



Communications and Digital Committee

Corrected oral evidence: The future of Channel 4

Tuesday 12 October 2021

2.55 pm

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

Evidence Session No. 6

Heard in Public

Questions 43 – 50

Witnesses

I: Lord Grade of Yarmouth CBE, Former Chief Executive Officer, Channel 4 Television; Luke Johnson, Former Chair, Channel 4 Television.

USE OF THE TRANSCRIPT

This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Examination of witnesses

Lord Grade of Yarmouth and Luke Johnson.

The Chair: Michael and Luke, thank you very much indeed for joining us. Channel 4 is, in many ways, Lord Grade's baby. He launched it.

Lord Grade of Yarmouth: I did not launch it, Chair.

The Chair: You can correct me in a moment. Luke Johnson has chaired Channel 4, so they are very well placed to give us evidence this afternoon. Thank you very much for giving us your time. The session will be broadcast online and a transcript will be taken. The first question will come from Baroness Buscombe. In answering, Lord Grade, you can correct me about your relationship with Channel 4.

Q43 **Baroness Buscombe:** We have just an amazingly upbeat, optimistic 40 minutes with Claire Enders, and so—wow—I am feeling extraordinarily optimistic. I hope the question does not sound too bland, but to what extent would privatisation ensure Channel 4's sustainability and enable it to compete with subscription video on demand services? I ask that in light of your written evidence, Michael, which is very helpful. I have no idea, Luke, what your view might be on all of this, but we really welcome your thoughts on it. We have heard a lot about increased global competition, changing viewing habits, consolidation in the market, increased optionality and the opportunities that privatisation might bring. So we would love to hear your views on whether it is a good idea, whether it makes sense and how any downsides could be mitigated.

Lord Grade of Yarmouth: Can I just declare two interests for the benefit of the public at large? I am in the Channel 4 pension scheme and I sit on the DCMS panel on the long-term future of public service broadcasting. So any views that I express here to the committee are my own views and not necessarily, depending on my powers of persuasion, the views of the panel that is advising the DCMS.

My first observation is that the status quo is not an option. It absolutely is not, and the time to change the nature of Channel 4 is now, before it falls over and succumbs to the inevitable decline that eventually catches up with a minnow such as Channel 4 is today. It is no good waiting until the thing falls over before we decide to act. In its present shape, it just does not have the scale or flexibility. It is in a straitjacket of regulation and statutes that completely prevent it from taking advantage of what it has achieved so far.

The world has changed. The arguments for the status quo are backward-looking. They look back to an age of huge government intervention. Channel 4 started as the only buyer of independent production. It was the mother and father of the independent sector, which is one of the great success stories of the British creative industries, but it is no longer the only buyer. There are a million buyers out there for independent producers, which do not need protection.

Channel 4 needs to do what every other free-to-air, advertiser-supported business is doing, which is to own its own IP and be able to gain scale. Everything in the Channel 4 constitution presently is against that. Therefore, in a very short time, it will really begin to struggle.

Luke Johnson: I do not completely agree with Michael's apocalyptic view of Channel 4 because I think the decline will be slow, as it has been to date. When I became chair in 2004, there was a view that we had five years to fix the problem. In fact, by the time I left in 2010, it was doing about the same revenues that it is doing now. In that sense, the organisation has not grown at all, but it has not fallen apart. In fact, it has been trading very buoyantly this year.

However, his fundamental point that structurally the market and the industry it is in has changed beyond recognition since it was founded in 1983 is completely true. The original things that made it special and different have, to a very large degree, disappeared. The idea that it is the foremost provider of televisual entertainment for young people, for example, is a ludicrous fantasy. People under the age of 20 do not know what Channel 4 is. They know what TikTok and YouTube are, but they really have no clue that they happen to be watching something on Channel 4.

