



HOUSE OF COMMONS

Digital, Culture, Media and Sport Committee

Oral evidence: The work of Channel 4, HC 381

Tuesday 12 July 2022

Ordered by the House of Commons to be published on 12 July 2022.

[Watch the meeting](#)

Members present: Julian Knight (Chair); Kevin Brennan; Steve Brine; Clive Efford; Julie Elliott; Damian Green; Dr Rupa Huq; John Nicolson; Giles Watling.

Questions 1 - 81

Witnesses

I: Dr Alex Mahon, Chief Executive, Channel 4; Jonathan Allan, Chief Operating Officer, Channel 4; and Sinéad Rocks, Managing Director, Nations & Regions, Channel 4.



Examination of witnesses

Witnesses: Dr Alex Mahon, Jonathan Allan and Sinéad Rocks.

Q1 Chair: This is the Digital, Culture, Media and Sport Select Committee and this is a special one-off session looking at the work of Channel 4 and the plans to privatise Channel 4. We are joined today by three witnesses, two in the room and one virtual. We are joined by Alex Mahon, the chief executive of Channel 4; Jonathan Allan, the chief operating officer; and Sinéad Rocks, the managing director of nations and regions, who joins us via Zoom. Alex, Jonathan and Sinéad, thank you very much for joining us this morning.

Jonathan Allan: Good morning.

Dr Mahon: Thank you.

Chair: Before we begin, I am going to ask members whether there are any interests that they wish to declare.

Damian Green: I received hospitality from Channel 4 at the BAFTA ceremony earlier this year.

Chair: Thank you. Our first question will come from Damian Green.

Q2 Damian Green: Good morning. This is for Alex first, I suppose. We are clearly living in interesting times in terms of future Government policy towards Channel 4, but assuming the status quo for the time being, the Government have given you reassurances about the conditions of sale. Do those reassurances reassure you?

Dr Mahon: Thank you for giving us the opportunity to come today and help Parliament in its scrutiny of Government plans for PSB and Channel 4 in particular.

It is probably important to say what we believe our role is as management. We are very clear that we are here to ensure that the remit and purposes of Channel 4 get delivered in any future different construct. That is particularly because we know it is of great benefit to deliver those remit and purposes to the UK public. What we have seen at the moment and what has been proposed thus far—as you know, there has been a White Paper but not yet a Bill—would have significant impact on the difference that Channel 4 makes to the PSB economy and to the creative economy in the UK.

From what we know so far, quotas would be reduced to the bare minimum. At the moment, we spend 55% of our money outside of London; in the current proposal, that would be reduced to 35%. At the moment, we spend 100% of our money on independent and outside producers; that would be reduced to 25%. Those two things have an impact of about £300 million on the independent sector per annum and a negative impact of £85 million a year on the nations and regions.



HOUSE OF COMMONS

Removed entirely in the White Paper is the requirement to have offices and staff in the nations and regions. We currently have about 450 posts. We have offices in Manchester, Leeds, Glasgow and Bristol and, as the Committee knows well, we have been spending years building them up.

Completely removed—deleted—is the requirement to invest in film. We are the biggest backer of UK film, through Film4, and have been for years—decades of work. The requirement to invest in skills and training for young people, particularly young people who would never have a chance to enter the industry otherwise, is deleted.

At the moment, the White Paper is silent on the question of what Channel 4's remit might be under another construct. Channel 4's remit, as you will know well, is about creating programming, having an impact on the UK that champions unheard voices, taking bold and innovative creative risks, inspiring change in the way people lead their everyday lives, and particularly to stand up for diversity and for young people. That can mean all kinds of things, from representing the old to representing Paralympians and thinking about disability. At the moment, the White Paper is silent on whether the organisation would have a remit or not.

At this point, I am not confident that legislation would preserve these important purposes of Channel 4 but, of course, we are yet to see it.

Q3 **Damian Green:** From what you are saying—let's assume it is possible there might be a new Secretary of State—is your pitch to the Secretary of State that the remit is going to be so damaged by privatisation that whatever the formal Government position, the things that people value about Channel 4 would not carry on?

Dr Mahon: Of course, there may be a new Secretary of State. It is important to say that there are different versions of ownership that could deliver upon this remit—this is a continuum—but a reasonable worst case of privatisation could be purely for profit maximisation. As yet we don't know. Conditions have not been set out.

As the Committee will know, I previously ran private enterprises for private equity, for different private incarnations of businesses, so I am very familiar with how to profit maximise. I do know what I or another CEO might do to profit maximise, and that is not how Channel 4 is currently run. It is run for public purpose and our core objective is to deliver on the remit and to do that in a not-for-profit fashion.

If I were to have to run it—or if another CEO were to have to run it—for profit maximisation, I would do three things. First of all, I would change that supply chain; the first thing to go would be the supply chain across the UK, because I would not have to do it for the legislation. We currently work with about 300 companies across the UK. I would bring that in-house and I would centralise it in the south-east because that is more cost efficient. I would reverse decades of work to build that up across the



HOUSE OF COMMONS

UK and the independent sector. I would close those nations and regions offices—they are expensive—and I would bring that back to London.

The second thing I would do is cut the skills and training. That is wonderful for young people but it is not wonderful for profitability.

The third thing I would do is change the commissioning strategy—the kinds of programmes we buy—in order to de-risk it. That would mean I would not do the creative innovation anymore. It would mean on television you would not see things like the Paralympics. You would not have seen things like “Derry Girls” or “It’s a Sin” or even “Gogglebox”, and certainly not documentaries we make about the rise of Putin and the war in Ukraine. I would do those kinds of things. Clearly, at the moment Channel 4 delivers all of that free to the taxpayer.

Q4 **Damian Green:** Why wouldn’t you do “Derry Girls”?

Dr Mahon: The creators of shows like “Derry Girls”, “It’s a Sin”, “Gogglebox” and “The Undeclared War”, Peter Kosminsky’s recent piece about cyber-war with Russia, have all gone on record saying that no one else would have bought those shows. “Derry Girls” has turned out to be a huge hit. It is wonderful. If you have not seen it, I recommend it. It does not sound great, does it, a 1990s comedy about young girls growing up in Derry? No one would have thought that that would be really popular. It was a very risky show to make, and that goes for many of the shows that subsequently become popular with the public.

Q5 **Damian Green:** If you do get sold, does it make a difference whether you are sold to a public service broadcaster or a purely private company?

Dr Mahon: Should it occur, the questions that Parliament might want to ask are about the conditions that are put on the organisation. What are these quotas? What are the conditions of remit delivery? How will that be measured? If we look at the legislation as it stands, it would have a significant deleterious effect on the nations and regions and the independent sector and, indeed, on the programming delivered to the public. It is about the conditions and then what kind of buyers there might be with those conditions attached.

Q6 **Kevin Brennan:** Good morning, everybody. Can I speak to Sinéad Rocks, who is joining us remotely today, first of all? Is it inconceivable that privatisation could increase Channel 4’s impact on the nations and regions rather than diminish it? Is that a crazy idea?

Sinéad Rocks: Thank you for letting me join from our office in Leeds today. I hope you can hear me.

The independent companies that I deal with regularly in the nations and regions are very concerned about privatisation. Many of them are SMEs. Many of them are still at a growth stage and any uncertainty is causing them problems with planning and building and retaining their staff bases. I think the general view from the nations and regions independent sector



HOUSE OF COMMONS

would be that currently, as the White Paper sets things out, the lack of the quotas that Alex has mentioned, the change to the publisher-broadcaster model, would be damaging to the indie sector, with the nations and regions feeling it the most.

