



# Communications and Digital Committee

## Corrected oral evidence: The future of Channel 4

Tuesday 14 September 2021

4 pm

[Watch the meeting](#)

Members present: Lord Gilbert of Panteg (The Chair); Baroness Bull; Baroness Buscombe; Baroness Featherstone; Lord Griffiths of Burry Port; Lord Lipsey; Baroness Rebuck; Lord Stevenson of Balmacara; Baroness Stowell of Beeston; Lord Vaizey of Didcot; The Lord Bishop of Worcester.

Evidence Session No. 4

Heard in Public

Questions 32 - 37

### Witnesses

**I:** Mark Oliver, Chair and Co-Founder, Oliver & Ohlbaum Associates; Dr Helen Weeds, Senior Consultant to the European Competition Practice, Charles River Associates.

### 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

Mark Oliver and Dr Helen Weeds.

Q32 **The Chair:** I welcome our second set of witnesses today in our inquiry into the future ownership of Channel 4. Our witnesses are Mark Oliver, who is joining us remotely and is co-founder of Oliver & Ohlbaum Associates, and Dr Helen Weeds, who is the former chief economist at Ofcom. We have a bunch of questions for you. Before we ask you to address our questions, I thank you very much indeed for joining. This session is broadcast online and a transcript will be taken. Could each of you start by giving a brief introduction and your background and then I will invite members of the committee to ask you some questions? Shall we start with Dr Weeds?

**Dr Helen Weeds:** Thank you very much for inviting me here today. You mentioned Ofcom. It was my work at Ofcom that originally interested me in this topic; I had not thought very much about public service broadcasting before then. When I returned to my academic post at Essex University, I had a research grant and did some research into the economics of broadcasting in the digital age, so looking at how digital technology changed the economics of broadcasting. That looked at public service broadcasting as part of it.

My interest really has been in why we have this system, what the rationale is and whether that changes with the move first to multichannel and pay TV and now to online, which is the next step in that trend. I have been involved in some of the charter renewals for the BBC, taking part in public events and discussions surrounding that. My take on this subject is very much from an economic framework. Mark will be your person for facts and data on the market and the players in it; my interest is more in why we have this system, what that implies for how we deliver public service broadcasting and how we fund it, and what the challenges are to that system in this multichannel and now online world with getting viewer engagement to actually achieve its aims.

**The Chair:** Thank you, Helen. That is a very useful background for our inquiry.

**Mark Oliver:** I am an economist by background as well. I spent the last 35 years bridging the gap between economic theory and practice as it applies to the media, entertainment and sports markets. I started as an independent consultant at one of the large consultancies and then went to the BBC. I was head of strategy for six years. I built the strategy unit and, since 1995, have had my own advisory company, Oliver & Ohlbaum Associates, where I have advised just about everybody—well or badly, only they can tell—on issues such as growth areas, diversification, policy implementation and policy impact, so I guess this is my specialist subject.

**The Chair:** Thank you for bringing your experience to us today. Let us start with some questions.

Q33 **Lord Lipsey:** If the Government go ahead with privatisation, should they give the new franchise holder a tighter remit than Channel 4 has now, a looser remit than it has now, the same remit as it had or even no remit at all? What are the economic implications of each of those for a sale?

**Mark Oliver:** Should the remit be the same, tighter or looser? It is almost starting the wrong way round. The remit should be about what it is. It may want to be codified more, which is not the same thing as having a different remit, but it may need to be codified in terms of what that means for expected outputs and impacts. That might be a good thing to do if you are going to give up government ownership and put it into the private sector. There are a number of areas in which it could be codified a bit more. I would probably argue it should not be overcodified because—Goodhart’s rule—as soon as you start to say one thing is what you are supposed to be doing, it becomes useless, so a variety of different measures would probably be useful.

Will it affect the valuation? Yes, it will. The harder and more defined the outputs are and the higher the opportunity cost of those obligations is compared to a commercial model, the more it affects the valuation. Some bits of the remit do not have much opportunity cost; some do. When there is an opportunity cost versus the profit-maximising model, it will undoubtedly undermine what could be a maximum sale price with no constraints.

