Directors UK—written evidence (FCF0028)

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

About us

1. Directors UK is the professional association of UK screen directors. It is a membership organisation representing the creative, economic, and contractual interests of over 8,000 members — the majority of working TV and film directors in the UK. Directors UK collects and distributes royalty payments and provides a range of services to members including campaigning, commercial negotiations, legal advice, events, training, and career development. Directors UK works closely with fellow organisations around the world to represent directors' rights and concerns, promotes excellence in the craft of direction and champions change to the current landscape to create an equal opportunity industry for all.

2. We welcome the opportunity to respond to the House of Lords Communications and Digital Committee Inquiry into the Future of Channel 4 Television.

Summary

i. The TV and film industry is going through an unprecedent period of change, however we do not believe that there is sufficient evidence to justify a change in ownership of Channel 4 Corporation.

ii. We do not believe that Channel 4 will be an attractive proposition for a buyer with its existing remit, and that in order to privatise it the Government will need to reduce its public service commitments and most likely change its publisher-broadcaster status. We believe this has more risks than benefits.

iii. Our members are concerned that privatisation would make Channel 4 more focused on delivering a profit margin to shareholders rather than reinvesting in new content and delivering a diverse range of content for UK audiences.

iv. We are concerned privatisation will have a negative impact: on public service commitment; on investment in the independent production sector and the wider creative economy; on the range and diversity of content created; on audiences; on British cultural content; on opportunities for British talent; on employment and training; on the nations and regions; on the advertising market; and on investment in independent British film.

v. We believe the existing publisher-broadcaster model works well, and underpins a strong and profitable independent UK production sector, creating a diverse range of content, employing thousands of people, and generating £3.3 billion in revenue in 2019. We believe this is best supported under a public ownership model.

vi. The social and cultural benefit of public ownership ensures that audiences are exposed to a wide range of stories and perspectives; that there is improved representation of the UK population on and off screen; and that it encourages new voices and innovation.

vii. We believe that any review of Channel 4's remit must be done within the context of the overall Government review of public service broadcasting, and not simply to achieve a sale. It is essential that Channel 4 has a strong remit and that areas such as risk taking, investing in the nations and regions, news and current affairs, feature film, skills development and diversity of content are safeguarded.

viii. To support stability in the PSB market and sustainability of Channel 4 it is vital that the Government provide clarity regarding prominence for PSBs, PSB licence renewal, and potential further changes to advertising regulation, as well as clarifying Channel 4's purpose, remit and obligations going forwards.

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

3. We do not believe that there is sufficient evidence to justify a change in ownership of Channel 4 Corporation.

4. There is no denying that the TV and film industry is going through an unprecedent period of change. Consumption habits are changing, driven by advances in technology, the rise of streaming, and by new platforms entering the market and market consolidation. There is greater choice in what, how, when and where people choose to watch content, and where advertisers can spend their advertising money. These market developments are being faced across the screen sector, by all the traditional public service broadcasters, as well as others operating in the audio visual sector.

5. The DCMS consultation on a potential change of ownership for Channel 4 Corporation assumes that the challenges in the market present barriers to a sustainable Channel 4 under public ownership, but we are concerned that it does not provide sufficient evidence, analysis or modelling to prove this assumption to be correct, or that private ownership will improve sustainability. It also does not sufficiently explore the intricacies and nuances of the market-place that may influence the outcome of this assumption.

6. Despite the increase in viewing options, broadcast television (live and on-demand) still has the largest share of viewing across all individuals.[1] In 2020, viewers of Channel 4 grew by 7% and All 4 by 27%, and both show signs of continued growth in 2021.[2] In terms of advertising spend,

1 Media Nations: UK 2021 (ofcom.org.uk): https://www.ofcom.org.uk/__data/assets/pdf_file/0023/222890/media-nations-report-2021.pdf

2 http://annualreport.channel4.com/

according to Think Box[3] Broadcaster TV advertising accounted for 91% of all video advertising in 2020. While advertising analysts say that the digital advertising market is predicted to grow by 21.1% in 2021 and can offset the decline in linear advertising.[4]

7. On the whole Channel 4 has been performing well under its current public ownership model. It delivers innovative, quality programming, takes creative risks and champions unheard voices at no cost to the public purse. Most significantly, as a non-profit making organisation, its revenues go directly back into making content, from mostly British TV production companies helping to support a major national industry, and delivering its public service remit. Channel 4 invests hundreds of millions of pounds into Britain's creative industries every year and has helped to build our world-beating independent production sector which employs many of our members.

