

Digital, Culture, Media and Sport Committee

Oral evidence: Channel 4 Annual Report 2016-2017, HC 364

Tuesday, 24 October 2017

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Watch the meeting

Members present: Damian Collins (Chair); Julie Elliott; Paul Farrelly; Simon Hart; Julian Knight; Ian C. Lucas; Christian Matheson; Brendan O'Hara; Rebecca Pow; Jo Stevens; Giles Watling.

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Witnesses

I: David Abraham, Chief Executive, Channel 4, and Charles Gurassa, Chair, Channel 4.

Examination of witnesses

David Abraham, Chief Executive, Channel 4, and Charles Gurassa, Chair, Channel 4.

Q1 Chair: Good morning and welcome to this session of the Digital, Culture, Media and Sport Select Committee on the work of Channel 4. My apologies for our slightly late start this morning. I welcome David Abraham and Charles Gurassa.

David, is this your seventh appearance in front of the Committee.

David Abraham: Afraid so.

Chair: We have appreciated your candour in front of us over your years as Chief Executive of Channel 4 and we are delighted we have the chance to have this final session with you before you leave at the end of the month. Thank you for sparing the time to come in today.

First, looking at the performance of the main Channel 4 channel: all the main five PSBs have seen a decline in their weekly reach over the last year, according to Ofcom, but the decline at Channel 4 has been greater than the other PSB channels. Why do you think this is?

David Abraham: Channel 4 as a PSB appeals to younger people and there are relatively fewer younger people coming into the population; also, their habits are very different. What that has allowed us to focus on is the fact that as a PSB we still do profile younger than BBC and ITV and services like E4 and All4 do profile as particularly young. We have seen a lot of digital growth over the last few years, which is made up, to some degree, from some erosion from the main channel, but it is worth bearing in mind that in the last two or three years that has been quite moderate. It is known that there is structural change occurring in the industry but it is important, I think, for the Committee therefore to look at ways in which public service broadcasting news and documentaries can reach younger people. The innovation that Channel 4 has shown over the last few years has allowed us to remain relevant and to deliver at scale because the alternatives out there for young people are obviously not mediated and not subject to the same regulatory framework.

Q2 Chair: Do you feel Channel 4 is in a more vulnerable position than other PSBs because of the nature of its audience?

David Abraham: Channel 4 has been prompted to innovate more speedily than some of our competitors. We were very early into digital channels so we have a more developed digital portfolio than our competitors. We rely more on our digital footprint than the other main PSBs. We were also very early into streaming media through 4oD and now All4 and very early into registered viewing as well, which allows us



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to personalise the experience of the content and to behaviourally target the advertising. These challenges have prompted us to innovate more ambitiously than perhaps some of our competitors who are relying more on older viewers as they age and as that cohort of the population gets bigger.

Q3 Chair: As you are advertiser-funded, can you compensate with increased revenues from online programming to make up for the decline in the traditional audience?

David Abraham: It has certainly been a fantastic growth area for us. You have seen in the annual report, over 20% growth in revenue year-on-year, and that is continuing this year. Online viewing is now a £100 million-revenue business for Channel 4, over 10% of our total revenue. It is something we have focused on and it is where we have seen healthy growth but that is not to say that we do not also prize the profile of Channel 4, and E4 in particular, in appealing to younger people. It is a balancing act that we have had to strike, also finding programmes that will make public service content relevant to those younger people. For example, "Channel 4 News" had extraordinary success in reaching younger people through social media, particularly on Facebook, publishing around 60 videos per week, which has positioned it as one of the largest providers of public service news to younger audiences. Again, examples of how the challenges have prompted us to innovate and move forward.

Q4 Chair: "Channel 4 News" has been set on reaching a bigger audience in that way but as all news creators find, the challenge of making money out of that audience is quite stark; you cannot advertise against them in the way you would have done in the past.

David Abraham: That is a very good point. If this was a standalone business in the news area, that would be very challenging, but of course Channel 4 operates a cross-subsidy model. There are parts of our schedule that are scheduled commercially to create profits that than are put back into those areas of the schedule that deliver the public value. For example, "Bake Off" effectively helps to pay for "Channel 4 News" and that is a good thing; it shows that the model is working. We are spending more on news now than we were five years ago and we are reaching more younger people as a result of the profitability of other parts of our schedule.

Q5 Chair: While the growth in online revenue is strong, is it strong enough to make up for a flattening off, a decline, in advertising against the main channel?

David Abraham: There are two components to that. There are the structural changes that are occurring over the long term and there are the cyclical changes that we face from time to time. It is well known probably, by the Committee, that since the middle of last year around the time of the referendum, a very strong level of TV revenue growth in the



marketplace suddenly stopped and we went into negative territory, where we have been pretty much ever since. That is to do with how we manage our balance sheet and we make sure we can keep investing from the surpluses in the good times to deal with those cycles. We have demonstrated through a number of those cycles that we can do that.

Then there is the structural change and that is about the rate of investment in innovation. It is worth bearing in mind that Channel 4 was the first broadcaster in the world to introduce a data-led strategy and data-led platform that allows All4 effectively on multiple platforms—I think it is on 17 different platforms now—to be personalised to individual users. This allows us to sell the advertising at a premium and also to enhance the experience for the viewer.

Again, the rate of innovation in terms of the pace of structural change needs to be carefully managed. Overall, I remain very optimistic about linear television and commercial television, mainly because it still is unique in its ability to deliver big cultural hits and moments, and live moments like the Paralympic Games, where the whole nation can come together. Clearly rights will always be competed for, but what we have demonstrated, whether it is through “Bake Off”, Formula 1 or the Paralympic Games, is that we can still compete very creatively and innovatively around those rights and bring the nation together in those key moments.

Q6 Chair: So I am clear, what, in cash terms, is the decline in income for Channel 4 from declining advertising on the main channel this year?

David Abraham: The television advertising market is predicted to be down between 4% and 5% overall. On a year-on-year basis, we are around £40 million to £50 million down from where we were last year, in revenue terms. Obviously we haven’t got to the end of the year yet and we have an important set of weeks ahead of us, but versus the budget that we originally had this time last year, when we would have expected some growth had the economic slowdown not occurred, the delta between the growth expected and where we are is quite large spread. This TV recession has now lasted as long as the 2008-2009 recession—it is about 18 months. Obviously that is reflected in our revenue numbers but what we have been able to do is to protect the spend on originated content and keep that at record levels. You have seen in the 2016 report that we have spent £500 million on originated content in 2016 and we are quietly optimistic that we can retain that level of spend going into this year.

Q7 Chair: But the numbers, from the figures you have given, are still quite a strong illustration of how, although online revenue is growing substantially, only about 10% of the advertising revenue for Channel 4 comes from online platforms.

David Abraham: Yes, but I think we should keep this in context. Remember that this 2016 annual report shows record revenues of just



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under £1 billion. When I took this job, it was almost £200 million lower than that so on a long-term basis NAR has been in positive territory and I think it will continue to be so because advertisers will continue to value the reach and efficiency of the medium of television advertising.

Q8 Chair: Are you worried about the inflationary impact on TV production of major investments from the American platforms like Netflix and Amazon?

David Abraham: There are pockets of inflation, certainly in scripted. The Committee will be familiar with, in a sense, the great opportunity that has provided for British writers, directors and producers, to compete in the global marketplace. What we have found so far is that there are many more co-production opportunities. "Electric Dreams", which has been on on Sunday nights over the last few weeks, is a co-production with Amazon. We are not paying the majority of that budget but we are creatively very involved in the inception of the project. In drama, the model has followed in a similar vein to how Film4 operates. We develop talent relationships in the UK, we nurture projects and content, and then our involvement in projects attracts international co-finance. What we are seeing is a flourishing in those partnership opportunities and we are partnering as much with Netflix and Amazon and Hulu as we are in effect competing for that part of the marketplace in which the viewer is finding an alternative to live television and going to the SVOD players, but as the Committee will be familiar with, that is still a relatively small proportion of total TV consumption.

Q9 Chair: But this is potentially the biggest revolution in television since pay TV arrived, in terms of a whole range of new players with almost limitless budgets.

David Abraham: Absolutely. I remember the Committee saying to me in 2010 that Sky was going to outspend Channel 4 on UK-originated content. We have managed to keep up our spend and still be an incredibly important force within the independent production sector. Channel 4 makes up a bigger proportion of spend than any other individual PSB. One must look at this in the round in terms of our role in the economics of the industry. The industry creates global opportunities. Sometimes off the back of IP that Channel 4 has helped to instigate on its channels, whether it is shows like "Gogglebox" or "Undercover Boss", "First Dates" or many other examples that get tested on Channel 4, the producers retain that IP and can take that to dozens of countries round the world. At the same time, Channel 4 can acquire fantastic international content, like "Handmaid's Tale" for example, which was big hit for us over the summer, and bring that to the delight of our audience as well. We see it being a big global market in which there are many opportunities and the relationships that we develop with that market are key, as is the talent of our commissioning teams to make those judicious decisions for the content that works for our brand.

Q10 Chair: There is a challenge for British broadcasters with which you will be familiar, not just for Channel 4 in its commissioning but also for even the



BBC, in that the costs of putting together drama productions, certainly at the higher end, become so great that those programmes will only be made by people taking a percentage stake in the production. The real power will then lie with production companies initiating these projects rather than the ability of commissioners to determine what they want.

David Abraham: You have to be careful because the British viewer still really appreciates British stories and British productions and it is difficult to envisage any individual global SVOD player being able to create the equivalent amount of projects that the combination of BBC, ITV, Channel 4 and Sky produce for UK viewers but that is not to say that in certain projects that are highly desirable there will not be some inflationary pressure. The thing is that there is no monopoly on good ideas and therefore that is one of the roles of Channel 4—to stimulate new talent and to create new opportunities for people who may go on to sell their ideas to the global players. Certainly, if you look at, for example, the career of Steve McQueen, the first, second and third projects he did, which led to “12 Years a Slave”, were all done with Film4. So there is nothing wrong in us helping that talent to grow. It is part of what we are here to do.

Q11 **Chair:** Finally from me, do you feel that the audience is shifting in a very significant way; that while there are live events that bring the country together—they have been remarkably robust in their audience share and online interaction with a live programme is part of the modern enjoyment of it and it is hard to see that going—consumer preference is increasingly going down the road of them being able to directly access and stream content whenever they want to watch it, as quickly and frequently as they want to watch it?

David Abraham: The latest data would suggest that the growth in VOD is slowing—it is still growing but that growth is slowing. There is one thesis that says what I have been living through in the last seven years is the greatest amount of structural change that we are going to see over the next few decades because of the combination of the rollout of broadband, the rollout of smartphones, and 4G, all combining to create new opportunities to consume content in new ways. Some observers are saying those changes are beginning to settle down and here we are with the PSBs still accounting for over 70% of viewing. So I don’t necessarily subscribe to the view that the kinds of changes that are occurring in America are immediately transferrable to the UK. Why is that? Because effectively American viewers can only access television through packaged, bundled services, the advertising load of their free-to-air television is far more intense and therefore the gap between that experience and, for example, Netflix, is that much greater, whereas half the viewing in the UK is still to an effectively commercial-free experience on the BBC. We are blessed in this country, thanks to wonderful regulatory structures, with a different set of circumstances, in which I think the underlying health of the PSBs is something I remain very positive about.



Q12 **Rebecca Pow:** Welcome, gentlemen.

I was particularly interested in the young people you attract to watch because percentage-wise you are getting more young people viewing than other ages, which is great news, obviously. What do you put that down to? Are you putting a lot more research and effort into focusing what you produce for that 16 to 24 age group?

David Abraham: We do put a lot of research and effort into it. We obviously have a brand, Channel 4 and E4, that has a heritage of being relevant to successive generations of younger people. If you go back to the origins of Channel 4 itself, it was always aspiring to address market needs. Television back in the 1980s was quite staid and not as competitive as it could have been and Channel 4 invited into the living room producers, voices and talent that the public had not seen before. There is a connection between those original purposes and where we are today.

More specifically, we have put serious money behind the important projects. We have maintained our investment in "Hollyoaks" over many, many years. This year we have invested multimillions in a new schools drama called "Ackley Bridge". E4 remains very potent with young people as an alternative digital channel that they can go to and we are constantly on the lookout with producers to find new shows that will appeal to that audience. Indeed, the consumption of the content on All4, which we have invested in very heavily as a software solution, really does allow for the lifestyles of younger people who are increasingly consuming on their mobile devices.

It is a whole package of things but a lot starts and ends with the allocation of budget.

Q13 **Rebecca Pow:** Percentage-wise, does that make more profit?

David Abraham: Certainly advertisers do value the fact that as a national set of networks we are appealing to younger and desirable audiences. There is a view within the advertising community that if you create habits among young people, they will stick with those brand habits through their lives and therefore if you have a combination of young and upmarket viewers, which we do, that you can command a good rate for selling the advertising to those players.

Q14 **Rebecca Pow:** Are you?

David Abraham: Yes.

