

Culture, Media and Sport Committee

Oral evidence: The work of Channel 4, HC 159

Tuesday 28 November 2023

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Watch the meeting

Members present: Dame Caroline Dinenage (Chair); Kevin Brennan; Clive Efford; Julie Elliott; Damian Green; Dr Rupa Huq; Simon Jupp; John Nicolson; Jane Stevenson.

Questions 1 - 98

Witnesses

[I](#): Dr Alex Mahon, Chief Executive; and Sir Ian Cheshire, Chair, Channel 4.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]



Examination of witnesses

Witnesses: Dr Alex Mahon and Sir Ian Cheshire.

Q1 Chair: Welcome to this meeting of the Culture, Media and Sport Select Committee. Our session this morning is part of our regular hearings with public service broadcasters, today focused on Channel 4. We are joined by Dr Alex Mahon, the Channel 4 Chief Executive, and Sir Ian Cheshire, Channel 4 Chair. You are both very welcome. Before we start, I remind members to declare any interests at the point that they ask their questions.

I will start. Sir Ian, Channel 4's financial performance in 2022 was down on 2021. What makes you describe the annual report results as encouraging?

Sir Ian Cheshire: First, I think that it is worth pointing out the context. Going back two years, we had a bumpy year courtesy of Covid, but we recorded in the year another surplus. That was after paying a retention payment. Channel 4 has managed its way through this period exceptionally well and continued to be very thoughtful about the future. In terms of both remit delivery and financial performance, it was a good year.

Q2 Chair: Alex, Channel 4's pre-tax surplus was only £3 million after paying the one-off staff retention payment. That is compared to £101 million the year before. Why is that?

Dr Mahon: Good morning. 2022 was quite similar in terms of revenues to 2021. It was £1.14 billion. It was a year of record content spend. We spent £730 million on content, which was 6% up and the highest it has ever been. We chose to spend more on content in-year and that obviously impacted the surplus. It would have been £20 million without those retention bonuses.

I would probably look at it in the context of those three years coming after a surplus of £101 million and a surplus again the year before, I think of 70-odd. Three years of surpluses is unknown and the surpluses of 70 and 100 were extremely high compared to all historic records, where they had peaked at about £20 million or so. I think that it was the right thing to do to invest more in content in the year, and the financial performance was the second year above a billion, which again is a record. We should be above that this year as well.

Those are the reasons why. I would not say they are worrying in any way because our streaming performance and our remit was completely on track.

Q3 Chair: What is 2023 looking like?

Dr Mahon: 2023 is a tougher year. The advertising market, as the Committee will know, is having a really difficult year. That is particularly related to the UK economy. It has been a tough year. We all expected a



hard year, but in fact we have not seen the predicted recovery in H2 or in Q4. All broadcasters are finding it tough. I think we will find revenues down about 8% or maybe 9% in the year. If you break that down, what we see is the linear advertising market, so the traditional live advertising market, is shrinking and the digital advertising market is growing. So we are doing very well in digital and that is growing, but linear is shrinking. Therefore, as a result our performance will be affected in-year and we will have a deficit this year.

Q4 Chair: With regard to the annual report, did the Government question anything in the report when you had your conversations with them?

Dr Mahon: Not that I can recall. We get the traditional input from Ofcom, and the Committee will have seen that letter. There is a huge amount of praise in that, particularly for our work with young people and on documentaries and current affairs and news and programmes that make a difference. We had a huge amount of them last year with things like the 40th season and lots of fun and exciting programmes. I don't think there was anything that they particularly raised of concern.

Q5 Chair: There has been a lot of speculation that you might be leaving Channel 4, Alex. Are you?

Dr Mahon: No, but there is a lot of speculation.

Sir Ian Cheshire: Speculation.

Dr Mahon: Most of which is untrue. I think that one has to accept that it is not abnormal for there to be those conversations around chief executives, particularly in broadcasting. I do not think it is anything outside of the ordinary course.

Q6 Jane Stevenson: I would like to turn to your long-term strategy, and I need my glasses on for this. You describe yourself as a digital first broadcaster and you set out some clear aims in Future4. The three specific targets for 2025 were: ensure 30% of total revenue is from digital advertising; ensure at least 10% of total revenue is from non-advertising; and double streaming to 2 billion views. You seem to have made progress on 1 and 2, but even though you just said, Dr Mahon, that streaming is on track, viewing on streaming platforms fell by 10%. Are you confident you are going to reach the objectives set out in Future4?

Dr Mahon: The key change for us and for any broadcaster is about what has happened in the market—the reality that all consumers are moving to viewing on streaming: we all want to view what we want when we want, ideally free—and that kind of on-demand switch. Our strategy is all about how we switch the business to that. This year about 26% of our revenues will be from streaming. That is way ahead of our peer set across Europe, which would be more like 10%. We have made a tremendous change to how the business is run by doing that.



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You are absolutely right that we set out three goals. We have already hit two of them and we are on track. Diversification of revenues to non-advertising and percentage of revenues from digital advertising will be on track. You are right to call out that last year streaming views fell slightly. The reality is that we were, of course, comparing to the year before, which was still a lockdown year—you will remember that all any of us did was stay inside and watch television. This year we are back to growth. We have grown about 21% year to date. We have had some exceptional months. I think that we should be on course for that.

We also see a hold-up in linear. We are about 1% off last year or year to date, so we still see people watching like that. The question is always how we balance those two parts of the business.

Q7 Jane Stevenson: Sir Ian, will meeting the targets be enough to sustain Channel 4 in the long term? Do you think that the Future4 targets are ambitious enough?

Sir Ian Cheshire: We are already beginning to consider life beyond 2025 as part of the strategic process and we are clearly thinking about these trends in much more long-term ways. This is a 20-year trend in something like streaming rather than a couple of years. We are taking the newly enhanced duty of sustainability seriously in the financial model for Channel 4. As Alex mentioned, while in the short term we have some headwinds, particularly in the linear TV advertising market, there are lots of reasons from the digital side to be encouraged. The challenge is growing a new business model as you see the old business model move away. That is a common business problem in a lot of other places that we share, but we are approaching it with a lot of confidence over the longer term.

Q8 Jane Stevenson: Dr Mahon, when are we going to see detail of the next strategy to give you the next five years at Channel 4? Do you have any dates for that?

Dr Mahon: That is a very pertinent question. I should imagine that early on next year we will start to set out what the strategy is beyond that and how we see the next five to 10 years. We are obviously in a process of licence renewal through next year, so that is an important time to do it. We will be happy to share that with the Committee.

Q9 Jane Stevenson: Sir Ian, are you happy with the timeframe of the next set-out of strategy?

Sir Ian Cheshire: Yes, I think so. We are not doing a handbrake turn on the existing strategy. We are getting on with that. We have to manage the operation in the meantime and it is right, I think, to take a bit of time to reflect on it. There is another big strategic shift to accomplish over the next five-year period and we are well advanced in the thinking.

Q10 Damian Green: Morning, both. We have been discussing revenue streams. Do you still feel uncomfortably overdependent on linear



advertising revenue?

Dr Mahon: If you look at our overall revenues, between 80% and 90% is from advertising. This year about 58% will be from linear advertising. We have had a big switch away from linear or spot advertising over the past five years. The linear advertising market, as I said, is shrinking this year, maybe about 14%, but the digital advertising market is growing, maybe about 14%. The reality is that digital in-stream video advertising is a big growth market. Businesses like YouTube are entirely based on that and doing very well.

I think it is right that we move more and more to digital and at the same time I think it is right that we continue to diversify the other streams of business that we have. We have some investment through the growth fund in independent businesses. We have a venture fund and over the coming years, as we set out our strategy, especially with the changes that come in the Media Bill, we will be looking to grow that diversification.