8. Our sense is that, through its Future4 strategy, Channel 4 is preparing for the increase in digital competition: All 4 had over 1.25billion streaming views in 2020 and currently has 80% of 16-34 year olds registered as users of its on-demand service. In response to changes in the advertising market it has also set targets for online advertising revenue to be at least 30% of total revenue by 2025, and non-advertising revenue to be at least 10%. Its latest annual report shows that digital advertising now makes up 19% of total revenue, with its 2020 annual report showing an 11% growth in digital revenue on the previous year, and digital revenue doubling since 2016.

9. The DCMS consultation refers to the challenge of Channel 4 competing with the content budgets of the global SVODs. It is important to note that SVODs are operating in a different commissioning market to the PSBs. The main SVODs have different funding mechanisms and budgets, they tend to invest in a narrower range of genres and have less focus on local commissioning. We do not believe that even private ownership of Channel 4 would enable it to match the level of production spend per programme of the global giants.

10. It is also worth noting that among younger audiences it is widely predicted that 'other online video' including social media, is the biggest competition to linear TV, VOD and SVOD viewing. This type of content is not generally in the same commissioning market segment as the PSBs, such as Channel 4, or indeed many of the SVODs. However, in recognition of this and as part of its digital transformation Channel 4 has launched a new digital content unit, 4Studio, to create bespoke content for core platforms Snap, YouTube, Facebook and TikTok.

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

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3 [Ofcom's Media Nations 2021 – at speed | Thinkbox]

4 WARC 20/21

11. Channel 4 has a distinctive broadcaster model generating economic, cultural, and social impact across the UK. Channel 4’s not-for-profit status underpins both its PSB content remit and its publisher-broadcaster model, allowing it to perform a role in the industry that no other organisation can. As with all organisations there is room for improvements, but we don’t believe those improvements will be achieved through privatisation.

12. It is unlikely that Channel 4 will be an attractive proposition for a buyer with its existing remit, therefore in order to privatise it the Government will have to reduce its public service commitments and most likely change its publisher-broadcaster status. We believe this carries more risks than benefits. Our members are deeply concerned that privatisation would make Channel 4 more focused on delivering a profit margin to shareholders rather than reinvesting in new content and delivering a diverse range of content for UK audiences.

13. It is not clear that changing the ownership structure of Channel 4 would necessarily result in increased cash injection or improved sustainability for Channel 4 Corporation. If the intention is to sell Channel 4 to a global media company, it is hard to see how investment could be attracted without its public service remit being eroded. A recent report by Enders Analysis noted: “*we find it unlikely that a foreign streaming service or a tech company would be interested in Channel 4, the rigmarole involved in the investment and the limited upside/detriment making such an investment indefensible*.”[5] If the intention is to sell to another UK based broadcaster or to transfer Channel 4 into private ownership with a public offering of shares, it hard to see how this would help raise enough of an injection of money to make it more competitive. This was also highlighted in the Enders Analysis report: “*The likely buyers of Channel 4—say ITV (£4.7 billion market cap), ViacomCBS ($25 billion), or Comcast ($269 billion)—are certainly larger than C4, but each is small when contending with the combined weight of the FAANGs ($7,131 billion), all of which are platform gatekeepers for television content and advertising, of increasing influence*.”[6]