Q7 Kevin Brennan: You are at national HQ up there in Leeds. What proportion of Channel 4 staff are based up there in Leeds?

Sinéad Rocks: We have about 300 staff at the moment in Leeds.

Kevin Brennan: What is that as a proportion of the staff?

Sinéad Rocks: Jonathan can correct me, but I think it is about a third at the moment.

Jonathan Allan: A third.

Sinéad Rocks: We have staff then also in Manchester, in Bristol and in Glasgow. It is significant numbers and a massive change from where we were three years ago as an organisation.

Q8 Kevin Brennan: Does it matter that the senior management are not based there in Leeds?

Sinéad Rocks: Well, I am, and we have the whole board coming up tomorrow. Being a multi-site organisation, it is important that you have your teams having visibility of senior management. There are senior leaders in all our bases, in all honesty.

Q9 Kevin Brennan: Okay, thanks. Dr Mahon, were you aware that the current Secretary of State is a huge fan of yours?

Dr Mahon: I am delighted to hear that.

Kevin Brennan: The last time she appeared before us, when we were talking about Channel 4, she said, "I have to say, I hugely admire Alex Mahon. We are lucky to have her in the UK; she could go anywhere she wants, and I think we are very lucky to have her here at the head of Channel 4". What is your response to that?

Dr Mahon: I am delighted to hear even more of that.

Q10 Kevin Brennan: How many times have you met her?

Dr Mahon: I have been in for, I think I am correct in saying, two formal meetings in the DCMS with the Secretary of State and I have bumped into her once at the BAFTAs.

Q11 Kevin Brennan: Okay. Recently, when one of my colleagues asked a parliamentary question about how many times senior management from Channel 4 have met with the Secretary of State, the answer was very obscure—let me put it that way. You have actually formally met on two occasions.

Now, you are supposed to produce an annual report to Parliament—not to



HOUSE OF COMMONS

the Government but to Parliament. Why haven't we seen your latest annual report?

Dr Mahon: It is probably important that I answer with what the process is. Channel 4 is, as you know, an independent statutory organisation. We are owned by the public. We are wholly answerable to Parliament but wholly at arm's length from Government. We produce an annual report every year. It is laid in front of Parliament by the DCMS and then we normally come to this Select Committee to answer questions on the annual report. This year, that is running a little late.

Kevin Brennan: Yes, I know. That is why I am asking you why it is running a little late.

Dr Mahon: We provided the annual report to the DCMS. In the normal course it goes through the audit procedure. It is signed off by the directors on the board.

Q12 **Kevin Brennan:** When did you provide them with the draft?

Dr Mahon: We provided the complete annual report on 23 May to the DCMS. There have been some delays in the normal process.

Q13 **Kevin Brennan:** Have they been trying to rewrite the report to make privatisation look more desirable?

Dr Mahon: I think it is fair to say that the DCMS made some comments that it would have preferred to see in the report, particularly about our future financial sustainability. It has now agreed that the report can be submitted to Parliament in the normal course without any changes. I think it is the first time that any adjustments had been requested. I expect that that should arrive with you as a Committee in the next week.

Q14 **Kevin Brennan:** Will the report that you send to us differ from the original draft that you sent to the Department for its perusal?

Dr Mahon: It will not, no. There was some concern from the DCMS that it would have preferred to change some wording, but it will be the original report as signed off by the independent auditors and by the board of directors, who are independent, that will arrive with the Committee.

Q15 **Kevin Brennan:** So they tried to nobble you but you refused.

Dr Mahon: It was suggested that perhaps there are differences of opinion between Government policy on future financial sustainability of Channel 4 and the independent auditors' and the board's position on that, but the report that will arrive with you is the report that was agreed by the board.

Q16 **Chair:** The future financial sustainability of Channel 4 was the main sticking point between you and DCMS and it is the reason why, effectively, there has been such a delay. Is that fair to say?



HOUSE OF COMMONS

Dr Mahon: I think it is fair to say that Channel 4 is in the strongest financial health it has ever been in. It does not need help financially. It does not need fixing. We have a very clear plan. We have, when we last checked, £272 million in cash, over half a billion on the balance sheet, no debt. We are growing. We are doing extremely well. We are excited about the future and we have—

Q17 **Chair:** That sounds like the annual report front page, but you have not actually answered the question, Alex. The question is very simple. Was future financial sustainability the key sticking point between yourselves and DCMS and the reason for the delay to the publication of the annual report? Basically, they wanted, effectively, to insert that sustainability was an issue for you.

Dr Mahon: The management and the independent board's view is that Channel 4 is in a very strong and financially sustainable position. That is also the independent auditor's view. As you know, one of the questions that the Government have raised in their consultation is whether Channel 4 is financially sustainable, and I think it is right to say that we have a difference of opinion about that. I have seen no evidence, independent or otherwise, to show that we are not in a future financially sustainable position.

Q18 **Chair:** In respect of your future sustainability, what form of words did DCMS ask to be inserted into the report?

Dr Mahon: It was really just questions about whether our wording was in line with Government policy.

Q19 **Chair:** What was the one thing that really stuck out for you?

Dr Mahon: It is normal in an annual report for independent auditors to talk about whether the organisation is sustainable, to have a going concern position, to talk about whether you assume the organisation will continue. The auditors had a very strong view on that, as do we. As you know, Government policy is to question whether Channel 4 is financially sustainable. That is the difference of opinion.

Q20 **Chair:** Okay. I am drawing from that that there was a form of words that was in and remains in the report that it questioned, and that question related to the fact that it wanted to say that, potentially, it was not sustainable in the long term. Is that a fair summation?

Dr Mahon: Yes, but the DCMS is now happy for the annual report to proceed as written.

Q21 **Chair:** Have you ever encountered a process like this?

Dr Mahon: It is the first time to my knowledge in 40 years that there have been queries about the annual report.

Q22 **Chair:** This is more than just a query, as well. This is a fundamental point of policy when it comes to the future of Channel 4, is it not?



Dr Mahon: Yes, I think it was a fundamental question in the consultation. As you will know well as a Committee, 96% of the responses to the consultation were not in favour of privatisation, but there was a question in that—completely in good faith, I am sure—as to whether Channel 4 is sustainable in the future. That is an important question for the Government to ask periodically and an important question for Parliament to look at periodically, so I completely defend the position of the DCMS to ask those questions.

Q23 **Chair:** I have to say that we are about 19 minutes into the session and you have been quite ballsy in terms of your pushback—particularly at the start. I would not quite agree that, for example, the likes of “Derry Girls”, which has obviously been homaged on “The Simpsons”, would not be made under a privatised Channel 4. I think that is probably a little bit of crystal ball gazing that may be beyond all of us. But judging from your opening answers and how things have developed in recent weeks from the position that you were adopting, I take it that you think this is more than up for play now, and that you probably believe that Channel 4 privatisation may never happen. Is that fair?

Dr Mahon: On “Derry Girls” I am giving you the answer that the creator of the show gave quite publicly. My position on those things is: what have the people who have made them, who have gone around and pitched them to different organisations, said on the record about it? I do agree with you that once something is a success, no matter who owns you, of course you keep making it. That would be common sense when things are popular.

I do not really have a view on whether legislation will or will not go through. That is for Parliament to decide, not me. My only job here is to inform the debate and to do that based on facts, data and evidence.

