House of Commons

Digital, Culture, Media and Sport Committee

Oral evidence: The work of Channel 4, HC 274

Tuesday 22 June 2021

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Watch the meeting

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

Questions 1 - 93

Witnesses

I: Alex Mahon, Chief Executive, Channel 4; and Charles Gurassa, Chair, Channel 4.

Examination of witnesses

Witnesses: Alex Mahon and Charles Gurassa.

Q1 **Chair:** This is the Digital, Culture, Media and Sport Select Committee and this is our hearing into the work of Channel 4, focusing on their annual report. We are joined today by Alex Mahon, the Chief Executive at Channel 4 and Charles Gurassa, Chair at Channel 4. Alex and Charles, good afternoon and thank you for joining us.

We are going to go through the elements of your annual report, which we have been poring over in the few hours we had between its publication and this session, but I think it would be remiss of me not to at least talk about some of the stories that have been circulating around privatisation first. I know that colleagues are going to raise this issue later in the hearing, but there are some questions I wanted to put to you, Alex, in the first instance. Would you feel comfortable as chief executive overseeing the privatisation of Channel 4?

Alex Mahon: Good afternoon. I think the questions are for me as chief executive: what am I expected to deliver? As the Committee knows well, my job is to deliver what is set down by order of Parliament, which is about delivering our remit in the current construct to the absolute best of my abilities. That remit is about building the UK creative economy, it is about ensuring that we stand up for the underrepresented, it is about focusing on young people, it is about impartial, accurate and independent news, and it is about creative innovation and speaking up for the whole of the UK. That is very much, as you will have seen from what we talked about in the annual report, and I am sure we will come on to talk about, what I am focused on and what we are focused on as an executive and as a board.

As you have mentioned, from the stories we may expect there to be a consultation about what might need to change in the future for Channel 4, and if things change in the future it will be my job to ensure that I deliver whatever we are mandated to deliver for the organisation, but right now that is very much about delivering to the public in an organisation that is owned by the public.

Q2 **Chair:** Does privatisation make it easier or more difficult for you to deliver on the goals that you have just set out?

Alex Mahon: The first thing to say is we have come through, frankly, the worst business situation that any of us are ever going to face in our lifetimes, I hope, in very robust health both financially and creatively in delivering our remit. I know that we will talk about it more, to have come through it in such sound financial health and to have so dramatically increased our appeal to young people, our appeal on digital and our appeal in terms of the linear or the traditional channels I think definitely shows us that we are doing something that the British public want and they appreciate and they need. I think that is the first important point to make—what role are we performing in UK society and is that something that viewers and members of the public want?

That contribution that we make is economic and cultural in terms of its contribution, and it is also social in terms of its contribution. If we were to look at any other structure, I think what we would need to think about is what would be gained or lost by the British public and, if there was a change in ownership, is that worsening the media landscape for them or is it making it better?

Q3 **Chair:** There have been many ideas over many years for Channel 4, have there not? This discussion over privatisation has raised its—

Alex Mahon: It is not the first time.

Q4 **Chair:** Not for the first time, yes. Some of these issues revolve around things, for example, like a merger with ITV or even the potential hiving off of BBC Worldwide and conglomerating it with Channel 4 to make it a pretty major player. Do you think that Channel 4 needs radical solutions in order to ensure that it survives in a non-linear broadcast world, and what are your thoughts in terms of preferable options for the future, if there was to be any form of merger, post-privatisation?

Alex Mahon: The first point that is important to say is Channel 4 is not just surviving, it is thriving. It has never been the biggest channel. When it was set up by the Thatcher Government in 1982 it was already the fourth one. It has never been about being the biggest or the largest, and it has never been about driving profit. It has been very much about driving benefits to the public and it has not been about a single bottom line. It has been about growth across the creative industries in multiple bottom lines in many small and medium businesses. It is really important that I state that we are surviving, and we are in fact thriving, and when we come on to the annual report we can talk more about that.

When you talk about different structures and what different things there could be I think we have to look at what we do that is distinctive and different to others. That is clear. We fuel the UK creative economy, and that is because of our publisher broadcaster status and the way we do that is by recycling advertising money into funding, building, supporting and growing digital and creative sectors across the UK. No one else is doing that, and that is because of the structure that Parliament has put upon us.

Secondly, with all of our strategy, which we have talked about in this Committee over the past three years, of moving the focus of the organisation out of London, we are about supporting businesses and growing skills and small and medium businesses across the UK. That is about being in the nations and regions and levelling up companies as much as it is individuals. No one else is doing that to the same degree.

We said we would hit 300 roles outside of London. This year we may hit 400. We said we would spend a voluntary quota of 50% of our money outside of London. This year we are going to hit that two years early. We said that we would do that by 2023. I think we will hit it by the end of this year. Those are two big things that are distinctive to Channel 4 that no one else does.

I think the next biggest thing is young people. Young people are very elusive for other broadcasters, but they are not for us. We have grown our impact with young people. Last year, as you will see from the report, 22 of the 25 biggest shows on television for young people were on Channel 4. We grew the news for young people in lockdown by 77% and we are finding them all over the place and bringing them to our programmes. In terms of trust between young people and us last year, we were the most trusted PSB. With young people, we grew our trust statistics by 35%. Just the impact of that young people role in a world of disinformation, misinformation and conspiracy theories—all of which are things I know this Committee has talked about—should not be underestimated and having a distinctive focus on it is a big deal as an organisation.

Then there are the things you know well, such as investigative news, current affairs, and holding power to account, and doing that in a duly impartial way and doing that in an accurate way, which is an important part of our role in the UK media landscape.

Q5 **Chair:** You mentioned right at the start that Channel 4 has never been about the bottom line. If it was privatised would it become about the bottom line?

Alex Mahon: I think if you privatise an organisation—I have worked for privatised organisations; I have worked and run commercial organisations for both private shareholders and listed organisations and for private equity, so I have decent experience in that, as does Charles—the key thing to understand about a commercial organisation, a purely commercial one, is the difference in your priorities. Our priority is the impact we make on the public and the impact we make on the UK creative economy. It is not about the bottom line. It means that we are always, in all the decisions we make, able to put public service before profit. When you run commercial businesses by necessity your priorities change; they have to, and therefore you have to make decisions differently and you have to think about shareholder returns. That is a necessity.

Charles, you probably have some thoughts about what you would add about how that is different in a commercial business.

Charles Gurassa: Yes, thanks, Alex. I have twice in my career worked for recently privatised businesses. In fact, I spent over 20 happy years working for businesses that did not belong in the public sector. One was a monopoly, British Airways, which benefited from privatisation, and the other was Thomas Cook, which had been accidentally privatised during the war because it was owned by a non-British occupied country and the Government took it under their wing. In both those cases it was very clear that our incentive structure as management was to find ways to make the company as financially and commercially successful as possible. That meant that we focused on those items in the organisation that were not profitable and sought ways to stop doing them—to close them down, to sell them off, to reduce them. There is nothing wrong with that, in that context. That was the incentive system in place, and Julian may remember that British Airways used to have a big operation at Birmingham, which no longer exists. That was exactly part of that shakedown that happened.

I think the difference we would see with ownership that was private capital is that private capital would rightly seek to maximise its returns. Therefore it would call into question any activity that we did that was not financially optimal. The way it would work, and Alex and I have been there and been through this, is there is stuff on day one you would stop doing, there is stuff that you would over time gradually chip away at and there is stuff that you would say was too sensitive to deal with now but once there are new people in situ in power and time has moved on you would change. It would change the dynamic about what the organisation considered a priority.

Q6 **Chair:** I take it from that that you think it would become about the bottom line if you were privatised. Charles, No. 10 has categorised Channel 4 in media briefings in recent times as, "Woke and struggling". Do you feel as if you are in the firing line of the culture wars right now?

Charles Gurassa: Regarding the two specific points, financially we are clearly not struggling, as I am sure you can see from today's results. In fact, we are in rude health. We have a very strong balance sheet, we have no debt, we have growing audiences and, most importantly, we are making that transition from linear to digital at a well-measured pace, as ever on these things riding the curve in a way that is not ahead of it, but also is not behind it. That is very important, particularly given our young audiences.

In terms of woke, we are there to be an independent voice. We are regulated by Ofcom, and we are required to be impartial. We as a board are absolutely committed to impartiality and to ensuring that all voices are heard from across the spectrum. I am confident and comfortable that we are fulfilling that role to the best of our abilities.

Q7 **Chair:** Do you not think that there may have been some sort of editorial missteps in recent times that perhaps have brought Channel 4 into the ire of Government? In particular we know that they were not appearing on *Channel 4 News* for a long time. That appears now to be reaping this particular harvest—the potential for privatisation.

Charles Gurassa: Our responsibility is to hold power to account independently. We are regulated by Ofcom. At no time during my tenure or Alex's have Ofcom at any point said that we weren't impartial. Sometimes it is uncomfortable for Governments when we ask difficult questions, but that is our job. I am pleased to say that Ministers are now back appearing on our shows on a regular basis, including not long ago the Prime Minister.

Q8 **Clive Efford:** In your new Future4 strategy you first set the target for digital advertising to reach at least 30% of your total revenue over the next five years. Are you on course to achieve that, and what is it dependent on, in order for you to be able to achieve that target?

