

Independent Broadcasting Trust (IBT)—written evidence (FCF0009)

House of Lords Communications and Digital Committee inquiry into the future of Channel 4

Executive Summary

IBT welcomes the opportunity to contribute to the Select Committee inquiry on the future of Channel 4.

We have a strong interest in how audiences engage with global stories and issues. Channel 4 has played an important role, throughout its almost 40 year history, in engaging and informing audiences about what is happening around the world, both through *Channel 4 News* and a range of other international programmes including *Unreported World*. We are deeply concerned that the proposed privatisation of the channel will reduce its ability to deliver this international content.

We welcome the Government's stated intention that its goal is to strengthen the role of Channel 4 as a public service broadcaster and to ensure its future sustainability. However, we have reservations about its plans to change the ownership of Channel 4. We believe that the Government has not presented sufficient evidence to support its argument that Channel 4 will be more sustainable as a result of a change in ownership. Nor do we believe that the Government has adequately investigated the likely impact on the public service ecosystem of such a fundamental change. Singling out Channel 4 for special treatment, without a wider vision for the UK public service broadcasting system as a whole is unwise, given the rapidly changing media landscape and the way in which the constituent parts work together.

IBT has a special relationship with Channel 4. We came into being in the late seventies as an independent production company in order to make programmes for Channel 4, and subsequently for other broadcasters. We used our expertise to produce programmes about international development, human rights and the environment. Channel 4 commissioned *Lucky You, Lucky Me* from us and the programme was broadcast on the second night of the channel's existence, 3 November 1982.

Whilst we no longer make programmes, we believe that the channel continues to demonstrate a commitment to international content that engages UK audiences and enables them to understand the significance of global events. This can be seen in *Channel 4 News*' impressive track record of foreign news reporting; in *Unreported World*'s telling of untold stories and in the channel's wider commitment to a range of genres that feature international stories. Channel 4 is the only UK broadcaster which measures the number of hours of original international content which it produces each year – another indication of its commitment to such content.

We are concerned that a new owner will seek to maximise profits and look for areas in which to save money. International content is especially vulnerable because of its cost and because it is not explicitly mentioned in the Channel 4 remit.

Channel 4's public service ethos is integral to the organisation. If the Government does decide to sell Channel 4, we believe it is highly likely that a number of steps will be taken to make it more attractive to a potential buyer. It is likely that these will include changes to the remit and to the publisher-broadcaster model. We oppose these changes as we believe that they will dilute the channel's ability to deliver its public service remit.

It will be hard to impose the remit on new buyers, as much of it cannot be measured. A commercially-minded owner may seek to dilute the channel's PSB content and move towards more commercial content. This is a fine balancing act at the moment and some programmes like *The Great British Bake Off* are profitable whilst others like *Unreported World* generate limited income for the channel. It is likely that a privatised Channel 4 will commission more *Bake Offs* and fewer *Unreported Worlds*.

Who we are

IBT (International Broadcasting Trust) is a charity that works with the media to ensure that audiences continue to be engaged with global issues. We are making this submission on behalf of our membership, which comprises more than forty organisations working in international development and on environmental issues. These include Oxfam, ActionAid, Plan International, WWF, British Red Cross, MSF, WaterAid, Practical Action, Islamic Relief, CAFOD, Christian Aid and Tearfund.

IBT has a longstanding interest in the role of the public service broadcasters and we have been involved in a range of consultations including those for the Communications Act (2003), the Digital Economy Act (2010) and the BBC Charter (2017). We believe that all the PSBs play an important role in engaging a wide range of audiences with international content. They have the unique ability to reach mainstream audiences and are a key source of information for all audiences about global events.

Questions

1. What, if any, developments over the last five years give cause to re-evaluate the ownership of Channel 4 Corporation?

We believe that the last five years have demonstrated that there are a number of challenges facing all the public service broadcasters, including Channel 4. The streaming services are increasing their market share, particularly amongst younger audiences, and the PSBs are being adversely affected by changes to viewing habits.

However, we do not believe that these challenges will be more easily overcome if there is a change of the ownership model for Channel 4. We consider that Channel 4 has demonstrated that it is financially viable and, given the successful

implementation of the Future 4 strategy, sustainable in the long term. It is taking crucial steps to reduce its dependency on linear TV advertising and to diversify its income.

We are surprised that the Government is proposing a change to the ownership of Channel 4 without analysing the likely impact of this on public service broadcasting as a whole. The PSB system has evolved over many decades and each broadcaster makes an important contribution in strengthening the whole. We would like to see the Government commission an independent analysis to assess the impact of Channel 4 privatisation on the whole sector.

