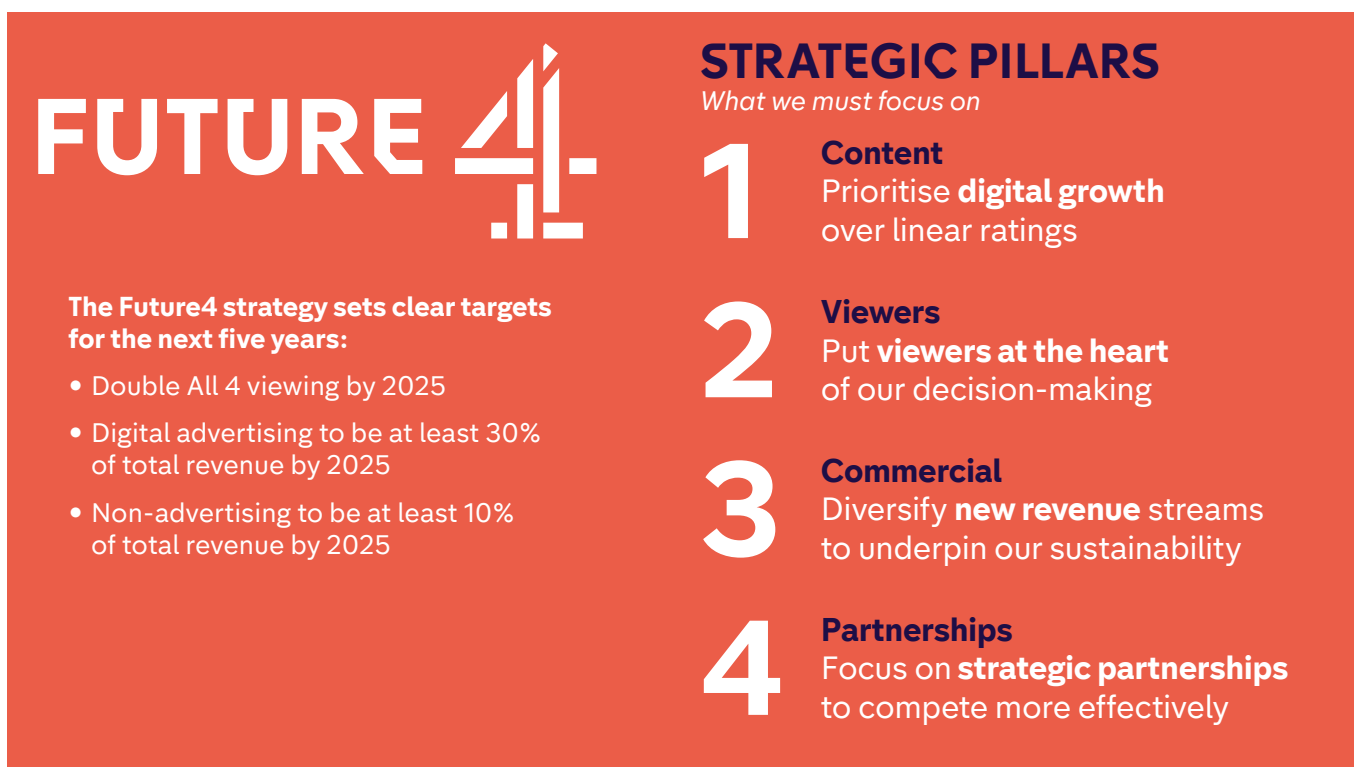
As the public service broadcaster with the youngest audience profile, Channel 4 is at the forefront of responding to changing viewing habits – already achieving a higher proportion of digital revenues than our competitors. Ofcom's and our own projections show that younger viewers are increasingly switching away from linear to on-demand viewing. We want to fully grasp all the opportunities that the shift towards digital presents.

This change in viewing habits, particularly amongst younger viewers, a key demographic for Channel 4, heavily influenced the Future4¹ strategy we set out in November 2020. This strategy outlines the path for Channel 4 to transition to a digital-first PSB, focused on growing our streaming and social platforms whilst maintaining our linear performance.

Our strategy sets out our ambition to double viewing to All 4 by 2025, for at least 30% of our total revenues to come from digital advertising by that time, and for at least 10% of our total revenues to come from non-advertising sources. We aim to achieve this by prioritising digital growth over linear ratings, by putting viewers at the heart of our decision making and by diversifying our revenue streams. We will be putting even greater emphasis on the young-skewing programming that has been at the heart of our digital success.

Channel 4's Future4 strategy builds upon our strong track record of digital innovation and will accelerate Channel 4's pivot to digital by driving both online viewing and new revenues. It's an ambitious and comprehensive plan to transform Channel 4 into a digital PSB that retains its distinctive brand and public service impact. (More details of Future4 strategy in Figure 9).

Figure 9: Summary of Future4 strategy



¹ Channel 4 sets out path to digital future with new strategy: Future4, published 26 November 2020.

Introduction continued

5. Regulatory intervention must be modernised urgently to reflect technological change and structural power shifts

Given the significant shifts we are seeing in the broadcasting market, we fully support Ofcom's aim to strengthen public service media provision.

While the PSBs have been focused on evolving their own businesses to respond to an era of digital consumption, it is right that the policy framework evolves too. Intervention needs to be urgently updated to reflect both the transition from linear broadcasting to digital media, as well as to reflect the fact that the power dynamic in the UK broadcasting market has changed unrecognisably since the 2003 Communications Act, and indeed since Ofcom's last PSB Review in 2015.

In particular, while Channel 4 believes there is a robust commercial funding model for public service broadcasting, the distribution and availability of our content is becoming more and more challenged. Global tech giants such as Amazon, Google, Facebook and Apple are increasingly the gatekeepers to public service content. These global platforms now control the interface through which viewers access British television, and therefore are able to influence what content viewers have access to, how that content is presented, and how UK broadcasters can monetise this viewing. This means that younger audiences risk growing up without the benefits that PSB content provides in terms of keeping them **informed** with trusted news, **connected** to others across the nation, and **represented** in the faces and voices they see and hear on screen. Our current regulatory system, based on a UK, linear environment, is ill-equipped to tackle these challenges.

It is vital that Ofcom takes action to address these challenges as quickly as possible. This should include action in 2021 where Ofcom already has powers; and making clear, specific recommendations on how Government can strengthen public service media through legislation where it is needed. If policymakers continue to be too slow to act, Channel 4 is concerned that the benefits of the UK's highly valuable public service media system will be lost to a generation.

Consultation questions

Question 1

Do you agree that a new regulatory framework for PSM delivery should support a more flexible 'service neutral' delivery approach that is more outcomes focused?

Channel 4 supports Ofcom's proposal of a more flexible, 'service-neutral' regulatory framework where PSM providers have more flexibility on how to deliver their commitments (for example, across digital and linear).

Channel 4 backs Ofcom's proposal to move away from a narrow concept of public service broadcasting (PSB) to public service media (PSM). This approach acknowledges the very different ways that media content is now consumed and delivered, and the different ways in which content can have public impact.

We also support Ofcom's proposal for a framework that is more 'outcomes focused' rather than assessing public service delivery through a narrow lens of programming genre. Channel 4 strongly believes that public service impact can be delivered in a huge diversity of ways – from soaps such as *Hollyoaks* exploring sensitive subject matter such as grooming and self-harm, entertainment shows like *Naked Attraction* normalising different body shapes, to representation of the full diversity of the UK in our hit factual shows such as *Gogglebox* and *The Great British Bake Off*. Channel 4 seeks to have public service impact across its schedule – and therefore it is right to focus on the impact of this content, rather than the merely counting the number of hours of 'traditional' market failure genres like news, arts or religion.

Channel 4 has been delivering public value beyond our main linear channel in a range of different ways for many years. This includes our investment in feature film in Film4 – which has resulted in 19 Oscars for UK-film makers in the last 12 years. Our *Channel 4 News* team has built one of the biggest British news brands on social media, achieving more than a half a billion views in 2020 of its reports across YouTube, Facebook and others. Our All 4 platform is host to a range of exclusive programming including *Walter Presents*, the home of foreign language drama from across the world. In 2021 we will be launching a new short-form digital service aimed at teenagers, which we will distribute across social platforms including Snapchat, TikTok and Instagram. Our new 4Studio team has more than 50 people based in Leeds who are exclusively focused on creating short-form content for social platforms.

Given this range of activity, it is no longer appropriate for Ofcom to measure the impact and value of PSB based solely on the output of a linear channel which represents just one part of our impact. Indeed, Channel 4's remit was updated in the 2010 Digital Economy Act to give it a new duty to 'broadcast or distribute content on a range of different delivery platforms'. This was underpinned by the Statement of Media Content Policy (SMCP), which gave Channel 4 greater flexibility to report how it delivered against its remit across a wider range of platforms.

It is also supported by our remit for innovation, which has encouraged a commitment to digital innovation. We therefore have a strong track record in distributing our content across new platforms – as we are doing through the 4Studio team.

However, while Channel 4 believes that the SMCP has been an effective process that can serve as a model for other PSBs (as noted in our response to Q2), the current framework and the formal licence quota system is still very linear focused. All programming quotas are calculated based on a volume of hours – a measure which, as Ofcom recognises, cannot be easily applied in a non-linear environment.

For example, (as demonstrated in Figure 10), Channel 4 has requirements to show 208 hours of news in peak-time on our main channel, 208 hours of current affairs on our main channel, and 80 hours of current affairs in peak-time. We also have strict quotas on the overall mix of the main channel – that 56% of total output and 70% of peak-time output on the main channel should be original commissions. These quotas do not incentivise Channel 4 to invest in its digital platforms and instead require us to focus our investment on the main linear television channel, rather than delivering it wherever is most appropriate for our audience. We do not believe this always incentivises the most effective behaviour for PSM delivery.

