

Lime Pictures—written evidence (FCF0020)

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

Introduction

This response is submitted on behalf of Lime Pictures, an independent television production company that forms part of the All3Media Group.

Based in Liverpool, Leeds, London and Los Angeles, Lime Pictures is one of the largest independent production companies in the United Kingdom. It produces world class content across a wide range of genres and has played a pioneering role in launching new formats to communicate with younger audiences. Programming includes the multi award winning *Hollyoaks* (Channel 4), the double Emmy award-winning drama *Free Rein* and *Zero Chill* (Netflix), *Evermoor* (Disney US and EMEA), *Celebs Go Dating* (E4), *Geordie Shore* (MTV) and the BAFTA-winning reality series *The Only Way Is Essex* (ITV). In the US we have produced Emmy Award winning *Singles Project* (Bravo), *Dating No Filter* (E!) and *Work Out New York* (Bravo). We begin filming *Dance Monsters* (Netflix), our major new large-scale dancing competition format in September 2021.

Alongside its reputation for producing talked about television of the highest quality Lime Pictures is equally committed to providing employment opportunities for ALL. Utilising the benefit of a large production hub in Liverpool, Lime launched its intern scheme in 2017 and has subsequently provided nine-month paid work placements (across a multitude of production roles) for over 40 people. This is in addition to over 75 shorter work placements completed each year.

Lime Pictures is one of a small number of independent companies who can offer opportunities in both scripted and non scripted (ie from *Hollyoaks* to *Celebs Go Dating*) production thereby providing a foundation for new entrants to the sector to gain a broad understanding across genres before choosing a specialist area to advance their careers.

Lime Pictures is proud to have its substantive production base in Liverpool and to be a key part of the All3Media Group.

Submission

1. We make this submission in response to the call for evidence by the House of Lords Communication and Digital Committee regarding the future of Channel 4. On behalf of Lime Pictures, we want to highlight the impact that we fear privatisation and the loss of the “not for profit” basis of Channel 4’s operations would have upon:
 - the nature of Channel 4’s public service remit, in particular the impact it might have upon the nature of the social issue led storylines that form the backbone of Hollyoaks and our ability to serve our younger skewing audience with associated digital content; and
 - the impact it would have upon the independent production community within the Nations and Regions
 - the impact it would have upon the independent production sector as a whole
2. As context, we believe that notwithstanding the fast-paced changes in the current TV broadcasting market, a publicly owned Channel 4 remains in a robust position to keep pace with the evolution in the market for the following reasons:
 - A. As a Publisher Broadcaster that commissions all content externally:
 - a. It remains agile and quick to adapt and change to an ever-evolving market;
 - b. It retains a low-cost base, meaning that it is robust during more turbulent times;
 - c. It devolves the significant risks of development and production to its production partners, who in turn leverage their rights position pursuant to the Terms of Trade to obtain investment from distribution or overseas co-production partners or third party investors. This enables the channel to indirectly leverage capital and investment.
 - B. As a Not For Profit, Publicly Owned Organisation:
 - a. It is able to maximize investment in content as opposed to prioritising the safeguarding and growth of shareholder value;
 - b. It can take more risks, particularly in the context of nascent or slower growing and uncertain opportunities, for example:
 - i. Digital commissioning and exploitation
 - ii. The establishment of creative hubs, particularly outside of London
 - iii. New means of investing in IP, via its Global Format Fund, Indie Accelerator Fund and Indie Growth Fund

- iv. Maintaining a rights position under its Terms of Trade that mean that producers can attract investment into the sector, often from outside the UK and can leverage development and other funding via their retained IP rights

