



Select Committee on Communications

Corrected oral evidence: Public service broadcasting in the age of video on demand

Tuesday 18 June 2019

4.40 pm

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Members present: Lord Gilbert of Panteg (The Chairman); Lord Allen of Kensington; Baroness Benjamin; Baroness Bonham-Carter of Yarnbury; Viscount Colville of Culross; Lord Goodlad; Lord Gordon of Strathblane; Baroness Kidron; Baroness McIntosh of Hudnall; Baroness Quin.

Evidence Session No. 17

Heard in Public

Questions 151 - 159

Witnesses

I: Alex Mahon, Chief Executive Officer, Channel 4; Ian Katz, Director of Programmes, Channel 4.

USE OF THE TRANSCRIPT

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

Examination of witnesses

Alex Mahon and Ian Katz.

Q151 **The Chairman:** Welcome to the second evidence session today in our inquiry into the future of PSBs. We are joined by Channel 4. Alex Mahon is the chief executive, and Ian Katz is the director of programmes. We have avoided a Division, so our session today will not be interrupted. Thank you both very much for coming and giving us evidence. Today's session will be broadcast online, and a transcript will be taken. We have been studying the future of PSBs. You have been following our inquiry. Your initial thoughts would be welcome. In addressing that, what is distinctive about Channel 4's public service remit? How will Channel 4 stand out, now and in the future, in the increasingly competitive and diverse field as commercial rivals such as Netflix appear on the scene? We will then open up to questions from the Committee.

Alex Mahon: I will start with a couple of words on public service broadcasting and the inquiry. Thank you to the Committee for holding this inquiry at what is quite a crucial time. The major public service broadcasting review from Ofcom is coming up. As you have just heard, this is a time of very significant disruption in our industry. It shows a lot of foresight to do it right now.

You are asking a fundamental question, which is whether PSB still matters and, if so, why. I believe it does. I believe it matters now more than ever for three reasons. Public service broadcasting is vital for social cohesion in the UK. At the moment, we have a very fragmented society. Brexit has made it extremely clear we have very big changes in UK society, whether that is economic or social. We have the digital filter bubbles, which you have talked about some length here, in terms of social media and people being entrenched in smaller areas of opinion. That is having quite a profound impact on society in terms of public discourse and democratic debate. Prejudices are being reinforced through that.

As you heard last week, inclusion, diversity and representation are quite fundamental issues in terms of social cohesion. Simon Albury, Lenny Henry and Marcus Ryder made it very clear that we have a long way to go in UK society to foster a place that is inclusive and gives fair opportunity to everyone. That is both off-screen, in terms of who makes the content, and the power of us on-screen, as public service broadcasters, to hold up a mirror to society and give voices to the underrepresented.

PSBs are utterly vital in doing that. We focus on telling the stories of Britain as it is today. For Channel 4, we are here to represent those diverse groups. We are also here to do that in terms of the nations and regions. Much of what we have talked about in terms of representing the whole of the UK is ensuring that we are no longer just representing London. Moving our industry, offices, people and spend out of London and opening offices in Leeds, Bristol and Glasgow is a big part of doing that. There is also social cohesion value in the fact that PSB is

guaranteed and provided for everyone. Parliament has given us a remit to do that. Our incentives are all about providing public service content to the whole population. That is a very different incentive system to our new competition.

Secondly, I would say that PSB is vital for UK industry. We all know about the deindustrialisation that has happened in the UK over the past decades. Alongside that, creative industries have been growing. They now represent about £20 billion a year in exports. Film and television are a key part of that. In this inquiry, you have talked about digital giants coming to work in this country and Peter Kosminsky's questions about SVODs. That has come from the fact that we have the people, talent, expertise and skills that those global buyers want.

That is because the PSB sector has provided the training. Through the Communications Act 2003, Parliament has provided the infrastructure by giving IP retention to independent producers so they can grow and export. In my view, the public service broadcasters are like the gardeners that grow, cultivate and help nurture that. We do that for the long term. We do that by investing in the UK. That is critical for UK industry.

Thirdly, the PSBs are critical for our future. As marvellous as it is, we should not underestimate the fact that the tech boom is, of course, a boom. Netflix and the other SVODs are here now, but it is notoriously hard to predict how long that will last or how long that funding will last here. When we think about our creative sector and our social cohesion and how we make that consistent, we need to think about how we future-proof it. Right now, we have a massive competitive advantage. We have the skills. We have the IP. We have the people. It will not necessarily last for ever.

The PSBs are here to do that. Making a really distinctive contribution is what gets us out of bed in the morning. That is in line with the remit that we are set by Parliament, not by shareholders who are looking for us to make a profit. It is very different in the PSB ecology. We are here to champion diversity, speak to young people, make sure we challenge world views and make sure that we give space to unheard voices and new creative talent.

We will continue to be vital, but we have to make sure we update policies and that policymakers keep pace with the digital environment and what is changing. What PSBs do really matters. It is a fundamental part of what we are in the UK. As we talk today, I will be very focused on how we modernise that alongside the duty on us to innovate, keep pace with that change and be competitive. Those are my particular views on PSB. I will hand over to Ian to talk about how we creatively do that on Channel 4.

