



# Communications and Digital Committee

## Corrected oral evidence: The future of Channel 4

Tuesday 7 September 2021

4 pm

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Members present: Viscount Colville of Culross (The Chair); Baroness Bull; Baroness Buscombe; Lord Lipsey; Baroness Rebuck; Baroness Stowell of Beeston; The Lord Bishop of Worcester.

Evidence Session No. 2

Heard in Public

Questions 11 - 18

### Witnesses

**I:** Krish Majumdar, Chair, Bafta Board of Trustees, and Co-Founder, Me + You Productions; John McVay OBE, Chief Executive Officer, Pact (Producers Alliance for Cinema and Television); Elizabeth Karlsen, Co-Founder, Number 9 Films.

### USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on [www.parliamentlive.tv](http://www.parliamentlive.tv).

## Examination of witnesses

Krish Majumdar, John McVay OBE and Elizabeth Karlsen.

Q11 **The Chair:** Good afternoon. I welcome you all to the second session this afternoon in the inquiry on the privatisation of Channel 4. I would like to introduce John McVay, who is the chief executive of Pact, which represents Britain's independent production companies. He negotiated the terms of trade agreement between the UK's PSB channels and the content producers. He is also chairman of the UK's digital single markets campaign and he is this country's spokesman on the Creative Coalition campaign. Joining him is Krish Majumdar, head of Bafta, the first person of colour to hold this post. He is also an award-winning producer and director, and founder of the independent production company Me + You Productions. The final member of the panel is Elizabeth Karlsen, who co-founded Number 9 Films in 2002 and two years ago was honoured with the Bafta outstanding contribution to cinema award.

Thank you all very much for coming and we look forward to your evidence very much. To start with, would you like to make some introductory remarks that would help throw out some questions for the later session.

**Krish Majumdar:** Hello. Thank you very much for asking. I run Me + You Productions. It is an independent film and TV production company. We are wholly, solely, owned by ourselves. It is owned by two people of colour. My co-partner is of Chinese heritage and I am of Indian heritage. I am not the head of Bafta; I chair the board of trustees at Bafta.

I want to say that my father came here on a boat in the 1960s. I did not know anyone in the film and TV business. I have got to this position today and I can say it is wholly down to the nurturing, development and support of Channel 4—I can talk about that later—at every step of my career, whether it is development funding or commissions, and it is to make ground-breaking programmes. I will go into that later.

**Elizabeth Karlsen:** Thanks also for asking me to speak today. I feel honoured. Like Krish, I run an independent production company based in the UK with my partner, Stephen Woolley, and we produce largely independent films, a couple of studio films along the way, and moving into television. We have worked very closely with Channel 4, Film4, from the film "The Company of Wolves" that it distributed on the channel, right through to "The Crying Game", "Carol" and, most recently, the Cannes competition title, "Mothering Sunday".

It was an honour to receive the Bafta award for outstanding contribution to British cinema, so it feels very apt to be here. The organisation, as far as I can see, is a visionary organisation, set up in 1982. It seems to be apparent that the rise of independent film, which has reached such meteoric heights on a global scale, coincides with the creation of the organisation.

**The Chair:** Last but not least, John McVay. You are an old hand at this committee.

**John McVay:** It is very nice to be back. This is the first time I have had a suit on since the lockdown, so it is very nice. Thank you very much for giving me the opportunity. Let us think about Channel 4's purpose. Its purpose was to do a number of things. One was to drive innovation in what was a hermetically sealed, elitist broadcasting sector. When it was created, if you were Krish or me—I am white, working class and Scottish—the concept that you would be working in this industry was very remote.

When Channel 4 came along, it was an intervention deliberately designed, by a Conservative Government, to do a number of things: first, to shake up the incumbents, the BBC and ITV, in terms of production and ad sales; secondly, to bring new people into the industry; thirdly, for the sector I represent, to give a boost to the nascent independent production sector—private sector entrepreneurs and self-made people, like these two colleagues who are sitting right next to me. For 40 years, imperfectly, maybe sometimes going off-piste, it has done that and it has delivered it.

If I was running the Department for Business, Energy and Industrial Strategy and I wanted to have a model that was going to drive innovation, globalisation and profit maximisation across SMEs, Channel 4 is a brilliant model and it has not directly cost the taxpayer a penny. For 40 years, it has added huge amounts to the creative economy, not just my members selling their businesses, as they can do as entrepreneurs, but writers, actors, directors, freelancers, who have worked on all these productions, and otherwise would not have done, because they may never have got into the industry.

It is a very precious thing that we have created. The UK is unique in the global broadcasting sector because of our public service sector and the fact that we care what appears on our televisions more than anyone else on the planet. It is more than just an entertainment or utility to us. It means something. That goes for ITV, BBC, Channel 5 and Sky. It is something important and it is a very important structure. Channel 4 is right at the heart of that and we mess about with it at our peril.

The thing that shocks me, waving aside the potential ramifications of the Government's plans, is that we have seen no evidence, not one iota, from the Government about why. If you are going to change something, why? I have to negotiate the terms of trade, as Charles rightly pointed out. I have to sit down with the BBC and ITV. They go, "Oh no, it is the end of the world. The market has changed. Can we do a new deal?" and I have to help them.

We are not dumb to the challenges of the modern world, but that is based on Carolyn McCall and Alex Mahon saying to me, "We have a problem. We need to fix it", and we will engage. If the Government have a problem, could we see the evidence so we can properly engage and try to understand why they think they have to sell it?

**The Chair:** To open our questioning, we will start with Baroness Stowell, who has returned to the committee, and we are very pleased to see you back here.

**Q12** **Baroness Stowell of Beeston:** Thank you very much for being here. I think you will have had in advance some notification of the questions that we wanted to ask. The first covers your views of the way in which Channel 4 is fulfilling its creative objectives or its remit. In a way, asking that question feels almost like me asking you how you think you are doing really, because obviously you are the suppliers to Channel 4's output.

