

## **Public Media Alliance—written evidence (FCF0042)**

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

The Public Media Alliance<sup>1</sup> [PMA] is the largest global association of public media organisations. The PMA has a well-established international reputation for its unique insight into public media worldwide and is regularly called upon to submit evidence to government consultations and enquiries. It is with this unique focus and expertise that PMA submits the following evidence to the House of Lords inquiry into the future of Channel 4 television in the UK. For the sake of transparency, it should be noted that Channel 4 is not currently a member of the PMA.

In summary, the Public Media Alliance believes that there is no economic, cultural, or societal benefit to be gained from the privatisation of Channel 4. There is also very little support for it across the UK media industry or among the general public. It is our view that Channel 4 should remain in public ownership and continue with its role as an integral and trusted part of the UK's internationally respected public service media landscape.

**Our submission follows the questions as set out in the online submission form. It is seven pages in length.**

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

From COVID-19 to Brexit, many developments over the last five years have posed considerable challenges for broadcasters. But there are few, if any, that should lead us to consider diminishing the UK's media landscape with the privatisation of Channel 4. These developments have instead galvanised the very reason why public service media, built on a set of core values such as independence, accountability, universalism, and impartiality, are more important than ever to the UK and its democracy.

It is at such divisive times, with the proliferation of disinformation and misinformation, that audiences seek news and information they can trust. According to the Reuters Institute's Digital News Report 2021,<sup>2</sup> the top three most trusted news brands in the UK are all public broadcasters: the BBC (62%), ITV (61%) and Channel 4 (58%). It is this status as a publicly owned media corporation that is key to maintaining this trust, as is the case in many consolidated democracies around the world.

This also means that Channel 4 is maintaining and gaining audiences too. One of the key elements of the current government's preference for privatisation is the need for the corporation to better compete with streaming giants such as Netflix

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<sup>1</sup> <https://www.publicmediaalliance.org/>

<sup>2</sup> [https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2021-06/Digital\\_News\\_Report\\_2021\\_FINAL.pdf](https://reutersinstitute.politics.ox.ac.uk/sites/default/files/2021-06/Digital_News_Report_2021_FINAL.pdf)

and Amazon Prime, and to enable Channel 4 to better adapt to changing audience habits and multiplatform competition. But this fails to recognise Channel 4's recent performance and the fact that its audience has grown during these challenging times.

According to Channel 4's 2020 Annual Report,<sup>3</sup> its "strong creative response" to the pandemic helped it towards a +26% growth in its streaming views to 1.2bn via its All 4 on-demand service, the biggest free service in the UK. There are now 24 million registered users on All 4 "including 80% of all 16-24-year-olds and 16-34-year-olds in the UK, making it the youngest-profiling UK PSB streaming service". These figures demonstrate the success of the channel's Digital Transformation Strategy in making the channel accessible and available across demographics. Privatisation risks monetising this service, watering down its content and potentially alienating thousands of people.

There have also been claims<sup>4</sup> that Channel 4 might need the support of taxpayer money. This is simply not true. While the commercial media landscape has become more fragmented and competitive, and the combined impact of COVID and Brexit made advertisers more weary of investment<sup>5</sup> in TV marketing, Channel 4 has proven its sustainability and resilience.

In 2020, the channel reported<sup>6</sup> a pre-tax profit of £74million. As a result, no member of the corporation's Board has requested an increase on its £200million borrowing limit, highlighting the public broadcaster's resilience compared to many of its commercially owned competitors in the UK and internationally. The channel's Chief Executive, Alex Mahon, sets out clearly<sup>7</sup> why its resilience should mean it remains in public ownership.

While it may be challenging times for advertisers, they are clearly drawn to Channel 4 as a safe investment. Its advertising revenues have increased by 11% in 2020, despite the negative economic effects of COVID-19. In 2020, digital advertising made up 17% of Channel 4's total revenues, up from 15% in 2019. This is largely due to its trusted position as a publicly owned media corporation. That trust appeals to advertisers who are keen to be seen associated with such a brand. This is especially pertinent given the growing cases of advertiser boycotts of media brands as consumers become more morally and ethically aware in their media consumption. As the current income and audience figures demonstrate, the presence of a publicly owned Channel 4 can only be a good thing for advertisers.