Potential Impact of Privatisation upon Channel 4's Public Service Remit

3. We are very concerned that a Channel 4's Public Service Broadcasting (PSB) objectives and, in particular, Channel 4's remit to reach underserved audiences mean that content offered by the network may not be commercially attractive and remunerative, which is unsustainable outside public ownership.
4. Lime Pictures produces *Hollyoaks*, the younger skewing long running drama broadcast at 6.30pm Monday – Friday on Channel 4 and at 7.00pm on E4. *Hollyoaks* sits within a limited amount of pre-watershed family viewing, delivering stories that stimulate debate on contemporary issues, particularly amongst teenagers and young adults. Many of the storylines we include in *Hollyoaks* are hard hitting social issue led narratives, unattractive to many brands and often deterring potential sponsors or brand partners. As a drama, *Hollyoaks* never shies away from a difficult subject, but strives to find a way to bring it to a teatime audience, thereby providing a "first opportunity" to discuss, debate and understand issues amongst peers and within family groups. Topics like Sexual Consent, Far Right Radicalisation, Male Rape, Self Harm, Teenage Cancer, County Lines drug supply and child exploitation and Sexual Abuse have all been covered in recent *Hollyoaks* storylines, but have limited, if any, attraction to brands or commercial partners who are concerned about the resonance that these challenging issues may have upon their product or brand with a negative impact amongst consumers.
5. Additionally, to maximise the impact of these stories and to provide help and support to viewers who might be affected by the issues raised, Channel 4 invests significant funding into allied digital and social media activity to support the storylines, funding which could not be justified on a commercial basis. Some recent examples of this activity include:

5.1 County Lines Drug Supply:

The Snapshow "*Sid's Caught with Drugs*" featuring one of the characters involved in the County Lines drug supply storyline captured over 126,000 screenshots, of which over 12,000 shots fell upon the link to help and support. The clip was viewed by a majority of 13-17 year old males, the key target demographic of those who might be in a similar situation to that portrayed on screen and who would need that help and support.

5.2 Mental Health: *Hollyoaks*#Don'tFilterFeelings

- a) *Hollyoaks* has told a number of stories recently raising awareness about Mental Health – with an umbrella digital campaign and Podcast *#DontFilterFeelings*.

- b) A short film featured both cast and crew talking about their insecurities and advising people to speak up. The *#DontFilterFeelings* film was viewed 692,000 times on Facebook with over 13,500 engagements. A Facebook Live with MIND and Jonny Benjamin reached 161,000 people.
- c) In 2020, *Hollyoaks* told a story about male suicide and the impact for families. A caller later rang Five Live to say that it had stopped him taking his own life. This led to the development of a short-form series *Hollyoaks: IRL* (July 2021 multi-platform TX) in partnership with Snapchat Discovery that explored the impact of the stories that *Hollyoaks* tells, on people who living through traumas that may otherwise not have been represented.
- d) One film explores John Jnr's story (they/them) and how seeing Nancy's reaction to her partner Kyle taking his own life, stopped him from going through with a planned suicide. The series of the real-life stories behind the screen also explored eating disorders, gay conversion therapy, disability representation as well as County Lines drug-dealing. Here is a playlist of all the *Hollyoaks:IRL* episodes on YouTube – <https://youtube.com/playlist?list=PLUIR5pZGIR6wuXoBCir33KsiGvG7SzO>
- e) *Hollyoaks'* editorial and digital team were invited to the Houses of Parliament in 2018 to join a cross party committee to talk about the show's work on mental health and to share their learnings.
- f) During 2020 COVID-19 national lockdown, as part of *Hollyoaks'* *#Dontfilterfeelings* campaign podcasts were launched featuring lead artist Ashley Taylor Dawson (whose character Darren Osborne had previously led a male depression storyline) along with mental health resilience coach Josh Connolly to provide audience with advice and techniques on how to look after their mental health in lockdown. This was accompanied by an Earn Your Ears campaign working with influencers encouraging viewers to reach out to someone they hadn't spoken to in a while. This campaign drew a combined following of 2.7m.

5.3 Far Right Radicalisation

In 2019 *Hollyoaks* explored Far-Right Radicalisation for the first time in a continuing drama.

Prevent and the Home Office used the *Hollyoaks* platform in a non-commercial partnership to access a demographic they would not have been able to reach to inform young people about the dangers of radicalisation. There are direct examples of persons who were being radicalised that accessed help services following this. We created a video featuring an interview with a young man who had once been groomed by a far-right organisation, alongside Nik Adams the National Prevent Co-ordinator – <https://youtu.be/8RxMQPj7aVw>.