As Michael said, the idea that it is necessary for the sustainability of the independent television production sector and for those private companies to thrive is ludicrous. I was thinking as I was coming here that Channel 4, I am afraid to say, is the very definition of an organisation that suffers from producer capture. The independent producers and the staff have totally captured the organisation. Of course they want the status quo to continue, because it suits them. Does it suit the shareholder, who is the taxpayer? Does it suit the audiences? Does it suit the country as a whole? I am much less convinced.

So Michael's fundamental point, which is that the status quo cannot continue, is probably right. It would be better to seek value for the taxpayer and a safe home for the organisation in a deregulated format with a new remit now, while things are reasonably strong, than to see decay set in and sell off the business, or somehow privatise it in a significantly weakened state, which it might be in a few years' time, because it is too small and hidebound by its regulation, and a prisoner to the myth of public service broadcasting.

Baroness Buscombe: So the status quo is not a runner for either of you, or it is not in the longer term for you, Luke. Our previous witness, Claire Enders, felt that it could be sustainable, but it would be better to take the risk of privatisation and have vastly increased scale, consolidation and opportunity. She used terms such as "blank cheque" from some of those who might be interested in buying the channel. You are both looking at me as if to say yes.

Lord Grade of Yarmouth: What does Channel 4 know that every free-to-air, advertiser-supported broadcaster in the western world does not? They all know they cannot survive. Audiences are fragmenting. They are in terminal decline at different rates. I accept what Luke says about the

rate of decline; we can argue that for ever, but the fact is that it is in decline.

Every free-to-air, advertiser-supported broadcaster anywhere in the developed world is baling out of terrestrial television and investing in streaming services. They are particularly investing in IP creation and ownership, et cetera. I would love to know what Channel 4 knows that the rest of the world does not know that enables it to believe that it can hang on to the past in the way that it is trying to do.

Luke Johnson: We are going to find out in 40 minutes.

The Chair: What do you make of the role of the board of Channel 4? You describe a Channel 4 that is captured by its staff and producers. It seems that the role of the board is to analyse the future business model of Channel 4 and come to a clear view about its long-term viability, yet it does not see any of the issues that you describe. It thinks there is no challenge or risk at all to its long-term viability and reflects no hesitations at all in its defence documents. What do you make of the way the Channel 4 board has gone about responding to the Government's consultation?

Luke Johnson: Well, bluntly, they probably enjoy doing the jobs they are doing. They do not want to resign. They would all step down if the thing were privatised and, therefore, that position of prestige would go. So of course they are going to vote for the status quo.

Lord Grade of Yarmouth: I would like to get royalties on the arguments that are being deployed against privatisation today, because these were the arguments that I deployed three times over the years when I was chief executive against different attempts by various Conservative Governments to privatise the channel. We succeeded, but of course there were only four channels in those days, so it was a very different picture.

I have some concerns about a publicly owned institution, owned by the taxpayers and the Government, making a case for the status quo. Is it appropriate for a state-owned broadcaster to lobby the Government against what the Government think they would like to do, subject to consultation? I do not know; I just raise the question.

Q44 **Lord Stevenson of Balmacara:** This is really a question for Luke, but I would be interested in Michael coming back as well. You said in your opening responses to my colleagues that this was part of the myth of public service broadcasting. Could you expand on that? A lot of people have given us evidence to contextualise it in the sense that we have an ecology of public service broadcasting reflected by all those who are participants in it, even though the amount of actual public service broadcasting is sometimes vestigial. Nevertheless, it is an ecology. They all rely on each other. So the idea that it is a myth was a bit puzzling.

Luke Johnson: Again, it suits the participants to foster this belief that a certain form of broadcasting delivers public good and a whole lot of other stuff does not. That, therefore, justifies subsidies such as the licence fee,

the fact that Channel 4 has privileged spectrum and so forth. Ask them to define really tightly what public service broadcasting is and they really struggle. I would be interested to hear a really good definition, to be honest.

You also have to accept that there is a vast array of content now being produced on every conceivable sort of platform for every conceivable sort of audience. As Michael pointed out, the idea that you still need these giant government interventions and two state-owned public service broadcasters in this country is surely a historic anomaly. It is not necessary, especially given the scale of the BBC.