Ian Katz: Thank you very much for inviting us today. I will say a brief word about the importance of public service broadcasting generally and, in particular, PSB news before I talk specifically about Channel 4. As someone who worked in news for 25 years, much of that in the US, which is a place that holds some quite sobering lessons for us, I feel

passionate about the value of PSB news. For democracy to work effectively, you need to have a common set of facts that the majority of the population can agree on. For that, you need trusted, regulated, impartial news sources, significantly, with wide reach. That means PSB news.

Over the past 20 years or so, what we have seen in the US is a fracturing and a tribalisation of news provision. We see that the left and the right cannot even agree the facts upon which to have an argument. The Brexit debate has reminded us of the importance of having news organisations capable of unravelling the claims on both sides of the argument while maintaining the trust of the majority of the electorate. As we saw with the Cambridge Analytica story last year, the way in which "Channel 4 News" was able to tackle a ferociously difficult and contentious subject with such independence and authority meant that that story was able to travel around the world.

Only the PSBs can perform this hugely important function. Newspapers are largely seen as too partisan, and the digital giants are not trusted to arbitrate on what is true and what is not, even if they were inclined to. In fact, there was some research from Reuters last week that showed that three of the four top trusted news brands in the UK are PSBs. In line with what you heard from some of the kids you were referencing earlier, we know from our own research at Channel 4 that 60% of 18 to 34 year-olds that we have surveyed think that PSBs are good at keeping them up to date with what is going on in the country, versus just 9% for Netflix.

Coming to the question of what makes Channel 4 stand out from the other PSBs and digital rivals, the question that I constantly pose to my own commissioning teams is, "Tell me what the hole in the country would look like if Channel 4 was not there." I am confident it would be a significant hole. Alex has mentioned our unique remit from Parliament. There are several elements to what distinguishes Channel 4 from other broadcasters.

The first is a commitment to creative risk. From "100 Vaginas", a radical and powerful film about female sexuality, to "The Circle", a hugely ambitious reality show that explores what social media is doing to our relationships, there is a significant body of programming that simply would not have made it to our screens without Channel 4. We ran "The Circle" last summer. It will be back shortly. I know you will want to set your recorders.

As Alex touched on, the second distinguishing feature is a commitment to airing underrepresented voices. I want to mention one in particular that I am very proud of. We have a film that will be airing later this year called "For Sama". Some of you may have read about it. It is a film about five years in the life of the Syrian civil war told through the prism of one woman's experience, a woman called Waad al-Kateab. She is a filmmaker who was in Aleppo through the conflict. That film has been winning pretty much all the awards at film festivals over the last six months. I look at that film and I am quite sure that film would not exist

if it was not Channel 4. I cannot see another broadcaster making the commitment that we made to her several years ago to make that film.

Similarly, in a very different area of the slate, only Channel 4 would have given shows to the grime star Big Narstie or the YouTube sensation Elijah Quashie. It is all part of a commitment to diversity on-screen and off that is baked into the channel's DNA. You can see it in a range of output from "The Undateables" to the Paralympics or "Ackley Bridge", which you will be glad to know returns tonight. You will all want to get home for that.

Finally, Channel 4 is profoundly engaged with trying to explore and reflect the most pressing and important issues and questions in the country right across our slate, from our factual programming through entertainment to our scripted programming. This year alone we will air a major documentary series on the criminal justice system, the mental health crisis, the rise of pornography, the trans experience, homelessness and the race divide in British schools. Our drama slate has explored Brexit, child abuse and the impact of disasters such as Grenfell on communities. I believe Channel 4 should say something that makes you think differently about Britain every month, if not every week. Whatever else they do, the digital giants show no signs of wanting to do that.

The Chairman: There are lots of issues there. We will unpack some of those. Alex, we will come back to your commitment to diversity, your recognition of what diversity means in the widest possible sense and the many issues Ian talked about, but we will start with Lord Allen.

Q152 Lord Allen of Kensington: With online advertising going up and linear audiences declining—particularly younger linear audiences declining—what impact would HFSS and a 9 pm watershed have on Channel 4 as a company, both from a revenue perspective and more broadly?

Alex Mahon: Young audiences are changing their behaviour very fast. The challenge is on us to remain competitive and innovate. That is how we, as Channel 4, approach it. As you will know from the statistics and reports you have seen and the people you have met, the younger audience is changing faster than anyone. We are a broadcaster which is squarely aimed at 16 to 34 year-olds and the youngest PSB audience in the world, so it is a challenge.

In the business, we have been very focused on growing our digital revenues and views. We put out the annual report last week. In 2018, we were up in terms of digital views—so streamed views—on the All 4 platform by 26%. That is the highest rate of growth we have ever had. That is after eight years of continuous growth. That represents an 11% rise in our revenues and a total of 14% of our revenues from digital. We are innovating in the business very fast. Ofcom have said there is no imminent existential threat, and they have marked us as sustainable till 2024. The challenge for us is to retain those young people and switch the business to digital as fast as possible. I would particularly want to come back to prominence and what that means later on.