In addition to giving us your views on how well Channel 4 is doing in that respect, I would also be quite interested to hear your views on how it is now describing its purpose in changing the world through entertainment. What does that mean to you and how are you interpreting that in the way in which you are approaching the production of your own material?

**John McVay:** It is very nice to see you back. You put your finger right on the pulse: what are PSB values for Channel 4? PSB values are the creative community that comes up with ideas for Channel 4, because Channel 4 does not have in-house production. Channel 4 goes out and says, "We would really like to do something around disability. We would really like to do something around young people and fake news". Then independents spend their own time, money and effort to come up with ideas to do that.

Channel 4 might put a little bit of money in for development, but you have hundreds of companies innovating around what that public service content is and how that fits in with Channel 4, its audience and its ambitions. It is a wonderful model. When I first started at Pact years ago, I had IBM come to see me about how Channel 4 had contracted out all its R&D costs to the independent sector, because that is what happens. Again, if you lose that, you lose innovation, competition and creativity in the sector.

That really concerns me for the health of our entire public service sector, because Krish started off at Channel 4 but he does not just only work for Channel 4. I know hundreds of indies that started off with a little show at Channel 4 that now work for the BBC, Sky or Netflix. It is that open access and innovation that is really critical. Channel 4 fulfils that remit well, or we are not fulfilling it well, depending on who it is commissioning. The model drives innovation.

**Elizabeth Karlsen:** I would add to what John was saying. While the remit of Film4 contains themes, such as disability, gender, race and regions, I see this organisation following the talent. It is an organisation that can go to the Turner Prize, see Steve McQueen's work, and say, "This is a black British artist who we should hire to make a film called 'Hunger' about Bobby Sands". That is insane. That is an insanely ingenious promotion and support of an artist who has gone on to become not only one of the great British filmmakers but a spokesperson, a cultural envoy and a political spokesperson for diversity, who has had a massive global impact on the entertainment business, making films like "Widows", the arts business and the politics of race.

There are Andrea Arnold and Lynne Ramsay, who went to Glasgow College of Art. Andrea Arnold was a child television star. Someone saw

those women and their very small pieces of work, and identified them as voices that should be supported and platformed. They follow the talent. Increasingly, with AI, in a business and an industry that unfortunately, or fortunately, has to manage to find the sweet spot between the creative and the financial imperative, which is a very difficult thing to do, it is not a comfortable space for anyone to be in.

You constantly see examples where individuals will try to reduce it to a science and apply a Venn diagram or an algorithm in the way those films are promoted, and it will constantly defy that. "Slumdog Millionaire" is a classic case. Cameron had said, "We should ask the public what kinds of films they want to see". I guarantee you that if you had gone out and asked the woman in the street, "Would you see a film that was an adaptation of a book called *Q & A* that was 95% in Hindi with no stars at all?", no one in the street would have said, "We will make that film".

Film4 read the book, saw an opportunity, backed the screenwriter, backed the director and made a film that was globally successful. That does not really happen now, because people are creating algorithms and they are trying to make content choices through an algorithm, not following the individual creative entrepreneur. That is a big difference and something that we need to decide, because an algorithm cannot bring out creativity.

The other thing that is crucial to Film4, and I have experienced this with the streamers, is that you are allowed to retain your IP. When you work with a corporate streamer, largely American corporate models, obviously the American corporate model is for global domination. You need to own everything and if you own all the IP you have everything. So that little film that John Waters made called "Hairspray", for \$500,000, went on to become a Broadway musical, and that went on to become a film of the Broadway musical. That happens here too, but all that money goes to a corporation. In the Film4 model, the producer retains the IP. I think Film4 has a small percentage. That is crucial to longevity of the independent sector. Without that, you are just on a salary to a corporation. Those two areas are vital and original to the channel.

**Baroness Stowell of Beeston:** Krish, in responding to the question, could you focus a bit more on what you think about the way Channel 4 is actually fulfilling its remit?

**Krish Majumdar:** It is fulfilling its remit really well, actually. Could you just repeat the question?

**Baroness Stowell of Beeston:** It has its remit as set out in the Act, but it is now interpreting that remit in how it defines its purpose, as being to change the world through entertainment. If we pick up the point that David Elstein was making in the last session, that the remit itself in 2003 became vaguer than it was in the past, the way in which it is defining its purpose now is yet more vague.

**Krish Majumdar:** It is utterly contemporary and it is responding to the audiences. Diversity is often a thing that is box ticking or in the corner. With shows such as "The Great British Bake Off", "The Undateables" and

"Gogglebox", Channel 4 is trying to put diversity in the mainstream, which is where it should be. If you look at society today, it is really diverse. It is surprising how far behind television has been, because television and film have largely been run by white men from a certain class, so it does not reflect society. Channel 4 is trying to put diversity into the mainstream.

Disability is the most invisible of all underrepresented groups. If you have not seen Jack Thorne's brilliant MacTaggart Lecture at the Edinburgh TV Festival, please watch it on YouTube. If you look at the diversity, when the Paralympics were on in 2012 in London, no commercial broadcaster bid for the Games, and it was the home games. Channel 4 did it and it did this trail called "Meet the Superhumans". It put this Public Enemy track on it and it made disability cool. It made you excited about watching disabled athletes—that they were superhuman. It was so brilliant how it changed the perception of disability, of an underrepresented group, and brought it into the mainstream.

Also, there was a show called "The Last Leg", which is an entertainment show that was meant to be on in 2012 just for the Paralympic Games. It is still going strong today, 23 series later, with 270 episodes. It has become a mainstream entertainment programme.