One caveat on that is I am strongly of the belief that the remit that Channel 4 has had in different forms since it was started in 1982 has built the brand almost by accident and, if you take that remit away, it is possible the brand will not replenish itself, which might mean there are certain elements of the remit that a far-sighted, long-term owner of Channel 4 might see as having very little opportunity cost and actually being positive, most notably its attraction to a young audience and to an educated audience. The combination of the two is unique in global network TV broadcasting and that is because of its remit, not because of any deliberate branding choice made by people at Channel 4. A far-sighted person might see that as perhaps not against long-term profit maximising, but you need a far-sighted investor to see that.

**Dr Helen Weeds:** I have been thinking a little since I got this invitation about the difference ownership makes in this context of delivery of PSB. The first thing is that, while Channel 4 is in public ownership, the expenditure that it can make, to the extent that public service broadcasting is doing something beyond or other than what a fully commercial organisation would want to be doing, entails either higher expenditure on production or, by producing less obviously popular programming, lower advertising revenues. An entity in public ownership could spend as much as its entire budget on doing those kinds of things, if it wished to, so that is quite a loose constraint. While it is a public organisation, you can just tell it what it is going to do and, as long as it can finance those activities through the advertising revenue it raises, it could do that.

Once you privatise a broadcaster, like any other entity, it has a choice to make: it does not have to continue as a public service broadcaster, just as ITV and Channel 5 could decide that they no longer want a public service licence. A privatised company will only spend over and above what it wants to do anyway, as a normal commercial broadcaster, by the amount that it values the benefits of being a PSB. What are the benefits? Prominence undoubtedly raises advertising revenue. Gifted spectrum is not worth so much these days.

It becomes a very different calculation when the entity is commercially owned and is looking to make a profit. It can do that anyway as a purely commercial broadcaster. It will only invest in PSB to the extent that PSB is something costly over and above what it would make in any case, so that is a different calculation, which would imply that you can, in a sense, get more public service delivery from a public entity than a private one.

As Mark has indicated, there is clearly a trade-off. If you are looking to make money through the sale, lighter obligations will help you maximise the revenues from that, as in any other auction of a public good—for example, spectrum licences in the mobile sector, where there is a trade-off with build requirements. There is the same sort of thing here—a trade-off with PSB obligations. There will be a direct relationship between the obligations and the money that you will raise, if that is an objective. It may or may not be your objective.

The other thing to say is, once you put an entity into private hands, you need to think about the regulatory relationship in a different way. As we have seen with privatised utilities, you probably need the regulatory contract to be much clearer than it has been. I do not want to comment too much about the specifics of Channel 4 and whether it has delivered on its remit; Ofcom and others are better placed than me to comment on that. When an entity is in public hands, softer lines of control could be used whereas, with an entity in commercial hands, you need much clearer lines as to what it is meant to be doing, what the metrics are, how that is measured and what counts as having delivered on the obligations. Otherwise, you would end up with a situation where Ofcom or whoever is overseeing the licence has the ultimate sanction, simply the nuclear option, of terminating the licence. You do not really want to go down that route.

Some of this applies in the public sector too but, particularly when you move an entity into the private sector, it is important to have clarity about what the objectives are, but also how they are to be measured. Quantitative output is relatively straightforward: hours of news programming that get broadcast is measurable. It is reasonably clear what is and is not news, but some of the other elements of C4's remit, such as being innovative and distinctive, are very hard to define and pin down in a way that is easy to manage in a regulatory contract.

**Q34** **Baroness Buscombe:** Helen, I will come straight back to you on that and the question of whether Channel 4 is viable in the long term and, if not, to what extent privatisation would address this. It sounds to me like

you are approaching it as though regulation might sort it or is there a risk that we might lose the PSB altogether? Have the changes in the market affected Channel 4 differently to other broadcasters in recent years, for example? Do you see it as distinct in that sense and, therefore, might it have different outcomes if it was privatised?

**Dr Helen Weeds:** Again, Mark will have more on the facts and figures from the industry because of the nature of his work. I had a conversation with Channel 4 last week and it supplied me with some figures. Unsurprisingly, Channel 4 is subject to the same trends as all other broadcasters. Linear advertising revenues have declined, but digital online revenues from All 4 and so on have increased. The net position looks pretty flat from the data that I have seen. What will happen in future is very hard to predict. It depends on audiences and competition will affect that.

