

## **Together TV—written evidence (FCF0025)**

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

Thank you for publishing the call for evidence regarding the future of Channel 4. Please find our submission below.

#### **Introduction**

- 1.1 Channel 4 was launched in 1982 with an innovative publisher-broadcaster model and a remit to provide an alternative to the BBC and ITV, by commissioning programming that reached and reflected diverse communities and stories that weren't shown or told elsewhere.
- 1.2 Maggie Brown's "A Licence To Be Different" entertainingly details the early years on Charlotte Street with the overabundance of documentary commissions, the expensive operas, the shift away from reliance on income from ITV and pioneering comedies such as *Desmond's*.
- 1.3 This publisher-broadcaster model liberalised and catalysed the emerging independent production sector, creating the conditions for success in which the UK is now the world's leading exporter of TV exports along with internationalised production, sales and distribution. Channel 4 continues to reinvest its income into the independent production sector through its commissioning, the Indie Growth fund and other initiatives.
- 1.4 Over the near-forty years since launch this remit has evolved but its core principles remain. This consultation details how the Communications Act 2003 defines Channel 4's remit, and Channel 4 defines that its purpose is to create change through entertainment, by representing unheard voices, challenging with purpose and reinventing entertainment. It does by offering independent, distinctive and universal content reflecting the interests of different communities across the UK.
- 1.5 The last two decades of disruption – from multichannel viewing and pay TV through to PVRs, on-demand, smartphones, social media, video sharing sites, internet videogaming platforms and SVODs – has resulted strongly declining linear television audiences. However there is and will be a mass audience for live television, particularly older viewers, viewers in lower-income homes and homes without internet connections.
- 1.6 The principle of free-to-view universal public service content requires a mechanism to deliver it to the whole population, and DTT remains the only viable option until 1gb free broadband is available to all, so the recent DCMS confirmation that DTT spectrum will remain in place until 2034 at least is very welcome.
- 1.7 The debate on the future of Channel 4 has focussed on the status of its ownership and whether privatisation will winnow its remit and degrade

its public service offer. Instead the debate should be framed by contextualising, assessing and redefining Channel 4's remit, the beneficial intervention it can make within the UK media ecology, and how it can deliver this.

## **About Together TV**

- 2.1 Together TV inspires positive change. We do this through our media platforms, our changemaking campaigns and through our network of media partners.
- 2.2 Together TV is dedicated to improving the wellbeing and sense of connection for our viewers, motivating them to make positive changes in their lives and to help others. We are the world's only national for-purpose broadcaster owned as a cooperative in the form of a charitable Community Benefit Society.
- 2.3 Together TV runs a television channel on Freeview, Sky, Virgin and freesat, a BVOD streaming service available on a number of mobile, tablet and OTT devices, and an engagement platform which powers our public behavioural change campaigns.
- 2.4 Our programming focusses on factual content, factual entertainment series that focus on gardening, homes, cooking and travelogue, with documentary content looking at history, heritage, community, relationships and social affairs. We know how essential representation, diversity and inclusion are, and fund the Diverse Film Fund, which this year funded five short documentaries from emerging filmmakers on Black British Lives Today.
- 2.5 We also work with leading charities and community groups to promote their work, help bring together their beneficiaries through our change campaigns and offer onward activations to the public for activities and local groups they can get involved with where they are.
- 2.6 As a result of watching our channels and engaging with our campaigns, our viewers learn more, change their attitudes, improve their wellbeing and connection to those around them. Ultimately they go out and do more in their community thanks to the motivation we help cultivate within them.
- 2.7 Born in 2000 as The Community Channel and relaunched in 2018 as Together TV, we have been a Community Benefit Society for the last five years, owned by 240 individual shareholders and supported by the creative industries. Our board includes representatives from the public service broadcasters, platform operators, major charities and our membership. As with Channel 4 we are a not-for-profit and reinvest any surpluses into increasing our investment in our programming, platforms and engagement, along with our reserves.
- 2.8 As an independent broadcaster and long-term public media partner of Channel 4's, we believe that Channel 4 has a significant, unique and

distinct role in the UK media landscape. We believe it delivers economic, cultural and democratic benefits to the people of the United Kingdom. Channel 4 provides media plurality against the backdrop of increasing media consolidation and represents the diversity of people, stories and voices across the UK.