In terms of HFSS, we are very clear that we support the intentions of ensuring that we reduce childhood obesity. Channel 4 cares very deeply about the issue. We believe in the importance of the issue. We have made programmes over decades that are helping fight the issue and ensuring that childhood obesity is reduced. Obviously, you will know that we make all the Jamie Oliver programmes. We tackle this consistently in shows such as "Supershoppers". We are clear that anything to do with further restrictions on public service broadcasters needs to be evidence based.

The evidence so far is that TV advertising reduction over the years has not resulted in reduced levels of childhood obesity. Unfortunately, it has not had the hoped-for effect. Exposure to advertising on children has been down and obesity has gone up. In fact, the Government's own evidence at the moment shows that, if this watershed was put in place and the ban was put in place, then kids would see one less advert per day, which would be a reduction of 1.7 calories per day, which is less than one Tic Tac.

The Chairman: We shall adjourn the meeting at that point. We will have a short intermission and come back and pick up where we were.

The Committee suspended for a Division in the House.

The Chairman: We will start our session again with Channel 4. Alex Mahon was responding to the question of the impact of the HFSS advertising watershed ban on Channel 4. You had told us that the impact would be significant. You doubted the effectiveness of it as a measure.

Alex Mahon: The evidence from the Government shows that it will reduce calorific intake by 1.7 calories a day, which is slightly less than the calorific value of a single Tic Tac. Of course, it could have the opposite effect of driving that money online. That money could be driven online, where young people are. It could be driven into price promotions, which have a dramatic impact on what people buy. It would take approximately £200 million in revenue from television.

Lord Allen of Kensington: Have you received advice in terms of how much Channel 4 would lose?

Alex Mahon: We have been very clear that that would be over £40 million for Channel 4. We do not have any profits. That would simply have to come out of public service content.

The Chairman: The argument that people are advocating for the HFSS advertising ban is that it is not just a single measure. It is not just about measuring it against its immediate impact and what has happened with previous advertising bans. It is part of a comprehensive public health package that deals with HFSS in terms of the formulation of products, how they market it in-store and how they advertise. That is very important. The whole package together is important, whereas your evidence is only specifically about it being taken as a measure on its own.

Alex Mahon: It is correct that things should be looked at as a package. What television can do to encourage positive behaviour should also be looked at, such as The Daily Mile, exercise for children and Veg Power, which ITV, as a strong PSB, has been advocating. We are all working together to do that, but we need to be clear that actions need to be evidence based. At the moment, the evidence does not show that this would have a positive impact.

The Chairman: Are you uncomfortable with the sort of campaigning stance of Jamie Oliver on the issue?

Alex Mahon: Yes. I think Jamie is quite right to be campaigning against childhood obesity. It is a really important issue in today's society. We all feel passionately and strongly about that, and Channel 4, as a public service broadcaster aimed at young people, also feels like that. We are saying that any actions that are taken should be based on evidence to ensure that we are addressing things that will make an impact.

Q153 **Viscount Colville of Culross:** I would like to ask about the balance of obligations and privileges that PSBs face. In your submission, you quote Tony Hall as saying one set of rules applies to UK companies but barely any apply to the new giants. Why should the rule be changed so the new giants are treated equitably?

Alex Mahon: Overall, it is probably time that we consider how we reform and update the PSB framework. Clearly, we have a complex PSB compact in place. Ofcom is about to go into its quinquennial review of that. Parliament has already put in place a number of measures that support public service broadcasting. There are obligations and benefits that go with that. Although we face an increasingly competitive playing field with competitors who are not regulated in the same way, our focus is on how to create a level playing field. Our particular focus is prominence.

You heard from the BBC earlier, but this is really about how we update the framework we have in place that governs prominence. The framework was put in place in the Communications Act 2003. Simplistically, it says that public service broadcasters have their spectrum and a protected superior position in the electronic programming guide. All evidence shows us that that is a reducing manner in which people access long-form television-like content. People have smart televisions. They go straight to the smart television bar, which bypasses entirely the EPG. There is a rise in the use of streaming sticks, which are plugging in things like the Amazon Fire TV stick straight to a television or another device. That is how you access content. You have heard this afternoon about how that might play out in voice search or future methodologies.

We need to think about how we update the PSB compact so that prominence is affecting those new kinds of devices. There are many young people who completely bypass the EPG. We want that to be level across all kinds of devices and always accessing content. Ofcom is already doing a significant amount of thinking about how the principles of

that might work. My concern is if we do not do that for an updated modern digital age of how people access content—not how we access it but how younger people do it—then people will simply never see public service content.

The simplest way to think about that is what that means for the news, where young people will not even have the BBC news, Channel 4 news or ITV news surface to them, but it is even more true when you think of all the public service content we make that has social cohesion and diversity bred into it by the very way we make it. Unless we ensure that that is seen in first position or first screen when people access content, we risk it simply eroding away and never being seen. For us, that is the biggest thing that could be done in terms of regulation.

Viscount Colville of Culross: Does that include dealing with disaggregated content?

Alex Mahon: The question there is about algorithmically how you serve disaggregated content on search. Ofcom and others have done a good amount of thinking about how that could work in new environments, simplistically being first page on which you access that content or there being a protected amount of space for public service players or public service content. We need to introduce a methodology that means that Parliament can legislate, give the powers to Ofcom and keep pace with that changing rather than have to re-legislate every time.

