

## Channel 4—supplementary written evidence (FCF0045)

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

#### *Response to specific points raised in David Elstein’s evidence to the committee*

Decisions made about the future of Channel 4’s ownership model will have profound implications for UK viewers and a permanent effect on investment and jobs in the UK’s creative sector.

It is therefore vital that, as the committee consider the merits of a potential change in the ownership of Channel 4, the information and evidence they refer to in their deliberations is accurate. There are several points raised in Mr Elstein’s oral and written evidence which Channel 4 believes it is important to address directly to correct the public record.

#### Background: Channel 4’s remit

- Channel 4’s role as a public service broadcaster runs through the core of everything we do, creating an incentive to maximise returns for the British people through impactful content, economic growth, and support for the creative sector.
- Channel 4’s current remit is set by Parliament and is based on legislative criteria specified in the 2003 Communications Act, the 2010 Digital Economy Act, and in licence obligations set by Ofcom. This remit includes a combination of 31 requirements. Channel 4’s remit is the most wide-ranging of all the commercially funded PSBs.

Figure 1: Channel 4 remit over time

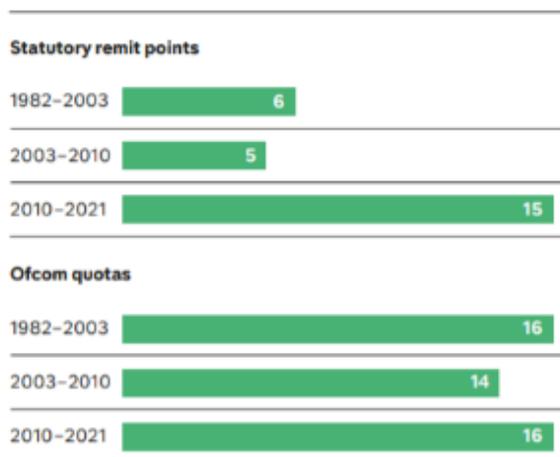


Figure 2: Channel 4 statutory remit

Statutory remit points		
1	<b>Innovation</b>	Innovation, experimentation and creativity in the form and content of programmes
2	<b>Diversity</b>	Appeal to the tastes and interests of a culturally diverse society
3	<b>Young people</b>	Appeal to the tastes and interests of older children and young adults
4	<b>Education</b>	Make programmes of an educational nature and provide educational content for teens
5	<b>Talent</b>	Develop people with creative talent, in particular at the start of their careers and in film
6	<b>Stimulate debate</b>	Support and stimulate well-informed debate
7	<b>Alternative views</b>	Promote alternative views and new perspectives
8	<b>Inspire change</b>	Provide access to material that inspires people to make changes in their lives
9	<b>News</b>	Make relevant news content
10	<b>Current affairs</b>	Make relevant current affairs content
11	<b>Film</b>	Make, distribute and broadcast high quality film
12	<b>Distinctive</b>	Have a distinctive character
13	<b>High quality</b>	Make high quality and diverse programming
14	<b>Multimedia</b>	Make a broad range of media content via different types of communication networks
15	<b>Partnerships</b>	Work with other cultural organisations

Figure 3: Channel 4 Ofcom license quotas license quotas

Ofcom licence quotas		% of output	2018 delivery
1	Original productions all day	56	63
2	Original productions peak	70	81
3	Independent production hours	25	49
4	Out of London hours	35	59
5	Out of London spend	35	45
6	Nations hours	3	10
7	Nations spend	3	8
8	European origin	50	71
9	European indie production	10	28
10	Subtitling	90	100
11	Audio description	10	41
12	Signing	5	5

Ofcom licence quotas		Number of hours	2018 delivery
13	News peak time	208	208
14	Current affairs all day	208	312
15	Current affairs peak	80	156
16	Schools	1	39

Figure 4: Ofcom public service broadcasting

Obligation	Channel 4	Channel 5	ITV1
Original productions	56%	50%	65%
Original productions (peak time)	70%	45%	85%
News (hours)	-	280	365
News peak time (hours)	208	120	125
Current affairs (hours)	208	130	43
Current affairs peak time	80	10	35
Out of London (spend)	35%	10%	35%
Out of London (hours)	35%	10%	35%
Nations productions	9%*	-	-
Subtitling	90%	80%	90%
Subtitling voluntary commitment	100%	-	-
Audio description	10%	10%	10%
Audio description voluntary	20%	-	20%
Signing	5%	5%	5%
ITV regional news (England)	-	-	130
ITV regional sub-news	-	-	65
ITV regional non-news	-	-	13