Think about the purpose and reasoning behind the creation of Channel 4 in 1982. Everything has changed in its universe. Therefore, that model, the regulation and the reasoning behind it have gone. One has to be realistic about the vast impact of the internet, streamers and all the rest of it, which have totally transformed viewing habits, the sources of content and the way in which people receive entertainment.

Lord Stevenson of Balmacara: We will not have time to debate that to the end, but you make a very interesting point. Of course, the remit is enshrined in legislation. As chief executives of Channel 4, Michael and his predecessor, Jeremy Isaacs, fought very hard to protect that. So it is not just a myth, is it? There is a reality of actual legislation that is processed and agreed by Parliament, and any changes will need to come back.

Lord Grade of Yarmouth: On your central point about what public service broadcasting is today, that is precisely what we are doing with DCMS at the moment. We are trying to distil conventional, backward-looking views of what public service broadcasting is, and redefine and refine it for the modern age. We have not finished that work yet. It is quite a considerable piece of work, with some input from a whole range of stakeholders in the business. I would not want to pre-empt that. If I had to give a soundbite on the definition of public service broadcasting, I would say it is about a wide range of programmes that are designed specifically for British audiences.

Lord Stevenson of Balmacara: I am glad we are on to range. You would accept that that must contain, always has contained, and therefore perhaps going forward should contain, democracy, freedom of expression and the civic issues that have always been assumed to be part of it, left unspecified, in order that those who wish to develop them can bring forward the programmes that will best amplify them.

Lord Grade of Yarmouth: Well, what does the BBC get today—£4.5 billion in the collection of the licence fee? If we were starting with a blank sheet of paper today, would there be a political and public consensus that there is room for £4.5 billion of intervention in a very dynamic, growing and important sector of the British economy? It does not make any sense at all. When you add to that an asset such as Channel 4, it is very hard to justify in today's world.

I am very proud of the part that I played in the history of Channel 4. The history is important, and it is a product of its history—but it is history,

folks. It is backward-looking. We have to look forward to the next 10 to 20 years, and try to preserve and protect as much British broadcasting as we can. But that does not mean the kind of straitjacket remit—not programme remit, but corporate remit—that the channel has today, which is 30 years out of date now.

Q45 Lord Griffiths of Burry Port: I am the simple-minded member of this committee, and so I ask questions that everybody here will know the answers to. The Chair asked a question about the role of the board of Channel 4 and suggested that perhaps it had something to do with guarding the performance and some anticipation of the viability and sustainability of the business model. To this, I thought I heard the answer from Mr Johnson, “They would, wouldn’t they?” in terms of just opting for the status quo. I may have misheard, but I wonder whether perhaps you could tell me that I am the simple-minded member of the committee that I think I am.

Luke Johnson: No, that is what I said. They are in the job for six years, so the very long term clearly does not concern them. Few of them have the domain knowledge of the industry to really have true insight. Inevitably, on a board like that where you have executives who are paid very handsome salaries and are full-time experts in the business, they will generally dominate the strategy and the goings-on of the organisation. As I say, why would the board vote themselves out of office by saying, for example, “Channel 4 can’t continue for the long term. Let’s dispose of it now as best we can at a fine price to create some value for the shareholder”? Why would they do that? People do not, generally, do they?

Lord Griffiths of Burry Port: Can I just come back for a moment? I am not claiming to be wiser than I was last time, but I have been a member of many boards, and chaired a number of them, all in the voluntary sector. Under pressure from the Charity Commission and others, we are bound to put round our table people with competence, judgment and courage. Are you telling me that, because people are paid to be on the board of Channel 4, they lack these elements?

Luke Johnson: No, I am sure they all have them, but my experience of observing human nature is that people very rarely vote themselves out of a job on a prestigious board because there is an argument to say that there is a taxpayer-driven agenda of preserving and creating value for the taxpayer that they are possibly not receiving now.