I have a sense of déjà vu here, because I remember being at Ofcom in 2004 when the big fear was multichannel TV and the digital switchover. "Everybody is going to have multichannel TV with 100 channels or 500 on satellite. How will the PSBs survive?" I kind of feel I heard all these arguments before, and yet here we are coming up to 20 years on: Channel 4 is still viable and is holding its own. The overall audience shares of the PSBs have held up, at least as far as linear television is concerned. Getting reliable metrics for online viewing and making those comparable is, I gather, much harder but, on the face of it, I would not rush too far to say, "The world is coming to an end", just because we now have streaming.

Bear in mind streaming is also an opportunity for the PSBs, just like other broadcasters. To the extent that they have content that is attractive, and particularly to British viewers, they tend to hold up fairly well. Netflix, Amazon and so on, yes, have enormous programming budgets but, on the other hand, are serving the whole world. That programming budget will be producing content, some of which is fairly global and has broad appeal, a bit like Hollywood movies, but other content is definitely tailored to different nations, areas around the world, languages and so on.

There is not a reliable breakdown of how expenditure of the global giants really compares on a national basis with the expenditure of the likes of the BBC, Channel 4 or even ITV for that matter, which are targeting UK viewers far more. Mark probably has more figures at hand to answer your question a bit more specifically in relation to some of the financial trends.

**Baroness Buscombe:** I will turn to Mark on this point, but before you respond, Mark, you mentioned the word "brand" in your opening remarks and the possibility that Channel 4 could lose its brand as we know it. Does that matter in the sense that brands evolve, change and respond to changing environments, marketplaces, cultural mores, et cetera? Can we explore that a bit more, as well as following on from what Helen has just said in terms of the longer-term viability of Channel 4 if it is privatised?

**Mark Oliver:** I will deal with the first thing first. I was trying to make the point that its remit has created certain brand values and, if it loses its remit, those brand values might decline. All brands can decline and your more general point is true. To answer the question of whether all the remit was an opportunity cost and was damaging the value of what Channel 4 might sell for, I wanted to make the point that, in the longer term, its remit probably helps sustain the brand image for innovation, quirkiness, iconoclasm, et cetera, which Channel 4 is known for and has a value. That might be a positive part of the remit in terms of overall value rather than just a negative thing that is always costing money. I accept your point that brands decline; I am just trying to link the remit with value and that was why I mentioned it really.

On the question of viability, as Helen has outlined, all free-to-air network TV broadcasters like Channel 4, are under pressure. They have been under pressure from multichannel TV since the 1990s and then under more pressure from the internet. However, generally around the world TV advertising has more or less held up versus digital media. For that, TV means linear and non-linear TV, and digital is things like Facebook and Google. The definitions tend to be a bit muddled, but that is what I mean by it.

Whereas digital media and the platforms have more than decimated the press, they have really left TV as a flat growth sector, with a bit of nominal growth and probably not much real growth for the last five to eight years in most developed markets. That puts pressure on broadcasters to be efficient and, if you couple that with some pressure on programme costs, in the sense that some of these competitors are bidding up the cost of talent and setting new expectations of production values in audiences, the pressure is probably gradual. It is little growth or flat revenue in migrating from linear to non-linear, with a challenge to what you can buy with that revenue.

Broadcasters are very flexible about changing their schedules to adapt to changing economic circumstances. In the early days of Channel 4, it got some of the USA's best imports cheaply and that is what it was known for. That stopped in the 1990s, because Sky and others came along and bought them up, especially the first runs. Then Channel 4 was first and foremost in inventing reality formats in the age of "Supernanny", "Wife Swap" and "The Secret Millionaire". We all remember those, plus "Big Brother". That was as cost effective as imports, so it reinvented itself, and that led to a huge global industry, which the UK led, in terms of independent producers.

It would not be a question of suddenly there being a precipitous financial crisis at Channel 4. It is more that, in adapting its schedule to meet its budget, it might have to cut its cloth a bit more to what it can afford and that might start to erode the delivery of the remit, although not necessarily, because you can deliver the remit in cheap and cheerful ways. To reflect a diverse community or diverse opinions, you can make an expensive drama or a cheaper current affairs programme. In so far as that happens, Channel 4 can adapt and, in fact, Channel 4's whole business model is a series of cross-subsidies from high-audience

programmes, which are probably less about remit, to lower-audience programmes, which are more about remit. There is quite a lot of flexibility for Channel 4 to survive through these challenges.