Q15 **Rebecca Pow:** Your strapline is innovation, diversity, talent. Do you find that this area is an area where you can get all that in?

David Abraham: We have to do it in a variety of different ways. The news proposition appeals to a more diverse group of younger people; the younger sections of the population are, by definition, more diverse than the older parts of the British population. So, by definition, the style, the



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tone, the content, the presentation, is thought through to be relevant to those audiences and these things go together; they are all part of the culture of the organisation, what people come into the organisation to achieve creatively.

Q16 Rebecca Pow: Would you consider expanding this area, given it seems to be one of your most successful areas?

David Abraham: We definitely aspire constantly to maintain the share of 16 to 34s, both on Channel 4 itself in prime time, but also through the digital services. You have seen significant allocations of budgets, both in the specific 10 to 14 and younger and older children area over the last few years, and that is set to continue. This year we have recommissioned "Ackley Bridge" to come back in multiple episodes. That is an investment of, I think, well over £10 million, so there are concrete examples of us putting very significant budgets behind that part of our strategy.

Q17 Rebecca Pow: I want to divert a bit and I register an interest here, having done six years on Channel 4 doing a gardening programme, a few years ago, long before you gentlemen arrived.

Chair: Did you produce a book, as well, following that programme?

Rebecca Pow: I did, actually. I think I bought all the remainders, but I've sold them all.

The environment, the countryside, is an area that I am particularly interested in and we are led to believe that young people are genuinely interested in this area. Is it something that Channel 4—I have not particularly noticed it—would focus on or are thinking on, if you are trying to widen your interests? You do have this remit to, not exactly to educate, is it, but you are a public sector broadcaster and you do have this remit that you have to introduce culture and all sorts of subjects that the nation ought to know about. Is it an area you are thinking of going into? It is very successful for the BBC, David Attenborough, and so on.

David Abraham: Yes. We do have our natural history programmes and we have "The Supervet" and "The Secret Life of the Zoo". We have a programme called "The Island" about survival in remote areas. More4 has lots of programmes about people who are doing adventurous things with their homes in different parts of the UK. Of course, "Grand Designs" remains an extraordinary programme at the heart of our schedules, which often deals with environmental design. We do handle these things in a number of different ways and I am sure we will continue to do so.

Rebecca Pow: Shall I swiftly move on to "Bake Off"?

Chair: Yes.

Rebecca Pow: I am linking my two questions, so we are going to move to "Bake Off".

Just out of interest, obviously it is a hugely popular programme, do you think that is the right way to be spending your money, pitching against



another public sector broadcaster for buying a show?

David Abraham: Just to correct you on that, we did not steal “Bake Off” from the BBC. The show is made by an independent producer, which was bought by Sky. The IP is owned by the producer and they are within contract, within their rights, to test the market value of that property.

Q18 **Rebecca Pow:** But you were both bidding against each other, you and the Beeb, weren’t you? Is that not right?

David Abraham: No, that is not strictly the case. I cannot speak to the relationship that unfolded between the producer and the BBC, but at the point at which the producer was looking for an alternative home for the show—they had a strong history with Channel 4, producing lots of important documentaries in our own history, and in fact the founder the production company used to work at Channel 4, so had strong relationships with us—they were looking to protect the show and to optimise its value in the marketplace, which I think the Committee would agree is underpinning the health of the independent production sector, the fact that there is open competition between the independent producers for slots within the PSBs. This was the product of market forces playing out and we only intervened at the point when a decision had been made that the producer was leaving the BBC.

Q19 **Rebecca Pow:** Okay. That did not come across very clearly in the publicity surrounding it, I must admit, but you still spent £75 million, I believe, on purchasing the right to broadcast it.

David Abraham: We won’t comment on the figures—it is a three-year deal—but what I can reassure you of is that as it is now one of the biggest hits in commercial television the advertisers value it hugely. It also is a show that appeals significantly to younger audiences, which might surprise the Committee. It is hugely popular with 16 to 34s. I would like to think that Channel 4, with the producer, has done the audience a service in refreshing the show.

Q20 **Rebecca Pow:** I would like to take issue with that because I have watched it. Your remit is innovation. What is innovative about the new show? You have three different presenters but they are all old-hat presenters that we have all seen everywhere else. Excuse me, if they are listening.

David Abraham: I will answer the question in two ways. One is that, as I was saying earlier, we operate a cross-subsidy model, so this is a commercial hit, which is helping to draw in audiences and help pay for other parts of our programming that are not profitable. That is at the heart of the Channel 4 model so we make no apology for acquiring a hit that helps us do that.

With regard to the show itself, obviously it is a much-loved show, but like all shows needs to be kept fresh, not by meddling with the format—we



never said that we would do that—but there has been, I think, some imagination applied to the casting of the show.

Q21 **Rebecca Pow:** What is fresh about it, apart from the ingredients?

David Abraham: I am not defending the show on that level. I am saying it is a show that is working for us brilliantly well in our cross-subsidy model and it also is a show—from audience feedback and the reaction in the media—that many people prefer in its new guise to the version that was on the BBC. That is obviously subjective but I think it has been a successful transfer and therefore—just to correct once more, this was not a snatch from the BBC—it was a consequence of market forces at play.

Q22 **Rebecca Pow:** Very finally, Lord Sugar was heard to say that it is not morally correct for commercial channels and greedy production companies to buy-off shows the BBC made successful.

David Abraham: That perhaps reflects a lack of understanding in how the independent production sector works. We have a very vibrant and competitive marketplace for companies and ideas and this is driven by policy. The terms of trade that the Government have created and the conditions in which that competition occurs lead to outcomes that are deliberate. This is about people maximising the value of their IP. I think we should celebrate that and that is part of what Channel 4 is here to do.

Q23 **Chair:** You could sympathise, though, with the general criticism. We really should not have a landscape where different PSBs are bidding against each other for programmes. You came in at £25 million a year for “Bake Off”. The BBC was offering £15 million. If you had not come in and the extra money that Love Productions wanted for the programme was not available elsewhere, who knows, they may have gone back to the BBC and re-opened negotiations.

David Abraham: Chairman, do you think it was wrong for Channel 4 to bid against the BBC for the Paralympic Games?

Q24 **Chair:** That is different. The format for a sporting competition is pretty much set. It can be very innovative is the way you cover it, but having a competitive landscape for sports rights is slightly different from Channel 4—or the BBC; the criticism would be the same both ways—just seeking to acquire a programme off another, at an inflated price, primarily because there is an expectation that the creative input, in terms of the origination of new works, is part of the remit.

Charles Gurassa: I think, Chairman, that the categorisation of it being two PSBs bidding against each is not correct. What you had was a situation where the owner of the IP had concluded that they were going to leave so the choice we faced at Channel 4 is do we bid for it or not. If we do not bid for it, what are the consequences, and if we do bid for it what are the consequences? If we did not bid for it, we know it would have gone to one of our commercial rivals and they would have paid, in a competitive tender, whatever the price was. What would the impact have



been for us? It would have been that the advertisers, who we compete for, would have flocked to that particular channel that won the bid, at our cost. So this was not a nil-cost option for us. We knew that if we were unsuccessful we would see millions of pounds of advertising—because this is the biggest show on UK television—potentially going to a competitor. On the positive side for us, if we were able to win it from the other channels who would have liked to have bought it, we knew we could generate profit from this, which we could plug into the Paralympic Games, into our news coverage, into youth, into developing our digital channels. So for us, it was not a question of we were competing with a PSB, we were not, we were competing with the ITVs, the Skys and the Netflixes, all of who would have paid considerable money for the show.

Q25 Chair: Are you aware of how many other people were interested in taking on “Bake Off”?

Charles Gurassa: We certainly know, in private, of other people who were in conversation at the time, yes.

David Abraham: Netflix are on record as saying they would have been delighted to have got the show. So, again, these are market forces at play and Parliament has wished to see more slots opening up on the BBC. The direction of travel of the new charter is to open up slots by 2022 to 100% levels. So it is inevitable that you are going to see this kind of open market behaviour playing out and on one level, is that not part of the intention of having the PSBs, that they stimulate these kinds of opportunities and this kind of value creation?

Q26 Chair: I suppose what we struggle with, with this, is I think for the BBC to say there is a certain amount of money we are going to pay for this programme and if the production company wants more, then good luck to them. That is a difficult call but the right one to make. If it goes to a commercial platform, then that is fine. But some people might say the challenge for Channel 4 might be to come up with your own version of it, your own format, and make that work, rather than just to acquiring a format from the BBC.

David Abraham: If Channel 4 was failing to develop lot of original, fresh IP, and if Ofcom’s view of the delivery of our remit was that we were failing to do that side of what we are meant to be doing, and then we acquired “Bake Off”, I think I might agree with you. But this happened at the end of a record year of remit delivery that you see in this report, record amounts spent on original content, record amounts of creative awards for the originality of what we have been able to achieve with that money, and then this commercial opportunity arose. These things do not come along very often and it was based on a relationship that we had with the producer. So while I think we did take a lot of flak for it, a lot of the flak has not been accurate and let’s celebrate the fact that the show is now refreshed, it is strong, and it is contributing to the overall economics of Channel 4.



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Q27 **Rebecca Pow:** Can I come in on that? Actually your audience figures dropped, didn't they, by 4 million; 6.5 million for the first showing, down almost 4 million?

David Abraham: Again, that is not strictly true. On Channel 4, the show has been higher than all of its showings on BBC Two and higher than its early showings on BBC One. What you are comparing with is the finale numbers of the last series on BBC One. Of course, we have a little bit longer to go before our finale, but it has been averaging, on a consolidated basis, over 9 million on Channel 4, and with repeats, over 10. This is the biggest show that Channel 4 has had on since the early days of "Big Brother". It is a phenomenal success and it is bringing in lots of young people. By any measure, this is a commercial hit.

Q28 **Chair:** As a commercial transaction, are you hitting your targets in terms of the revenue the programme is generating?

David Abraham: Absolutely. We are meeting and exceeding the targets we set for ourselves on the project.

Q29 **Ian C. Lucas:** You mentioned the terms of trade, just a moment ago, and you sound very happy with the current arrangements in place. Is that the case?

David Abraham: I don't remember saying that.

Q30 **Ian C. Lucas:** In broad terms, you were defending the model.

David Abraham: Because in a sense the model has been introduced by Parliament, and I was simply pointing out that it is a consequence of the model that you, as legislators, have introduced, so therefore it shouldn't surprise you that the market behaves in the way that it does.

As a separate topic, during my tenure I have raised the issue of whether or not the specifics of the terms of trade with regard to Channel 4 need revisiting, but that is a slightly more technical issue with regard to how we can keep investing as a commercial PSB. However, that does not affect the broad principles that the BBC is using third parties to develop IP that it does not control itself. If the BBC had created this programme, created strictly, the history would have been very different.

Q31 **Ian C. Lucas:** You are leaving shortly. For Channel 4, how should the terms of trade change? What would be best for Channel 4?

David Abraham: In 2014, in Edinburgh, I proposed that we revisit the terms of trade because they have various limitations on them with regard to how they are deployed in the real world. It is the case, even though we have multiple channels and multiple platforms that we operate under, we are still, as it were, buying a licence from the producer that lasts one year and then having to negotiate all the other components on an ad hoc basis. This strikes me as being quite inefficient.



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Secondly, we have had a lot of consolidation and the Committee has discussed that in previous years. The question becomes about some of those core purposes of the terms of trade benefiting what we call qualifying indies versus the consequences for those companies once they become non-qualifying indies; that is, once they become acquired by either a platform or a studio that vertically integrates them into their overall model. It is simply to say that there has been a lot of historical change. I have never proposed that these structures should be repealed. I think they are very healthy and positive for the sector overall but I do think it is commonsensical for us to, from time to time, revisit how they work in action. Also, if that contributes to the long-term sustainability of Channel 4, that has to be good for the sector as well.

Q32 Ian C. Lucas: One of the very interesting things you have done is that Channel 4 has taken stakes in independent production companies. Is that just the in UK that you have done that?

David Abraham: Yes. So far it has been. There has been one player that we have invested in, Walter Presents, that does international drama and provides that as a service on All4, and that has begun to package that up and sell it on Amazon and other players in the States, literally in the last few months, but all of our other investments in indies themselves have been in the UK.

Q33 Ian C. Lucas: Could you give me some idea of what proportion of that would be regional independent production companies, outside London?

David Abraham: One of the best examples we have of this new strategy is True North, a Leeds-based indie. I think they were under 50 people when we first invested in them and it is now a company approaching, I think, 150 to 200 people, with offices in Leeds and Manchester, and they are now beginning to produce content in the United States. We took a minority stake in them. That money went into helping them expand their capacity and at the beginning of this year, they took a decision to sell to Sky and therefore the return on that investment, from a Channel 4 perspective, is now being reinvested in other companies.

Last week there was a company called Renowned, run by a diverse group of very young people, that we sold to an American company.

We have invested in Firecrest in Glasgow, specialising in factual programming, based in Govan. They are a company that I think will have a very bright future.

We have not imposed regional quotas on the programme, but we do have some fantastic examples of investments we have made outside London.