Singling out Channel 4 for special treatment, without a wider vision for the UK public service broadcasting system as a whole is unwise, given the rapidly changing media landscape and the way in which the constituent parts work together.

We are concerned that privatisation of Channel 4 will have unintended consequences.

If Channel 4's current remit is preserved it will be less attractive to a buyer. For a profit-oriented buyer, there would be motive and opportunity to find ways around the current remit, since there are few components of the remit that are tracked fully by quantifiable metrics.

If Channel 4 is privatised we believe that the Government will have to choose between two alternatives. Reinforcement of the remit, which will reduce the attraction to a buyer, or dilution of the remit, which will decrease the public benefits that flow from Channel 4.

The Government will also need to choose between the channel's continuation as a publisher-broadcaster, which will make it less attractive to a buyer, and a dilution of the publisher-broadcaster model, which will have an impact on the independent production sector and narrow the range of producers from which the channel commissions content.

In our view, privatisation is unlikely to improve Channel 4's sustainability and is likely to undermine delivery of PSB by reducing the amount of PSB content and disrupting the successful independent production sector.

We are particularly concerned that a change in ownership is likely to reduce the channel's commitment to international content. Even if there is no change to the remit, it is still possible that this may happen as there is no specific mention of international content in the present remit. *Unreported World* is Channel 4's prime time international current affairs series that tells untold stories from around the world. This programme makes a limited amount of money and does not attract large audiences but it nevertheless provides an important opportunity for audiences to engage with a range of international stories that they might not otherwise encounter. It is easy to imagine this programme being vulnerable to a new owner seeking to reduce costs in order to return profit to shareholders.

We would like to see a strengthening of the channel's remit so that it specifically includes international content delivered through a range of genres, not just news

and current affairs. News and current affairs are hugely important but they inevitably present a limited view of the rest of the world. Other programmes which show a wider context are essential.

2. If Channel 4 Corporation were privatised, what would be the benefits? What would be the risks and to what extent could they be mitigated?

We have listened to the Government's argument in favour of privatisation, principally that it will increase the channel's access to investment and therefore make it more sustainable in the future. However, we are not convinced by this argument, therefore we do not believe that the Government has demonstrated that there are any benefits from privatisation. On the other hand, we believe that there are substantial risks. Whilst it may be possible to mitigate some of these risks, the system of public service broadcasting inevitably allows broadcasters flexibility and a more commercially minded owner will be able to take advantage of this flexibility.

We do not believe that Channel 4 would be better placed to deliver sustainably against the government's aims for public service broadcasting if it was outside public ownership. We are surprised that the DCMS has not commissioned independent research to investigate the impact of the two alternative paths on the wider PSB sector.

The Government argues that privatisation is the best way to ensure that Channel 4 remains sustainable and fulfils its remit. This argument would be cogent if Channel 4 were losing money or audience share, or not fulfilling its remit. However, this is not the case. The broadcaster has demonstrated its resilience through the pandemic and has continued to deliver its remit and to grow its audience. Channel 4 grew its linear viewing share in 2020, both for the main channel (5.9% compared with 5.8% in 2019) and the Channel 4 family (10.1% compared with 9.8% in 2019). This growth has continued into 2021.

In order to build its sustainability for the future, Channel 4 is successfully growing its online audience and reaching young people across all platforms - with 9 billion annual views on Facebook, 2 billion on YouTube, 222 million on Twitter, 195 million on Instagram, 44 million on Snapchat and 23 million on TikTok. It is also successfully diversifying its income with the aim that digital advertising will reach 30% of its total revenue (it is currently nearly 20%) and non-advertising revenue 10%.

The government's argument for privatisation should be supported by evidence that selling the corporation would materially improve Channel 4's ability to deliver its remit and increase its audience share, but this has not been forthcoming.

It is likely that a new owner will seek to maximise profits and may, at some point in the future, seek to reduce the broadcaster's commitment to the remit and seek permission to make some programmes in-house, thus altering the publisher-broadcaster model that has served Channel 4 well for almost four decades. We have seen commercial PSBs seek to renegotiate their statutory

obligations in the past and threaten to withdraw as PSBs if their demands are not met. Remits change over time and it is likely that a privatised Channel 4 will take a different approach to a publicly-owned Channel 4.

We can see that each of the PSBs in the UK has a very different character – the BBC, ITV, Channels 4 and 5. The character of Channel 4 will inevitably change if its ownership changes.