Alex Mahon: Last year we were at about 17% digital advertising. It is probably worth flagging that we are looking at two things there, both what percentage of our money is from digital advertising and also what percentage of our viewing. When you look at last year's report, you can see that we are well ahead of the market and our competition. Last year about 12.5% of our viewing was on digital, whereas if you looked at ITV it is about 2.9%. The focus for us is always making sure that we are progressing our viewing to digital, because that is where viewers are, and that we are also ensuring that we are monetising that effectively. This year will be greater than that on both levels. We have already seen digital viewing grow at about 35% this year; it was 26% last year. We are well on track to achieve that.

It is all about that balance of growing the digital as fast as we possibly can, because that is where viewers are, while also ensuring that we keep the traditional linear business, because many people are still watching that.

The reason we set out that Future4 strategy with its four pillars and three goals was to make sure that we are carefully and explicitly managing over the next few years that transition to digital and doing it in an ordered and well-goaled manner, so that we are really clear how much we expect to achieve in each year so that we can change the patterns of how we broadcast, the patterns of how we sell, the kind of programmes we commission and how we market to ensure that transition is as smooth as can be.

It is not easy taking a traditional broadcaster and turning it into digital, but what I am proud of is we are doing it way faster than anyone else. To put it in perspective, when we talk about that 26% digital growth last year, some of our competition had shrinkage in their digital last year. Netflix in the UK had 14% subscriber growth in 2020, and we had 26% viewing growth. These are big numbers and they are up there with the biggest and the most well-funded of the global tech companies.

Q9 **Clive Efford:** Is your success in attracting a young audience part of that success?

Alex Mahon: It absolutely is. It is clearly about a young audience, but the truth is, as you will all know, once you switch to viewing anytime and on-demand programming and looking at viewing on different devices, you do not switch back. It is not about age; it is about a tipping point in behaviour. We have had particular success with young people, but we find that once people start using All 4, they tend to keep using it. I think we now have registered users of 80% of the young people in the UK, but I certainly find if someone is over 50 or 60 and they start using it they do not turn back.

Q10 **Clive Efford:** Ofcom said in its "Media Nations 2020" report that Channel 4 was likely to be the hardest hit PSB because of your reliance on ad revenue. Were they right?

Alex Mahon: No, because the truth is our revenues last year were down only 5%. With companies that were diversified into production, their revenues were worst hit, because the peculiarity of the pandemic was that production was worse hit than advertising. Although we had some tough quarters—quarter 2 was minus 40%, which is the worst that we have ever experienced in a quarter, quarter 3 was minus 10% and quarter 4 was up— in fact, although we planned for the market to be between 10% and 20% down, we ended up only 5% down. In the eye of the storm we had to plan for all of these dreadful scenarios, but we ended up in a much better position than we expected in the darkest days of the pandemic.

Q11 **Clive Efford:** Can I move on to the advertising initiatives that you set out in 2020? The Greenhouse Fund was to encourage businesses that would not normally advertise to assist them in doing so, and 4Sales was for brands that could not access their usual production means. How did Channel 4 benefit from those initiatives?

Alex Mahon: I think the benefits for us are about bringing new advertisers into the sector and working with them and establishing new relationships. One of the things that television has had to work a bit harder to do is to think about how we bring small and medium businesses into television, because it has been harder for them to access traditionally. Those efforts are about making outreach into other businesses. I am here in Leeds today, but in our Manchester office we do a huge amount of work with those businesses from the sales teams.

The other thing we did last year was expand our 4 Ventures portfolio to bring a lot more small, growing digital businesses on to television as well. They are the right kind of green shoots things for us to be doing as an organisation, which is working out how we work with small and medium businesses across the UK to give them the opportunity to be on television. The more we move into digital and into video-on-demand advertising the easier that is to do.

Q12 **Clive Efford:** Was there criteria for what businesses you worked with and gave assistance to under those two schemes?

Alex Mahon: I do not have the criteria here, but I am really happy to follow up with the Committee, if that would be useful.

Q13 **Clive Efford:** What were your priorities? What were you as Channel 4 looking for to justify giving the money to these companies?

Alex Mahon: I do not have the specific details of how we assessed any businesses for it but I am very happy to follow up, if that would be useful.

Q14 **Clive Efford:** Do you think you have learned anything about your market due to the changes you have had to make during Covid?

Alex Mahon: Sometimes Channel 4 is at its best when it is up against a wall or backed into a corner. Certainly what we have learned is there is a value to being a smaller business. There is an ability that gives you to be nimble and agile. There is an ability that gives you to respond more quickly. That was very useful. I am not sure if beforehand I would have predicted that we could respond as a team at the pace we did. I will leave aside all the boring working from home stuff because you have all learned that too.

There was a learning in terms of the flexibility that our very low fixed cost base gives us. As you will remember, at the start of this there were plenty of articles, as you have mentioned, saying, "Well, how will Channel 4 cope? They are advertising-funded" but the reality is that only about 30% of our costs are fixed and about 70% are variable so it turns out we can adjust very quickly and we can turn on a dime, so that was helpful. That is why we have come through it so financially strong.

Probably the most joyous learning was to realise that we could respond to the public so quickly. We came up with sets of programming—the things that we did that we called the Lockdown Academy, which were programmes that responded to where we found ourselves as British people in the. We had Jamie Oliver cooking at home, Grayson doing art at home and Kirstie Allsopp crafting at home. It was really popular with the public and we realised that we could respond so rapidly. We were the only broadcaster to do that; that was unique. Others were putting repeats on. To realise we could do that so rapidly and that it would be popular and resonate with the public was a positive benefit of learning what we can do on a fast timescale.

Q15 **Clive Efford:** Can I ask about your success in attracting a young audience? What do you do right?

Alex Mahon: I think the set of things that are about a distinctive brand and a brand they trust—that is about consistency in the brand and the editorial choices we make—are really important to young people particularly. They are digital natives. They do not find many brands they can trust, and it is important to them. The truth is that young people are often more digitally-savvy than those of us who are older, so they seek that out more because they are better-educated about misinformation and disinformation and so on. They are not the people who are necessarily caught by that.

The second thing is about thinking through what will appeal to them and how to address topics that are important to them in an accessible and non-condescending way. That is always complicated to do, but is part of our creative brilliance and editorial skills.

Then I would say there has been a massive shift in how we reach young people. We have started this business called 4 Studio, which is here, based out of the Leeds office where I am. It is already staffed by about 70 young people. Their average age is 25. They are all new jobs we have created here, and they focus on promoting our content and creating new digital content only on digital platforms. They have done deals with YouTube, Snapchat, TikTok and Instagram and so on, and they put out marketing for our content on those platforms. That attracts young people back in. One of the best stats of last year for me was we went up, particularly during lockdown, by 77% for young people watching the news, but of those people—they were watching the long-form news, what we would call the proper news—27% found the news because they saw the snippets and the pieces that our team did on social. That is really interesting to me, because young people are seeking out quality long-form journalism; they just need to know about it, know where to find it and know it comes from a brand they can trust.

Q16 **Clive Efford:** Are they looking particularly for reality-type TV, and that can be serious documentaries and other sorts of light entertainment programmes? Is that more of an attraction to young people than other age groups?

Alex Mahon: Of course there are lots of reality shows that would skew young, but I do not think it is correct to say that young people are only interested in lighter programming. The truth is that masses of young people watch "Bake Off" on our channel; that has become a younger show since it came to us. Lots of young people watch "Gogglebox". Lots of young people watched "It's a Sin", which was in some ways an incredibly serious piece of drama about the AIDS pandemic and what that meant and how dreadful it was to live through. You would not think that would be super-popular with young people nowadays, but it was. It is a whole range of things, including the news, but it has to come from brands that they trust.

Q17 **Clive Efford:** That was my point; it was not just that there was light-hearted stuff—there was more serious stuff, but was it reality that was the attraction for young people, rather than necessarily dramas or other things?

Alex Mahon: I think it is sometimes about subjects being accessible to them in ways that are not condescending. We made this show that won a BAFTA a couple of weeks ago, "The School That Tried to End Racism". That was a real experiment in a school with year 11s, or maybe year 7s, focused on what the choices were that they faced, what was the education that they had at home, what was it in school, and how could they find their way through such a difficult issue? That becomes really popular. We made "The Talk", which is about how young people are brought the topic of racism by their parents. That is popular with the set of young people. It is about finding the ways into topics that are interesting and not condescending.

Q18 **Steve Brine:** Briefly, Alex, and it is nice to see you again, I am going to ask as far as the news goes, and with Jon Snow departing, what does the future for "Channel 4 News" hold?

Alex Mahon: Nice to see you too. Jon has been incredible on the news and I should say here what a long and distinguished career he has had on our news and how incredible he has been and what a stalwart of the channel he has been. As you know, we have announced that he will be going at the end of the year, but I will thank him for everything he has done.

As we go through things we will of course work out what the next right line-up is. It is very important to us and very important to the brand of the channel that we provide our news, which is accurate, impartial and objective, and that we continue to do that. I think in this time of misinformation that is more important than it has ever been.

Q19 **Steve Brine:** Finally, in terms of the younger people and the audiences, does "Naked Attraction" hold the future of Channel 4?

Alex Mahon: "Naked Attraction", as you know, is a wonderful show, which has—

Steve Brine: I have heard that.