Q34 Ian C. Lucas: I am very interested in this from a regional perspective, which we will probably come to later, but it seems to me that this is a good way of Channel 4 contributing to developing capacity in the regions of the UK. I have a lot of students in my area, who live in my area, who want to get into film, television and so on, but the number of production



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companies in the regions is not what we would like it to be. Would you like to see this type of investment expand and continue, to try to develop work in the regions?

David Abraham: Obviously that would be a decision for the board and my successor.

Ian C. Lucas: But I am asking you the question; you can tell me.

David Abraham: Certainly the chairman and I have been huge supporters and enthusiasts for that concept and in fact we have been working on a number of ideas to create a fund that would be significantly bigger than the one that we have had so far and could be based outside London.

Then you get into debates around how the balance sheet of Channel 4 should work, because obviously we operate that balance sheet with no debt and we do not have any private partners in these investments. Were we to be permitted to operate in a more creative way in terms of how we invest, a less conservative way than we have up until now, I think the opportunities for us to plough more money into the production sector outside London are absolutely there.

I don't know if Charles wants to say something.

Charles Gurassa: Let me add this. I met, at the Edinburgh TV Festival, the founder of Firecrest, a small news and current affairs producer in Glasgow, as David mentioned, and it was fascinating talking to her about how we had transformed her business. She said what we brought was not just capital—that was important—but we brought expertise and insight, both in terms of running her business and also enabling her business to distribute to market. As a result of that, she said, her business had tripled since we had invested. I am a strong believer that that combination of know-how, insight, and capital is something that we uniquely can bring and we should look to build—it will be Alex Mahon's decision when she joins but I would be very supportive—upon the platform that David and his colleagues have created.

David Abraham: A couple of other great examples. Nimble Dragon, a new company based in Cardiff. We put output funding into that company to help them get going and they have some very significant returning business with Channel 4. There is a company in Northern Ireland, called Big Mountain, that has just had what I am told is one of the biggest orders for a programme about genealogy that is coming on Channel 4.

What we have learned over the years is there a way of seeding money into companies, helping them build capacity, and then creating the opportunity for equity investment to create a sustainable, self-sustaining, fund, which can then benefit the next range of companies coming through. This is something we have done on Film4, as well, where we have tried to run the slate on a more sustainable basis. That is at the heart of what we have focused on over the last few years.



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Ian C. Lucas: Thank you. You need to come to Wrexham, obviously.

Chair: A couple more quick questions on this before we move on. Giles Watling and then Chris Matheson.

Q35 **Giles Watling:** You have stakes in a number of independent production companies. The question that comes to my mind: in your search for ideas, innovation, and so forth, is it possible that great creative ideas might get overlooked because you quite naturally look towards the companies that you already have stakes in. Do you think you could level that playing field?

David Abraham: It is a very important question and when we designed the fund, we designed governance structures, which are overseen by the board and by our auditors, to ensure that decision making is separated, so there are no output deals between us and any of these companies. If these companies do pitch for slots, they are doing so competitively and it has to be conducted at an arm's length basis from the team in the organisation that is managing the investments. We have been, I believe, very diligent in how we have managed that. We have many examples of investee companies that, frankly, spent quite a lot of time telling me how they would like to have a lot more business with Channel 4, and we have one or two examples of companies that have done quite well out of doing business with Channel 4, but they have had to pitch for that business and they have had to demonstrate that they are the best people for the job.

Q36 **Giles Watling:** So you are saying you are led by the ideas rather than by the financial stake.

David Abraham: Absolutely. We want to see these companies thrive. We are all broadcasters. We want to see them sell ideas internationally. If it just so happens that that fulfils some of the scheduling needs of Channel 4, fantastic, but we have not set out to build these businesses as in-house producers for Channel 4.

Q37 **Christian Matheson:** One question. In the past, when you have been before this Committee, I have conveyed to you complaints from small production companies that they will come up with ideas to Channel 4 for commission, Channel 4 will like them and will commission them, but will take on a larger production company that might have had a previous relationship with Channel 4, in order to complete the commission. To your credit, you admitted at the time that this does go on, on the basis that you wanted to ensure that whoever took on the commission had the capacity to make it happen.

I say to your credit, I am still not happy with the situation but I was grateful for the response at the time and for the honesty.

How are you ensuring that smaller production companies are being given a fair crack of the whip when it comes to commissioning?

David Abraham: To be really specific, we would never defend that IP coming from a small company would not be respected and we have very



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specific protocols to ensure that, but we may, from time to time, if it is an untested company, say we like that idea but in order to ensure that the execution of that is reliable, we pair people up with companies that have more capacity. But we would always respect the IP.

With regard to the smaller companies, this is to the heart of why Channel 4 exists. We work with more independent companies than any other PSB channel. The report shows we worked with 317 companies in 2016. That means we interacted with probably over 400 companies. That is a very intensive part of how we do what we do. It is one of the reasons we have a relatively larger commissioning team, because it takes time to build those relationships, travel around the country, and interact on specific genres, so that all genres are interacting with all of the talent around the UK.

I think the progress has been good and the trends support the fact that we are spending more money outside the M25 than we did five years ago, with more companies, so the direction of travel is very strong, and it is something we are very committed to. This is an industry that constantly reforms itself in terms of companies that are doing well, who sell, and effectively become departments of bigger companies. People then leave and they set up, or join up with younger people, and form new companies. It is part of the health of the sector and Channel 4 is committed to stimulating that process. The facts would support we are going in a good direction but of course for individual examples of companies needing support our doors are always open.

Q38 Chair: Moving on. Last month Ofcom found against “Channel 4 News” for breach of the broadcasting code for identifying the wrong person as the Westminster Bridge attacker. What are you doing as a company to make sure that the lessons from that very serious mistake have been learned?

David Abraham: This was a very rare and a very unfortunate incident that happened under tremendous pressure on a day that I am sure everyone here was affected by. It was a factual error that was corrected during the course of the programme and obviously Ofcom has then instructed us to issue an apology and a clarification, which we did broadcast in the last few weeks.

The broader review that we would do regularly as the commissioner from ITN of a nightly news programme, is to ensure that systems, practices and approaches are kept up to date, that training is put in place, and that chains of command and lines of communication are as swift and as clear as we would expect them to be.

It is worth bearing in mind that “Channel 4 News” is an award-winning nightly news programme, highly respected, and it is often breaking news stories in a way that no other channel does. This was, thankfully, an extremely rare, though a very serious, breach and we as a board and as an organisation, along with the management of ITN, have definitely learned from it.



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Q39 **Chair:** This would be a board-level discussion?

David Abraham: Yes, absolutely. It was of that magnitude.

Over the past few years, the question I have had about "Channel 4 News" is about whether or not it can maintain its relevance. The last three years have demonstrated, with the growth of the share of the news programme, the appeal on social media of the programme, that it is a great success. Obviously, we are not perfect. A human error occurred. It can happen under tremendous pressure and I am confident that we will learn from it.

Chair: Charles, do you want to comment?

Charles Gurassa: Yes. Clearly, the board were concerned. We had an independent review undertaken of the practices and processes, both at ITN, who are our subcontractor for the news, and within our own news organisation, and how those two organisations work together, and that was just to give us comfort that we had learned the lessons, that the practices and processes were fit for purpose, that the culture was fit for purpose, and that if there were issues identified, then an action plan was put in place to ensure that this would not happen again.

Q40 **Chair:** You said, David, that it was human error. Charles has said that the processes are fit for purposes. Are you saying that it was that someone made a mistake, that someone made an editorial decision that should not have been made, by allowing that the piece to be broadcast as it was?

David Abraham: Very experienced journalists working under tremendous pressure received information from reliable source, which proved to have been in error, but during the course of the programme different information came to light, which then led to corrections being made during the broadcast. Obviously everyone will appreciate the exceptional circumstances in which the story was unfolding, but it was an error made under pressure.

Q41 **Chair:** In terms of the processes, though, would it not be the case that on something like this, the editor of the programme would want at least two verified sources before making a decision to name the attacker?

David Abraham: In normal circumstances, with more time, you might be right, Chairman. In a news story of this magnitude, with the reliability and seniority of the sources at the time, a judgment was made. I think it needs to be put in context. Channel 4 tends to not to be a breaking-news live channel in that sense.

Q42 **Chair:** The timing pressure doesn't exist in the same way?

David Abraham: Yes, it was the co-existence of the fact that the programme went out at 7.00 pm, which obviously was while the story was still playing out and it was a rare occurrence. On a normal news day you probably would not get that concurrence of events. We definitely



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learned from questioning ourselves as to the role of “Channel 4 News” at a moment of breaking news and lessons have definitely been learned.

- Q43 **Chair:** It sounds to me as if it is human error, someone has made a call, which was the wrong call, and it seems from what you are saying the processes are such that had they been adhered to that mistake would not have been made.

David Abraham: Again, there are matters of judgment, aren't there? This is not a science.

- Q44 **Chair:** Processes should not be a matter of judgment. There is a way of doing things, which is set out, and if someone deviates from that, that is their mistake. If the way of doing things is wrong, then it is a process failure.

David Abraham: Yes. It is a programme that goes out for an hour, five nights a week, and the reliability of the programme is second to none 99.9% of the time. Of course you can look back now and say an event occurred when people were having to rush back to the office, they were having to communicate under pressure, and what has happened has happened and we have learned from it and we have issued an apology. We have to keep it in context of the tremendous success of “Channel 4 News” in recent years—the number of important news stories that they have broken, the reliability of the journalism when it operates under circumstances that are less extreme—and let us hope that these circumstances never happen again.

- Q45 **Rebecca Pow:** Relating to that, do you think that Channel 4, in its news output, feels a competitiveness with, say, the BBC, because there is an element of we want to be the ones that are the first to break the story, because we get better audience figures. Often, in newsrooms, that is what happens; you want to beat your rivals.

David Abraham: That is an insightful question. I would say that most of the time Channel 4 is not trying to beat anyone in terms of the velocity of breaking a news story. Most of the time we are investigating areas of the national agenda or the international agenda that other people are not going to. Yesterday, last night, we reported from Myanmar. Our international news coverage is more committed and more prevalent than any other national news broadcaster and we do more of it and more hours than anyone else. Last night, on “Dispatches”, straight after the news, we did a whole piece about low pay. The way in which we bring broader stories to national attention and do so with more diverse audiences is really what is at the heart of the programme.

- Q46 **Rebecca Pow:** But to the Chairman's point, to rush to make an announcement about who the person was that was perpetrating the crime, one might want to do that to beat your rivals, but process has to be followed. Was it a strong enough process? Do you feel that that will not happen again? Because that would, potentially, bring Channel 4 into disrepute as news broadcaster.



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David Abraham: I can absolutely reassure you that the review has been detailed and everyone involved has engaged fully with the process of the review and lessons have been learned. I am confident that we now have in place learning that will avoid this happening again.

- Q47 **Simon Hart:** You mentioned earlier on the success of your online news, your appeal to younger people and your use of Facebook in order to enhance all of that, which is a rather different place to the nightly, more analytical news programme that you broadcast, which I can understand you have a bit more time to prepare for. Rebecca's question about pressure surely applies even more so to trying to keep up with ferocious online competition. Do you find that has led to putting intense pressure on journalists who realise that it could be a matter of seconds before somebody else breaks a story online, which could have been yours?

David Abraham: To be clear, the proposition of "Channel 4 News" online is not to break the latest story ahead of the other channels.

- Q48 **Simon Hart:** But you would if you could, wouldn't you?

David Abraham: Actually, no. What we are actually doing is repurposing interesting video-based reports, interviews and stories, but repurposing them into bite-sized chunks that are consumable for a mobile audience in a very effective way. So the brief, the proposition, of that service is not to break news. What it is, is to take the essence of what "Channel 4 News" is and repurpose it on a daily basis for consumption in a more mobile environment and to do so in a way that appeals to younger people. Interestingly, it is also appealing to a global audience, because a lot of that viewing is increasing the PSB perspective to global consumers of British content, which I think is a very positive thing.

Charles Gurassa: To give an example that might illustrate that, our single most-watched online piece of news coverage was coverage from Aleppo, where we had a journalist embedded and giving a very moving coverage from a hospital. That registered some 44 million views. It was not breaking news, it was an in-depth piece, which gave people insight into a very moving and powerful story.

- Q49 **Chair:** On this point about breaches of the broadcasting code, David Abraham you said this is a very rare incident but it is the fourth time in three years that Ofcom have found against Channel 4 for breaches of the broadcasting code because of the accuracy of its news. That would suggest it is not very rare, it is more frequent than it should be.

Charles Gurassa: Mr Chairman, I think that is absolutely fair and accurate, and it was exactly the observation of the board when this happened. David is right to point out the fabulous job that "Channel 4 News" does, but this was one occurrence too many and that is why we as a board requested an independent review, that the practices, processes and culture were as they needed to be and that the lessons from the incidents that you refer to had been fully absorbed and implemented within ITN and within Channel 4 to ensure it did not happen again.