14. We also don’t believe that the money raised from the sale would be a long term, sustainable solution, particularly given the cost of creating programmes. We are concerned it will have a negative impact on the amount of money being invested back into the wider creative economy. Enders Analysis suggests that, under private ownership, the inevitable changes to how a new owner would commission and invest in production will have an impact on the creative economy: “*this drop of spend would result in a reduced flow through to the economy of upwards of £120 million per year. Given the price that we believe the government could command for Channel 4 sits between £600 million and £1.5 billion, the Treasury’s proceeds through the sale will be eroded in 5 to 12 years of decline in economic contribution*."[7]

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[5] Enders Analysis: Channel 4 privatisation: Valuation, buyers, problems, Sept 2021
[6] Enders Analysis: Channel 4 privatisation: Valuation, buyers, problems, Sept 2021
[7] Enders Analysis: Channel 4 privatisation: Valuation, buyers, problems, Sept 2021

15. We believe that any safeguards that might be introduced as part of the sales process to protect and strengthen Channel 4's remit before a sale would become eroded over time, as any commercial business would inevitably look for them to be diluted. We only have to look at ITV and Channel 5 as examples of this in practice. Over the years ITV has reduced its number of hours of nations and regions programming, and has almost entirely stopped its arts programming, while Channel 5 recently asked Ofcom to move some of its news out of primetime. In addition, when the regulatory obligations for children's programmes on ITV and Channel 4 were removed in 2003, it resulted in them no longer commissioning children's content. We anticipate the same would happen with other niche areas of programming if regulatory requirements were removed. There is a reason why some types of content are publicly mandated - because they are not commercially appealing.

16. Some of our concerns about the risks of privatisation, which we would want to see more thoroughly explored, include:

    i. **Impact of profit versus public service:** Privatisation of Channel 4 would inevitably change the motivation of the corporation from being one which is dedicated to serving the public interest to one which is motivated to serve its shareholders. This would likely result in money being taken out of the UK production market to give to shareholders, potentially outside of the UK. Profit motivation is also likely to lead to greater investment in commercially successful content rather than public service content.

    ii. **Impact on the independent production sector:** As a publisher-broadcaster Channel 4 currently only commissions from external producers, working with around 300 independent production companies each year, many of whom are small entrepreneurial companies, many based in the nations and regions, creating over 10,000 jobs across the UK. Since it began, Channel 4 has invested £12billion in the independent production sector – at no cost to the tax-payer. Its publisher-broadcaster status and rights model is what underpins the UK's production ecosystem. Allowing independent producers to retain Intellectual Property and export rights globally has resulted in additional income streams for independent production companies and has been key to sustainability and growth in the production sector. In its 'Small Screen Big Debate' report Ofcom described the publisher-broadcaster model as the most significant public policy intervention in developing the UK's successful independent production sector.

    iii. There is a real concern that this diversity of supply and programming would be lost if Channel 4 is privatised, as it is unlikely that a commercial buyer would agree to the existing publisher-broadcaster model because they would want to retain the IP rights of the content they commission in order to maximise income. It is also likely that they would want to produce their own content in-house as a way of owning more IP rights. As has been seen with ITV, since it has focused its efforts on growing ITV Studios, the proportion of programmes produced in-house has grown steadily and now accounts for 68% of output.[8] EY modelling suggests that "*If the new owner of Channel 4 commissioned 66% of its content from Channel 4's new in-house production unit, in line with ITV Studios' share of original content on ITV's main channel, we estimate that the present value of Channel 4's supply chain contribution to GVA over a ten-year period could be 29% (£2.1bn) lower compared to Channel 4's current model (£5.1bn vs. £7.2bn). As such, the increase in Channel 4's direct GVA represents, in large part, a transfer of value from companies in* Channel 4's supply chain to Channel 4's new owner and its shareholders."[9]

iv. Such a change at Channel 4, which currently commissions all its content from independent producers, risks undermining the UK's thriving independent production industry, this would be damaging for the creative economy and the thousands of jobs the sector creates, and for creativity. Pact has also undertaken research into the impact of privatisation and have modelled the secondary impact in the market. They found that in the first year, £80-100 million would be lost, rising to £1billion over 5 years, over 10 years it would cost the independent production sector £3.7 billion.[10] It also risks British independent producers becoming more reliant on foreign global media giants, such as Netflix and Amazon, to commission their content. Unlike Channel 4, these companies have no commitment to investing in and maintaining the UK production industry.