In terms of Channel 4 suffering more than other channels, on the one hand it has a younger audience that is more web savvy and will transfer their consumption to the web quicker, and ITV and the BBC have more protection, because they have older audiences who basically still watch a lot of television, so migration of audiences may be faster. On the other hand, Channel 4's young audience is still at a premium in the TV market because, if you can get reasonably large numbers from young audiences, you can charge quite a high premium. ITV tries to do it sometimes as well. It may be slightly more effective in terms of consumption, but maybe not economically more effective.

There are other challenges. There are technical challenges. Perhaps the biggest challenge to the network TV broadcasters, which is a slow technical challenge, is the transfer from broad-based spot advertising, which is an advert in a programme, to personalised advertising, where the box knows who you are, probably not precisely who you are because of data rules, but knows your profile, your consumption habits and so on in an anonymous way. That addressable advertising can allow some of the smaller broadcasters, so the Sky channels, et cetera, to replicate what Channel 4 and ITV have uniquely at the moment, which is the ability to deliver very large audiences and, therefore, campaigns to like viewers and large audiences in one shot, which advertisers pay a premium for.

I will not go into the technicalities, but addressable advertising can effectively make sure that each individual watching the programme sees the advertising message only four times rather than 54 times, which is a problem with satellite television; you get too many impacts just basically advertising to the same person over and over again. The move to addressable advertising may be the biggest long-term threat to Channel 4 and ITV in their advertising premium, because they have a premium against the rest of the market, but that is as true of ITV as it is of Channel 4 and Channel 5, and of ABC and NBC in the United States, and TF1 and M6.

I suspect privatisation might help not through privatisation, but consolidation. One of the biggest TV owners in Europe, Bertelsmann, has been making a big play in this, saying that its market presence needs to be bigger, so it is merging its Dutch operation with a rival and its French operation with a rival. It is basically saying to the competition authorities, "Allow there to be one big free-to-air advertising network to compete with the global behemoths and their hold on advertising revenue, and to be able to invest in technical platforms to address things such as addressable advertising". There is a way in which consolidation could help Channel 4 survive. The flip side of that is what it would do to the remit and to independence and plurality.

Another sense in which privatisation might help is in diversification. To diversify you need capital. In fact, to diversify you probably need paper,

which is a share value, so you can pay in cash and shares, which is what most media companies do. Rather than consolidation, it might allow Channel 4 to diversify across different media with its youthful brand and iconoclastic image, and possibly diversify internationally.

If the rules changed, it could diversify into content ownership, which it is currently not allowed to do, but one would suspect that any likely owner of Channel 4 that might buy probably already owns a production company. If Channel 4 is not allowed to own production, it becomes a poison pill to a new owner, so I suspect something will have to change there. In so far as privatisation leads to consolidation or capital-financed diversification, it could well—

**Baroness Buscombe:** Could it do both? I am trying to work out if it is possible to combine the two in some way, as you have economies of scale, plus you can diversify—you mentioned “international”—or is that too scary for everyone to take on board for something that is so UK at its heart, Channel 4?

**Mark Oliver:** They are not mutually exclusive. Channel 4 has started to do something a bit more international. It has a global format fund where it cofunds formats that might have global appeal with independents. It has the Walter Presents platform, which is a platform that basically shows quirky ideas from around the world, around the world, which has a bit of a cult following, but it has only just started. You could argue that, if it wants to do anything significant, it needs more capital. They are not mutually exclusive: diversification and consolidation probably go hand in hand; they are not mutually exclusive.

Q35 **The Chair:** Mark, I have a question for you. It is something I have been wondering about for a while, as we have been looking at the advertising market. Can you explain to me why young people with relatively little disposable income are more valuable to advertisers than older people with disposable income?

**Mark Oliver:** You should probably ask an advertising agency that rather than me, because they are the people who are advising on where money should be spent. In general, it is a scarcity issue. Young people tend to be lighter viewers so, other things being equal, they are harder to get, so the price goes up. Older people watch a lot of TV, so the price is pretty low. There is a lifetime brand loyalty issue, which they often talk about. People’s brand loyalties are set in their 20s, 30s and 40s.