## Questions

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

#### ***Declining broadcast audiences***

- 3.1 As we set out in our written response<sup>1</sup> to your *Public service broadcasting in the age of video on demand inquiry* in 2019, at Together TV we believe that public service broadcasting continues to play a vital role in civic life, as a trusted source of news and current affairs, creating shared experiences through national events and major sporting events, shaping our cultural life through drama, comedy and entertainment, educating and entertaining children, and reflecting the UK's people, communities and cultures to the public.
- 3.2 Over the last five years the decline of linear TV – barring the increase during covid – has continued whilst viewing has shifted to SVOD and for younger audiences YouTube and gaming. BVOD viewing (BBC iPlayer, ITV Hub, All4, My5 viewing combined) is barely a quarter of SVOD viewing for all UK adults, dropping starkly to barely an eighth of SVOD viewing for 16-34s.
- 3.3 As the *Ofcom Media Nations Report*<sup>2</sup> of August 2021 states, during 2020 UK subscriptions to streaming services climbed to 31 million, up from 20 million in 2019 – or 60% of UK homes (and 52% of UK households have taken out a Netflix subscription).
- 3.4 Whilst on broadcast TV live sport, drama and news pulled in big audiences, overall TV lost further viewing share: The average time spent watching traditional broadcast TV each day in 2020 was 3 hours 12 minutes, nine minutes higher than in 2019. But this increase was entirely driven by people aged 45 and over. Younger age groups continued to watch less broadcast TV in 2020; people aged 16-24, for example, only spent 1 hour and 17 minutes watching broadcast content. Overall, the net effect was a fall in broadcast TV's share of all adults' total viewing from 67% in 2019 to 61% in 2020.
- 3.5 Channel 4, which targets and reaches 16-34s, faces accelerated decline of this audience on linear TV (as per the the recent Ofcom

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<sup>1</sup> <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/communications-and-digital-committee/public-service-broadcasting-in-the-age-of-video-on-demand/written/100381.html>

<sup>2</sup> <https://www.ofcom.org.uk/about-ofcom/latest/media/media-releases/2021/brits-spend-a-third-of-2020-watching-tv-and-video>

Communications Market Report) and so is rightly prioritising its focus on serving younger viewers through All4 and social channels alongside linear – BARB’s recent case study on It’s A Sin shows how it was much more heavily viewed on All4 in the days before and after transmission (with tx only around 10%-15% of the total viewing).

### ***Reliance on television advertising***

- 3.6 Of all the public service broadcasters Channel 4 has the greatest reliance on advertising and so was disproportionately affected by the pandemic. The TV advertising crash was at a scale unseen before with ad rates plummeting by up to 65%. Thankfully this was relatively short lived, largely from the second half of March 2020 through to May 2020 with slow recovery from June onwards.
- 3.7 In April 2020 Enders warned that Channel 4 was feeling the impact disproportionately as 81% of its revenues came from advertising, compared to 53% for ITV, 7% for Sky and 2% for the BBC. Thankfully due to the swift action of Channel 4’s leadership in cutting programming budgets and access to a £75m revolving credit facility put in place ahead of Brexit, Channel 4 navigated the pandemic superbly, returning very strong results for the year.
- 3.8 Beyond the pandemic, a slow decline in television advertising is forecast as ad spends migrates further to digital media platforms. Channel 4’s income from its on-demand service (with BVOD advertising sold at a premium) accounts for 20% of ad revenue, with a 30% target for 2025 but this may not counteract the decline in linear audiences and revenue.

### ***Declining production spend and independent production sector consolidation***

- 3.9 PSB spend on original programming has hovered at around the £3b mark since 2015, having declined by £1b from around £4b in 2006. That said there is a long-term trend of decline in content investment, a squeeze on budgets and increased requirement for deficit/gap funding placed on independent producers, and delayed payments from the SVODs in particular requires loans or a form of bridge funding from banks during production.
- 3.10 That said the UK production sector is booming thanks to increased spending on High End Television productions, largely scripted series for the SVOD services, along with being a base for US film production. Alongside this boom there has been further consolidation of the independent production sector.
- 3.11 Independent producers increasingly face the ‘producer for hire’ model when working for SVODs, as has been the case with US channels for years. This contrasts with the Terms of Trade between the PSBs and independent producers which place IP ownership with the producers for secondary/international TV, VOD and format sales. Channel 4 effectively reinvests hundreds of millions each year into supporting the independent

production sector (including the fragile British film sector through Film4) to test and incubate new programme ideas. This has led to the UK becoming the leading global exporter of TV formats and generating significant international sales revenue. Channel 4 continues to nurture and incubate new talent through three indie funding streams.

- 3.12 Channel 4's publisher model means it cannot diversify its income through productions as have most other players in the market. It cannot produce television content in-house or acquire production companies of scale (beyond stakes in emerging indies through its Indie Growth Fund). Looking across to BBC Studios, ITV Studios and Viacom International Studios UK, Channel 4 stands as the lone national PSB without an owned production business. Sky and US studios such as Warner Media (not to mention super-indies such as Banijay and All3Media) all have substantial footprints in the indie sector so it becomes clear that this constraint could be assessed as part of this consultation.
- 3.13 This is something that PACT is rightly deeply concerned about<sup>3</sup> as setting up an in-house production capability at Channel 4 will reduce its investment in independent content. Lord Burns reinforced that this will also happen<sup>4</sup> should Channel 4 be privatised. The issue is whether Channel 4 requires IP ownership to fulfil its global AVOD plans or whether it can continue to do this through licencing and partnerships. The finely-balanced ecology needs to ensure enough value is being retained by Channel 4 for its long-term health as well as supporting the indie sector and the thousands of jobs which Channel 4's investments sustain.

