

Digital, Culture, Media and Sport Committee

Oral evidence: Channel 4 Annual Report 2017, HC 992

Tuesday 26 June 2018

Ordered by the House of Commons to be published on 26 June 2018.

Watch the meeting

Members present: Damian Collins (Chair); Julie Elliott; Julian Knight; Brendan O'Hara; Rebecca Pow; Jo Stevens.

Questions 1-95

Witnesses

[I:](#) Charles Gurassa, Chair, Channel 4, and Alex Mahon, Chief Executive, Channel 4.



Examination of witnesses

Witnesses: Charles Gurassa and Alex Mahon.

Q1 Chair: Good morning. Welcome, Charles Gurassa and Alex Mahon, to this special session of the Digital, Culture, Media and Sport Select Committee to consider the Channel 4 annual report. A particular welcome to Alex Mahon on her first appearance in front of the Select Committee as the chief executive for Channel 4. It is a pleasure to have you with us this morning.

I would like to start off the Committee's questioning by looking at some of the financial items in the report itself, particularly on Channel 4 revenues. It is noted that, because of its model, Channel 4 is particularly vulnerable to any fluctuations in the advertising market and there are concerns raised about the impact that has on its revenues. Could you give us an idea about the impact that the flattening off of TV advertising revenues is having on the revenue of Channel 4 and if that gives you any concern for the trading year ahead?

Alex Mahon: The 2017 results were quite good: £960 million, so down about 3.5% versus the previous year. Post the Brexit referendum, we had quite big swings in the advertising market, so we went from plus-five before the vote to minus-five afterwards. I am pleased to say that that settled down in the last half of last year, so it was flatter towards H2 in 2017. The good news is that in 2018 we have signs of optimism in the market. We are up a couple of percent for the first half and I think it is looking positive for the end of the year. We are in a good place in terms of things settling down.

As far as being optimistic about the TV market, it is true to say that, even though we read huge amounts about the impact of the digital players on the market, advertisers are still streaming into television because it is such a strong medium. Although there is huge growth in the digital spend, we are finding that brands come to television to spend in terms of making an emotional connection with viewers and ensuring that they can hit a lot of viewers simultaneously. For us, when we have a big show like "Bake Off" that reaches 10 million people in one go, we find brands want to come to us for that.

Also we have seen huge growth in advertising on air from the digital brands. What is interesting is part of that growth is fuelled by the Amazons and Netflixes spending on television. For example, for us, the sponsor this year for "Bake Off" is in fact Amazon's Alexa, so we are finding they themselves are coming to television to make an impact on viewers. It was a difficult year last year but we managed very well in it, and there are signs for optimism this year.

Q2 Chair: What assumptions are you working on for the performance of the advertising market for this financial year?



HOUSE OF COMMONS

Alex Mahon: For this year, we expect it to return to growth. The first half is up a couple of percent and we are optimistic that that growth should continue throughout the year.

Q3 **Chair:** In terms of your planning, is your assumption that growth will be 2% or 3% in the advertising market for this coming year? Would that be fair?

Alex Mahon: I hope we end up in that position. Obviously we plan quite prudently. We run a range of scenarios for whether it is flat or whether we get into that kind of growth, but so far it is looking positive.

Q4 **Chair:** There has been quite a lot of debate on the Government's consultation on the childhood obesity strategy, which was published this week, particularly the proposals around introducing a watershed on advertising high salt, fat and sugar-content products, and you have spoken about this publicly. If that ban went through, what sort of impact do you think that would have on Channel 4 revenues?

Alex Mahon: I am pleased to see the Government announcing views on the strategy this week. Clearly, as Channel 4, we are completely aligned with the mission to ensure that childhood obesity is eradicated and we are very concerned about the societal issue. Of course, Channel 4 has done many programmes over the years that fit with that message, whether it is Jamie Oliver's shows or Hugh Fearnley-Whittingstall or others.

The overall impact that is stated that there could be on the industry is over £200 million in revenue. Our view is that it is very important that we do a consultation in an open and considered manner. It is also true to say that young people are often not watching for the watershed. They are often watching on digital platforms now, which have very hyper-targeted advertising towards them. We need to consider the impact of taking money out of television, which is why we want an open consultation that we will participate in, so we are glad to see that announced.

We also need to consider what kinds of foods this legislation has an impact on. For example, right now we would not be able to advertise olive oil during "Countdown", where there are probably not many young people watching, or we would not be able to advertise things such as chutney. There are a number of things that are covered by a blanket ban that perhaps need to be thought through to make sure there are no unintended consequences. We absolutely support that open consultation and discussion, but I do think we need to be careful that a simplistic measure isn't put in place on this complex issue, which would end up with money coming out of public service television and, therefore, out of spending on British programmes and content.

Q5 **Chair:** Many people will say, "Are the concerns raised by the broadcasters real?" There have been changes to the advertising market in the past; types of advertising have been banned. The industry has not only returned to growth in most of these cases but has been largely unaffected by it. Is this another case of the TV industry crying foul but



HOUSE OF COMMONS

actually it will have no real impact on revenues, or do you think there will be a significant impact?

Alex Mahon: All we can tell at the moment is what amount of money is spent on television for that category of advertising. It is very hard for us to predict hypothetically what might happen if changes to legislation are put in place. That is why we are suggesting that, if a consultation occurs, those scenarios can be run and Ofcom can look at it.

We do have to remember that, from an advertising perspective, they might then just put that money into the digital platforms where they can really, really target young people. We need to make sure that any changes don't result in consequences that are worse than the current situation.

Q6 Chair: Has Channel 4 done any modelling to look at what the effects on advertising spend have been for restrictions brought in in the past? When the watershed restrictions on alcohol advertising came in, did that affect the amount that brands spent, or did they just spend it at a different time of the day?

Alex Mahon: It is hard for me to say because that would have been before my time. I am certainly happy to go away and have a look at it and come back to the Committee on it. Our job is to continue to be agile and innovative and come up with other ways, so all we can do right now is measure the impact that there would be on the total market should a simplistic ban be put in place.

As I understand it, we are in a situation where there will be an open consultation to discuss all the impacts, and ways that there might be to consider things that have the intended consequences of reducing children's exposure to those kinds of products, whether it be reformulation or other ways of counteracting the impact on them.

Q7 Chair: In your annual report, in the risk management section, the first area of potential risk that is identified is Channel 4's reliance on advertising sponsorship, which counts for 93% of revenue. How much of that revenue from your advertising spend do you think is derived from the advertising revenue you get from these brands that could be covered in this ban?

Alex Mahon: The overall HFSS spend in the market is estimated at £200 million, and Channel 4's share of that is of the order of £40 million.

Q8 Chair: For the benefit of the record, what share of your total revenue for advertising would that £40 million constitute?

Alex Mahon: The total revenue, 97%, would be about £900 million. It is of the order of a few percent but it is substantial and could make an impact on us.

Charles Gurassa: The other thing that would be worth the Government's consultation reviewing is the impact on spending on children's programmes. I think the evidence to date will show that, with



HOUSE OF COMMONS

the existing restrictions that are in there, we have seen a significant diminution in investment in children's programmes from commercial public service broadcasters. You can draw a direct parallel between lack of commercial viability and investment in children's programmes. These things need to be carefully explored.

Q9 Chair: If the revenue from these brands was lost and not replaced by anything at all, the impact is about £40 million. Obviously, the more likely outcome is that that revenue would not be lost but it just might not be replaced at the same level. If you are taking a chunk of money out of the advertising market, obviously that has the potential effect of depressing the prices for advertising slots, rather than all that revenue necessarily being lost. In the worst-case scenario, that would be the value of the ban, potentially. Is that correct?

Alex Mahon: Yes, that is correct. It is £200 million across the market, but what we need to look at is: if one is an advertiser and one medium is unavailable, one simply takes that money and puts it on another medium that is available. While being completely focused on the mission of eradicating children's obesity, our concern is that every pound that was previously spent on television—which might not have been targeting children—is then simply switched on to YouTube or Google or a targeted platform for children, where they are verified and hyper-targeted. I don't think that is the intention, given the obesity strategy.

The simplistic thing for an advertiser to do is to take that money and spend it elsewhere, where one is absolutely sure that a child is watching. Given that we know that the biggest change in the viewing is occurring in children under 16, that is where we are very concerned that we are careful and considered in terms of understanding that impact.

Q10 Chair: From Channel 4's point of view, as a server of digital content and on-demand content, is the enforcement of a digital watershed practically possible if you wanted to impose advertising bans equally across all sorts of different media, both linear television as well as on-demand?

Alex Mahon: If we were to try to look at bans or indeed to look at how one rates content across multiple platforms, one then needs to go to the question of knowing exactly who is logged in at any point and ensuring that that user has a single ID. That is not prevalent yet across the market, hence many of the problems with YouTube viewing or Facebook usage by children under a certain age. There is no system across the market that does that yet, but of course that would be interesting to look at. Certainly, in Digital Bills and elsewhere, there is consideration about how platforms are restricted to children over a certain age. It is certainly well worth looking at.

Q11 Chair: As you say, if you don't know who is looking, it is hard to determine how you enforce that restriction, unless, of course, you just said you could not serve any of that advertising against content that is considered to have a family appeal—not just serving an adult audience—in which case you would be looking to put advertising restrictions in place



HOUSE OF COMMONS

against any sports video, music video or any general entertainment programme, which would have huge revenue implications for multiple platforms, not just the television networks.

A final question from me on ad revenue: Channel 4's reliance on revenue from advertising and sponsorship is very high. We discussed this in previous hearings of the Committee. It does pose the inevitable question about whether that will be a sustainable model and, therefore, whether the Channel 4 remit, as currently set out, will be sustainable in the future, and whether you will need to secure other revenue streams to continue to fulfil the obligations of the remit. Does that give you any concerns, Alex Mahon? You have been in post now for over six months. Do you have concerns about the remit moving forward?

Alex Mahon: What is amazing about Channel 4 is the way it has continually innovated. Our digital revenues last year now comprise 30% of our revenue. They were up 22% year on year, so we have done that diversification into digital and we will continue to push on that and grow it. We have 17 million people signed up to our All 4 platform. We had over 700 million views on that last year, so again up substantially.

We also have other diversification activities. We have the Commercial Growth Fund, where we invest. We take equity in companies in return for airtime, so we look to how we can use our assets to diversify. We have the Indie Growth Fund, where we invest in small start-up independent producers to help ensure that there is a continued flow of new small and medium enterprise British businesses coming out of the UK. We are continually looking for those opportunities for how we can diversify the business and use our commercial innovation to do so.

The particular focus for us will be on digital growth going forward and that connection to young people. We are very pleased that we are free at the point of use for people. We are not a subscription platform. We are very much focused on serving the UK audience and earning our money commercially to do that. For us that has been an advertising-led route, but we continue to innovate in other ways where we can.