Lord Griffiths of Burry Port: I am now much wiser than I was when I started these questions, but not much better. Thank you.

Lord Grade of Yarmouth: In the interests of balance, could I just say that the current board and executive team of Channel 4 are defying gravity? The current performance of Channel 4 is extraordinary, given the environment in which it is operating. I am second to nobody in my admiration for the current executive team of Channel 4—but they are defying gravity. We should not be deceived by the exceptional skills of

the current management in keeping this ship afloat. It is not going forward, but it is afloat.

Q46 Lord Vaizey of Didcot: This is more of a philosophical question. I have been listening to your evidence with great interest, because you are obviously both vastly experienced. The trouble with this whole debate about Channel 4 is that it is very binary: either Channel 4 stays the same or it is privatised. You have touched on this, but the Government did not start with the position of saying, "What is wrong with Channel 4? What does Channel 4 need if we're going to keep Channel 4?" It started with the answer, "We should privatise Channel 4," if you like.

What is wrong with Channel 4? Does it lack access to capital or global technology? If you do not use the word "privatisation", what does Channel 4 need that it does not have at the moment?

Luke Johnson: It lacks access to capital. For example, if the Government decided to float it, which they could do, and make it an independent public company, it could then raise money on the stock market, which it cannot currently. I am quite certain that, if it now went to the Government and said, "We want to launch a rival to TikTok and we need £300 million to do that", the Government would say, "I think not". So it certainly lacks that.

It also is highly restricted in the diversification and substantial new investments that it can make. As Michael says, it is very highly restricted in terms of ownership of IP, which is at the heart of the entertainment industry—so it is very restricted in what it can and cannot do. What it can do, essentially, is carry on doing what it has been doing for the last few decades.

Lord Grade of Yarmouth: Let us say that there was an acquirer for the channel. The value of Channel 4 to the acquirer is in the brand. The brand has been built up over many years and is strong. The thing that operators need in that space, whether it is streaming or whatever, is a distinctive appeal. Channel 4 has that in abundance because of what it stands for and because of its history. If anybody acquiring that business destroys that brand, they are doing nothing but destroying value for their own shareholders. It is just nonsense.

So I believe that the best of Channel 4 in an acquisition, merger or consolidation move would be preserved, because the new owners would be mad to suddenly turn it into a sub-Channel 5 or to ape ITV. It would just be nonsense. It would be business insanity. You do not need to start specifying in a licence what they must do and what they cannot do. Prescription is the enemy of innovation and creativity, as we all know. In fact, the statutory remit of Channel 4 is very cleverly worded, because it is whatever I thought it was when I was chief executive, whatever Jeremy Isaacs thought before me and whatever my successors, such as Alex Mahon, think it is. It is unchallengeable in the courts. The brand of Channel 4 is its greatest asset, apart from the building.

Luke Johnson: And the 200 million quid on the balance sheet.

Lord Grade of Yarmouth: Yes. So I do not think we need to load it up with all kinds of legislative and regulatory requirements.

Q47 **Baroness Bull:** I want to come back to the issue of the impact of privatisation on the independent production sector, which you have already touched on. In your submission, but also today, you described Channel 4 as being pivotal in creating the indie production sector, and you described it as “one of the glories of our creative industries”. I am sure that many people would say “hear, hear” to that. We have had voices—perhaps yours, too—arguing that Channel 4 needs to be allowed to make its own programmes and retain the IP, but we have also had witnesses very powerfully telling us that it is the ability of smaller companies to retain their IP that has enabled them to grow and to pursue innovative and risky ideas, and has created the diversity and plurality in this sector. It is also key to geographical diversity. In our lifetimes, we have seen production spread outside London and the south-east.

My question is in three parts—so pencils out, please. You will remember them; it is not that difficult. What impact would privatisation have on this sector? What impact would it therefore have on the broader PBS ecology? How could that impact be mitigated—if, indeed, you think that impact would be negative? It is really how the impact on the sector knocks on to the broader ecology and what the mitigations might be.