Q50 Chair: One of those instances was rather similar. The way in which a story is packaged up and the way people have taken part in that, have been interviewed, have been described. One of the other incidents was after the Shoreham air disaster in 2015 where two of the victims were named by "Channel 4 News" before the families had been informed, which is pretty shocking. Again, similar to the Westminster Bridge attack, it is someone, in a moving story, making a decision and getting it wrong because they have not checked. What are you saying to ITN about this? Four occurrences of this in three years is too many. Are you prepared to say to ITN, "If you can't improve your standards we will go to another news provider"?

David Abraham: You are absolutely right. If we were to see this happening again, that would be the nature of the conversation. But we also have a lot of confidence in the quality of what they are doing if you put it in the perspective of how many reports they are putting out on a daily basis and the integrity that they operate under the vast majority of the time. Absolutely you can't defend those breaches. They have occurred. But I think they go hand in hand with a news programme that offers something different, that occasionally probably does take some risks that lead to very positive outcomes for the plurality of our news, and the quality, and the alternative voices that you expect from Channel 4. What we are trying to do is make sure we do not stifle that and end up with a news programme that is not offering an alternative to the viewer. While these events are unfortunate, I would absolutely encourage you to keep them in the context of what we are trying to do as a news provider, trying to do something different, and succeeding the vast majority of the time.

"Channel 4 News" is an extraordinarily important brand for the UK viewer and particularly at a time like this, where these very high broadcast standards that we are rightly kept to, should be compared with and put beside what is going on in the unregulated digital side of the media universe.

If you look at the trust levels that the British public have among the PSBs and the role that Channel 4 has, in this annual report when you look at which news programme is more independent of Government and more independent of big business, "Channel 4 News" comes out top by a very significant margin. That has to be a good thing for all of us, even though, along the way, we will make no bones at all with the fact that Ofcom have correctly held us to account for procedural breaches, but these are not breaches of investigations where we have made false accusations and gone down blind alleys in terms of the journalism. These are all to do with procedural things that happened in the heat of the moment, and that we must learn from.

Q51 Chair: One of the occurrences was a 2014 report about Russian assertive military and foreign policy that included audio clips supposedly of a RAF pilot intercepting and warning a Russian military plane in British airspace



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and that plane turned out not to be a Russian military plane but a Latvian cargo plane.

David Abraham: Again, that is not a false investigation, is it? That is a mistake to do with—

Chair: The story is that it was a Russian plane and that was false.

David Abraham: It is a mistake. What I am saying is, it is not a fault of the journalistic process in terms of the stories that we are putting out.

Chair: But it is. The journalist got it wrong. The journalist got it wrong and was able to present that to the news editor, who agreed to it going out.

David Abraham: I think you hear my broader point, which is that—

Q52 **Chair:** I do, but I am not sure I agree with you that the broader point is helpful. Having an alternative view on the world's events and covering them in different ways is to be applauded and indeed many people very much enjoy the coverage of serious events that "Channel 4 News" gives people and Charles Gurassa mentioning the coverage of Aleppo is really good example of that, but what we are talking about here is basic points of process and accuracy in reporting important breaking news stories. Getting the name of the Westminster Bridge attacker wrong is not an alternative way of doing the news, it is just a mistake.

David Abraham: Listen, we are clearly not defending that, but we are trying to keep it in the context of what the programme is there to do, and the fact that it delivers important journalism five nights a week and is really appreciated by its audience, and among younger people in particular, and more diverse audiences, who appreciate that different tone of voice. These I see as separate factual procedural errors that we are absolutely learning from but at the same time my job is also to deliver to the remit you give us. I think we should celebrate the fact that Channel 4 has been able to invest more in its news and current affairs output than at any time in its history and we are winning more awards for that—versus the BBC, which has literally thousands of people working on its news coverage—and doing so in a really original way. I am just trying to keep this learning in the context of that broader success story.

Charles Gurassa: If I may, David, just for the avoidance of any doubt, we have made it absolutely clear to our provider that process mistakes like this are unacceptable. They have accepted the findings of the independent report that we, as a board, commissioned and are putting those into practice. There is no reason, in my view, why we can't deliver all the brilliant things that David has described, but cut out the sort of mistakes that you have referred to.

Q53 **Chair:** These are mistakes of either process or editorial judgment and they should not occur. If they occur again—and David Abraham has alluded to this—would you say, "We are going to go to a different provider and we put you on notice, because we are not satisfied that you



have responded to what we have asked for in the appropriate way”?

Charles Gurassa: I do not want to prejudge hopefully what will not happen and depending, if it did happen, on what the circumstances were. What I can say is we have made absolutely clear that it is unacceptable. It is our brand on the tin and you do not have to be from a journalist background to recognise that there ought to have been processes in place in, for example, the Westminster case, where it should not have happened. Human beings, heat of the moment, the adrenalin of wanting to get a breaking story out, all these are contributory factors, but that is why you need a culture and a process and a practice to enable those to be funnelled in a way they can be as effective possible without breaching ultimately that trust.

Q54 **Chair:** Because the nature of news is such that you can anticipate that there will be times in the future where people in the same situation have to make the same judgment calls. The purpose of the guidelines is to help them get those calls right.

Charles Gurassa: Correct.

Q55 **Chair:** I just want to ask on process as well about the programme “My Week as a Muslim”, which went out last night. There has been, I think it would be generous to say, mixed reporting of the programme and quite a lot of criticism of it too. What was your process in determining that the programme should go out and go out in the form that it went out? In particular, what discussions did you have with the Muslim Council of Britain about the nature of the programme and the presentation of it?

David Abraham: The programme went out last night and was watched by quite a large audience for Channel 4 at 9.00 pm. For those of you who saw it, it is a very sensitive programme that was made with the full co-operation of the Muslim family who participated in it. They felt that it was going to be a constructive experience for demonstrating community relations as they could be in this country. No one could have foreseen the timing of the filming of the episode to have taken place the week of the Manchester attacks, but in collaboration with all the participants, we decided to complete the filming and as a result of that were able to walk in the shoes of the Muslim community as the country went through that event.

I thought personally it was a very thoughtful programme, a responsible programme. All the participants entered into the process voluntarily and I think it is an example again of tackling challenging subjects, which the remit asks us to do, doing so thoughtfully and sensitively. But clearly you cannot enter into a project like this and negotiate with multiple parties, you have to negotiate with the specific contributors and participants in the community that you are working in. The filmmakers who made this programme also make “24 Hours in A&E” and “24 Hours in Custody”. They are very talented, experienced filmmakers, who I think dealt with the subject very sensitively.



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Q56 **Chair:** Other than the people that were involved in the programme, you did not consult more widely about the programme?

David Abraham: No, because I think we felt we were going through the process thoughtfully and carefully. As is often the case with these kinds of programmes, sometimes some of the reaction can be before the programme has been seen. Now the programme has gone out, certainly the feeling we get from the reactions overnight and from the ratings is that people see this was a very carefully, thoughtfully made programme that was genuinely attempting to do something very positive in terms of community relations.

Q57 **Chair:** We would probably say you could find people who have a different view, certainly in terms of the comments of reviewers on that.

David Abraham: I would welcome the opportunity to have that discussion with those after they have seen the programme.

Q58 **Chair:** Although you said you consulted with the people involved in the programme, did the people involved in the programme see it before it was broadcast?

David Abraham: I believe the key participants had seen it, but I do not know whether everyone involved had seen the final cut, but I can certainly find that out for you.

Q59 **Chair:** On a subject as sensitive as this, certainly filmed at the time when it was filmed, many people might think in terms of process there should be some wider consultation in terms of the portrayal given in the programme. Is that appropriate? Are people being represented in the way they are perceived to be represented and what do people who represent a broader group of people within the community think about it? It does not mean to say they should be making the editorial judgment and not you, but nevertheless, that process of consultation on something like this should take place.

David Abraham: It could get quite complicated, making programmes, if you had to do that every time you were doing something that could be challenging. Part of what Channel 4 is here to do is to confront the viewer with sometimes uncomfortable ways of seeing issues and getting people to think. The programme was rated quite well and I think will cause a positive debate in communities about different ways of seeing community relations. This was a journey that an individual went on by walking in the shoes of a community that she felt that she could have understood differently. It is obviously a very sensitive area, but I think it is difficult for programme makers to effectively do their jobs by committee. They have to use their creative instincts and their judgment to get this right. On this occasion, now that the film has gone out, I think it demonstrates they did their job very well.

Q60 **Chair:** Is there consultation, a guide to programme makers, based on discussions with community leaders, about approaching a programme like



this or is this entirely down to your judgment and what the participants in the programme are comfortable with when the programme is being made?

David Abraham: I think it is a bit of both. The editorial team will have been living and working within a community and with participants who are part of the community and had something to say. It is a delicate process. The judgments that have been applied in this case, I think the team have done a really good job. Some of the reaction that you can get in circumstances like that come off the back of a summary of the programme or the title of the programme, but when people watch the programme, as I encourage you all to do, I think it is a very positive piece of work.

Chair: I just want to move on to another topic, and this brings us neatly on to the subject of onscreen diversity, which Chris has some questions on.

Q61 **Christian Matheson:** Sharon White from Ofcom came to see us a couple of weeks back. I will quote what she said. She said, "I cannot over-emphasise, because it is incredibly important, that women, men, ethnic minorities, people from different backgrounds feel that their stories are told and feel that they are authentically portrayed". How important is it to you that the diverse people across the UK are portrayed in your shows and what are you doing to make it happen?

David Abraham: It is very important, because it is in the remit and so it is non-negotiable.

Christian Matheson: But personally as well.

David Abraham: Personally to me, it has been something that I have been very committed to and I know Jay Hunt, the editorial team and the whole executive team have been committed to ensuring that we are seeing diversity in all its forms reflected on the screen and that we also contribute materially as an employer, but also within our industry, to see positive movement in these areas. If you look at the Ofcom research that was published late in the summer, you will see that Ofcom have cited Channel 4's contribution in areas such as disability, LGBT and the gender balance of the workforce to be strong in relation to our industry.

We are by no means complacent, because we know that you have to redouble efforts every year to make sure that impact and progress is made. But if you talk to our viewers, as Ofcom do, they poll our viewers and ask them, "Does Channel 4 appeal to the interests of a diverse society?" and in comparison to our terrestrial competitors, we are regarded as doing a very strong job. That is what you can see in our 2016 annual report.

Q62 **Christian Matheson:** What have you done well and where are you falling down?



David Abraham: I think the exceptional performance of last year was clearly the Rio Paralympic Games. Over 50 disabled people effectively got their break in the media industry as a result of that production. It was the largest international production in our history. Obviously broadcasting from Rio for so many days, we reached millions of people. That was a big creative challenge for us, because we did not think that with the time zone and the excitement around London 2012 we necessarily would match London, but in actual fact we not only matched it, but in terms of the reach with younger audiences, we beat the reach of London 2012.

We were thrilled with the impact of shows like “The Last Leg” that found a completely new way and a new voice, appealing to young people, but bringing diversity into a very accessible television experience. That is where we have performed extremely strongly and it has been reflected in the way in which the media industry has responded, the advertising industry responded to the encouragement we gave them to think about their advertising on the event and make that more diverse in its representation.

Where we have more to do as an industry I think is definitely in BAME representation. As an industry, we have seen good progress in terms of our employment base, but as an industry we are still working on ways in which we can measure and hold ourselves accountable to onscreen diversity and make sure all of the talent across the UK is fully represented. One specific example I will give you, this year we have a diversity scheme for directors and we have 44 young talented directors getting experience across all sorts of productions, half of whom are women. We know that there is significant under-representation of women in the directing field of television and film. These are about direct interventions that we are investing real cash in in order to make a difference.

Social mobility is a huge dimension that we are doing a lot of work on. We know we have to reach out to communities in a really assertive way and make ourselves available as a job opportunity, as an industry, to those parts of the nation that might not think that this is an industry for them. Again, money, time, effort and manpower has been going into that. That all forms part of our 360 diversity charter that we introduced some years ago. We come back to Parliament and hold ourselves accountable to that charter. In terms of our 2020 goals, we are on track to deliver the commitments that we made back when that charter was formed three years ago.

Q63 **Christian Matheson:** What about the LGBT community? How have you worked on that?

David Abraham: Obviously it was a very important year this year to celebrate decriminalisation. We had a big season on that subject. LGBT representation within the Channel 4 workforce is above average and has been growing measurably as a workforce, so we feel that editorially and



also in terms of working practices that we are making good progress there.

Disability remains a challenge for the industry. Channel 4 may have made progress, but the way in which we circulate that talent through the industry and ensure representation on the screens for all the channels continues to improve is very important.

Q64 **Christian Matheson:** How do you avoid tokenism?

David Abraham: By being creative. Shows like “The Last Leg” I think make a real difference, because they find new ways of addressing some of these issues, which are entertaining, engaging and relevant for young people. Also normalisation: last night in our programme “Tricks of the Restaurant Trade” there were two disabled presenters, but they are not there talking about disability, they are there talking about the subject matter of the programme, which was about restaurants and how they operate and it is a consumer programme. I think we have made good progress on normalising representation and finding really creative and fresh ways to reflect the society that we are all part of.