Q12 **Chair:** Looking again at the risk management section of the report, when 93% of your revenue is advertising and sponsorship, in an industry where that is probably seen as being one of the more vulnerable areas—and other broadcasters having a different remit can invest and make more money out of content than you are able to do—it is a natural question that we keep returning to as to whether, in time, Parliament will have to consider whether the Channel 4 remit needs to be adjusted to make it financially viable.

Alex Mahon: The good news is we are financially viable, and I am pleased to say that the market is returning to growth. What we are seeing across the UK is that people are still watching three hours and 23 minutes of television a day, and television has a 93% reach. Of course, we do worry about this and continually look at it. That is why it is at the top of the risk list.



HOUSE OF COMMONS

When we then see what is happening with the other platforms, when consumers are watching 103 hours of television a month, that is the equivalent of watching both series of Netflix's "The Crown" five to 10 times over. We are seeing television stay really strong and we are seeing advertisers still come to it, but obviously that is a continual watch area for us.

Q13 Jo Stevens: Good morning, both. I want to ask you some questions about nations and regions. Looking at the annual report, spending on content commissioned outside London is increasing but this seems to be increasingly concentrated in the south of England. Isn't this just an extension of London spending to the detriment, for example, of the Midlands or the north of England?

Alex Mahon: Good morning. Spending in the nations and regions in 2017 was £189 million, which was up 12% year on year and well above our quota of 35%. Of that, about £39 million was in the devolved nations, and I think there is growth there across the out-of-London region. There is a particular focus for us on making sure that spend is spread across the UK. We now have an expanded team of staff who work with the nations and regions and make visits across all the regions to ensure that we are developing local companies.

Of course what we have announced, in terms of our nations and regions expansion plan, is very much about building on that and ensuring that we build up the production companies that can continue to supply us so that we are taking programmes on air from all across the UK.

One part of our vision for that and the strategy for it is to make sure that we spend even more outside London. We are suggesting that we move to 50% of spend outside of London, which is an extra £250 million over the term of our licence. To do that, there is going to have to be quite a shift in how we operate. It means we will have to expand the team that works with local indies and we will have to give them much more support. It also means that we are going to move to three new locations. We are opening up a new national HQ and two creative hubs. We will have to put significant creative decision-makers in each of them to make sure that we can help grow those companies and help spread that spend across the UK.

For me particularly that is about making sure we reflect all of the UK on screen, and making sure we have our own staff who are from different places in the UK, because that will also mean that we have a more authentic portrayal. The third piece is that we will get the news broadcast to open up other bureaux across the UK and have that co-located in terms of its broadcast outlook.

Charles Gurassa: As I said I think at last year's Committee, we are committed to doing more in the nations and regions. It is very much part of our DNA. Alex deserves praise for the strategy she and the team have put together, which is the biggest single change to the Channel 4 operating model since it was created in terms of spend, in terms of the



HOUSE OF COMMONS

number of people we are moving out, in terms of the new studio, and in terms of the changing dynamic that it is creating in the organisation. There is a real energy to do more and deliver more. From listening to Alex, who has been around receiving the very impressive pitches from the potential shortlist of cities and creative hubs, I know that there is huge desire, energy and innovation coming out of this process, which makes us all very enthusiastic.

Alex Mahon: I am in the middle of three weeks of going to visit different national HQ locations and creative hubs. We are very fortunate; we had over 30 cities apply to be part of the process. Incredible energy, passion and work were put into those applications, and then we shortlisted down to 13 places: seven for national HQ and six others for creative hubs, which range from Glasgow to Brighton to Cardiff and Bristol. There are a whole range of places.

I have had the privilege of going around visiting them. There are more visits coming tomorrow and more next week. It is an utter joy, because what one sees is the wealth of creative talent and ideas and energy that there are in many, many different cities. That much you could say is obvious, but what is really exciting for us is to see the enthusiasm for Channel 4.

That is not because we have thousands and thousands of heads. It is not like we are moving a steelworks. It is about the totemic nature of a risk-taking, diverse broadcaster that is about creative innovation and what that means to young people, particularly what that means to more disadvantaged people, and particularly what that means to people who, for social mobility reasons, simply cannot afford to move to London and, therefore, thought they might never have a chance of getting into our industry. There is a sort of totemic nature in some places to what Channel 4 might mean, and that is incredibly exciting to be part of. We are faced with some quite difficult decisions as an executive.

Q14 **Jo Stevens:** I am sure, but I am not going to ask any questions on that because my other colleagues are going to cover that.

Just going back to the spending in the nations—looking at the spend—it is becoming increasingly concentrated in Scotland. Wales has less and Northern Ireland even less than that. How is Channel 4 going to ensure that Wales and Northern Ireland get suitable and appropriate investment? It seems a bit unbalanced at the moment.

Alex Mahon: How we measure the spend outside London and by different regions is consistent. What happens in any given year, as new shows are grown or older shows come to the end of their lives, is that you get an up-and-down in what is spent in each region.

We also have the phenomenon that we are dependent on independence being in that region and getting to the scale where they have the right ideas to deliver to us. There will always be ups and downs in any given year, in any set of locations. The important thing for us is to continue growing the overall amount that is spent outside London. Of course,



HOUSE OF COMMONS

when a show does disappear off air—for example, when “Shameless” came to the end of its life—that causes a real drop for us. How that money is spent on the next show is not always necessarily in the same place. There will always be ups and downs.

Therefore, the answer for us is to have a creative team that works with all the regions and helps build independence there, and to make sure that we are present in enough locations to spread that spend across the whole of the UK.

- Q15 **Jo Stevens:** Looking at it from a viewer’s point of view, Ofcom’s PSB tracker found that only 39% of viewers thought that Channel 4 performed well against the statement, “Channel 4 portrays my region or nation fairly to the rest of the UK”. That is below the PSB average. You have talked about some of the strategies that you have in place around portrayal and spend. Is there anything else that you think Channel 4 can do to overcome that view that is being expressed?

Alex Mahon: What is interesting, of course, is that, when we have a show that really resonates with a particular location, that perception changes very dramatically. On air this year we had “Derry Girls”, a six-part comedy, which is about family times in Londonderry during the struggles of the 1980s. It might not sound that uplifting, but it was an absolutely outstanding piece of work that rated in the region higher than any show ever has since records began. When we do get it right and we represent something that portrays an area authentically, we have tremendous success. It also rated incredibly well everywhere else in the UK.

The question for us there is: how do we do that across multiple places, and how do we do that through authentic portrayal? For example, “Ackley Bridge”, which we have on at the moment, also does that in a spectacular fashion because it is a group of people who are warm and authentic, who you would not normally see on television. “Shameless” is another historic one that did that.

For us, part of this nations and regions strategy is recognising that we have to do more but understanding that it is not just how we spend money. It is who we have as our decision-makers and where they are located, and that is a big push behind this strategy.

After the Brexit referendum, there is the very clear realisation that London is considered by the rest of the UK to be very, very different, and there is that yawning chasm in the sense of disenfranchisement. If we are going to represent the UK, it is our duty to work out what we have to do to ensure that we are representing everywhere. Part of our nations and regions strategy is making sure that, as Channel 4, we do that.

- Q16 **Brendan O’Hara:** My first question is to Mr Gurassa, and it is around that idea of how Channel 4 is portrayed by people and communities outside London. If you recall, at last year’s session I was highly critical of the number of commissioning editors who are based outside London, and



HOUSE OF COMMONS

David Abraham at the time was very defensive about the situation that existed 12 months ago.

In that intervening 12 months there has been a sea change in Channel 4's thinking. How has that come around, and why has it come around?

Charles Gurassa: Thank you for that question. At last year's Select Committee, when I was asked about our approach to the nations and regions, I did say that commissioning was one of the areas that we would look at, as part of a strategy to enhance our presence and our effectiveness in portraying the country better than maybe we were doing at the time. To give Alex and her team credit, when they came on board they took a look at what we were doing and thought about how best we could meet this challenge, which we have always accepted was a fair challenge: how could we do more?

Moving commissioning and decision-making power out of London into three creative hubs was a strategy that Alex and her team developed. It built very much on the work that Sir Peter Bazalgette had produced in his creative strategies document as part of the Industrial Strategy initiative from the Government, where he identified this concept of building on nascent strengths around the country and bringing together different elements of the creative industry to build some real momentum.

The door was always open to considering it. Alex and the team have looked at it and concluded that we can do something different, innovative and sustainable, and we are now in the process of implementing that strategy.

Q17 **Brendan O'Hara:** I for one applaud what you are doing. I am on the record last year as saying I think it is something that should happen. I think it is great that you are doing it. It is going to be a major reconstruction of the company. What impact do you expect that to have on the business, both in the short and medium term?

Alex Mahon: It will be a very significant change to our operating model because we are moving from one very large office—although we also have operations in Glasgow and Manchester—to four offices: London HQ, national HQ, and two creative hubs.

We believe it is very important to have three new locations, in order to make sure that we spread the spend across the UK and that we do not end up with all our suppliers simply inconvenienced by having to travel to another location. A core part of the thinking is about that representation. It does mean that we need to think about how we operate as a multi-site operation.

Equally, though, it helps us future-proof our talent pipeline. There is tremendous talent from other places, and of course there are people working in London who would be delighted to move back to where they grew up and perhaps be closer to their families. We have an advantage in that we are a very attractive place to work in many of those different places outside London, but it does mean that we have to change some of



HOUSE OF COMMONS

the ways we operate and make sure that we can operate multi-site and continue to do that in an agile and innovative way. There is a huge amount of work going on in the business to ensure that we can do that, and we are very much prioritising our staff in this and in our communications. We are doing that now in a process of consultation with them.

Q18 **Brendan O'Hara:** I agree. Long-term, it will be extremely good for Channel 4. It will be extremely good for the creative sector generally. In the short term, as a business, what are you doing to protect Channel 4 during this period of what will be quite significant upheaval?

Alex Mahon: The main concern about upheaval is impact on staff because it is a disruptive time for staff. That said, the staff are very, very supportive of the plan and enthusiastic about it because it does include some new growth elements to the business. For example, we are opening a new digital creative unit, which will very much focus on how we market ourselves on digital platforms. There are many aspects of the new plan that create huge enthusiasm among staff, but that is the key risk to us. That involves a process of close consultation with them and a staff working group that has been set up to deal with me and the executives to make sure we take their opinions on board and think carefully about what changes we must make to our operating model to ensure that we still operate in an efficient manner.

Charles Gurassa: If I may add, when you are going through a very significant change like this, one of the critical things is communication. You can never communicate enough. I have never been in an organisation where people say, "They tell me too much about what is going on around here". Alex and her team have put a huge amount of effort in. Staff were the first to hear about the plan. That commitment to continue to keep them informed and involved is hugely important as you go through the change.