What Channel 4 does brilliantly, better than any other UK broadcaster, is take risks. Through that distinctiveness, it brings diversity, through its purpose, into the mainstream and has a cultural and societal impact. No other broadcaster would have commissioned many of the programmes I have made and they have gone on to be nominated for awards or won awards. That is because Channel 4 took a risk. I run a very small, independent production company; I am not a big company. They believed in us and in that authorship. By taking that risk, you get ground-breaking shows, such as "It's a Sin". Russell T Davies hawked that around every broadcaster, sometimes twice, over many years. It is one of the most significant pieces of drama in the last 40 years and it is no coincidence that that was Channel 4.

**John McVay:** Can I add a little bit to David's evidence earlier? All broadcasters had their remits relaxed in the Communications Act 2003, not just Channel 4. That was one of the purposes of the Act.

Q13 **Baroness Bull:** You have spoken so passionately about specific programmes. Would either of you say that those particular programmes would qualify as having educational value and/or educational content? We have heard allegations of a reduction, but we have heard the way you have spoken about those programmes. I do not want to lead the witness here, so perhaps I will stop there.

**Elizabeth Karlsen:** "It's a Sin" is very interesting. When I finished university, I went to New York to work and there was a filmmaker called Bill Sherwood, who made a film called "Parting Glances". It was the first film that showed a same-sex couple in a relationship on the Upper West Side and went on to be a huge hit; it was Steve Buscemi's first movie. Bill Sherwood sadly died of AIDS, and AIDS was something that I grew

up with and lost many close friends to. It was a painful time. It is interesting now that that piece of history is being told again through books such as Sarah Schulman's *Let the Record Show* and "It's a Sin".

My three daughters, who are in their 20s, watched "It's a Sin", and it was only then, when they talked about it, that I realised the extent to which that point in history, partly through pain, partly through politics, had completely been silenced—I am not saying consciously—and brushed under the carpet. They did not know about Clause 28. They did not know about the lack of access to antiretroviral drugs. They did not know about the bigotry. I was amazed by the young demographic that programme hit, because it is the 1980s. That is 40 years ago now. It is a period programme, but the young could not get enough of it.

It offered them an education about AIDS and policies on healthcare, which they then related to Covid, and about the importance of social healthcare. It was fascinating to me, the way they found that show to be entertaining, because Russell T Davies is brilliant at hitting the drama marks. He is a wizard at understanding how to create cliff-hangers at the end of each episode, but it was so relevant to them beyond just pure, bald-faced entertainment. It is a really valid question and I was blown away by that.

We found that when we made "The Crying Game", the first time it was screened. I know there is revisited reframing about how transgender is represented, but at the time—that film was almost 30 years ago—it was so radical. You did not show transgender and we cast someone who was trans. The number of parents who came up and said, "Thank you for showing that", and the impact that that film had, was really extraordinary. It was Film4. We had people who threw the script across the table at us. Studio executives said, "This is immoral. This shouldn't be made". Film4 said, "Yes, we want to make it".

**Krish Majumdar:** The genius of Channel 4 is how it speaks to the public, and particularly young audiences, in a way they understand. Sometimes, you might think that it is entertainment, but actually you are learning something. If you look at all the figures, they are the PSB that is reaching the 16 to 34 year-olds far more than all the other PSBs. That is why they are so good. Yes, they might have some staff who are doing all the social media up in Leeds, but that is for a reason. They are reaching an audience. They are having an impact and that is why they have been successful.

- Q14 **The Chair:** We just heard from David Elstein about the very weak public service broadcast remit. John said that was deliberately the case in 2003. However, he said that, by having a new owner for Channel 4, there would be a chance to harden that remit, to make sure we have more religion, arts and direct adult education programmes. Do you think that is necessary? How do you respond?

**John McVay:** I am in a quandary about this, because I have heard this from other commentators, along with David, who have an interest in this debate. Parliament decided to lighten the regulatory load on our public

service broadcasters to allow them to innovate and compete. That has never been more true than now, when we have more channels and more streamers in our domestic market. The BBC is a broadcaster that often complains about its regulatory burden, but it gets a lot of money.

If Channel 4 is directed properly by its audiences and by regulators, it will do more. No one said, "You must do disability programming". No one said, "You must do the Paralympics". It decided that fulfilled its remit, which is why it did it. For the new owner of Channel 4, how would you legislate or regulate where the new owner had specific programming requirements but every other broadcaster did not? That seems to me to be a bit of a quandary, given that we have been moving to a much more ex post regime under Ofcom, where, if you do not do something, it has significant powers. In fact, it can even take your licence away.

Reimposing a pre-Ofcom, old ITC X hours per week of religion, or Y hours of such and such, does not seem to me to be consistent or, probably, doable. Whoever bought it would immediately start lobbying Parliament and you to lighten the load and get rid of the regulatory burden.

**Krish Majumdar:** This is 2021. I do not know what year David Elstein thinks we are in, but TV in the modern world does not work like that. It is more than fulfilling its public service remit. I just made a show called "I am" by Dominic Savage over the summer. If you have not seen it, it is on All 4, the UK's biggest free streaming service, so you all have access to it. It was an incredibly risky production that no other broadcaster would commission. Jay Hunt and Ralph Lee commissioned the first series with Samantha Morton, Vicky McClure and Gemma Chan. We were taking really hard-hitting subjects; Samantha Morton's film was about austerity and being forced into sex work.

The genius of it, and the reason why its remit is so public service, is that we were doing a really tough subject like that. Suranne Jones did "I am Victoria", which was on this summer and it was dealing with mental health. We were taking one of the country's biggest stars, Vicky McClure, looking at really tough subjects such as coercive relationships, but putting it through the medium of drama or entertainment. The engagement with the audience was unbelievable. On Facebook, one of the clips of Vicky McClure was about coercive relationships. It has 17 million views and I was just reading thousands and thousands of comments of men and women saying, "I feel like that". Suranne Jones has sparked a national debate about mental health.