Q24 **Chair:** Yes, but I would suggest, Alex, that the way in which you are doing it right now is different in tone from the conversations that many of us have had with Channel 4 in the most recent times. This is almost putting back the clock three to six months, when we were first talking about this, which suggests to me that you are having a change of direction as an organisation in terms of your engagement with politicians. That direction suggests to me that you believe that it is much more likely now that Channel 4 will not be privatised because we are going to have a change at No. 10.

Dr Mahon: I don’t think our approach has changed. Our approach has always been that we must protect the remit and make sure that is delivered until such a time as it is changed by Parliament, because that is who we are answerable to and that is our statutory duty as management and directors of the corporation. We must also make sure that we prepare the organisation for the future, no matter what kind of competition or ownership structure it might be in, but that we are also available to inform the debate when and if we are asked. That has been our approach throughout and it continues to be our approach now.



HOUSE OF COMMONS

Q25 Steve Brine: I was chatting to some independent production companies last week—Warp Films, Outline Productions, 60Forty Films—and they were talking about the impact of this policy on the nations and regions, their viability, and the people they employ out in the nations and regions. What are your thoughts on the impact of this privatisation on organisations and companies like that?

Dr Mahon: PACT, which is the body that speaks for the industry, has recently put out some numbers.

Steve Brine: Yes, they were there too.

Dr Mahon: Last year, 2021, we spent £222 million in the nations and regions. It is about 10,000 people in the supply chain of jobs that support us. We work with about 300 companies. We are saying that that is more than double what ITV spends and it is more than five times what Channel 5 spends in the nations and regions. PACT has stated that between 2006 and 2019 there were 195 companies that got started because their first commission was from Channel 4. They turn over about £400 million now.

The impact that we worry about is how those next creative entrepreneurs would get started—how those next companies would get funded. When you are working with small companies that have just started, it does take some nurturing. It takes some working closely with them and assisting them until they find their feet. We have teams that do that. It is not what you would do if you were maximising profit because it is obviously expensive to support a supply chain like that. It is, I would argue, very important for the UK's creative economy because it is those companies that go past the fledgling stage, get bigger, grow into bigger companies and, of course, export shows.

Q26 Steve Brine: In your considered opinion, just sat looking at this all the time, if Channel 4 is as successful as it is and you are very fluid, as you have said, with funds and so on, have you sat down as a group and thought, "Okay, blue sky thinking here, what are our options?" Does one of those include a management buy-out?

Dr Mahon: We thought extremely hard as a team—as management and as a board—about the questions that were posed in the consultation. That is important for us to do because they are valid questions. We came up with an alternative plan that we thought would maximise the benefits of being in public ownership and considered that public dividend—

Steve Brine: I have seen it, yes.

Dr Mahon: If we were not to be privatised, what could the option be? I do think that we should never be sticking with the status quo. It might be useful if Jonathan explains the top points of that plan and what we considered.

Jonathan Allan: There were a couple of things. First, it was mainly around public contribution versus private value, I guess. The plan was to



HOUSE OF COMMONS

enshrine the 50% voluntary commitment to commissioning outside of London; to increase the number of roles outside London to 600; to take 4Skills, our programme of training and development, to £50 million over the next five years to give 100,000 opportunities to young, socially mobile people across the UK; and then, to finance that, to introduce more commercial diversification to Channel 4, to expand 4Studio, which is our social content group in Leeds, to look to take All 4 and Channel 4 content internationally, and also to introduce the idea of a private capital JV to act as a conduit to take private capital directly into UK production.

They were the main elements of that plan and we felt that was a good development of Channel 4 into public ownership, which obviously still retains what we believe is a crucial pillar of Channel 4, its not-for-profit status, which allows us to reimburse and reinvest all of the revenue we make back into the—

Q27 Steve Brine: A management buy-out would not meet those criteria?

Jonathan Allan: We would not require a management buy-out to deliver that plan.

Steve Brine: But you could do that.

Jonathan Allan: We could do—?

Steve Brine: You could do a management buy-out. Why are you not the buyer?

Dr Mahon: I think that it is for Parliament to decide what is to happen to Channel 4 and then for us as management to look after the organisation and shepherd that through whatever process it is that Parliament decides upon. We are not trying to determine what the final outcomes of that might be either way, nor should we. We should shepherd the organisation into the future carefully and that is a matter for next year or the year after, depending on how this process goes through.

Q28 Steve Brine: Given what Mr Brennan told us about the new-found love, or the continuing love, that the Secretary of State has for you, Alex, when you sit down in the garden on Sunday afternoon, why do you think this is happening to you and Channel 4?

Dr Mahon: We have to take in good faith the question that was raised in the consultation about future financial sustainability. Although we disagree with the conclusion of the Department on that, I think we have to take that in good faith and say that that is the reason behind it.

Q29 Steve Brine: You do not have to; you choose to take it in good faith. There are other ways you could take it, aren't there? People must tell you all the time other reasons that they suspect that this is happening to you.

Dr Mahon: Parliamentarians of all hues say there may be other reasons behind it all the time, but that is not for me to comment on. My view is,



HOUSE OF COMMONS

in good faith, those are the questions asked and it is our job to respond to them.

Q30 Steve Brine: Obviously, since we last saw you there have been some changes in Government and there is about to be a change at the top. Have any of the contenders for the Conservative leadership and, therefore, the premiership made any comments to you or your organisation about their intentions in respect of Channel 4?

Dr Mahon: They have a lot on their plate this week, haven't they? I am not sure we are top of the list. It is quite right that the party goes through that process and we remain here to answer questions as they come up.

Q31 Steve Brine: In this whole business, here you are answering questions all morning. Presumably you had to prepare for this; you have your notes there. How much bandwidth is this taking from your day job?

Dr Mahon: It definitely takes time for the management. This is the second time on my watch it has come up. I don't necessarily want to speculate on why that might be the case. We have a job to do in delivering to young people and audiences and we have done a very good job, even if I say so, of digitising the organisation. We have growth rates well ahead of the market and our competition. We are far ahead on our nations and regions plan. We said we would get to 50% of spend by 2023; we hit it in 2021. We went ahead of it. I think we said we would get to 300 roles and the offices open by 2023; we are at well over 400. These are good things. To do that—to be two years ahead of plan—while going through covid is spectacular. This is, of course, something that takes time. However, we are a statutory organisation. We are owned by the public. We do report to Parliament. It is an important part of the job to answer questions.

Q32 Julie Elliott: Good morning, everybody. I am interested in the diversification of your revenue streams and some of the things that the Secretary of State has said about that, which I do not agree with but I am interested in your views on. Channel 4's most recent annual report, from 2020, said that your non-advertising revenue was "accentuated" by the impact of the pandemic on advertising revenue. Now that advertising revenue has picked up and we are in a more normalised period, has the percentage of Channel 4's non-advertising revenue declined or gone up? Where is it now?

Jonathan Allan: First, on sustainability, as a snapshot, Channel 4 has never been in better financial shape. We believe we have a very strong future. In 2021 our revenue was £1.2 billion. That was up 25% on 2020. Moreover, that was plus 18% on 2019, so taking out the effect of covid. We delivered a £101 million surplus. That is Channel 4's highest ever surplus, the first three-figure surplus. We have £272 million of cash and £566 million of net assets. We also have a revolving credit facility of £75



HOUSE OF COMMONS

million. There are not many businesses that have such a strong balance sheet with absolutely no debt. That is the situation today.