Q19 **Brendan O'Hara:** The Chair talked earlier in this session about the importance of advertising revenue to the business. You are keeping your advertising base in London. Do you have any concerns that the changes that are coming about will affect that advertising base, or do you expect just business as usual with no upheaval?

Alex Mahon: We do not expect these changes to impact our advertising team. We have a significant portion of that team based in Manchester, where there are a number of agencies that we work with. They are already quite devolved regionally. We don't expect it to disrupt our ad sales team.

Q20 **Brendan O'Hara:** Going on to the relocation itself, Channel 4 is known for its creativity. Creativity would have been a hugely important part of the pitch that was put forward by those bidding for it at the national HQ. Speaking to the Glasgow bid and to Glasgow City Council and the Scottish Government, I know that they were very, very excited by the creativity that was contained in there. How pleased are you generally with the



HOUSE OF COMMONS

creativity that was offered by what you have seen from the bidding cities so far?

Alex Mahon: We are running a very open process, as the Committee will know. We announced it publicly and a few weeks later, in April, we launched to the industry. We allowed all cities over a certain size to apply. That has been run by Jonathan Allan, our chief commercial officer.

We looked at a number of factors: economic, demographic, diversity of population, environmental, working population, also connectivity and infrastructure, and obviously at the talent pipeline, the history of creativity in the locality and the number of production companies that are there. We have looked at a wide range of factors because this is not just production spend. There are also people from other departments who will move to the national HQ because that is like a mini Channel 4. It is a wide range of sectors that we have looked at.

What is incredibly exciting when you go on the pitches, of course, is the genuine creativity and enthusiasm demonstrated by the different locations. That has been an utter joy, and it is a position of great privilege to be on the teams that have travelled around. When I was with the team last week, even coming back very, very late on a Friday night, everyone was utterly enthused by what we saw elsewhere, and also the realisation that it will truly add to what Channel 4 does. It will add creativity, as we can tap into creativity elsewhere across the UK in a way we have not previously had the opportunity to do.

Q21 **Brendan O'Hara:** Have the pitches themselves—not just creativity—been of the quality that you expected or would need in order to make this decision?

Alex Mahon: In the middle of the process I have to be careful about commenting on any pitches, having not seen them all so far but I would say they have been absolutely outstanding.

Q22 **Brendan O'Hara:** How will you ensure that, when the relocation does go through, it has an ongoing positive effect on the area, nation or region that is selected?

Alex Mahon: As a small organisation—and given your previous points about changes to the operating model—we need to be careful about how much we can achieve. We are also going through digital transformation in the sector. It is a massive degree of transformational change for our sector, and we are changing our operating model within that. We have to be very organisationally conscious of that.

That said, this particular element of this plan is to think about the impact we can make on any individual areas that we go to. When we got to the shortlist stage, we had to be quite careful to ensure that we could only shortlist places where we thought there was enough of the creative sector already for us to be able to operate. If we went somewhere where there was not a creative sector already, it would be too much strain to put on Channel 4. Now, as we go forward to the final selection, there is a very



HOUSE OF COMMONS

fine balance there between what Channel 4 can do for the area and what the area can help Channel 4 with, and that is a subject of constant discussion.

Very much built into our plan is how we can help seed in any other location the pipeline of future talent that might come into the industry: thinking about social mobility, thinking about staff from a black, Asian and minority ethnic background, thinking about how we can bring them in. When we do Channel 4 talent pop-ups across the country, we are looking for over 600 people a year to bring into the industry. When we do apprenticeships, when we do mentoring and training, we are particularly focused on that. Built into our plan is doing more of that in the other locations, and also we have quite a number of digital jobs that come in at entry level in the organisation in the new locations. For us, that is about Channel 4 being the route that people who perhaps otherwise would not have the opportunity to do so can find into the industry.

We are also talking to higher education institutions and to whoever works in each region for young adults who are not in higher education, so that we have both graduate and non-graduate routes and partnerships into Channel 4. We have been particularly talking to them about how they could do bespoke training programmes alongside us to bring people into the industry. Those are the particular focuses.

When we get to properties, which is not at this stage, we are thinking about how we can create more of a community feel and how we can work with independent producers in each location to bring them a bit more into the Channel 4 fold and perhaps create more of a creative campus with them. Those are some of the ideas that we are looking at so we can have more of an impact on the location.

When we talk to people, we particularly see that we are a totemic brand for children at school, particularly at high school, and we are talking to different councils about how we could use that more to the advantage of youth in each locality.

Q23 **Brendan O'Hara:** Finally, if it is such a good idea—which I think it is—why has it taken so long to happen?

Charles Gurassa: The truth of the matter is that the referendum was a watershed moment in terms of many people's appreciation of what was happening in the country, and Channel 4 was not alone in that, and a recognition that, against a background of a thriving global economy, some parts of the country had done well and some had not. As a public service broadcaster, we needed to be cognisant of that and to think about how we played our part in ensuring that we did even more for the nations and regions. We did do a lot, but it was a moment in time where, as a public organisation, we reflected—and were challenged by Government to reflect, and I always thought very fairly so—to see how we could do more.

Q24 **Brendan O'Hara:** Of course, two of the nations of this country voted to



remain.

Charles Gurassa: That is true, and we had voluntarily already offered to increase our quotas of production in the nations beyond that which is required or mandated by Parliament or our regulator. It is not that we were not on a journey—I feel that we were—but I think it was a journey that was accelerated by the public debate that happened following the referendum.

Q25 **Julian Knight:** Good morning. Why several centres? Why not one? National HQ and two creative hubs; why not have just one centre outside London? Isn't the danger here, with 300 people moving potentially, you are going to spread yourself too thinly?

Alex Mahon: When I came in, the question for us was to go back to the principles of: what strategy would be good creatively for Channel 4 and good for the UK in terms of that economic spread of spend? We went back to first principles. We looked at all the work that had been done before. We looked at the Bazalgette report on creative clusters, and we went out to talk to the independent community of producers. We work with over 300 of them a year. Clearly, as a publisher/broadcaster, we are absolutely reliant on them and the continued flow of good ideas from them as our partners. We thought very hard about one place versus multiple.

As we did that, we realised that, in order to fully represent the UK, one needed to think about how you spend money across the UK. That is what makes the real economic difference. At our current spend we support over 3,000 jobs in the nations and regions in production. If we were to substantially increase that to 50%, how do we do that so that not all the money is concentrated in one location? The real way we do that is by having creative decision-makers in the smaller hubs as well.

Secondly, there was the consideration of our suppliers, who are often in quite small businesses when they are outside London, and now part of our strategy is to help build that. It is quite expensive for them to get to London, and it is almost impossible for them to get to London, where they would still have to come to see the BBC or to see ITV or other competitors, and then only get to A N other place. That would be a disadvantage to them. That also informed our thinking about the "how" we really do this.

In our plan, there will be one substantial centre in terms of the national HQ, and the creative hubs will be much more, and will be about working with producers.

Q26 **Julian Knight:** My colleague, Mr O'Hara, touched on this a minute ago but I want to just boil it down, if I can. You mentioned things like creativity, environment, talent and connectivity as the watchwords, effectively, of what you were looking for when these cities were pitching to you. Could you boil that down to one or two things, unique selling points that you are looking for? First, your location for national HQ.



HOUSE OF COMMONS

Alex Mahon: While we are in the middle of the pitching process—so being careful because we have not seen all locations—we have laid out quite clearly the number of factors that we will look at. What is clear is we need to be close to a creative community of producers and we believe that Channel 4 can make an impact on growing them. We need physical infrastructure connectivity between there and our other locations, which plays to the operating challenge point.

We also need to make sure that we have a pipeline of talent there. That talent is digital graduates, computer science engineers for the digital piece of the business. It is creative people across the industry. It is lawyers. It is accountants. It is that pipeline of talent where we can be sure that we can build our organisation. Often that is caused by other organisations being there. Those are the three key things that we are looking at, as we seek to work out how we make the difficult decisions between such excellent places that have pitched.

Q27 **Julian Knight:** Is it a big advantage if there are other media organisations in the same location?

Alex Mahon: The advantage is about whether there is talent there, and they can be from a range of organisations.

Q28 **Julian Knight:** Just on that point as well, Mr Gurassa, did you say you had been on a journey, or it was not quite a journey, in terms of supporting this relocation? I think you said you had been on a journey—that is not to Damascus, maybe somewhere else—maybe to Newquay or Solihull even.

In terms of what is actually going on here, and I have said this often before in the House, my perception of TV media is that, to a certain extent, it is a Manchester and London carve-up. At Channel 4, are you being asked to effectively redress the sins of others? This very laudable aim of spreading out as widely as possible almost seems like a command economy of media, placing you in different locations. Though, isn't there also a frustration, for you and the senior management team, that effectively you are being the backstop—I have to say in terms of scale you are nowhere near the size of the others—for those other organisations?

Charles Gurassa: We see ourselves as being a public service organisation with a public remit. We are not a purely commercial organisation. We have an obligation laid down by Parliament. Our reflection on the issue has been one of: how can we do more that is consistent with our public service obligations and our commercial obligations, and seek to ensure that we can deliver both of those in any outcome?

In reflecting on the choices, Alex and her team felt there was a real opportunity for us to create this new model, and a real opportunity to create something that differentiated Channel 4 from our competitors. In the competition for talent, the ability to tap into nascent or untapped sources of creative capacity is an exciting opportunity and one that at the



HOUSE OF COMMONS

end of this process may leave us strengthened relative to some of our competitors, who simply will not be in that space.

I have not been—and nor would it have been appropriate for me to have been—on the road. That is up to Alex and the team to lead. To date, the universal feedback from the presentations has been of a real, genuine sense of excitement and belief in the creative capacity of the places that we have been to see. We are different; that is our nature. We are unique. We are this extraordinary hybrid of a self-funding public asset that competes in a commercial world but delivers a public outcome. We have now embraced the challenge and the change that this strategy represents as a way of ultimately, in the medium to long term, strengthening the organisation.

The organisation will succeed only if we deliver great content. Ultimately, what matters in our business is that we deliver stuff that people want to watch. If we are tapping into voices that are unheard, who have not had an opportunity, and creating content that people want to watch, we will continue to be very successful.

The great example—Alex mentioned it earlier—was “Derry Girls”. Who would have thought a comedy series set in the troubles in Londonderry in the 1990s would be a smash hit? It has been the biggest comedy hit we have had for decades, and the most watched programme I think in terms of audience share in Northern Ireland’s history. Everybody I have spoken to who comes from Northern Ireland has loved it, because it talks about them and their world in a way that they have never seen represented. That is an anecdote to underline how we think that this strategy can potentially unearth new sources of creative capability.