It was an incredibly risky commission because the script is semi-improvised, so other commissioners were like, "Where's the script? What, we'll have to trust you to make this?" Channel 4 took that risk. We got a Bafta nomination, it is getting great viewing figures and it is critically acclaimed. That is public service broadcasting at its best and it was a risk. Again, it is the mixture of really hard-hitting, educational topics or subjects, but putting the talent with it. That is what Channel 4 is good at and that is what works in this day and age.

**Elizabeth Karlsen:** Krish and John have articulated it very well. From my own experience, dealing with the people at the channel and watching the work produced by the independent companies, it seems to me that the remit is being very well served. I just cannot see what element of it is broken on a creative, public service or financial level. It just seems like such a gem. The way that it conducted itself during Covid and how it came out of that, both creatively and financially, felt exemplary for an organisation that proved itself to be nimble footed, innovative and creative.

The way that it has grown 4oD, as you have said, is amazing. Outside of Ted Sarandos, it is incredible that you have that 4oD on your phone. It pops up and you can watch all these absolutely brilliant programmes, from "It's a Sin", to "Feel Good", the Mae Martin show, to films. It is extraordinary. I cannot imagine who would not want to keep this jewel that we have, owned by the public but not funded by the taxpayer. It does not get better than that, really.

**Krish Majumdar:** Also, I am deeply concerned about "Channel 4 News". I started off in broadcasting. I was an ITN news trainee, so I trained at "Channel 4 News". Jon Snow was a mentor of mine. Think about the number of Royal Television Society, Bafta and international Emmy awards—so many awards for their home news stories, extensive foreign coverage, experienced presenters, editors, correspondents and reporters. I think of some of the stories they have covered in such a brilliant way at a time when we absolutely need independent news, when there is so much fake news around.

Look at the way they did the Black Lives Matter movements, the UK and US elections, Sri Lanka's killing fields, the "Inside Aleppo" series, the London and Paris attacks, as well as world-beating exclusive investigations into Cambridge Analytica, the Trump Administration's attempts to deter democracy, ExxonMobil and Ghislaine Maxwell revelations. We need independent news more than ever. I would worry what would happen to that if we privatised Channel 4. The relationship with ITN has been going on for 40 years and it is working.

Q15 **Baroness Rebuck:** Thank you for all the passion I am hearing. I am definitely going to watch "I Am". I published *Q & A* and at the time I was blown away with the transformation from what was a very good book with a terrible title into "Slumdog Millionaire". It was most impressive.

My question is about Channel 4's support for the creative industries generally, and obviously independent production companies; its impact on skills, which you have touched on just now, Krish; and nations and regions. If I can start off with the independent sector, Channel 4 allowed the independent sector to happen. I am interested, having heard evidence earlier on, in how it might be affected by privatisation or a merger, given that certain quotas would still be in place. Krish, as you said yourself, and I will come to you in a second, you might start off having been commissioned by Channel 4, but, ultimately, you produce great programming for all manner of different broadcasters. John, starting with you, what is the risk?

**John McVay:** As I said earlier, it was a genius construct. Channel 4 is the most optimum broadcaster for independent producers in the world. It is a publisher-broadcaster. It does not have in-house production. It means, if I am a new producer, that Krish, on day one, trucks up to Horseferry Road and pitches an idea. He never has to worry that it is going to be stolen off him and given to in-house production, because that happens. Channel 4 is always attractive to new ideas because they are safe. People could lose their job if that happened. A commissioning editor would get sacked for doing something like that at Channel 4.

Channel 4, as Lord Burns alluded to in your earlier evidence, spends all its money on producers. Some of them are independent. David Elstein is right about that. Some of them are not, but they do not qualify as independent producers. The law is very clear on that.

Currently, we have an optimum market of 100%. The Government's plans, and indeed David's own contribution, were somehow that we should reduce that from 100%. We have modelled this. We have been doing some work and will be publishing some research, which we will share with the committee and, indeed, with the Government, looking at the impact of Channel 4 becoming a producer-broadcaster. We modelled it through the secondary impacts in the market, so Krish does not get his first job at Channel 4. He does not get a job. He does not become a producer. We modelled those long-term impacts.

Over 10 years, on indicative numbers, and we are still drilling into some of the detail, we think that costs the independent sector £3.7 billion. That is a material loss to private companies and it is a direct transfer of value from hundreds of small SMEs and creative entrepreneurs to private shareholders, and they may be American. David Elstein pointed out that some of my members are owned by Americans; they are. Well, the Government may be conceiving the same thing. We would be transferring all that value. In year one, it looks like £80 million to £100 million would be transferred straight out of the independent sector. That is a small company in Belfast, Glasgow, Bristol or Cardiff not being commissioned, because whoever buys it will have to free up slots in order to give time to their own in-house production.

ITV is subject to a minimum 25% quota. Bear in mind that the quota is a minimum, not a maximum, and it just scrapes over the line, because it super-serves—it is a commercial decision—its own in-house production. If you are going to privatise Channel 4 and allow it, which is the most impactful thing for my members, to produce its own programming, it is a transfer of value. There is no getting away from that. That is companies that will not succeed and businesses that will not invest in skills and R&D.

We have just done further research, which we will share, and it is published today. That shows that, because of the pandemic, the independent sector lost £500 million last year due to the drop in commissioning, as broadcasters stopped commissioning. We have also surveyed all my small members, which did not avail themselves of CBILS loans or government-backed loans and guarantees, because they do not

like going into debt, as small businesses. They have burnt through their working capital. The two areas where they will be challenged, in terms of investment, are in skills and R&D. It is the R&D: it is that idea of optioning Q & A or something else that builds your business in the creative economy.

We do not see any upside from the privatisation of Channel 4 and particularly the impact of it moving into being able to produce, own and control its own programming. That is a straight transfer of value. We think that is really detrimental to British businesses because of the terms of trade on who can own and control IP and take their chances in the market, build their businesses and, indeed, for many of my members, become globally successful. That will be forgone. We will not get that back, because the only way you might say you will get it back is by putting additional burdens on the BBC. The BBC, by the end of the charter, is a publisher-broadcaster. It does not have in-house production any more, so this is a net loss to the creative economy.