Alex Mahon: Well, it is on tonight, so you can watch it tonight if you have not had a chance this year. I know that you are joking about "Naked Attraction", but do you know what? "Naked Attraction" has been cited by a number of groups, including a parliamentary group, about being one of the only places on television or indeed in society where we see normal bodies and normal people, and there is not enough of that.

Steve Brine: True.

Alex Mahon: We have many shows where people are airbrushed to within an inch of their life and they all look perfect. That is not necessarily good for us in society.

Steve Brine: I think that is an excellent answer. Thank you, Chair.

Chair: Thank you, and if you want airbrushed please do not look at the DCMS Select Committee.

Q20 **Giles Watling:** Excepting me, of course. Thanks for coming along today, we really appreciate it. First, I want to thank you for the report that we received. It is great, 220 pages. Thank God there were a lot of photographs, but we received it rather late and I put in the request that as we were having this meeting today it would have been handy to have that somewhat earlier so that we could have had a weekend to look at it and take it in and inwardly digest. However, our staff did a great job and managed to put down a brief into two pages for us. It would be great to get that sort of thing earlier, given that we were having this meeting. I thank you for that, but also please give us a moment to read the damn thing.

Having said that, I would like to move very quickly on to Covid recovery. Your commissioning budget was cut by £150 million, and you said that you were going to ramp up again in 2021. How is that going?

Alex Mahon: Thank you, Giles, and I can only apologise that you did not receive the report in adequate time to digest. As the Committee knows, sometimes these things take a while to go through Government. Although it has been in the normal process it was only signed off for us too last night, so apologies for that. If I could have sent it to you earlier I would have done, but I am sure your two-page summary is very good.

Covid was very difficult and the reality of it was that it was not only the advertising revenues. We were in this extremely peculiar situation, which is that everyone was watching television; we did not have any money, and we could not make anything. There was demand from all of us because you will remember we were either on these screens or trapped at home watching the big screen. The demand was, "Let me have things to watch" but the reality was not only that we had to cut costs, but that some of those costs had to be cut because we simply could not make things. Over 800 hours of programming disappeared from our schedules overnight. Due to Covid restrictions many things could not be made, so we had to do things like in order to make "Bake Off" we had to sequester everyone in a hotel for six weeks, in a safe bubble where for anything to go in, including ingredients, it had to be sprayed and left somewhere for 48 hours and then taken in. There was a very special protocol, but we chose to do some things that others did not. On other channels you may have seen more repeats. We chose to keep making that programme. It was very expensive and complicated to do but we thought that was part of our duty and we chose to put money back into the sector, making all these stay-at-home shows and lockdown shows and other shows, including a crazy show where we saw through the keyhole with snooping dogs. We strapped a camera to the dogs to see round people's houses. We chose to make lots of things, partly because we wanted to keep the sector going, but mainly because we thought quite carefully about that being our duty to the British public, which was to entertain them.

The biggest duty of course was to keep people informed, so we made 23 extra coronavirus-related documentaries on how to keep your house clean, how to avoid getting coronavirus and so on. That was a really important role. What we found was that British audiences wanted that. They wanted programmes that reflected their lives and their experiences. There were things on Netflix like "Tiger King" but they were not about what it was like to be in Britain, being British, coping with the pandemic, as we were here.

Q21 **Giles Watling:** Thank you. I wanted to ask you something, because you did mention earlier on in 2020 in a very prescient way that you would be running a lot of repeats. First, did you run the percentage of repeats that you were expecting to have to run, and were they well-received? How did the audiences receive the repeats that you were running?

Alex Mahon: I can definitely follow up with the precise statistics. We ran slightly more than we would normally do, and we ran some sort of reversioned and updated things. What we saw was the audience wanted much-loved brands, so sometimes we ran a "Bake Off" repeat. They wanted that familiarity. Sometimes we ran "Devon and Cornwall", which was a show that worked and worked in lockdown because we were desperate to go to Devon and Cornwall. We were desperate to go anywhere, so anything that was about the highlands of Scotland or the wilds of Wales, people were desperate to watch.

We had lots of those kinds of shows and there was a balance in the schedule of how we do some repeats, which are about familiarity and what people want, but how do we put the fresh and new in. We worked really hard to do that.

To your earlier question about the programming budget, we have announced today that we are putting another £40 million back in between this year and next year. Next year we will be back up at 2019 levels. If things continue to go this well this year, which they are looking very good in terms of advertising and we are seeing a significant bounce back, then I would hope we are able to put more money back into programming next year. That is our complete focus.

Q22 **Giles Watling:** I think you have partially answered my next question, but your Future4 strategy aims to double viewing on All 4 over the next five years. How do you intend to do that?

Alex Mahon: Doubling the viewing on All 4 is a number of things. There is a multiplicity of different initiatives to do that. Partly it is simply about how we window content, what we would call the release patterns—where we put it, when we put it out and how we prioritise digital over traditional channels. You will see with something like "It's a Sin" we released all of that as what is called a box set on digital immediately. Partly it is about what kind of shows we commission, because there are certain kinds of shows that work much better on a digital platform than they do on a linear. Let me give you an example of that. The news is always going to be more focused on linear, live broadcasting than it will be on digital, because of course you do not watch it the next day. We are not getting rid of the news, but what is that balance in how you do things and what longevity they have. Partly it is about how we market things and how we promote them.

You will have seen perhaps on air we focus a lot of the promotional time now on what you can see on All 4. Of course All 4 is the UK's biggest free streaming service. It does have 13,000 or 14,000 hours of content. It is bigger than anywhere else and we have a huge number of registered users. That promotion helps people come to it. There are lots of things you do in the business to make it work.

Q23 **Giles Watling:** Sorry to interrupt, Alex. How is the graph going? Is it going according to plan?

Alex Mahon: Yes, it is going ahead of plan. This year so far is 35%. Last year, it was 26%, which was ahead of plan. That creates a problem; can we keep growing? But so far we are on plan, very much so.

Q24 **Giles Watling:** Good to hear. You ring-fenced some of your commissioning budget, which you were talking about earlier, for small, regional and BAME-led production companies. How many companies benefited from that and which programmes were produced as a result?

Alex Mahon: We very much focused on putting £10 million I think it was last year to be ring-fenced into going into those companies, partly because we were worried that one could end up in a position where you cut money and you disproportionately disbenefit the smaller companies. At the same time, we also made the decision that we would keep going full steam with our Nations and Regions strategy and plan, because again you can imagine in a time of crisis you row back on those more new initiatives.

There were lots of companies that benefited. For example we started "The Steph Show" in that time, and in fact we started it early. We started it here out of Leeds and that is with a local company. We did programmes with companies like Proper Content, which we did one of the racism shows with, so there were lots of little companies around the UK that benefited from that. We also launched last year an emerging indie fund that is specifically focused on very small fledgling indies, if you like, where we work hand-in-hand with them to help grow their businesses.

Q25 **Giles Watling:** It would be good to see the figures and how many companies you have helped on that, because it would be a good statistic to have.

Alex Mahon: We can send you a follow-up list, if that would be useful.

Q26 **Giles Watling:** Thank you. Finally, just because you touched on it just now, the move out of London. You are in Leeds right now, and you have about 120 people working up there. How is it going and is it confined to the Leeds-Yorkshire area, or what are you doing?

Alex Mahon: I am in Leeds. We are in a soft opening of our office, and I do hope that with coronavirus restrictions permitting we will be officially opening on 6 September. I will be inviting you all for drinks in real life, should any of you be available. That would be a great thing, to open the big proper office up here. It is not 130 or so. We have 265 roles as of today outside of London, so we are ahead of plan. We set out a plan to get to 300 roles. I think we will be well ahead of that. We may get even towards the 400, so it is going very well. It is not just here, as you say. Our roles are Leeds, Manchester, Bristol and Glasgow, but there are obviously companies that we are supporting everywhere across the UK and that has been the major focus.

Q27 **Giles Watling:** Apart from yourself, who is sitting in Leeds right now, are you intending to keep the top management in London, or are they moving up too?

Alex Mahon: There is a wide range. The focus of spend is the second piece, so remember we have a quota of 35% of spend outside of London. Last year, despite the pandemic we continued to grow. We reached 47% and we could have rowed back on that, but we did not. We said we would get to 50% by 2023 and I think we will hit 50% this year, two years early.

To answer your other question, there is a range of senior management. Our new head of marketing is here in Leeds. The biggest commissioning department, Daytime and Features, is run out of Glasgow. It is a source of great joy to me that the biggest spending department is in Glasgow, two and a half years after we picked Glasgow. We are moving at an incredible pace to make this work.

Every time we recruit roles we are looking at where they can be based and it has worked so well, and I think the pandemic has changed things. The pandemic has changed the ability of people to believe they can build careers across the UK, and although video-conferencing has become rather hideous for all of us, it has made us realise that we can do our jobs from anywhere. We are also saying to staff, "Does anyone want to move?" and we are seeing that there are staff who would not have considered it before who say, "Yes, now is the time. I would be delighted to leave London." We are seeing that change organisationally, and the pandemic has helped accelerate it.

Q28 **Chair:** Alex, your 16 to 34 year-old reach for "Channel 4 News" during lockdown one increased by 77% according to your report. How much of that increase has been retained post-lockdown?

Alex Mahon: I am sorry to say I do not have the exact reach that has been retained post-lockdown off the top of my head, but it is an increase from before. I can definitely follow up with that precise figure, if it would be useful.