Q29 Julian Knight: Mr Gurassa, it is great to hear you talk like this, and the enthusiasm, clearly, and the embracing of this potential new dawn, effectively. In retrospect, do you think that the board could have been much more positive about this move much earlier?

Charles Gurassa: I don’t, and I don’t in this sense. As you may recall, the discussion regarding public ownership, which lasted for about 18 months, concluded last summer. It was at that point that the then Secretary of State said she wanted to embark on a consultation about how we could do more for the country. Having decided that Channel 4 was best continuing as a public asset, the challenge was: how could it do more for the public? As a board, we thought that was an entirely appropriate challenge for any Government to make of us as a body.

The consultation process then took place and lasted I think until the end of June. We ran our own parallel consultation and talked to well over 200 independent producers around the country in all the big metropolises.

Three events then happened. We had a general election. We had a new Secretary of State, and we had a change of leadership in Channel 4. All that required a pause for the new Secretary of State to form a view, and for our new leadership team to review the landscape and take a view as



HOUSE OF COMMONS

to what they wanted to do. It may have even been you who asked the question last year: what will happen? Will the new chief executive be given a free hand to look at our strategy? The answer then was yes and indeed that is what happened. Alex took some of the work and the research that we had already done, built on it—

Q30 Julian Knight: The reason I asked that question at the time, Mr Gurassa, was because I felt your previous chief executive was a potential roadblock to the process. But it is fine. That is done.

I have one final question, if I may, and I am going to address this to Alex. Is there potential over time to extend the scope of relocation? You have 300 people basically moving out of the M25. Do you see this as a staging post, potentially, to further moves and reconfiguration of the business going forwards?

Alex Mahon: As we have said, moving 300 is the most significant change the organisation has gone through operationally in its 35-year history, and it involves a lot of day-to-day energy from most of the staff. We have not even selected the locations yet, let alone begun the complex process of how we make the organisation shift to a multi-site operating model.

Against that backdrop, we have the threat of the big, global competitors—Facebook, Apple, Amazon, Netflix, Google—with Netflix alone spending £8 billion a year on content, whereas we spend £600 million or so. Against that backdrop, we are making significant operational change. I would like to achieve a successful change for Channel 4 before we consider any further operational changes, because there is a lot for us to do in terms of that transformation.

Q31 Julian Knight: When do you think that will all be complete? When do you think will be the moment when you can reassess, “This is where we were at. This has worked. We have managed this. Let’s see exactly how we can push the envelope”?

Alex Mahon: In October we will announce where the final locations are, and then we will begin a period of working with staff. I would hope that we complete a very significant amount of that moving during 2019. Certainly, for us the concept is to move on as rapidly as we can with evolving the operating model. By 2020 and going forward, we will see where we are operationally as an organisation.

It is a very significant change to our model and it is a very significant change to the organisation. It is going to be quite significant for independent producers. The real issue will be how we shift from the 35% spend out of London to 50%. Spending hundreds of millions more outside London requires the growth in the seedbed of companies outside London. There are some outstanding producers outside London, but it takes time to grow those companies and it takes time for them to have the layering of talent that they need to get to a growth stage. This involves people moving their families. It takes significant time to filter through, in terms



HOUSE OF COMMONS

not only of our organisation but the impact on the industry. I would see that as taking some years.

Q32 Chair: For the benefit of the Committee, could you give us an idea of what the split of the number of posts in the different locations will be after the relocation is complete?

Alex Mahon: We have not been extremely specific on that organisationally yet. That is partly because—as you will understand of course—it depends on where the locations are. We are in the process of looking at locations and considering how we would make a selection. It will further depend on exactly how we change our operating model: what bits of what departments could operate elsewhere? It will further depend on the proper consultation period with staff, and we are very much prioritising our own staff in this. There will be a period of time before we can be definitive about that, and that will take us some months to work through organisationally.

Q33 Chair: How many people work in Horseferry Road at the moment?

Alex Mahon: In terms of total staff, we have approximately 850.

Q34 Chair: 850. The 300 posts you are moving are from Horseferry Road, effectively?

Alex Mahon: We have been clear that the 300 posts include some people who are in the nations and regions already and some new roles that we are creating within the digital creative unit. Until we get the exact locations specified, and then the exact set of roles that we want to have in each of them, we cannot get specifically to who will be moving. As I am sure you understand that is tied up in internal consultation procedures with staff, as it should be, and we cannot progress that until we are through selecting the locations. It will take a number of months before we can get to that level of specificity.

Q35 Chair: Can we probably say that the number of posts moving from Horseferry Road will be less than 300?

Alex Mahon: By definition it will be, because we already have tens of people outside of—

Q36 Chair: Yes, but it could be quite a lot less. It could even be that nobody moves out of Horseferry Road.

Alex Mahon: I would find that extremely unlikely. We cannot get really, really specific on that until we can do so with our employees.

Q37 Chair: How many Channel 4 employees currently work in the nations and regions?

Alex Mahon: Approximately 30 currently work in the nations and regions.

Q38 Chair: Thirty, so a relatively small number. Then you mentioned recruiting people. People may be recruited to work in the digital teams.



HOUSE OF COMMONS

What number of people are you talking about there, do you think?

Alex Mahon: That is tens of people that might work in new digital teams. Clearly, we cannot be specific on that yet. If I use some case studies from elsewhere, it might be useful. When the BBC moved a significant group of people to Salford, 67% of people elected not to go. When the BBC moved the HR team I think to Birmingham, about 90% of people did not go. When the ONS moved to Newport, about 90% did not go. The key for us here is to make sure that we retain as many of our skilled and talented staff as we can, because it takes time to build that up and we are a small organisation.

That is why I am very conscious of doing that properly with staff first, and it will depend on where the locations are as to how many people might be willing to move to each and where we put them. That make-up and configuration is still work in progress.

Q39 **Chair:** The numbers you have given are only very approximate. You could still be looking at around 200 posts that you have to move out of London.

Alex Mahon: We will be looking at a significant number of posts outside London. We have been very clear that that will free up extra space in our London building, and our plan is to use that space, which we expect to be significant, for nations' and regions' independent producers to use for drop-in, so that, when they come to London, they are not incurring all the costs of other offices in other places, whether they are coming in to see us or other broadcasters. We really do expect to have a changed configuration of the building there. It is just that we cannot be super specific on exactly what jobs end up where until we go through the next stages of the process.

Q40 **Chair:** Yes, but your expectation is that the London headquarters will remain in Horseferry Road, but the building will be used in a slightly different way from how it is used now?

Alex Mahon: That is correct.

Q41 **Chair:** Do you have a set for the other locations? I would imagine the national headquarters will be the next most significant location you would work from. Is that correct?

Alex Mahon: That is correct. The national HQ we would expect to be in the order of a couple of hundred people plus, and the creative hubs we would expect to be more in the region of 30 to 50 people. Again, the exact make-up and configuration of that will of course depend on exactly what roles, locations, and our own existing staff.

Q42 **Chair:** Charles Gurassa, the original counter-proposal from Channel 4 was not to move people out of London but to increase the investment through the growth fund in regional production companies. Is that going to continue as well, alongside these plans?



HOUSE OF COMMONS

Charles Gurassa: The two are not connected. There was an early-phase evaluation about whether we could take our commercial fund and independent fund and grow it further as a way of attracting private capital—as well as our own capital—into investing in supporting creative businesses and beyond creative businesses, things in the wider ecosystem. Given the change in the advertising market, given the strategy we now have for nations and regions, and given the prioritisation that Alex and the team have rightly put on building our digital capabilities in order to be competitive with Facebook, Amazon and Netflix and so on, that particular proposal has not been pushed forward to the board.

Q43 **Chair:** I believe that that was using cash on the balance sheet, was it not, to increase the growth fund? Would it be fair to say that that cash that was on the balance sheet is now being used to fund the relocation of Channel 4?

Charles Gurassa: A series of things. Certainly, relocation will be a part. Investment in digital will be a part. When this was being looked at, the reality that the advertising market was running at a healthy plus-four for the third or fourth year in the row then went into very rapid reverse has meant that we have decided to prioritise investment in content and use some of our content reserve to support that, rather than using that money for other potential opportunity.

Alex Mahon: We have been clear that we will be continuing the Independent Growth Fund at its current level, although we will not be super-charging it in the way that was previously discussed. In the next stage we will particularly focus on nations' and regions' indies, because we need that growth bed of companies outside London, and I think we can be a great investor in them. The second area we will focus on is indies run by black, Asian and minority ethnic staff, because there are not enough of them of scale within the market. We would like more suppliers like that and we would like to assist them to grow. For us, the next stage of the Indie Growth Fund is focused on those kinds of indies.

Q44 **Chair:** The geographical footprint of businesses, which you have an interest in through the growth fund, will that be a consideration in where you should locate some of your regional hubs?

Alex Mahon: It will not be a consideration in terms of where our existing investments are in indies, no.

Q45 **Brendan O'Hara:** When the dust settles on all this, do you expect Channel 4 to employ more, less or exactly the same numbers of staff as it currently does?

Alex Mahon: That is a good question. It depends on what one means by "when the dust settles". Inevitably, for a period of time we are going to need more support while we grow our relationships with independent producers in the nations and regions. When you talk about some of the changes to the operating model, what we are doing now internally is the thinking through of exactly how we are going to do that.



HOUSE OF COMMONS

We have a team led out of Glasgow that does 20 or 30 visits across the UK a year and works with briefing local suppliers, but we are thinking through now: how much should we scale that team up by, and for what period? If we need more investment in digital, which is part of our plan, how many roles will that be, and for what period? What impact does that have on the rest of the model? There will be some new jobs associated with this. At this time I cannot say how long that will last for. It is the work we are very much doing internally to think about what changes to our configuration will require what roles. Then subsequently we will work out how long they might need to last for.

Clearly, we have to do that within our existing resources, so that always leads us to questions of: what money do we have and are we commercially efficient? What can we afford to do as an organisation? What might we need to stop doing as an organisation in order to fund the staff to do that?

Q46 **Brendan O'Hara:** I already know that Channel 4 envisages that at least 300 jobs will be based in the nations and regions, leaving 500 at Horseferry Road HQ, but that does not seem to be what you are saying. It could be 200. It could be 210. What happens, then, if people on the creative side, the commissioning side, simply do not want to leave Horseferry Road? Do you keep them in Horseferry Road and employ an equivalent elsewhere, or do you not employ the equivalent elsewhere? Do you get what I am saying? I just don't know how these sums add up. Will there be the same number of people, although you have to employ more if people refuse to leave London?