**The Chair:** Get them young.

**Mark Oliver:** It is very hard to shift brand loyalties as people get older, except for products that are only about being older, which is a different category entirely. Loyalty is set early. Scarcity and long-term loyalty mean youth audiences are higher value, but advertising agencies will probably have a list of five other reasons why they are more valuable.

Q36 **Lord Vaizey of Didcot:** I have enjoyed both of your evidence a great deal. In fact, listening to Mark talking about consolidation, I was reminded of what Helen said: we go round this course every 10 years.

Even Margaret Thatcher was considering Channel 4 privatisation. I remember, 10 years ago, suggesting ITV, Channel 4 and Channel 5 should merge, but being told I was an idiot. You have talked about the possible opportunities of privatisation; what are the risks?

It is quite interesting that Channel 4, this morning, published its response to the publication and it is quite punchy. It is certainly not sitting on the fence. It talks about a change from not-for-profit to profit changing their culture, about reducing the choice and quality of content, reduction in investment in the creative industries, less investment in the nations and regions, less investment in skills and training—which we do not actually talk about a great deal when we are thinking about this—and a reduction in Channel 4's influence on our soft power around the world. Do any of those resonate with either of you?

I was going to ask how you would mitigate that, but to a certain extent you have answered that: it is a balance between what you would get for privatising Channel 4, against how you would tighten its remit. I just wondered what you thought of what Channel 4 says the risks are and what either of you genuinely think the risks are. Can I start with Helen?

**Dr Helen Weeds:** May I just go back a step because, hearing about consolidation, I find it hard as a competition economist to let that one go? If you work in competition, you tend to get very resistant to these sorts of arguments that merging everything and consolidating is brilliant, because we will get all this investment. I have heard it time and again in the mobile sector. I genuinely do not buy it, unless there are very convincing arguments as to why the economies of scale are so huge that these entities cannot function and compete at their kind of scale. I struggle here to see any convincing argument that things are going to be so much better and there are so many more things you can do if you consolidate them than keeping them as they are.

There are very strong benefits to competition, which come through all the things that we have been discussing, in terms of not just delivering the PSB remit, but competing generally to deliver good products to consumers. Coming on to the question you asked me, a lot of these good things are promoted by competitive entities, which have to compete for audience share. If you limit it to free-to-air broadcasters, you are competing for eyeballs, but you can also think more generally in pay TV, where the broadcasters are directly competing for viewers' money. They do that by delivering products that consumers want to watch and that still applies to the PSBs.

The other thing to add to the benefits of competition here is to believe in PSB as something other than choices that a fully commercial broadcaster would make. In particular, we might worry about provision of things like news, educational programming and children's programming, if we did not have a PSB system. We do not really want a monopoly in the delivery of these things either. If you have competing broadcasters that are part of a PSB system, which does not have to be the PSB system we have but some sort of system that promotes and increases the output of the type of programming that you think PSBs are concerned with,

competition is generally a good thing. Add to that plurality and you have another reason.

**Lord Vaizey of Didcot:** I am going to ask you a tangential question on competition, but what about the risks of privatisation?

**Dr Helen Weeds:** Your main risk, ultimately, would be losing Channel 4 as a public service broadcaster, because it just finds it better to be fully commercial. Why would it bother with this PSB remit? If the value of that to a commercial organisation does not match the cost of the obligations, it would not participate. The flip side of that is the obligations themselves have to be watered down so much.

We have seen a decline in the obligations on the commercial PSBs, ITV and Channel 5, for precisely this kind of reason. So you could have a slow undermining of what Channel 4 is delivering to the extent that you think PSB is something distinctive and different from what a commercial broadcaster would do. We are coming here to the question that you probably do not want to get into much, but is more what I have worked on, which is what you think PSB is for, why we have it and whether there is a role for PSB, other than what you think commercial or fully market broadcasting delivers.

**Lord Vaizey of Didcot:** Yes, that is going too far. You have helped me narrow down the other half of the question, which is whether the mitigation to preserve what you say is valuable means it is not worth the candle of selling or privatising it, as it were.

**Dr Helen Weeds:** I am not the one to answer that question. I can point you to the factors to look at. There is a danger of, one way or another, losing the amount of PSB-type output that you can get from a public organisation, as I started out with, because right now you could tell Channel 4 to do whatever you wanted, subject only to the constraint that it covers its costs. Once an entity is in the private sector, that becomes a very different calculation.