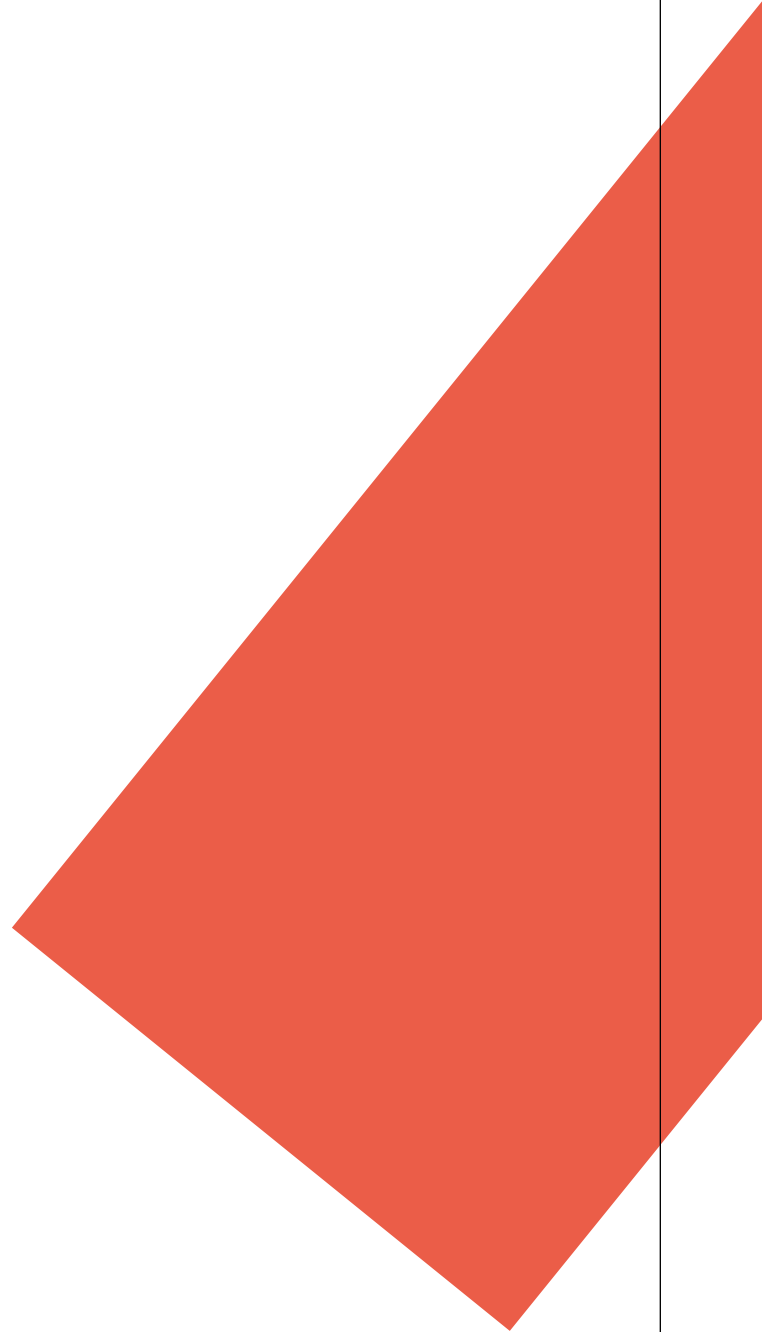
Channel 4 therefore supports Ofcom's proposal of a more flexible, 'service-neutral' regulatory framework, where PSM providers have more flexibility 'to decide which services are best suited to deliver their obligations'. In practice, there will still be a role for PSM providers to have specific commitments that guarantee provision of certain types of content of high value to UK viewers and that the market may not otherwise deliver – like news, or investment outside of London. However, we agree that there should be much greater flexibility given to providers in how they can best deliver those obligations to ensure the most impactful way of reaching our audiences. Channel 4 recommends that Ofcom undertakes more detailed analysis on what a service-neutral approach would look like in practice, and we will be keen to engage with this process. Things that should be considered further as part of the work include news quotas, where we believe there could be greater flexibility to deliver news across both digital and linear services – incentivising us to further strengthen our news provision across social platforms, helping to tackle the spread of disinformation.

Channel 4 strongly believes that an outcomes-based framework can deliver a robust system of accountability, as long as the PSBs provide transparent data about their performance measures. We would therefore recommend any framework is accompanied by a clear set of publicly available, transparent measures that Ofcom can monitor over time and raise concerns about if delivery is perceived to be in decline.

Question 1 continued

Figure 10: Channel 4's current licence quotas

LICENCE QUOTAS		
Original productions all day	56	% output
Original productions peak-time	70	% output
Independent production hours	25	% output
Out of London hours	35	% output
Out of London spend	35	% output
Nations hours	9	% output
Nations spend	9	% output
European origin	50	% output
European indie production	10	% output
Subtitling	90	% output
Audio description	10	% output
Signing	5	% output
<hr/>		
News peak-time	208	Total hours
Current Affairs all day	208	Total hours
Current Affairs peak-time	80	Total hours
Schools	1	Total hours





CHANNEL 4 NEWS

At the heart of our news provision is the flagship nightly *Channel 4 News*, the only hour-long news programme in peak-time on the main PSB channels. This extended running time enables us to tell stories from multiple angles and in more depth.

In 2020, recognising that viewers wanted facts and information as a trusted alternative to the disinformation and fake news circulating online, Channel 4 invested in its news and current affairs output, regularly extending bulletins and adding additional programmes. Across the whole year, we provided a greater volume of news programming in peak-time than in any other year in our history.

The programme's comprehensive Covid-19 coverage, led by Health and Social Care Editor Victoria MacDonald and a team of regional journalists, was committed to exploring and scrutinising the Government's handling of the pandemic, exposing injustices, and charting the devastating toll of the Covid-19 tragedy on the UK.

The flagship news programme saw a 15% growth in viewing share last year – and accrued nearly three-quarters of a billion views of *Channel 4 News* content on Twitter, Facebook, and YouTube as viewers sought unbiased news and expert commentary. The programme also reached more hard-to-reach young and diverse viewers – with a 53% growth amongst 16-34-year-olds and 8% amongst BAME audiences – helping them to navigate through these challenging times.

Across the whole of 2020, Channel 4 provided a greater volume of news programming in peak-time than in any other year in our history (at 289 hours).

During the first lockdown, viewing increased by nearly 80% as record numbers of viewers watched *Channel 4 News*. In March 2020 alone, it reached 14.7 million people (equating to just over 24% of the UK population), a 66% increase year on year.

The programme has also had huge success in reaching audiences digitally. It has the biggest social media following of any news programme in the UK, with over 1.5 billion minutes watched on YouTube and Facebook over 2020 and, with 1.5 million subscribers, is the fastest-growing YouTube news channel in Europe. In total, across Facebook, YouTube, Twitter and Instagram, *Channel 4 News* had 9.4 million followers/subscribers by the end of 2020. 50% of its YouTube audience and 75% of its Snapchat audience is under 35 years old.

To combat the wave of disinformation, the award-winning *Channel 4 News* FactCheck team have worked to address the British public's key Covid-19 questions. FactCheck's website and social channels answer popular questions such as: the effectiveness of the Oxford-AstraZeneca vaccine for over-65s, whether the UK can vaccinate its way out of the crisis, and about the new coronavirus variants. Instead of amplifying misinformation about vaccines or WhatsApp conspiracy theories, FactCheck examines the most important policy decisions and announcements.

Channel 4 News reinforced its reputation as a gem of British public service broadcasting in 2020, receiving international recognition through awards including two International Emmy® Awards, a Peabody Award, a Rory Peck Award, and others.

Question 2

Do you agree with our proposals for a clear accountability framework?

Channel 4 supports Ofcom's proposal of a clear accountability framework for PSM provision. Channel 4 has led the way with its SMCP framework, which could provide a useful model for other broadcasters.

Channel 4 agrees with Ofcom's proposals for a new accountability framework, where PSBs set out their plans for delivering their obligations and agree a clear set of metrics with Ofcom. Channel 4 has led the way in this regard for many years, delivering both the obligations as set out in our licence and against our broader public service remit – measuring and reporting against these through the SMCP process.

Channel 4 is required by Ofcom in its SMCP to set out a clear set of data, including narrative and metrics, that assesses how it has delivered against its remit. This includes a set of outcome-based metrics based on audience perception of our remit delivery – for example, the extent to which Channel 4 is perceived as being strong on measures such as 'shows different kinds of cultures and opinions in the UK' and 'always trying something new'. This is supported by audience viewing data and case study information about particularly impactful programmes. The SMCP also contains a 'forward look' providing information on programming strategy and remit delivery for the year ahead, providing a framework for Ofcom to assess delivery against our stated objectives and priorities.

This information is published every year as part of Channel 4's Annual Report, and Ofcom publish an accompanying document assessing our remit performance and highlighting areas for improvement. In addition to the formal documents, Channel 4 briefs Ofcom throughout the year to provide a regular flow of information on programming strategy and impact.

Channel 4 believes the SMCP has proven to be a clear and transparent system of accountability. It provides clarity about our goals and our performance, and it gives a mechanism for Ofcom to hold us to account and identify areas to Channel 4's management and Board where we need to strengthen our remit delivery. Channel 4 therefore believes the SMCP approach strikes the right balance in providing us with sufficient flexibility to determine our own strategic priorities, whilst also providing a robust means of accountability to stakeholders. We believe this approach could be used as a model for other PSM providers.

It is, however, important for any accountability framework to be aligned with the evolving public perception of PSM and the value it should provide to society. We have therefore shared proposals with Ofcom on how the metrics currently contained in the Channel 4 SMCP can be updated. The existing framework – which now comprises 42 SMCP metrics – was originally developed more than a decade ago, when Channel 4 introduced a 'public impact report' as part of the 2008 Annual Report. This evolved into a statutory obligation to produce the SMCP in 2010. While there have been small changes to the set of metrics used over the years, they are largely the same as in 2008 and we believe it is therefore an opportune moment to revisit and modernise this framework.

Our aim with this new set of metrics is to reflect changes to the British public's media consumption and its sense of what it truly values in our delivery. In particular, our new Future4 strategy and vision demonstrates our ambition to adapt to these changes, and we have updated our measures to closely align with this strategy. This includes for example, engagement across social and digital platforms, and measuring perceptions of Channel 4 amongst viewers on linear, social and All 4. We look forward to discussing this new framework with Ofcom in the months ahead.

Question 3

What do you think should be included in the PSM 'offer'?

The need for a new framework is urgent. It is already the case that the biggest TV platforms in the UK are not incentivised to provide PSB prominence, and in some cases have not agreed deals to carry the PSBs. What will be included in the PSM offer will vary depending on the PSB organisation but for Channel 4 we believe this should include all of our programming. Public value is at the core of everything we produce, and so we believe the 'core' regulated offer version of All 4 should provide as full an experience of Channel 4's content as is offered elsewhere. Technical modifications to this core offer which are required to suit a platform's needs should be at the expense of the platform. The PSB and platform should be free to negotiate commercial terms for the provision of any additional functionality beyond that offered by the core regulated offer.

Our current PSB system has been very carefully designed over a number of years to ensure British audiences have access to a world-leading range of high-quality content across all different genres made specifically for us as audiences in Britain.

Prominence is the lynchpin which holds public service broadcasting together. Put simply, there is very little point in asking broadcasters like Channel 4, ITV and even the BBC to produce certain types of content, be it in a licence requirement or through a statutory remit, if that content is not easily accessible to viewers. Prominence maximises the impact of the PSM content, as it ensures it reaches the widest audience possible. The importance of prominence in driving viewing is widely accepted and has been well established by Ofcom through a number of independent reports¹ from FEH, EMP and Technologia over the last ten years. Perhaps the most compelling evidence of the importance of prominence in maximising viewership is the willingness of global SVoDs to pay large sums of money to secure the top slots even where there is still the additional barrier of users having to pay to access their services.

Prominence is also vital to ensuring that audiences, especially younger audiences, can access the benefits provided by PSBs. It also includes exposure to UK-produced content, including regionally produced content, that explores issues relevant to UK audiences and which promotes social cohesion. A recent report² from Enders Analysis found that the output commissioned by the SVoDS is predominantly less 'British' than that commissioned directly by the PSBs. It looked at the volume of British terms,

1. https://www.ofcom.org.uk/_data/assets/pdf_file/0021/154380/annex-3-ofcoms-assessment-of-evidence-base.pdf.
2. https://mcusercontent.com/e582e02c78012221c8698a563/files/c17ce16f-5383-4c71-ab54-bee7511fd3d1/Outsourcing_culture_When_British_shows_aren_t_British_2021_023_03.pdf.

expressions, reference points in a number of British-made scripted series, and found that '*British-produced programmes commissioned by the streamers have comparatively fewer British touchpoints than similar shows commissioned by local broadcasters*'. In addition, Ofcom research has highlighted parents' concern that their children are increasingly exposed to American, rather than British content³.

Channel 4 supports Ofcom's July 2019 proposals on the need for a new prominence regime and believes these should be legislated for by Government without further delay. In the intervening 20 months the prominence PSBs receive on major TV platforms has reduced significantly as more and more entrants to the market pay for the top spots and push PSBs further and further down. This shows the failure of legislation to keep up with the pace of technological change in this market – and the urgency for action.

Channel 4 agrees with the concern Ofcom set out in its prominence recommendations that '*the introduction of new prominence regulation may disincentivise User Interfaces from making PSB content available*'.⁴ However, in Channel 4's experience it is already the case that some Smart TV, set top box and streaming stick manufacturers are prepared to walk away from deals rather than give Channel 4 prominence.