Alex Mahon: Our idea is in no way to double up on jobs. That would be commercially inefficient for us and not something that we could afford to do. If we look at transferring a role, we will be transferring that role, and then we have to go into consultation with the individual employees in question. It is hard for us to get very specific about where any role goes at this stage until we have the locations.

Brendan O'Hara: Yes, I understand that.

Alex Mahon: There are some growth areas of the business, such as the digital creative unit we have talked about, which is new growth and which would be particularly focused on young people, where we would be bringing in new staff. They would be net new roles, but that is normal for growth areas of our business when we do that from time to time.

On a temporary basis, with my question being: how long is temporary? We need to think about whether we need extra personnel to help us manage the transition of the operating model, in terms of how we work in a more spread-out fashion with indies. That would be expected to be on a temporary basis. The full modelling of where that ends up with how many jobs Channel 4 has in, say, three or four years, we have not yet worked through organisationally.

Q47 **Rebecca Pow:** Mr Gurassa, very quickly on the subject areas we have just been talking about, as one of your three new locations, do you think



HOUSE OF COMMONS

that you will automatically choose places that are already creative media hubs, like Bristol and Salford? That is going to provide you with the people you need, because you need independents, you need facility houses and you need editing facilities. Is that really what we will end up with? Will you just follow the BBC or ITV? Is that inevitable?

Charles Gurassa: I can say absolutely, hand on heart, there is no automatic qualification for anywhere. The process is being run rigorously, robustly and independently by Alex and her team. They have set out the criteria to the bidding cities. We had fantastic responses, as you know.

Q48 **Rebecca Pow:** You have to have those things to operate. That has been made quite clear by Alex. Surely these are going to be—

Charles Gurassa: I am sure that any of the seven on the shortlist, for example, for the national headquarters, are potential winners of this process. They are there because they have convinced the team already that they have the broad set of resources against the different criteria that have been set.

The difficult challenge now for Alex and Jonathan Allan, who is leading the process in the team, is to hear in detail the quantitative and also inevitably qualitative feel about the bid: the city that has bid, the support that we will receive, the commitment, energy and capacity of the different cities. I would not want to forecast where that will come out.

Q49 **Rebecca Pow:** Thank you. Channel 4 is basically a commissioning house, effectively. You do not rely on hundreds of people working in one building. You use people from everywhere else. I have done many programmes for Channel 4 and I know exactly how you operate. It does not matter where you are based, but you do need to know that you have independent companies you can rely on. I believe that the number of independents you have used in recent times has declined. Could you answer why that is and how you can address it? Surely that is the *raison d'être* of Channel 4.

Alex Mahon: In last year's report I think the number of independents that we worked with was 309.

Q50 **Rebecca Pow:** That has gone down.

Alex Mahon: It has been stable for the past three or four years, I think I am right in saying. In any given year, there are a range of independents we work with and there has clearly been a lot of consolidation and change in the independent sector.

As Channel 4, what is important for us—and, as you say, as a publisher/broadcaster working only with external production companies—is ensuring that we continue to have low barriers of entry to new producers coming to the market. Part of the strategy behind our Indie Growth Fund is to do just that, to help seed other, smaller companies in the market and then stay with them for the growth stage. Part of our very model is to make sure that we are continually open to those new ideas coming in from elsewhere. The number has been pretty stable.



HOUSE OF COMMONS

What is important for us is to make sure that we continue to work with a range—

Q51 **Rebecca Pow:** I read that it had gone down. I cannot find my statistics, but is your aim to increase it?

Alex Mahon: Our aim is to make sure that we are accessible and that we continue to work with a range of the large, the medium and the small, and that our doors are open to that talent. Part of my strategic focus is on the culture of Channel 4 and making sure that we are really, really welcoming, particularly to new talent and young talent and early-stage talent. Nations and regions are absolutely part of that.

Q52 **Rebecca Pow:** That brings us nicely on to what I want to ask you about, which is young people, your young audience. A key part of your remit is to attract the younger viewers. Is that quite challenging now, given that our population is ageing? Mr Gurassa, would you like to answer that first? No, there was no offence meant. Given that our population in fact is going the other way, you have been given quite a challenge.

Charles Gurassa: Yes, on behalf of the ageing population. It is a challenge. It is undoubtedly a challenge because young people are consuming media differently from the way we consume media. That is clear; the evidence is there. They consume a greater percentage of their media online, through different devices, through different providers, from Facebook to YouTube to Netflix. That does represent a challenge and I think it makes it all the more important that Channel 4 rises to it.

We are the public service broadcaster that skews more towards a younger audience. That has always been the case. That is part of our remit. At a time when things like newspaper readership, for example, are declining so rapidly among younger audiences, the ability to reach younger audiences with balanced information, documentaries, news and programmes that reflect their country and their culture is even more important.

That is why Alex and Ian have identified it as a key part of their strategy. That is why it is so important that we build our digital capabilities because, increasingly, young people want to watch what they want to watch, when they want to watch it, where they want to watch it, and we have to be able to provide access to them.

Q53 **Rebecca Pow:** On that note, Mr Gurassa, unfortunately the section that is falling most right now is your young people's viewership. What do you put that down to? Perhaps Alex might like to answer.

Alex Mahon: A particular focus for me strategically—and the first plank of it—has been young people. As you say, that has been part of Channel 4's remit over time. Last year, 16-to-34 viewing increased, which I was very pleased about. I should thank my predecessor, David Abraham, for that.

My strategy has a particular focus on E4, so adding an extra £10 million of investment to E4 and putting in a controller of E4, which we will



HOUSE OF COMMONS

announce soon, focusing on building younger brands of scale in peak. To do that, we need to build the brands at 10.00 pm and 11.00 pm and then grow them and bring them into peak. For example, this Friday night we have a big new show launching with Big Narstie and Mo Gilligan—he is very well known on the grime scene. That is a whole new set of talent that we are bringing into the channel. That means we need to be a great home for new talent—to your earlier point—and we need to make space for them in the schedule.

We are also focusing on young people in terms of our job, so when we talk about the digital unit, that is younger people, grassroots, bringing in more apprenticeships.

Q54 Rebecca Pow: The greatest decline across the Channel 4 family came in E4, which is your dedicated channel to hook in these guys. I have just had a bit of feedback here from a 19-year-old. “Made in Chelsea”—that is you, isn’t it?

Charles Gurassa: It is.

Alex Mahon: It is.

Q55 Rebecca Pow: “Made in Chelsea’, good but it has become too scripted. Too many American sitcoms all day. Terrible. ‘Big Bang’ makes people feel suicidal. It needs to go. ‘The Inbetweeners’, great, recommission, love the series”. Obviously there are some great things on there, aren’t there? How are you going to address this? You have stiff competition coming up from ITV2.

Alex Mahon: A particular announcement for us is putting another £10 million in and putting a specific, dedicated controller of the channel into E4. Those are two E4 actions. Perhaps the 19-year-old would also like to watch “Five Star Hotel” or “Celebs Go Dating”, two brilliant shows that have been on this year. Of course, “Hollyoaks” is hugely popular with that audience on the channel. That is a show that particularly focuses on some issues for that segment and is the soap that cuts through most of the youth across the UK. Whether it focuses on self-harm storylines over the past year or male suicide, it really has a way of bringing to life issues that teens are dealing with. It is absolutely a focus for us to ensure that we are connecting with young people.

When the right shows are there, young people stream to television to watch them, and that is the ITV2 competitive phenomenon, and we are delighted to see that because it means that, for the right kind of content, 14 to 19-year-olds will come and watch television.

Q56 Rebecca Pow: Do you think there is enough of a market for you to compete with ITV2 and provide enough on your channel?

Alex Mahon: I absolutely think that our focus should be on young people and that we should be out there competing for them. That is even more important in society right now. We face the issues of fake news. We face the issues of social media bubbles for children and young adults of that age. It is our Channel 4 mission to do that and connect with them and



HOUSE OF COMMONS

help bridge the knowledge gap for skills that they need in life. It is more important than ever before.

Q57 **Rebecca Pow:** Again, you do have an educational remit. Do you think lots of these programmes I have listed don't seem very educational? Perhaps on the obesity agenda, is there a way that Channel 4 is thinking, "Can we get some messages in there for the 16 to 24-year-olds?" You could be a very influential platform for that.

Alex Mahon: That is one of the tremendous privileges of Channel 4, being able to be an influential platform but we have to do it in a way that appeals to the audience. Thinking about how we do deal with sex education or relationships or online identity or resilience for them, that is a key part of our mission. We focus very much on shows that do that but in a way that is entertaining and accessible for them. We very much want to do more shows that are popular with them on E4 and on the main channel.

Q58 **Rebecca Pow:** What has your best performer been on E4?

Alex Mahon: The big performers of the year on E4 are "Hollyoaks", "Five Star Hotel", "Celebs Go Dating". Obviously "Made in Chelsea" is still a very strong show for the channel.

Q59 **Rebecca Pow:** Do they have much of an educational storyline or agenda?

Alex Mahon: "Hollyoaks" particularly does. "Hollyoaks" has won a number of awards over the past year for its storylines.

Q60 **Rebecca Pow:** Apart from "Hollyoaks" the rest are not very educational, are they?

Alex Mahon: For example, this week we have "Ackley Bridge", which we recommissioned for a second series. It is in a longer run this year and it really deals in a very authentic, brilliant way with many of the issues that young people face in society today. As Channel 4, it is important to do that in a way that is fun, accessible and entertaining but does not necessarily feel like old-school educational programming because that is not the way young people are consuming content today.

Q61 **Rebecca Pow:** How are you cross-linking between the way that they watch now? It is a bit on my phone. It is online. It is when I want it. Are you able to compete enough with the other channels doing this to tap into that market, too?

Alex Mahon: As Channel 4, a key thing for us, and something I have announced as part of my strategy, is to make sure that we are investing enough in digital. We have announced more investment in All 4, our digital product. We are hiring a chief product officer to run that. We are starting to think about one show, many platforms, as opposed to things that work on linear and work on digital. We have also started to think about what is the right metric of measurement. At the moment, television channels judge themselves quite a lot on the overnight performance



HOUSE OF COMMONS

based on live television. Over time we will be moving the organisation to total viewing, so total views across social, across digital platforms and across live television, because we see such immense differences in behaviour between young people and the older generation. It is those kinds of changes that we need to make, to make sure that we deliver on digital platforms.

Q62 **Rebecca Pow:** Are you confident that financially you have the wherewithal to do that? Because that is a big change that you are facing, is it not, in order to keep competitive?

Alex Mahon: It is a huge change to all television broadcasters. I am very confident that we have the finance for that. I am confident that Channel 4 is ahead of the game and can innovate. But the concerns would be about what happens with additional platforms that are entirely unregulated here; spending more and more on content. When Netflix is spending 8 billion a year on content and we are spending a fraction of that, what does that mean? Can we afford to buy those programmes?