Viscount Colville of Culross: It seems to me the streaming giants have so much money and so much power compared to the PSBs. Andy Harries told us that the centre of British television power has moved to Los Angeles. Is there not more that we can do in order to try to make that playing field more equitable, rather than just worry about the prominence?

Alex Mahon: As this Committee looks at things, there is prominence and thinking about the financial incentives, which is thinking about whether there are other options on the table in terms of tax breaks and whether that could be expanded. We have definitely seen a huge impact on the amount of scripted content that is made in this country by the availability of the tax break, which I think came in in 2013. It is interesting to think about whether we could expand that to ensure that we get more of the types of content that we want in this country for public service. Thinking about whether that could apply to diverse content and drama content is another route that we could consider going down. Going to Lord Allen's point, it is also important to ensure that we do not do unintended harm to public service broadcasters by making legislation in other areas that removes funding from us.

The Chairman: Just on this issue of prominence, COBA told us that it understood the argument that "Channel 4 News" and your clearly PSB-style content should have prominence but that much of your content is not PSB content. It is commercial content, and there is less of a case for it to have prominence. Are you arguing that anything produced by Channel 4 is PSB and therefore should have prominence? Should prominence be attached to PSB content, however that might be defined?

Alex Mahon: I am arguing that all that Channel 4 makes is public service content. I do not believe that you can pull that apart simplistically into saying news qualifies and other things do not. If you look at a soap such as "Hollyoaks", which we make and is squarely aimed at young people, it deals with issues through society, whether that be self-harm, the rise of nationalist groups or teen suicide. It deals with all those issues woven through it in an appealing, popular and commercial way. That is very, very clearly public service content. Ian, you think that probably goes through a number of the shows we make. You cannot simply separate them.

Ian Katz: I think that runs through the whole slate, as I tried to touch on earlier. The whole offer also has to be economically sustainable. There has to be commercially valuable content in the mix. If not, it does not add up to a sustainable model.

The Chairman: Would you argue it should apply just to Channel 4 or to your other channels?

Alex Mahon: To all the public service broadcasters.

The Chairman: To all Channel 4's channels?

Alex Mahon: Yes.

The Chairman: Does "Bake Off" deserve prominence?

Alex Mahon: I think it is the broadcast stream. There is some intangible value in the combination of things you put together, from the news to "Hollyoaks" to "Bake Off", which blends diversity and normalisation of diversity in every piece of its casting and output, to "The Last Leg" on Friday nights, which is clearly a show that has disability at its heart in terms of presenters but is in no way a show about disability. It goes through all that in how we do "Stand Up To Cancer" for "Celebrity Gogglebox" on Friday night. I do not think you can pull that apart and say, "This content is good." You have to have the full broadcast stream to attract people into that. There is a piece of this that is about the difference between a filter bubble or a digital echo chamber or a focused algorithm, which is that that is all blended together. What you see is the same as what I see and everyone sees. That is very, very different from something that is specifically targeted at your taste. Public service broadcasting is all that together, and we pull it apart at our peril.

Q154 **Baroness Benjamin:** Over the years, there has been strong criticism that Channel 4 is not doing enough for 10 to 19 year-olds. That criticism has come from Ofcom especially. The law has changed and legislates for Channel 4 to provide content for this age group. What is Channel 4 doing to cater for the 10 to 19 year-olds and to face this criticism that you have had over the years?

Ian Katz: The range 10 to 19 takes in two separate groups, as it were: children and then teenagers.

Baroness Benjamin: Let us go with 10 to 14 year-olds.

Ian Katz: There has been quite a lot of discussion about whether there is enough provision for 10 to 14 year-olds. The channel is committed to spend about £5 million a year in that area. We try to reach that audience through broad family shows with particular appeal to kids. I am incredibly excited this year about our animated feature "The Tiger Who Came to Tea", which is pretty much perfectly in that zone. "Lego Masters" is one of the shows that has been squarely in that area. We have a bigger problem around teenagers, who, as you were talking about a little earlier, are spending more and more time on social platforms and have less and less of a PSB linear habit. In fact, we just said last week that we will create a new service, which will be primarily on social media, aimed specifically at teenagers 14 and upwards.

Baroness Benjamin: Will that be like a YouTube channel?

Ian Katz: It will be initially on YouTube but then on other social platforms. As someone was saying earlier, which platform young people are most on at any one time is a moving target. YouTube seems to be the place to base it, but it will also be available on other channels, such as Snapchat.

Baroness Benjamin: How would they be protected if they went on the YouTube channels? YouTube is not regulated.

Ian Katz: That is a good question. We are doing it because we think you need to have content with PSB values—the same trustworthiness, reliability, quality—in environments where that kind of content is not currently available. We are not able to protect teenagers from travelling around YouTube and finding other content. That is slightly beyond our reach. We can control producing content that we hope speaks to them, resonates with them and has all the values of a PSB.