Q11 **Damian Green:** We are discussing this in the context of percentages and moving percentages around. I am equally interested in the quanta of actual money that is coming in to support your operations. The analogy, I fear, is local newspapers, where they have tried to switch from traditional advertising to a digital advertising model and they are falling over because there is just not enough money there. Is it different for a broadcaster like you? Does the quantum of money you get from digital advertising replace the quantum you are losing from linear advertising?

Dr Mahon: It is instructive to look at the difference with newspapers. What happened with newspapers was that as Google came into the market the price of print advertising collapsed because of display advertising availability on Google and other players. That is not what has happened in television. The price we get for digital advertising is the same as the price we get for linear advertising. Sometimes it is better because we can provide more targetability with it.

For us that occurrence has not happened. Digital advertising for us would be over a quarter of a billion a year; linear advertising would still be half a billion a year. It is that kind of quantum. We are seeing overall growth. The important question for us is how we manage that switching because, of course, it depends on how viewers watch, so it is not entirely in our gift. What we see is that viewers are very happy to watch advertising in order to get things for free. As you will know, with an economic crisis and inflation and the realities of people not being able to spend what they previously could, people are also switching off subscription services in some cases and are quite happy to have things for free and understand that in recompense for that they watch adverts.

Q12 **Damian Green:** What about non-advertising revenue? What is the strategy for growing that? That will clearly become increasingly important as well.



Sir Ian Cheshire: The generic thrust is to try to diversify the business model so that we are not as dependent on linear, but linear is still important to us. It is a transition strategy rather than to abandon or do something completely different. The non-advertising revenue model, if you like, has been in place for some time. The new potential element, which we are not at a point where we can factor into any plans, is the potential for in-house production, and that opens up a different angle and the possibilities of other partnerships and potentially international partnerships. All that is yet to be defined.

Where we are at the moment is essentially a continuation of the original strategy to 2025, and that has, I think, been executed very well. I don't know if you want to go into the details, but we have seen continued growth in that.

Q13 **Damian Green:** When we get the new strategy, which you have said will be in the new year, will that also tell us how fast you are planning to get away from the publisher model?

Dr Mahon: Yes. I would reiterate that advertising is a very strong business model. The key there is to switch into digital advertising, which is growth, fuelled by streaming, because that is how consumers want to watch, and over time away from linear. We will also have the diversification of what other businesses we would grow, how we are going to invest in them and at what pace we would do that.

Q14 **Damian Green:** What you have said, and I paraphrase, is that you are going to dip your toe slowly in the market of making your own programmes.

Dr Mahon: Yes. It is important, and you will have seen in the Media Bill and the announcements that we put out, that should we go into in-house production or the ownership of IP we do it in a measured and controlled way so that we do not have a market shock impact. The independent sector is very important to us and has always been an integral part of Channel 4. We don't want to damage the market there. Doing it at the right, considered pace is key, making sure that we always get the right ideas in the organisation. This year particularly is very hard for our independent partners because, of course, they suffer the impact of reduced advertising revenues through us.

Q15 **Damian Green:** You have a £75 million credit facility available for market shocks. I take it from what you are saying that you are nowhere near thinking about having to access that.

Dr Mahon: We are in what I would probably call market shock territory. This level of advertising fall has only been deeper in the 2008 recession. I imagine that through the next year we will look at how we use that debt facility. That would be normal course of business for us, but that will be sometime in the next year. At the same time we will lay out our plans for how we might do in-house production. We are not going super-fast at



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that. We also have to wait for the Media Bill to go through to be sure it can happen.

Q16 **Damian Green:** Would it be politically a bit embarrassing to have to use that credit facility? There was the row we all went through with a previous Secretary of State basically saying that your model could not work, long term it was unstable, and you were going to end up depending on state subsidy.

Dr Mahon: I don't think we will be depending on any state subsidies.

Sir Ian Cheshire: No.

Dr Mahon: I certainly do not foresee that, but the reality is that over the past 10 years we have made a surplus in six years and a deficit in four years. We have just had three years of unprecedented surpluses. This year will be a deficit. Next year will probably be a deficit. We will always be exposed to the realities of the UK economy and that is what is happening now with the advertising market. At the same time, the Channel 4 model is very sustainable and very flexible. That means we just have to adjust our costs as we go through the years. The cycle of surpluses and deficits is completely normal for Channel 4. I don't expect that to change.

Q17 **Kevin Brennan:** Good morning. Alex, in July when you were asked about cancelled commissions you were quoted as saying, "Those shows haven't been cancelled; they just haven't been recommissioned." Can you explain what the difference is between those two things?

Dr Mahon: Yes. In any given year, Channel 4 probably has in excess of 250 titles, maybe a bit more. About 50% of them return in any given year. Sometimes a show returns. Sometimes we rest a show. Sometimes we conclude a show and it doesn't come back. There are a set of shows this year that are a bit different. This year we will spend about the same amount of money in-year on commissions as we did last year but we will phase them through 2023 and 2024, given the advertising market. They will be spread out a bit more. There were a number of shows that producers expected to be recommissioned or returned that we had to make decisions on that they couldn't as we tightened our costs for the year.

Kevin Brennan: You had to cancel them?

Dr Mahon: Well, cancel implies that you have contracted it and then you remove—

Q18 **Kevin Brennan:** Will they be coming back at any point?

Dr Mahon: They might be. Some of them are things that we are still looking at whether they return next year or the year after.

Q19 **Kevin Brennan:** Has there been a commissioning freeze? There has been a lot of talk about that at Channel 4.



Dr Mahon: We have slowed down lots of our costs. We have slowed down costs on projects. We have slowed down costs on technology. We have slowed down costs on content because of a reaction to that advertising market. Although we are still buying things, we are buying them at a slower pace than we normally would be at this time of year.

Q20 **Kevin Brennan:** How do you think that has impacted on the production and supply chain to Channel 4?

Dr Mahon: It is really difficult for producers. Last year, as you will see in that report, we worked with 170-odd producers; 66% of the hours were in the nations and regions. There are a lot of suppliers, particularly small and medium suppliers, who are dependent on us, and when Channel 4 has lower revenues and, therefore, has to make decisions about costs, it has a really difficult impact on producers. I would say it is even more difficult for producers coming after Covid because they have had a lack of predictability. For many producers as well, the US strike has impacted them because there has been less production activity in studios in the UK. I am well aware that it has been very difficult for them.

Q21 **Kevin Brennan:** Given the level of pain that you have described that is out there, and as you have described the ad market continues to be turbulent and there has been an effective commissioning freeze—although you use different terminology—I know that you have deferred your retention bonuses around privatisation. As you know, this Committee was very supportive of the board's approach in doing that. Do you think that you should refuse that retention money and put that into programming?

Sir Ian Cheshire: First, I will reiterate that the retention bonuses were debated at both the remuneration committee and the board at length and were awarded across all the colleague base and the vast majority of that £17 million was to the over 1,000 people in the overall corporation. The executive directors themselves decided to defer and reduce the amount that they could have been entitled to under our original design. We have left it that we would have a further review with the exec directors to decide what they would like to do. This is signalling to some extent because, frankly, the amount of money will not make any difference to the commissioning budget but we take the point and it is under review.

Q22 **Kevin Brennan:** How much is the amount? What is the quantum?

Dr Mahon: The commissioning budget is £600 million to £700 million, depending on the year, and the quantum of bonuses deferred is about £300,000.

Q23 **Kevin Brennan:** Sir Ian, in the light of these challenging market conditions, do you expect executive remuneration to fall this year?

Sir Ian Cheshire: We are discussing last year's annual report, which is based on that performance. If I am looking at this year, the executive remuneration was made up of some fixed and variable elements. At this



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stage we are not discussing anything changing in the fixed. The variable will be determined on the outcome. The performance is under pressure because of the ad market, as Alex has said, but the rest of the performance on remit and public service is going very well. We will take a view, as we do in the round, of performance and then we will work out what the score is at the end of the day.

Q24 Kevin Brennan: How do you feel about the fact that the pay gap between top management and regular staff, despite what we have just discussed, is widening quickly?