Then when you get to the issue of prominence, the PSB compact on prominence has not been addressed in 15 years. That does focus on a linear programme schedule whereas viewers are now searching for things. They are using voice search or they are accessing television through streaming sticks or smart hubs. None of that has a protected EPG position for us, for the BBC or for ITV across public service broadcasting. We need to consider what that means. Ofcom is doing a consultation on that prominence area.

It is quite important for us across the PSB sector because, when you look at voice search, if you voice search for the news whose news do you get? Do you get BBC news, Channel 4 news, Busby's news, someone else's news, Russia Today? That is an entirely open, commercial negotiation and not one that is regulated in any manner.

Of course, this Committee has done brilliant work on the fake news agenda but it is even more important for UK society that we consider that because for young people, who are not reading newspapers, and whose primary source of news is online, that is a real consideration.

Q63 **Julie Elliott:** I want to ask about the prominence of the public sector broadcasters—I know you have launched the campaign with BBC on smart television—but also to talk a little bit about the future of the prominence on the first page of other user interfaces because that is not guaranteed in the long term; what your views are on that and how can that be protected.

Alex Mahon: We talked with the BBC a few weeks ago, and Tony Hall and I made a speech in Parliament, which was about the fact that we have designed a prominence agenda for now, kind of a retrograde medium. The growth in consumer viewing: at the moment the biggest growth is on big screen televisions but they are not accessing content on those big screen televisions through traditional electronic programming guides or listings. It is being accessed by smart televisions. Often when



HOUSE OF COMMONS

you turn on a Samsung or other television it has its own interface—so you do not go through a programme guide—and what comes up in that interface is whoever has paid in a commercial auction to get those positions.

There is a huge rise in streaming sticks, so an Amazon Fire stick or other sticks that you plug into the television and you access all your content through that. For example, streaming views have grown from 3% of the market to 17% of the market through those sticks over the last three years alone. When you go to voice search it is completely unregulated and open, so once you start using voice search it is a much more simplistic way to find something than having to type. Again, that has no prominence associated with it.

What we have suggested is that there could be a simple amendment made so that the first page of the user interface on any of these platforms—the first page where television content is accessed—has a prominent position for the players of the public service broadcasters: BBC, ourselves and ITV, so that there is a position of guaranteed prominence in these environments for users.

We think that is very important, particularly when one focuses on the news agenda, otherwise there is a risk that public service content disappears for generations under 10 or 15 years old who are not accessing televisual content through traditional means, but they are watching the content. They are watching hours and hours of televisual type content, they are just getting it through different platforms. It is for us a consideration across UK PSB. It's not a competitive Channel 4 point.

Q64 **Julie Elliott:** What response have you had from people since you made that speech with Tony Hall? I think it is very important, but I am very interested to know what response you have.

Alex Mahon: We have had a very positive response. There is a real understanding now of what issues are involved, a real reaction to what the importance of this is, particularly on the news agenda, and an understanding of what the risks are for young people in British society, an underlining of British democratic values and properly researched and properly regulated programming, whether it be investigative news or some of the shows we've talked about, like "Ackley Bridge" or "Hollyoaks". What we need is an Ofcom consultation on it so that they can look at the issue in detail, because they are very experienced at working out how you regulate on these things.

There was an amendment to the Digital Economy Act last year that got lost in the final process, so it is a fairly clear way that we could legislate against it, but we do need that support to do so.

Q65 **Brendan O'Hara:** Thinking about non-linear TV and the challenges that that would pose. I am thinking about "The Sopranos", for example. It was an appointment to view TV. You knew when it was on. You consumed it and you thought of little else until the next episode popped up. Those



HOUSE OF COMMONS

days have gone and they are not going to return. How much of a challenge is that when you are looking to purchase something like “The Sopranos” or the “The Wire” that you cannot run it for 26 weeks and look to bring it back the following year? That will all go as people consume it when they want to.

Alex Mahon: What is amazing with the growth in all the platforms is what we are seeing is that viewers still want high quality content. They want high quality television-style content. The question is: where do they find that and what shows cut through?

We are seeing two phenomena at the same time. One phenomenon is the consumption of real classic archive or box set propositions. For example, for us “The Inbetweeners”, which is now over 10 years old, there are still generations of people coming, discovering “The Inbetweeners”, consuming all of it, utter fans of the show. When we put on shows like “Friday Night Dinner”, which we have just had the fifth season of, it performed incredibly well because people can go and find seasons one, two, three and four. That is an effect that you would not necessarily think of. For classic, high-quality shows people go back and find the previous seasons. They almost come to shows later that they might not have entered if they had not seen the previous ones.

At the same time, we find that the big shows that make an impact on the audience on air—so for us “Great British Bake-Off”—amass huge audiences whether it is on linear or on digital, but within the same week. People may not watch it live at the same moment as others but they watch it within the week, before the next episode, because it is a national event. That is why we get over 10 million viewers for the final of that.

Then your third part of the question is about: how do we compete to pay for rights? That is a constant set of judgments for us on every individual show because of the money that has come into the market from Netflix or Apple or others, who are outbidding for shows against all the UK public service broadcasters. That is a continued commercial pressure for us.

Q66 **Brendan O'Hara:** What percentage of your business now, roughly, goes on traditional linear TV and what percentage on non-linear? How do you see that changing and evolving over the next decade?

Alex Mahon: The percentage of revenues is that about 13% of our revenues are on digital. The percentage of viewing of course depends on the demographic. If you look overall for 16 to 34s, only about 42% of their viewing is live across the market. They have already evolved to a position where they are looking at different platforms and self-scheduling and watching content in the way that suits them. That hits Channel 4 fast because we are the world’s youngest-skewing public service broadcaster. That is why the answer to that is to make sure the show is available to them digitally and think about the one show on many platforms.

It does mean that we are continually faced with choices about whether we buy a show that works better self-scheduled or works better live. We face those choices day to day in the business. That will be a continued set



HOUSE OF COMMONS

of questions and challenges for us over the next two or three years as we transform the business to be focused digitally.

Q67 **Brendan O'Hara:** How do you find your place and hold on to it in a marketplace that is dominated by Netflix, for example? What is your unique selling point that will allow you to find that piece of the market and hold it?

Alex Mahon: The answer for Channel 4 is to focus on our remit and our values, which is about connecting to young people, about being distinctive, about being risky, about commercial and creative innovation, about having shows that fit that editorial point of view, that fit with the Channel 4 brand, that feel like the kind of thing you would find there, that connect with viewers, and particularly with that young demographic. It is absolutely focusing on our core mission of doing that, not trying to cover everything, because those big players will be the everything shop where all content is available.

For us, the answer to that is to dial up the distinctiveness of Channel 4, so that young have a real understanding of what they have come to find here and what they have come to find on the channels. That is why we are focused on how we make space in the schedule to bring on new talent, to develop those younger brands of scale, to look at how we particularly connect to diverse communities.

Q68 **Brendan O'Hara:** How important is partnership work to your future strategy?

Alex Mahon: We work with a number of partners across the board and that will be more important going forward, particularly as we talk to our other PSB colleagues about what else we can do with them, but also as we look at our All 4 proposition about what other content we can feature there. For example, we have just announced that we will feature the long-form content from VICE there, as another brand that connects to our younger consumers. We are very focused on what those partnerships should be, going forward, and how we make ourselves a good partnership organisation.

Q69 **Brendan O'Hara:** You use "stunt" launches. What are "stunt" launches and why do they work? Why do you think a "stunt" launch works?

Alex Mahon: I am not sure I know what a "stunt" launch is.

Brendan O'Hara: Where you have a programme that is designed for online content but you put it out on linear or terrestrial television in order to drive an audience on to your online platform.

Alex Mahon: Thank you. For example, our brand "Walter Presents", which is a video on demand editorial brand that we have created in partnership with a team, is about the best of international drama. What we do there is we use our linear air time to build a digital video-on-demand business. We put out the first episode of each series and then the rest of it is available online. That is a tremendous example of how Channel 4 has used its innovation, both commercially and creatively, to



HOUSE OF COMMONS

build a new business. For me that kind of thing is the absolute example of how you innovate in the model to stay ahead digitally. We are always looking for more ideas like that that can help us build the strength of the diversity of our business.

Q70 **Brendan O'Hara:** What is the new partnership you just launched with VICE and how do you see that working?

Alex Mahon: We announced a couple of weeks ago that on All 4—on our demand platform—we will feature VICE content. VICE make long-form content that particularly connects to young viewers, particularly the young male demographic, which at the moment is not available free in the market. We have announced a partnership with them where we will create a VICE-branded area on All 4 so that young people can see their content free at the point of use, funded by advertising, in order to build our digital proposition for our viewers. It is a real example of us using partnership to help drive our business and to help build more content that appeals to our core demographic.

Q71 **Brendan O'Hara:** Finally, why did you feel the need to launch, along with the BBC, this initiative to make all smart TVs give public sector broadcasters a prominence on the first page? Why was that an important thing for you to do?

Alex Mahon: The question of prominence, and what it means in the new technological landscape, has not yet been addressed by Ofcom but it is an important issue for us and the British public and the creative industries going forward. We chose to do that in conjunction with the BBC to launch the discussion and, also, to be very clear that it is an across the sector question.

It is particularly true when we have investigations such as the one our own team did on Cambridge Analytica on Channel 4 news, and of course the Committee is doing the work on the fake news agenda. In that environment, it is important that we consider how messages reach the British public and whether our legislation is as up to date as it needs to be, given the huge change in the digital and technological landscape that we have seen, particularly in the use of data, but also in how consumers find content, and what the commercial relationships are behind the scenes of how that occurs.

We have a wonderful system here, well thought-through by Parliament, of the electronic programming guide and the prominence positions, which are given in exchange to broadcasters for their public service obligations. But we need to think about how we update that for the next 10 to 15 years to ensure that it does not become out of date and to ensure that the brands, such as ourselves or the BBC, still have a connection to younger viewers as they access everything through new platforms.

Q72 **Brendan O'Hara:** Given the environment that we are in, and going further into, do you fear for the future of public service broadcasting?



HOUSE OF COMMONS

Alex Mahon: Before this job, I only ever did international television and, what is amazing when you travel round the world, having worked in other countries, is how our system is the envy of everywhere else and the strength of public service broadcasting here. The billions that are in public service broadcasting here simply do not exist elsewhere.

While I worry greatly about the technological and competitive challenge caused by the other platforms, I have huge optimism for the strength of public service broadcasting here, because it connects to citizens and the viewers, and it is one of the great things about our nation. I am quite optimistic about the potential for Ofcom, or others, to be able to work out what the right prominence environment should be, but it is important that we are very aware of the threat to British democracy unless we do.