- **On Samsung TVs** – the best-selling TV brand in the UK – Channel 4 has had to settle for a deal in which All 4 is barely visible. It has a position just 'above the fold' on the first page of the TV screen guaranteed for just six months of the year – because Netflix, Amazon, Disney, Apple and others have all struck international deals for the top slots. As more services launch All 4 will continue to be pushed further and further down that list. Meanwhile, Channel 5 is not even listed on the first page.
- **On LG TVs** – the second-best selling TV on the market – All 4 and other commercial PSBs are not even available on their 2020 sets because the level of prominence offered by LG was so poor that we could not agree a deal.



3. https://www.ofcom.org.uk/_data/assets/pdf_file/0024/199104/exploration-of-peoples-relationship-with-psb.pdf.
4. https://www.ofcom.org.uk/_data/assets/pdf_file/0021/154461/recommendations-for-new-legislative-framework-for-psb-prominence.pdf.

Question 3 continued



These examples illustrate that it is already the case that Smart TV manufacturers are willing to go to market without PSB services because of their reluctance to compromise their ability to strike lucrative deals with global platforms. Because these manufacturers also operate globally, they have a particular disincentive to negotiate away prominence in the UK, because of the precedent they believe this sets for other markets. Channel 4 believes this problem will continue to develop as more services launch, PSBs become less and less discoverable and viewing drops. As this vicious circle manifests manufacturers will rely on their market position, strong brands and the availability of those subscription services willing to pay for prominence to maintain sales. PSB services will increasingly become less of a 'hygiene factor' for these companies as viewing decreases due to a lack of prominence and as a result our negotiating leverage to secure carriage, let alone prominence, on these platforms will continue to diminish.

The same is also true for other platforms:

- **On Amazon Fire Sticks** – the best-selling streaming stick on the market – Amazon heavily promotes content from its own Prime video streaming service, and as with Smart TV sets, has sold the top slots to those willing to bid the most for them.
- **On the PS5** – the bestselling 'next generation' console – Sony has signed international deals with Amazon, Apple, Netflix, Disney and YouTube. No PSB is given any level of prominence at all.

Channel 4 therefore believes it is essential that Ofcom sets out clear recommendations to Government for a new prominence, inclusion and fair value regime to ensure the continued availability and prominence of PSB services on all major platforms.

Channel 4 and other PSBs have set out what we believe the new prominence, inclusion and fair value regime should look like in our joint proposal submitted to Ofcom¹ and published within Ofcom's consultation document. Within that proposal we describe how each individual PSB should provide access to a 'regulated offer' which should be agreed with and overseen by Ofcom. The 'regulated offer' would consist of a 'core' form of the PSB VoD service, which would be offered to platforms on a set of standardised contractual terms.

It is likely, because of the differing natures of each PSB, with different models, missions, ownership structures and incentives, that these regulated offers will differ between PSBs. As a publicly-owned, commercially funded PSB, which is required to deliver our remit across all of our services, we envision that the 'regulated offer' for Channel 4 would include all of our content. Our objective is to ensure All 4, in its totality, is accessible to as many people on as many platforms as possible. We therefore believe the 'regulated offer' version of All 4 should provide as full an experience of Channel 4's content as is offered elsewhere. This will ensure as broad as possible distribution of our content, in line with our public service mission.

This 'regulated offer' will be provided for free to all platforms used by a significant number of people to access TV content. Technical modifications to this core offer which are required to suit a platform's needs should be at the expense of the platform, given the potential costs to a broadcaster of having to make technical specifications tailored to each and every platform it is delivered on.

If the platform requires something beyond this 'regulated offer', the PSB and platform should be free to negotiate commercial terms for the provision of that service. This may include additional functionality like downloading to mobile, use of cloud storage, recording or ad skipping of PSB content, disaggregation, metadata usage, overlays, Automatic Content Recognition (ACR), or any other modifications which would not be part of a core regulated offer.

Channel 4 agrees with the conclusion from Tech UK, the technology trade association, that there should be a regulated set of terms and conditions overseen by an independent regulator, but disagrees with the characterisation in their submission to Ofcom of technically onerous terms imposed by PSBs. Indeed, the PSB players are available to TV manufacturers via Freeview play to the international technical standard Tech UK are advocating for. It is also clear, as set out above, in contrast to Tech UK's claim that TV manufacturers have no choice but to accept the terms dictated by PSBs, that TV manufacturers are able and willing to refuse to carry PSB services.

Channel 4 also disagrees with Tech UK's assertion that "PSBs should be mandated to supply their metadata without terms and conditions attached"². Metadata is not free or easy to provide and it represents real commercial value to the platforms as it enables functionality. It is not clear why PSBs should be required to provide this for free, or without terms and conditions attached and at our own cost – Channel 4 believes that, access to metadata, if required by the platform, should form part of a wider commercial deal agreed by PSBs and platforms.

1 https://www.smallscreenbigdebate.co.uk/_data/assets/pdf_file/0027/208818/psb-submission-broadcasters.pdf
2 Tech UK submission on the role of PSBs in the TV receiver market.

Question 4

What options do you think we should consider on the terms of PSM availability?

Without intervention we believe there are insufficient incentives for the market to ensure availability and accessibility of PSM. Channel 4 believes a new availability framework should ensure the guaranteed and universal access of PSM to all audiences, ensuring the discoverability of these services and supporting their funding by avoiding burdensome requirements on PSM providers. The joint PSB proposals place obligations on PSBs to offer a core regulated service for free to platforms used by a significant number of people and obligations on platforms to carry that core regulated service unless they require something different, in which case the two parties should be free to negotiate for that alternate service. Failure to come to an agreement will result in the PSB providing the core regulated service for free and the platform carrying it, or a process of pendulum/final offer arbitration overseen by Ofcom.

Channel 4 believes it should be Ofcom's top priority to ensure that PSM is both prominent and widely available as viewing habits change. As noted in our response to Q3, without a clear intervention and an updated regime it is clear that market led outcomes will marginalise PSM.

Increasingly it is global technology players and online platforms who will control what content we see. This dominance has been established online and they are already powerful players in the TV landscape. They will make the devices and control the interfaces we use to access TV and they will control what services are available on these devices, how they are promoted and what recommendations and search results we see.

Without intervention, market and viewer outcomes will be led by the commercial interests of these companies, which are not aligned, and are sometimes in conflict, with the provision of PSM. This will result in dominance for a small number of content providers – in particular, Apple, Amazon, Netflix, Google, Facebook, Disney – who can afford to pay to be prominent and available on these platforms. PSM will fade from view.

The importance of an effective prominence and inclusion regime, with a strong regulatory backstop, has been shown by recent events in Australia. Facebook's decision to unilaterally remove news content in the middle of a global pandemic demonstrates the shortcomings of depending on commercial interests to provide PSM. It shows the misalignment of incentives between the interests of dominant global organisations and the PSM needs of the public, and the urgency of intervention to ensure the continued accessibility and prominence of trusted impartial news content.

As set out in the jointly submitted PSB position paper on prominence, inclusion and fair value¹, PSB's believe that there should be a requirement for PSB's to make a 'regulated offer' available to platforms. This should be balanced by a requirement on platforms to 'carry' that free 'regulated offer', unless they require something additional. In this case it should be for the PSB and platform to negotiate commercial terms. If the platform and PSB fail to come to commercial terms, the platform should be required to carry the PSB's 'regulated offer' or move to a process of pendulum/final offer arbitration overseen by Ofcom.

Channel 4 believes these proposals would provide certainty for PSBs, platforms and manufacturers but most importantly they will guarantee the continued provision and prominence of PSM for viewers.

¹ https://www.smallscreenbigdebate.co.uk/_data/assets/pdf_file/0027/208818/psb-submission-broadcasters.pdf

Question 5

What are the options for future funding of PSM and are there lessons we can learn from other countries' approaches?

Ofcom should offer support for the current funding model for PSM, with its mix of public and commercial funding that is available free to air. In particular, we call on Ofcom to recognise the importance of Channel 4's unique publicly-owned not for profit business model as part of a wider ecosystem of PSM delivery. Channel 4 has a robust, resilient commercial funding model which will remain driven primarily by advertising, and, as highlighted by our Future4 strategy, Channel 4 is well-placed to pivot its business model from linear to digital advertising revenues, and to diversify the revenue base beyond advertising. We are proud of the steps we have taken to strengthen our commercial revenue model, and yet we believe there are a number of steps Ofcom should take to both further reinforce the model and to ensure PSBs can fairly compete with online platforms. Ofcom should identify where further commercial funding can be unlocked through reducing restrictions such as advertising minutage and product placement rules, as well as ensuring a level playing field with online providers in relation to advertising restrictions.

The UK has one of the most successful systems of public service broadcasting in the world. EY's report for Ofcom on international models of PSB found that *'the UK PSBs' content is recognised globally for being among the best in the world in terms of quality'* and that other countries look to the UK model as the 'gold standard' in PSM¹. This system has grown a world-leading creative sector, made sure British audiences are served with distinctive public service content and provides the foundation for the export of British 'soft power' around the globe.

There is clearly merit in understanding how other countries are addressing shared challenges – for example, we note the move in recent years in many countries from licence fees to household taxation in order to pay for publicly funded PSM, as well as the governance structures put in place by countries such as Finland and Denmark to prevent political interference, which is a core principle of any effective PSM. As Ofcom note, the French Government is proposing to use provision in the Audiovisual Media Services Directive to impose a 'levy' on SVoDs to fund local production. There are also opportunities to learn from other countries in their approach to engaging young people in PSM – for example, Norwegian PSB NRK's teen web drama SKAM proved highly effective in engaging young audiences both within Norway and internationally. We also note how many broadcasters in EY's research shared concerns about the continued prominence of PSBs.

We also encourage Ofcom to look at international regulatory approaches to the wider structural challenges identified in this response. Countries around the world are considering how best to tackle the power of the global tech giants and limit the evident democratic, economic and cultural harms that flow as a result of their monopoly power. The UK, given its internationally acclaimed communications regulator, robust public service media system and appetite for digital reform, has the opportunity to be a leading pioneer in this field and we urge Ofcom to seize this opportunity.

In particular, Channel 4 welcomes Ofcom's recognition of the Australian Government's mandatory code aimed at addressing bargaining power imbalances between Australia's news media businesses and Google and Facebook. This approach provides an important international precedent in both ensuring that public service media is fairly remunerated and addressing the power of 'gatekeeper' platforms to choose the terms through which they distribute. Facebook's decision to remove all news content from its sites in response to the proposals, stopping Australian citizens from being able to access news and public health information on their platforms in the midst of a pandemic, also demonstrates the importance of provisions that secure the availability and inclusion of public service media on tech platforms – that may otherwise drop them in response to regulation that they perceive as damaging their commercial interests. Channel 4 strongly encourages Ofcom to examine the Code introduced in Australia carefully and consider how it could be applied and adapted to the UK market, both across news and UK public service media. This issue is expanded upon in more detail in our response to Q6.

More broadly, we believe UK policymakers should take pride in the success of the creative ecosystem created by the foresightedness of successive British governments – including the Thatcher administration's decision to create an alternative PSB in the form of Channel 4. They should use the strengths of the current model in the UK as the starting point for any future interventions.

The UK's current system of public service broadcasting combines a mixture of funding models, incentives and ownership structures. This includes the UK-owned public service broadcasters, including the publicly funded BBC, the commercially funded but publicly owned Channel 4, the shareholder owned ITV, as well as Channel 5, owned by Viacom, the private commercial broadcasters and newer entrants such as the subscription funded streamers Netflix and Amazon.

This ecology collectively delivers not only huge value to UK viewers, providing high-quality programming across a range of genres, but also to the British creative industries, as identified above. UK films and TV programmes are known the world over, supporting UK 'soft power' through the portrayal of UK life, culture, history and geography.

¹ International perspectives on public service broadcasting, EY, 2020 https://www.smallscreenbigdebate.co.uk/_data/assets/pdf_file/0026/204587/international-perspectives-on-psb.pdf.