Sir Ian Cheshire: I am not sure I would recognise the “widening quickly” element. We spend quite a lot of time making sure that we see the proper distribution of those ratios, along with other elements that we think about with policy.

Q25 Kevin Brennan: I am quoting a report in *The Guardian* about Channel 4 executive pay in saying that. Is that inaccurate—that there has been a widening of the pay gap between top executive pay and the regular pay of staff? Is that incorrect?

Dr Mahon: It is true to say in the annual report that we recruited a large amount of more junior staff, which has led to the widening of that gap.

Q26 Kevin Brennan: The explanation for it is that you have recruited new staff at lower pay levels, rather than that executive pay is growing faster than regular staff pay?

Sir Ian Cheshire: I would go the other way. As an overall corporation, we instituted a pay rise at the beginning of the year and three executive directors didn’t take the pay rise. There are various elements of this that are in slightly different places, I think.

Q27 Kevin Brennan: May I ask another one to you, Alex? Given that there is difficulty with the amount of money that is available for commissioning, I hear on the grapevine that you are preparing to pay significantly over the odds to renew your deal with Studio Lambert for “Gogglebox” because ITV attempted to poach the show this year. Is that the case?

Dr Mahon: I would put that in the category of rumours about my impending departure, but that is television for you. It is always important to renew important shows to us, but I do not recognise that characterisation. The key thing we have to do is to make sure that we review our own costs as we go into the new year. That is important to us, alongside strategy—that is the budgeting process that we are going through now—and then to make sure that we are supporting our independent partners as much as we can by commissioning, which we are doing now, through 2024 and 2025. I don’t underestimate how difficult it is for them.

Q28 Kevin Brennan: This goes both ways, but is it a slightly absurd spectacle to see public service broadcasters in a bidding war for programmes with



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production companies when it is a policy decision to create a category of broadcasters called public service broadcasters and a lot of time, energy and treasure is wasted competing over shows in this way?

Dr Mahon: I would not expect “Gogglebox” to go anywhere else. It is a classic Channel 4 show. I would also say that everybody is always going to want great shows.

Kevin Brennan: It works both ways, as we know, with “Bake Off” or whatever.

Dr Mahon: That is the market.

Q29 **John Nicolson:** Good morning, both. May I start off with you, Sir Ian? The intro to your 2022 Channel 4 report said that the owners of Channel 4 are the British people. Looking back over the last couple of years, do you think that the UK Government have helped or hindered your mission to serve the British people?

Sir Ian Cheshire: There are two comments I would make. First, the ownership of Channel 4 is a matter of Government policy and they are entitled to decide whether they want to review that or not. I am very pleased that we have ended up with the outcome that we are at, but obviously that was the Government’s option to review.

John Nicolson: The Government retreating.

Sir Ian Cheshire: No, the Government decided to review it and came up with an outcome, and we will work with that.

The only thing I would say we did have to deal with—and I would like to say that Alex and the team did a phenomenal job—is that it did create a period of extended uncertainty, which made running the operation and delivering the remit harder than it would have been without that review.

Q30 **John Nicolson:** How much did it cost you to fight off the Government over privatisation?

Sir Ian Cheshire: We did not spend huge amounts of money fighting anything off.

John Nicolson: You must have spent an enormous amount of staff time, hundreds and hundreds and hundreds of hours.

Sir Ian Cheshire: I will let Alex share the details, but the essence of what we did was separate the people that had to deal with privatisation issues and the running of the actual operation. There was a segregation of duties there, which minimised the disruption. It did not completely eliminate it, but it made it much more manageable, particularly for the commissioners. They were insulated from that process.

John Nicolson: Dr Mahon, perhaps I can ask you that question.



Sir Ian Cheshire: Was that the right answer?

Dr Mahon: I might have spent thousands of hours. First, we split the team because we thought, we will get on with running the business as usual. Secondly, stakeholders have a right to review many things about the business and it is a normal part of being a chief executive that you have to deal with questions from your stakeholders. That is just the reality.

John Nicolson: Stakeholder being the Government?

Dr Mahon: One of the stakeholders being the Government in this case.

Q31 **John Nicolson:** But of course, you expect the Government to understand how Channel 4 is funded. We saw Damian Green ask a stormaler of a very simple question and we discovered that the Secretary of State did not understand how Channel 4 was funded. You guys must have been tearing your hair out. Here you are, trying to make programmes—well, one of you tearing your hair out.

Sir Ian Cheshire: Exactly—succeeded.

John Nicolson: Here you are trying to commission programmes and you have a Secretary of State who lumbers along, pontificates, and you discover that she knows absolutely nothing about how you are funded.

Dr Mahon: It is wonderful to have this Committee doing their work. The reality of any Government is that they have the right to ask us questions. It did take up time, but equally the same Government reached a conclusion that I think is the right one. It is only our job to inform the Government about their decision making. It is for the Government to take those decisions. I think that we have come out in a good position. What I would like to do now is to get the organisation back and clearly focused on what it needs to do. We are in a really tough economic year and that is the focus for us.

Q32 **John Nicolson:** Yes, I want to ask you about that. I have scoped for comments, as I often do, from folk who know about your business. Delightfully, I have had lots of comments from your own staff. Let me run through some of the things that they have asked me—some of their questions as well as my own questions. Your relationship with indie producers is very strained, isn't it? Is that because you are telling folk that you have little or no money for commissioning in this current year?

Dr Mahon: It is tough for the independent sector because we are not spending at the pace we did the year before. As I said, although we are spending the same amount this year, the programmes will be spread over 2023 and 2024. Therefore, our content budget will be less this year than it was last year. The impact of that on independents is tough, alongside the other commercial broadcasters and the BBC also spending less.

Q33 **John Nicolson:** Let me read to you what one very successful



independent commissioner has said to me this morning. “Our experience, the experience of many independents, has been that virtually no new commissioning has been happening over the last six months. New commissions are still being turned down by Channel 4 because of lack of cash. They appear to have badly mismanaged their finances while paying themselves generous bonuses. Hundreds of freelancers are leaving the industry because of a lack of work. Channel 4 has been a major factor in this. Channel 4 is very disappointing.”

Dr Mahon: Well, first of all, let’s separate the two years, because the bonuses you are talking about there were last year—for exceptional performance last year. It is definitely true to say that we are spending less this year in-year. The advertising market is down for us 8% to 9%. We will spend less on content for 2023. We are trying to do as much as we can for the industry by putting the same amount of spend into this year, even though it will be phased over 2023 and 2024—that is the difference between spending in-year and the P&L—and to ensure that we also do what we can to support indies with the emerging indie fund, the business boost and the indie accelerator. We are doing a lot of freelancer training and activity and workshops.

John Nicolson: They are deeply unhappy and one has—

Dr Mahon: I cannot get away from the economic reality of a reduced advertising market this year.

Q34 **John Nicolson:** Okay. Symbolically then, some of the money that you are spending must be very irritating for people who are not getting work. For instance, you are paying Channel 4 commissioners bonuses when they have slowed down commissions. That is a no-brainer, isn’t it? If you are not giving folk many commissions, why are you paying bonuses to commissioners?

Dr Mahon: We haven’t paid any bonuses for this year. What you are talking about with slowdown is 2023. When the Committee looks at the annual report, that is for 2022, which was a bonus year in terms of content, £713 million spent on content, 6% more than the year before, the highest ever on record in the history of Channel 4.

Q35 **John Nicolson:** You are not going to be paying commissioners bonuses in this current year?

Dr Mahon: Bonuses will be decided by the rem committee in the new year.

Sir Ian Cheshire: Early in the new year.

Q36 **John Nicolson:** What is your view? Should they be paid bonuses?

Sir Ian Cheshire: There is a very clear structure for us—

John Nicolson: I would like to ask Dr Mahon that.



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Dr Mahon: I cannot see how in a difficult year like this, to pick up on Kevin Brennan's question, overall compensation will go up compared to the year before.