**Baroness Rebuck:** I see that. Krish, you talked about when you set your independent production company up. I was reading the other day, as I mentioned earlier, about David Olusoga talking about when he set his company up. He actually said that he would not have set it up had Channel 4 not existed, because psychologically he felt that it might respond to the kinds of ideas that he would want to develop. To what extent do you support that, and what we have heard from John, from your own experience?

**Krish Majumdar:** It is every step of the way. I was a trainee at the BBC and staff at the BBC. When I left the BBC, the head of documentaries at Channel 4 said, "Come and make some films, some documentaries, for Channel 4". He commissioned a film called "Who You Callin' an N-Word?" It got my first Bafta nomination and it was looking at inter-ethnic racism, a really tough subject, incredibly tough, risky and daring, and uncovering a phenomenon in the UK that was not on TV. They believed in me as a filmmaker.

After a few more documentaries, the head of factual entertainment said, "I really like what you have done on the last documentary. Can you create something else that is funny? You're good with comedy". I mixed and fused comedy and documentary and co-created a show called "An Idiot Abroad". Channel 4 did not make that. We took it to Sky in the end, but Channel 4 fully funded and seeded the development, believed in me and my creativity. That show went on to sell in 210 territories. It was a global hit. It was a genre-defining show and really influenced the travelogues that you see today on television. That was from that Channel 4 investment in me and my ideas.

Off the back of "An Idiot Abroad", I managed to set up a production company because I had a stake in the IP, which we would not have if it was privately owned. I had a stake in the IP and set up the company. Ever since, Channel 4 has supported development at times when we needed it. I have no backers for my company. Lots of people and distributors want to buy into it and support it, but we retained our

independence. That is really important, because we can decide the shows that we want to do, the things that are important to us and what we want to say about this country, sell our shows internationally, and benefit from that and the IP of that. That is what is important.

There is also the value Channel 4 has to training. It invests money in training the indie sector and people within it. It has the Alpha Fund, which looked at minority-led companies and gave them money to do research and development. That money was easier to access than at any other broadcaster. It really helped and supported so many companies led by people from underrepresented groups.

**Baroness Rebuck:** Liz, when it comes to your area, the film industry, Film4 has been very successful. It has developed over time. If Channel 4 were to be privatised, would you see that disappearing? An argument could be, "No, it is successful. It would remain". What is the impact in your neck of the woods?

**Elizabeth Karlsen:** One thing that is crucial to it is IP. A privatised company would want to retain the IP. It would not want the producers to retain that IP and that is obviously invaluable. I see it as invaluable because that production company becomes self-sustaining, hires more people, trains more people. It feeds the machine and, in feeding the machine, builds the economic and cultural landscape of independent filmmaking in the UK. That is crucial.

It is also about individual risk taking. They will follow the talent. As I said before with Steve McQueen, they identify people they want to support. In my experience, private companies do not work in the same way.

There is a real risk that it would disappear. Obviously it is just speculation of what a private company would make. The fact is that, at this very moment in time, Film4 has made and is making cutting edge, highly creative, highly innovative films that are travelling globally and winning awards. It is 37 Oscars or something, and 87 Baftas. It is a phenomenal number and definitely punches above its weight.

There is a risk at the moment, which Tim Bevan identified in a comment that he made to Screen Daily. The industry is overheated at the moment, although it is probably a temperature that is here to stay, because there is such a demand for content. We made two films this year, both of which were backed by Film4, one called "Mothering Sunday", which showed in Cannes to fantastic reviews and comes out in the autumn, and another called "Living", which was scripted by Ishiguro. It is a reworking of the Kurosawa film, starring Bill Nighy.

It was very challenging when we made "Living", because there are not enough people or facilities to service the demand for production at the moment. It is just too high. We ended up on the film with no first assistant director and no key grip. I know you are not familiar with those positions, but it is not a tenable situation to be in. The private companies are basically taking the cranes, caravans and crew, and block booking across six months. That is owning entirely the means of production as well as the IP.

That will kill the independent industry. You cannot compete. When you kill the independent industry, you kill the independent voices. That is what happens. There is a real risk: "Be careful what you wish for". Michaela Coel spoke so coherently about why she did not take "I May Destroy You", which I know is a BBC programme, to Netflix. With Film4 and the channel, we now have a real opportunity to say to creators, "We do not want to own your creative ideas in perpetuity in all territories known throughout the universe and womankind from here on. We want you to own them and we want to support that, because it will build the industry here".

There is a real opportunity to become an even bigger stable that attracts that talent for precisely that reason that John has articulated, in terms of figures and modelling. Mine is just a first-hand experience of the way we have found deal-making and creative support with private companies versus Film4. Now is really important for what happens in the future, because it will disappear like that. You see the change that has happened. Luckily, the channel has stayed ahead of it with the success of 4oD and younger audiences, but we need to be careful about what happens.

**Q16 The Lord Bishop of Worcester:** Thank you very much indeed for being with us this afternoon and for everything you have said. I will apologise in advance that, having asked this question and then heard your answers, I am going to have to disappear.

Let me begin by saying a big thank you for all that you do for the creative industries, the arts and all that you talked about. I am a great fan of Channel 4. I love "I Am". It is great. Thank you. I keep discovering gems on Channel 4. I have just watched "Glue". How I have missed it since 2014 I cannot imagine. It is wonderful drama.

I am a great fan but, frankly, having heard everything you have said, you would think there was absolutely nothing wrong with Channel 4 at all and that it was beyond reproach. I am sure you do not think that. We have referred to David Elstein's contribution this afternoon. There is the charge that it has become bloated in terms of the management, while commissioning has decreased. There is the charge that only a small percentage of the commissions go to small companies, the majority to larger companies. There is the fact that it just does not do all that it ought to be doing for European commissioning. There are all sorts of things.