Lord Grade of Yarmouth: The independent sector is now a very mature sector.

Baroness Bull: Even post Brexit?

Lord Grade of Yarmouth: Yes, certainly. There is no question about it. The big, successful, clever and inventive ones are doing exceptionally well. This idea that, somehow, small and start-up businesses have to have some kind of special treatment from a major broadcaster seems to be one from 30 years ago. If you invent a new smoothie drink in a back room, Tesco is not obliged to come and find you and invite you to supply them, so you get on to their shelves. It is just nonsense. In the independent sector, you are as good as your ideas and your implementation, and as sharp as your elbows and your salesmanship.

This protective pleading from the independent sector is just nonsense. It belongs to 30 years ago, when it was a fledgling. It is like any other sector. It is a business. There are huge British independent businesses out there. There have been consolidations. Yes, there are minnows, but the minnows will become big if they are good enough. We have to stop thinking that the creative sector is some special sector of the economy in which the new players have to have their hands held. Where does that stop? It is nonsense. That is point one.

On point two, PBS ecology, I come back to my philosophy about public service broadcasting going forward. We must preserve British programmes made by British programme makers for British audiences, whatever those programmes are. That is at the core of what Channel 4 does. That is at the core of its brand. That is what it does. The more

loosely you define it, the more chance you have of innovation and success.

What can you do to mitigate? My answer is to set it free and let it grow in the normal way that businesses do—and Channel 4 is a business. It may be publicly owned but it is a privately funded business. It does not pay for spectrum. It gets all kinds of PSB privileges that the BBC and ITV get. The ultimate mitigation will be when it falls over or when it starts losing money. That is when it will need mitigation. We do not need mitigation now.

Baroness Bull: I meant the impact on the production sector.

Lord Grade of Yarmouth: I beg your pardon—none at all.

Baroness Bull: You have talked about the success of big companies and you have gone back to “big”.

Lord Grade of Yarmouth: They all started as tiny companies. Many of them never got a commission from Channel and they got bought. There was big consolidation in the sector. I do not buy the argument that there is a connection between Channel 4 and the success of small independents that have to have their hands held. They are in a business.

Baroness Bull: Do you think that the only trajectory to sustainability for production companies is that they get big? Is there no place for small companies?

Lord Grade of Yarmouth: Scale is important. I do not know any production company that wants to remain tiny, getting one documentary a year commissioned. Some may regard that as a good lifestyle, and good luck to them. There is room for them, if they can come up with one good idea a year that they can sell, but that is not most people. Most people go into the independent production sector to make great programmes, and to have the freedom to run their own businesses and not be in the tyranny of a great institution and corporate structure such as ITV or the BBC.

Baroness Bull: They have told us that retaining the IP is crucial to being able to forge their—

Lord Grade of Yarmouth: They would. Look at the market caps of these big companies today. Sure, they are going to say that. It should be a market negotiation. If you have the idea that I need, I will buy it from you, we will discuss the terms and we will come to a satisfactory commercial arrangement. If you do not like the terms, you can take it elsewhere. When the show is a huge hit and is going into its sixth year, and the contract has run out, boy will you be able to negotiate an even larger slice of the IP. It is a market now.

Luke Johnson: You have to bear in mind that, on one side of this argument, you have people who have a very considerable vested interest in keeping the status quo, so they will lobby ferociously hard to preserve it, for obvious reasons. The terms of trade are such that Channel 4 negotiates with one hand tied behind its back on IP ownership and things like that. So there is a lot at stake. Channel 4 has been very helpful in

creating the whole independent production ecology, which now supplies Netflix, Amazon, the BBC to a significant degree, Sky, Disney+ and everyone else, which is great. It has created very many millionaires, and there are others who also want to be millionaires. So of course they are going to lobby for the status quo. It suits them. You need to bear that in mind in this debate.