Q37 **John Nicolson:** What about you? Are you taking a bonus?

Dr Mahon: That will not be a decision for me.

Q38 **John Nicolson:** Of course it is a decision for you. You can say, "I couldn't possibly take a bonus. Look at the state of Channel 4 at the moment. I couldn't possibly accept any money. Please don't give me a bonus." Do you think that Sir Ian would force you to take a bonus?

Dr Mahon: I think that would be a decision for the rem committee, not me.

John Nicolson: But you could refuse.

Dr Mahon: Of course.

Q39 **John Nicolson:** Will you refuse?

Dr Mahon: I have no idea if I will even be awarded one.

Q40 **John Nicolson:** What is your salary at the moment? It is about £1.5 million.

Dr Mahon: £615,000.

Q41 **John Nicolson:** Are you managing to scrape by on that okay? Good. That is a relief. I would have thought under those circumstances a bonus would just be absolutely infuriating for folk who are having to leave the industry because they can't get commissions.

Let's talk Channel 4 soft furnishings because I have had a couple of questions about that. Westminster is spending an absolute fortune—billions of pounds—restoring Westminster at the moment. Some of the amazing wallpaper you see here got a previous Lord Chancellor into a great deal of difficulty because of the cost per roll. I have been asked to ask you: how many times has Channel 4, the building, been refurbished under your leadership in a tight economic climate?

Dr Mahon: Do you mean the Horseferry Road building in London?

John Nicolson: Yes.

Dr Mahon: The building has been refurbished once over the past six years. Each floor has been done at separate times in order to pace spending—

Q42 **John Nicolson:** How much did it cost?

Dr Mahon: I don't have the figure of total costs off the top of my head, but I am happy to send it to the Committee.

Q43 **John Nicolson:** One of my correspondents, somebody quite senior,



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asked whether you had a special fabric created and designed—your own choice of soft furnishings—at great expense?

Dr Mahon: No.

John Nicolson: That is absolutely not true?

Dr Mahon: No, that is—

John Nicolson: Good. That has cleared that up. How long do you think—

Dr Mahon: I love that someone thinks I would have the time to do that. No, that is not true. The building—

John Nicolson: It is quite a relaxing thing to do, isn't it? Derry Irvine was the Lord Chancellor. He still managed to spend some time on wallpaper. It is amazing what you can squeeze in.

Dr Mahon: It is probably worth you knowing that the Glasgow, Leeds, Bristol and London offices are all furnished the same. We did the out of London offices first and it was really clear that they were to set a standard. We, also as part of our strategy, wanted to make the out of London offices really excellent. I have been to many companies where the regional offices are rather rubbish. We did those first. We do have quite a lot of problems in Horseferry Road as the building is quite old. We have had to refurbish certain bits of it because there were quite a lot of leaks and failing heating and failing air-conditioning. Those are the reasons. I could go on.

Q44 **John Nicolson:** Please don't. I think that we have addressed that. The Chair asked you if you were leaving, because there have been lots of rumours about that. You said that you were not. How long do you plan to stay? Will you be like Mrs Thatcher and go on and on and on?

Dr Mahon: I am not sure about the comparison to Mrs Thatcher. I will stay as long as I am relevant to the business. I don't think anyone is relevant to the Channel 4 business forever, though. It is an innovative business model, which always requires fresh ideas.

John Nicolson: There were rumours that you quite fancied a wee move to Chloé.

Dr Mahon: Entirely invented.

John Nicolson: So it was not a question that the clothes did not fit, it is just untrue?

Dr Mahon: Entirely invented.

Q45 **John Nicolson:** Let's move on finally. I want a quick update on the issue of safeguarding staff. This Committee has covered Phillip Schofield, and Dan Wootton at GB News. Of course, you have been in the news over Russell Brand. I know that there are police developments as of last week,



interviewing him it has been reported. Could you give us an update on how Channel 4's in-house investigation is going and how you can reassure staff who are worried about safeguarding? We as a Committee get to hear about this quite a lot. I am not, of course, asking you to make any comment about the police investigation because that is an ongoing case. Could you just tell us what is happening with Channel 4 itself?

Dr Mahon: Yes, certainly. As you will know, Ofcom itself did a piece into safeguarding after the suicides of the "Love Island" contestants and Caroline Flack and the "The Jeremy Kyle Show"—you will know that we did that documentary about Jeremy Kyle. This year we put out a documentary called "Russell Brand: In Plain Sight" with appalling and deeply troubling allegations in it about programmes he worked on between 2004 and 2007 for Channel 4 and elsewhere—at the BBC and in the US. I am certainly very proud of that programme because we had investigative journalists working on it for three to four years, although of course it may historically implicate Channel 4 programmes. That is why I am particularly proud that we did that programme and called it to account.

Q46 **John Nicolson:** Do you have any sense that Channel 4 ignored clear warning signs at the time? That is what we hear repeatedly about the BBC, for example, over past deeply serious problems with presenters.

Dr Mahon: Let me go on to talk a little bit about what we are doing now because I am determined to understand the full extent and the nature of what Channel 4 did or didn't know. We have gone through a lot of management change since then, it was some time ago, and today we have a zero tolerance approach and a number of facilities in place that I can talk you through as to how we find out about complaints. I also understand that it is not very easy for people to come forward.

We are doing a full investigation in a separate team to the people who made the programme, and any allegations about criminal activity go straight to the police. We have commissioned a team that is going through all the document searches. That is about 60,000 documents. We are going through everything we have historically on record. You will know that the BBC is doing its own investigation and the producer, Banijay, is doing its own investigation. We have gone through those files now and we are now in a process of interviewing people who may have been involved at the time. We have had a couple of Safecall whistleblowing reports in of people who have other things to tell us about what went on at the time.

As it stands, we are not quite finished. We are probably in a process of weeks, not months. I am happy to come to the Committee with what our terms of reference are and how we are proceeding.

Q47 **John Nicolson:** This report will be published and you will take questions on it?



Dr Mahon: I am very happy to take questions on it, yes. I would just finish by saying that I think if you have seen the documentary, what we see on air not that long ago is deeply shocking and troubling when one sees it again. We are talking 10 or 15 years ago, and I think all of us have to consider what impact that has on programmes going forward.

Q48 **Chair:** May I just quickly pick up on that, please, Alex? With regard to the code of conduct that you clearly now have in place to monitor behaviour across your organisation, how do you impose that and monitor that when it comes to the organisations that you are commissioning?

Dr Mahon: We have our own staff code of conduct and then we have a code of conduct for suppliers and producers, which we repeatedly share, refresh and update. The biggest way, I think, that we can monitor that is we have a whistleblowing line, Safecall, Speak Up. For about four years we have insisted that that is published on the front page of every call sheet. If you are working on a production, everyone gets the call sheet—runners, drivers, everyone. We are very clear that we investigate everything that comes in through that.

Anything that comes in through viewer complaints I get a report on daily. There are lots of those some days. Everything that comes in through whistleblowing or that Safecall line I have to know about within 24 hours. Each individual report comes to me, unless it is something to do with me, in which case it goes independently to the Chairman and I am unaware. Then we investigate each of those. We report back on each of those to the audit committee as well. We are following all those up. After something like Brand you do tend to see a spike in stuff coming in. That is very important because it shows that the message of, "Please tell us about things" gets through.

Q49 **Chair:** What volume of complaints and whistleblowing incidences are you seeing? Has the volume changed or is it similar?

Dr Mahon: No, the volume has not changed. Whistleblowing, the Speak Up, tends to be quite serious complaints. There are a handful. Daily viewer complaints are in the hundreds. What you tend to see is spikes in the whistleblowing when there is a big event such as the Brand documentary. I think that is a good thing because it is people thinking and knowing that they can be responded to. It is very important that we have that as a clean process and that we go back to people when they bring things in.

Q50 **Chair:** Sir Ian, what is the role of the board in providing oversight on issues of safeguarding and complaints of this nature?