It is true to say—some of the Government's questions are around this—that linear advertising is declining over time, but slowly, and it will probably will decline more slowly than most people think into the future. That is a challenge we face and all commercial broadcasters face around the world. However, the reason why we believe we are sustainable and will be very successful in the future is that our transition to digital is much faster and stronger than most broadcasters around the world. In 2021, our digital revenues were £224 million. That was plus 40% on 2020. They now represent 19% of our revenue and will be 21% or 22% of our revenue this year. Our share of the digital advertising market within broadcast is 35% versus 28% of linear. We delivered 21% growth in All 4 views last year and 13% of Channel 4's viewing is now digital. That is more than double that of ITV or Channel 5. We also have the biggest content library in All 4 with 14,500 hours of content. It has the youngest profile of any platform in the UK. That is in video on demand.

We also, as I said before, have launched 4Studio in Leeds. That will be approaching 150 people at the end of this year. It delivered 12 billion views in 2021, delivered around £15 million of revenue, and is competing with the likes of LADbible in that space in terms of delivering content to TikTok, Snap and YouTube—all of those growing, future-facing platforms that young audiences congregate on, which is crucial for Channel 4. Digital transformation is the core of our business.

I think it is important to say that advertising as a revenue stream is extremely robust. It has been in strong growth over the last 10 years. It will be in strong growth for the next 10 years. Indeed, Disney and Netflix are now considering coming into the advertising market because it is very lucrative. Google, Facebook and so on make their money there. I do not think it is right to say that advertising as a revenue stream is a problem or a challenge; it is more around the linear versus digital dynamic.

Q33 Julie Elliott: Could I just interrupt there? You have this five-year strategy called Future4. Can you comment on where you are in terms of the goal of delivering 10% by 2025?

Jonathan Allan: Yes, I was just coming on to that. We have Future4. That is absolutely focused on prioritising digital over linear. When it comes to commissioning programmes and scheduling programmes, investing in technology and investing behind data-driven advertising solutions, that is what the plan is behind. The targets for 2025 are to deliver 2 billion views on All 4, so doubling the size of All 4 in five years. We are well on track to deliver that with the growth we saw last year. We are looking to deliver 30% of our ad revenue digitally by 2025. Again, we are at 21% to 22% and we think we will get to 30% by 2025.

To your point about diversification of revenues outside of advertising, we targeted 10% in 2025. We are nearly at that already, so it is likely we will



surpass that by the time we get to 2025. That diversification is around things like the global format fund, where we work with independent production companies to share in the IP. We have All 4+, which is a subscription element of All 4 that is ad free. 4Studio is part of that diversification plan. We are looking at taking All 4 global as part of that diversification plan.

We have strong endeavours around diversifying our revenue away from advertising, but it is going to be 10% or 15% because we still think and believe that an advertising-driven business is absolutely sustainable and will be successful in the future. It is what we are good at. We are a free-to-air public service broadcaster that is funded by advertising at no cost to the taxpayer. That is a wonderfully unique model.

Q34 Julie Elliott: What you have described there is a growingly diverse financial model. One of the things the Secretary of State said in front of this Committee in May, when asked questions around Channel 4, was: "It is very bad practice, I would say, for any CEO of any organisation to be totally dependent on one revenue stream in a decreasing market." That does not really reflect where Channel 4 is, does it?

Dr Mahon: No.

Jonathan Allan: I would say that all forecasts are that the ad market will definitely grow over the next 10 years. There will be ebbs and flows as we go through different economic cycles but the trajectory is up.

Q35 Julie Elliott: One of the other things that has been stated is that the state would be liable if Channel 4 hit the buffers. That is correct, isn't it, but it has not changed in the 40 years of your history, has it?

Dr Mahon: It has not changed but it is probably correct to say that Channel 4 is a body corporate. It is a legal entity. There is not technically any recourse to Her Majesty's Government. However, we have only taken debt once, which technically shows on the public balance sheet but is taken commercially. We have I think since 2003 had the right to take up to £200 million of debt. You will know that the BBC has recently been increased to £750 million. We drew £75 million once during the worst month of the pandemic. We never spent a penny of it and repaid it, but that is commercial.

Jonathan Allan: That was just as a precaution in what was a very deep economic crisis. Clearly, we were worried about the banks, so we drew the money to keep it safe, not necessarily to—

Q36 Julie Elliott: What you are saying is that if Channel 4 went under, which would seem a very imaginative view bearing in mind the case you have just made about your financial—

Jonathan Allan: Yes, I will talk to that.

Julie Elliott: —the taxpayer would not pick up the bill.



HOUSE OF COMMONS

Jonathan Allan: No. We have a 40-year track record of looking after Channel 4. We have been through the dotcom crisis, the banking crisis, and the covid crisis. We are currently financially in the best shape we have ever been in. We voluntarily commit to FTSE standards of reporting and FTSE standards of auditing. We have to be a going concern. We have to sign a three-year viability statement through the annual report. I would say that it is extremely unlikely that things would go so bad that that would happen at all.

Q37 **Julie Elliott:** There are no warning signs in your organisation of that happening at the moment?

Jonathan Allan: No.

Dr Mahon: No.

Q38 **Chair:** Just to clarify something, Mr Allan, you stated that linear advertising will decline less rapidly than many people think. What prompts you to say that?

Jonathan Allan: I have worked in the ad business for 30 years and linear advertising has always been forecast to be more in decline than it actually is in reality. We work on the basis of linear declining 3% to 4% going forward. I think the CAGR probably over the last 10 to 15 years has been more like 1% to 2%, so it is a very slow, manageable decline. Indeed, post-2019 the linear ad market grew at a rate I have never witnessed before. Linear advertising is extremely effective. It works well for advertisers and the investment in it is still very robust.

Dr Mahon: I will add that you have to look at it alongside digital advertising, which fuels Facebook-Meta, Google, YouTube. Digital advertising for us grew at 40% last year. So remember that we are replacing that money with digital money and the growth rates are huge. That has been the core part of our strategy—to switch the business to digital. We see no indications and, in fact, there are no indications of that market declining.

Q39 **Clive Efford:** Thanks for coming to give evidence to us today. I am interested to find out how we have got into this position where what you say as managers of Channel 4 and what the Government say seem to be diametrically opposed. You said earlier that you have met the current Secretary of State twice at formal meetings. Prior to her becoming the Secretary of State, did you meet with her predecessors and discuss privatisation of Channel 4?

Dr Mahon: Yes, we have quite regular interactions with the DCMS. We clearly meet with the working team there on a frequent basis, particularly during the covid time, when I would have met monthly with the relevant Minister. It was a very difficult time for the industry and I will say the Department was extremely supportive of the creative industries across the different areas that we work in. I would not say that that pattern of



HOUSE OF COMMONS

meetings is any different from what it has been over the past five years that I have been in post.

Q40 **Clive Efford:** Has privatisation of Channel 4 been on the agenda at those meetings?

Dr Mahon: It has been on and off depending on the year. Clearly, under the predecessor to the current Secretary of State, a consultation was launched about privatisation and since then it has been on the agenda.

Q41 **Clive Efford:** The Government's position is that public ownership is holding you back and that it would enable you to raise money that you cannot currently raise to invest in programmes so that you can do what you do better. Your annual report that is about to be published and your "4: The Next Episode" say that you have never been in finer fettle. How do the Government know more than you about the market and what is best for Channel 4?