What I would like to tease out with you is something about those criticisms, but I suppose the main thrust of my question is about benefits and risks. I love your phrase "the sweet spot between the creative and the financial". It seems to me that many of the things that you have identified as being really precious about Channel 4 could operate in the private sector. I do not see per se that it being in the private sector would mean that those would be negated.

For example, on IP, Channel 4 has made a profit while not owning IP, so presumably a private company could make a profit while not owning IP.

David's point was that the revenues raised could be used in order to set up a fund to help small, independent companies of the sort that we cherish. I would like to dig a bit deeper into where Channel 4 might not be absolutely ideal as it stands, and what the risks and benefits of possible privatisation are, if one takes the view that the sale could be very carefully managed in order to safeguard some of the things that are precious about Channel 4.

**Elizabeth Karlsen:** I can give you very specific examples that would say that it absolutely would not happen in a private company. First, nothing is beyond reproach. No one, no individual and nothing is beyond reproach. The point here is that the questions so far have been more, until yours—which is very good to dig deeper into that—about the organisation: "Do you think it functions?" Obviously, it is an organisation under threat, so the point is to highlight what is working about it, but nothing is beyond reproach; no one should ever think they are. The way they responded in Covid was swift.

To give two examples, I made a film called "Carol", and the rights were taken on that film, largely. That is a film that—sounding boastful—enters the canon of great cinema. It was a real struggle to get that film made. Films about women are still hard to make, because there are still very few female producers, writers and directors. There just are. It is underrepresented. Films where you have women who are in lesbian relationships, and films where you have women who are not choosing between men and who are choosing to leave their children are very daring films right now. There are very few of them.

Those rights were taken in America, not on the European side, because we had Film4's backing. It is still incredibly painful to me that that film shows every Christmas in New York, in LA, all over the States, and a group of private equity investors will take the rewards from that success for decades and decades to come.

Similarly, we have made other films where that is the deal. The rights are taken from you and you are not able to do the musical of "Made in Dagenham" like we have done. We are doing a film, something with Netflix, at the moment because the writer is not allowed to work for anyone else. She is one of our most successful writers. She can work only for them and so we are tied to them. You get given a salary and that is it—take it or leave it.

**The Lord Bishop of Worcester:** I take the point there, but is it necessary that that absolutely would happen if Channel 4 were to be privatised?

**Elizabeth Karlsen:** In my 35 years, I have not seen any examples other than that one. That experience is pretty extensive throughout Europe and the States, and of quite intricate financing models—independent and studio. Everyone wants IP. Who would not want IP? Especially in the world we live in, which is a global content world, the value of it is extraordinary. Who knew that shows from the past would be coming back again? That is where the value is.

**John McVay:** You are right, and David is, as indeed Minister Whittingdale is. You can construct a framework of regulations that the new owners would have to comply with. They would still have to comply with the terms of trade. John Whittingdale has said they will have to do that. You will still have some sort of quota on it. The scope and scale of that is yet to be ascertained. You can still say it has to do 50% of its programming out of London. That is fine. That is the headlines.

It is the day-to-day experience where things change, because the commissioning editors currently are not driven by a bonus system to deliver commercial revenues to their shareholders. They are driven by making great shows for their audience to drive advertising, but that money does not go to the shareholders; it goes back into programming. David may have a point about costs. That is a matter for Alex, the executive and the board to address. We live in a free labour market and, if people can command a salary, they should be able to. There is a market.

I think it would fundamentally change. I think of a small company I met last night, at the Channel 4 launch at the new HQ in Leeds. It is a company that has applied to a new scheme we are setting up to help start-ups. The two guys came out of radio. They had worked in radio at the BBC and commercial radio in Yorkshire, and they are now trying to move into television. They have some pretty wacky ideas and I cannot see anyone else who would commission them, but they are exactly the sort of start-up, entrepreneurial young guys with chutzpah, attitude, ambition and creativity whom we should encourage. They would be discouraged under the drivers under commercial ownership at Channel 4. That is inevitable, because it is an entirely different culture.

You would appreciate this from publishing, Baroness Rebuck. Publishing in a very educational sense, or charitable publishing or self-publishing, is very different from commercial book publishing. That is the same for broadcasting. ITV does not commission something necessarily because it thinks it is a remit-fulfilling show. It commissions something because it thinks it is going to get a big ROI. That is not what you get at Channel 4. I think it would close the door. Even with quotas and regulation, there would be a generation of potential entrepreneurs and creatives who would not get their opportunity.

**The Lord Bishop of Worcester:** That is really helpful. Thank you.

**Krish Majumdar:** Picking up on John's point, creativity does not work like that. It would fundamentally inhibit creativity, in that there would be less risk taking. Shows such as "It's a Sin" and "I Am" would not be commissioned by a privately owned Channel 4. We would miss out. Culturally, we would be poorer for it in this country. Ben Okri said, "To poison a nation, poison its stories".

I strongly believe that, if it is driven by profit, you are going to take less risks, because you have to go for the profit. You have to go for what is a banker, rather than a risk. With those risks, you can create shows that say something about the world we live in. Jack Thorne is doing a single drama about the Covid crisis called "Help" that will be on in September

on Channel 4. That is not going to be a cheery show. It is about the lack of PPE in care homes and the care home scandal. It is a single episode; it is a single film. That is public service broadcasting. If you are a privatised channel, you will probably want returning series. You want return on investment.

We will be so much poorer and the impact on society will be different. I really fear about diversity. Diverse voices will be stifled and will not be encouraged with a privatised Channel 4. It is baked into the DNA. If you go and speak to a commissioner at Channel 4, PSB is baked into their DNA. If there is the big stick that “you have to return profit”, that is a different conversation. It is just a whole different mentality, as John said.