Q65 **Christian Matheson:** There was a report from Ofcom that broadcasters routinely employ a greater percentage of older men aged 50 plus than older women, and a greater percentage of younger women aged 30 or under than younger men, which seems a bit naff, frankly, that that is the situation—and entirely understandable in the broadcasting industry—which demonstrates that women are not being allowed to progress through in their careers. Do you recognise that? If you do, what are you going to do change it?

Charles Gurassa: Maybe I could start, despite the fact you have two—I do not know how old David is, but probably—

Christian Matheson: I am almost there myself, Charles, I am almost there myself.

Charles Gurassa: As you will know, we have just appointed the first female chief executive in the history of Channel 4, not just in the history of Channel 4, of any of the four major broadcasters in the UK. Now, that is an appointment on merit. She is a fabulous candidate and brings a huge range of experience and skills that are going to be great, but it is also very symbolic. My own observation is that seeing people from different backgrounds in positions of authority enthuses and enables others to go for it, to believe that they too can become leaders in their own field. You might want to talk about that, David.

David Abraham: Look, the biggest budget in Channel 4 has been controlled by a woman for the last seven years, Jay Hunt. She has promoted many women to senior commissioning editor positions within her team, who are now running drama and comedy and factual entertainment genres. We have great progress and great examples within Channel 4, but the fact remains that the industry also benefits from many



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women who are working mothers, who have flexible working. Therefore statistically you are absolutely right to say that some of the more senior roles in the broadcasters are not properly or fully represented on a gender basis. What we have been trying to do is to really focus on career progression in those higher echelons of roles and we have many of the critical functions in our organisation, senior functions, being run by women today.

At the same time, my own experience has been when a lot of those talented women get those roles, they get poached, so we lost our head of audience technologies to Google; we lost the head of Film4 to the National Theatre; we lost our COO to the BBC. As the leader of the organisation for the last seven years, I have certainly learned that that pipeline of talent is something you really need to focus on, because the minute you get to a really strong place—I think two or three years ago, my own direct reports team was perfectly balanced and then suddenly it went in another direction. Although we have some fantastic senior women on the team, both at a board level and probably the exec level, post-Alex's arrival, we will definitely see that next level of talent coming through.

- Q66 **Christian Matheson:** In terms of that pipeline, for example, if you look not just at the opportunities for women, but right across the diversity agenda, is there a danger—and I mean this in a nice way—of patting yourself on the back for what you have achieved in terms of onscreen talent and creative talent, such as directors, that you lose focus on opportunities for broadening the diversity of your workforce elsewhere and particularly lower down in terms of entry into the business for other roles other than those people onscreen that are the representation of your achievements in diversity?

David Abraham: Listen, complacency is the last thing that we should allow ourselves to enter into here. The social mobility agenda I think you are alluding to, it is something that we have been doing a lot of work on. That is to do with how we open up job opportunities across the piece, how we invite apprentices into our organisation—we now have more than we ever have done before—the places we go to to find those apprentices and the support we give them to professionally develop as they go through their careers. At the end of the day, Channel 4 is here to reflect the whole country in all its diversity. That has to be reflected within the workforce as well. 60% of our workforce is not born within the M25. I think around 79% of our workforce are EU or non-UK nationals. We have people from all over the world who come and work in our technical department, in our research department, and that all leads to different perspectives that I think are at the heart of why diversity is important for business as well as for society.

- Q67 **Brendan O'Hara:** You touched on Brexit earlier on and the effects of the vote in June 2016. I think I read that you have confirmed that your advertising revenue was growing around 4.5%, 5% coming out of the



recession of 2008-09, but since 2016, that vote in June, your advertising revenue has dipped about 9% and that projected losses are in the region of £100 million. Can you just explain, what does that pose in terms of challenges to you and the onscreen consequences for public service broadcasters, given this loss of revenue?

David Abraham: Fortunately Channel 4 has operated over the last few years with a very, very strong balance sheet of nearly £500 million. That has allowed us to plan for the ebbs and flows of the ad market. We worked our way through a very painful recession in 2008-09. There was also a dip in 2012-13, which was quite shallow, and then there were two or three really good years and now we are into a dip again. We have a content reserve that we manage very carefully. We have already set it around £50 million. You will see in the 2016 numbers that, partly driven by the slowdown in the second half of last year and the strong investment in the Paralympics, we used £15 million of that reserve and we are budgeted to use a proportion of the remainder of that this year as well in order to maintain UK-originated spend at around the £500 million level.

In the short term, in terms of spend on originated content, the effects have been minimal, but if you extrapolate them out—and I suppose this is the known/unknown of the economy next year and the ad market next year—you have to begin to assume that there could be further erosion, so the gap between how next year looks to how last year looks, you start to get to some bigger gaps. That means we are going to have to cut our cloth. The good news is that we have quite high stock levels of returning programmes, so then this links to the point about creative renewal and how many hits you have, because of course if your schedule is performing quite well, as it is currently, then that allows you to adapt your spend levels, whereas if you need to invent more new programmes and try new things, you obviously need to have the financial resources in which to do that. Television is constantly refreshing itself on a budget cycle in order to maintain relevance to audiences.

Q68 **Brendan O'Hara:** I presume that your team have done advertising projections. Can you give us an idea of what those projections show and how sustainable is it for you to be dipping into your reserves to the tune of £15 million a year?

David Abraham: We certainly would be aiming to do that and not exceed the £50 million that we have set aside. Currently that is our plan. We have not finished the year yet, so we are not going to be announcing today or any time soon how much of the reserve is going to be deployed. The key thing that I think the Committee will be interested in is that the amount of money we are spending on original content is going to remain roughly flat year on year, which is good news for UK producers, which is part of what our remit clearly is.

I suppose the other beacon of light here is that some of the month on month reductions, you are right to say some months have been up to



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8%, 9% down, but those reductions are starting to lessen as we get towards the end of the year. In actual fact, the TV ad market in the final quarter is in a more stable place than it was a year ago, partly because obviously we are now comparing ourselves to a flatter period at the back end of last year.

Charles Gurassa: David is absolutely right to say the nature of the model, the building up of reserves, the flexibility with which we operate has enabled us to navigate the choppy waters. But to your question, from our projects where we were a year or so ago, a bit longer, about £100 million less income has come into the organisation and that means we have had £100 million income less to spend on investing in content and other strategic developments than otherwise we might have had.

Q69 **Brendan O'Hara:** I know that across Europe, before June of 2016, there was this similar growth in advertising revenue, a lot of European countries had the same pattern. Germany, for example, is still growing at 5% a year. I wonder, is there any evidence of advertisers going elsewhere, as in taking their block revenue and putting it into other European broadcasters or are they simply not advertising on UK TV any more, but waiting to return?

David Abraham: It is a complicated picture. We do quite a lot of work to encourage new advertisers into television because the sectors that were dominant maybe 20 years ago—beer, cars—have changed and the dominant advertisers now are often digital players, selling insurance or selling travel. We have to constantly create new relationships with new advertisers because television works brilliantly well to build brands. The underlying efficiency and appeal of the medium I think remains very strong. It is interesting you pointed out the picture in Germany, because that might point to the fact that the erosion that we have seen is more linked to general levels of economic confidence post-Brexit rather than something more structural.

Q70 **Brendan O'Hara:** Finally, you mentioned that you had a number of staff members who were EU nationals. The creative industries were overwhelmingly in support of remaining and have continued to be so. Are you finding pressure either in recruiting staff or keeping staff or confidence among the staff who are EU nationals or are you finding that there is a picture out there in people that you deal with that this is causing greater uncertainty?

David Abraham: At an industry level, it definitely is. I think closer to home for Channel 4, the uncertainty has been much more to do with the fact that we have been in a politically uncertain environment pretty much for two years. The Committee has not asked any questions about privatisation, but this time last year, that was at the centre of everyone's discussions. The Government, I think very wisely, has made a decision not to privatise Channel 4 and that is a fantastic outcome, but we immediately then went into a big discussion around location. If there has been uncertainty for our staff, in the foreground it has been much more



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to do with those issues, although for the minority of our staff who are EU nationals, they clearly are personally insecure as a result of Brexit.

Q71 Julian Knight: I want to talk about relocation, as Mr Abraham just touched on a second ago. In *The Telegraph* article on 19 October, I think it was, "Channel 4 prepares to test the Government's strength in relocation row". You were quoted as suggesting that, "A full or substantial move would bring about significant difficulties and problems" and then later in the article you said, "The election has clearly changed the environment. We no longer have a majority Government and therefore that creates its own different dynamic. It is for the board of Channel 4 to decide where we are located and if the Government wanted us to do something, it would require primary legislation".

I wonder, Mr Gurassa, do you think there is a dichotomy here, that Channel 4 said that it wants to engage in the process—you have both said that you want to at least discuss this and move this forwards—and yet you go to the papers and say that if there is a substantial relocation, it is such a bad idea the Government will need primary legislation? That is, to a certain extent, a prejudging.

Charles Gurassa: Thank you for the question. As ever, with what is written in the papers it is useful to put it in context, but let me go back to the beginning of the process. As David mentioned, earlier this year the Secretary of State concluded, after an 18-month review, that Channel 4 was best remaining a publicly-owned broadcaster. This was a big moment for the channel because it gave us some certainty about our future after 18 months of uncertainty. But the Secretary of State, quite rightly at that point, said, "Now we have decided you are a public asset, we want to see how you can do more for the public" and in particular she raised the question—and a very fair question—"How can you do more for the nations and regions of the United Kingdom?" We welcomed that and we said, "This is a fair question, an appropriate question and we should use all our energies and efforts to see how best we can respond to that challenge". The Secretary of State at that point, as you will recall, set out a consultation process and we participated in that consultation process and submitted our response to that consultation process, which is available.

We also ran our own consultation process. We went out and held over 200 meetings with independent producers and we met just about every major metropolitan and city representative around the United Kingdom to gather their views. We are very clear we want to do more and we will do more. We want to do more that looks at every aspect of our business, where we spend our money, where we invest our money, where our people are based, how we work with apprenticeships, how we work with institutes of education and so on. We have been building together internally our thoughts and plans and evaluating different options: which is going to be the most effective?



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What I think is important to recognise about Channel 4 is we are a commissioner broadcaster. We do not receive any taxpayer money. Every year we have to go out in the marketplace and compete with not only the brightest and best of UK commercial television but also the big overseas giants in Netflix and Amazon and the new players like YouTube and Google and Facebook and so forth. In order to deliver the remit that you ask us to deliver and to do it sustainably, we have to win in that environment. By doing so, we create the income that enables us to invest in all the nations and regions' independent producers that many of you have in your constituencies.

To put it in context again, if you think of Channel 4 as roughly £1 billion of income, three-quarters of that is spend on commissioning or on supporting that commissioning activity through marketing that commissioning. It is by far and away the single-most important thing we do: how can we generate maximum amounts of income and how can we distribute maximum amounts of income to the best creative talent across the UK to enable them to prosper?

In response to the consultation we said, "We want to put together a plan that delivers the best we can for the nations and regions sustainably, meaningfully and in a balanced way". What we also said in response to the consultation is that full relocation or very substantial relocation will not deliver that. The net result of that will make Channel 4 weaker and smaller and less able to deliver the remit and to invest in the creative industries around the UK. If you think about the context in which we operate, it becomes apparent. We have tested our thinking both with our own internal analysis and with a series of external studies.

Let us start with where we earn our money. As we have talked about today, over 90% of the money we earn is from advertising. Where are the advertisers based? The huge majority are based here in London. Where are our competitors who compete for that advertising money? Where are their salesforces based? They are here in London: ITV, Sky, Channel 5, UKTV, Discovery, Google, Netflix, Facebook.

Julian Knight: We do not need every one.

Charles Gurassa: No, but it is important. To the Secretary of State's credit, when she has talked about the challenge to us about what she wants, she has recognised that the sales organisation requires to be where its business is and where its competitors are. I think if you look at Film4, you come with the same conclusion. They are competing in the film industry with other people seeking to invest in film where the providers of film, the global providers, are based, which is here in London. That is the kind of reality of our ecosystem.

What about the commissioners, the people who make the decisions that ultimately generate the audiences, deliver the remit, but also deliver the income? We have about 120 commissioners out of a workforce of about 800, to give a broad sense of the scale. Where are our competitor



commissioners? The story is exactly the same. Whether it is ITV, whether it is Sky, whether it is the BBC—with the exception only of sport and children—whether it is the new entrants, the commissioning talent is there. When we think about how best can we answer the question, how do we deliver more, because we do want to deliver more and we will deliver more, we have to take into account the reality of the context in which we operate and think about how can we build a proposition that delivers more to the regions and nations without damaging the essence of what we do, which is generate income from advertisers and produce great content that delivers the remit.