I find it most heartening that even as we grapple with some of these big structural movements, such as young people moving to social platforms and other VOD services, we are seeing that Channel 4 itself and lots of its programmes still really resonate with those audiences. We are still the youngest PSB in the world. We are the only PSB in the UK that over-indexes against the 16 to 34 year-old population. There is a lot of talk about huge young audiences coming to shows such as "Love Island" or "I'm a Celebrity" or, on our channel, "Celebs Go Dating", but I find it most heartening that we are also seeing a massive thirst for quite challenging factual programming.

One of the things that struck me most this year was that "Leaving Neverland", the documentary that we had about Michael Jackson and child sexual abuse, attracted a nearly 40% share of 16 to 34 year-old viewers. It is a really challenging bit of factual content. We are seeing consistently that some of our biggest factual shows, such as "24 Hours in Police Custody" or our documentary on the prison system, are attracting sizable young shares. That is incredibly heartening because I feel that we know how to make the content that resonates for those audiences. We just need to deliver it where they are.

Baroness Benjamin: What kind of programming were you thinking of

putting on the online platforms? Are you thinking of putting on dramas, factual programmes or entertainment? Will they transfer over to terrestrial television?

Ian Katz: There are two separate questions there. I will start with the second one because it is slightly different. I am excited about and very much admire what the BBC has done on using social platforms as a sandpit or a testbed to try new talent and new ideas and migrating them to linear platforms when they attract audiences. The ambition is certainly to do some of that. In terms of what kinds of content we are putting out there, we have already launched two new strands on social platforms. One is short-form comedy, with a real emphasis on trying to find new talent. The other is called "4Real". That is a short-form factual programming strand primarily aimed at younger viewers that we will launch in the autumn. The specifically teen-facing one that I mentioned is not coming until Q1 of next year. We have not yet hired the person to run it, so I am slightly reluctant to prescribe exactly what goes on it. I want someone to do some detailed work on it.

Baroness Benjamin: You have high ambitions for the younger audience. You would be pleased to hear that, when this Committee met with a group of young people, you came out tops. They said that, of the PSBs, they felt they would be attracted to Channel 4. What more can public service broadcasters do to better appeal to that young 16 to 34 year-old age group?

Alex Mahon: It is clear that the answer is to have content that resonates with them. The particular change for us is to think about putting content where they are. We have always been about content that resonates with them. The big change is making sure that we are adapting and keeping pace with how we distribute, where we put the focus of the business and where we allocate our resources. This involves growing All 4, ensuring that we are putting an offering that is aspirational and has public service values out there in the platforms they are on, whether that be Instagram or Snapchat or this YouTube channel, making sure that it has public service at its heart and expanding the amount of money that we spend on them.

Ian mentioned that we have a £5 million commitment to older children, but we spent £8 million last year. We are gratified to see that our impact with them is up on both linear and digital. We were up 12% in the 8 pm slot for the 10 to 14 year-olds, as Ian has said. We need to change how we market to ensure that we capture attention on those digital platforms where we know young people are and bring them to our content wherever we distribute it. The big switch for us is in thinking about how we distribute digital first because we know that is where young people are. We need to capture their attention, which means evolving what we do.

Q155 **Baroness McIntosh of Hudnall:** Can you explore a little bit further this issue about migrating most of what you do to digital while at the same time acknowledging that your linear service carries content that people want to watch at the time that it is scheduled to be shown because it has

some kind of event quality to it? Is that the case? What is the value to you of continuing the linear service, given what you have said about your wish to try to push as much as possible towards digital? People watch "Love Island" linear. Do you want them to? You do not want them to watch it at all. I will think of another one.

I will try to recover my reputation. Of all the content that you mentioned earlier, Mr Katz, that you either have already or you are looking to have soon that is appealing to that younger age group, you were mentioning things that are available on linear television. You are putting it out there that way, and there is clearly some reason why people want to watch it in that way. There are other things they do not want to watch in a linear way quite so much.

Ian Katz: You have put your finger on it. There are two completely different types of content. It is absolutely key to us and PSBs in general to continue to have shows that create these big shared experiences. Even though it is on a competitor channel, I am delighted that so many people, young and otherwise, are watching "Love Island". It is incredibly healthy to have moments where the whole country is talking about the same thing. I would like a few more of those to be on Channel 4.

We will continue to look for shows like "The Circle", which I mentioned in my opening comments and is absolutely designed to be a live "appointment to view" experience. In fact, in our thinking about this year we have added more live elements to it to try to promote live viewing. As Alex said, we also need to recognise that a lot of younger viewers are spending a lot of their time outside the PSB or linear environment and coming into it for occasional events. We need to be able to speak to them the rest of the time. We need to maintain a relationship between them and our brand. We need them to understand what Channel 4 is. Ideally, we need to be able to drive them back to the platforms which we can monetise most effectively, which is our linear output and our own video-on-demand service. Most importantly, we need to sustain a brand relationship with them where they understand who we are and they value the content we are delivering.

Baroness McIntosh of Hudnall: I understand that. However, as between first contact with Channel 4 via All 4, the digital way in, and first contact through some of the linear output, what is most effective at establishing that brand awareness?