Question 5 continued

As previously noted, PSB investment is the lynchpin of this creative sector, having built a powerful creative infrastructure and skills base over several decades of intervention. There is also a high degree of cross-fertilisation across the value chain of the creative industries, and therefore support for the PSB sector has the benefit of supporting creatives working across theatre, feature film, gaming, post-production, visual art and many other disciplines. This infrastructure is the reason major studios such as Netflix, Amazon and Sky are now investing significantly in UK television, to the benefit of the UK economy.

Channel 4's commercial funding model

Channel 4's unique model has been pivotal to this creative and economic success. Its commercial independence means it does not cost the taxpayer anything. The value offered by the UK's mix of PSB funding models is supported by Ofcom's own research from EY which found that *'although the UK ranks broadly in the middle of the countries considered in our analysis in terms of public funding for PSBs per head of population, the UK PSBs' content is recognised globally for being among the best in the world in terms of quality'*.

Channel 4's ownership and not for profit model means it can focus on maximising dividends to the British creative economy. Commercial organisations naturally have a different set of priorities and motivations that do not always align with public interest. As an integrated national institution, public service objectives are encoded into Channel 4's organisational culture and motivations. Therefore everything Channel 4 does – from casting to commissioning to our investment in skills and apprenticeships – is focused on what is good for the creative sector and the British viewing public.

Channel 4's publisher-broadcaster model provides the flexibility to always make the best creative decisions, as well as the agility that comes from low fixed costs. Channel 4's most significant outgoings are all variable costs (such as commissioning spend) rather than fixed costs (such as headcount and infrastructure commitments). Reducing variable costs is quicker to do than reducing fixed costs – which means Channel 4 is able to adjust its cost base in response to market changes much faster than its competitors.

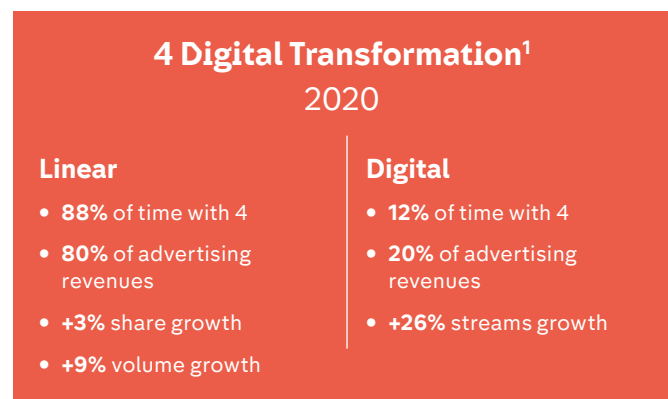
Finally, as a UK-owned company, Channel 4 is focused on telling stories for British audiences – and then providing the launchpad for hundreds of other UK companies to grow their businesses by selling these titles around the world.

This model has proven itself to be extremely robust – providing Channel 4 with the flexibility needed to deal with market shocks and the ability to recover quickly. This was demonstrated by the response to the Covid-19 pandemic in 2020.

Faced with the sudden drop in the advertising market, in April 2020 Channel 4 took swift, decisive action to adjust its costs, cutting £150 million from its content budget (its most significant outgoing cost) and £95 million of costs from across its business. In autumn 2020, aided by a strong viewer performance, record growth in digital viewing and digital revenues and a bounceback in the advertising market, the organisation succeeded in ending the year with a financial surplus – meaning Channel 4 ended the year in a stronger position than it started. This enabled it to repay the money from the Government's furlough scheme and donate to the Film and TV Charity Fund for freelancers, as well as provide sufficient resources to invest in its long-term digital strategy. The ability of Channel 4 to not just survive but thrive in the face of the biggest economic shock for decades demonstrates the robustness and financial sustainability of its model.

Figure 11 summarises Channel 4's strong results in 2020 across both its linear and digital business.

Figure 11: Channel 4's strong 2020



¹ These figures exclude sponsorship and non-advertising revenues.

Question 5 continued

Longer-term, Channel 4 believes that advertising remains a robust funding model. The total advertising spend market is growing at a rate of 5%¹. The total video market (TV + BVoD + Online Video) is keeping pace with this and is forecast to grow at +5% pa for the next five years and maintaining a share of total ad spend of 31% per year. Enders Analysis² provide a similar perspective, with research showing that monetisable video viewing will be static or grow marginally over the next six to seven years. One can also see from Figure 12 that the BVoD market itself will have tripled from 2015 to 2020. Many brands have started spending on TV and BVoD advertising in recent years, from Amazon to Netflix, recognising that it still offers a unique way to reach mass, engaged audiences.

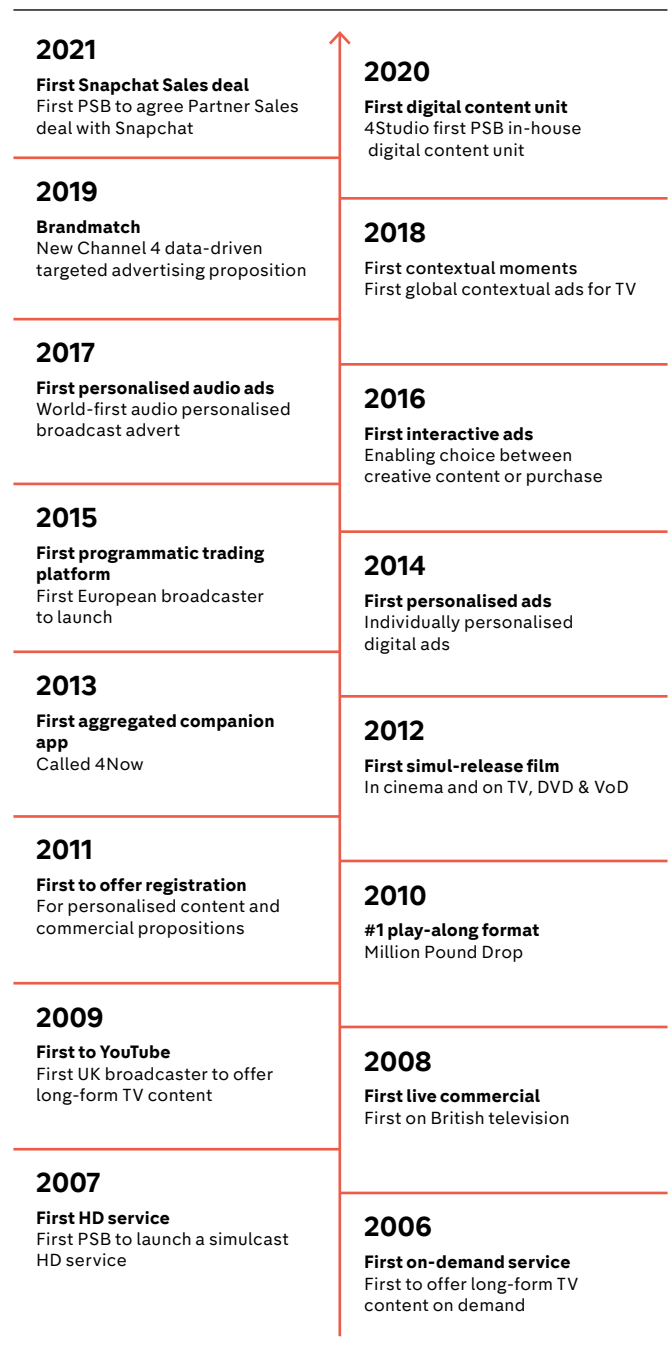
We would therefore caution Ofcom against perpetuating a narrative that suggests advertising-funded models are in decline. Indeed – some of the most profitable businesses in the world are funded by advertising, such as Google and Facebook. We encourage Ofcom to look closely at the potential for digital revenue to offset the decline of linear TV revenue, as well as judging PSBs by their track record to date. More detail on the growth of digital advertising revenues in the broadcasting sector is provided below.

Figure 12: VoD revenue growth for overall BVoD market from 2016–2020, forecast for 2021³

BVoD Market Revenue Growth (WARC Jan '21)	2015	2016	2017	2018	2019
£m	175	197	302.2	391	451.7
%		13%	53%	29%	16%

Channel 4 has a strong history of innovation in digital technology and commercial innovation, (see Figure 13), which means it is well placed for digital growth. This includes the first on-demand service launched in 2006 – before the launch of BBC iPlayer or Netflix. We were also the first broadcaster to develop a personalised data strategy in 2011, and the first to offer a programmatic trading platform. As noted above, this innovation has enabled us to build a pioneering digital advertising offer and grow our digital revenues significantly.

Figure 13: Channel 4’s track record of innovation

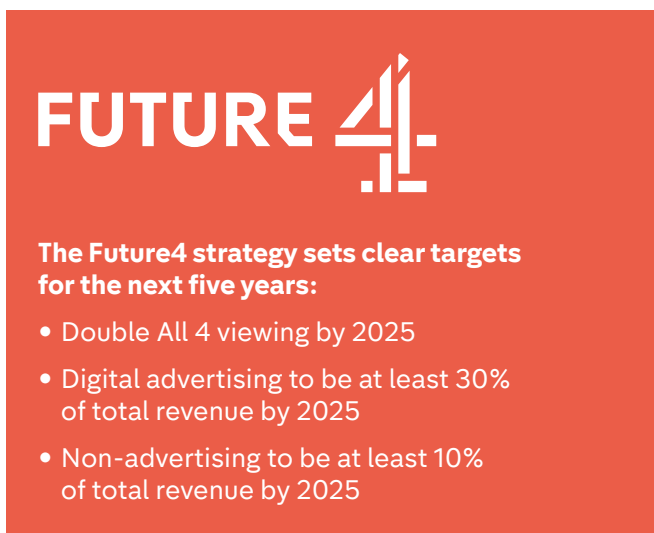


1 WARC/AA Forcecasts on AdSpend (£000s net.).
 2 https://www.smallscreenbigdebate.co.uk/_data/assets/pdf_file/0027/208818/psb-submission-broadcasters.pdf.
 3 WARC 2020/21.

Question 5 continued

Channel 4's Future4 strategy builds upon this strong heritage and sets out plans to build even more flexibility into the business model over the next five years, diversifying revenues away from linear advertising, and prioritising digital growth. As noted above (in the introduction), and demonstrated in Figure 14, the strategy sets clear revenue targets for the next five years: for digital advertising to be at least 30% of total revenue by 2025 and non-advertising to be at least 10% of total revenue by 2025.

Figure 14: Summary of Future4 targets

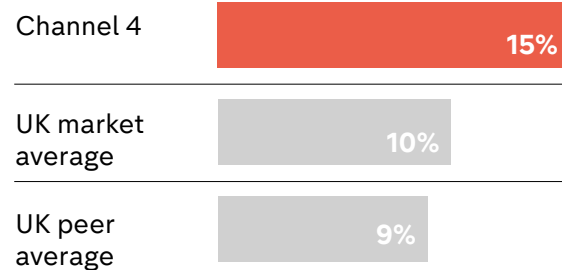


The aim of the Future4 strategy is to deliver new revenue streams, to address challenges associated with declining linear viewing, and to diversify sources of income. It is anticipated that the majority of the new revenue streams will be from digital advertising driven by new advertising products, social monetisation, addressable linear advertising and advertiser funded programming.

Channel 4 is already further ahead in transforming our business model than other broadcasters, with a leading reputation for innovation and expertise in digital advertising. As Figure 15 shows, Channel 4's digital advertising revenues represented 15% of total advertising revenues in 2019, with this proportion exceeding that of UK and European commercial peers based on available comparative data. This is growing further – in 2021 Channel 4's digital advertising revenues are forecast to comprise 20% of total revenues.