6. As Channel 4 does not have to apply a purely commercial metric to its commissioning decisions and programming spend, it is able to make this type of significant investment in the digital space.
7. *Hollyoaks* prides itself on representing young people and their challenges and has a tradition of confronting topics affecting young people very successfully. There is a continued commitment to safeguarding children and young people, raising awareness and encouraging the importance of speaking out and asking for help. Channel 4 is able to champion this type of story-telling both on screen and through new and innovative platforms where young people are most likely to engage with the content as its main focus does not have to be the return of shareholder value.
8. In a privately-owned context, including this type of material in programming within a tea-time schedule might well be unsustainable and the investment in crucial allied digital content would not be forthcoming.

Channel 4's Importance to the regeneration of the television production sector within the Nations & Regions

9. A levelling up of opportunity in television production across the Nations and Regions is crucial for the UK:
 - Culturally, to ensure better and more inclusive representation on screen, reflecting audiences from the wider UK. This is far more effectively achieved by a more representative and inclusive community of people drawn from across the Nations and Regions involved in the development, production and commissioning of programming;
 - As a means of providing entry level and then ongoing career opportunities in television across the UK;
 - To ensure that economic growth and investment and allied job opportunities within the sector benefits are shared across the UK
10. To stimulate production activity and to provide meaningful job and career opportunities, "hubs" of production activity are needed to offer sufficient entry level and then on-going long-term local employment opportunities to enable people to build careers. Through its Out of London (OOL) strategy, Channel 4 has been a main driver in investment in the regions and nations and any reduction in this commitment would inevitably reverse the growth and resulting benefits economically, culturally and socially.
11. Prior to the consolidation of the 13 ITV regional franchises into ITV Studios, multiple studio and production entities existed across the ITV franchises, from Nottingham to Newcastle, Bristol to Southampton, Birmingham to Norwich. These "hubs" provided many hundreds of jobs in television across the United Kingdom, providing opportunities for people to join the industry and to build a career in television, locally, without having to move. As a result of the consolidation of the ITV Companies, the

majority of these operations were closed and consolidated, to reduce headcount, save costs and to increase efficiency across the ITV production operations. Viewed through a commercial optic, a strategy that made complete sense and drove greater shareholder value, however a step that fatally undermined many of the opportunities within the regions to join the sector. As a privately-owned entity, ITV needed to take that step to safeguard shareholder value.

12. Prior to Channel 4's concerted push to create meaningful hubs outside London directly and through stimulating third party investment in start-up opportunities, these "local" opportunities to join the TV sector had not been meaningfully replaced. Thanks to its public ownership, Channel 4 has been able to build a case and implement and fund a long-term strategy that is reinvigorating production in a number of parts of the United Kingdom.
13. Much regional spend is delivered by stand-alone productions, often dramas, that will go to a particular area to film. Significant investment into that community will be forthcoming, however unless a production returns for subsequent series, inward investment will more often than not be short-lived and the local opportunities for employment within the industry will be limited. Little if any training or access opportunities for local people will be available. In contrast, new entrant roles are more likely to be available and freelancers will be able to move from job to job where longer running or returning drama series are based or areas where opportunities exist from a number of different productions and companies in a community or hub. To maintain the regrowth of regional production, investment in significant on-going production and/or a breadth and volume of production to maintain a local production community is key.
14. Out of London production hubs are being delivered in a number of ways with Channel 4's OOL strategy underpinning regional production's renaissance:
 - via large entities allied to Broadcasters, like Salford's Media City, Glasgow's Pacific Quay and now Channel 4's presence in Leeds, Bristol and Glasgow;
 - via significant and long running production, like *Hollyoaks*. Lime's operation in Liverpool has a staff base of over 400 permanent employees with an average length of service greater than 10 years and is one of the largest regional production companies in the UK. In terms of inward investment into Merseyside, 60% of Lime's permanent employees reside within a 15 mile radius of its base in Childwall, meaning that potentially more than half its annual salary costs alone (some £24m per annum) is spent locally. Throughout *Hollyoaks'* 26 year history on Channel 4, alongside other associated local production spend, local investment in Liverpool would amount to in excess of £0.5 billion. We are also able to invest significantly in training for staff and for new entrants to the industry, on and off screen, including our bespoke fully paid Lime Intern Scheme;