v. **Impact on the range and diversity of content and audiences:** It is highly likely that if Channel 4 is privatised, its approach to programme commissioning will be less innovative and risk-taking as it seeks to maximise commercial return. There will inevitably be a move towards reducing the creation of less commercially attractive programming which would in turn reduce the range and diversity of content available to audiences. Diminished viewer choice for content on the PSBs is likely to push them away further from UK television towards alternative platforms who share more diverse or 'niche' content. We believe this would undermine the role of public service broadcasting and be enormously detrimental to the UK socially and culturally.

vi. **Impact on British content**: Telling British stories is a key part of our current public service broadcasting model. Privatisation may affect the commissioning of culturally specific British content, particularly at local national and regional level, because this can be more difficult to sell internationally. Channel 4's unique remit means that it specifically produces content which is tailored to and reflects the lives and experiences of the British people and reflecting the UK to the wider

8 Enders Analysis: Channel 4 privatisation: Valuation, buyers, problems, Sept 2021

9 EY - Assessing the impact of a change of ownership of Channel 4, September 2021 (channel4.com): https://assets-corporate.channel4.com/_flysystem/s3/2021-09/September%202021%20-%20EY%20-%20Assessing%20the%20impact%20of%20a%20change%20of%20ownership%20of%20Channel%204%20-%20FINAL.pdf

10 House of Lords Communications and Digital committee hearing on the Future of Channel 4, 7 September 2021 https://committees.parliament.uk/work/1437/the-future-of-channel-4/

world. The recent EY report highlighted that "*when multinationals invest in local UK content, it can result in a dilution of UK cultural references: media analysts found that when Black Mirror moved from Channel 4 to Netflix it saw a fall in references to British terms, expressions, reference points or idioms per hour of programming*." [11][12]

vii. **Impact on British talent:** Channel 4 plays a key role in developing talent and investing in skills and training. With a remit that currently requires it to innovate and take bold creative risks, Channel 4 also champions new and diverse talent and ideas, investing in emerging production companies, and offering skills and apprenticeships to under-represented voices. We are very concerned that privatisation will impact this push for levelling up and diversity. Many directors, writers, producers, and other talent start their careers at Channel 4 and go on to build successful international careers. Many take the skills they have learnt and set up their own companies, creating jobs and helping to stimulate investment in the local creative economy.

viii. **Impact on employment** – Analysis suggest that privatising Channel 4 could have a negative impact on the number of jobs supported by Channel 4. According to EY "*the number of jobs supported by Channel 4 in its supply chain each year could decline by 26% if Channel 4 is privatised and the publisher-broadcaster model is removed, compared to Channel 4's current model (7,100 jobs supported each year compared to 9,500 jobs supported each year)* [13] We are concerned that this would impact our directors, who work on Channel 4 content for companies across the independent production sector. Many of whom have been given career breaks and opportunities through Channel 4 under its current structure and remit.

ix. **Impact on Nations and Regions/levelling up:** Recent changes mean Channel 4 now has a significant presence in Leeds, Bristol and Glasgow and has set out its commitment to the nations and regions of the UK. Some would say that Channel 4 needed direct intervention from government to drive its move across the UK and could do more. Channel 4 has committed to supporting thousands of jobs in the nations and regions by providing opportunities for smaller, local production companies and local support services, and through local training and apprenticeship schemes It is difficult to see how a commercially driven owner would maintain this as a key priority. A profit-motivated private owner would be more likely to streamline its operations, not spread them across the UK. Analysis by EY found that: "*If the new private owner of Channel 4 reduces spend in the Nations*

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11 Enders Analysis, (March 2021). Outsourcing culture: When British shows aren't 'British'. https://www.endersanalysis.com/reports/outsourcing-culture-when-british-shows-arent-british