**Mark Oliver:** Starting with your point about Channel 4's list of things that would be in danger, if you said that there are no constraints on a commercial owner, a lot of those things on the list would probably go. If you are trying to profit maximise from a network, you would lose a lot of those things it lists and that is true.

Then you ask the second question: can you put them back in and how much would that undermine the value? To some extent you can put them in and it would undermine the value, but some of them are almost impossible to put in. The broader and more nebulous things, such as risk taking and innovation, are almost impossible to police and, if you have a profit-maximising broadcaster trying to minimise the opportunity cost of its obligations, that is where it is easiest to speak high and operate low in terms of innovation, against an organisation the purpose of which is to innovate and originate. I suspect that the profit maximiser, no matter how much it is regulated, will do less of it and that is the thing you lose.

The notion that you trade off here, that you try to do build things and, therefore, the value is so low it is not worth doing, is the initial sell-off

value. The major benefit of privatisation beyond consolidation, which we have talked about, is access to capital and the ability to grow and diversify. Even if the proceeds for Channel 4 today were £1, it might be worth privatisation or bringing in private capital, not necessarily a transfer of ownership of the whole thing, in order to allow it to grow and diversify, which you might argue is necessary given that it is a network TV broadcaster in an old-fashioned industry with the world changing around it, so it would still be worth it.

**Lord Vaizey of Didcot:** There are a couple of points I want to explore and I do not want to monopolise this, so very quickly. One is in terms of your access to capital. Do Channel 5 and ITV, both Helen and Mark, provide an example of how you can have a public service remit, private companies and access to capital, either from a parent company or from the market's ability then to scale, diversify and do different things? Mark, shall we start with you?

**Mark Oliver:** ITV is a British company. Channel 5 is now owned by a US studio, so it is a US studio operating in the UK. ITV as a company diversified in what I would say is the most obvious way. Actually, it rediversified, because it had been a big production presence, then it lost share to the independents, then re-established it and bought companies. That diversification is in a much more global industry. It is a global provider of programmes around the world and a big supplier in the United States. It is able to diversify its business and protect against both the pressures on advertising and the cyclicity of the advertising market which, every seven to 10 years, means ITV's share price drops like a stone and then bounces back up again. That means chief executives and chairmen have to move on and that kind of stuff.

It has done a bit of that but, as a whole—this is a generalisation—our broadcasters have not been as global in their thinking and their growth plans as our producers. That has been the biggest distinction of the UK creative industries and television. The opening up of independent production created global businesses, whereas broadcasters had 25 years before that to create global businesses and did not. ITV has in one area, and is wanting to get more into pay TV with BritBox in the States and it has the capital to do that, although shareholders in free-to-air TV seem to want it as a cash-generative share and not necessarily a growth share, so there are issues about that.

**Lord Vaizey of Didcot:** I will bring in Helen in a minute.

**Mark Oliver:** I am not sure being on the public markets is the best form of capital, because free-to-air broadcasters on public markets, as I said, are held for cash generation, so shareholders do not like them diversifying. It is usually when they are taken private that they do things that are more growth orientated or when they are part of much larger groups, where it is not an issue.

**Dr Helen Weeds:** I have relatively little to add to Mark's very full answer on that. One thing is the impact of globalisation on a media organisation. If an entity like that starts to look more globally at where it is going to earn its revenues, it will also think about that in positioning its

content. This happens to some extent anyway because of resale of existing programming, but it will happen more if you are a global giant.

Netflix and Amazon, I am sure, think about how much of their output can be sold across multiple jurisdictions, and that starts to skew the content choices that are made. You would then expect to find content that may be a bit less specifically British, but more of the kind of content that would sell to other audiences as well. Some of that is a bit unpredictable: we know things such as "Downton" have done very well in the US as well, so it can happen. You can have something that seems quintessentially English, in that case, and yet sells abroad, but there is a danger that the broadcaster starts to become less focused on what the UK market wants and more globalised in its thinking, when it is making content choices.

Does that start to conflict with your PSB remit to the extent that a lot of PSB is associated with local and regional, not just where the production takes place, but the interests, the lives and the relevance of the programming itself? That is an important part of PSB and arguably something that would get lost if you left everything to the market. Local programming particularly is one of the areas that is seen as potentially threatened, if we did not have this system at all.