- via a number of differing projects being produced by multiple production companies within a geographic area or “hub”, enabling a freelance community to readily move from project to project and to build a career. Channel 4’s commitment to increased regional spend and the stimulus this has given to investment in companies starting up outside London. In turn these Companies are developing a slate of programmes that stretch across other broadcasters and platforms. For example, at Lime Pictures we have now launched a label, Wise Owl Films, based in Leeds producing programmes for Channel 4, BBC2 and Sky Arts and pitching ideas to US Networks. Channel 4’s continued commitment to out of London commissioning is key to maintaining this growth across the country.
15. Channel 4’s ongoing commitment to greater spend in the Nations and Regions is absolutely key to delivering both direct opportunities on specific commissioned projects and as a stimulus for companies like All3Media to invest in building a greater talent base in a number of regions across the UK. The scale and vision of Channel 4’s commitment drives that growth and is key to building meaningful production communities outside London. It requires significant investment and support from the Channel, which can be delivered by an organisation which does not have to prioritise shareholder value and growth. As ITV demonstrated through the closure of the majority of its regional production bases at the time of its consolidation as a network and more latterly in the move to the majority of its studio production from Leeds to Manchester, this investment is difficult if not impossible to justify through a purely commercial lens.

Potential Impact of Privatisation of Channel 4 upon the Independent Television Production

16. Channel 4 is a mainstay in the UK’s creative economy and, in particular, the independent sector. There is no evidence that in private ownership it would contribute greater investment into the sector. Indeed, the risk profile of many of its investment initiatives (for example the Global Format Fund, The Emerging Indie Fund, the Indie Accelerator and the Indie Growth Fund) is unlikely to stand up to scrutiny through a purely commercial optic. In contrast, Channel 4 already has access to capital, to international markets, to partnerships with funders, producers and commissioners outside the United Kingdom via its relationship with the independent sector and the content it commissions.
17. There is a very real risk that a change in ownership could result in a change in the Channel 4 operating model, its strategy, its initiatives and its culture. A change to any of these risks serious and irreversible damage to the independent production sector, in particular through a major shift in:
18. **PSB Codes of Practice and Terms of Trade** – which underpin the long-term future and success of the UK independent production sector and comprise the most important stimulus to the UK media market.

- By retaining rights, the production sector is incentivised to take risk and invest, through development (people, rights, infrastructure etc) and through deficit investment in programming thereby supplementing broadcast licence fees and driving better value for money from PSBs
 - In turn this creates and supports an “investible” sector, bringing capital into the UK to fund further development and expansion
 - By driving export revenues through the exploitation of IP rights retained by producers.
19. **Operating Model as a Publisher Broadcaster** – whereby Channel 4 spends 100% of its origination budget with external suppliers, critical to the independent sector. A reduction in origination spend within the independent sector would significantly undermine the growth and vibrancy of the UK independent production community. There is no justification for removing the current restriction on Channel 4’s activities to publisher/broadcasting given its economic impact upon the independent sector and the way that Channel 4 has implemented innovative strategies to invest and support the sector, via the Global Format Fund and the Emerging Indie Fund. Projects like the Indie Accelerator and the Indie Growth Fund will drive a return to Channel 4 whilst supporting the sector.
20. The introduction of in-house production would also bring additional risk, cost and complexity to Channel 4’s business, given the volatility of the production sector, the high risks and costs associated with production against its relative low margin of return.
21. **Not For Profit** – whereby all its margin is re-invested in content; 70% of its revenue is spent on content versus 50% for ITV (Ofcom 2018: Small Screen: Big Debate).

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