Lord Grade of Yarmouth: Nobody is saying that the BBC should not own any IP.

Luke Johnson: No, quite. Unquestionably, in the past, there were areas of programming that were not serviced and interests out there that Channel 4 was able to supply content for that was impossible to obtain elsewhere. Thanks to technological changes and the unbelievable proliferation of channels and platforms, I do not think that that really exists now. Channel 4's annual report is a political document, because it is designed to appeal to you. Its big front piece is a programme that it nicked off the BBC: "The Great British Bake Off". How is that innovation? Why does the taxpayer need to be bidding up the price of two PSBs to make the owners of "Bake Off" richer? How is that in the taxpayer's interests? I do not get it.

You have to be a bit cynical when you look at these things. Somehow or other, television and things like that are treated as a special, rarefied activity that needs endless subsidy and intervention in order to thrive. I do not think that that is true at all. If the public want content of particular types, people will be clever enough to produce it and be able to make a profit out of it. If you looked at any of the key genres that Channel 4 is active in, you would struggle to tell me the stuff that is really unique and that no one else is now capable of or interested in producing. That is really at the heart of this.

Where Channel 4 was once necessary, because there was very little choice, there is now almost unlimited choice. I would also argue that a great deal of the most creative stuff going on is not in the PSBs. The PSBs are sometimes becoming followers in the stuff that they are commissioning and producing, because of the streamers and the others. Was it the BBC or Channel 4 that made "Chernobyl"? I forget. Oh, no, it was Sky. This really matters, because there has been this illusion for a long time that they are the guardians of the flame of precious public service broadcasting content that is never, ever commissioned or made elsewhere. That is what I mean about the myth: that it has changed. We have to be realistic about this.

I do agree that Michael is right. What is important is that British content is made. Britain outperforms fabulously in terms of filmed content and its creation, and that matters. But I happen to think now that the marketplace is so buoyant and the number of different places that you can sell content to is such that the original need for Channel 4, which was very great in 1982, is no longer there. Therefore, it can be owned by a for-profit owner, be it independently floated on the stock market or a subsidiary of a big media group with giant scale and the ability, therefore, to exploit its assets.

Lord Grade of Yarmouth: In fairness to the hot breath of Alex Mahon, who is sitting behind me somewhere, if you are looking for an example of something that perhaps only Channel 4 would have done, I would point to the Paralympics. That is an absolutely archetypal Channel 4 piece of opportunism, which I hope is commercially successful for it, now that it has built it up—but it took a big risk with that.

Luke Johnson: We did it when I was still there.

Baroness Bull: I have a quick final comment. I was surprised to hear you say, I think, that all sectors and voices are now heard and that we do not need to create special spaces. I would argue that the voices of disabled artists and the disability sector are really not heard or seen on television, and Channel 4 is making strides there.

Lord Grade of Yarmouth: I would agree with that, but it is true of pretty well all public service broadcasting channels now. Compared to when I was a kid commissioning programmes, television is unrecognisable from my early days in broadcasting.

Q48 **Lord Lipsey:** We do not need to look back at the Paralympics, because we can remember being able to watch the US Open tennis until the small hours of the morning thanks entirely to Channel 4—so I thank it for that.

I just want to make a comment and then perhaps something that follows from it. My comment concerns what you say about board members wanting to preserve the status quo. In my experience, board members most of all do not want their company to go belly-up, because that ruins their reputation for ever. Therefore, I do not think that it is as one-sided as that. I could, if I was being equally disparaging, say that, in my experience, ex-chairs and ex-chief executives tend to be rather hard on what their successors are doing—but I would not, of course, apply that to either of the witnesses today.

I see all the arguments that you are putting, and they are very powerful ones, but this whole question was debated in 2016. This committee considered it and came down against privatisation. Here we are, five years on, with Channel 4 seeming to be doing very well. It came through the pandemic year extraordinarily well, given its revenue sources. So much of this comes down to an argument about the pace of decline and how much decline you should allow.