12 EY - Assessing the impact of a change of ownership of Channel 4, September 2021 (channel4.com)

13 EY - Assessing the impact of a change of ownership of Channel 4, September 2021 (channel4.com): https://assets-corporate.channel4.com/_flysystem/s3/2021-09/September%202021%20-%20EY%20-%20Assessing%20the%20impact%20of%20a%20change%20of%20ownership%20of%20Channel%204%20-%20FINAL.pdf

and Regions to the level of Channel 4's quota (35%), we estimate that Channel 4's contribution to GVA through its supply chain in the Nations and Regions could reduce by 43% (£1.2bn) over a ten-year period. Similarly, we estimate that jobs supported by Channel 4 in the Nations and Regions each year (both directly and in its supply chain) would reduce by 60% (2,300 fewer jobs supported each year) compared to a scenario where Channel 4 is not privatised."[14] To guarantee that these commitments to the nations and regions and to levelling up are still made the Government would have to set stringent requirements to do so as part of the channel's remit, and that may affect the desirability and the price that a purchaser is willing to pay.

x. **Impact on TV advertising:** There is great concern that if a UK broadcaster, such as ITV or Sky, buys Channel 4, that this will give them undue prominence (ITV and Channel 4 combined would have 70% of advertising revenues), and will lead to a reduction in competition in advertising sales houses. This would have a detrimental impact on both the advertising market and UK commercial broadcasting, bumping up the cost of TV adverts.[15] This could also have a knock-on effect on price inflation in the UK as advertisers have historically passed on increased marketing costs to consumers.

xi. **Impact on British Independent Film:** Channel 4 is a huge investor in British film, which is also part of its remit. Film4 invests £25million a year into feature films. It is one of three major film funders in the UK, the others being the BFI, which spends £26million a year, and BBC Films, which spends around £11million a year. It is the only funder which is not dependent on public or lottery funding, and therefore not at risk of cuts to public spending. It distributes its films on its free-to-air channel and showcases British talent and films on the global stage, and it takes risks on new talent and under-represented voices. We are very concerned that if Channel 4 was privatised that a new buyer would not provide the same level of support and investment in British independent film, unless it was specifically written into its remit to do so. A new owner is more likely to focus on projects that are guaranteed to deliver a financial return. A more risk-averse approach may mean emerging British film talent loses a vital route into film and onto the global stage. British independent film is already facing significant challenges arising as a consequence of the pandemic, with the shut-down of productions, the closure of cinemas, the rise of direct to streaming and delays in releasing films. The unknown long-term impacts of these changes in the market add to our concerns about the impact of privatisation on Film4, which is one of the few successful mechanisms addressing the current market failures in independent British film.

[14] EY - Assessing the impact of a change of ownership of Channel 4, September 2021 (channel4.com)

[15] Advertisers fear ITV monopoly if Channel 4 is privatised (telegraph.co.uk): https://www.telegraph.co.uk/business/2021/09/04/advertisers-fear-itv-monopoly-channel-4-privatised/

17. A thorough assessment of the risks and opportunities of private ownership is essential to reaching an informed and balanced conclusion regarding privatisation of Channel 4.

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?

18. Directors UK believes the existing publisher-broadcaster model works well. It has helped create a strong and profitable independent UK production sector, which generated over £3.3 billion in revenue in 2019.[16] Allowing creators to hold onto their IP provides income to reinvest back into their companies and encourages greater reinvestment into subsequent television and film production, acting as a catalyst for growth. This has in turn created increased opportunities for our members to work for a variety of companies, making a range of content and opening up the market. We believe that this is best supported under a public ownership model and would be extremely concerned about changes that endanger this successful production market model, as this would risk putting many of our members, especially those based in the nations and regions, out of work.

19. Channel 4's focus on supporting smaller production companies, which other broadcasters would be unlikely to commission from, is particularly valuable as it provides opportunities for new entrants to the sector. With risk taking and innovative content at the core of Channel 4's public service remit it can take chances on emerging UK talent that have no network credits.