Figure 15: Digital advertising revenue as % of total advertising revenue

2019 Digital Ad Revenue % of Total Ad Revenue (WARC UK TV Ad Market 2019)



While the advertising model remains robust and Channel 4 is well-placed in the market to grow digital advertising revenues, Channel 4 has also set out several initiatives aimed at diversifying away from advertising – with the target for 10% of its total revenues to be from non-advertising sources by 2025. These plans include scaling Channel 4's innovative schemes aimed at supporting the independent production sector. This encompasses:

- **Indie Growth Fund.** Launched in 2014, this fund comprises equity stakes in small and emerging production companies, particularly those based outside of London and BAME-owned companies. Channel 4's investment provides the companies with access to funding to help them to grow and develop their businesses. Since it launched, the Indie Growth Fund has generated commercial returns for Channel 4 by investing in and helping to grow early-stage production companies across the UK – with successful exits including True North, Whisper Films and Barcroft Media.
- **Channel 4 Ventures.** Launched in 2015, it has invested in high-growth digital consumer businesses and offers media airtime in exchange for equity, with current investments including Meatless Farm, SportPursuit, Drover and TravelLocal. The fund has also recently successfully exited Pinterest and Readly, realising a healthy return on investment.

Question 5 continued

- Global Format Fund.** Launched in 2020, this fund builds on the success of Channel 4 formats that have been exported around the world (*Gogglebox*, *Come Dine with Me*), and will invest £30 million over the next two years in new British-created and produced content formats that have global potential. It will be on a mutual partnership basis with producers, where Channel 4 offers guarantee minimum runs and slots in our schedule, as well as additional marketing support, in exchange for a share of net receipts/format fees for international exploitation. The new fund is aimed at giving Channel 4 a new revenue stream in the global format market and giving producers guaranteed support in launching their show – all to the benefit of UK exports.

Channel 4 has demonstrated its ability to pivot its business model to generate new digital income and diversify revenues through entrepreneurial initiatives that also support the UK's SMEs. This strategy will ensure that Channel 4 remains sustainable in the future as a commercially funded public service broadcaster, and it is committed to retaining this model of commercial independence.

Other funding models for public service media

Alongside its own commercial funding model, Channel 4 is a strong supporter of the BBC remaining a publicly funded organisation. Public funding is critical in supporting content that the market would not otherwise deliver – from children's programming to regional news.

In relation to other forms of funding, subscription revenues can play an important complement to public and advertising revenues, but a vital principle of public service media provision is that it is freely available to all at the point of use. Channel 4 believes this is an important principle to maintain – public service media should continue to be available on a free-to-view basis. Subscription models may be able to support and complement the free-to-view offer, such as Channel 4's own All 4+ service which gives viewers a choice to watch public service content ad-free, or the joint venture BritBox which gives viewers the opportunity to box-set British programmes. However, these should primarily be complementary to the public service media offer – if this content was only accessible behind subscription paywalls, this would create an imbalance between those who can and cannot afford to pay to access public service media. Channel 4 would therefore not support an exclusively subscription-based approach to funding public service media.

Channel 4 believes the strengths of the current funding model for public service media – one which combines both public funding and advertising-led models – should be maintained in

any new UK framework. We call on Ofcom to support Channel 4's unique publicly-owned not for profit business model as a means of providing guaranteed and stable investment in public service media content at no cost to the tax-payer.

Channel 4 believes there remains a robust model for commercially funded public service broadcasting, and that the major priority for policymakers should be in addressing the issues raised in the distribution and discoverability of public service content outlined elsewhere in this response. However, for completeness, we believe there is value in policymakers identifying areas where further commercial funding can be unlocked.

In particular, any restrictions on advertising should be proportionate and platform-neutral – and policymakers should make sure that public service broadcasters are not adversely impacted from restrictions compared to online providers. This is particularly important in relation to the current proposals to restrict HFSS productions. We do not believe that the Government's proposals to ban HFSS advertising on TV before 9pm will be effective – the Government's own consultation shows it will have no impact (1.74 calories)¹. However, if a ban is to go ahead it must be equally applied across all media. It is essential that online measures meet the same standards set by a TV ban. If it is less restrictive, it will simply result in revenue flowing from TV to online and consequently an increase in the volume of HFSS ads online and children's exposure to them – undermining the policy. The same is true for the Government's current review of the Gambling Act – which includes considerations around gambling advertising. To be effective and fair it is essential that restrictions are applied equally across all media.

Given that Ofcom is considering funding models for PSM, it is important to consider if there are ways to unlock further commercial revenue for the commercially funded public service broadcasters. Channel 4 believes Ofcom should seek to remove unnecessary commercial constraints on PSBs, such as the advertising minutage restrictions which do not apply to other broadcasters and should review the existing product placement rules to enable PSBs to have more flexibility in the way they fund programming. We expand on these points below.

¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/786554/advertising-consultation-impact-assessment.pdf.

Question 5 continued

Product placement/Ad funded programming

Channel 4 also believes that the rules around product placement, sponsorship and ad funded programming should be re-examined in light of changes in the market since they were introduced. The rules, which do not currently apply to the major SVoDs or online social platforms, effectively act as a handicap for broadcasters, preventing broadcasters from striking deals with advertisers to help fund programming. We recognise the importance of adequate safeguards around advertisement and content, both on TV and online, but believe there is scope to re-examine the current rules to unlock new sources of programming and provide a fairer balance with online platforms.

For example, Channel 4 commissioned and funded two series of *Lego Masters* before having to discontinue the programme due to cost. Despite Lego offering to part fund the programme we were unable to recommission the programme under this arrangement, because the current rules on undue prominence do not allow us to feature the product of a sponsor or funder of the programme. This is the case even if they had no editorial influence and the programme was commissioned without their input. *Lego Masters* has been sold in multiple territories as local formats around the world including Australia, France and the US.

Channel 4 believes these rules are unduly restrictive, put broadcasters at a competitive disadvantage and make increasingly little sense where viewers can watch the kind of content we are prevented from making on other platforms and services. Ofcom should therefore clarify existing guidance around 'undue prominence' and 'distortion'. We also believe they should recommend changes to the definition of product placement in the Communications Act 2003. These changes would enable broadcasters to fund programming through deeper collaborations with advertisers, while retaining protections around editorial justification, promotional references, encouraging purchase and most importantly total editorial control for the broadcaster.

Question 6

What do you think about the opportunities for collaboration we have referred to? Are there other opportunities or barriers we haven't identified?

Channel 4 has a proud history of collaboration – with fellow PSBs, organisations like Sky and increasingly with online players. PSBs are currently working on the next generation of Freeview – an all IP service designed to meet the challenge posed by the increasing power of platforms. Beyond PSBs, we are fully alive to the opportunity of collaborating with online platforms in reaching younger audiences, but their disproportionate bargaining power means that, without further intervention, the revenue we derive will often be insufficient to cover our costs. As part of the new Digital Markets Unit framework, Channel 4 believes that Ofcom should recommend that the code of conduct proposed by the CMA to address the market power of Google and Facebook should also apply a fair trading requirement on platforms in their dealings with PSBs and that Ofcom should enforce this requirement.

Channel 4 has a strong history of collaboration and partnership – and believes that partnerships will be important in delivering both scale and efficiencies in the delivery of our remit. Recent successful partnerships include collaborations with fellow PSBs through platform and distribution ventures such as Freeview and BritBox, with other organisations like Sky around content sharing and advertising technology, with UKTV for advertising sales and increasingly with social media companies like Snap, TikTok, Facebook and YouTube to distribute Channel 4's content.

PSB collaboration

Channel 4 welcomes Ofcom and Government's encouragement for the PSBs to collaborate further in order to compete better and ensure our content is made as widely available as possible. The PSBs are continually looking for new ways to collaborate to achieve shared goals and have recently notified the CMA of the intention to merge Freeview and Freesat and to bring Channel 5 into Digital UK as an equal shareholder. This move will enable the PSBs to take strategic decisions about the long-term future of our distribution collectively and without any conflicting interests.

To that end the PSBs have been working together on plans to evolve Freeview to enable viewers to find and enjoy the best of public service programming in the connected world, whilst remaining committed to working with the wider industry to ensure that Freeview remains a vibrant, competitive and open hybrid TV platform.

As noted in response to Q3, the media market in the UK is currently being radically altered by changing relationships

between services and platforms and the increasing strength of platforms:

- The platform market is becoming much more global, with a few large, international technology companies controlling content owners' routes to audiences in numerous territories (e.g. Amazon Fire)
- The relationship between the hardware, operating system and platform UI is becoming more fluid, with single platform UIs sitting across devices produced by many manufacturers, thereby increasing their dominance (e.g. Android TV)
- Platforms are increasingly disaggregating content owners, presenting individual content items in the platform UI, rather than simply providing front doors to individual services
- Platforms are increasingly vertically integrated (controlling both the platform and individual services) and have shown a damaging willingness to use their control of the platform to preference their own services

Maintaining high-quality, distinct services is essential for the PSBs – doing so allows us to maintain direct relationships with our audiences (to personalise and improve audience experiences), exercise editorial control (which represents a significant part of the value we offer to audiences through the specialist curation of content), develop our own distinct brands and identities (to maintain a diverse media market for audiences) and be directly rewarded by audiences for our investment in content and innovative features (promoting healthy competition).

These objectives and principles will underpin our work on an evolution of Freeview, which will offer mass audiences the benefits enabled by internet technology, while remaining freely available to all. The platform will be open and offer content from many partners on a fair, reasonable and non-discriminatory basis, supporting a range of business models (subscription, ad-funded, licence fee funded) and therefore the diversity and competitiveness of the UK media ecosystem. It will ensure audiences can continue to benefit from a high-quality, free platform which reflects the diverse ecosystem of UK content and PSB. Manufacturers will benefit from having a free, powerful, audience-focused and innovative platform to distribute and around which to build their own products.

We encourage Ofcom to support this collaboration to enable the evolution of free to air PSB platforms. That said, we note that this initiative alone will not secure a transition to PSM that retains the benefits that audiences enjoy today. As noted in our responses to Q3 and Q4, it is essential that Ofcom and Government enable a fair, competitive environment and regulatory support to achieve that outcome, including through an urgent update to the rules around prominence and inclusion.

Question 6 continued

Barriers to collaboration

Channel 4 believes strongly that the best means of maximising the reach and impact of our content is through collaborating with other organisations to help reach as wide an audience as possible.

In the past this has involved partnerships with Sky, Virgin Media, fellow PSBs and others but increasingly as the core 16-34 year-old audience migrates online and Channel 4 pivots its business towards digital this means working with the social platforms that young audiences particularly use to discover content. Channel 4 has therefore agreed partnerships with Snap and TikTok to distribute short form content on those platforms, broadening our social footprint.

However, as a commercially funded broadcaster, it is vital that this strategic shift is also commercially sustainable. Currently there are some constraints on the opportunities for further collaboration, as the benefits of this collaboration for Channel 4 is severely impacted by the massive imbalance of power between PSBs and global digital platforms.

Whilst it is instinctively attractive to collaborate with social media platforms which enjoy strong reach with Channel 4's core 16-34-year-old audience, the terms required in these deals are often far from equitable with Channel 4 having to give up almost half of any advertising revenues it earns. Therefore whilst these platforms are an attractive means of reaching the audience, they are not by themselves an economically viable means of distributing content.

The CMA's recent report on the digital advertising market concludes that where platforms like Google and Facebook in particular are an 'unavoidable trading partner' they should be subject to a code of conduct which includes rules on fair trading which would require the platform to trade on fair and reasonable terms for their services.

While the CMA's recommendations are focused on the digital advertising market, Channel 4 would argue that this same principle should be extended to PSBs' relationship with platforms. Google and Facebook are increasingly an unavoidable trading partner for PSBs seeking to reach a young audience, but again the terms under which we can distribute our content on these platforms are far from equitable.