What we said in our response to the consultation was exactly what you just heard, which is a full relocation or a very substantial relocation, in our analysis, in the view of virtually all the informed industry participants we have talked to and in terms of the external analysis that we have commissioned, it does not do that. That is not to say that we are not looking at where we put people and it is not to say that we are not looking very hard at where we put our commissioning spend and how best that supports the creative industries around the UK.

The example you quoted about my so-called statement to *The Telegraph*, this was at our presentation—

Q72 Julian Knight: But were you misquoted?

Charles Gurassa: Let me give you the context. It was the presentation of our—

Julian Knight: Were you misquoted or not?

Charles Gurassa: It was the presentation of our annual report, and at the annual report the question was asked about our response to the consultation and I said, “Our response to the consultation is we do and will do more, substantially more, meaningfully more” but when asked about, “Does this mean a full or a largely full relocation?” I said, “Our submission to the consultation, our own analysis and the analysis of third parties, clearly says we would fail to deliver both our statutory obligations and the requirements that Government are asking of us”. That was where that particular statement came from.

Q73 Julian Knight: So you say you were unfairly branded in that regard and the story was turned around in that respect. It has happened to us all. That comes across like you are spoiling for a fight, effectively. What you are saying to the Government is, “You do not have much of a majority. Frankly, you are going to have to get this through the floor of the House of Commons if you want us to follow through on what you are asking us to do in terms of a relocation”. That is not what you are saying then?

Charles Gurassa: No, that is not what I am saying.

Q74 Julian Knight: Basically that is just paper talk and what you are talking about here is how you deliver more. We will go on to that in a second.



Charles Gurassa: Yes. Sorry, if I can respond, the question I was asked is, "If you were unable to reach agreement with Government, what means do they have to force you to do things that you advise them are not in your interests or their interests?" and I answered, "Ultimately, they can go to legislation". But what I also said, which was not reported, was, "I do not believe that is where we will end up. I do believe we are involved in very constructive conversations with Government and I am very hopeful that we will come up with an intelligent, constructive solution that will work".

Q75 **Julian Knight:** Mr Abraham, you will be aware of the discussions over the representation gap in this country effectively when it comes to regions. Just to pull a figure off the top of my head, the West Midlands, an area that for every licence fee, effectively it gets £12.50 in investments. Do you resent, during your time at Channel 4, that the organisation has been asked to make up effectively for the sins of others, that you are being asked to plug this representation gap?

David Abraham: Philosophically, as someone who did not grow up in London and have spent a lot of my life outside London, I am 100% behind the idea that publicly-owned organisations such as Channel 4 should do everything they can to reflect the whole country back to itself. There are many ways in which we can do that, some of which are to do with direct investment into companies, some are to do with talent who may live in London leaving London and going and doing projects like "Ackley Bridge", while still the companies are controlled in London, and in other ways showing locations of the whole country back to itself. We, I hope, in our annual report show and demonstrate the multiple levels on which we are reflecting the whole country and its talent.

Q76 **Julian Knight:** You certainly discuss nations quite a lot. Your focus on regions talks about regional accents more than actual redistribution.

David Abraham: If you look in the documentation, I think we are spending £170 million in the regions. Your region, since I was last here, I think we have gone from about £4 million to £5 million to around £20 million. You have some fantastic companies in your region that we work with and make returning shows like "Travel Man" and many other great shows that are important parts of our schedule.

Q77 **Julian Knight:** Do you think that you are being asked to make up that representation gap?

David Abraham: No. Look, our job is to deliver the remit. The remit has diversity in it. The new licence had 9% on nations, which we are on track to deliver to. We are passionate believers in how we can stimulate the independent sector around the whole of the UK. The board travels around the country and has board meetings and engagements regularly with the production communities around the UK, but we are not the BBC. We do not have armies of producers that can be consolidated and moved to, for example, Manchester, Salford, as was done there. We are a publisher



broadcaster with a relatively small workforce, so what I have been focusing on is directing my team towards meaningful economic and cultural engagement on this agenda.

I am very proud of the fact—and you can look at the numbers—we are spending 25% more money outside the M25 than they did when I first sat here in 2010. We have made great progress and we can point to talent that has been discovered and given a national stage, both at presenter and directing levels, and returning shows like “No Offence” that are important parts of our schedule and now “Ackley Bridge”. We are enthusiasts for the regionalism of our schedule.

One of things I suppose that disappointed me in aspects of the debate thus far was not starting with a proper benchmark of, “Okay, what is Channel 4 doing well in this area? Let’s make sure we preserve the sustainability of the model so that they can keep going with what they are already doing”. The problem, the dilemma that you have smartly set out here, is that we are passionate believers in this agenda. We are disappointed that we are presented as if we are in our palace here in London, never venturing forth, which is just not true. We can demonstrate that through the success—

Q78 Julian Knight: You could have met us today in Hull today, of course.

David Abraham: Yes. For practical reasons, I think we were not able to do that, but that is not to say that there are not people in the commissioning team right now out there in the regions. We have expanded our presence in Manchester. We have a burgeoning sales operation there, we have a presence in Glasgow in the gaming area, we are out there in Northern Ireland materially engaging with producers. So this is a non-negotiable for Channel 4, but as my chairman has pointed out, there is a point that is empirical where you would undermine the sustainability of that delivery if you disrupted us.

Let’s remember in the Conservative Party manifesto was an edict that Channel 4 would move. That was a deeply disturbing prospect, because we have done third-party analysis that demonstrates that if you just take anywhere between the ONS numbers and the BBC numbers that the attrition rate of our staff would be between 60% and 80%. As a manager, regardless of how much I might believe in that, can you imagine what it would have been like to have managed a creative organisation through that in a time when there is a recession? That is deeply disruptive and I think irresponsible.

But it was a proposal, a full forced move under a Government edict of a statutory corporation that is answerable to Parliament. That was a very highly problematic proposition, which is why perhaps some of the reporting was as colourful as it was. We now seem to be in a far more sensible place. The full forced moving of Channel 4 outside London seems not to be a proposition that is receiving a huge amount of support. There have been good reflections from within the industry to say that that is a



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disruptive proposition for Channel 4, notwithstanding that it is completely understandable that many hours and a lot of taxpayers' money has now been spent by individual cities pitching for that prospect. Who wouldn't? I would. It is a wonderful idea that Channel 4 could exist in your city.

No one would argue against that, but it is the practical process where you get from A to B and the disruption that is involved in doing that. By the way, if that does not lead to any more spending in that particular region, what has been gained by that in economic terms? There have been studies by Enders Research and the Centre for Cities that have questioned the clustering, the economic thinking behind this proposition, which is will it lead to a multiplier effect? What we know with the BBC is they had to consolidate many of their activities anyway, whereas this is disrupting to the publisher broadcaster model of Channel 4, the absolute DNA of what the organisation is there to do.

Q79 Julian Knight: Mr Abraham, you mentioned a figure of a 25% increase since 2010. Is that in real terms or is that actual?

David Abraham: It is in terms of hours. In terms of the hours that are on our schedule it has gone up materially.

Q80 Julian Knight: Right. It is not financially? Okay. You have mentioned about these individual cities coming to pitch to you. I understand that many have come and pitched for a part of Channel 4 rather than for total relocation.

David Abraham: That has not been clear, because many cities' strategy is to consider the full relocation of Channel 4. That has put us in a very difficult position because the evidence that we have and our board has assessed is that that is a highly disruptive proposition, but it is a still a proposition, for example, that many cities are still pursuing.

Q81 Julian Knight: What is inappropriate and appropriate to move out of London? Which parts of your business could you deem as an opportunity to move out of London and those that you consider—you have already mentioned some in terms of advertising and commissioning. What else is there that could potentially move out of London?

Charles Gurassa: There are many different options that we are looking at, and we are working through the potential consequences of each. I think one of the most interesting and thoughtful pieces of work that has come out recently looking at how can we build the creative industries around the UK is Sir Peter Bazalgette's study. I do not know if the Committee read it, if not I would commend it. It is part of the industrial strategy review he was asked to do in behalf of the creative industries in total. He is, of course, chairman of ITV himself, so knowledgeable and a senior ex-producer. He has focused very much on this idea of developing creative clusters of excellence, of saying, "Let's build on where there is already a nascent strength, whether it is drama in Manchester, whether it is factual in Bristol, and so on, and think about how we can use those hubs, for want of a better word, and give them support, infrastructure,



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and finance, which makes it attractive for people like ourselves to think about putting resources in there to build on the already nascent strengths there”.

That is one interesting model that we are thinking hard about, because this appears to have currency, it is in the Government, and the Government has, of course, not yet formally responded on it; there seems to be a lot of sense in that. We have a new chief executive starting, as you know. She starts next Monday. She has three big-ticket items in her in-tray for when she starts, and this is one of them. She has already been briefed and looking through the options and thinking about how best do we respond across all areas, people, commissioning, and working with third parties and investment. She is an Edinburgh lass herself, so she comes with a very non-London set of spectacles and is committed to doing something. What I could not share with you yet is which of the many options she will ultimately decide is the most appropriate, because they are all intertwined. We are a small machine, 800 people, where the commissioners, the sales folk, the marketers and the finance folk work together.

Q82 Julian Knight: Mr Gurassa, you have already said that certain aspects will not be moving anyway. You said that commissioning would be inappropriate and you said that the advertising side would be inappropriate. What is left?

Charles Gurassa: I have not said that all commissioning would not be. That is something that has to be looked at. I know the Secretary of State is particularly interested in where we spend our money and where decisions are made. Clearly the single biggest area where we spend our money by far is commissioning. That is something that she will have to—she being Alex Mahon—think about when she comes onboard, and think about whether there are some things we can do there without dramatically disrupting the way the model operates.

Q83 Julian Knight: Okay. One final question for Mr Gurassa: when Alex does join on Monday, and she comes in and she says, “Hold on, I want to be a little bit more open to the idea of a substantial relocation”, will you support her in that, or effectively is this a red line for the board that the chief cannot go down there and that this is already effectively a done deal?

Charles Gurassa: Alex is the chief executive, and if she brings to light new analysis that says we can deliver our remit and we can drive the sales we need in a different way than we have looked at before, of course as a board we will listen.

Q84 Simon Hart: There is already an example of this. Welsh-language channel Wales S4C—occasionally incorrectly described as Welsh Channel 4—is currently undertaking a move for principally cultural reasons to get out of Cardiff for exactly the same reasons that have been articulated for you to perhaps get out of London. The two arguments seem to have been



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around—I ask your comment on this. The resistance to it is based on the fact that it will not make much difference to the economy into which you are moving, simply because all you do is move everybody, so everybody will rather grumpily move from Cardiff to Carmarthen in this instance. The opportunity for job creation will be limited, and there are certain technical functions they share in broadcasting with the BBC that will have to remain in Cardiff anyway.

The Welsh Government took a view that that was an overwhelming argument a few years back. It has now taken another view that it is not an overwhelming argument and the move is going ahead. I just wondered if you did sympathise with the view that simply exporting your workforce to a different postcode is a legitimate argument?

Charles Gurassa: The analysis that we have both done externally and internally would indicate that a substantial relocation would mean that we would lose a very, very large percentage of our staff. There is a straight economic cost, which is money that otherwise we would be spending on content would be spent on relocation, redundancy, and restructuring. You would end up with roughly the same organisation in a different place, but because you would have lost talent and because your ability to both interface with the advertisers who pay your bill will be inferior to that of your competitors and the pool of commissioning talent from where you can draw your skills will be significantly smaller than the one you have come from, you would have to argue that as an organisation you will be less effective than the current model. If we are less effective we generate less income and lower audiences, which means the whole of the country suffers. I describe it a bit as a lottery ticket, you may win in place X, but the rest of the country pays, and pays more than the prize of the lottery ticket.

Q85 Julie Elliott: I want to talk about this whole area as well, but I think I am coming from a different place than a number of my colleagues on this Committee. When the Secretary of State announced in March that privatisation was off the agenda I was very, very relieved, because I was very concerned about that. She talked about, at that time, to consider building a major presence outside of the capital, which I thought that was worth exploring. But what I particularly liked was what she said about providing a platform for unheard voices and untold stories from right across the United Kingdom. You can tell from my accent that my constituency is 300 miles from here. In terms of the regions, I think I am the furthest flung of all of us. I am very concerned about hearing accents—which I think Channel 4 does a job of, but can still do more—and representing some of the less glamorous regions of the country. That is where I am coming from.

I was very concerned when what was in the Conservative manifesto appeared, because it seemed to appear from nowhere, as did a number of things to do with the cultural sector. The Conservatives do not have the majority. They did not win the election, so I think what is in the manifesto—as we have seen, a lot of things have gone by the by in any



case. As an organisation I am not a big fan of the centre of Channel 4 moving outside of London. I do not see the point. I do not see what benefit that will have to deliver what the Secretary of State talked about in March. What I am interested in seeing is how as an organisation you think you can increase the number of independent companies you work with in terms of commissioning, and particularly in areas of the country that are underrepresented at the minute. I would be interested to hear what both of you think on that. I know you are leaving, David, but I do think you still have a valuable view on this.