Dr Mahon: I couldn't comment on that. You would have to ask the Government. Our annual report, which will come out shortly, will show that we spent more on programming last year and we are spending more on programming this year, I think, than we have ever spent. It is a competitive market, absolutely, but we deliver a very different thing from an Amazon or a Netflix or a US-based streamer business. We deliver free content funded by advertising to British audiences, and our incentive is to maximise the return to the British people culturally and economically and to do that fuelled by advertising and then to have an impact on the skills agenda, the levelling-up agenda, and on support for small businesses. That is a very different thing from competing as a global streamer.

Q42 **Clive Efford:** If you are a privatised entity, for argument's sake, that is still a public sector broadcaster and still has requirements to fulfil that role, wouldn't that protect what you are saying is valuable because you would have to perform within that framework? Why wouldn't being in the private sector but a public sector broadcaster with those requirements be better?

Dr Mahon: There are probably two important points to run through in answer to that. One is that Channel 4 as currently constructed is not for profit, is supplied entirely through the independent sector in the UK, and is rapidly becoming the strongest out-of-London PSB. We deliver both quotas—the things I have talked about: 35%, 25%—and this remit, which is about the types of programmes we make and the creative innovation and who to deliver to. You can be a PSB by delivering on the quotas and not having either the remit piece or the construct of the business model—not for profit, commissioning outside entities, supporting small businesses. You can still be a PSB and not do those things.

If you do not do those things, you deliver a fundamentally different output and you deliver in different ways to the UK creative economy, and in order to make a profit you have to do one of three things: expand your revenues exponentially—we are already well ahead of market in our



growth rates—or cut costs, or make viewers pay à la a streamer. We would have to cut costs in order to deliver profitability because at the moment we do not deliver a profit. Our largest single expenditure is programming costs, where we spend about £700 million a year. That is the most likely place that we would row back. The things that we would reduce are the things that deliver public value but do not optimise commercial ratings.

Q43 Clive Efford: The Secretary of State says that Channel 4 has to “wake up and smell the coffee”. Has covid inhibited your ability to smell coffee?

Dr Mahon: I think I can probably still smell coffee, if that is a real question.

Q44 Giles Watling: I remember when Channel 4 was launched, and we have to remember that the world was a very different place. There was no internet. Digital was a thing of the future and we sat there really thrilled because hitherto there had only been three television channels and BBC Two was a relatively new thing. Seeing that Channel 4 logo that broke into pieces in front of us and then the famous first edition—I think “Countdown” was the first ever programme on Channel 4—was groundbreaking. That was a whole new thing—another television channel, amazing.

Things have changed dramatically, beyond anyone’s imagination at that time. Channel 4 has changed and grown and, as you say, is a successful model today. I am a great fan of “if it ain’t broke, don’t fix it”, but do you think you have changed enough? Do you think that now you are finding yourselves behind the curve, with behemoths like Netflix, Amazon and so on and the globalisation and coagulation of massive companies? Is Channel 4 being squeezed out, perhaps?

Dr Mahon: “Countdown” is still on; 2.20 in the afternoon, very popular. Channel 4 does a different thing from some of those global streamers. The choice before Parliament is whether Channel 4 should exist to maximise public value or should be motivated by profit. That is your choice to make, not mine. What we see when we look at growth rates and changes is that we are changing very fast. We were the first broadcaster to make a deal with Snap. We were the first broadcaster to make a deal with TikTok. We have launched a digital studio in Leeds, which reaches over 12 billion views with young people a year. We market our programmes on social in a way that no other broadcaster does, which creates massive impact on young people: 27% of young people who are watching the news on Channel 4, with whom it is very popular, say they came to it through the social platforms where we put out hundreds of videos.

We are changing very fast. Jonathan mentioned our growth rates; we grew 23% in streaming last year. Netflix in the UK grew 14% last year. However, we do a very different kind of thing. We do innovative and distinctive public service purpose programming, which appeals to the



HOUSE OF COMMONS

lives and experiences of British people. That is a very different set of outputs. We have to work very hard to go and find those young people. Our job is to find them where they are, but I do believe that is a very important mission.

Jonathan Allan: One important thing that I think this Committee and Parliament need to consider is that this question around Channel 4's future is not just about us; it is about the ecosystem of television in the UK. We have some of the best TV in the world and the viewers have the best choice. We feel that the Channel 4 brand and the programming we produce is still a vital and important part of that ecosystem, but it is something to celebrate, the choice between Netflix, Amazon, ITV, and what we do. We have a licence-funded BBC. We have commercially funded ITV and Channel 5. We have Channel 4, which sits in the middle, which is commercially funded but with a very strict remit. Then we have the streamers.

Again, with all the business models, it is a hugely competitive market. We have to deal with that every day. It is a very competitive market, but we believe that each of us—each of our brands, each of our styles of content—has a strong role to play. It is not necessarily true that scale wins everything. Just because you are big does not mean you clean up. There is a role for smaller, more distinctive players in every single market that you compete in.

Q45 **Giles Watling:** Do you think it is unfair to say that you do it this way because you do it this way? Quite often, in many businesses, you get into a rut of doing things a certain way because that is how you have always done them, so you are not looking to innovate in other ways. Do you think that is fair?

Dr Mahon: I don't think it is fair, sorry. We are constantly innovating. Just look at the two big things that I have talked about—switching the organisation to digital first, and having a growth rate in digital and a volume of viewing in digital that is beyond the competition in free-to-air broadcasters globally, not just in the UK. We are like a case study of being ahead of everyone in the world. Partly we have had to do that because we have young viewers—they have changed first, so we have been forced to—but that is a huge accomplishment.

To accomplish that at the same time as shifting so much of the organisation into the nations and regions, we did not just move people; unfortunately, we made people redundant and hired new people who live in the nations and regions. That has changed the nature of our programming and editorial on air. Opening the new news studio in Leeds, presenting the national news multiple nights a week from outside of London—those things change the character of what is on television. To do those two things are huge amounts of change. We can always change more and innovate more but I would say we are very focused on that.

Q46 **Giles Watling:** I am sure, but, as has been mentioned, linear advertising



is declining—but you say gradually, and there will be peaks and troughs. Do you think that subscription ultimately will be the way forward for funding this kind of broadcasting?

Jonathan Allan: No, I don't. I think there will be, as there always has been, a mix of subscriptions and advertiser-funded broadcasting. If you look at the cost of living crisis at the moment, all the subscription services are under pressure, with churn rates on subscriptions; people are churning out as they have different things to buy, different things to afford. There should be and always will be a role for free-to-air broadcast funded by advertising. It is going to be an important market.

Advertisers and agencies are a big supporter of Channel 4 and our distinctiveness in the market. They want competition in that market as well between us, ITV and Sky. They want to invest behind great content and appear in it, and viewers appreciate that, I think. If you had to pay for all the television that was produced in the UK, it would be out of this world. There is always going to be a role for that and we believe it is a very robust, sustainable business model.

I agree with Alex: if you go around the world, Channel 4 is seen as one of the most innovative broadcasters in the world in everything we do. In terms of digital, we have 4Studio; no other broadcaster has a social distribution and content division in the UK—also worldwide. Again, I think that "4: The Next Episode" was a good signal that when we are asked questions and when we are challenged and when we see competitiveness coming down the track, we do not sit here protecting the status quo. It is in our lifeblood to innovate. That is part of our remit.