The present character of Channel 4 derives from its public ownership, remit and publisher-broadcaster model. The remit ensures a range of content that cannot be found elsewhere, and in particular a commitment to a diverse range of voices. The publisher-broadcaster model ensures that the channel commissions more content from independent production companies than other broadcasters, and works with a wider range of companies. As a result, the channel makes a major contribution to the UK creative economy. Other broadcasters benefit from Channel 4's willingness to take risks and to innovate.

In terms of mitigating risk, it will be hard to impose the remit on new buyers, as much of it cannot be measured. A commercially-minded owner may seek to dilute the channel's PSB content and move towards more commercial content. This is a fine balancing act at the moment and some programmes like *The Great British Bake Off* are profitable whilst others like *Unreported World* generate limited income for the channel. It is likely that a privatised Channel 4 will commission more *Bake Offs* and fewer *Unreported Worlds*.

We consider that there will be significant risks to the public service broadcasting landscape if Channel 4 is privatised. There is likely to be:

- A narrower range of content and voices – a more commercially-minded broadcaster is likely to favour programmes that appeal to bigger audiences so the range of output is likely to narrow.
- Less innovation – risk taking impacts on profitability so a more commercially-minded broadcaster is likely to want to reduce risk and therefore innovation may suffer.
- A specific threat to international content – because of the cost of international content this genre is especially vulnerable in the future.
- A threat to the independent production sector – we believe that if Channel 4 is privatised it will commission from fewer independent producers and the sector will suffer as a whole. Smaller, newer indies that are more likely to deliver diverse voices may disappear.
- A reduction in UK-specific content - a more commercially-minded broadcaster will want to commission more programmes that sell on the international market so it's likely that there will be a reduction in UK-specific content.

The main argument put forward by the DCMS to support privatisation is that it is likely to bring greater access to capital, especially if Channel 4 is part of a larger media organisation. But we see no signs of Channel 4 needing access to new

capital nor do we think that big is necessarily best. We believe Channel 4 can continue to thrive as a broadcaster serving the UK only, with a clearly defined contribution to public service broadcasting.

3. If Channel 4 were to remain in public ownership, what would be the benefits? Insofar as they are valid, how could concerns about its longer-term viability be addressed?

If Channel 4 were to remain in public ownership, we believe there are significant benefits:

- Channel 4 has demonstrated that it will continue to fulfil its public service remit, reaching a range of audiences with a wide range of content, including programmes like *Unreported World* that appeal to minority audiences
- Maintain its commitment to international content, informing audiences about global events and stories through its one hour prime time news programme, *Channel 4 News*.
- Continue to work with a large number of independent producers that has enabled the independent production sector to grow and flourish, benefitting all broadcasters.
- Continue to invest in the nations and regions and ensure that its programming truly reflects modern Britain.

In terms of concerns about its sustainability, we believe that Channel 4's leadership has demonstrated that it has taken concrete steps to diversify its income in order to reduce its dependency on TV advertising. It has also taken steps to increase its online audience to ensure that it appeals to younger audiences.

4. Should the regulation and/or remit of Channel 4 be changed, irrespective of its ownership? What would be the risks and benefits of any such changes to the UK Public Service Broadcasting system?

We believe that the Channel 4 remit should not be significantly changed as it serves the public well. It ensures that the channel commissions content that appeals to a range of audiences. Channel 4 is more successful with younger and diverse audiences than other PSBs. Its remit ensures a commitment to content that appeals to minority audiences and is different from what can be found elsewhere. *Channel 4 News* is the only hour-long prime time news show on UK television. *Unreported World* is the only international current affairs show on UK television. We believe that both these programmes would be likely to be diminished if Channel 4 were to be privatised.

We also believe that whilst international content is not explicitly mentioned in the remit, it remains an integral part of the channel's output. Channel 4 helps us to look outward in order to understand events taking place in other countries.

This outward-looking approach is all the more important as the UK considers its place in a post-Brexit world.

If the remit is to be changed, we would welcome a more concrete commitment to international content across a range of genres and designed to appeal to a range of audiences. News programmes inevitably present a narrow view of what is happening in other countries and we would like to see all broadcasters including Channel 4 present a more rounded picture and one which is less dependent on the news story of the day.

We welcome the fact that Channel 4's current remit includes a commitment to inspire change in the way we lead our lives. We also believe that it is important that the channel makes educational content, exhibits a distinctive character and demonstrates innovation in the form and content of programmes. Channel 4 should also reflect the diversity of the UK in its programmes.

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