Sir Ian Cheshire: It operates at two levels. First, the board has ultimate responsibility for ensuring that there is the appropriate strategy and procedures in place. It has a governance role. Then, as Alex has indicated, in terms of content, depending on the nature of the issue we will have a mixture of either audit chair, Andrew Miller, or myself involved. If we see anything in the data that suggests that there is an



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emerging issue, then we would be looking into it. We remain ready to take action but the main role for the board is to make sure that the appropriate procedures and policies are in place and are being followed.

Q51 **Chair:** Alex, are you conducting any investigations into any other high-profile individuals at the moment that have not made the headlines yet?

Dr Mahon: If I was I could not comment.

Sir Ian Cheshire: Yes.

Q52 **Chair:** Okay. More broadly, how confident are you that no programme that is commissioned for Channel 4 could ever be described as having a toxic culture again?

Dr Mahon: I don't think any programmes that have been commissioned for Channel 4 have been described as having a toxic culture. I realise that that description has been used about other broadcasters' programmes. I am as confident as I can be and obviously, as you may know, we have had a couple of incidences where we have exited talent on programmes or finished with a programme.

The only confidence one can really have is to try to create a culture where these things can be reported in. You can never know. You can have the right procedures in place. You can try to be really open about people reporting in. You can keep surveying and showing there is an open line. That is what one must do, and then deal with everything as it comes in. The reality is that you have lots of programmes going on at any one time and I am not on set in them and neither are all my staff. I think that the key thing for us is to have those processes and procedures and keep being clear that it is zero tolerance.

Q53 **Chair:** Has Channel 4 signed up to CIISA?

Dr Mahon: Yes. We are in the investigative phase, the set-up phase, with CIISA.

Q54 **Chair:** You are committed to following that up?

Dr Mahon: Yes.

Q55 **Simon Jupp:** Good morning. Alex, the first question is to you. What is a carbon skid mark? It is embarrassing, isn't it?

Dr Mahon: As you may know, we have recently done a change climate season. There are three or four different sets of programmes in that. There is a piece of advertising that we have put together for the climate season to make people sit up and take notice in a very Channel 4 way. It talks about what businesses and Governments are doing to help make a systemic change that would help to tackle climate change in a positive manner while consumers are making lots of changes at home. It is a provocative piece of advertising, which I think has caused impact. It raises good questions for society as to what we can all do ourselves and how we can help get systemic change as well.



Q56 **Simon Jupp:** You were embarrassed when I said it, because of your reaction. I saw the recent promo for the change climate season, which included various actors leaking oil through their underwear, including a scene in the House of Commons. It ended with the question, "Are those with power doing enough about their carbon skid mark?" How does that add to the debate?

Dr Mahon: Well, as you will know, it says that consumers are worrying about their carbon footprint and, using a humorous take on it, it says, "Are those in—"

Simon Jupp: Is that humour?

Dr Mahon: That is why I laughed, yes. "Are those in power in businesses and in government, across the world, making the difference that they could make?" You will know well that the big differences that we need on climate change are about systemic change just as they are about individual change.

Q57 **Simon Jupp:** You don't think it cheapened debate, decency or anything else? I grew up with Channel 4. Programmes like "Brass Eye", "Black Books" and "Peep Show" were really inventive and creative. This is just cheap.

Dr Mahon: I think that it is inventive and creative, but maybe we have a different opinion on that.

Q58 **Simon Jupp:** Fair enough. Is this season an example of public service broadcasting you are proud of?

Dr Mahon: Absolutely.

Q59 **Simon Jupp:** Moving on to Chris Packham, in a recent documentary Chris Packham questioned whether peaceful protest is pointless, gently steering the viewer to consider whether it is acceptable to break the law for activism. He also suggested that it was on his agenda to get arrested and put in jail. What is the editorial justification for broadcasting this?

Dr Mahon: I think that Chris Packham in that programme on climate change, which is called "Is it time to break the law?", was questioning—

Q60 **Simon Jupp:** Even the title—did the title have to go through your office to get cleared?

Dr Mahon: Yes, absolutely.

Q61 **Simon Jupp:** Why did you clear that?

Dr Mahon: Many provocative questions are what Channel 4 is here to ask. That is the sense of what we are here for, which is to challenge.

Q62 **Simon Jupp:** Is breaking the law something that you should be broadcasting?



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Dr Mahon: We would never encourage people to break the law, but what—

Q63 **Simon Jupp:** I am sorry to interrupt. How does that programme and that presenter, talking in the way that he did—because I was unfortunate enough to watch the programme—and this endorsement of illegal activity, not suggest that you should break the law?

Dr Mahon: What is happening in that programme is that Chris Packham, a well-known presenter, is saying that he himself has got to the point of frustration about ways that he could impact climate change and that—

Q64 **Simon Jupp:** That can encourage the viewer, can't it?

Dr Mahon: Not encouraging the viewer, it is raising a—

Q65 **Simon Jupp:** How is that not encouraging the viewer? Come on. We are not stupid on this Committee. The viewers that watch your programmes are not stupid. How is that not encouraging the viewer?

Dr Mahon: It is raising a question for debate about to many people—

Simon Jupp: About whether or not you break the law?

Dr Mahon: —to many people in society who get to the point where they question what else they could do. You will have seen that with the Just Stop Oil protests all over the UK. That is a question that many people are asking, and I think that he quite intelligently dissected that question. It was not a programme saying, "Do break the law." It was saying, "What are the conflicts in someone who cares so passionately about the environment when they feel pushed to a point that they ask that question?"

Q66 **Simon Jupp:** Do you personally condone the activity of Just Stop Oil and Extinction Rebellion that featured heavily in that programme?

Dr Mahon: That is not for me to give—

Simon Jupp: No, I am just asking you as an individual.

Dr Mahon: I would be impartial on those political matters. But I do think—

Q67 **Simon Jupp:** You are not impartial on defending a programme where the presenter literally encouraged people to break the law, asked those questions. I sat for years in editorial meetings at the BBC and ITV. I would never have dreamt of broadcasting something like that. I just think it is deeply inappropriate. I understand Chris Packham's passion. He is a brilliant broadcaster, but this is—

Dr Mahon: It is for us to represent those different points of view.

Simon Jupp: Points of view that suggest—



Dr Mahon: He is asking the question of why people feel like that, and I think that he has every right to do so.

Q68 **Simon Jupp:** He suggested that it was on his agenda to get arrested and put in jail when having a discussion with the creator and founder of Extinction Rebellion. How does that pass—

Dr Mahon: He was asking all kinds of questions in that programme.

Simon Jupp: How does that pass any sort of editorial justification?

Dr Mahon: I think that you yourself would recognise that lots of people in Britain feel very frustrated about the ability that they have to impact climate change, so these are questions that the public are asking. It is for us to represent those points of view, alongside others.

Q69 **Simon Jupp:** You know the power of television. Television and the media have an immense amount of power to have an impact on people and the way they think about something. That programme could radicalise someone into wanting to break the law. I really do not understand the justification.

Dr Mahon: I really don't think that is the purpose of the programme. We will have another programme coming up in the next couple of weeks on what the differences are if you eat chicken, not beef. These are all important questions. You will have seen we are in the middle of a three-part season with Kevin McCloud and other presenters going, "How can we make a difference with Governments and businesses to climate change?" These are the questions—

Q70 **Simon Jupp:** Those are wonderful questions. Those are wonderful questions that I would not argue about. What I would argue about, and I am arguing about, is the idea that someone should suggest or even meander around the idea of breaking the law.

Dr Mahon: If Chris Packham chose to do that, that is an individual decision for him. He is not telling members of the public to go out—

Simon Jupp: He has prewarned us in this programme that he is considering doing that.

Dr Mahon: He is not telling members of the public to go out and do that. That is not really how television works. People do not go and do everything that it says in programmes, but he is raising—

Simon Jupp: If you remember, there was a couple of years ago—

Dr Mahon: He is raising that question and that is because many people in Britain are raising that question. Many people in Britain are doing it and I think he has the right to raise that question. That is an important question for debate in society. But he is not instructing people to go out and break the law.