You may be right that it will just go on the same as it does now if it is owned by a big company, or you may be wrong and it may be like the *Sun* when Rupert Murdoch took it over. We want to know whether taking this risk of privatisation is something that we have to do in short order to prevent things going disastrously wrong in short order. I must say that, on the evidence so far—and we have heard quite a lot of evidence—there is a lot of ruin in this country yet, from which many of its viewers may benefit in the meantime.

There was a difference between the two of you on timescale. Michael, you saw us on the edge of the precipice, which is perhaps your disposition, whereas Luke thought it probably had years to go. The

question of timescale—and your further reflections on that would be welcome—is extremely important in making a judgment on what we should do here, right now.

Lord Grade of Yarmouth: It is about the balance of probability. What is the risk of the status quo versus the risk of setting Channel 4 free into the marketplace in the fullest sense of it? The timeframe is irrelevant. Luke and I disagree about the timeframe. I suspect that he is probably more right than me, because these things take longer than any of us predicts, but what is the risk of leaving it alone now?

You will be back in here in two or three years' time. Alex Mahon has been offered Warner Bros to run; there is a whole new gang of people in there who are not quite as good as she is; the business is making heavy losses; and everybody is up in arms, saying that they have to be at the back door of the Treasury with a begging bowl. That is going to happen. When it is going to happen, I do not know—but it is going to happen. The least risk is to set the channel free and follow what every free-to-air, advertising-supported broadcaster is doing in the rest of the world.

Luke Johnson: It depends on whether we think we are doing the right thing in terms of achieving value for the taxpayer. For what it is worth, my view is that the business is probably worth at least turnover, so £1 billion, plus the cash, so call it £1.2 billion. ITV is currently valued at over turnover. Why should Channel 4 not be? As Michael says, it is a fabulous brand. It is probably worth that, in one form or another. That is quite a lot of money to neglect.

"Benign neglect" is what you can call the status quo. That is the best phrase that I believe applies, because it is becoming, in a much more diverse, complex and competitive media landscape, gradually more and more irrelevant. At some point, the momentum will slow and you get into a vicious spiral. Then the asset collapses in value and you might get a fraction of the £1.2 billion that you would achieve now. So it is about whether we are trying to achieve value for taxpayers.

Q49 **Lord Stevenson of Balmacara:** On the price, you are the expert. I gather that you have done it before with a number of properties in other industries, so we take your advice very strongly: £1.2 billion is the price. We have been told that, if the channel is to be sold, it will be sold with either the existing remit or a strengthened remit. We heard evidence on that earlier this afternoon. Does that not undermine what you are trying to say?

Luke Johnson: Why does it have to be sold with the current remit? I would not sell it with the current remit. That is a decision for the Government to make. Surely they can loosen it or change it, and quite frankly should.

Lord Stevenson of Balmacara: They can, and they will have a fight on their hands if they do—but that is my point of view. None the less, the issue is the balance between the two. Michael has been very open about the fact that he sees a version of public service broadcasting very much in national terms, with British content. I could probably persuade him in

the privacy of another room that that is probably a bit tight and needs to be broadened to include proper news and current affairs coverage—things that Channel 4 has always been fantastic at.

As we have been going through the conversation, we have picked up a number of issues that are not as well represented in the mainstream as could be and, as Baroness Bull has made clear, there are more to come. On this balance between the remit and the price, could you use your expertise in these matters to give some sort of feeling of that?

Luke Johnson: One of the great claims of the need for Channel 4 is regional programming. Are you aware of something called brass plate productions?

Lord Stevenson of Balmacara: No, not directly.

Luke Johnson: A brass plate production means that a subsidiary is set up in Leeds, Edinburgh or wherever it is, with a brass plate on the door, but effectively programmes are not really made there. This goes on extensively. It is ticking the regulatory boxes. There is this idea that all this value and all these jobs flow to the regions, but do they really? These are the sorts of questions that you have to get under the surface of. They will argue, "Without us, all this regional production infrastructure would disappear". Is it really there?