Q47 **Giles Watling:** Yes, sure. Going back to the question of public ownership, the Government own Channel 4, which means the taxpayer owns Channel 4. You put up a fairly good argument and we have sort of bypassed it a little bit. In May, a DCMS spokesman said, "The government, as the ultimate owner of Channel 4, has made the decision to sell." They said they were clear that "a change of ownership is necessary to give Channel 4 the best possible tools to innovate and grow at pace without asking the taxpayer to effectively underwrite the business." That is true, is it not—that the taxpayer currently is underwriting the business?

Dr Mahon: I am not sure it is true. The taxpayer does not underwrite the business. It is a separate legal entity. There is not recourse to HMG.

Giles Watling: So the statement from DCMS was—

Dr Mahon: That is not for me to say. I am saying that is my understanding of the structure.

Giles Watling: Okay. Thank you very much.

Q48 **Dr Huq:** Alex, you said to the *FT* in May that you are going to remain completely neutral and independent on this whole debate. You said it



HOUSE OF COMMONS

again today. Is it impossible, ultimately, to do that when you have said today that you could operate as a CEO of a profit-making thing but it would require slashing all the skills stuff and running it as a tiny little operation from the south of England? Is it ultimately pretty impossible to hold the line?

Dr Mahon: I think the question from the *FT* was soliciting my views on buyers and on the field of buyers, and I was very clear that I should be completely independent on that because we are not at that stage. My job is to ensure and protect and uphold the remit, which the DCMS has also been very clear that it wants to do, and to prepare the organisation for the future. If and when we get to the stage where there is consideration of buyers, that is what I would discuss with DCMS and UK Government Investments, but at the moment I think it is very important that I am independent of all of those questions about who might be the right eventual owner.

Q49 **Dr Huq:** It sounds like if it is a profit-motivated thing delivering the remit would be quite tricky.

Dr Mahon: We have yet to see what the position might be in legislation, but I think delivering the remit while optimising for profit is very hard. It is very hard because that sort of innovation and distinctiveness is hard to do while seeking to maximise for profit. It involves taking significant creative risk, significant risk on new talent, significant risk on diverse topics, significant risk on things that might not work, which we are very motivated to do.

A simple example would be the Paralympics. We know evidentially that other commercial broadcasters did not bid for the Paralympics when Channel 4 did. I know from us producing and putting on the Paralympics that it is expensive to do. We believe it to be very important work. We know from surveys that 83% of the UK public changed their minds and thought better of people with disabilities after the impact of the Paralympics in London and that that has just continued every time we have done it.

We seek to continue to innovate. At the last Paralympics we covered every sport. At the winter Paralympics we sent a fully disabled presenting team. These are big things to do. A significant amount of our production crews are people with a disability. They do not make money, but they are very important things to do. You could apply that to a whole list of other shows we do, from Peter Kosminsky's recent thing, "The Undeclared War", to "Dispatches" on "Ukraine: Life Under Attack". These are things we do that you would not do if you were commercially optimising.

Dr Huq: On the Paralympics, I think you gave a new lease of life to the Public Enemy song that was the theme.

Dr Mahon: We did.

Q50 **Dr Huq:** Very good; well chosen. I have been talking to the BBC Blue



HOUSE OF COMMONS

Room people recently. Their big things are live events—exclusivity for those—and prominence. How important are those for your *raison d'être* and mission going forward?

Jonathan Allan: Prominence for us is extremely important. We really support that area of the White Paper and, hopefully, the Bill. It is key to ensuring that if we all believe PSB content is important, which I am sure we all do, it has to be discoverable. The world has changed dramatically and the current prominence rules around linear EPGs are very anachronistic. We support the developments on that and will work with DCMS as that goes through to make sure they are written up in a way that works for us and works for the platforms. It is an extremely important part. Obviously, listed events are also a very important part of PSB content and we appreciate and support that element of the legislation.

Q51 **Dr Huq:** You seem to be branching out more into football. My son was saying, "This Channel 4 commentary is not as good as the usual one we watch."

Jonathan Allan: Sport is an important part of our schedule. Clearly, the Paralympics has been a brilliant thing for us from a public service point of view. Increasingly, football, rugby, obviously Formula 1—bringing live sport free to air we think is an important public service part of our delivery.

Q52 **Dr Huq:** Alex, you said that privatisation has always been on the books in some form or another. How much notice were you given of this particular decision?

Dr Mahon: I am not sure it was always on the books but I would say it comes up periodically, and it should come up periodically. I do support the right of Government to keep asking those questions. It is important that they review periodically.

I think I am right in saying that the first discussion of this was in April last year. It was quite short notice to us, and unexpected, when the consultation was launched. As you will know, the final decision was released by tweet in recess, on 4 April. That was quite sudden notice. The consultation went on for six months or so.

Q53 **Dr Huq:** So almost the same as when everyone else found out.

Dr Mahon: Oh, yes. We were informed a number of minutes beforehand.

Q54 **Dr Huq:** Gosh, okay. You said you have met the Secretary of State twice, once at the BAFTAs and once for a sit-down. When did you last speak to her?

Dr Mahon: We had two formal meetings and I am just disclosing that I also bumped into her at the BAFTAs. We went in for a formal meeting on 16 March, where I and the interim chairman presented our plan that we had worked on for some time, "4: The Next Episode", which Jonathan has



HOUSE OF COMMONS

described. I think I am right in saying that was the last time we went in for a formal meeting.

Q55 **Dr Huq:** So that is what has thrown your annual report—that it is quite a major change.

Dr Mahon: Sorry?

Dr Huq: That is what has changed the—

Dr Mahon: That was when we went in to discuss and present to the Secretary of State the alternative plan we had come up with, “4: The Next Episode”, which was about maximising public value, which we thought was a valuable alternative to privatisation.

Jonathan Allan: But that is not directly related to the annual report.

Q56 **Dr Huq:** Isn’t there a slight contradiction in remaining neutral if you have your own plan up your sleeve?

Dr Mahon: I think it is important for management, when challenged, to think quite carefully about the questions and also to think what other options could be, because we know what privatisation might or might not look like. That is important when you go to the questions of whether we are changing, innovating or preserving the status quo. We should not be doing that. We should never be doing that. We should be thinking of what other ideas are.

Q57 **Dr Huq:** It was in this Committee that the Secretary of State said to me, because it was filmed partially in my constituency, that “Tower Block of Commons” was a fabricated thing with staged actors. Has she responded to your request for further details around that claim?

Dr Mahon: That is a programme that was on in, I think I am right in saying, 2010. Clearly, an accusation of fakery was made about actors in the programme—a very serious accusation—and it is really important that we look at that properly. We are just completing a proper investigation and I should be able to report back to the Secretary of State and the Committee in the coming days or weeks. From what I have seen, I don’t see any indications of that fakery, but we will report back properly to the Committee and to the Secretary of State very soon.

Q58 **Dr Huq:** The last we heard is that you were getting the lowdown from her on what the evidence was for that claim. What came back?

Dr Mahon: From what I have seen to date there is no evidence that would point to indications of fakery, but it is important that we complete that and report back to you properly, which I should be able to do in the coming days.

Q59 **Dr Huq:** Was there any response back, just a very empty response, or did nothing come back?



HOUSE OF COMMONS

Dr Mahon: I have heard from the Secretary of State directly on it and we will release a statement on it later in the week.

Q60 **Dr Huq:** You are not tempted to give us some interim conclusions now while you are here in front of us?

Dr Mahon: No, it would not be appropriate. I should do it properly. It is a very serious accusation and it is important that we investigate it properly and do a proper statement and also that I report back to the Secretary of State on it, since she was the individual involved. I will do that within the coming days.