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Q71 **Simon Jupp:** If someone is arrested on a Just Stop Oil march or an Extinction Rebellion march or whatever these people do, and they say, "Chris Packham suggested that this was okay"—because that could be a legitimate response to that programme. He said, "I am thinking about breaking the law. It is on my agenda. This is on my agenda, too." How do you feel about that?

Dr Mahon: I don't think that would happen and I don't think that would be our responsibility.

Simon Jupp: You do not think that would happen?

Dr Mahon: It is a question—

Simon Jupp: That is really naive, really naive.

Dr Mahon: —for debate in society and, therefore, it is our right to raise that because that is what the public are talking about.

Simon Jupp: Sir Ian, do you have anything to add on this point at all?

Sir Ian Cheshire: I have been involved with climate change on and off for 20 years so I have seen the debate go to and fro. I do think that there is a difference between rushing out and encouraging people to break the law and the programme that Chris made. I think these are real issues for a lot of the British public, as Alex has said, and I think that Channel 4's job is to reflect that public debate while staying on the right side of it. I think that was the judgment that was made.

Q72 **Simon Jupp:** I do not think that you stayed on the right side of it, but I will move on to the Media Bill.

In the Media Bill, it discusses how you have a sustainability duty. Are you content with how the Government have reworded Channel 4's sustainability duty in the Media Bill? I will come to you, Sir Ian, first.

Sir Ian Cheshire: This is obviously part of a long conversation with Government and to some extent from the board's point of view we always felt we had some version of this duty on the basis of a Companies Act level of responsibility. I think that it did clarify things. The concern that has been raised is that Channel 4 becomes in some way a burden on the public purse, and this is designed to make sure that we reflect that so we are not purely so focused on the remit 100%. Based on that understanding and subject to the passage of the Bill, we are absolutely happy with where we have got to and we are looking forward to working on it further.

Q73 **Simon Jupp:** Dr Mahon, is there anything you want to add to that in terms of what the Government have put in the Media Bill about the statutory duty?

Dr Mahon: It is something that in my experience the directors on the board were always operating under anyway. I do not think it is a bad



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thing to have it reflected in the Bill. I think it is good to report on it, but I do not think it is a massive behavioural change.

Q74 **Simon Jupp:** It will not change the way in which the board operates or anything else like that?

Sir Ian Cheshire: It makes the duty more explicit and makes sure it is balanced and reflected in our remit, but large elements of this we would have done anyway, as we were discussing earlier. We would worry about the 10-year strategy. We would worry about the business model. In some sense, it is a formalisation and reflection of a chunk of what we do already.

Q75 **Clive Efford:** May I move on to in-house production? Sir Ian, under Channel 4's current long-term projections how likely is it that Channel 4 will need to move to in-house production to secure its future financial sustainability?

Sir Ian Cheshire: First, we don't see the introduction of the option to have in-house production as being the silver bullet that changes Channel 4's sustainability. We have a multiple-strand business model. As Alex has pointed out, we have both linear and digital advertising streams and other streams. We are obviously going to look very carefully at a plan to develop in-house production, subject to the passage of the Bill, but as we have said repeatedly, we will avoid any form of market shock. This won't be a sudden big bang of any description. We will think about it quite carefully, not least because we value the relationships with the independent production sector.

Q76 **Clive Efford:** Do you not think that you will need to keep that under review in the sense that there is a decline in linear TV and it is not compensating for the loss of advertising? Is that not something you will have to keep under review?

Sir Ian Cheshire: We will definitely be looking throughout the regular strategy and business management processes to ask where the various elements of our business model and income stream are moving. The issue with in-house production is that it is not something you can just turn on in a large scale. We are also not in the same position as, say, a commercial operation like ITV, which could go out and spend significantly more on acquisitions. We will have to consider the Channel 4 solution to what we do and don't do. We are not sitting here at the moment, because that would be presumptuous before the passage of the Bill, with some hidden plan to go out and splurge lots of money on this yet.

Q77 **Clive Efford:** Alex, I heard your answer earlier on when you said that you would not rush on this issue of in-house production. With the situation where you need to compensate for the decline in linear advertising revenue, is it inevitable that you will have to move to that decision quite quickly, given that Sir Ian has just said that there is a long lead-in time to setting this up?



Dr Mahon: To make money from in-house production in a diversified way, one would have to be selling a lot of programmes to the competition. If we were making them for ourselves, we wouldn't be making more money, we would just be spending our own money on another bit of the company. It would be in-house supply. If it is of value in order to diversify revenues over time, it would need to be of scale with competition. That would take five to 10 years to grow. We will look at it very carefully. I am delighted that it goes in hand with a rise in the independent quota to make sure that our commitment to the independents is there, but we will do it in a paced manner to make sure that it doesn't cause a shock to the independent sector, which you have heard your colleague say requires us to ensure that we are spending at pace with them as well. There is a balance there.

Q78 **Dr Rupa Huq:** I want to ask about what work Channel 4 is doing to support the progression of women, BAME people and other minorities into your more senior roles—the board-level ones.

Dr Mahon: One of the things, in between all these other things, that delights me is the progress that we have made. If we look across the whole of Channel 4 and at the most highly paid, we have been tracking both those things. We track overall balance of staff and then we track the 100 most highly paid. I think that it is quite important for a period to track that as well, so that one gets a balance of what the top of the organisation is.

We have gone now to, I think, 54% women in the top 100. In the overall organisation it is about 63% women. We are at 21% ethnically diverse and we are at 21% ethnically diverse in the top 100. When I started, those numbers were more in the 30s for women and maybe 9% or 10% for ethnically diverse. That is a huge amount of progress to do that at the top of the organisation and across the whole organisation.

As you will know, we also publish our pay gaps across all protected characteristics. They are improving. We still have a significant pay gap in gender pay for women, partly because the bottom half of the organisation is over 60% female.

Q79 **Dr Rupa Huq:** Does that mean that admin and clerical jobs are women? Is that what that means? I am also looking at the BAME figures. Some of them look like they are getting worse.

Dr Mahon: Channel 4 has always been predominantly women and that is particularly true at the lower levels of the organisation. It is not particularly admin; it is all kinds of roles that it is quite female-friendly to come in. That is a bit of a concern on pay gap mechanical calculations because the way to fix that would be to reduce women in the bottom half of the organisation or dramatically skew the whole organisation to 60% to 65%. That does complicate the pay gap.



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I am very proud of the progress we have made there, and particularly in terms of supply. We are now tracking the percentage of spend on commissioning and content with companies that are led by ethnically diverse directors. I think that is up to 13% in the latest year. We are trying to do this across the board: our own staff, all the 4Skills work we do of training and bringing people into the industry, and where we spend our money.

Q80 Dr Rupa Huq: For some of them it depends on whether you go by median salaries or—hang on, there are two different measures, aren't there?

Dr Mahon: Yes, there are.

Dr Rupa Huq: Yes. For the median, I think the women one is getting worse, and the disability one. They are both getting worse. LGBT as well, mean and median, the gap has increased.

Dr Mahon: I am not entirely sure if you are looking at the latest pay gap report, but they will vary.

Dr Rupa Huq: It is 2022.

Dr Mahon: Yes, so the 2023 I think is now—no, 2022 is now out. They will vary year from year and sometimes particularly when you have a small population, change can call a variance. In general, we are on a progress curve with them and it is important that we publish all that data. We publish it internally quarterly as well, and changing the representation is the biggest thing that we can do.

Q81 Dr Rupa Huq: The annual report says that it wants the board to reflect the whole diversity of the UK, but I think a lot of these are non-executive and they are appointed by Ofcom so you do not have any say over it anyway. I do not know how you can increase the diversity of the board when your hands are tied. What ways round it are there?