**Lord Vaizey of Didcot:** Can I ask a final cheeky question quickly, which relates to your consolidation point? Is there a good buyer for Channel 4, in your opinion, and a bad buyer for Channel 4?

**Dr Helen Weeds:** I do not really have a view on that. Whoever buys it, you would still need to think very carefully about the remit, the measurement and how they are going to be enforced, because whoever buys it will do what is in their commercial interests.

**Lord Vaizey of Didcot:** Mark, give us one sentence on a good or bad buyer.

**Mark Oliver:** Some buyers raise competition issues.

**Lord Vaizey of Didcot:** What is your view? Will you do a little jig if x buys it?

**Mark Oliver:** The best buyer for Channel 4 would be someone who understands its remit and brand and wants to grow that, both in the UK across media and internationally. Probably we around this table have not even heard of it.

**Baroness Rebuck:** Mark, you mentioned mainland Europe and the possible M6-TF1 merger. At least the headline on that is that it creates a national champion, and the fear is the American streamers, such as Amazon and Netflix. How comparable is that to our situation in the UK, where we arguably have a national champion in the BBC? You could look at Channel 4 as the slightly sparkier younger sibling. Helen's point was about plurality and the purpose of public service broadcasting, in so far as you reflect back to the population their culture and develop your creative remit through that lens. My question was sparked by something you said, Mark, but you subsequently picked up on an element of it,

Helen. The key is whether you see any parallels in the situation we are looking at in the UK with Channel 4. We have just heard from Ofcom, which talked a lot about culture and creativity and the relationship between the two, compared to what is happening on mainland Europe.

**Mark Oliver:** The possible argument is, as I say, that the national broadcasters need to join together to have the scale to compete with the global players. I am not convinced about that; I agree with Helen and am not sure that is true. There would be negatives for advertisers in the short run, because the TV advertising market is a separate market as we stand, if someone were to control a large part of it.

I am generally not a fan of creating national champions. I do not think that works. The best way of creating national champions is sometimes for the domestic market to be very competitive. The independent production sector is extremely competitive and we have national champions. That was not by design. I do not think there is an analogy if the French are going down that route. They are wrong, but that is my opinion.

**Dr Helen Weeds:** I am totally in agreement. Echoing what I said earlier, I do not generally buy national champion-type arguments for mergers. We see them quite often in competition policy. Again, there is very rarely anything there that I would put any weight on. As Mark has just said, a company that has to compete domestically will tend to develop the kinds of skills, expertise, products and so on that also help them compete internationally. The only additional line to that is what I just said a moment ago about the potential impact on content choices, if the aim of the organisation becomes a more global one, and quite how that sits with the PSB remit, which is very focused on UK consumers and some pretty local and regional interests even within that as well.

Q37 **Lord Stevenson of Balmacara:** Most of the things that I was asked to question have been raised, so I will start with them, but might move off them slightly. What caught my eye when I was reading the papers for this meeting was that one of the people who had written in to us had mentioned that, if you looked very narrowly at the costs or opportunities for Channel 4, you would arrive at a price for it of something between £600 million and £1.5 billion. Does that sound credible? That is a big range. Do you come out anywhere near those figures and, if so, which end of it are you on? Having said that, we have covered all the questions that need to be answered before you go to sale—prominence, advertising, minutage, remit and licence coming up in 2024. There are loads of uncertainties in this, so it will be a figure that has a lot of spread. Is £600 million to £1.5 billion credible?

**Dr Helen Weeds:** I will have to defer to Mark on this. It really is not the kind of thing I have looked at.

**Mark Oliver:** The range is credible. The reason for a wide range is, first, the strength of the remit. We have discussed that and what is built into a licence. That will affect value. The second is how you assess the value of Channel 4. Is it a consolidation play? Could you combine it with ITV or

Sky Media sales? That would be a synergy. If you are allowed to exploit all the synergies, there are no competition issues and the remit is light, you might get to £1.5 billion, and the opposite is true if you are not allowed to do all of those. If you believed it was the basis for a global brand, you might get to the higher end. It might be quite competitive at the moment, but every buyer has a different reason for buying it. To judge how that would converge into an actual price is difficult, so I would go with the range, however wide, because it reflects those uncertainties.