Q29 **Chair:** Yes, it would be, just to know whether it was a result of lockdown or something was moving in a more cultural way.

Alex Mahon: I think we found that we have attracted those young people and retained them over a wider range as well. I know that last year if you take the top 250 shows for young people across all channels, 55% of them were on Channel 4. We have seen that wave of young people across the board.

Q30 **Chair:** That has applied to news as well?

Alex Mahon: Yes, but I can get you the exact figure on what has been retained on news.

Chair: Thank you. Damian Green?

Q31 **Damian Green:** Thanks, Chair, and good afternoon, both. It is great to hear, Alex, that you are very proud both of "Channel 4 News" and of "Naked Attraction". That is the solution to the post-Jon Snow era, a naked Channel 4. That will help the ratings problem I am sure for at least a couple of weeks. Speaking as somebody who is frankly pretty sceptical about whether a trade sale in particular to a large American company would mean that all the things that we value about Channel 4 would be preserved, I observe a paradox. Your annual report is tremendously upbeat and says that you are hitting all your targets for growth and that despite the pandemic revenues are down less than you thought. It slightly feels to me that if I was sitting in the Treasury I would think this is exactly the right time to be putting you on the market. How do you address that paradox?

Alex Mahon: If a consultation is launched by the Government—I think that the Government are perfectly within their rights to do that; it has been four and a half years since it was last looked at and this will be I guess the fifth or sixth time—the questions are about what do we need Channel 4 for in society. What we would need from a consultation is certainty that the right questions are being asked about that. The Secretary of State himself said to this Committee that anything that would be done would be about making Channel 4 stronger.

I have been clear about the things that I think we contribute economically, socially and culturally, and I think what we need from this consultation, should it occur, is certainty that the right questions are being asked about the future of public service broadcasting in Britain. We would need to be questioning whether what the British people get from giving up their ownership of Channel 4 is more compared to what they plan to lose. Those are the questions. We have to focus on the data for that and focus on the logic for it, and ask questions in that way.

Is what we contribute to the creative economy, which so far in our history is over £12 billion, greater than something that might be gained from a one-time disposal? Is the remit in what we deliver in terms of both the creative economy but particularly speaking up for the unheard, particularly appealing to diverse audiences and particularly young people and doing that across the UK an important benefit to UK society? It is those questions—what do you want to change? What do we do that is no longer needed? How we are ensuring that the landscape is being made better and not worsening?—that we would all want to ask during any consultation.

Q32 **Damian Green:** I know others want to ask about prioritisation so I do not want to tread on anyone's toes on that. Let us move on to prominence, which you have talked about for some time as indeed has the Committee. We have been badgering the Government frankly to get on with it. Do you think, as the broadcasting landscape evolves, it is more urgent than ever that we address the prominence issue for public service broadcasters?

Alex Mahon: Yes, I do. I thought it was urgent three years ago. Ofcom thought it was urgent about two years ago. The Committee said it was very urgent in the past year. I do not think it has become any less urgent. I also think that during the pandemic what we have seen, not just for Channel 4 but across society, is the importance to the British public of programmes that reflect their lives and experiences and the importance of news and accurate information. Therefore I think prominence is more important because we have all seen the dangers of sources that cannot be trusted. We have seen that through the pandemic. We have seen it in a life-threatening way. Yes, I think that prominence is urgent, and if I thought it was urgent last year I guess now I think it is more urgent. I hope that legislation will follow soon.

Q33 **Damian Green:** Are there any metrics that back that up? Can you in any way say fewer people of a certain type are now watching Channel 4 or public service broadcasters more widely? You have asserted it; we have asserted it as a Committee, but I am genuinely not conscious of any hard evidence behind that.

Alex Mahon: There will definitely be hard evidence about how crowded the landscape is and there is definitely hard evidence about how difficult things can be to find, particularly for the older person. There is definitely evidence about how trust in public service broadcasters has gone up during this period. I guess that the answer to that would be a combination of those sets of evidence.

Charles Gurassa: I think, Alex, to add we can also provide evidence where we have seen our channels move from one slot on the EPG to another and what a significant percentage change that makes in viewing. You might initially think that is quite counterintuitive, but if you go from 50th on an EPG to 30th on an EPG the difference is very significant, and we can share that data.

Q34 **Damian Green:** That would be very interesting. As you say, that is the nearest we can get, because the problem will be the new types of smart TVs where there is not an EPG, there is just a front page, and if you are not on it presumably what we all believe intuitively is that that stuffs your viewing figures.

Given all of this, and given its potential existential threat to public service broadcasting, do you get any positive noises from the Government about the fact that they are determined to grip this when they eventually get round to producing some legislation?

Alex Mahon: I think that would be a matter for the DCMS, not us, but we have definitely seen that they believe that prominence is an important issue. I have not had sight of at what point they are ready to legislate, but they have had a very clear recommendation from yourselves and Ofcom.

Q35 **Damian Green:** Is there genuine positive body language about the fact that they are going to act on this or not?

Alex Mahon: I do talk to them all the time about it and they know what an important issue it is. I am just unaware of when it might fit at this stage in the legislative timetable.

Q36 **Damian Hinds:** Following on from Damian's questions, it is hard for all public service broadcasters to compete effectively with global media giants. It is also hard for all public service broadcasters to get prominence, particularly in a world where, as Damian said, you have people moving away from electronic programme guides. It may even be impossible to codify legislation, and perhaps that is part of the issue. In our PSB report we recommended that PSBs should collaborate on a shared video platform going far beyond BritBox and into current content. Charles, what is your take on that recommendation?

Charles Gurassa: I think we are always open to looking at ways to co-operate with other PSBs and with other commercial broadcasters. If we concluded alongside in this case BBC and ITV that a single window is the most effective way to secure prominence we would look at it very actively and very constructively.

Q37 **Damian Hinds:** That was a conditional answer, "We would look at it." Surely you are looking at it?

Charles Gurassa: Alex, do you want to talk about the detail?

Alex Mahon: Yes. I don't think it is impossible to legislate for it. I am not even sure it is that difficult. It might be a bit complicated, but there are very clever people in the DCMS, in Ofcom and on this Committee. It is merely updating the old PSB compact that was in the Communications Act 2003.

Q38 **Damian Hinds:** How do you legislate for buttons on a remote control or for voice control?

Alex Mahon: You can legislate to be on the first page. You can legislate for prominence. It is perfectly possible algorithmically because all of these companies also put their own products up there in the algorithm. There are operating systems.

Q39 **Damian Hinds:** Yes, but above the fold, below the fold, there will be cases where there is no page and there will be all kinds of technologies that we cannot even imagine right now that some clever person in a garage somewhere is coming up with.

Alex Mahon: If I were recommending legislation, which fortunately is not my job to do, I would say you can do it on devices that have a certain market penetration. That allows for quite a lot of that, so you only have to do it at a certain stage and you can do it on the front page, where long-form content is found. Remember that on these devices that we are talking about that system already exists, because we are already asked for money for that system. We are not on the LG 2020 sets. We are barely on the front page of Samsung sets and on Amazon Fire sticks the top slots are all sold off for Amazon's own content. There is already a system of how you put things in the top slots. It is just that system is determined by money, and that is not our system in the UK where we give prominence traditionally in return for doing public service. That is the PSB compact and that is what we need to update, otherwise the problem is not really what happens to Channel 4; the problem is what happens to public service content for our society. That is why I am so evangelical about it.

Q40 **Damian Hinds:** Sorry, Alex, that still presupposes there is a home page. A home page is not the same as an EPG because it is not governed by time, but it is closer to that than to other technologies that could come along in three or five years' time, or one year's time. To come back to the question about equipping PSBs to be able to compete on whatever the terms of competition are, are you actively looking at collaborating with other PSBs on a shared platform, and if not what is stopping that happening?

Alex Mahon: To finish answering your first question, Damian, we cannot be ourselves in a position where Ofcom and yourselves recommend that we look at prominence and then we do not do it in case other devices or other operating systems arrive in the future that we have not yet thought of that we cannot yet legislate for. We can legislate for what we know right now and then we can update again. We have not updated for 19 years.

Q41 **Damian Hinds:** We are all in favour of, and our report recommends updating—

Alex Mahon: We can do it.

Q42 **Damian Hinds:** My point to you and to Charles is that is not going to solve all your problems. That is not going to compete with global multi-format online players.

Charles Gurassa: Damian, the danger here is that the perfect is the enemy of the good. With what exists, with the way people consume today, if we updated prominence to deliver against that we would achieve prominence in 80% to 90% of all platforms. The world will evolve, as Alex says, and we will need to evolve with that. That evolution may well be, as you say, co-operatively with other PSBs. Channel 4 has always co-operated. If you look at Freesat, if you look at Freeserve or if you look at BritBox, there are a whole range of areas where we are continually open to looking at different ways where it is in our mutual interest. The priority today is to deal with today's problem. Our conversation with the PSBs about tomorrow will continue to be, as I said, very constructive, very open and very willing to explore co-operation where it makes sense.

Alex Mahon: Damian, your point is right. We have to act for ourselves by working together, which we did on BritBox and we will do on other things, and we are in constant dialogue about that, and at the same time we need flexible, future-facing legislation that is updated and takes account of the systems that are in place now, but has enough consideration into the systems that might come in place into the future, so that one is not constantly updating every 10 minutes. You are also right to say that we need to be doing things together, which we are in active dialogue about.