We need to look beyond saying, “We are going to put obligations or quotas”. You can put quotas for out of London, but, if Channel 4 in-house is making it, which is what ITV does—ITV Studios or BBC Studios do a lot of the making of out-of-London work—regional producers will be poorer for it. I worry about where all the profits are going. Who is buying Channel 4? At the moment, the economic argument—John can give you the figures—is so much stronger. The profits are driven back into the whole sector. It is not just into the hands of independent producers. It is nourishing, promoting and developing whole creative industries.

**The Lord Bishop of Worcester:** I take the point and this very delicate ecosystem that one needs to be very careful with. Can I press you there? To play devil’s advocate, can you advocate any possible advantage from privatisation?

**John McVay:** The question is about capital. That is Mr Whittingdale’s analysis—that Channel 4 will need a significant amount of capital at a certain point. At that point, government will probably say, “No, we’re not going to give it to you”, so they create a self-fulfilling prophecy, do they not? That does not mean to say that Channel 4 cannot raise the capital. It is increasing its advertising revenues. It is putting more money into reserves. It is putting more money back into programming. It is doing all the right things to compete.

Whoever takes on Channel 4, if you are going to address the Government’s fundamental issue, the only thing you would have to say as a condition of the sale is, “You have to invest £500 million five years from now”. Otherwise, why do it then? If you are not going to get access to that capital to invest into British creativity, why sell it? That would be another condition of the sale you would have to impose on the purchaser. Otherwise, why not just let Channel 4 try to raise the money and do what it does, and not mess the entire ecosystem up?

**Elizabeth Karlsen:** The model is so visionary and extraordinary. Like I said before, you have this organisation that is owned by the public, for the public, at so far no cost to the public. It is not driven by profits. It is not driven by demands of shareholders. It is not driven, as we are seeing increasingly in the entertainment business, by individuals who own massive corporations that are quickly sweeping through the globe.

Admittedly, you can make changes to anything and refine it, but it feels as though you are in a very good situation with something that has this extraordinary output with a global reach of really innovative material. I do not understand why you would take that apart. That does not make sense to me because it is a model that has shown through its track record, and it always has to be through actions, not words. Its actions are what it has been able to produce as a publisher-broadcaster, which is really quite extraordinary.

I am sure you could sit down with a leading economist and they would say, "This could happen or that could happen". You can move things into different models. What you have is something that is so extraordinary and functions. You can say that it is 90% dependent on advertising revenue and that is too risky. Advertising is not going away. That is not something that is disappearing. It has shifted. It does not exist in a linear model in the same way, but the channel has been brilliant in innovating and developing its non-linear model and the advertising revenue it commands there.

To keep the advertising revenue, you would need to keep the level of the shows up. The revenue on a programme such as "The Great British Bake Off" that is syndicated throughout the world is not going anywhere. There is nothing to say those kinds of programmes that travel are not going to continue to be made and not going to be available on the platform. It feels as though the work that needs to be done needs to be assessed. People can say, "We should look at this. Is it bloated? Can we do that?" But the model itself is economically and culturally an extraordinary thing that has the most amazing revenue stream.

**The Lord Bishop of Worcester:** It has found that sweet point.

**Elizabeth Karlsen:** It seems so to me. I am just a bit bemused.

**John McVay:** If advertising is broken, why do Google and Facebook rely on that for most of their revenues?

**Elizabeth Karlsen:** Yes.

**Krish Majumdar:** Ninety per cent of the 18 to 34 year-olds reached by Channel 4's portfolio of channels is on social media. That is ahead of LADbible, Disney and the BBC. It is moving lots of its advertising and the way it reaches an audience on to social and online. It has been smart about that, and that is future-proofing advertising revenue as well. I am also bemused by why they would want to do this. Is it ideological? I do not know. The economics of why you would do it, the cultural vandalism, and the societal impact do not add up.

The biggest thing is the next generation. Channel 4 reaches a young audience like no other public service broadcaster, and what do we want to bequeath to the next generation? What do we want to leave? How do we communicate with them? What are the stories we tell? Mark Rylance said, "We're a nation of storytellers", and Channel 4 is a home for authorship and uniquely British stories that play on a global stage. It is something we should be exceptionally proud of.

**The Lord Bishop of Worcester:** Thank you very much indeed. I should perhaps be clear for the record that, when I was asking you to play devil's advocate, I was not suggesting any likeness between the devil and those who are proposing the privatisation of Channel 4.

Q17 **The Chair:** There are some fairly apocalyptic claims there, and the idea of poisoning the nation's stories in particular is absolutely terrifying. For a nation of storytellers, what worse thing could happen?

However, Channel 5 is a possible model. It is privately owned. I have been a series producer making series for Channel 5. It employed small, local indies and made sure that there was diversity on screen. It was absolutely insistent that we have ethnic, gender and socioeconomic diversity wherever possible, yet it is a private company that works for profit. Why could it not be a model for how Channel 4 could be?

**John McVay:** I give all credit to Viacom, which bought Channel 5 from Mr Desmond. Do you remember when it was run by Mr Desmond? Would you be saying the same thing now? That is the point. You do not know what or who you are going to get. You do not know what they will really do with a public asset. The British people own Channel 4. If you want to sell it off to someone like Mr Desmond, it is entirely up to the Government to decide to do that. But be careful what you get, because we did not have a good experience with Channel 5.

I applaud Viacom. It has had to put a lot more money into the programme schedule, because its advertising rates were in the toilet under the previous ownership. It was all a profit maximisation exercise from an asset that was stripped out, with costs cut, and then sold on for a considerable profit. Viacom has done a really good job, and I applaud Ben Frow and the team at Viacom for its reinvestment and reinstatement of the PSB principles of Channel 5. It has been good for its business because we all know that good PSB programming is good for your business.