Lord Stevenson of Balmacara: They may argue that, but the point that I am trying to—

Lord Grade of Yarmouth: Could I come back on the value point?

Lord Stevenson of Balmacara: Go on, Michael.

Lord Grade of Yarmouth: The Government have to decide either that the Treasury will win the argument and it will go to the highest bidder, or that it will go to the right bidder. That is a huge decision, and much depends on that decision. If it is sold to the highest bidder, fair enough. It will be a good return, I hope, for taxpayers—but it may not be the right answer and they may not be the right owners.

Lord Stevenson of Balmacara: "Right" in that sense is the remit point, is it?

Lord Grade of Yarmouth: I mean the right fit. Would you want to sell Channel 4 to a pornography group, if they were the highest bidders and were looking for a terrestrial outlet? In my day, Channel 4 was regarded as pornography, but we will not go there. It is a big political decision, and there will be an argument between the Treasury and inside the Cabinet—and DCMS, presumably—about whether we just go for the highest bid or whether we go for the right bid.

Lord Stevenson of Balmacara: Myth or not, the question of how much of the existing remit relates to public service broadcasting, as redefined by your shadowy group when it finally reports, is an issue that will now need to be faced.

Lord Grade of Yarmouth: If there is a prescriptive remit placed on Channel 4 in its new ownership, or in public ownership, it will not survive

very long, because audience tastes change particularly quickly these days with the amount of choice that they have, and the sure way of hamstringing Channel 4 in any ownership situation would be to have a very prescriptive remit.

Lord Stevenson of Balmacara: But it can be if it is about being British. Is that right?

Lord Grade of Yarmouth: Yes, and I agree with you about news. I have lost my thread now. You carry on.

The Chair: You have already satisfactorily answered what was going to be Lord Foster's question. Baroness Stowell I think wants a quick question.

Q50 **Baroness Stowell of Beeston:** We are bandying around the word "remit" all the time, but I am not even sure that we really understand what the remit is. If you look on Channel 4's website, it describes it in one way. Ofcom describes it in a slightly different way—and that is before you get to how Channel 4 defines its purpose, as in why it exists.

I find it interesting that you were arguing for as loose a remit as possible in order for a privatised Channel 4 not to be constrained. Earlier on—I do not know whether you were in the room at the time—Claire Enders was arguing that, for it to be successful as a privatised entity and to continue to be a public service broadcaster, it would have to be more tightly constrained in its remit.

When you talk about Channel 4's remit at the moment, are you talking about the very specific requirements that it has to meet on an annual basis or something that is more generically described by Ofcom—or, indeed, Channel 4, bearing in mind that they do not say the same thing?

Lord Grade of Yarmouth: In public or private ownership, the less prescriptive the remit, the better. With Channel 4, you are trying to cut through all the noise, all the channels and all the choices. You are trying to capture the most precious commodity that the consumer has, which is time. You are trying to capture their eyeballs in the most appealing way. Therefore, if you are smart—and the present team certainly is smart—you are trying to do things that other people would not do, because your commercial survival depends on that. No Government or regulator can write down what you should be doing. It is just nonsense.

When I was at ITV the first time in 1976, I was director of programmes at London Weekend Television and we ran Glyndebourne on Sunday night across three and a half hours, in prime time. The world has changed. Nobody is suggesting that, because ITV does not run Glyndebourne any more in prime time, it has lost its public service remit. No regulation and no amount of statute can defy what the audience is telling the channel, and none of that regulation will survive in the face of economic hardship, which is the story of ITV. If you look at the loosening of the regulations and the remit of ITV over the last 10 or 12 years, you see that it is unrecognisable—but it is still a public service broadcaster. It

just would not have survived with the onerous legacy public service broadcasting requirements on it.

The Chair: Lord Grade and Luke Johnson, thank you both very much indeed for your time this afternoon. It has been a fascinating and informative session.