Ian Katz: The age of thinking about even any individual programme as being only on one platform has passed, particularly with younger viewers. Their experience of a channel or any individual programme is often across multiple platforms. My children, who are incredibly engaged with "Love Island", will be engaging with it on social platforms some of the time, watching it live some of the time, and other times will be recording it. It is the same with many of our shows, such as "Bake Off". Our youth channel, E4, is now the biggest broadcaster Facebook page in the world, although I acknowledge we heard earlier that young people are abandoning Facebook. You are seeing almost a flotilla of content,

often around a single programme brand, that viewers are engaging with on multiple platforms at various times.

Baroness McIntosh of Hudnall: What are you doing to show that you are the trusted channel? You are discussing people moving to online viewing, but a lot of parents will be concerned about trust. How will you make sure that parents feel happy and trust the channel, and that you as an organisation think you are the trusted brand?

Alex Mahon: It comes from the public service value through all the content. It comes through regulation by Ofcom and from adhering to standard. Clearly, the set of legislation and standards we adhere to is very, very different from some of our new competition. It is easy for us, because that is what we get out of bed for. All the discussions editorially in the channel are, "Is that the right thing to do? Is that the public service thing to do? How does that make impact? How does that resonate with society?" We are focused on doing that every day. Maybe the question is more, "Should that trust be there in other brands?"

Q156 **Baroness Quin:** In your introductions, both of you stressed the importance of reflecting and reaching out to the UK as a whole and made a strong commitment in terms of diversity. Given that, I wondered how much you felt public policy could better support diversity and regionality in production. Comments were made last week, possibly by Lenny Henry, about tax breaks for productions which meet diversity criteria, ring-fenced funding, contestable funds and so forth. Could some particular public policy measures make you feel supported in your aims?

Alex Mahon: Obviously, supporting diversity, ensuring that we challenge perceptions in society and that we are there to represent the underrepresented are core principles of Channel 4. I think about diversity at Channel 4 in four ways. I will explain them and come to the point from last week, which I think is important. There ought to be a focus on our internal culture at Channel 4, on who is making decisions. There is a clear principle about who makes decisions and how one changes that balance in the room that effectively sets the tone for everything.

It is important to say we have changed those statistics quite substantially. In terms of black, Asian and minority ethnic, we are 18% across all our staff. I have set a new target for that, not only in how we get to 20% but how we get to a percentage across our top 100 most highly paid. In terms of the commissioning floor, which is the people making editorial decisions, we are now in excess of 20% in terms of black, Asian and minority ethnic, which is a massive change from where we have been. Today is the first day that news has been made public. We have already made great strides in changing the make-up and balance of our internal culture. We also measure what that is on LGBT and disability. We are about 8% across the channel in terms of LGBT, 11% in terms of disability and 57% in terms of women. I am delighted that we lead the charts of the other broadcasters. However, that is not enough.

Secondly, we have to look at who watches—so how we index in with audiences—what we make and how that is put out on screen. A lot of that is monitored by Diamond data, which we come on to. It is still in its early stages but through the first couple of waves.

Thirdly, I think about this in terms of how we get paid, regarding our advertising. We put a significant amount of change through the industry. We have a £1 million prize every year for diverse advertising. We have just announced the third round of funding for that, and it is now about an advertisement tackling prejudices towards the LGBT community. One million pounds of advertising is a big prize.

Fourthly, regarding the focus of last week's session, it is about off-screen activity and who is behind the camera. As an industry, we have a long way to go there. We have done a number of things. We have taken a set of funding in our creative diversity team, Alpha funding, and ring-fenced it for BAME ideas and BAME production companies. We have redirected our growth funding, which is about investing in indies, to invest now only in indies in the nations and regions outside of London and that are BAME-led. There are gaps in the market that are not filled there. We need those indies to be there so they can deliver to us.

Clearly, there is a massive focus for us on the nations and regions. We are moving 50% of our spend outside of London. We expect that to support another 3,000 jobs in the industry outside of London. We are establishing three offices outside London in Leeds, Glasgow and Bristol and shifting a significant portion of our jobs there. We are moving the news to be co-hosted outside of London. There is a big focus on the nations and regions.

Regarding the issues you heard about last week, having watched the session and read the transcript, Simon Albury, Lenny Henry and Marcus Ryder make very good points. There is clearly a lack of black, Asian and minority ethnic-led independents in the industry. That is a gap in the market. They developed a very interesting proposal, which is whether we could expand the tax break to focus on that. Can we create an incentive for production from those companies expanding and being companies that we all want to commercially invest in and buy from?

It is a very interesting idea, and Channel 4 would be very prepared to work out how we convene an industry group to investigate whether we can give that more support as an industry. It is definitely true there are not enough of those companies and they are not growing to the right level.

Baroness Quin: Do you look at whether there are regional gaps in Channel 4's activities and reach? Are there constraints on you, such as funding issues, which mean you cannot do as much as you would like in the nations and regions? Is it more a question of resistance on the part of staff to moving out of London, which I have heard exists in Channel 4, as in other organisations?

Alex Mahon: I will speak about it generally in relation to Channel 4. Ian can discuss the programmes and what we have seen over the past couple of years.