Q73 **Chair:** Just briefly on the on-demand platforms we have discussed, do you have concerns about the inflationary pressures on production that will come from these vast commissioning budgets being spent by companies like Apple, Amazon and Netflix?

Alex Mahon: At the moment, we estimate that there is an extra \$15 billion globally in the production market, which did not exist before. At the high end, we have seen the price, particularly of drama and scripted content, go up and up driven by that influx of money. Some tremendous productions and shows have come out, but we do have to worry about the consequences of what happens to the price point of scripted television, which has risen very dramatically as part of that. That does cause questions for us and others about how we can remain competitive in buying in that market.

I do worry about the inflationary pressure on pricing because of that, because I don't think we want to end up in a situation where we only have domestic content on air and all international or glossy content is on other platforms. That would be a worrying position for British consumers to end up in, and we fight that every day in terms of commercial negotiations.

That said, we had a drama on, "Kiri", earlier in the year, with Sarah Lancashire, a four-parter, about a Bristol social worker facing issues; our highest-rated drama in decades, so equally, with the right kind of content that connects to the viewers, we can completely compete. Of course, we have "The Handmaid's Tale" on right now, which is an international drama, which we competed for in the commercial market, which is absolutely spot on for Channel 4's mission of bringing the best of international and it is a wonderful drama. That is a day-to-day commercial pressure for us, but I do think we need to think through the impact on the wider industry.

Q74 **Chair:** Yes. Also, could you put a figure on the inflationary pressure within the market, a percentage of rising costs?

Alex Mahon: I could not put a figure on it here but I am very happy to get back to the Committee with further follow-up on that.



Q75 Julian Knight: Thank you. Channel 4 was ranked 47 globally for social video; you are beating both ITV and Sky, you will be happy to know, from that table. How important is this offering for Channel 4 and what is your growth strategy?

Alex Mahon: In terms of social viewers, we had over 2 billion views for the Channel 4 news content, which performs outstandingly on Channel 4 news. It has cut through to a younger demographic and does an excellent job of that digital promotion. The 6.5 billion figure is across Channel 4 brands altogether.

There is a particular focus for us on how we promote ourselves on social media and how we connect to young people. When I talked about the digital creative unit as part of our nations and regions strategy, that is setting up a team who will be absolutely focused on the challenges and the opportunities for marketing in those environments for a brand such as Channel 4. We need to stay fleet of foot and adept in order to do that, because the way people market on those platforms is changing very fast. It is very important for us to do so because that is where young people are finding a lot of their content.

Q76 Julian Knight: I believe that over this year we saw a halt in the growth of online video views. Are you becoming increasingly reliant on social media as a method of reaching young people? What are you doing to increase your views year on year?

Alex Mahon: I think I am right in saying we had 790 million views on All 4 last year. We have announced that we will put more money into the All 4 product, so continuing to evolve All 4 as a proposition and investing in it digitally, and we are hiring a chief product officer in order to drive that proposition.

A key focus for me coming in, because before this I was running a tech business, a software business, has been to make sure that we put enough money into the platform and into how we do that. It will always be difficult for us to compete with the US giants in the market. I think I am right in saying that Netflix puts in \$1.5 billion a year in engineering—certainly \$1 billion a year—so, on our scale, that is very hard to compete with, but it is very important that our product continues to perform and that we put the investment in to do that for our viewers.

Q77 Julian Knight: Have you noticed any change or drop-off in traffic since Facebook changed its policy to focus less on news?

Alex Mahon: In terms of our traffic to All 4, that is not Facebook-driven, that is driven by viewers knowing our brand and coming to find it. We have not noticed a significant change in terms of Facebook. In that period, we have had the brilliant Channel 4 news story about Cambridge Analytica so we have also had a peak in all coverage of Channel 4 news, so it is perhaps not the best time to measure whether there would be a drop-off because we have had one of the most brilliant stories in years, and obviously a huge amount of pick-up and interest because of that.



HOUSE OF COMMONS

Q78 Julian Knight: What you are saying to me is, effectively, that Facebook changing the way in which it prioritises what appears in people's feeds is not having an impact on you as an organisation as yet?

Alex Mahon: It is not at this stage.

Q79 Julian Knight: Just one more. Finally, picking up on what the Chairman said, is there a risk here, with this inflation that is going on in the marketplace, that you can be in danger, potentially, of putting all your eggs in one basket, of betting the farm—that is another one for you—all on a particular production, all on a particular marquee name, or something that you think will drive, and then it fails? Is that something you are cognisant of? Do you think the risk is getting higher of that sort of event?

Alex Mahon: For Channel 4, part of our role is continually to be taking risk and to make sure that we are innovating enough. Obviously, if you are doing that, some things will fail. But that is part of our mission as a broadcaster, which is not driven by profit and is about creative innovation. I would like us to continue to do more of those shows and take more those risks; some things will work, some things will not; that is the joy of being in television, and you do not quite know that until you have tried it.

Equally, we have big titles that work, so "Great British Bake Off" is working incredibly well for us commercially, but it only represents a percent or so of the total hours. We always need to be careful of not being over-dependent on any given titles, while also taking enough of a risk to make sure that we have new things, and then those new things tend to grow over time into the bigger things. If you look at shows that came back very strong this year—"24 Hours in Police Custody", "24 Hours in A&E", "Hunted", "The Island with Bear Grylls" and "SAS"—those are shows that we have grown from smaller beginnings, and they all came back this year stronger for us than last year. It is about having that balance in the schedule.

Q80 Julian Knight: The costs of failure, though, are higher.

Alex Mahon: The costs of failure, should you choose to invest a huge amount in a single show out of the gate, could be higher, but what happens is you tend to invest small in shows and then grow them over time to try to alleviate that risk.

Q81 Chair: There is a trend, though, of a growing reliance on reality-based formats, which are probably relatively low-cost to make compared to higher-end productions, big dramas, so that, increasingly, that sort of higher-end content will be seen on the on-demand services because they have the money to pay the sorts of premiums that production companies are asking for for that content.

Alex Mahon: The risk overall in the UK is: does high-end scripted drama become the preserve of platforms with hundreds and hundreds of millions more, or billions more, than the rest of us? That is an important question



HOUSE OF COMMONS

for the creative industries to consider, because we do not want British channels to end up in a place where they have the parochial.

Charles Gurassa: If I might add one point, one of the ways we are thinking about how we combat this—part of Alex and Ian’s strategy—is to ensure that we are a great place for producers and directors to come and work. It is all very well talking about the billions that the US giants bring, but they bring a way of working which, for many creative people, is quite restrictive.

If you look at some of the successes we have had over the last years with drama—we have mentioned, “Kiri”, “National Treasure”—and if you are thinking film, like, “Three Billboards”, we created an environment where great creative people want to do their work with us. There is an opportunity to do that, and to do in a way which particularly reflects, in the case of our drama, British content for British audiences. By and large, the big global players think about global product.

Alex Mahon: We are also seeing a position in the market where creators want to make sure that people see their content, so 10 million people watching simultaneously your show is a very different position to it appearing on a platform and not quite knowing who watched it or when they watched it, or people being able to watch it at any time, so that convening power of television in terms of making an impact within a week.

We had, “Inside the American Embassy” on last night, and that gets coverage across the press and people are talking about it, and that convening power is important to creative producers when you work with them, to writers, to directors, to on-screen actors. There is a balancing there, but it is an important question for us to think about, the competitive dynamic.

Q82 **Jo Stevens:** Thank you. Can I move to something completely different? Channel 4’s median gender pay gap is 24%, higher than ITV or BBC. You are the first female chief executive and there is going to be a lot of pressure on you to tell us what you are going to do to reduce that gap.

Alex Mahon: Thank you. Channel 4’s gender pay gap, as measured at 31 March 2017 was 28.6%, which we released earlier this year. It is a large gap, not one that the organisation is proud of and not one that we were expecting. It is caused by two things: the fact that the lower half of the organisation is 65% female whereas the upper half is 44% female. That causes about half the gap. The other half of the gap is caused by the fact that, of the top 100 paid people in the organisation, only about 33% of them are female. Both of those things contribute to it.

It is quite important to say at this point that we do not have an equal pay gap. We have reviewed that ourselves, we have also had Lewis Silkin in to review that and had that work audited. We have an equal pay assessment and complaints process in place, but have had no equal pay



HOUSE OF COMMONS

issues, which, as you will know, a lot of the controversy in the press elsewhere has been about.

I have been very clear on how we are going to address that gender pay gap; it is clearly something that I am not proud of, as you say, by being the first female chief executive. I have set a clear target that I want to get the top 100 to 50/50, which is a significant change to the organisation. I have been very clear that we are putting in place a women's leadership and development programme, which over 200 women in our organisation will go through, which we have now designed, and the launch is in September.

I am pleased to say that, although we have not had it fully audited yet, our gap—as measured on 31 March 2018—will be significantly better. It will have come down from 28.6% to 22.7%, so that is a six point improvement, but it is about a 22% improvement overall. Already, in the first six or seven months, that has been able to have quite a significant impact on it.

I am delighted about that, but it still leaves us some way to go. The particular focus is going to be on senior women in the organisation, because that is where we can make the most impact, and that, of course, provides leadership and role modelling to other women across the board.

Q83 Jo Stevens: I accept that, if you look purely at gender pay gap figures, it is quite a crude measurement, depending on the demographic of your organisation. The leadership development programme you have talked about, you talk about 2023 as your target, how quickly do you think you will be able to move towards that? Is that going to be consistent over the next few years, or do you think you are going to have a big boost to start off with? Where do you think it is going?

Alex Mahon: In terms of making a 22% improvement in it already—so getting it to 22%—that is quite fast. The national average gap is about 18%, so I would want us to get quickly to under that. We will get the top 100 advanced as fast as we can. Of course, it also takes time to do that because one ends up waiting until roles come up and then considering the balance of people in that. It takes time within an organisation to make that change but the board and I are very committed to doing it. That is why we have been so public and open about how we are not happy about the level of gap, so it is a big focus for us. I would say we have already made quite fast progress.

Q84 Jo Stevens: Before I hand over to Julie, I want to ask one other question about it, which was: you are a commissioning business. What do you do in terms of the companies that you commission and their gender pay issues? Is it part of your procurement? Do you look at it? How are you making sure that the people you are bringing in, and your suppliers, are having equal pay policies and the smallest possible gaps, to encourage others?

Alex Mahon: As part of this process, when we reviewed our own gender pay situation, we absolutely thought about: what is that impact that we



HOUSE OF COMMONS

have through our supply base? As you say, most of our spend is external, £675 million that we spend. We have published a code of conduct to the industry about how we expect our suppliers to behave in line with our values and principles, and that covers gender pay, tax legislation and their code of conduct around duty of care. It covers those kinds of things, and we publish that to the industry because we can have a real impact on others in the industry, as you say, through our supply chain, and making sure that we are clear about how we expect them to behave as part of the contract with us.