Q43 **Damian Hinds:** We are talking about today's problems and tomorrow's problems. Is this really today's problem? You quoted figures earlier for your extended reach with young people, which are very impressive. I was not clear whether those included only on wholly owned channels or if it also included distribution through third parties. Whichever it is, certainly you and other public service broadcasters and other parts of the media not in the PSB or even in the broadcast sphere are all struggling with this notion of who owns the viewer. You can decide to have brilliant content and not care how it is consumed, or you can say there is something important about viewers—consumers—coming directly to your outlet. That is a battle that is happening right now. You are trying to get people to come to your video on demand player versus just going to YouTube or to Netflix, which over time erodes your brand and erodes the BBC's brand. What would stop you having those conversations and seeking to create something with PSBs that have a shared interest?

Alex Mahon: I think the figures I have put to answer that question were from our platforms. We have already moved to a position where we distribute our content across multiple platforms, whether it be Freeview or with our partnership with Sky or the things I talked about earlier with TikTok and Snapchat and so on. We are smaller, so we have always been much more of a partnership organisation. I like to say we are very partnership-friendly, but sometimes that is by necessity. We have always been smaller so we have always been about partnerships and it is easy for us to partner.

Our focus there, to your point, has been about brand attribution. Our job is to make the brand as it appears stronger and stronger so that people know where that content is coming from. Now for example even when our content appears on Netflix we are much clearer about the 4 being on the thumbnail, the opening credit of the show being the 4 logo, not the closing credit because no one watches them on Netflix, so continuing to make that brand attribution really clear with audiences.

Some of the stuff I talked about with the 4 Studio team here is about doing what we call branded content, which is Channel 4 branded content across social. Last year we reached 11 billion views of that. I know it is hard to tell whether 11 billion is a good or a bad thing nowadays, but to give you an idea that meant that last month we were the biggest branded content brand in the UK—bigger than all the football clubs or those more digital companies like LADbible.

That is about us getting the brand out to young people, which is a real focus for us, but it does require us to be pretty agile and nimble in how we do things. We will keep working on what the right things are to partner on with the other PSBs because we are all interested in how we do that together.

Q44 **Damian Hinds:** I think 11 billion sounds good, by the way. I hate to push you, but if it was the other way around, if one of us was on Channel 4, or "Channel 4 News", I do not think we would be let off without answering the question. To either you or Charles, would you welcome that collaboration, that shared platform with BBC and ITV to bring up-to-date content to the viewer in one place in a way that can compete directly with Netflix and with Amazon?

Alex Mahon: We would very much welcome partnering with the other PSBs. We are always in favour of that and I talked to my colleagues there about what more we can do together. I think you are right to bring up how we can make the UK stronger in that.

Q45 **Damian Hinds:** Thank you. Alex, you mentioned earlier that on digital advertising I think your words were, "We are ahead of our competition." I suppose that depends on how you define your competition. In questions from Clive he was asking about the 30% target for digital advertising. I am curious to know from that strategy when we talk about digital advertising do you mean ads attached to digital content or normal, traditional TV ads attached to digital content on demand and so on, but where the ad follows the content, or do you mean ads that are targeted to individuals—so-called programmatic advertising, which is so prevalent across the internet?

Alex Mahon: I mean advertising that is embedded in the stream when you stream programmes on All 4 or across those platforms.

Q46 **Damian Hinds:** So not targeted to different audiences, so whoever—

Alex Mahon: The All 4 advertisements, and of course it depends slightly on whether you are watching on All 4, on Sky or elsewhere, but in general the audience there will be segmented into different groups like male, 16 to 25 or whatever, and the advertising that that viewer receives would be more skewed towards their expected tastes. They will be bundled into about 16 groups, so the advertising will be more specific.

Q47 **Damian Hinds:** Okay, bundled by segment but not by individual behaviour tracking data whether your own or brought in from anybody else?

Alex Mahon: No.

Q48 **Damian Hinds:** Do you expect that sort of advertising—programmatic advertising, to grow—not necessarily saying through Channel 4 but in television in general?

Alex Mahon: I expect that the television advertising product delivered digitally will continue to evolve to be more in line with what advertisers want. What we have seen is that the ability of television advertising, so on linear to be a mass reach simultaneous advertising product, has only gone up. In television it survived very well last year compared to other forms like out of home, cinema and elsewhere, and television is doing incredibly well this year. It is looking like it will be up double digits this year because brands are kind of back in business and they are coming back to television to spend because it is a way they can attract a mass audience to their brand, and they have a lot of money stored up to do so.

Television is proving remarkably resilient and very attractive to advertisers and, certainly, what we are seeing is some backlash in brands and advertisers against that very, very specific targeted Facebook or YouTube advertising, some of which you may be talking about there, where some of the attribution methodology is starting to be questioned.

Q49 **Damian Hinds:** Thank you. Just a follow up, Alex, if you would not mind dropping us a short note just talking about your segmentation methodology for advertising, that would be extremely helpful.

Alex Mahon: Yes, absolutely.

Q50 **Julie Elliott:** Good afternoon, Alex, and Charles. I want to go back to some of the things around the potential privatisation. I am interested to know what conversations, if any, you have had with the Department of DCMS about the future of Channel 4. Alex.

Alex Mahon: Thanks, Julie, nice to see you. We have obviously noted with interest the Secretary of State's comments a few weeks ago to this Committee, which was all about strengthening Channel 4. We have had conversations with DCMS. As you would expect, we have a very good working relationship and we are in close contact all the time. I do expect that at some point it will be announced that DCMS is going to have a look at and consider a consultation about the future of Channel 4. At this stage that is very much up to Government to announce and not within our remit to do.

Q51 **Julie Elliott:** You mentioned what the Secretary of State said to our Committee. He has asked the Government's Public Service Broadcasting Advisory Panel to look at Channel 4's model. Have the Government asked you to contribute to that review in any way at this point?

Alex Mahon: I am sure when there is a review, they will absolutely ask us to contribute. Why wouldn't they?

Q52 **Julie Elliott:** Up until now they have not asked for your input into it?

Alex Mahon: There isn't a review yet, but I would expect when there is one that they would, yes. I think they will ask a whole range of experts across the industry; I would have thought so. They will ask analysts and they will ask for people across the industry to give their input. That is the normal process of these things. Then what I would hope is they will look at those viewpoints and they will look at the data and they will approach it in a logical and hard-headed fashion to think about what our impact to society is and what the industrial logic is.

Q53 **Julie Elliott:** I hope you are right. If the Government do decide to privatise Channel 4—none of us know whether they will or they won't—is there a particular method or model of privatisation that would be preferable to you? I would like you to answer, Alex, and then Charles as well, please.

Alex Mahon: I just don't think we are at that stage. We are at the stage where we have to focus on delivery of the remit, so our questions would be about: what is the requirement for a delivery of that remit in the UK today? What do we or others want to change about that remit? Do we believe that there are things that are no longer needed about that remit? Do we believe that if elements of that remit were lost there would be possibly irreversible damage to the UK broadcasting landscape and the UK creative sector, or indeed the multiplicity of views and content that is available to UK audiences? Once one is through that phase, ensuring that we are strengthening what Channel 4 does and strengthening the media landscape, then you can ask perfectly sensible questions about what the right structure is.

Charles talked earlier about the priorities, but I would say it is not as simple as regulating the Royal Mail to deliver the first-class post in a certain time. The complexity of creative output, help for unheard voices, appealing to a diverse society and offering sometimes, I accept, challenging and uncomfortable opinions—that is quite hard to tick-box remit for.

Q54 **Julie Elliott:** Charles, do you have any comments on this area?

Charles Gurassa: Thanks, Julie. I am very much in line with Alex. Ultimately, this is a decision for Parliament. What we can point out to you is what we do, what we deliver and what the potential consequences would be if changes were proposed. As Alex said, this model is quite interconnected. There are not sort of discrete bits that you can just pull out and dump.

Our support for the independent creative sector, in my judgment, has been a very important factor in the success of the creative industries in the UK over the last 30 years, and this publisher broadcaster model is essential to that. We are a distinctive voice in the UK media ecosystem. How much does it matter to the British people today that there is a different, authentic, diverse British voice in that mix? How important is it that we continue to support new creative talent? How important is it that we continue to support film, for example, which Channel 4 and Film4 have a remarkable record in over the past 30 years, with two more Oscars this year with "The Father", or that we have great British films bringing new directors and new talent to our screen?

It seems to me that the judgment for you and for Parliament is: does that matter? Is it valuable? Is all of that still worth protecting and supporting and, if so, what is the best way to do it? What we can do is explain what we do, why it makes a difference and what the potential impacts of changes will be.

Julie Elliott: It matters to me, for the record, but I am only one person. Thank you very much. Chair.

Q55 **Chair:** Thank you, Julie. Just following up on that, are you going to lobby in Parliament then to try to prevent privatisation, Charles?

Charles Gurassa: No, it is not our job to lobby. Our job is to provide answers to questions that are asked. Our job is to deliver the remit that you asked of us, to do it sustainably and to ensure that you have the evidence and the analysis to support whatever conclusions you come to.

Q56 **Chair:** The final point sounds quite like lobbying. Are you going to lobby? Are you going to be making appointments with Members of Parliament prior to a vote or are you just going to leave it in a sort of vacuum?