Channel 4 believes that the size and scale of Google and Facebook combined with the lack of viable alternatives for reaching large and particularly young audiences means that there is little incentive for them to meaningfully negotiate when setting terms for using their platforms to access these audiences. As global platforms, any concession they make sets a precedent that could be replicated in other markets, contributing to the inflexibility of their approach. This issue is particularly acute when it comes to the relationship between platforms and PSBs, who by their nature are required to make their content as widely available as possible.

Where younger audiences are increasingly watching content on YouTube and Facebook there is a strong impetus for organisations like Channel 4, who have a statutory remit to reach young audiences with our content, to make that content available on the services these audiences use the most.

However, the terms that Channel 4 has to agree to in order to make its content available are far from equitable and noticeably are identical for both platforms – e.g. a 45/55% revenue split for both YouTube and Facebook. Channel 4's own experience is also widely reported to be the norm across the wider industry.

The identical terms offered as well as the limited number of other platforms available for Channel 4 to reach these audiences means that we are left with little option but to accept these terms or risk failing to maximise the delivery of our public service remit.

Channel 4 believes that in a more competitive market there would be a greater degree of downward pressure on the revenue split between platforms and content providers. It cannot be right that having taken all of the risk to invest in the creation and production of high-quality content that platforms, who take none of the risk but gain significant benefit from having high-quality PSM content on their platform, can take a 45% share of the revenue.

Question 6 continued

Channel 4 therefore believes that Ofcom should recommend that the code of conduct proposed by the CMA should also apply a fair trading requirement on platforms in their dealings with PSBs.

This is not without precedent. The Australian Government has recently introduced a statutory code to govern the negotiations between platforms and the news media with a system of pendulum arbitration as a backstop for failed negotiations. This proposal applies to commercially funded broadcasters. Crucially, the Australian Code also allows news organisations to bargain collectively to increase their leverage and help rebalance the current asymmetry that exists because of the size and dominance of the platforms.

As noted above, Channel 4 encourages Ofcom to examine the Australia Code carefully and consider how it could be applied to the UK market, both across news and UK public service media. This could have the positive benefits of furthering greater collaboration between the PSBs and social platforms, thereby promoting the reach of public service content especially amongst young audiences, as well as providing new revenue streams for PSM content providers.

Channel 4 welcomes the joined-up approach the CMA and Ofcom are taking and their collaboration through the Digital Regulation Cooperation Forum. We agree with the CMA's Digital Markets Taskforce (DMT) that platform dominance can have wider societal consequences, including for media plurality, accuracy of news, and democracy¹. Platform dominance also creates the risk of limiting access to PSM, particularly among younger audiences. Ofcom should therefore recommend that the relationship between platforms and PSBs is in scope for the 'code of conduct' recommended by the CMA, which is aimed at ensuring platforms cannot abuse their market dominance. In line with the DMT's recommendation, Ofcom should be given powers to enforce the code, as it relates to this issue.

¹ https://assets.publishing.service.gov.uk/media/5f9e7567e90e07562f98286c/Digital_Taskforce_-_Advice.pdf.

Question 7

What are your views on the opportunities for new providers of PSM?

Channel 4 recognises that non-PSBs can produce valuable content and encourages a system that would lead to a sustainable increase in the delivery of PSM. Channel 4 is fully open to any competition that produces value for audiences.

However, there are significant benefits to PSM being primarily delivered through institutions set up for that very purpose. National institutions are incentivised to deliver public outcomes and align themselves to wider public policy objectives. Commercial content providers play a valuable role but cannot guarantee investment in the same way as they have different motivations. The distinctive and enduring role PSBs play must therefore remain at the heart of any new framework for PSM.

It is vital that any benefits received by new providers of PSM are also matched by an appropriate level of obligations, and that this is commensurate with the balance of obligations and benefits placed on PSBs. Ofcom must also consider the risk that parcelling out PSB benefits – prominence, funding, spectrum – to a wider set of players reduces the value of those benefits to the current PSBs, diluting them to the point where their overall value to audiences is diminished. Finally, it is vital that any future provision of PSM retains the fundamental features of universal availability and free to air.

In principle, Channel 4 agrees that the idea of other companies providing public service media is attractive – as the different perspectives offered could help promote an even greater diversity of viewpoints and further enrich the already broad range of PSM enjoyed by the British public. Channel 4 certainly welcomes further investment in public service media and is fully open to any competition that produces value for audiences. We believe that the provision of news and arts programming by organisations like Sky – and of documentaries, natural history programming, dramas and more by other commercial channels and more recently by SVoDs including Netflix, Amazon and Disney – has undeniably contributed to the incredibly rich variety of content available to British viewers.

However, while these contributions are of value, they do not substitute for the core public service provision provided by the public service broadcasters. Channel 4 believes the UK benefits hugely from the large volume of rich and varied public service media provided by the BBC, Channel 4, ITV, and Channel 5 – the PSB ‘institutions’. The UK’s broadcasting ecosystem has produced some of the most acclaimed programming in the world. This is not only because of the international services which are available everywhere else, but because these services

coexist with a series of PSB institutions who have had public service motivations at their heart for several decades. This has led to a cultural expectation of quality that other media companies have sought to meet. We note recent research from the BBC that as a PSB institution it is a ‘market shaper’, by ‘crowding in private investment and creative processes through ‘derisking’ or opening up activity in the media innovation chain’. The idea is that far from market interventions crowding out the market, the PSB institutions stimulate investment and innovation across the sector.

Like other core elements of public infrastructure, such as public parks, museums and the NHS, integrated PSB institutions have public service at their core. This is especially true for the BBC and Channel 4, which are publicly owned and do not need to make a profit. These institutions have a number of characteristics that distinguish themselves from the purely commercial providers, as outlined below.

Incentives

The incentives and motivations of the BBC and Channel 4 are fundamentally different to those of purely commercial providers. Channel 4 is a commercially funded, not for profit PSB, whose entire purpose is to deliver our remit. Profit is not sought or demanded by shareholders as the primary purpose of the organisation, and therefore the focus is on how to maximise public value.

In contrast, companies who might look to take on a contract for some element of PSM delivery are highly likely to be driven by other motivations (e.g. profit, reputational) rather than a public service ethos. As a result, they may be more likely to marginalise public service content, or invest in it only when it suits their interests to do so. They are also less incentivised to broaden their range of suppliers or increase commissioning outside of London, as it can be commercially inefficient in the short term.

Organisational logic

Our delivery of PSM is intrinsic to who we are and is at the heart of every decision we make. Public motivations are encoded into our organisational culture, from the commissioning process, casting and storyline development to scheduling, social media and marketing. This is fundamentally different to a company with different motivations, which through regulation has a limited obligation to produce a specified number of hours of particular genres, or through a company that receives contestable funding for an individual PSM project. Institutions don’t have a separate unit that is focused on public service – every part of the organisation exists to optimise public service in its objectives and activity.

¹ https://www.ucl.ac.uk/bartlett/public-purpose/sites/public-purpose/files/final-bbc-report-6_jan.pdf.

Question 7 continued

Culture

Where you have a remit, history, leadership, accountability, values, and rewards all working towards a public service objective, your culture supports it. Because the delivery of PSM is such a fundamental part of Channel 4's DNA we put public service at the forefront of everything we do. We put impactful, original content at the heart of our schedule and curate this content to ensure that our entire output works as a holistic whole, enabling audiences to discover programmes they may not otherwise have considered, and different opinions they may not otherwise have come across. Across our commissioning decisions we ask ourselves what the public impact of each show will be – what does it have to say about Britain, how can we produce it in a way that feels distinctive and relevant to our national moment (see case studies on pages 40-41). Our commissioning decisions also consider where the programme is made and who it is made by to ensure our investment is spread throughout the UK's Nations and Regions and amongst small and diverse suppliers.

Critical mass

The existing PSB institutions provide long-term, guaranteed investment in both content and in the creative infrastructure that supports it. They work under a multi-year settlement (Charter periods and PSB remits and licences) with long-term commitments that underpin the delivery of PSM and exist primarily to serve the UK, not global audiences. This system has delivered decades of sustained investment in the UK's creative economy which has subsequently attracted SVoD services like Netflix, Apple, Amazon and Disney to produce content in the UK. The PSBs serve the British public, not international audiences, ensuring the British public are not just served great drama, documentaries, or kids programming, but content with a British flavour that resonates with their own cultural experiences.

Institutions are also geared up to deliver wider public policy priorities – such as industrial policy elements like skills or the Government's 'levelling up' agenda for towns and cities across the UK. They are a critical means of providing national resilience, able to provide information to citizens in potential moments of national crisis – as Peter Bazalgette recently noted, 'If the country was ever under threat and the internet went down, the Freeview signal on your aerial is there.'

Therefore, while fiscal policies (e.g. local tax credits) might attract other providers of PSM in the short term, these are unlikely to replace the benefits of an enduring system that provides long-term sustainable value for the UK creative economy and the British public.

Channel 4 therefore believes that while further investment is welcome, it is vital that any new system to incentivise the wider delivery of PSM does not detract from the benefits delivered by the existing system. Rather, any new system should build on these benefits. It would be a bad outcome if, in attempting to incentivise wider delivery of PSM, Ofcom and Government inadvertently disincentivise existing providers and create a system that leads to a narrow, market failure-led future for PSM.

To provide non-licensed PSBs with the incentives to produce additional PSM, beyond what they are already doing, it is likely that the Government and Ofcom would have to extend some of the current 'PSB' benefits to non-PSB organisations. These benefits received by the PSBs currently include public funding (for the BBC), prominence and access to spectrum. Channel 4 believes there is the risk of a zero sum game in how these benefits are distributed, where distributing them more widely reduces the value they provide to each organisation and ultimately to audiences:

- **Funding:** Channel 4 believes that the model employed by the Young Audiences Content Fund (YACF) has been successful. It is targeted at a specific genre (children's programming) which, because of a unique set of circumstances meant it had proven very difficult for the market to produce adequate volumes of this genre of programming. However, the YACF takes its funding from unspent licence fee funding which was carved off to assist with Digital Switchover. Channel 4 does not believe a continued model where money is taken from one public service media organisation to another is beneficial. However, if additional funding can be found then this is a model that could provide additional value for audiences providing it follows the same principles set out by the YACF including the importance of making the content 'free to air' and available without the need for any payment or subscription.
- **Prominence:** As noted previously, prominence is a key benefit for the current PSBs. Prominence could be extended to other channels who decide to provide PSM – but doing so may create perverse incentives. If other providers could receive the same prominence benefits as PSBs for providing access to a smaller volume of PSM it could create a race to the bottom, whereby commercial PSBs seek to minimise their PSM output to this minimal level. Providing prominence to multiple organisations would also reduce the intrinsic value of prominence – if everyone is prominent, then no one is prominent.
- **Access to spectrum:** This suffers from the same pitfall that applies to prominence in that it would disincentivise a fuller fledged provision of PSM by the existing PSBs because other organisations would be receiving the same benefits for doing less. There is also limited capacity available on existing 'universal' spectrum so it is not clear which services would have to make way if other providers of PSM were given this benefit.