Q85 Jo Stevens: If you are choosing somebody to work with, would one of the criteria be around equal pay and the gender pay gap? How much prominence do you give it? Because a code of conduct is great, but I am interested in what priority you give it when you are doing your commissioning.

Alex Mahon: A code of conduct is a first for us. We have only published that in recent weeks. That is the beginnings of that. We then have to see, as we go forward with suppliers, where there are outliers to that code of conduct, and think about how we then deal with them.

Q86 Julie Elliott: Thank you. I want to link the gender pay stuff to something that we talked about earlier with the move to the nations and regions. Because, although I totally understand the sensitivity of having to consult the staff as to who is going to move and who is not going to move, the reality—if you look at the experience that you have quoted of other big media organisations—is that some people will not move and, inevitably, there will be vacancies and recruitment opportunities. If we look at that as an opportunity, in terms of your gender pay gap, have you given any thought to those opportunities that will inevitably be arising, as to how that can be used to also help alleviate the gender pay gap you have?

Alex Mahon: As we think about the nations and regions roles, a particular focus for us is on how we bring people into the industry who might not otherwise have a chance to get into it. We focus there on social mobility, BAME background, disability, and we do that particularly in terms of our pop-ups, work experience, apprenticeships and our production trainee schemes. We do that particularly at grass-roots level.

Organisationally, we have set ourselves quite clear targets about women in the top 100 and about getting BAME leadership to 20%, so all those metrics will be focused on as we recruit in any new roles to the organisation; as they should be and as you would expect us to be. That ability to make change, as we make change to our operating model, is an opportunity for us in order to get the balance right in terms of the organisation.

Ofcom publishes a report on this annually and Channel 4 is in the top percentage of employees for BAME, for LGBT, for senior women, for disability, and—compared with our fellow public service broadcasters—Channel 4 continually excels in this area. We have an outstanding reputation.



HOUSE OF COMMONS

It is important to me that we go even further and that we start to think about how we celebrate inclusivity and difference as part of our culture, and do that even more as a beacon for others across the industry, or perhaps for other industries. It is a real, core part of our mission going forward, which is why I have been so public about it, and there is always more we can do, but we do absolutely excel in this area.

Julie Elliott: I think nobody would challenge you on the diversity issue, where you are ahead, and I am very relieved to hear what you have said about your equal pay, which is not mirrored by all media organisations. I do think aiming for the top 100 is absolutely going to be the quickest thing to address the gender pay gap, but you also have to think of the pipeline of people coming in. It is no good addressing it at the top and not looking at what the future of bringing people through is. It is about the strategies that you will be putting in place to make sure that happens. Thank you.

Q87 **Julian Knight:** You would have seen, in front of the Select Committee, the performance of the BBC over gender pay. At that particular time, did you do scoping to have a look to see what Channel 4's record was, and whether you think that Channel 4 performed better or worse than the BBC in the past when it comes to gender pay?

Charles Gurassa: We don't have the historic data, sorry. I cannot give you a view on that. As Alex said, we were surprised by the numbers that came out when we did our review. We did not think that the gap would be as it was, and that then stimulated questions around why. As Alex said, we found there were two drivers to this: one is that a very large percentage of our more junior workforce is women, and, in many ways, that is a good thing, that we are an attractive organisation for people to come and work.

We offer terms and conditions that make it a place where young women do want to come and work, but, more significantly, was that among our leadership we were skewed more male and, within that, in terms of the positions, in higher-paid roles, more males. Alex, as she said, has identified this as something we are not happy with and has put in some very clear plans on how we are going to change things.

Q88 **Julian Knight:** You have a gender pay problem and you recognise that, you have done that. Are there any estimates of the costs of any discrimination claims? In front of us, the BBC said it could be in the tens of millions. Personally, I think that is quite conservative, judging by some of the communications I have had from BBC employees since. Have you done any work at all in terms of estimating how much it is going to cost, long term, to settle potential discrimination claims?

Alex Mahon: Just being clear, gender pay gap/equal pay problem; we do not have an equal pay problem. We have reviewed things internally, we have had Lewis Silkin in to do an external review, we have audited that, and I have also put in place a very clear complaints and escalation procedure for any person who is concerned about equal pay. I have also



HOUSE OF COMMONS

put in place an external procedure that people can go through should they be concerned about the internal procedure.

Coming out of that, we have not had a set of complaints about equal pay, so therefore we are not concerned about costs of settling that.

Q89 **Julian Knight:** Have you had any complaints about equal pay?

Alex Mahon: No.

Q90 **Julian Knight:** No complaints at all from any member of staff?

Alex Mahon: No. A handful of queries have been raised, but we have no sets of complaints about equal pay issues. I would just be clear, there is a difference between a gender pay gap—which we are concerned about and taking measures to address—and pay discrimination, or equal pay, which is not our set of issues. However it is one where we remain ever-vigilant, and that is why we have put in place processes to make sure that, if there were concerns about that with individual employees, we have a way that they can escalate.

Q91 **Julian Knight:** You have paid the same wage, crucially, but what do you think you have done differently as an organisation in that you have not ended up in the same position as the BBC?

Alex Mahon: It is very hard for us to comment on the BBC. For us, we are a much smaller organisation, therefore I have been able to come in and review what our procedures and practices are and what our data is, and, as a smaller organisation, we have the data to do that.

Q92 **Julian Knight:** I have a copy of your speech for the Diverse Festival, which you gave on 9 May. I was interested, Alex, that you mentioned very high up a strategy for social mobility. One thing that did strike me was across Channel 4, only around 10% of people come from a working-class background; about a third of the population in occupations across the UK. That is a very low percentage indeed. Presumably, you think that is indicative across media. What are you going to do in all of this to address that? Are you prioritising that in the same way as you do in other areas?

Alex Mahon: I gave a speech in Glasgow at the Diverse Festival, because we have had a brilliant study done. We brought in Dr Sam Friedman from the London School of Economics to do a study, across the television industry about social mobility and, indeed, the barriers to social mobility. He interviewed a number of Channel 4 staff, and surveyed them. He also went out to independent producers, and over 2,000 people across the industry were surveyed. What the study shows is that the television industry is only less socially mobile than medicine or the legal profession, which is perhaps not surprising, but shocking. It is an industry-wide issue.

It is caused by a number of things: of course, by the ability that people have to take economic risk, so how you get started in the television industry is often through a number of jobs, perhaps as a freelancer with



HOUSE OF COMMONS

no job in between, and you need to do that for a number of years. Many people from diverse social backgrounds cannot take that economic risk. It is also then caused by a “moving to London” effect. Part of our nations and regions strategy is affecting that, which is: can people afford to do that? It is very expensive to live in London.

More worryingly, if you read it in detail, what the report shows is that when people are in the industry there are ways of behaving, social codes of acceptable behaviour, which, if you come from a different background, you don’t know and you don’t feel comfortable with. It is hard to be your authentic self in that situation and to feel comfortable with those studied, informal ways of behaving. There are hidden barriers to progression within the industry.

What I did in that speech was share very openly the data and the research across the industry and, for us, we can work out what Channel 4’s actions are; of course, we cannot fix that for the entire industry. But it has started a conversation, which is going on in other creative industries, about, “What should we be doing about social mobility?” For us, we have particularly focused on how we make ourselves a more inclusive culture internally, and how we make sure the doors are open to everyone, and what does that mean? We need to change in terms of inclusivity internally.

We have then focused on, when we do our apprenticeships and work experience, ensuring that we over-indexed people from socially mobile backgrounds, and to ensure that we do things like pay travel expenses, pay the right stipends for them but, particularly, put some bursaries in to ensure that people can afford to do them.

We have a number of actions like that that Channel 4 is taking, which is about bringing people into the industry, and then we have a focus internally on our own culture: how we ensure that any barriers to progression that might be hidden—which are to do with authenticity—are removed from the organisation.

Q93 **Julian Knight:** Bursaries often help people get in; keeping people in there in the long term is the issue. You quite rightly identify that social aspect as well and, also, long-term career and pay progression so that people can have a career in there. I understand you do not have a responsibility for the entire industry, but is there anything in that particular avenue that you can see that you could do?

Alex Mahon: Our focus internally has been: how do we do manager training to make sure that, when we are looking at individuals’ career progression, those barriers are taken out of the way and that people are trained to recruit and progress on a more inclusive basis? That is a particular focus for us internally and a focus of investment for us. Opening up the study to the industry and talking very publicly about it, in publishing that speech and in publishing the research, is the beginning of a wider conversation across industry as to how do we tackle this.



HOUSE OF COMMONS

For us, moving to three different locations, this will be a particular focus for people we recruit in.

Q94 **Chair:** Finally, we talked earlier about the inflationary pressures of high-end production and the investment in big platforms. Many people talk of this being a golden age for content creators and producers, with huge sums of money going in. But that is largely to the benefit of the most senior people in the industry, big name actors, who are just going to get paid even more for doing what they do because of those inflationary pressures. Yet, the issue of social mobility in the industry, and the barriers against someone from a poorer background coming in, remain as strong as ever. Do you think the industry needs to think about what people, who are making increasingly large sums out of this demand for high-quality content, can do to reinvest in the talent pipeline that they benefit from?

Alex Mahon: We can only speak for Channel 4. We cannot speak for the entire industry.

Q95 **Chair:** I am not suggesting you can solve the world's problems by yourself, but—

Alex Mahon: As much as I would like to. Charles mentioned earlier the film model, so when you look at what we do in film, two or three years ago the board and my predecessor took the decision to invest a higher amount in film per year, so we invest 25 million a year through Film4, and that model is absolutely blended. We work with writers and directors at the start of their career and then we are also involved in their commercial successes when they come.

This year at the BAFTAs, Martin McDonagh's "Three Billboards Outside Ebbing, Missouri", won a number of BAFTAs. Also, Rungano Nyoni, a Welsh-Zambian filmmaker, won best debut for "I am not a Witch." That blended model for us of working with people at the early stage and also working with them in commercial success, is absolutely at the core of what we do. It is a testament to the great work there and the fact that, with all the Hollywood funding into films, Film4 continues to punch above its weight. If you look at the slate of films we have coming up, it is absolutely spectacular.

The challenge for us at Channel 4 is to keep doing that, to keep being distinctive and making sure that we can appeal to young people, to pick exactly the right shows that do that, and to focus on our core of how we do that. But it is an increasingly challenging market. We welcome that competition but we have to be careful about the choices we can make, because we cannot cover everything.

Chair: Thank you. That concludes the Committee's questions this morning. Thank you very much.