Charles Gurassa: We will answer questions and provide evidence and analysis as requested by any process or by any individual.

Q57 **Chair:** So, in effect, it will be Members of Parliament who will be coming to you in order to ask for information. You will not be volunteering your information in terms of being able to say why it is that you should not be privatised. I think lukewarm is probably an overestimate of how you both probably feel about privatisation. I am keen to understand exactly what you will do within Parliament in order to try to ensure that it does not happen.

Alex Mahon: It is our job to ensure that the right questions are being asked. That is our job. You want a consultation to have certainty that the right questions are being asked about the future of the UK public broadcasting landscape. It is our job to tell you, and anyone who asks, what we excel at doing and that we are focused on what the remit says that we are meant to do. We think that contribution is very significant. We think it is an economic and social and cultural contribution. Anyone can ask questions about what needs to change and anyone can ask questions about what is no longer needed, and those are good questions to ask from time to time, but it is our job to also go, "What is the logic of that?"

I would caution that one ought not to believe that consolidation is the only answer for companies. Consolidation is normally sought when you want to make something bigger and bigger and bigger and drive a greater shareholder return. That is not really what we are here for. We have seen Amazon buy MGM recently and buy James Bond. What is the purpose of that consolidation? The purpose of that consolidation is to sell us all more toilet roll—to use James Bond to do that so that we get cross-sold more of that guff that we buy from Amazon every day and have delivered to our homes. That is a different purpose. It is our job to just question: what does Parliament want? What do we want for the British public? They own us. What do British audiences want in terms of programmes that reflect on their lives and their experiences? Is the environment going to be weaker or stronger if we are under a different structure? Those are reasonable questions to ask.

Q58 **Chair:** I completely agree with that. I cannot see why you are reluctant to say that you would be lobbying within Parliament, because it is blatantly obvious that you will be.

Alex Mahon: It is plainly obvious that my diary is constantly filled with appointments with politicians and that is one of the great joys of my job.

Chair: I know you will wait there to be asked these questions rather than tell them the points you have to make. Thank you very much. Kevin Brennan.

Q59 **Kevin Brennan:** Well, I think you should be lobbying MPs and telling them what a terrible idea it would be to privatise Channel 4. We went through this back in 2016, the last time John Whittingdale raised this. We went through it back in 2006, as I recall, I think the previous time when he wanted to privatise Channel 4. It is a terrible idea and I think you should point out what a terrible idea it is.

I suppose my question to you, Alex, is: do we really need another Channel 5?

Alex Mahon: Channel 5 definitely does different things. The sense of us reflecting and speaking up for the whole of the UK, and now particularly doing that across the nations and regions, but also doing that with diverse audiences, is especially important, I think, as is the sense of us doing things that sometimes include uncomfortable opinions and challenging opinions, whether that is making a helpful documentary for the BBC about what happened with Bashir, which I know the BBC is delighted to have exposed, or whether that is us putting Jordan Peterson on television. We have a wide range of that. We have—

Q60 **Kevin Brennan:** This is not disparaging to Channel 5. It has its role and its place within the public service broadcasting galaxy. It has a particular role, but it is a foreign-owned public service broadcast company with a different set of priorities and a different mandate to Channel 4. Would it not be inevitable that, were Channel 4 to be privatised, as one of your predecessors said, instead of putting £60 million aside for programme making, that would effectively be reduced by 25%, because that is the kind of return you would have to generate for shareholders?

Alex Mahon: I cannot speak for all my predecessors, although I sometimes spend time arguing with them, but what I can say is that point I made about the Royal Mail and first-class deliveries—I think it is hard to legislate for the kind of things that we do. If I think about shows we have had in the last year, we had this show with Sandi Toksvig called "The Write Offs" about adult illiteracy.

Of course, as I have mentioned, we have the Paralympics coming back this year. We have a day this year called Black to Front, which will be about all black shows fronted by black crews. We had "The School That Tried to End Racism". Every day we have "Hollyoaks", which I know this Committee probably does not watch but I watch every day. It is squarely targeted at 16 to 34s and it is dealing with topics like county lines, drug gangs, male depression and suicide. It is dealing with topics that are affecting people in the UK every day in a really accessible way.

You would be making a different set of shows with a different set of priorities if you were run commercially, and I think those are the questions we have to ask.

Q61 **Kevin Brennan:** Alex, you are a very experienced businesswoman—a very successful businesswoman. What do you think Channel 4 would be worth if the Government sold it off to the private sector?

Alex Mahon: It is not really for me to speculate on that, but I think the question is really about what do we want the remit to be? Because the remit is inherently tied.

Kevin Brennan: Would that affect the price?

Alex Mahon: Correct, yes. The remit, as you will have seen in articles that have already been written even though we have no announcement or consultation at this date, is that the remit is fundamentally about delivering profits elsewhere, not in this company. The publisher broadcaster status—

Q62 **Kevin Brennan:** The only way the Government could raise the sort of money they were talking about in 2016—I think it was £1 billion that was talked about at that time—is selling Channel 4.

Alex Mahon: That is not for me to say. What I would say is that you first have to decide what you want the remit to be and what the benefit to society is.

Q63 **Kevin Brennan:** Just to finish the point, Alex, the point I am making is that the amount of money that could be raised would be greater if the remit were significantly loosened—

Alex Mahon: Or weakened.

Kevin Brennan: —am I correct in saying that commercially?

Alex Mahon: Weakening the remit would make the commercial value of the organisation go up. That is correct.

Q64 **Kevin Brennan:** Right. Okay. Do you think that it would be likely also—again as a person with a great deal of experience and Charles as well perhaps can answer this—that Channel 4 would end up actually being owned by foreign investors if it were put out into the market to be privatised?

Alex Mahon: Charles, do you want to take that?

Charles Gurassa: Yes.

Q65 **Kevin Brennan:** Who are the likely players who would buy it?

Charles Gurassa: You would have to say that potential investors would include big global American players who would look at it as a way of pushing their content through more channels more securely. If an investment banker was drawing up a list of potential investors, you would find all the big American conglomerates, I am sure, on there.

Alex Mahon: I think the point to add to that, Charles, is the points that we are quite focused on, which one might argue are closer than ever to the Government's priorities, are about levelling up poor neglected communities, amplifying unheard voices, building the British economy, especially building it back after this pandemic, and ensuring that money is going into small and medium enterprises and growing them. Those are policies that are peculiarly British and that we are very focused on. I think one should be cautious of believing that they would be pursued by new owners.

Q66 **Kevin Brennan:** The argument that John Whittingdale has made, to be fair to him, is that he is claiming that he is not trying to maximise value or pay back any debt from Government debt, but that you are starved of capital. You do not have enough money to do what you need to do in the future. That is what his argument is, and you would be awash with money to make programmes if you were to be privatised. Is that an accurate premise?

Charles Gurassa: Can I respond to that? We have a very strong balance sheet at the moment. We entered the year, as you will have seen, with £200 million of cash. We have an asset in the building worth £100 million. We have other assets in the organisation, and we have permission under parliamentary Act to borrow another £200 million, and even that itself is an artificial threshold because that can be changed and our business, in the state that it is in, could borrow more.

Add to that that we are performing significantly better than we expected this year. We have plenty of cash. We have plenty of capital. Alex, very sensibly and effectively, is running the business to tight commercial disciplines, and that is a good discipline for any organisation to have as a principle. We have the capacity and, if we identified investments that were consistent with a long-term sustainability and our remit delivery, considerable fire power.

Q67 **Kevin Brennan:** Lord Best in 2016, as Chair of the Lords Communications and Digital Committee, said, "It is our view that the risks from selling it off"—he is talking about Channel 4—"are greater than any benefits that may arise". Is there anything about the changing media landscape in the ensuing five and a half years to suppose that that is not still true today, Charles?

Charles Gurassa: Ultimately, that is a judgment I think for you as owners to look at what value you place on the remit that we deliver and the economic policy goals that we support, compared with the returns that you might get from a privatisation. Our role is to point out to you what we do contribute and what are the potential implications of changes.

Alex Mahon: Probably there are a couple of things that have changed aren't there, Charles? One is that the digital landscape has become more dangerous in terms of social media, so the importance of public service content has probably become higher, which is maybe the opposite of what we would have thought five years ago, but that sort of trusted, objective, fact-checked requirement for news is more important than ever before and certain kinds of content.

The other is there is a lot of competition, but it is not making British content owned by British companies, and perhaps the other thing is the export value of those companies. We do a lot for British companies that send their content abroad. That gives us soft power as a country. We know that only today it is reported that British content will no longer count under EU AV quotas, so it will be harder and harder for British content to appear across Europe. Our role in ensuring that we allow that stuff to be made and get it exported is perhaps even more important than it was.

Q68 **Kevin Brennan:** Would it be fair to say that both of you are saying there is no new compelling argument for privatisation that has arisen in the last five and a half years that makes it any more of a sensible path to take than it was previously? I am not asking you to say whether it should be privatised. I am just saying: is there any new compelling argument that means now is a better time to do it than it was five and a half years ago?

Alex Mahon: Not that I have seen at this stage, but I look forward to seeing any analysis.

Q69 **Kevin Brennan:** Alex, one is not supposed to editorialise. I have not made it a secret that in my opinion you are an outstanding leader in the media world. I hope you will forgive me if I point out that in our briefing it reminded us that all executive and non-executive board members took an immediate voluntary 20% pay cut and the 2020 bonus scheme was suspended when Covid happened, and yet according to *The Times* this morning you have had a £50,000 pay increase taking you to nearly £1 million a year. I am not offering any editorial comment on that. I just wondered how those two statements were reconciled.