### **Prominence**

- 3.14 Prominence remains one of the key drivers of linear TV viewing, the top linear slots having great value for in-built and habitual audiences. Over the last five years the value of this prominence has declined as media viewing has new intermediaries in the form of streaming aggregators, TV manufacturer app stores and OTT devices, along with mobile and tablet apps. In our 2019 submission we suggested a code of conduct however there is new legislation intended to ensure PSB prominence on streaming platforms and devices.

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

- 4.1 John Whittingdale set out some potential benefits of privatisation should Channel 4 be sold to another media company. They include increased content investment, drawing on the deeper pockets and larger footprints of the bigger media plays, and access to finance which Channel 4 cannot access whilst under state ownership.

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<sup>3</sup> <https://www.broadcastnow.co.uk/channel-4/c4-sale-could-cost-indies-37bn-in-a-decade/5163092.article>

<sup>4</sup> <https://www.broadcastnow.co.uk/channel-4/lord-burns-indies-will-suffer-if-c4-is-sold/>

- 4.2 Sale of Channel 4 to ITV, Discovery, a telco, US studio or private equity firm may not be appropriate at this point. As set out above, private ownership could bring the benefits of scale being part of a global media entity, access to capital and potentially buyer power. However this would need be offset with an inevitable dilution of the remit and the need to deliver profits to shareholders/ownership rather than reinvesting into content.
- 4.3 There are significant risks that Channel 4 will lose its identity – the distinctiveness of its content, its appetite for risk and innovation, its reflection of UK lives, communities and cultures – under new ownership.

**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?**

- 5.1 The benefits of remaining in public ownership are that Channel 4 can continue to invest in programming, All4, Channel 4 Studios, its new global AVOD service and reorient its spending and resources to its new national HQ in Leeds and its new regional hubs. It can focus on delivering its strategy, particularly growing its digital advertising income, whilst not be under the pressures to deliver profits or shareholder returns.
- 5.2 Along with this we would hope a renewed commitment to core PSB genres of news and current affairs, specialist factual programming such as arts, science and history, and a stronger emphasis on socially-valuable genres including education, learning, faith, local community and social affairs.
- 5.3 Channel 4 has uniquely given a voice and visibility to diverse communities across many marginalised and disadvantaged groups – including those living in poverty, isolation, with disabilities, minority ethnic groups, refugees and asylum seekers and many more. Channel 4 also has unique content both in its news and across other genres that reflect the wider world.
- 5.4 We see Channel 4's unique remit around diversity – diverse representation on and off-screen, and across the independent producers it supports, as key to its public service remit. We also hope to see Channel 4 continuing to be a driver and catalyst and investor in new start-up independent production. Channel 4 has since its launch been a catalyst for innovation – across content, genres, voices, engagement and much more – there is a real risk that being taken out of public service ownership this might be lost. Not least, Channel 4's unique characteristics, remit, values and output have influenced the wider broadcast ecology. The PSB's have been pushed to creatively respond to the formats, voices, content and campaigns pioneered by Channel 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?**

- 6.1 We believe the first step will be to agree the role Channel 4 is to play in the media ecology for the coming decades. Its remit should be updated to make it fit for the future and provide it with the strategic options it needs to develop.
- 6.2 BBC Studios has a half-billion content sales and distribution business, operates TV channels and VOD services around the world, owns stakes in multiple production companies and runs a raft of global digital and social media channels. ITV has a large production company portfolio and Channel 5 has its own production arm. Channel 4 has virtually none of these.
- 6.3 Channel 4's original market intervention to stimulate the independent production sector could be reviewed considering some of its suppliers have a turnover a multiple of Channel 4's. This could be around engaging a wider set of indie by region and lower turnover. Its content remit requires review insofar as it is proper to address the range of genres it is committed to and any volume quotes it needs to deliver, perhaps with a more flexible approach to this – to enable Channel 4 to produce bigger, noisier, distinctive and landmark programming or high-volume short-form local content that expands its strategy of improving regional representation and bringing in the voices of local communities, voluntary groups, innovating social enterprises and charities. There are brilliant and important programmes which deliver huge public service value which only Channel 4 would fund from Unreported World to It's A Sin – and as funding models become challenged Channel 4 needs the ability and agility to make great creative storytelling happen. This must remain a core part of its purpose and activity, as a driver of innovation, representation, and diversity across our media ecology.
- 6.4 This consultation, along with the Ofcom debate around Public Service Media, provides an opportunity to create a new blueprint for Channel 4 in the PSB ecology. This is a once-in-a-generation opportunity to set it up for the transformational decade ahead. Channel 4 requires at least this decade of runway to migrate to a more mixed model of consumption and income across linear, on-demand and a range of other channels. Of all the broadcasters it is in the best position to grow young audiences digitally.
- 6.5 Free to view, universal public service media is a public good that benefits the whole of the U.K, from the democratic and civic value of trustworthy news through to uniquely British stories that tell us about ourselves. During this decade of transformation we believe Channel 4 is best served under public ownership, bolstered by an updated remit which enables it to make more strides into new areas to create a more diversified income base and greater control of its future.

We hope this submission is useful and look forward to your findings.

*September 2021*