Question 7 continued

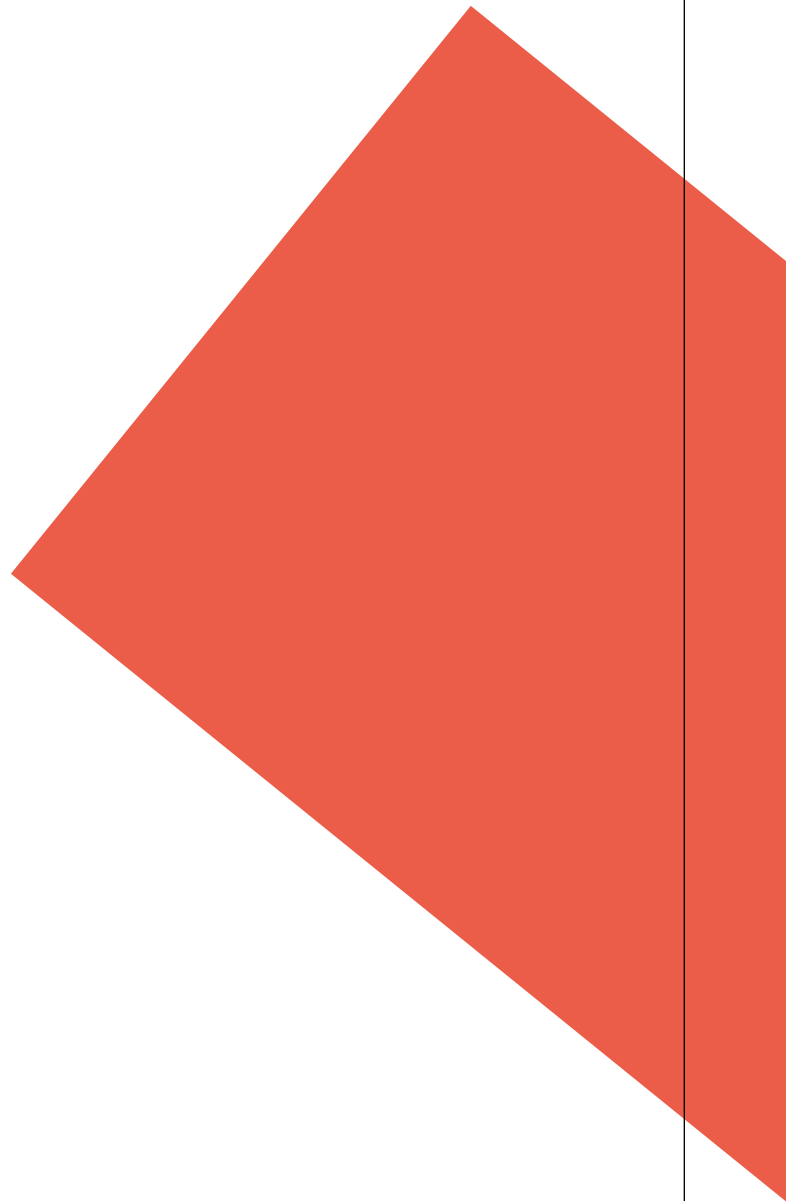
In addition to the complexities of extending the benefits of the public service media system, it is important to recognise that these benefits are provided in return for the delivery of a number of significant obligations which are placed on PSBs. There is already a growing imbalance within the PSB 'compact' – as the benefits of prominence and spectrum diminish in value as tech platforms find ways to supersede them, while PSB obligations remain extensive. These include but are not limited to quotas for specific programme genres, for original productions (both in peak-time and non-peak-time), independent production quotas and out of London and Nations quotas. As noted elsewhere in this response, PSBs are also subjected to limits on the amount of advertising minutage they are able to show as well as restrictions on rights ownership mandated by the Terms of Trade.

Channel 4 believes that it is important that non-PSB organisations who receive the benefits received by licensed PSBs should also be willing to take on an appropriate and commensurate degree of obligations. There is no evidence that non-PSB providers would be open and willing to accept these wider obligations or conditions.

Finally, there are two key features of the existing PSB system which are fundamental to its success and which Channel 4 believes should be fundamental features on the provision of PSM in the future.

- **Free to view:** Any future provision of PSM must remain freely available without the need to pay for a subscription to a specific service or for a broadband connection. This ensures there are low barriers to being able to view this content. Abandoning this principle would mean PSM was only available for those who could afford it.
- **Universal availability:** It must also be accessible by everyone in the country. PSM which is provided on a service which only reaches a limited proportion of the population will, by definition, have a greatly reduced impact.

Any new framework to incentivise new providers of PSM must be mindful of these concerns. To ensure that the benefits and features outlined above can be maintained, it will be vital for Ofcom to think carefully, including through detailed industry consultation, on how any new framework might work in practice.





JOE LYCETT'S GOT YOUR BACK

Joe Lycett's Got Your Back is no ordinary consumer rights show. "It's Watchdog with jokes, or Sexy Watchdog," says Joe. "It takes all of the normal tropes of a consumer show, and just tries to make them funny."

With the help of his assistant Mark Silcox, a weekly celebrity guest, and some cunning hidden camera investigations, Joe campaigns on behalf of viewers and small businesses who have been conned out of money, ripped off by big corporations or hoodwinked by fraudsters.

Series 2, which aired last year, saw Joe taking on rubbish council bin collections, toll road fines and dodgy delivery companies; investigating budget flights; and tracking down Airbnb scammers. The funnyman also changed his name by deed poll to Hugo Boss to expose the fashion behemoth's heavy-handed approach to protecting its intellectual property. "Using humour is actually really effective in getting companies to listen up and change their ways," says Joe. With his "warmth, wit and occasional waspishness", he was dubbed "just the man to keep us entertained during lockdown" by the Royal Television Society.

Joe's consumer rights crusades and mischievous moments entertained 1.4 million viewers last year, up 35% on series 1. His fresh and funny take on consumer justice also captivated young viewers, with a 19.1% share of 18-34-year-olds. "It's the only TV programme that our tweens deign to watch with us parents... Thanks Joe for uniting our fam!" tweeted one fan. More than 40% of viewers said they had spoken about the programme to others, and a third said it made them think about the show's subjects in new and different ways.

GRAYSON'S ART CLUB

Last year, Turner Prize-winning artist Grayson Perry encouraged the British public to pick up their paint brushes and unleash their creative side during lockdown with his new show, *Grayson's Art Club*.

The six-episode series, hosted from Grayson's own studio, featured masterclasses and top tips on how to get started with art. Grayson and his wife, psychotherapist and author Philippa Perry, talked to a string of famous faces, such as comedian Jenny Eclair and sculptor Antony Gormley (creator of the spectacular Angel of the North), to discover their creative inspirations. Viewers were encouraged to take part in an array of artistic challenges, from drawing a portrait of a family member or housemate to depicting the view from their windows.

Grayson's Art Club was the best performing series from Channel 4's #StayAtHome Academy programming, attracting more than one million viewers per episode (with over half aged over 55) and reportedly causing a spike in online sales for craft specialists. Nearly 10,000 people submitted their art to Grayson and Philippa – and a selection of the work is on display at Manchester Art Gallery, providing a visual record of Britain in isolation.

"A can of lager on a bench, a bit of old tat picked up off the street and pressed into clay; a shared cup of tea – *Grayson's Art Club* made us look at the small things in life and appreciate them," says Channel 4 Commissioning Editor Shaminder Nahal. "Grayson also made us think about the big things and what connects us even in the toughest of times." In his own way, Grayson performed a public service by bringing creativity into homes during lockdown and lifting the spirits of the nation. Viewers described the show as 'positive', 'therapeutic', 'stress releasing', 'inclusive' and 'authentic'. It was hailed by the Daily Telegraph as "one of the most joyous bits of television made during lockdown, a tonic amid all the gloom".

Question 8

Given changes to audience consumption patterns and wider market developments, is there any aspect of Ofcom's Guidance on commissioning of independent productions which Ofcom should update to ensure it remains fit-for purpose?

Whilst the regulations governing the relationship between PSBs and the production sector have been a demonstrable success, material shifts in the market and the erosion of the PSBs' negotiating strength mean that the original rationale behind the guidance is significantly weakened. There have also been major shifts in viewing habits and audience expectations meaning extensive BVOD archives are required to compete for audiences.

Ofcom should therefore provide a clear steer to the market that PSBs need a wider set of rights in order to deliver PSM, including the central importance to broadcasters of VoD rights and an archive proposition, and endorse broadcasters updating their own commissioning Codes of Practice to reflect this position.

PSBs are now streaming services, and viewers expect to access streamed content from them as standard. The regulatory regime must be open and flexible enough to recognise that an evolution of rights to meet audience expectations is possible without further trading of value in the future. Ofcom could achieve this through an update to the existing guidance that supports the Codes of Practice, or as part of Ofcom's statement on the future of public service media.

Supporting the diversity and vibrancy of the UK's independent production sector has been a core aspect of Channel 4's public service remit since its launch in 1982. As a publisher-broadcaster Channel 4 plays a key role in the independent production sector and is particularly impacted by the regulations which underpin it. These regulations were intended to provide a more even playing field for commercial negotiations, particularly for smaller independent producers and those in the Nations and Regions.

The current regulatory framework has been a demonstrable success, with the UK TV production sector growing around 4% a year from 2012 and generating over £3.3 billion in revenue in 2019, with international revenues breaking £1 billion¹. The core principle that producers should own their intellectual property has created an entrepreneurial production sector that exports its programmes to all corners of the world. PSBs have played a key role in this global success, providing indies with vital counterpoints to the global rights deals mandated by the streamers and going well beyond our regulatory obligations to support diversity and growth in the sector outside London, with PSBs still responsible for 61% of commissions from independent producers in the Nations and Regions².

Given the success of this framework, Channel 4 is not in favour of its repeal. However, we believe there is scope for it to be modernised to reflect the changing expectations of audiences and the importance of digital services to the PSBs' futures. These changes do not require legislative change – but would require Ofcom to make a proactive statement about Ofcom's own expectations.

When articulating the rationale for intervention, Ofcom has previously identified three particular features of the TV production sector which may prevent viewers' interests from being fully met: the negotiating strength of the main terrestrial broadcasters, vertical integration between broadcasting and production, and geographic concentration of production. In 2006 Ofcom mapped these key issues to the specific interventions, with PSBs' negotiating strength identified as necessitating the PSBs' Codes of Practice and Ofcom's accompanying guidance.

In the 2006 review of the Terms of Trade arrangements Ofcom acknowledged that, "the broadcasters' negotiating strength is likely to diminish over time and such a reduction may create the scope for the removal of regulation in this area."³ Since this statement the market has changed significantly, and the drivers for some interventions – particularly the negotiating strength and buying power of the PSBs – are no longer as relevant. While the four main PSBs are still the largest multi-genre commissioners of programmes in the UK, with £1,295 million of commissioning spend in 2019, UK based multichannel groups, international channels and global streaming services now play a bigger role than ever before with a combined UK commissioning spend of £1,378 million in 2019. These revenue sources are expected to continue to grow, further changing the dynamics of the UK market¹. In 2019, international TV revenues grew by 30% compared to 3% growth in total domestic TV revenues, largely driven by primary international commissions, which increased by 40%¹. The impact of these trends on the negotiating power of the PSBs has been further exacerbated by the increased scale of production companies, some of whom now have a higher turnover than Channel 4.

- 1 Oliver & Ohlbaum for PACT. UK Television Production Survey, Financial Census 2020.
- 2 Oliver & Ohlbaum for PACT. 2020. UK Television Production Survey Financial Census 2020 – Nations & Regions Annex, page 7.
- 3 Ofcom. 2006. Review of the television production sector – policy statement, page 4.

Question 8 continued

Figure 16: Analysis of rationale for production sector intervention

	2006*	2021
Negotiating Strength	<p>The majority of originated programming is commissioned by the four main terrestrial broadcasters. The situation gives them negotiating strength and the ability to squeeze commercially external producers – possibly reducing the quality and diversity of TV content.</p> <p>** The comparatively small scale of indies in comparison to PSBs compounded their weakened negotiating position.</p>	<p>PSB spend is no longer the majority of commissioning spend with UK producers and their negotiating strength has been eroded by the global SVODs. The seed of growth in international commissioning spend compared to domestic TV revenue (40% vs 3% in 2019) is likely to further exacerbate this over the coming years. The increased scale of key players in the indie sector has further eroded the negotiating strength of PSBs.</p>
Vertical Integration	<p>Vertical integration can produce incentives that result in a bias for in-house production. This may lead, at the margins, to inferior programmes being commissioned. The bias may also damage the diversity of supply of content to viewers if a large proportion of programmes are made internally.</p>	<p>Still relevant although BBC contestability increasing.</p>
Geographic concentration	<p>TV production tends to concentrate in London and this may damage the diversity of content available to viewers.</p>	<p>Over-concentration of production in London is still relevant, although the regional production system is well established and recently strengthened and broadcasters have voluntarily gone beyond their obligations. Other areas of diversity such as BAME-led indies increasingly recognised as vital for the industry.</p>

* Reproduced from Figure 3.1 in Ofcom's 2006 consultation document¹.