20. One of the Government's concerns was over Channel 4's ability to raise capital. Pact would argue that in fact Channel 4 can already access capital through the deficit financing which independent producers bring to any programme production budget via the Terms of Trade. By providing finance and taking on a greater share of the risk from broadcasters, this deficit financing reduces the cost to UK broadcasters whilst enabling them to broadcast the high-quality original content which viewers expect. Not only have indies invested their own revenues into deficit funding of programmes but they are also increasingly shouldering risks in research and development, for example, by making pilots of programmes before winning a commission.

21. The social and cultural benefit for audiences of Channel 4's current public ownership model is that its public service remit - to serve diverse audiences and tell stories that aren't told elsewhere - ensures that audiences are exposed to a wide range of stories and perspectives; that there is improved representation of the UK population on screen; and that it encourages new voices and innovation.

22. As an exporter of uniquely British content Channel 4 also showcases British talent, culture, and values to the rest of the world and helps boost Britain's

16 https://www.thecreativeindustries.co.uk/site-content/uk-independent-tv-production-census-2020

reputation and soft power overseas. This could be lost if a new owner put less focus on Britishness and British values in its content creation, a risk also found by EY in its research.[17]

23. Under public ownership Channel 4 has an obligation to support the Government's levelling up agenda and invest in the nations and regions. Of the £992 million Channel 4 contributed to the UK economy in 2019, £247 million was in the regional economy and it supports nearly 3,000 jobs in the nations and regions.[18] In terms of commissioning content out of in the nations and regions, in the past 10 years Channel 4 has invested over £1.5bn in out of London content. It has also recently voluntarily increased its statutory quota from 35% to 50% of original content spend in the nations and regions. Channel 4 has also said that it is two years ahead of this target to spend half of its content budget outside of London, with £200 million of nations and regions spend across their portfolio in 2021· Directors UK believes that this investment in the nations and regions is a direct result of the current remit and obligations on Channel 4 as a public service broadcaster.

24. Diversity and inclusion - As a publicly owned broadcaster Channel 4 has written into its remit to commission work that "*appeals to the tastes and interests of a culturally diverse society*". This is significant as it means that it has an obligation to commission diverse stories, showcase diverse talent and create opportunities for diverse, independent film makers. Generally, we and our members think the TV and film sector isn't moving fast enough to tackle under-representation on and off screen, or to address the issues affecting diversity and inclusion in the industry. We believe that all the UK broadcasters could do more. If the outcome of privatisation of Channel 4 was the loss of this requirement, or a reduction in commitment to diversity, it would be damaging to efforts to improve diversity on and off screen, and we believe would be hugely detrimental socially and culturally.

25. We believe that the current Channel 4 remit and model has also brought significant benefits to the independent British film industry, to audiences and to the UK through its commitment to Film4. You only have to look at the slate of Film4 funded films to see the impact it has had culturally, socially, and economically. Film4 films have gained international acclaim winning 37 Oscars (21 in the last 13 years) and 84 Baftas. Significantly, Film4's investment in feature films provides a testing ground for up and coming talent, on and off screen. This is particularly important in finding and developing British talent and helps to sustain the pool of writers, directors and production companies across the UK that fuels our industry. Film4 is very focused on the importance of giving a directorial voice to a film, and it is notable many of the UK's most world renown directors were supported by Film4 early in their careers, including Danny Boyle, Steve McQueen, Stephen Frears, Sarah Gavron, Asif Kapadia, Andrea Arnold, and Mike Leigh. This talent then goes on to become internationally acclaimed and helps to attract further inward investment to the UK production sector.

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17 EY – Assessing the impact of a change of ownership of Channel 4, September 2021 (channel4.com)

18 Channel 4's contribution to the UK, EY report for Channel 4, April 2021

According to Channel 4, since adopting its current business strategy, Film4's investment of just over £100m (in just over 5 years) has generated around £450m of total investment in UK films and filmmakers. In addition, over the last 10 years, Film4 investment of £40.2m has reportedly generated £163m spend on films shot predominantly in the nations and regions. These films have also had a positive impact on tourism, encouraging inbound screen-tourism worth £600m a year (pre-pandemic).