**Lord Stevenson of Balmacara:** That is very helpful. I am going to come back to that and ask a surreal question at the end about what we might do with that money, if there was any and if the Treasury was minded to let it go back into television. Have you any thoughts about how it could be invested for the benefit of UK viewers? Given the uncertainties that we have, the number of decisions that would have to be taken in order to get ready for sale and what we have been hearing and discussing today, can you point to why the Government would want to consider this issue at this particular point in time? Have you got any reasons that we have not heard yet for why that is the case, Mark? Why now?

**Mark Oliver:** One part of that is economic. If you believe there are these challenges on the way—we have not yet seen how they are going to operate and if Channel 4 is going to respond to them—it will either need to be consolidated or diversified, or both, and the only way to do that is to privatise it. That is a sensible decision. It is basically a risk assessment. Do we wait and see or do we do it now, when there is still some value and some growth in the company, and leave it to someone else to steer it through those waters? That is not surprising, given what is happening in the marketplace. On the other hand, the Government have a large majority and can do that, so put the two things together and I guess it is probably time for it to happen.

**Dr Helen Weeds:** Again, this seems to be one of those questions that comes around time and again over the years. Why now? The sustainability problem does not seem to be that pressing, so one could rationally take the view of wait and see. If that is your reason for thinking about privatisation, it does not seem to be pressing. Mark has suggested this could be a good time to sell, so if it is more a positive argument of, "Let's realise value for it while we can", there may be something there.

There is the deeper question of the extent to which you want to maintain public intervention in broadcasting and Channel 4 is a part of that. On the other hand, if you want to open that can of worms, I suggest Channel 4 is probably not your starting point. The more obvious starting point is the licence fee, the position of the BBC, et cetera, because it is the much bigger player in this space.

In a sense, what would you do with Channel 4 in that world, if you were really thinking deeply about what to do with this system or even if you wanted to change the model of provision of PSB, if you continue to accept that you want a PSB system? There are choices about how you deliver that, which does not necessarily have to be the system that we have.

Again, the position of the BBC would seem to be the bigger question rather than that of Channel 4, which is relatively small in comparison.

**Lord Stevenson of Balmacara:** That was an interesting response. My last question is: should there be a dividend from a putative sale of Channel 4, can you suggest some ways in which that money might be reinvested for the benefit of UK viewers, Helen?

**Dr Helen Weeds:** I assume you are going to keep it in this sector rather than it being snaffled off by the Treasury or meeting other very pressing public policy needs.

**Lord Stevenson of Balmacara:** It is highly unlikely that it will.

**Dr Helen Weeds:** If you wanted to think about broadening out the provision of PSB, it could be a fund for doing that. There has been discussion in the past, over many years, about having an arts council of the air-type system commissioning PSB-type content from a much wider set of providers.

People talk about universality and availability of PSB content, and we have a model that delivers PSB content in a particular way, but what about the viewers who spend most of their time on Netflix or Amazon? We are not tapping into that set of viewers very much with the way we are delivering now. You could even commission slots and production from entities like that.

We need to start thinking in much more of a platforms world. We are no longer in the world that we were 20-plus years ago, when most people were watching TV through linear and digital terrestrial broadcasting and then you added satellite and cable to that. Now, we have so many different platforms through which people receive video content. Do we need to think more about how to get content on to those platforms? If you only watch Netflix, for example, you will not be getting much news content, certainly not through TV viewing.

**Mark Oliver:** Given that I said that the hardest thing to codify in an ITV-type licence about Channel 4's remit is its risk taking and possibly its reflection of new and different ideas, the obvious thing to do would be to set up a fund that is focused on risk taking and new and different ideas. In so far as Channel 4, given its remit, would be in a prime position to access those funds, it could ironically lead to a higher sale price because, if the buyer knows there are public funds around that it has donated to support the remit, it pushes up the price of the asset, creating a bigger fund.

**Lord Stevenson of Balmacara:** It is a virtuous circle.

**The Chair:** We are out of time. Thank you very much to both of our witnesses, Mark Oliver and Dr Helen Weeds, for your evidence today. It has been very useful to our inquiry. It is quite a short inquiry: we will be reporting early after hearing from some more witnesses, Channel 4 and the Government. Your input has been very valuable. Thank you very much indeed for your time.