Q61 **Dr Huq:** Okay. Would a programme like that, which you said was over 10 years ago, get made now? There were accusations that it started a trend of poverty porn programmes like “Benefits Street” that came after.

Dr Mahon: Always when making programmes the world changes and moves on. I could not say that it would not be made now. We look at everything afresh as we make new shows every year and we try to reflect where the audience is and where society is at that time. That does shift over time.

Q62 **Dr Huq:** Finally, yes, it is true that you have done a lot of groundbreaking stuff that you are probably not given credit for. Again, with the BBC, I was saying that iPlayer was the first of its sort and they said, “No, it wasn’t, it was 4oD”.

Dr Mahon: They did give us credit, then.

Dr Huq: Yes. Well, this was a private meeting; it was not broadcast in front of the nation like we are today. I understand that 4oD, or whatever it is called now, is actually even bigger than iPlayer. I do not think that you blow your own trumpet enough about these things—that you were the first and the biggest.

Jonathan Allan: We do have big banners saying we are the biggest streaming service in the UK. In terms of hours of content, we are the biggest.

Dr Huq: Okay, so that is the case.

Dr Mahon: We have 14,500 hours of content—the UK’s biggest free streaming service. I think the most amazing stat is that 80% of young people in the UK are registered with the service. When one comes to the questions of how you make impact on young people, which is not easy, young people want facts. They want information. They want it delivered in a way that appeals to them. That is very important for us to consider in the UK—who has a brand that can appeal to and catch the eye of young people—because we clearly have great threats from online social media.

Q63 **Dr Huq:** As Giles said, things have changed since the original blocky Channel 4 that smashed into bits. Paul Coia I think was the first



HOUSE OF COMMONS

broadcast voice, wasn't he, on "Countdown"? Is there any scope for bringing back "Union World"—it was a weekly magazine show—seeing as we have potentially a summer of unrest on the way and the most cataclysmic event of note recently happened because of organised labour being withdrawn, forcing change at the top? Could you bring back that show?

Dr Mahon: I have to admit that I have never watched "Union World". Clearly, I am remiss in my preparation, so I will be going back to dig it out of the archive. I will take that note away.

Q64 **Dr Huq:** Do you have a message for any of those leadership hopefuls?

Dr Mahon: No, that is none of my business. My job is to remain politically impartial.

Steve Brine: So many could take a leaf out of your book. Good answer.

Dr Huq: All right. Thank you. That is it from me.

Q65 **Chair:** I take it from Rupa's excellent questioning there that you are relatively happy with the rest of the media Bill. Is that a fair summation?

Jonathan Allan: Yes, we are. We really appreciate lots of the media Bill. We have mentioned prominence already, generally a more flexible approach to remit and PSB delivery, and we also support the consultation on the requirement for distinctive British content. We think that is an important part of our competitive advantage as broadcasters and as a nation and we should be supporting that. We also support DCMS's plans to level the playing field by bringing the largest VoD services under Ofcom jurisdiction. We think that is an important part of that. We obviously have the Online Safety Bill and so on as well separately.

There are also a number of measures to support the independent production sector, which is clearly extremely important for Channel 4. The better they are, the better we are. Because of our preponderance towards small and medium-sized indies, particularly in the nations and regions, more support for them and whether to introduce a revenue cap or qualifying indies is an interesting concept. It probably needs a bit more consultation and to be carefully implemented, but I think the direction of travel is definitely the right way to go. Yes, the White Paper is generally pretty good.

Chair: If it was not for that pesky privatisation idea, you would be giving it a mark like eight or nine out of 10, I presume.

Dr Mahon: Thank you, Julian.

Q66 **Chair:** Did you overplay your hand, do you think? Obviously, political circumstances have changed now and there is always a possibility that this idea may be kicked into the long grass, but on reflection, if it was not for that, you would be staring down the barrel of privatisation. Do you think, as chief executive, that you and your organisation overplayed your



HOUSE OF COMMONS

hand in terms of your lobbying and engagement prior to the privatisation decision and that got the backs up of Ministers and decision makers?

Dr Mahon: We have been very careful to work closely with the DCMS and to do all of that in good faith and to provide alternative plans as well. Throughout, our position has been that we are here to ensure as best we can that any debate is fact based and to answer questions. We do care as management about protecting and upholding that remit and ensuring that, as the legislation goes through and you have your debates, it is protected to the best of our abilities in legislation.

It is important to say that we are fighting for something, in terms of the remit. We are not trying to fight against anything. We are here as officers of the corporation to deliver the remit as set out to us by Parliament until such a time as it changes. It is important as this goes on that we point out what the aspects of that remit are and try to inform discussion about whether they should be in new legislation or not.

Q67 **Chair:** Is informing discussion orchestrating email campaigns and working with 38 Degrees?

Dr Mahon: I am not aware of any work with 38 Degrees. I do know who they are as an organisation but—

Q68 **Chair:** You are aware of orchestrated e-mail campaigns?

Dr Mahon: 38 Degrees is not associated—

Chair: Everyone, unfortunately, knows who 38 Degrees are.

Dr Mahon: I have only recently come across them. I think—

Q69 **Chair:** You are in a very fortunate place, then, I have to say. The point is, Alex, that many people in Parliament feel as if your organisation, frankly, overstepped the boundaries of what it should be doing when it came to fighting its corner on privatisation. Frankly, many MPs felt as if they were on the receiving end of a barrage of emails that seemed to emanate if not directly from yourselves then at least with your knowledge or nod of approval, so to speak. I am talking as an organisation.

Dr Mahon: What I have found since I arrived at Channel 4 is that everyone has a point of view about Channel 4, partly because we have many stakeholders and partly because we have such a large supply chain. Many organisations have a point of view about what should or should not happen and many in the media have a point of view about what should or should not happen. At a certain point the debate, the discussion, the articles and the constant commentary is not in our hands. That is constant and that is hard to sustain for the organisation, where we have a lot of staff trying to do their day jobs and get on with managing the organisation, keeping it sustainable and in good health. I fear that that is part of what goes with the territory of being a media organisation profiled in the media.



HOUSE OF COMMONS

Q70 **Chair:** Doesn't the fact that you heard about the plans to privatise minutes prior to the tweet of 4 April indicate a substantial breakdown in the relationship between your organisation and DCMS?

Dr Mahon: I think it was disappointing in terms of process, but I do not think it indicates a substantial breakdown. It probably indicates—

Q71 **Chair:** What would indicate a substantial breakdown? It seems pretty substantial to me.

Dr Mahon: You would have to ask the DCMS about that, but it probably indicates the decision having been made and communicated rapidly.

Q72 **Chair:** As the organisation that is subject to this particular decision, if you were genuinely plugged into the levers of power, if you like, or the decision makers, you would not have received treatment like that. Surely it is an indication that Channel 4 itself is almost persona non grata when it comes to many parts of the Government.

Dr Mahon: I really couldn't comment on that. We were informed. It is a decision that Government have the right—

Chair: Minutes before.

Dr Mahon: Minutes before. It is a decision that Government have the right to make and I do support that. It is our job as management to work with the DCMS and with other Departments as that legislation goes through.

Q73 **Chair:** What do you think you need to do differently as chief executive in order to ensure that the relationship—this substantially broken relationship, which led to DCMS effectively telling you just minutes beforehand of plans to privatise you—is restored?