It is of course appropriate for the UK Government to review any company under public ownership, but the Government's proposal to put Channel 4 into commercial ownership is perplexing and appears to have very little support from any sector of the UK media industry. PMA has witnessed similar attempts to dismantle public and independent media before. From Brazil<sup>8</sup> to Poland,<sup>9</sup> the

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<sup>3</sup> <https://annualreport.channel4.com/at-a-glance.html>

<sup>4</sup> <https://www.theguardian.com/media/2021/sep/15/oliver-dowden-restates-claim-channel-4-privatisation>

<sup>5</sup> <https://www.statista.com/statistics/1108650/coronavirus-impact-tv-advertising-growth-europe/>

<sup>6</sup> <https://www.channel4.com/press/news/channel-4-annual-report-2020-record-financial-surplus-and-significant-digital-growth>

<sup>7</sup> <https://www.thetimes.co.uk/article/channel-4-chief-hopes-record-profits-will-fend-off-privatisation-nx8q0ms0p>

guise of privatisation or a change of ownership is all too often used as an excuse to silence or dismantle critical outlets. We are also concerned that such a move could pre-empt a government attempt to break up the BBC.

A fundamental role of all independent public media is to hold power to account, to ask tough questions, give voice to a plurality of opinions and inform the public with due impartiality and accuracy. In these times of health, societal and economic crises, the role of public media in society and to democracy has never been so important. Weakening the public media landscape of the UK by privatising Channel 4 would be a huge mistake.

## **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?**

It is the view of PMA that there is no overall benefit of privatising Channel 4, and the best mitigation would be to keep the corporation in public ownership. It has been argued by proponents that the privatisation of Channel 4 would give it a significant boost in cash. While this may initially be the case, it would not result in the Channel maintaining its current obligation as a not-for-profit public corporation, such as the need to be innovative and creative; to invest in regional producers; and to make the same significant contributions to a pluralistic TV market.

Channel 4 does not receive public funding and its not-for-profit status is central to its success as a highly innovative channel. This status means that the channel is obliged to invest in producers across the UK and to make content of public value that is relevant to a diverse UK audience. Figures<sup>10</sup> show that privatisation would result in a 30% drop in C4's contribution to the creative economy's supply chain, and £2bn would be transferred to a private owner, detracting from much needed reinvestment in the UK. It is likely that a private owner would aim to cut 40-50%<sup>11</sup> of Channel 4's programming budget, to bring it more in line with commercial peers and to maximise returns to shareholders rather than to the benefit of the public.

PMA's international experience indicates that the introduction of a commercial owner would reduce the amount of diverse content produced for UK audiences. Privatisation would therefore lead to the creation of a bland TV market with more stations competing for the same advertising revenue and audiences. Channel 4 also has a reputation for producing investigative journalism that holds power to account; again this is likely to be negatively impacted by privatisation. Channel 4's CEO, Alex Mahon, was quoted by The Guardian<sup>12</sup> as saying "As a board we have not been pushing for greater financial liberation", adding that

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<sup>8</sup> <https://www.publicmediaalliance.org/brazil-privatisation-of-public-media-looms/>  
<sup>9</sup> <https://www.publicmediaalliance.org/poland-media-independence-and-pluralism-under-threat-from-state-backed-companies/>  
<sup>10</sup> [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](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)  
<sup>11</sup> <https://www.ampereanalysis.com/report/channel-4-privatisation-assessing-the-options>  
<sup>12</sup> <https://www.theguardian.com/media/2021/jun/23/ministers-will-push-to-privatise-channel-4-in-tv->

privatisation would lead to reduced investment in content made outside London. Channel 4 works with more small production companies than any other broadcaster. According to a report by Ampere Analysis,<sup>13</sup> a move to privatise and enable it to produce its own content would result in 60 British TV companies going out of business. The same analysis says that nearly 140 of the 200 or so production companies that have worked with Channel 4 over the past two years relied on the broadcaster for more than half of their work.