** Channel 4 addition.

Alongside these shifts in the PSBs' negotiating power, there have also been major shifts in the viewing habits and expectations of audiences. Around half of all UK 16-34-year-olds (47%) say they expect a new TV show to have all the episodes available to watch as soon as it launches – this is almost double the expectation levels of older audiences². In January 2021 Channel 4 released all episodes of *It's A Sin* on All 4 to coincide with its first linear TX. It was All 4's biggest ever instant box-set, amassing 18.9 million views to date and driving All 4's biggest ever month of streaming with almost double the number of views compared to the same month last year (+91%). Our data shows that box-sets are All 4's most well-known feature, with awareness at 49% and even higher among 16-34-year-olds at 60%³. These box-sets and our archive content are key to shifting the way the service is perceived and a record 64% of users now see it as more than a catch-up service.

Research commissioned by Ofcom has also highlighted the importance of VoD providers' catalogue and the level of variety and choice as key factors in younger audiences' viewing choices⁴. According to the research, BVOD services are associated more with catch-up services and "participants acknowledge that it is hard for any one PSB brand to compete with the depth and breadth of content served up by streaming services."⁵ All 4 is the UK's largest free streaming service and as part of our Future4 Strategy, Channel 4 is working to double All 4 viewing by 2025. Archive viewing is key to achieving this, as illustrated by its role in All 4's 28% growth in 2020.

1 Ofcom. 2006. Review of the television production sector, Consultation document, page 28.

2 YouGov survey conducted for Channel 4, 9-10th February 2021.

3 Channel 4 VoD Experience Tracker Q1 2021 – Wave 20.

4 An exploration of people's relationship with PSB, with a particular focus on the views of young people, page 8.

5 Jigsaw/Ofcom, An exploration of people's relationship with PSB, with a particular focus on the views of young people, page 58.

Question 8 continued

Given the importance of archive content to viewers, longer licence periods for key VoD-friendly archive content are of real strategic importance. Channel 4 negotiates bespoke deals for titles like *The Inbetweeners* which it wishes to retain on All 4 for an extended term. In contrast, the SVoDs, who are not subject to the regulations, are able to routinely secure significantly longer licence periods for content. This imbalance is brought into stark contrast in the case of co-productions where PSBs and SVoDs can put in equal levels of funding but receive vastly different packages of rights as a result of the current framework. Licence periods are particularly important in relation to scripted shows which have very high costs per episode, with scripted production particularly skewed by market changes. Scripted programmes are key drivers of VoD viewing, but are most likely to require bespoke deals to extend rights given their longer shelf lives and shorter average number of series.

Ofcom's research also highlights the issue of misattribution and the impact this has on young people's attitudes towards PSB, masking their true value and appeal. The research states, *"We had clear evidence of misattribution of PSB content when it is consumed via a streaming service, with low awareness that some of the content being watched through a streaming service was originally produced by a PSB."*¹ This misattribution is damaging for PSBs, highlighting the importance of appropriate exclusivity periods. Shorter exclusivity periods inevitably exacerbate misattribution, and Channel 4 has the shortest exclusivity periods among the PSBs, a direct consequence of the trades we made to enable our All 4 product to evolve in response to the audience's preference for how to consume our content. It is also worth noting that the presumption of early release in the current guidance was conceived when secondary linear usage and DVD release were the norm without the prevalence of SVoD services in the market. This issue also highlights the need for PSB commissions to retain PSB branding irrespective of platform.

To date Channel 4 has largely been able to use the collective bargaining arrangements established by the current regime to obtain, by negotiation, the rights we need to respond strategically to changes in consumption. However, this has inevitably required the trading away of significant commercial value. Channel 4's current Terms of Trade deal, agreed with Pact in 2019, involved the conceding of millions of pounds worth of future net receipts, and commercial flexibility on E4 commissions, in order to secure the greater utility around use of programmes which were essential to respond to the audience's clear preferences to consume programming in VoD. (See figure 17).

¹ Jigsaw/ Ofcom, An exploration of people's relationship with PSB, with a particular focus on the views of young people. Page 27.

Question 8 continued

Figure 17: Channel 4's 2019 Terms of Trade deal

Channel 4's current Pact Deal

In order to obtain the VoD rights we needed Channel 4 had to make a bold, radical deal which involved significant sacrifices.

What we traded:

- All international revenue, and all UK revenue outside the licence period, from producer exploitation. No other broadcaster has given up all non-UK value.
- We reduced our exclusivity period.
- We brought E4 into the Pact deal - an unregulated channel on which we previously had more utility, much greater control over UK rights, including exclusivity, and 50% of back end.

• What we received in return:

- Greater flexibility in the UK market, allowing us to use titles across the portfolio without additional repeat fees.
- VoD rights to All 4 for the term without further payment.
- The option to extend licence and exclusivity periods for up to 5 years for a set fee.
- Greater flexibility of use in the UK/Eire including across 3rd party platforms where over 500 hours of content is provided.

Channel 4's 2019 agreement with Pact was a landmark, innovative deal that secured us vital new digital rights which we believe are fundamental to a modern broadcaster.

Channel 4 believes Ofcom should signal its support for PSBs updating their Codes of Practice to reflect the position of the wider set of digital rights required to deliver PSM, compared to when the Guidance was written in 2007, including the central importance of VoD rights and an archive proposition. This steer from Ofcom could be provided by an update to the existing guidance that supports the Codes of Practice, or as part of Ofcom's statement on the future of public service media. In either instance Ofcom should make clear that broadcasters should have genuine flexibility to negotiate the commercial deals required to evolve and thrive in this changed viewing environment, and that there is merit in creative deal-making outside of the standard frameworks, if there is value to both producer and broadcaster.

Question 9

Is there any change to the independent production quota which Ofcom should recommend to Government as part of its 'Small Screen Big Debate' programme?

There is no doubt that the independent production quota has been an important intervention that has massively helped develop and grow the UK's production sector – alongside other interventions such as the creation of Channel 4 and the Terms of Trade. As other media players further build up their in-house production capacity, it will remain important to incentivise PSBs to stimulate growth in independent producers, and therefore Channel 4 continues to support the independent production quota.

That said, we do believe there is merit in considering more directive policy measures in key areas of the production ecosystem that have not seen the same level of sustained growth, for example indies, where there is a paucity of supply.

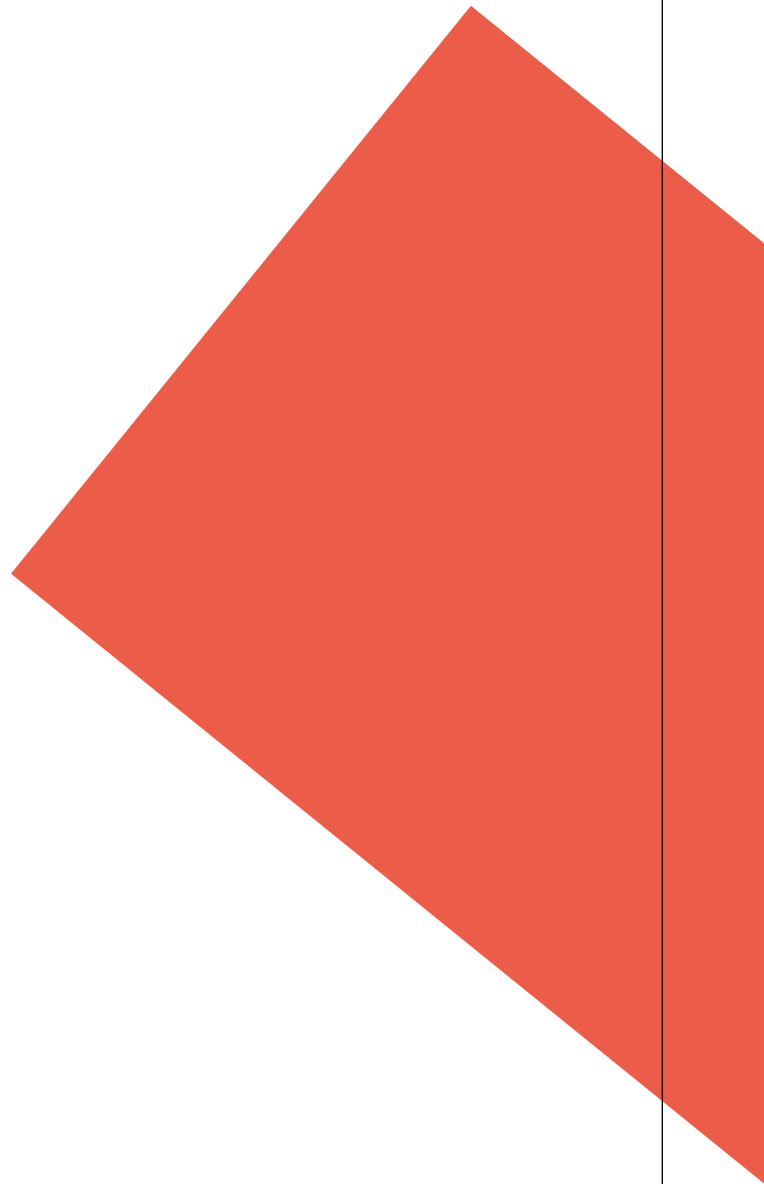
Channel 4 has already made a significant commitment to the Nations and Regions, opening new bases in Leeds, Glasgow and Bristol and targeting 50% of our commissioning spend in the Nations and Regions by 2023.

Channel 4 has developed a series of its own initiatives aimed at fostering diversity of supply and developing companies in the Nations and Regions and BAME-led indies. This includes our Indie Growth Fund which is prioritising investment in Nations and Regions, BAME-led and digital businesses across the UK. Our Emerging Indie Fund has been specifically designed to help small, new or emerging indies outside of London break through key stages of growth, providing slate development funding, mentoring and advice.

Channel 4 is specifically working to address the relatively low levels of BAME-led indies in the UK, with a new industry-leading commitment to track and report our content spend with these independent producers and to double the number we commission from by 2023. To support us in achieving this we launched our new Indie Accelerator whereby commissioning teams have identified ten BAME-led indies from across the UK to champion and nurture with a bespoke accelerator plan.

Channel 4 is committed to these important initiatives. However, we would suggest that incentivising an industry-wide approach could build on Channel 4's ongoing work, accelerating the pace of change.

These policy measures could include quotas, tax breaks or other incentives to deliver an effective, outcome focused framework, that is not overly restrictive to broadcasters' freedom to commission.



Question 10

Do you have any recommendations for potential changes to the definitions of 'qualifying programmes' or 'independent production' which Ofcom should recommend to Government as part of its 'Small Screen Big Debate' programme?

Channel 4 believes that the current definitions are working well and is not calling for any changes at present. The 25% threshold within the current definition of a qualifying indie allows our Indie Growth Fund to take up to a 25% stake in a company without them losing their independent status. The Growth Fund is aligned with the objectives behind the regulatory system, supporting diversity in the UK independent creative sector by investing in UK-based SMEs, taking minority stakes to help them to grow their business to the next stage and prioritising investment in Nations and Regions, BAME-led and digital businesses across the UK.



**Channel Four
Television Corporation**