Dr Mahon: We will continue to work with all our stakeholders in Government, as we should, and make ourselves available for those meetings and try to answer any questions we get. That is our job. I will continue to do that. We will all continue to do that. It has been a complex time for them to have to make those decisions but, as I have said before, I completely support the right of the Department to make those decisions.

Q74 **John Nicolson:** Can I congratulate you on that line? When asked how you felt about the decision being made by tweet during recess you suggested that the decision was made rapidly. I thought that was a most elegant putdown. Of course, it says everything about the Secretary of State. It does not say anything at all about your relationship with her; it just says how unprofessional she is.

Can I go back to the issue that Dr Huq raised about "Tower Block of Commons"? I was there when the Secretary of State made the accusation. So far, the focus has all been on Channel 4 and the independent production company that made the programme. Once you



have done your investigation and reported it, the focus should rightly move on to the Secretary of State, who made the accusation. First of all, can you tell us when you are going to make the announcement?

Dr Mahon: I would hope to make it later on this week or next week.

Q75 **John Nicolson:** Excellent. It is a shame it is not now, because it would be most useful for the Committee to know the verdict. I am going to assume from what you have said that the verdict is that the accusation was untrue and that the people concerned were not actors. What the Secretary of State told the Committee and Dr Huq was that she had had a meal with one of the people who participated in it and that this person said that he or she was an actor—a paid actor. If that is not true, that is an extremely serious issue for this Committee and for the Secretary of State because she has made something up—unless, of course, the person lied to her, which presumably we will discover in the course of your investigation. Presumably, you would accept that it is very grave for the Secretary of State to come before this Committee and say something like that.

Dr Mahon: My job is to investigate the accusation. It is a serious accusation. We are here to deliver programmes that are true and correct and factual and represent reality, and it is my job to take any accusation very seriously and to do a proper investigation. Of course, we get complaints all the time, many of them on a daily basis to my inbox, and we have Ofcom, which also handles investigations into us. That is a normal part of work for us and it is important that we take it seriously. It is not for me to comment on what happens if things are not upheld. It is for me to go off and investigate properly and make sure I take that seriously.

Q76 **John Nicolson:** I accept that, but obviously it is a deeply important matter for us because we have to assume that when a Minister appears before this Committee everything that he or she says is truthful and nothing is fabricated. We await your report with great interest.

My background is in news and current affairs. I am passionate about news and current affairs. I am on record as saying I am deeply opposed to Channel 4 privatisation. Can I ask you what effect you think Channel 4 privatisation would have on the provision of news? There are very few long format interview programmes at the moment. I grew up with “Weekend World” and Brian Walden and I love politicians to be subjected to detailed scrutiny over a long period of time. I can tell you what they do; as an interviewer myself, I remember what they did. If it was a short format interview, they would come on the programme slightly late. They knew that you could not interrupt them during the first question and maybe not during the second—and goodness knows, then we are heading towards the weather and the sport and the news headlines, so they knew that they would be able to escape. They cannot escape from scrutiny in a long format interview, so that is where Channel 4 provides an invaluable service. Some people say it is left wing, some people say it is not left



HOUSE OF COMMONS

wing, but at the end of the day if you are an adult politician you should be able to cope with it. What do you think will be the future of Channel 4 News under privatisation?

Dr Mahon: I wish those tricks worked for me at Select Committee.

John Nicolson: You can stay as long as you like.

Dr Mahon: I cannot arrive late and then cut to the weather. I just want to say a couple of things about Channel 4 News. As you will know, we also have current affairs programmes like "Dispatches" and we have Andrew Neil doing a Sunday night show, which is particularly focused on political interviewing.

John Nicolson: Notorious leftie.

Dr Mahon: It is important to say that Channel 4 News is an hour programme nightly. That is quite unusual. We do a lot of investigative material in that.

John Nicolson: It is expensive.

Dr Mahon: It is good value for money but it is a significant chunk of our budget. I don't want to be caught by the news saying on record that it is expensive.

We also do a lot of foreign coverage. We do a particularly high amount of foreign coverage. We would have eight to 10 items on a night, which is significantly more because of the format of the programme. In the recent Ofcom survey, it is the most trusted of the news providers and seen as the most impartial, and it is also the least distrusted in the latest Reuters survey. That is important to say; that is how viewers see it. It has a particular appeal to young people. It also has a particular appeal to minority ethnic groups in the UK, because of the foreign coverage and the investigative material.

I think it would be hard to maintain a programme of that length and tone and type of output if you were profit maximising. You could achieve any quotas of a certain amount of news but it is probably true to say that you cannot legislate for the tone and tenor and editorial construction of the show, the multiple nights from Leeds, the types of investigative reporting, the types of foreign coverage. As you will know, that news team was behind the Cambridge Analytica investigation into Facebook—now Meta—and the films we made from Syria and elsewhere. It is unlikely that you could legislate for those kinds of things, so I think they would disappear.

Q77 **John Nicolson:** You have to fund an hour-long news programme and it is expensive. As you know, you have people working on stories for a long time that sometimes never make the screen because they have failed to meet editorial standards or the story does not stand up. It is expensive. I think you have confirmed my suspicion that an hour-long news



HOUSE OF COMMONS

programme would not be made. I am thinking of a programme like “Unreported World”, which, as the name suggests, reports on parts of the world that we tend not to get to hear much about. It does not have a particularly high audience, but it is a superb news programme. Again, we do not see that on any other channel. I am guessing that that, likewise, would not be made in a privatised model because it just would not pass muster from the profit motive.

Dr Mahon: They are not profitable things, so they would not meet a threshold of profitability, but they are important things to do for our remit.

John Nicolson: Absolutely, especially as we are all fighting disinformation, which is so crucial and which, of course, takes us back to Dr Huq’s question about “Tower Block of Commons”.

Dr Mahon: That disinformation/misinformation point, to reiterate, is particularly important for young people. Finding ways to get facts, data and evidence in a way that appeals to young people is a particular part of what we do, which we excel at with the news.

Q78 **Clive Efford:** Very briefly, going back to your report on the “Tower Block of Commons” accusation, do you expect your report to be the end of the matter? Is that what you intend or do you expect something in response?

Dr Mahon: I haven’t really thought that through, to be honest. Normally, we would put out a conclusion and a report but, of course, if there are further questions we remain available to answer them, as we should, and to investigate anything else. That is an important part of our role.

Q79 **Clive Efford:** Have you had any indication from third parties that were affected by what was said that they might want to seek some sort of redress? Have they approached you on that?

Dr Mahon: No. I have seen no indications of fakery in what I have seen so far and we have had no approaches like that.

Q80 **Clive Efford:** No one has expressed to you that they feel that their integrity was called into question as a result of what was said?

Dr Mahon: The programme was a long time ago—12 years ago—and it is important that we spend our time investigating properly any questions around it. I defend people having the right to raise those questions. We will report back later on in the week.

Q81 **Clive Efford:** As far as Channel 4 is concerned, that report will be published and that will be the end of the matter for you.

Dr Mahon: Unless something comes up that we are unaware of.

Dr Huq: I want to add that I have had emails from constituents who were there who are denying that they were actors. If you need it, I can supply that.



HOUSE OF COMMONS

Chair: I think that we have well and truly exhausted and walked down every corridor of the “Tower Block of Commons” so I think that we are done with that. We are also done with this session. I want to thank our three witnesses today, Dr Alex Mahon, Jonathan Allan, and Sinéad Rocks over in Leeds. Thank you very much.