People want to see great, engaging, creative stories. That is how you tackle the streamers. Telling great stories at £1.5 million an hour made by the BBC is a better spend of £1.5 million than £4 million on something that does not really resonate with us. That is where our broadcasting system is world class. Viacom recognises that. It has embraced it, and that has been good for it.

**Krish Majumdar:** It is really important that we have a plurality of PSBs. We should not have just the BBC. ITV and Channel 5 do something quite distinctive in a commercial sense that is distinct from Channel 4. There is a different flavour and tone, and that plurality of voices is key and crucial.

ITV and Channel 5 do a good job. I am here to praise them. But if you look at the programmes they make, and you just compare the schedules, there is just a different range of voices that are on Channel 5 and ITV, which is obviously a mainstream commercial channel. They do a brilliant job of reaching that mainstream audience. Channel 4 is funded by ads, and it is important that its programmes are watched by people. The

whole thing of trying to change the world through entertainment is about reaching an audience. It is really good at that, particularly with a young audience, which the other PSBs are not doing as well on at the moment. Everyone wants to reach 16 to 34 year-olds.

**Elizabeth Karlsen:** This is about plurality. It is about cultural and aesthetic plurality as well as a type of economic model plurality. They have done a good job. Channel 5 and ITV do a very particular type of thing and Channel 4 does another type of thing, but, again, it is about trying to find a reason.

Say Viacom or CBS, if there are not anti-trust problems there, buys it. You would then need to find a way of bringing production in-house. You would take apart branding that has been built over decades successfully to travel globally. You would take that structure apart and try to reconstruct it while not throwing the baby out with the bathwater. I do not really see what the evidence is to do that.

I am just not really clear what the problem is. If I could see what the problem was, then I would say, "Let us look at some different models", but there is nothing wrong with having the ITV and Channel 5 model here, culturally and economically, and having the Channel 4 one here. I am sure both can be made better, and I am sure Viacom and CBS are sitting around saying, "Where is it bloated? How can we improve? What story did not travel? What senior executive is being paid too much or not pulling their weight?" But I am still struggling to see why it would be changed hook, line and sinker, and not refined as the extraordinary thing it is. That is what I am struggling with.

Q18 **Lord Lipsey:** I think I can probably guess the answer I am going to get, but I hope you will not be cross, furious or even violent with me for asking it, because it is the question allocated. What do you think of the idea that Channel 4 should be allowed to make its own programmes?

**John McVay:** You probably know my view about that. It is a transfer of value from British entrepreneurs and creatives to private shareholders, whether they are British or American.

**Lord Lipsey:** This is whether it is privatised or not. The current Channel 4 uses independents; it makes its own programmes in future.

**John McVay:** Obviously, given who I represent, I am not very keen on that. I made a comment earlier about when IBM came to see me, about 20 years ago, just after we had done the terms of trade. Channel 4 has an optimum efficiency. It contracts out its development to hundreds of competing creative companies, which all want to win. They invest their own time and resources, often not fully paid for by any broadcaster, to win a commission. That drives risk taking, creativity and innovation.

Indeed, Channel 5 has an in-house production capacity, but it is tiny. The BBC has basically outsourced it now to a wholly owned commercial subsidiary. Channel 4 has a fantastic model for generating ideas in a very efficient way, so why would you want to set up a massive in-house capacity? In the current market, as Elizabeth was saying earlier, you

would probably have to go out and buy a company to be in-house production. You are going to have to spend several hundred million pounds to buy a company of scale in order to have a company that may not deliver you the hits that the independent sector currently does.

**Elizabeth Karlsen:** It would be like saying to the kitchen department at Selfridges, “We’re now just going to make meals”. Just because you run a kitchen department, it does not mean you have the best chefs in the world. You may have the best kitchen equipment, but they are not set up to make productions. You could completely transform the organisation, but you would lose the plurality of small businesses and voices.

All those independent producers and production companies out there across the regions, and across gender, race and class divides, would then be working for the very large American corporate streamers who will own everything in its totality and take all that away somewhere else. Given that the entertainment industry is such a huge source of revenue, and a kind of cultural revenue, it does not seem to make sense to me that you would kill off the people who are creating all those programmes. When I say “kill off”, I mean by driving them to a space that is not really interested in the cultural voice of the UK. It is interested in the tax credit, the facilities and the talent, both in front of and behind the camera. The end result would probably be disappointing.

**Krish Majumdar:** It would destroy the independent production sector. It really would. Channel 4 works with about 300 production companies a year, 161 of which are independent. In contrast, ITV, which is about three times the size of Channel 4, works with 86, and Channel 5 works with 111. That plurality of voices and diversity would be gone, particularly in the regions. Look at ITV Studios in-house working in the regions, and I know BBC Studios does the same. Channel 4 was set up by Margaret Thatcher’s Government to create the independent production sector, and it has succeeded.

**John McVay:** John Whittingdale was involved in it.

**Krish Majumdar:** It has succeeded beyond anyone’s wildest dreams. At the moment, we are looking at dismantling that dream. It is a success story on a global stage.

**Elizabeth Karlsen:** With the establishment of Channel 4 on the film side, that is when “My Beautiful Laundrette”, “The Company of Wolves”, “Mona Lisa”, “The Crying Game” and “Trainspotting” came out. Obviously, during the Second World War there were some films that travelled to the studios, but not really. The Ealing comedies had to a degree. Some of David Puttnam’s early films had. It was always said, “The British are coming”, but it was really with the establishment of Channel 4 that it took off.

We will be there again in all the awards—Baftas and Oscars. Remarkable British films will appear in those globally recognised awards ceremonies, not that that is what it is all about. It is extraordinary that such a small country can produce this work that comes out of one stable that is working with 300 independent creative and economic entrepreneurs.

**The Chair:** Thank you. Those are very powerful arguments indeed. I am most grateful to you, John, Krish and Elizabeth, for coming this afternoon and sharing your thoughts and insights with us. I would now like to declare this meeting concluded.