Alex Mahon: I love the first bit of your statement but I am going to give the question to Charles.

Kevin Brennan: Okay. I accept. Understood.

Charles Gurassa: Alex, of course, does not set her own pay, and remuneration is under the auspices of the independent remuneration committee of the board chaired by Lord Holmes. The way our remuneration works is we have a fixed pay and then a variable pay element.

In March 2020, faced with the Covid crisis, faced with a 40% reduction in advertising, faced with production stopping and faced with no prospect at that stage of a vaccine and a path out, Alex and her executive director colleagues and all the board took a 20% pay cut. At that point we suspended any consideration of bonus until we were clearer as to how the year was going to pan out. Four months later we reinstated the executives' pay to their normal level. We did not reinstate the cuts that they had voluntarily accepted for the four months, but we reinstated the bonus scheme, as it was clear that the business was now powering out of the difficult problems that we confronted in March and was on course, actually, for delivering what in the end turned out to be a spectacular year.

At the end of the year, what the remuneration committee does is look at the three components of the variable pay scheme. One is a series of objectives relating to corporate performance; one a series of objectives relating to strategic performance; and the third part relates to personal performance. The corporate elements are made up of our performance in the advertising world, what we call SOCI—share of commercial impacts—our performance on All 4 consistent with our drive to digital and our performance in generating cash consistent with our desire to be a sustainable, long-term, viable business.

Full credit to Alex and her colleagues that they beat the targets that we had set at the start of the year—all those considerably. On our strategic targets, which were around digital and things like All 4+, which is our subscription service for studios, as Alex has referred to, as well as All 4 itself, we had spectacular growth last year. The fact that 80% of 16 to 24 year-olds are now subscribed to our All 4 service is a remarkable performance in the competitive environment.

It looked at our performance on remit, where we met all our targets. It looked at our creative performance, where we had a very strong year, as well as our performance on diversity and inclusion. Finally, it looked at—

Kevin Brennan: Charles if you could be very brief on the final point.

Charles Gurassa: Sure. When we looked at all of that, we concluded that Alex and indeed her colleagues, measured on their own criteria, merited the maximum variable pay that the scheme permitted.

Kevin Brennan: Thank you very much. My main concern is that the BBC will never be able to afford her as Director General on that kind of money, but there we are. Back to you, Chair.

Q70 **Chair:** Just on that point in terms of the voluntary cut, it took place for four months. Is that correct, Charles?

Charles Gurassa: Correct, yes.

Q71 **Chair:** That is equivalent to 6.5% voluntary over a whole year, if you divide it by three.

Charles Gurassa: It is 20% of salary for four months.

Chair: Yes, so that is virtually 6.5% pro rata on a whole year, give or take 0.5%.

Alex Mahon: Yes.

Q72 **Chair:** Doesn't it feel just slightly disingenuous that that was announced and then four months later it was rowed back on? Despite the very substantial reasons that you have laid out, does it not feel as if it is slightly wrong that that was rowed back on?

Charles Gurassa: No, I don't think that is correct. Again, if I take you back to March last year, we are sitting there facing a completely unknown future where Alex and her team, acting very swiftly, slammed the brakes on all expenditure, on content and on non-content, and in terms of the board pay, including her own, there was a 20% reduction. You scroll forward then to the end of June, and we are seeing a business that is taking off again. We do not reinstate what has been lost, but we reinstate the pay from that point to the level of pay that was the appropriate level of pay in our view for the job, from 1 July, because we are no longer in the depths of crisis—

Q73 **Chair:** Forgive me, Charles, but that is six months before the vaccine, and, frankly, we were not at the halfway point in terms of people that have lost their lives in this pandemic. It does not feel as though you were out of the woods quite then. My impression is that this decision was taken—although in retrospect perhaps at the right time, but at that point as quickly as it possibly could be. If someone says they are taking a 20% pay cut, they should be taking a 20% pay cut for the year, not for four months.

Charles Gurassa: I beg to differ on that one, so we—

Chair: I know you beg to differ but that is my impression of it, Charles.

Charles Gurassa: —had visibility in the advertising market. We could see that the market was roaring back. The advertising market came back more strongly than any of us would have expected in March. We could see how well we were performing creatively. We could see how well we were performing—

Q74 **Chair:** Forgive me, but you got the kudos of making the cut at 20%. I take your assertion that at that point in time the advertising budget was looking a lot better and therefore you did not feel as if you needed to follow through with it, but if you have taken the kudos of having said that you have had a cut, frankly, you should follow through with it. That would be the logical conclusion if you have had that public acclamation of what you have actually done.

Charles Gurassa: I think the most important thing we can do at 4 is ensure we have the best people running the organisation who are motivated to the highest extent. Here we had a team going through the most difficult of circumstances, unprecedented in our sector, doing a fabulous job and our role as a board is to ensure they are recognised and motivated to the maximum effect. On 1 July, my colleagues at the remuneration committee, certainly with my full support and those of all the board, looked at where we were, looked at how we were performing and felt this was the best way to recognise reward and motivate our management.

Q75 **John Nicolson:** I will editorialise on this a wee bit, picking up on what the Chair said. I think you can be motivated on £100,000 a year, probably quite motivated on £200,000 and a wee bit motivated on £300,000. I think to most people these salary levels seem obscene. They are absurdly large, and it reminds me of a former director general who appeared before us in a previous hearing who said—apparently without irony—that his £500,000 a year salary was a discounted salary and in fact he was doing everybody a great favour by taking a salary of £500,000. I sometimes think, listening to TV executives at these hearings, that they live in a parallel universe. In public service broadcasting, just think of what some of your employees must think when they hear about your salary levels and how demotivating it must be for them. I will just offer that as a view.

Can I let you into a wee secret, Ms Mahon? It is this: the Secretary of State is tomorrow going to announce his plans to take forward the privatisation of Channel 4 television. He is going to open a consultation. It will be tomorrow. He says that he will be reviewing the ownership model and remit of Channel 4. He says that moving it into private ownership and changing its remit could help secure its future. I suspect you probably heard that on the grapevine. I suspect the Secretary of State does not want me to steal his thunder and announce it today but, nonetheless, I am. What is your reaction?

Alex Mahon: Will we know if Scotland is through in the football by then? That is my main focus for the rest of the day. That is my other question for today: will we know if Scotland is through in the football by then?

Look, our questions will be exactly the same as we have laid out today, when and if that gets announced tomorrow, although I of course—

John Nicolson: It is.

Alex Mahon: —appreciate the heads up.

Q76 **John Nicolson:** I can remove the "if". I have what the Secretary of State will spontaneously say tomorrow in fact in front of me, and he is very enthusiastic about it. He will say tomorrow that this will level the playing field. He will say that more than 90% of Channel 4 revenue comes from advertising, which makes you vulnerable to market fluctuations, and he will say, spontaneously tomorrow, that moving Channel 4 into private ownership will allow you to access new capital. That is all coming your way tomorrow.

Alex Mahon: Thank you. I think our questions will be the same as we have laid out today. If there is a consultation, we need to make sure that the right questions are asked: what the remit needs to be for the UK, what the Government may or may not want to change about the remit, what is it about what we do that is no longer needed and what is it about us that would be stronger if it was in a different ownership structure. I would be encouraging everyone to give their input to that, and for this Committee to ask the right questions about that and to ensure that what we stand to gain or what the British public stand to gain from any privatisation is greater than what they lose.

Q77 **John Nicolson:** Just out of interest and to help journalists watching this, when did you first hear of Mr Dowden's proposals due tomorrow? Because I suspect I am not breaking this news to you, am I, really? I think you knew about this.

Alex Mahon: We saw the Secretary of State's comments to this Committee. Of course, we know there is a public service broadcasting review from Ofcom and we know that there is a panel that has been convened by the DCMS to give input to this. Over the past few weeks we have seen there has been more discussion about that, but we have yet to see a formal announcement.

Q78 **John Nicolson:** Well, it is coming tomorrow, as I say. They have been out to get you for years, haven't they? I was interested in the Chair's comment right at the start, Mr Knight, when he asked you—and these were not his views he was expressing I should stress—whether you thought that you were reaping what you had sowed, because of your news coverage. I stress that is not the Chair's views, I am sure, but it is a rather sinister thought, isn't it, that because of your independent journalism you are going to be punished with privatisation?

Alex Mahon: That is not a cause and effect that I recognise and clearly, if there is going to be an announcement, it will be—as you have said and as we have heard from the Secretary of State—about how we strengthen public purposes and public value.

Q79 **John Nicolson:** You do not know what the Secretary of State's motivation is, do you? I mean you are not a confidante of the Secretary of State, as far as I know, so is it not perfectly possible that lots of Conservative MPs who absolutely hate "Channel 4 News"—they have a whopping great majority—think, “Right, let’s get them now”?

Alex Mahon: Charles, were you about to come in?

Charles Gurassa: Yes, let’s not speculate on speculation on motivation. Our role is to run Channel 4 to the best of its ability, to deliver its public remit to the best of our ability and to do so sustainably.