David Abraham: I could not agree more with that being central to one of the core purposes of the whole organisation, which is helping to discover that talent, to nurture it, to help them grow businesses that are sustainable, to get them to national attention, and then hopefully to create real value for the people involved. That is part of the economic model. The representation of the regions back to the whole nation is equally critical. I think "Gogglebox" as a show does a remarkable job in reflecting the whole country back to itself with all of the richness and colour of the different accents and points of view in generations. "Ackley Bridge", the way that that show has been built with the local community, with street casting, and the way in which hopefully that will be now an important part of our schedule for many years to come. The way in which Lime Pictures produces "Hollyoaks" and the way in which literally hundreds of people are trained and get their first break in television, but they contribute to that show being broadcast to the whole nation.

It is something that we should celebrate, it is something that we should build on, but as my chairman has said, it relies upon the sustainability of the model. For every example like Firecrest, or Big Mountain, or True North where that model is demonstrably working well it is the product of the surpluses of our model being deployed in this way. The growth fund is £20 million. It exists because we created surpluses that allowed us to do that. We did not go and borrow the money, and no one is partnering with us on that. The reason why this has been a problematic debate is because it started in a place as if we were resisting the philosophy of representing the whole country, which I thought was unfair and unrepresentative of who we are as a board, and as a team, and the passion, commitment and energy that has gone into doing the job that we are doing.

A more balanced debate would be to say, "What is the absolute sweet spot between improving what we can do and keeping the model sustainable?" That is the task I know that Charles, and Alex, and the board will focus on now. It is made more complicated by the fact that we are managing our way through an ad recession, so the surpluses are not as great as they would be in order to help solve this problem in the short term. My practical fear is that whatever agreements are made are delivered in the context of we have to see this ad market stabilising before effectively you reach the Hobson's choice of saying, "Right, in order to pay to relocate X, Y or Z we are going to have to spend less



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money on programmes". Immediately producers will feel that, and in my view that is going to be counterproductive in the short term.

Charles Gurassa: Just thinking about regional voices, just two examples from your part of the world; Scarlett Moffatt, who of course came off "Gogglebox" and has now become a big star in her own right, and the other one, I do not know if members of the Committee saw it, but the very moving series that Grayson Perry did, including the one in Durham Cathedral with the mother of a young man who tragically committed suicide, and a very moving and insightful programme about the culture of Durham and the history of the miners gala and so forth.

Julie Elliott: You said gala the right way.

Charles Gurassa: Thank you. The biggest opportunity I think comes back to how can we invest more money into regional programmes? At the heart of that comes: how can we grow the size of our cake and how can we grow the share of the size of our cake that the regions and the nations receive? That—back to Julian Knight's earlier question—is why we need to think about this holistically and think about: what are we trying to achieve here? We are trying to find ways to channel money intelligently to the best creative talent across the country. We at Channel 4 are very committed to finding the most intelligent way of doing that.

Q86 **Julie Elliott:** Can I go on and ask you, you have staff based in different parts of the country—I think you have a presence in Glasgow, and Manchester, and Belfast, and Dublin—all on the west of the UK, is there a reason for that? Why is the east being side tracked?

David Abraham: We have strong relations in Leeds, but I recognise that is the north-east. You are absolutely right to say there has been some real structural change in the television industry that has occurred in the last couple of decades, driven in part by what has happened at ITV, and to some extent the BBC as well. To the earlier point that Mr Knight raised, there is a limit to what Channel 4's resources can do to completely reverse that. I would like to think through representation in our programmes and the editorial agenda that we have that we do make a difference, and I think there is more that can be done at the point at which the resources are available.

Obviously as a national organisation we do everything we can to be as balanced as we possibly can in how those resources are applied. What I have tended to find is you can race ahead in some regions one year and because shows get cancelled, or pilots do not work, or consumer habits change, suddenly it is the viewer that is dictating whether or not a particular region is growing from the point of view of its representation.

Q87 **Julie Elliott:** Can I just ask, in terms of the back skills and people that you need in television, a lot of the universities have really excellent media-training facilities and bring people through. This pipeline that has been mentioned a lot, it is not just in talent, it is very much in the



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backroom services. Does your organisation see any advantage in moving forward in having more linkages with some of the universities to try to help develop moving outside of the M25?

David Abraham: We do, and we do have links with many of the universities in terms of how our directors' training schemes work and the development in certain genres like investigative journalism; we have a lot of investment in an area that requires quite a lot of support. I have been on the board of Creative Skillset for the last eight years, we championed the EOP2 bid and I think up to 20,000 people have had various forms of professional training as a result of those activities, many of which have been driven through university courses. I think this is a pan-industry co-ordination issue, but absolutely right, whether it is Abertay with games in Scotland or Wales or what we do in the journalism area, there are always partnerships that can help to deliver some of the diversity agenda that we are committed to.

Charles Gurassa: It is interesting, my old university, which is York, have a strong presence in this particular world. I was up there and the chap running the media, film and theatre school is ex Channel 4. There are all these links that are out there within the industry and I must say I came away very impressed with what they are doing there.

Q88 **Brendan O'Hara:** Could I just ask quickly, how many of the 120 commissioners are primarily based outside of London?

David Abraham: There is the nations and regions team that are based in Glasgow that move around and I think probably at any moment in time commissioners from London are on the road; there is probably eight or 10 people on the road. The people who are not living in London out of that team are a team of about three or four people.

Q89 **Brendan O'Hara:** A team of three or four? It is overwhelmingly London based. The question I would then pose is, how do you guard against simply having a London view with a regional and national accent? If you are not embedded in communities, or in regions, or in nations how can you get a feel for what is going on within that? If then a producer or an indie has to come to you and say, "This is important", you do not have a feel for what is going on in the nations or the regions.

David Abraham: First, just because they live and work in London does not mean to say that they do not travel. I think all of those commissioners will be interacting. Secondly, I would say we are working with more independent companies than any other broadcaster. The interaction is out there in the industry as the talent exists throughout the whole of the UK. Managing that is part of what is the essence of Channel 4. We are also in a global marketplace for ideas as well. We cannot reverse history. We are punching above our weight as a creative industry globally and we are not the biggest country on the planet. There are those that would say that to remain competitive this structure optimises the opportunity for the whole country, and the assumption that you



would be better at understanding if you simply moved to one other location is one that you could debate.

- Q90 **Brendan O'Hara:** I am not saying that I think the relocation debate is separate to this, but my concern is that if producers have to come to London to explain to somebody who perhaps does not quite get the nuances of what is important, whether it be in the north-east of England, the north-west of England, or Scotland, or Northern Ireland, do you not think it would be far better to have—by all means keep your advertising and what not based in London, but that you have your commissioners working within the communities in which they then have to serve?

David Abraham: I absolutely recognise the argument, but what is interesting is the research we have suggests that we have greater appeal outside London with our audiences than we do in London. I am not convinced that effectively every commissioner is living in a bubble. The job of a commissioner is to understand society and understand culture in all of its facets, and if they are not doing that, frankly there would be different issues for them in terms of how they would be reviewed. The issue of being present and having deep relationships with all parts of the country in my view is not solved through issues of the presence of the physical team and the dispersal of that team. I think it is in the quality of the relationships and the understanding of where that talent is and the stories that they want to tell.

Paul Abbott writing "No Offence", or "Shameless" before that, and representing the very particular culture in which he has grown up and still operates has not been inhibited by the fact that he also comes to London and interacts with other broadcasters in order to keep his revenue competitive. It has been argued that an individual producer would be disadvantaged both economically and practically by needing to travel to a unique location rather than to be able to see multiple broadcasters when they are in one place. I hear those arguments; I also hear the arguments that you are making. To some extent I think the solution here is to keep demonstrating forward momentum in how we are delivering to the remit that we have been given.

- Q91 **Brendan O'Hara:** Do you recognise the accusation that Channel 4 is arguably the most London-centric of all the broadcasters, which in itself is quite an achievement? Is it something you recognise or have heard before?

David Abraham: Not fully, because when I look at the screen and when I look at the data of what the viewers think of what we are doing I think we represent the whole country. We are also a publisher broadcaster rather than a producer. Therefore, we are a relatively small organisation built to be agile where there is a strong relationship between editorial, ad sales, the legal functions, the financial functions, and the commercial functions. Let us just remind ourselves, Channel 4 is not receiving a penny from the taxpayer. It is in essence not taxpayer owned, it is publicly owned. It is delivering public value through a fantastic



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partnership between the private sector and Parliament to deliver the remit, and obviously the staff.

It is not like we arrived at this debate because there was a chronic failure in delivering the parts of the existing remit to represent the whole country. We have just in this annual report received pretty much the highest delivery of the remit since these measurements began in 2008; the highest delivery of the remit in terms of all of those comparators with the other PSBs. This is an organisation that is structured in a particular way, and it is different because it is a publisher broadcaster, but it is not failing to deliver relevance and to absorb the talent of the whole nation. I really would take issue with that.

Q92 **Brendan O'Hara:** Finally, why then is your nation and region spend still less than 50%?

David Abraham: It exceeds the Ofcom quote that we were given.

Q93 **Brendan O'Hara:** I know it does, but why is it still less than 50%? If you are providing such a service why is it still less than 50%?

David Abraham: In practical terms for some of the reasons I mentioned earlier, which is that effectively it is about the velocity of returning shows on to the schedule. We are broadcasters, so this is about finding ideas that work with audiences. If there are ideas that work over multiple years, like "Hollyoaks" they stay on the schedule and they create huge economic gains over multiple years. There are other programmes that we try that come from the nations and regions that do not last on the schedule because the audience does not take to them. That is just the practicality of running a TV schedule. If all of our hit ideas happened to come from outside the M25 we would not be preventing that from happening, I can assure you. The business has a finite amount of hit ideas that it creates, and you cannot predict accurately where those ideas are going to come from. You just have to keep trying and hoping that more and more of them will come from outside London.

Charles Gurassa: If I can just build on that maybe, it is one of the challenges, because we would love to do more. PACT recently did a study that I think showed that 60% of the production capacity sits in London. That is why I think the Peter Bazalgette report is so important, because that is starting to say, "How can we move capacity outside of London so people who commission, like ourselves, have more choice and more opportunity to commission more?"

Q94 **Brendan O'Hara:** I absolutely agree, but you are in a chicken and egg situation where you would not move until the circumstances change, and the circumstances cannot change until someone takes the decision to move.

Charles Gurassa: That is a fair observation. I think and I hope what I conveyed is we are going to do some stuff. We are not just going to sit and wait for other stuff to happen but what we have to do is always



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calibrate that against our responsibility to the whole country and to delivering our remit sustainably.

Q95 Giles Watling: Going back a little while you were talking about the commissioners and the advertisers; they are all based in London and that is largely true. We live in an age now where increasingly the physicality of location is becoming irrelevant. We can communicate in so many other ways, and you are a part of that world. With regards to the cast and presenters and so forth, actors will go anywhere. I am living proof of that. There is another aspect to partial relocation that is worth considering, the fact that you could bring incredible regeneration benefits to maybe some deprived areas of the country that need that. We have an example before us of the Royal Opera House relocating its scenery and costume design to Thurrock, which has created a whole creative hub there of all sorts of diverse industry that is working and building up. Do you not recognise what you can do in terms of that sort of regeneration, using perhaps the production companies in which you have stakes and that are regional and thinking positively outside—I am not talking about moving headquarters, but moving outside the capital?

Charles Gurassa: I think there were two parts to that. There was one about virtual working, and certainly looking at how best we can optimise the use of virtual working has to be part of all organisations' thinking, ourselves included. I am not from the creative industries myself but my observation is that this is a world where the human interaction is very important and the interaction between commissioners and producers and commissioners and sales folk is a dynamic and iterative process that is part structured and part unstructured, and you need that as part of the mix. That has to be a balance.

In terms of regeneration, I do think that there are opportunities, again building on the Peter Bazalgette report, to think about how around areas of excellence the creative industries can come together and see how together we can start to create momentum in different parts of the UK. If there are opportunities to take bits of what we do and move them to other places where we can do them better and more effectively and support regeneration there is nothing in principle that we have against that. We have to, of course, remember that we are a small organisation. We are only 800 people, 200 of whom are the sales folk. There are a limited amount of people we have and, therefore, the impact that we have is also pretty limited.

David Abraham: For every £1 million that we spend on production I think we are helping to stimulate over 20 people's jobs. For every £1 million we spend internally on our own overheads we are creating less than half that number of jobs. I think it has been calculated by economists that the total programming spend of Channel 4, which was over half a billion pounds in 2016, is stimulating around 17,000 jobs, several thousand of those directly attributable to the spend that we have, for example, within the regions of the UK. Again, we completely agree



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with your thesis that Channel 4 is part of economic employment and generation and stimulation as it currently stands; it is just that we do it via third parties.