Two independent reports, one by 3Vision<sup>14</sup> and another by Oliver and Ohlbaum,<sup>15</sup> have also highlighted how the privatisation of Channel 4 would affect independent companies based in the UK nations and regions most adversely. Commenting on the reports, the CEO of PACT, John McVay said, "In particular smaller, out of London companies have been detrimentally affected by the pandemic and with the future sale of Channel 4 on the cards, it's those indies – who see Channel 4 as one of their primary buyers – who are going to suffer most."

The UK's strong and well-established creative production sector should be supported at a time when demand for its products is growing from global SVODs. If privatised there would be a predicted 35% decline in jobs supported by the channel in the nations and regions. It is surprising that during a period of recovery following the financial impacts of the global pandemic, the UK government would be willing to risk such a negative impact on jobs in such a critical sector in the UK nations and regions.

The essential role of public media on a local level is no better demonstrated than by the vital role of public service media stations in the US,<sup>16</sup> which are among the few providers of locally relevant content and programming for diverse audiences. This is especially important considering the closure of 2,000 local, mostly commercial, news outlets since 2004. The rest of the traditional media market in the US is saturated by large commercial media players, which have no obligation or financial incentive to provide such services and public value in their quest for profit.

The negative impacts of privatisation would be felt most by local producers, the wider creative economy, and a broad spectrum of the UK public and their ability to access a trusted and representative media brand. Channel 4 is already sustainable, as stated in its two most recent annual reports. Arguably, the only benefit to privatisation would be additional income, but only for the channel's corporate owners and shareholders.

### **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?**

The benefits of public ownership far outweigh the benefits of privatisation.

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<sup>13</sup> [shake-up  
https://www.ampereanalysis.com/report/channel-4-privatisation-assessing-the-options](https://www.ampereanalysis.com/report/channel-4-privatisation-assessing-the-options)

<sup>14</sup> <https://www.3vision.tv/case-studies/pact-case-study/>

<sup>15</sup> [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/viewer.html?pdfurl=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fgovernment%2Fuploads%2Fsystem%2Fupload\\_s%2Fattachment\\_data%2Ffile%2F654750%2FDCMS\\_C4C\\_Regional\\_Impact\\_Report\\_FINAL.pdf&clen=1451239&chunk=true](chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/viewer.html?pdfurl=https%3A%2F%2Fassets.publishing.service.gov.uk%2Fgovernment%2Fuploads%2Fsystem%2Fupload_s%2Fattachment_data%2Ffile%2F654750%2FDCMS_C4C_Regional_Impact_Report_FINAL.pdf&clen=1451239&chunk=true)

<sup>16</sup> <https://www.publicmediaalliance.org/supporting-local-news-in-north-america/>

It is clear from our response to previous questions that public ownership ensures Channel 4's not-for-profit status and its role in providing public value to UK. Its obligation to reinvest in regional and local producers is an important part of this ownership structure, which makes Channel 4 a significant contributor to the creative economy across the UK. Analysis<sup>17</sup> by consultancy firm EY finds that if Channel 4 is privatised, with its unique publisher-broadcaster model removed, it could result in a £2billion (29%) reduction in the broadcaster's contribution to the economy via its relationship with the independent sector, over a ten-year period compared to no-change in ownership.

Research worldwide continues to demonstrate that audiences are built and maintained on trust, and it is well established that Channel 4 holds a loyal and diverse audience across the UK.<sup>18</sup> Its current remit as a public broadcaster is to serve that UK audience and not to make profit for a commercial owner. By all measures, Channel 4 succeeds on the delivery of its current remit and this has been broadly acknowledged by the Minister<sup>19</sup> and DCMS as well as by Ofcom, the UK broadcast regulator.