We are shifting a significant amount of spend outside of London. That is the biggest way we can make an impact. We have under 1,000 staff, whereas somewhere like the BBC has over 20,000 staff. The biggest way we can make change is by how we spend our money. Getting to 50% is a big change. To do that, we need to look at all our policies and processes. We need to look at where we invest money in order to encourage pieces like I have talked about, such as the indie growth fund, and how we put development money in.

We need to also move our people and jobs outside London to change the editorial balance of how we make decisions. That is an immense change to the organisation. Quite understandably, there are some people who cannot move when their job moves. It is often because they are dual-income families and both parents cannot move. It might be because their children are in school and they cannot do that. That is completely understandable and normal. I am excited that we have many people who are genuinely considering the move and will go.

Equally, it means there are a lot of jobs available in Leeds, Glasgow and Bristol that are not simply people moving from London, which is of great joy to the regions we are moving to. Ian, would you like to talk about its implications for programmes?

The Chairman: Before you do, do you recognise the unreported figure of 90% of staff declining to move?

Alex Mahon: I have always been very clear that the statistics show us that, when the ONS moved, when the BBC moved to Manchester and the BBC moved departments to Birmingham, somewhere between 67% and 90% of staff will not choose to go. I have always expected that kind of figure. It is because people have their lives set up elsewhere and it is simply not a choice they can make.

The Chairman: Will this make it particularly difficult to hire more people from BAME backgrounds if you are moving roles from London, where it is relatively easier to recruit people from BAME backgrounds, particularly into some of the roles we have discussed? Presumably, it will be far less easy to recruit people from BAME backgrounds in some parts of the country. Will that make the task more difficult?

Alex Mahon: It is clearly true there is a higher concentration of people from BAME backgrounds in London than many other places in the UK. However, it is also true there is a very high concentration, for example, in Bradford, where Ian was on Monday. When choosing locations, we have been very conscious of looking at the wider geographic regions we can recruit from. We have been very clear that is important to us. Equally, we are a brand that is a beacon to people who come from underrepresented groups. How we do that recruiting is a challenge for us but one we are considering very seriously as we go about recruiting for those roles.

Baroness Quin: Is it not sensible to look at particular regions and see what proportion of people of BAME backgrounds there are in those regions? I would not like it to be said that regions which have a very low proportion of people from BAME backgrounds should therefore be disqualified from being invested in. Obviously, I am thinking of areas like the north-east. The reason why the numbers of people from BAME backgrounds is lower there than elsewhere is simply that there was not a surfeit of jobs that meant people immigrated into that area two or three generations ago. In other words, one has to look not just at the BAME proportion of the population across the country but also should ensure it properly reflects the different balances in the different regions.

Ian Katz: Of course, there are other forms of diversity, such as diversity of social background, for instance.

Baroness Quin: Absolutely.

Ian Katz: We might also find it easier to get that kind of diversity around the country. Would you like me to touch on the content point you raised?

The Chairman: Yes. Touch on content briefly. Then we will go to Baroness Bonham-Carter and then on to our final question.

Ian Katz: I will be brief, but will just say one thing. We have discussed where we have located ourselves and where we are hiring. However, from a content perspective, an interesting penny has dropped, not only with us, but also with other broadcasters. Whereas we might have felt it was Channel 4's duty to produce programming representing the whole country because that is to some extent what we are here for, the penny has dropped that it can be extremely commercially smart to do it. What has helped land that point, certainly for me, has been the success of the comedy "Derry Girls" which most of you have seen, which comes out of Derry in Northern Ireland.

What that has shown us is if you produce stories that resonate intensely locally in particular areas, often areas that have not seen themselves represented on screen, but also have a universality about them and can speak to the wider country, that is the absolute bonanza. What happened with "Derry Girls" is 60% of people in Northern Ireland watched it, which is the biggest ever TV audience for a show. An awful lot of people in Scotland and the north-west watched it. Even if no one else in the country had watched it, it would already have been a hit. Happily, lots of other people watched it. It has created an interesting question for us, which is: what are the other areas in the country where we can produce that kind of content that resonates locally but is also universal?

Baroness Bonham-Carter of Yarnbury: Going back to what you were saying, Ms Mahon, about encouraging diversity and moving out of London, we have the letter that Sharon White wrote to you, where she says, "In the last year we noted a decline in the number of new independent producers Channel 4 have commissioned on all platforms, and this decline is continuing." Obviously that in a way negates what you are attempting to do. I used to work in the television business, so I know

how producing can be dominated by big companies. I would have thought that was something you would really hope to redress with your move.

Alex Mahon: Yes. Addressing the point about last year, there was a specific step change in the number of independents that we commissioned last year, because the year before we stopped short-form digital commissioning for All 4. That had been spread across a large number of very small, often not pure television suppliers, so there is a step change in there. A second, much smaller-order change is we reduced our total spend last year. We had to tighten our belts, given our advertising market, so there was a reduction.

As you will well know, the independent production market is clearly complex. There are growing producers through consolidation. However, some of the activity we have talked about here that we want to encourage is about growing stronger and bigger companies outside of London, and stronger, bigger, more scaled-up companies that are BAME-led indies. That is not always the same as having a high volume of suppliers with little bits with them.