Sir Ian Cheshire: First of all, I have been very much involved with Ofcom and with the Ofcom chair. I was part of the panel interviewing to fill the non-exec appointments we have. We were able to talk about the brief, the mix of people, and we concluded that mix back in July. Ultimately, you are quite right—I do not make the appointment. In due course, Ofcom and DCMS together will agree the final outcome, but I very much pushed for those issues to be taken in the profile of the people we are recommending. I cannot control the outcome but I can certainly control the input to that decision making, which I am glad we have done. We will wait to hear further.

Q82 Dr Rupa Huq: The other thing I wanted to ask about is children's TV. I guess children are not really a minority because everyone has been a child or they are currently a child. If I am looking at this stacked bar chart right, the colourful thing, you are overperforming on schools TV. I don't know if that works like it used to with the big thing being wheeled



in with flappy bits around the side when I was a kid. I think that you are outperforming your target there, so that sounds good, although it looks like it is all sloping downwards over the years. I don't know if that is Covid or what, but you are exceeding compared to other broadcasters so that looks good.

Dr Mahon: Yes, although our target on schools is very small.

Dr Rupa Huq: So more ambitious targets?

Dr Mahon: I would like to take that question as a win, but the target on schools is very small. What we are much more focused on doing is how we appeal to 10 to 14-year-olds and then 14 to 18-year-olds and how that transitions into 18 to 25s. How do we do stuff that educates them? How do we do stuff that is interesting to them that reflects their lives back at them? How do we remain a brand that is relevant to them? The schools programming is quite a small quota.

That is the more complex thing to do in today's environment—with Gen Z particularly—how we continue to make things that appeal to them and stand out to them. That is particularly important in an age of disinformation and misinformation, where they need trustworthy sources of news and of current affairs content. That is probably where we are more focused, but that chart does look good on 4Schools.

Q83 **Dr Rupa Huq:** The Children's Media Foundation has talked about this lost audience, that if people are not going to terrestrial and they are automatically going to streaming—the over-7s especially; they have aggregated all those as a category—they are being lost to things like the Andrew Tate and these influencers. Is that a worry for you? How do you get those people back?

Dr Mahon: We do not have a duty to children that young. That would be more the BBC or other broadcasters.

Dr Rupa Huq: They are counting everyone over seven as the same thing. It is a bit of a bizarre report, but yes, the 14s as well that you talked about.

Dr Mahon: The question is right: how does one make content that keeps them interested and ensures that they know you are a safe brand? For us, young people, under 34, would be about 28% of our streaming content. We make a lot of shows that have particular appeal to them. We are on the third series now of a documentaries piece called "UNTOLD", which we release on YouTube first because that is a platform of appeal to them. We have made lots of shows about things that would not appeal to us necessarily, about the rise of Shein, about street racing, about gang violence, about topics that are of real interest to that group. We make the shows quite differently. They are with younger presenters. They are often accessed. They are often filled with facts rather than giving people an opinion, which is how that generation like to view. We release them



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also on TikTok, Snap and other platforms where the younger generation are.

We have changed a lot what we make and where we put it first to attract them. It also means that things like our young share on news is up because the way we release news across those other platforms draws people back to the long-form news programme in the evening. We are working quite hard to make sure that we can continue to appeal to those audiences. I agree with you that that is more important now perhaps than it ever was.

Q84 Dr Rupa Huq: Is there a worry that this 7 to 14 then is falling through the cracks? If everything is “yoof”, that demographic, there was historically—I think there still is—Milkshake! and CBeebies and, okay, “Listen with Mother” is a long time ago, but “Newsround” and “Blue Peter”. Soft power is something this country has done very well. If we are going in a “yoof” direction, those kids at that age who maybe through Covid have all had mental health issues and stuff, British values, things like that, you could push through a terrestrial youth offer and it is missing.

Dr Mahon: That is a particularly young audience for us. We are a bit older. I would say the key thing there is for them to know the public service brands of relevance and be able to find them easily. The biggest win there is prominence in the Media Bill because the switch to a Media Bill, which the Government are now putting through, which is about how to easily find public service content on all streaming platforms, is the biggest change we can make to ensure that public service content is easily findable for young people. They are not going to switch back to watching on live television. That is not the way they have been trained.

Q85 Dr Rupa Huq: Do you agree with the Children’s Media Foundation, which says that this is a once in a generation rethink and it has been booped, it has lost, it has failed? It also says that targets—you talked about the difficulty of targets if it is a small target—should be for outputs, not inputs, so the amount of hours people watch rather than the amount you produce. You could make all this stuff and—

Dr Mahon: I haven’t read that report because we don’t focus on children, but if you look at the statistics, a young person in Britain is watching, I think, five hours and seven minutes of video content a day. For a young person in Britain about 45% of that would be short form. They are watching that on TikTok, YouTube, Netflix, BBC, Channel 4 and others. The key thing there is to make sure that the trustworthy public service content and brands are easily recognisable for them and easily findable. That means prominence but it also means we need to distribute content on those other platforms instead of only on our own. It also means, to be honest, that we need to work harder to make it interesting and appealing to them.

Q86 Dr Rupa Huq: This is the last one from me. On ideological diversity,



what do you make of the reputation Channel 4 has as a bit of a leftie broadcaster? For the Secretary of State—she was not even the last one, the last three ago, was she?—that was part of her beef. She did not like your ice sculpture and all those things about climate change. You did have for a while “The Andrew Neil Show”, which I thought was quite a good riposte. Has that gone forever? I quite liked that.

Dr Mahon: We did have “The Andrew Neil Show”. I am very proud of having brought together the special couple of Ed and George, who I think are now doing their own podcast. *[Interruption.]* Yes. We don’t get a piece of that. Andrew Neil is a phenomenal broadcaster. I hope to see him back on air with us next year. I think that he has been spectacular on that. Yes, I was very proud of that show and it was great on a Sunday night, wasn’t it, when you felt like more politics?

Dr Rupa Huq: Is it coming back?

Dr Mahon: I hope it will come back.

Sir Ian Cheshire: I hope so.

Dr Mahon: It is still under consideration. We have to work out what our election coverage is for next year and how that fits into the mix. As you know, none of us know when the election is.

We do survey the viewers every year. I think that is quite important. We have Reuters surveys and other surveys and we have our own survey. What I am proud of is that Channel 4 is among the most trusted in news: 54% or 55% of people have it as trusted. That is about the same as the BBC. But it is the least not trusted, so about 16% of people don’t trust. The same survey would give 26% for the BBC. It is seen by viewers as very trusted. We also do our own survey, ensuring that we survey a range of different political viewpoints and what they think of the news every year. The majority of Conservative viewers do not think that the news is particularly opinionated one way or another. It is important for us to continually survey that, to test ourselves on those questions, to test ourselves on whether we are being duly impartial on matters, always to question ourselves on how we could have done things differently, and to take on board what viewers think, what Ofcom thinks and what other complaints we get back in.

I am particularly proud of the news at the moment because they are doing such a good job in Israel/Gaza, at a very, very difficult time. As you will know, I think that over 57 journalists have been killed so far there. It is a very difficult and important conflict to report on.

Dr Rupa Huq: Yes, bring back “Unions Weekly” and POP. That is what I say.

Q87 **Chair:** Can I quickly take you back to the young audiences? Alex, in 2021 your viewing figures were 1.5 billion views. In 2022 that fell to 1.4 billion. You have stated that you want to hit 2 billion by 2025. To what extent



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does that depend upon capturing that younger market who are consuming almost entirely digitally? You talked about creating more interesting and appealing content to do that, but what does that look like? How does that work?

Dr Mahon: This year or year to date I am pleased to say that streaming is up 21%, so that is good. I think that we are on track for growth there. It is also true to say that is not just young people now, although our service is younger than others. About 28% of that for us is young viewing. Older people, too, are switching to streaming. We are all doing it, aren't we? The truth is that a hit is a hit on linear or on digital. The really big shows, "Gogglebox", "Bake Off", "The Piano", Russell Brand, are big on both. If something is big, it is big no matter where you put it out.