Channel 4's current UK focus also plays a significant part in the channel's commissioning of content that reflects the UK and its interests to the wider world. An international commercial owner is more likely to seek to commission homogenous global content for profit motives rather than content that serves a broad public interest in the UK.

Audience trust is largely dependent on Channel 4's values as a public broadcaster, which includes independence, accountability, universalism, and impartiality. Under public ownership, Channel 4 is publicly accountable for delivering on its remit and these values, whereas a privatised, potentially internationally owned organisation, would be more difficult to hold to such an obligation. For this reason and as previously stated, the commercialisation of the channel would weaken UK democracy by limiting citizen access to such content. Furthermore, while all broadcasters are obliged to meet strict impartiality guidelines, it would be the diminished type and diversity of content that will cause audiences to move away from a privatised Channel 4 and risk its income from advertisers.

As mentioned, Channel 4 is sustainable. It is evolving with its audiences, and it is living up to its remit. Its viability therefore doesn't rely on privatisation, but rather ensuring that its public ownership is better protected and that it is free to continue complementing the UK's wider public media landscape.

As part of this, Channel 4 should be able to explore additional revenue streams. With its appeal to diverse youth audiences, it should be encouraged to expand its international presence, which according to some reports<sup>20</sup> it is already

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<sup>17</sup> [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](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)

<sup>18</sup> <https://annualreport.channel4.com/at-a-glance.html>

<sup>19</sup> <https://www.gov.uk/government/consultations/consultation-on-a-change-of-ownership-of-channel-4-television-corporation/consultation-on-a-potential-change-of-ownership-of-channel-4-television-corporation>

<sup>20</sup> <https://www.broadbandtvnews.com/2021/09/07/channel-4-mulls-international-avod-service/>

exploring. Both the strength and global reputation of the UK creative sector and Channel 4's excellent reputation for high quality film, drama, and factual productions, mean it is well placed to strengthen its international partnerships and commercial activities overseas.

The UK audience experience is enhanced by the presence of a publicly owned Channel 4 in addition to other UK public broadcasters. It offers an alternative but reliable and trusted voice while not burdening the taxpayer. Countries such as Sweden, Germany, Australia, and the USA all have more than one public broadcaster, each contributing a unique, yet complementary public service that enhances democracy. Privatising Channel 4 would result in the government actively weakening democracy by lessening the availability of publicly accountable and trusted news and information.

#### **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?**

The Public Media Alliance sees no need to change Channel 4's remit, other than to better enable the corporation to explore additional revenue streams to further ensure to its future viability as a publicly owned broadcaster. We also believe that Channel 4 should continue to build on its significant contribution to the production industry of the UK's nations and regions.

With its current model, Channel 4 is creative and innovative and especially successful at attracting young and diverse audiences. That model has been well tested and developed by the management of Channel 4 since its inception. The channel has proved to be adaptable and is, under its current remit, able to respond successfully to changes in audience behaviours and advances in media technology.

With limited resources the channel provides an exceptional news service that brings global as well as domestic issues to a broad UK audience. Channel 4's remit has also enabled it to challenge accepted tastes and thinking for nearly forty years and in doing so it has given a voice to many marginalised groups and young audiences. It is in this capacity that it has significantly contributed to the health of UK democracy.

As it stands, Channel 4 plays a unique and complementary role in the UK's public media landscape. As in any pluralistic media economy, it drives others to achieve high production quality and standards as well as commercial success. It does so while not placing additional burden on the licence fee at a time when the BBC faces significant cuts and attempts to undermine its role as an essential, independent public service.

A change in remit and ownership could not come at a worse time. As the UK deals with the ramifications of the pandemic and Brexit, the public require trusted, reliable, and relevant sources of news and information. They also require quality entertainment that can both give a sense of togetherness while appealing to diverse and regional audiences. Channel 4's obligation to invest in independent regional producers is not only vital to its ability to fulfil these roles,

but also in offering job security to independent regional media workers and production teams as the economy recovers from a number of shocks in recent years.

*17 September 2021*