It is a complex picture. It is also very true that Channel 4 is here to be of strength to the independent sector. In fact, last week we announced we have done a new deal with Pact, the industry body, which is all about ensuring we give some rights back to producers so they can continue to grow their business, while we have more digital rights to be ready for the next age of the digital distribution that we have. We take very seriously our role in ensuring that we help grow and nurture that community.

Baroness Bonham-Carter of Yarnbury: So that is part of your public service role.

Alex Mahon: Absolutely.

Baroness Bonham-Carter of Yarnbury: Thank you.

The Chairman: One quick final question from Lord Gordon. Then I will ask you to give us some written evidence on a particular issue we will not reach.

Q157 **Lord Gordon of Strathblane:** I will attempt to spin one into three, as best I can. Mr Katz, we heard in the previous session Lord Hall arguing that he would like the BBC to fund 100% of a drama programme, so they could have 100% of the IP, like Netflix. What is Channel 4's view on co-productions?

Ian Katz: We believe we absolutely must have a mixed economy of different production models. As you may know, we do not have any IP. We do not have a production arm as the BBC does, because we are publisher-broadcaster by constitution. I would differentiate between the different models we need to use to make the kinds of programming we want. There is a certain scale of drama production from which we have been all but priced out, and Lord Hall talked about that earlier. I think of it as the \$100 million series. By and large, we have to accept we are not

in that business any more. We will thus lose some ideas that it would have been nice to have come to us.

However, when I look at the bulk of those series, they are glossy, international stories that do not necessarily speak to a British audience. My real concern is that we are able to fully fund the stories that are important for a Channel 4 audience, which are very specifically British or simply too hot to handle for any other broadcaster. It brings to mind shows such as "The Virtues", a brilliant four-part series by Shane Meadows about child abuse that we had several months ago.

In order to make sure we can continue fully funding those very British productions, we need to ensure we stretch our budget and make it go as far as it can with a certain number of co-productions and several different models of funding. I have been interested and impressed by what the BBC has done working with S4C to create cheaper models of drama. Channel 5 recently had a very different approach to financing drama, working with Virgin in Ireland. We will probably need to have two or three different types of funding running in parallel at any one time.

Q158 Lord Gordon of Strathblane: Considering the SVOD market, with new entrants coming in all the time, do you agree it will be very much a sellers' market? Will they have to yield a little on the question of what IP exploitation they allow for producers of the programme?

Alex Mahon: I am not sure it will be a sellers' market. When funding levels from the SVODs are very high, which they are at the moment, it can be very attractive to sell all your rights for a higher up-front price. It is completely understandable when you are running your own business. If that continues in our industry for a number of years, we are in dangerous territory. The strength of exports and the global soft power that comes with that creative strength of exports has come from having a set of companies that own their underlying intellectual property and can export it.

I used to run a big independent producer. That is what the strength comes from. If all your rights are bought out, after five or 10 years you do not have anything to sell your company on. You have made good revenues in the meantime, but there is nothing left as the intellectual property bed to sell the company from. That is what has created such a strong export market for UK production, so we have to be careful of that rights environment.

Lord Gordon of Strathblane: However, it is surely likely that, with an increasing number of SVODs entering the market, at least one will offer a better deal regarding the retention of IP.

Alex Mahon: That may be. Because we cannot always compete on price, we have taken the choice as Channel 4 that we need to offer a better deal in terms of rights.

Ian Katz: It is also the case that there are some SVODs operating, such as Hulu, the now Disney-owned SVOD, which operates only in the United

States at the moment, who we co-produce very successfully with because they only want US rights.

Q159 **The Chairman:** Thank you. There are some other areas we want to explore and we might write to you about Ofcom. We are seeing Ofcom in a few weeks, I think. They will shortly be reviewing the PSBs. What would you like to see them prioritise, in view of the PSB landscape?

Alex Mahon: Prominence. The primary thing for us is we consider the future digital landscape, if not the current digital landscape. We need to consider how we ensure that the prominence regime is up to date, to make sure consumers have availability. If consumers do not have availability and awareness of public service content, then it does not really matter what we do, it will be unseen by them. That is particularly true for young consumers and it is particularly true for news.

As we go into the PSB review, we must ensure we consider those financial incentives you have talked about, in terms of diversity, or drama, and whether we could extend them. We need to make sure we do whatever we can to ensure the UK still has world-class IP. We need to consider that regime and how we have a level playing field on it. As you have mentioned, at the moment that playing field is not level.

The Chairman: Do you share Sir David Clementi's concerns about Ofcom, regarding them as a little analogue in their pace in this digital era?

Alex Mahon: We are in a different phase of our relationship with the regulator than the BBC. Clearly, we have had a positive relationship with the regulator for some time. We are in a different set of processes. We have our annual report, statement of media content policy, a regular set of dialogue with them throughout the year, and they publish an assessment of our performance. Far be it for me to comment on the BBC's relationship with Ofcom. For us, there is a transparent and robust level of scrutiny. It is a relationship we think works well. In this PSB review, we think that will be a priority area for them, as they think about keeping pace with the landscape.

The Chairman: Good. Thank you very much. As I say, we might drop you a note. Thank you for your time. Sorry we overran, due to the Division.

Alex Mahon: Thank you.

The Chairman: There is more exciting news down the corridor as well.