John Nicolson: Of course, but—

Charles Gurassa: But, John, if I may—

John Nicolson: —sorry to interrupt, understanding motivation helps you deal with the attack. It is important to know what your enemies’ motives are, because there is no point you putting forward lots of arguments that are not going to appease enemies of Channel 4 in the slightest. You have to recognise what the attack is based on in order to defend yourselves.

Charles Gurassa: What we will do, if such an event should occur, is explain the value that we create for the country, why Channel 4 represents something unique for Britain and why it is important for the economy. We will listen to, explore, and question evidence about our contribution and about how the model might be strengthened or weakened by changes.

Q80 **John Nicolson:** Okay. Let me go back to Ms Mahon again, if I can, please. One of the strongest elements of Channel 4 of course is its news and current affairs coverage. The Prime Minister hates it and never goes on the programme, as you know. Do you think that “Channel 4 News” will face cuts going forward if you are privatised?

Alex Mahon: The Prime Minister was on “Channel 4 News” only a couple of weeks ago, from the G7 in Carbis Bay.

Q81 **John Nicolson:** Yes, not really a proper sit-down studio interview with a sustained grilling. He has avoided those.

Alex Mahon: It was a good interview, but you are right that he was standing during it. Look, my question would be under a different structure. A lot of what we do on the news is uncomfortable opinions and challenging viewpoints and it is not always easy to do that. There is an inherent complexity in being set up as an organisation that is publicly owned, whose job is to challenge the status quo and hold power to account. I recognise that there is a tension in that and sometimes that is more tense than at other times, but I guess the question is: in a private environment would the news be as detailed as it is today? Would it have as much international investigation? Would it do things like expose the Cambridge Analytica scandal if it was simply a tick box to deliver a certain amount of news? Because we don’t see that on other channels. So those would be my questions.

What we are doing this year, in September we are due to start the news being co-hosted multiple nights a week from outside of London. A lot of the time it will be here in Leeds but other times it will be in Scotland, or it will be elsewhere in the north. Would others do that? Would you do that if you were purely about a commercial return? I have my questions and my doubts about that, because a big part of what we are doing now is ensuring that we change the organisation to represent across the UK and represent across the entire Union, and that is a piece of what we are about.

Therefore, I think, in a different structure and a different environment, you would have to look at that and you would have to look at what is the disbenefit to the British people who after all are our owners, albeit currently represented by Parliament.

Q82 **John Nicolson:** Yeah, well, a hae ma doots as well about it and I am a fan of "Channel 4 News" because I think we do not have enough detailed, investigative journalism. I was always a fan of the Brian Walden sit-down interview. It would have been fine if it had been standing up as well, as you pointed out, but it was the length and detail of the cross-examination that I enjoyed, and I don't think politicians get enough sustained grilling from well-briefed journalists. How would you protect "Channel 4 News" if it was privatised?

Alex Mahon: I do not think we are at that point yet. Our job at this time is to just deliver what we are meant to do in the remit, so I am being careful of speculating on what you would or would not do in a—

Q83 **John Nicolson:** Would you guarantee the length of the news programme that it currently has?

Alex Mahon: As I said, it is not for me to speculate on what you would do. That is for Government to do during a period of consultation and, of course, for you as a Committee to ask questions about.

Q84 **John Nicolson:** It seems to me that it has a particularly good presenting team at the moment, going forward. You have Krishnan Guru-Murthy and Gary Gibbon as well doing politics. It is a very strong presenting team, and I am just worried that Channel 4 would feel itself in retreat if the Government are successful in privatising you and you would feel, somehow or other, that you would have to back off. You would be intimidated by what the Government had done to you. For me, speaking as someone who worked professionally as a journalist, I just think journalism is under attack with this move.

Alex Mahon: I think that what we do, in terms of bringing that diversity of perspectives, is incredibly important, and if you are a regular viewer of our news, you see that it has multiple segments a night, that it is an hour long and that it is often done from either foreign locations or locations across the UK. That is both a very different look and feel to other news, but it is also getting under the skin of stories in a very, very different way. It is that analysis that is what makes us so popular with young people and with diverse audiences. It is that range of perspectives. That is not always easy to do but, as I have said here, I think in an era where we are coping with disinformation and conspiracy theories as a society, that is more important than it has ever been.

Q85 **John Nicolson:** I agree with you. You have talked about your record surplus, and you said, and I quote, that you are in a sound financial position. You should be increasing the budgets on programmes like "Channel 4 News" and "Unreported World", shouldn't you, given your strong financial position? Are you planning to increase the budget on "Channel 4 News" and "Unreported World"?

Alex Mahon: We announced today that we are putting £40 million extra into programming, and we would hope to put in more next year. I am not going to negotiate with ITN live in this Committee, who always have a wonderfully robust dialogue about what the price is for the programme, but I do think you are right to flag that it is an important part of our role to bring those kinds of programmes to television.

Q86 **John Nicolson:** I am not asking you to negotiate with them. I am just asking you for your own aspiration. Would you like to see the budget for news and current affairs increased, specifically for programmes like "Unreported World" and "Channel 4 News"?

Alex Mahon: It is up to us as an executive team to allocate that money, right, so we put money into the budget. It is then up to us to think about what the audience want in terms of those mix of programmes.

Q87 **John Nicolson:** What is your view? What would you like to see?

Alex Mahon: For example, this year definitely a piece for us we will be doing much more about the environment. We will be doing much more, and we will be doing entertainment pieces as well, with COP coming up, about what the environment means to the UK today and what more we need to be doing as individuals in society. Every year, depending on the agenda of what is going on in the UK, we think about how we can fund more of those programmes and make them accessible and interesting to the viewer.

Q88 **John Nicolson:** Right. So, is that a yes to my question that you would like to see more funding for news and current affairs, going forward? That would be your aspiration.

Alex Mahon: I would like to see more funding for programming, and then it is up to us as we think about what is best for audiences.

John Nicolson: I am just trying to pin down your priorities. I am just a bit intrigued. I would have thought it was quite an easy thing to say, "Yes, news and current affairs are very important, I would like to see more money going into it".

Alex Mahon: I always thing news and current affairs are important. I always think it is important for us to do enough of it and more where we need to.

John Nicolson: All right. Well, that is an interesting kind of non-answer answer. You know what, just ending on a bit of agreement with my colleague, Mr Brennan, as I often do, he thinks you should be lobbying hard. I agree with him. I think you should be lobbying hard because I remember last time round. When you were faced with privatisation, I raised the issue at Prime Minister's Questions and forced a reluctant David Cameron to admit that it was on the table, despite John Whittingdale having previously said that it was not. The lobbying that Channel 4 did then was effective. I remember the then Secretary of State, Karen Bradley, saying in effect that it was too much hassle to privatise you, given how loved Channel 4 was as an institution. There wasn't enough financial return and she specifically cited "Unreported World" as the kind of programme that would never be made under a privatised model. So I think you should be lobbying as hard as you possibly can on this one, and with that I will hand back to the Chair. Thank you.

Q89 **Chair:** Thank you, John. Alex, just finally we obviously have Ofcom's response to your annual report. It does draw one point that it wanted to express to you in terms of areas of improvement. It says, "We expect however to see a clearer strategy around its proposal to investing in high quality content for children and teenagers, given 2020 saw a continued decline in spend and content values for these hard-to-reach audiences". Alex, what do you say to Ofcom and what are you actually planning to do in order to ensure that those audiences—children and teenagers—are particularly catered for as we head out of the pandemic?

Alex Mahon: It is a good point that Ofcom has raised there. Unfortunately, one of the unpleasant decisions we had to make last year was to delay our strand that was focused on children and teenagers, which we now have hired a team for and started the first five or six commissions for. That will be coming later this year, so we are behind where I would want us to be there.

It is an unfortunate consequence of the pandemic, so now we need to accelerate. With everything we have seen over the last months, with Everyone's Invited, consent questions and lots of questions that you will have come upon about drugs and about online pornography and availability to that group, we have our work cut out for us to make sure that we make the right content and that we do our bit to assist in content to those audiences. That will be a focus for us, and Ofcom is right—

Q90 **Chair:** Those are the cuts that were made last March and part of that was teens and children?

Alex Mahon: Yes.

Q91 **Chair:** Forgive me for saying this, but why is it that seemingly the only area where a cut was rowed back on was your pay and the executive pay? For teens and children, which obviously is absolutely crucial at this time, their cut has been kept in place whereas your pay hasn’t.

Alex Mahon: We made £150 million of content cuts, and a lot of the content we wanted simply could not be produced because of Covid restrictions. As soon as we were able to produce things again and the advertising market was clearer, we put money back in. But the reality is some of that content just could not be made. Some of the hires could not be made so we were behind on it, but now we have got going again and we need to accelerate.

Q92 **Chair:** Sorry, to just cut across you there. I do apologise. So, you put money back in but an area where you did not put money back in is children and teenagers, is that correct?

Alex Mahon: No, we have put the money back in. It is just now it is taking us longer because there is a delay when you cannot make the content. We have now signed off the first sets of the content and it is coming.

Q93 **Chair:** What you are saying to Ofcom eventually is that “Okay, we understand what you have said there. However, downstream we actually have plans in place now in order to improve our content for children and teenagers”?

Alex Mahon: That is correct.

Chair: Okay. Thank you very much. Thank you, Alex Mahon, the Chief Executive, Channel 4 and Charles Gurassa, the Chair of Channel 4, for your evidence today. That concludes our session.