26. In order to support stability in the PSB market and sustainability of Channel 4 it is vital that the Government quickly provide clarity regarding prominence for PSBs, PSB licence renewal, and potential further changes to advertising regulation, as well as clarifying Channel 4's purpose, remit and obligations going forwards. It is interesting to note that industry analyst Claire Enders recently stated that the best way to achieve sustainability for Channel 4 is to extend its licence for another 10 years.[19]

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?

27. We believe that any review of Channel 4's remit must be done within the context of the overall Government review of public service broadcasting, and not simply to achieve a sale. Channel 4 is inextricably part of the wider public service broadcasting infrastructure and to change it independent to the wider review is likely to have far-reaching implications for the other broadcasters in terms of their remit and regulations; for the wider market; and on the range of programmes audiences would have available to them.

28. Currently Channel 4 has a distinct remit and obligations from the other PSB channels which means that, whilst competing with the others, it also has its own distinct set of requirements and output. The risk of privatisation is that it is likely to result in the channel leaning towards a more homogenised output as everyone chases similar stories, investment, and talent in order to win audiences and revenue. This would result in less competition for the BBC and the other PSBs. An increased focus on commercially rewarding programming is likely to force other commercially funded PSBs to do the same, at the expense of their own public service output, and would lead to an overall increase in commercially focussed programming.

29. Channel 4's unique statutory remit and role currently requires that, alongside its quantifiable quota obligations, it should also provide of a broad range of high quality and diverse programming that is innovative, distinctive, educational and "*appeals to the tastes and interests of a culturally diverse society*". These less tangible obligations are more difficult to quantify and measure and we are concerned that they may not continue to be delivered under private ownership, but it is these that distinguish it from other broadcasters and defines its public purpose.

30. However, it is difficult to see how the Government can impose a strong remit and obligations on Channel 4 and still make it commercially attractive

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[19] https://www.broadcastnow.co.uk/channel-4/future-of-c4-roundtable/5162477.article

to a private buyer. It is most likely that the tighter the remit on the broadcaster, the smaller the sale price would be for the final purchaser. A publicly owned channel is far easier to regulate and is also more publicly accountable.

31. In terms of what our members believe Channel 4's remit should be, there is a strong desire to see Channel 4 reconnect with its radical roots and refresh its original purpose and remit - to be more risk taking and make more diverse content for contemporary audiences. There is no doubt that over the past 40 years Channel 4 has been a force for good in making radical programming and putting diversity in the mainstream, especially with disability as a significantly underrepresented group. However, they think Channel 4 could be braver and produce more distinctive programmes according to its original remit. Some have expressed concern that in chasing younger audiences they have alienated other audiences. They are concerned the channel has become less edgy than it was a decade ago, that it has become reliant on formats and fact light programmes. That it could do more to challenge thinking and present unheard voices. By taking risks, Channel 4 has a greater chance of producing distinctive programming that will differentiate it within the sector, and that uniqueness would continue to generate revenue. However, to achieve this they believe it needs a clear remit and public support to be able to take the risks that commercial organisations are more reticent to do. There is huge concern that the remit will be watered down to make Channel 4 more profitable in private hands and that this will leave a huge void in public service broadcasting.

32. Having a clear obligation to independent and trustworthy news is also especially important, particularly with the distrust of news in the current social and political landscape. This has been clearly demonstrated during the COVID-19 pandemic with the concern over online disinformation. Important public service genres such as news, current affairs and the Paralympics are not typically profit-making. It is notable that among the commercial PSBs, Channel 4 has maintained or increased its quota obligations in recent years while ITV and Channel 5 have sought to reduce some of theirs.

33. We believe that it is essential that Channel 4 has a strong remit and that areas such as investing in the nations and regions, news and current affairs, feature film, skills development and diversity are safeguarded.

16 September 2021