Your instance of the Royal Opera House, which I think is fantastic, is because they are their own producers. They are putting on performances and have resources that they have located outside central London, which is a brilliant idea. All of the economic work that we have done talks about the multiplier effect that we have on jobs and on economic growth. If you look at the £10 billion that Channel 4 has generated in the marketplace and spent with independent producers, if you look at the valuations of those companies, as they have by their founders often been sold to bigger concerns and created huge amounts of wealth, all of which has been kick-started by the existence of the Channel 4 model, we feel ourselves to be integral to the creative industries of the whole of the UK. It is a brilliant mechanism, Channel 4. It continues to thrive and we will always look for new ways of doing that, which are innovative and that add to the contributions that we have made historically, absolutely no argument whatsoever.

Q96 Giles Watling: I take absolutely what you have said, but do you not feel that it is part of your remit to reach out to what you could call pockets of cultural deprivation that certainly exist across the country and look positively towards doing that, rather than looking at perhaps the metropolitan centres that everybody always looks towards?

David Abraham: Yes. I think editorially we are doing that. We are committed to that and we are performing in that area. As I say, the studies show that our relevance to the non-London audience is high. The question here is: as an economic entity can we be the kick-starter of that regeneration? Certainly the economists who have looked at this externally have questioned the multiplier effect of our activities moving and questioned whether or not it will be of significant scale to have the kind of effects that I think people might be hoping for.

Q97 Jo Stevens: I do not know about last man standing, but I am definitely the last woman standing. I was really interested earlier, Mr Abraham, when you were talking about career progression for women and your critical functions at Channel 4 at senior levels. Then I think you said, "But then we tend to lose them because they get poached".

David Abraham: We can. We can.

Jo Stevens: You can lose them.

David Abraham: Yes, we can. Not all of them, but it has happened.

Q98 Jo Stevens: Right. Is there a gender pay gap at Channel 4?

David Abraham: We have an equal pay study that we have done, so we know that people doing comparable jobs are being paid equally for the



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same work, and there has been a lot of work done on that over the last 12 months.

Jo Stevens: Yes, but that is different to a gender pay gap.

David Abraham: Yes. We are not yet in a position to publish the data. I think that is due to happen over the next few months. Like all industries we have a generation of women who go on to flexible working as they become working mothers and we know that that means that there is not as much representation in the senior roles in our industry as I think everyone would desire. I do not expect Channel 4 to be an outlier in the industry or among all industries but that data has not been fully collated yet and it will be published, I think, in the next few months.

Q99 **Jo Stevens:** Okay. You have just 800 employees, which is not a massive organisation, so why has it taken so long to produce that data? Why is it taking so long?

David Abraham: Partly because we want to understand our strategies for ensuring that we have pipelines of talent, which I was talking about earlier, because obviously whatever data any organisation begins with will be a benchmark against which to set longer-term goals. Our 360 diversity charter that we published three years ago set 2020 targets for all forms of representation across the workforce, which we thankfully are delivering to. What you should expect is that Channel 4 will publish what will be, as it were, its benchmark data, but it will implement a strategy for longer-term evolution of these metrics, as I think most organisations will need to do. I think it was obviously appropriate to do that by the incoming team once they have had time to review it.

Q100 **Jo Stevens:** Okay. Catherine Newman, your news presenter, interviewed you and raised the issue of the gender pay gap in October, this month, and you declined to reveal the figures, and you told the audience to look at her shoes, "They're not cheap". I just wondered what you meant by that.

David Abraham: This was a similar instance that the chairman has been explaining, it was something that was reported out of context. This was a staff meeting. The conversation was around "Bake Off". A question was asked, how has "Bake Off" worked in terms of the return on the investment and I was making a point about the fact that the surpluses of programmes like "Bake Off" help to pay for "Channel 4 News". Cathy and I had exchanged a joke in the lift on the way down about her very nice shoes, which then got misrepresented in the report.

Q101 **Jo Stevens:** Okay. Thank you. I wanted to move on then to your incoming chief executive Alex Mahon, and you said, Mr Gurassa, that this is a hugely symbolic appointment, the first female chief executive for any UK broadcaster. I commend you for that; it is long overdue and it is great news. Obviously the current chief executive's total remuneration is set out in your annual report and I understand that works out as a base salary; there is variable pay with a cap on it as a percentage, pension,



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and other benefits. What are you going to be paying your new chief executive?

Charles Gurassa: We have not made that data public yet. We had to recruit Alex in the marketplace, she was working for a commercial organisation. What I can say is that her salary package will be a little under David's, as you would expect for someone who is starting a job rather than seven years in, but not a lot, and the package structure will be pretty identical to what David enjoys.

Q102 **Jo Stevens:** Will there be a welcome payment in that?

Charles Gurassa: No. No, no, certainly not.

Q103 **Chair:** Thank you. Just a couple of questions from me to wrap up. First, just going back to some of the questions we touched on in relocation, has someone been advising the mayors of the major cities, the city regions, not to bid for a complete relocation but only a partial one?

David Abraham: No. We have simply been providing information about our model and about what we are already doing. It is not for us to obviously direct local politicians or leaders towards outcomes that they want to share with DCMS, we have simply opened our doors to have the dialogue. Obviously the debate is a public one, so everyone knows how we have been thinking about this and trying to engage with it. Effectively there has been a lot of expectation created by this consultation, and it is not for Channel 4 to channel that. It is just for us to interact and share our view with all of the parties in an equal and fair way.

Q104 **Chair:** You may have heard what the Secretary of State said when she appeared in front of the Committee the week before last. She is quite clear that she expects a substantial relocation and that seems to be of a greater magnitude than what you have set out today. From your position it sounds like the position of the board will be that if the Government wants a substantial relocation it will have to force the issue, there will not be a way in which that can be accommodated.

Charles Gurassa: I think she talked about substantial decision making, and talked about shift of power, and talked about working with us to find a solution.

Q105 **Chair:** In terms of shift of power, I think she said the people that run Channel 4 and the people that commission for Channel 4 should not be based in London. I think that would be a fair summary of what she said to us. She was stronger in what she said than she was at Cambridge when she spoke there.

Charles Gurassa: I have watched the dialogue. She was very careful in what she said and what she did not say. We are seeking to respond as constructively and positively as we can to deliver her objectives, but to do it in a way that is sustainable for us and can deliver for the whole of the UK.



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David Abraham: My comment is if we do not arrive at a consensual outcome effectively the risk falls quite squarely on the Government to assert a strategy on the basis that evidence of the risk to the model will not come to pass. Were they to come to pass in the future and Channel 4 was weakened that will self-evidently be a decision that the Government made against the judgments of quite a lot of external evidence that is now out there on the marketplace. I understand that the Government has commissioned a report looking at the benefits to a region of a substantial relocation, but has not done so with any consideration to the impact on the Channel 4 model.

We have evidence from third parties in great depth as to the erosion of the Channel 4 model of a substantial move. That evidence would have to be ignored by the Government if they were to enforce a substantial move on the organisation. I think it would be a very sad day if that was the direction that everyone ended up in.

Q106 **Chair:** I do not doubt what you say at all but that unfortunately seems to be the direction travelled at the moment. That is the destination we are headed to.

Charles Gurassa: I personally do not see it like that. I do see from the conversations we have been having with the Government, with officials, and internally that we will be able to reach a consensual outcome that will make a meaningful difference to the UK and ensure Channel 4 continues to thrive.

Q107 **Chair:** Charles, in your modelling do you include the value of the Horseferry Road offices, the centre that you own at the moment, and what could be realised from the sale of that to fund a move?

Charles Gurassa: Like any businessman, when I look at Channel 4 I look at all its assets and liabilities and then look at its trading and its projected trading. You are quite right to say we have an asset in Horseferry Road. We also have liabilities. For example, we have a large pension liability of slightly more than the value of Horseferry Road.

Q108 **Chair:** The pension liability is not going anywhere though, is it?

Charles Gurassa: It is taking money out of our spending every year.

Q109 **Chair:** Sorry, I want to try to wrap up quite quickly. Can I just ask, what is the company's valuation of Horseferry Road?

Charles Gurassa: It is just under £100 million. We expect our cash position this year to be down quite significantly from 2016 as a result of the downturn in advertising and our willingness to continue to invest in content. When we look at those reserves and we look at our requirements, we then have to conclude what is the appropriate level of reserves we have, and the reserves include cash and Horseferry Road.

Q110 **Chair:** Sure. Just finally on relocation, you have spoken lots to other members of the Committee about the ad sales function being London-



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centric and obviously on the whole advertisers buy their advertising through media agencies who would be clearing houses for different television spots. The biggest of those is MediaCom in the UK. They have offices in Manchester and they have an office in Edinburgh. Would it not be possible to locate your ad sales team in another city where those companies are based?

David Abraham: Yes. We do fabulous business with the agencies in Manchester, which is why we have expanded our presence in Manchester, but it is still a relatively small proportion of the total revenue that we take. Remember, we are also a sales house operation representing BT Sport and UKTV. You can see in the annual report that is over £1.2 billion in total of ad sales trading, and I would say that significantly less than 10% to 15% of that is traded out of Manchester alone. Important though it is, and growing, and brilliant though that team is, to contemplate the entire sales operation being outside London would be creating an unnecessary amount of friction for an organisation that needs to be really agile.

Q111 **Chair:** The reason I raise MediaCom in Manchester is clearly there are some of the country's leading media-buying houses that have themselves a footprint outside London.

David Abraham: Yes. So do we. That is why we have a strong presence in Manchester. We have a fantastic base there right in King Street that we have invested in for the last few years. We absolutely agree with the importance in strength and growth of the marketplace, it is just it is a different exam question as to whether or not you could relocate all of the function in that way.

Q112 **Chair:** Sure. I understand. Finally, were you surprised by the Harvey Weinstein story breaking in the way that it has done and the number of people who have come forward to speak about him?

David Abraham: I was really saddened, and clearly all of us were very shocked by those revelations. Clearly a major review of the culture and practices of the film industry is now taking place. We are always a partner in international co-productions and, therefore, we can encourage this debate and be part of it. Fundamentally a huge cultural change needs to take place. I think the debate will play out in terms of the interactions between the film industry and television industry.

Q113 **Chair:** There have been a lot of film projects where Film4 has worked with Miramax, the Weinstein company. Have you ever had any cause for concern in your dealings with them?

David Abraham: None of these recent revelations were ever brought to our attention. Had they been, of course we would have acted on them. Harvey Weinstein has clearly been involved in many Oscar award-winning projects over the years. He is a tough business person to do business with. That is what we saw; we saw someone committed to the films. But what has been coming out in the last few weeks is as shocking to us as it



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is to Meryl Streep and other people who are involved in the projects that we were involved with.

Q114 Chair: The Committee has spoken a lot to support organisations that deal with problems around personal conduct. Last week we discussed at length with the FA their lack of grievance procedures for people that feel they have complaints against their employer. In a different environment you have a similar power relationship between a senior figure within a sport and an athlete and those power relationships could also be at play for someone like Harvey Weinstein and a performer in the movie industry. Would you think the sector needs to look seriously at the way in which it supports people who wish to come forward with information that they want to share about someone powerful like him? Do you feel clearly if those procedures had been in place before someone would have spoken up earlier?

Charles Gurassa: I entirely agree with that. If you think of parallel worlds, if you think about whistle blowing in companies, if you think about how we are required, as anyone in commercial life now, with the Bribery Act to ensure that our suppliers apply codes of conduct and have practices, if you look at now how we are having to think about cyber security and how we ensure that cyber security, it seems to me there is an absolute onus on the film industry and the television industry to ask itself the question: what practices and processes need to be in place that people feel safe to be able to report when malpractice happens?

Q115 Chair: Okay. Thank you. Finally, David, this is your last appearance in front of us, as I mentioned at the beginning. As you prepare for your final few days at Channel 4, how optimistic are you for the future of the channel, and what do you think the next few years will bring it?

David Abraham: I am very optimistic because Channel 4 has an amazing ability to respond to market changes through innovation and through great creative imagination. It does that commercially, it does that creatively and does that in terms of how it interacts with the rest of the industry. I do think it is also incumbent upon the politicians to think through many of the challenges that surround the PSB sector so that it can continue to be healthy. The paradox of the PSB sector is it is the result of intervention and I know for some politicians any market intervention is an anathema. In the case of television it is creating great competition, it is creating great standards, and it is great exports for the UK around the world.

But with the development of digital platforms there are going to have to be new regulatory structures to deal with fake news, to deal with EPG prominence, and to deal with the real value exchange between the PSB channels and the platforms in the future if things are going to be continued to be as prolific and as effective as they have been creatively over the decades. I am very hopeful that with the scrutiny of this Committee and the commitment of Parliament more widely, as we have seen on the debate around Channel 4. The debate last week in the Lords



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I thought was extremely well informed about the central role that Channel 4 can play in the health of the creative industries. I think that is widely accepted and widely understood, but I do not think we can take it for granted.

What you can know is that the board and the staff of Channel 4 will remain highly committed to those purposes. There will always be new regulatory challenge, which I think you, as the decision makers, can influence such that we could be sitting here in another seven years' time when Alex— hopefully, or for even longer—will be looking towards the end of the tenure and she will be able to say that Channel 4 remains as healthy as it is today and as reflected in the 2016 results.

Chair: Great. David Abraham and Charles Gurassa, thank you very much.