It is also true to say that there are different characteristics of something that might work well on streaming and that is what we are always experimenting with. It is not just about being young topics, it is also about how you title it, whether you have hooks episode to episode, how you command attention when there is such a volume of content available on streaming, and what the narrative arc is through episodes. There are lots of things that we would be experimenting with to ensure that we can fight for our share in the streaming market.

Q88 **Chair:** Do you find that there is something a little bit uncomfortable about a TV company that was instrumental in the building up of someone's career, like Russell Brand, for example, and then almost capitalising on negativity around his reputation?

Dr Mahon: I don't think there is anything comfortable about viewing that programme at all, to be honest. There are some quite serious and shocking allegations in it. I do think that regardless of whether your organisation has had a part in building up someone on air or not, you should be prepared to do the proper investigative journalism and look at yourself and your own company and not shy away from that.

Q89 **Chair:** You do not think there is anything slightly perverse? You have just mentioned the viewing figures and you have used the Russell Brand documentary as an example of some big-hitting series for getting those viewing figures over the line. You do not think there is anything slightly perverse about the fact that that is based upon a TV celebrity that you helped to create?

Dr Mahon: No. The reality is, as many of the Committee will know, that the thing about television is that you do not know what is going to work until you have put it out. I would not necessarily have expected "Banged Up" with Johnny Mercer and Neil Parish put in prison to have done as well as it has done, nor would I have expected Davina McCall talking about the menopause to be a smash hit. The best thing is when topics that make a difference to society and cause that discourse—like "The Piano" that we had earlier in the year, which has caused people to take up



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playing musical instruments again—make that impact on society. The truth is that you don't always know up front at the point of commissioning them.

Q90 Julie Elliott: Good morning. I want to comment on something you said a minute ago, Alex, on your news coverage of the Israel/Gaza situation. As someone who co-chairs the Britain-Palestine group here, I think that your coverage has been exceptional. The quality of your journalism historically of covering the Occupied Palestinian Territories really should be put on record and it shows in this current conflict the depth of knowledge that your journalists have.

Dr Mahon: Thank you.

Q91 Julie Elliott: I want to move on to something completely different from that—the performance of nations and regions, which is something I have asked about many times when you have been here. There has been a slight decline from 55% to 52% as the percentage of the commissioning budget spent outside of London. Can you let us know what has caused that?

Dr Mahon: In the same year that there was that slight decline in spend, there has been a rise in the number of hours. The number of hours commissioned from the nations and regions has gone up to 66%. We are now in a phase where there will be ups and downs in every year and the important thing for us is to focus on trying to hit that voluntary 50% in the nations and regions. There is a balance of shows in any one year. If you get a big scripted show that doesn't return the next year, that can really swing things. The switches for us now are to make sure there are sustainable businesses in multiple clusters across the UK. Obviously, that is not just to us; there are other broadcasters that need to commission across the UK for that to happen as well. But that is the phase we are now in. We are three or four years in. We have exceeded those targets and now we need to think about what a stable position to be in is to make sure that as the mix of shows changes each year we are not dipping below that 50%.

Q92 Julie Elliott: When you are looking at your commissioning budget for the year, do you take into consideration whether you are spending this much in this nation or this much in this region? Is that part of the mix in deciding what you are commissioning?

Dr Mahon: Yes, we do. That is a bit complicated because it is a really complicated matrix of this many of this genre, the mix of series and one-offs and then where, but it is quite critical that we continue to go through that complicated dance until production is more equitably spread across the UK.

Q93 Julie Elliott: Moving on to look at potential ways that you can support the UK film industry, what would make the biggest difference to Film4's capacity to fund British films?



Dr Mahon: As you will know as the film inquiry has been going on, the film sector is very large now in the UK: £380 million in GVA, £90 million in tax and over 7,000 jobs. Film4 is a huge part of that. We are the biggest British funder of indie film and we do a huge amount of work with new directors, writers and talent. This year we have “The Zone of Interest”, “Poor Things”, “The Kitchen” and “How To Have Sex”, so that is a very wide range of Channel 4 films. The big things that will make a difference are enhancing the 40% tax credit for films under £15 million because there is market failure there, and tax relief to include print and advertising expenditure on those indie films. Having a zero rate on exhibition for indie films would make a difference as well. Of course, I know you have discussed whether streamers could make more of a contribution to indie film. All those things that help keep the British indie film sector alive would be very helpful.

Q94 **Julie Elliott:** You have mentioned streaming. In your submission to the high-end TV inquiry, you talked about the impact of streamers. Do you see any particular obligations put on streamers or streaming platforms?

Dr Mahon: Obligations to help support UK indie film would be most welcome and they are great partners to us on some of the films.

Q95 **Julie Elliott:** If we look again to outside of London, what more could be done to help grow the UK’s film production outside of London?

Dr Mahon: One of the things that can always help is skills development in regions. One of the problems that you face if work is patchy and sporadic is there is not a base of crews in any particular location or there is not a base of editors or there is not a base of sound engineers. So then things end up coming back to London. Sustainable work in creative clusters is the thing that makes a difference. That is often caused by having studios in places. Tax credits in places also helps. We saw that with Ireland. We have, of course, seen it with Wales, the shift in drama there. It is those systemic or structural changes that make a difference over time.

Q96 **Julie Elliott:** If there were more skills training available, do you think some of that should be funded and directed by Government or do you think that should just be left to the market to provide?

Dr Mahon: I think that Government helping with that is always welcome. As you will know, we are doing our own 4Skills programme, which we have been spending £5 million a year on and plan to take up to £10 million. Last year that impacted 28,000 young people. That is a huge difference that it makes in young people’s lives by going into schools early, as well as the apprenticeship and production trainees and other schemes we have, going into schools for kids when they are 13 or 14 and talking to them about the range of jobs available in our industry, whether it be being a chippie or an engineer or an electrician or a make-up artist—all the things that aren’t being an actor, although that is important, too. That is what makes a difference to kids at that age, to



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think about, "Maybe I could go into that, maybe it is not just for a certain kind of person." Then you need the skills programmes to go alongside it.

Q97 Chair: Finally, Alex, on the issue of film creation, the UK film and high-end TV sector is talked about as a massive success story because we attract the big Hollywood blockbusters, the likes of "Barbie" and "Mission Impossible", which are all made here in the UK. At the same time, if you speak to cinema chains throughout the UK, they are really struggling. Only 50% of them are breaking even at the moment. They cite the lack of content. Audiences are coming out but there is not enough content coming through. To what extent, if at all, do you think that the presence of this big international investment is overshadowing any issues we have among home-grown talent and Government incentives to promote it?

Dr Mahon: It is great that we have all the studio facilities here, and that the tax break has meant that that work comes in, but we must not be mistaken in believing that that work creates IP that is owned by British companies. It is IP that is owned somewhere else by those really big producers and they come here to make it great. Then they often release it on other services. I think you are very right to flag that that does not necessarily assist the UK independent community on things that originated here. It also can make it tougher for them because crew rates have gone up. When a mega blockbuster can afford to pay for crew, rates go up because there is only a fixed amount of people, until we do the skills training to bring others into the industry.

Those things about ensuring that the tax credit might make a difference to print and advertising expenditure in indie films would help more get released and promoted. If we had a zero rate on exhibition for indie films that would help those exhibitors that you are talking about to promote UK indigenous film, and others making a contribution to it in terms of those streamers or big producers that are here helping put money into that sector, it would be very helpful. We need the new UK indie films to continue to exist to feed our pipeline of people becoming stronger and bigger and more commercial over their careers and feeding the UK film industry.

Q98 Chair: Thank you very much. Before we conclude, do either of our witnesses have anything they would like to add or to share with the Committee?

Sir Ian Cheshire: It was very thorough. Thank you.

Chair: In which case, I thank you both for appearing in front of us today.