**1. Volume of PSB content on Channel 4**

Mr. Elstein’s written evidence submission states that:

***“Today, consumption of whatever old-style “public service broadcasting” is still provided by Channel 4 amounts to just 1 minute a day by each UK adult.” P.g 3***

***“Channel 4, with its habitual fudging of the facts (in this case, trying to pass off drama and comedy as “public service”) claimed recently to be spending over £180 million a year on public service content, the true figure is less than £80 million.” P.g 3***

- The “one minute a day” conclusion is not correct. It is based on an arbitrary and highly subjective view of what Mr Elstein constitutes as “public service programming”. This does not bear relation to the requirements set out in Channel 4’s licence obligations as determined by Ofcom or in the remit as determined by Parliament.
- Ofcom require Channel 4 to fulfil specific quotas (Figure 3) and we deliver this, regularly outperforming the requirements. For example:
  - Channel 4’s license quota stipulates 208 hours of peak time news. In 2020 Channel 4 provided over 230 hours of peak time news, more than any year in our history and we are the only PSB to have an hour-long news bulletin in peak hours.
  - Channel 4’s license quota requires 35% of out of London spend of our commissioning budget. Channel 4 voluntarily increased this to 50% and is on track to meet this target in 2021.
  - Channel 4 is required in our legislative remit to appeal to “the tastes and interests of a culturally diverse society”. In 2020 Channel 4 had 96 hours of diverse output (multicultural, sexual orientation and diversity) – that alone equates to over 28 minutes a day.

- Beyond these specific quotas, Channel 4 invests in a broad range of public service content across all genres, rather than segregating it into siloed themes. Channel 4 strongly believes that genres dismissed by David Elstein (such as drama and comedy) play a valuable public service role, as they engage audiences in societally important themes through storytelling.
  - In drama, *It's A Sin* laid bare the homophobia of 80s Britain whilst *Help* highlighted the tragedy that played out in our care homes in the early months of the pandemic.
  - In comedy, we tackle subjects such as addiction and mental illness with titles like *This Way Up* or *Home*.
  - In entertainment, shows like *Joe Lycett's Got Your Back*, marry hard-hitting consumer journalism with humour.
  - Elsewhere, prime time popular factual shows like *The School That Tried to End Racism*, *The Write Offs* or *The Restaurant that Makes Mistakes* explore major societal issues as diverse as unconscious bias, adult illiteracy and dementia.
- Whilst these programmes are central to the delivery of our public service remit none of them are required by formal licence obligations or fit neatly into a prescribed definition of public service content.
- Channel 4 delivers this across a wide range of platforms – linear, streaming and social. It is no longer relevant in the modern era of public service media to solely count the number of hours on a linear channel to assess public service delivery.

## 2. Channel 4's programming quotas

Mr. Elstein's evidence submission states that:

***"Apart from news and current affairs, genre programming quotas disappeared. Soon afterwards, so did most of the programmes these quotas had protected. Religion has lost its place, and arts programmes are rarities."***  
P.g 3

***"At least it has stopped claiming to broadcast 50 hours a week of education, as it did for some years, despite transmitting almost none. Yet that minimal level of delivery is itself in breach of the requirement in the 2003 Communications Act for a "significant contribution of programmes of an educational nature and other programmes of educational value".*** P.g. 5

Religion:

- Channel 4's remit calls for it to appeal to "the tastes and interests of a culturally diverse society", rather than a specific quota for religion. Channel 4's approach prioritises weaving religious issues into a broad range of programming and genres rather than a single category of programmes.
- For example, in 2020 we commissioned a series of films *Ramadan in Lockdown* to take a unique look at the holy month and follows part of the British Muslim community. In News and Current Affairs, we have explored various issues relating to religion including; faith related genocide in *Myanmar's Killing Fields*, the contention of blasphemy in certain societies in *Unreported World: Banged Up for Blasphemy*.

- Channel 4's examination of the role of religion in everyday lives is woven through the breadth of our programming across the schedule – from discussion of the role religious beliefs play in finding love in *First Dates*, to showcasing Muslim and Christian family life in *Gogglebox*, to highlighting the impact of a family member's Islamophobia on a young couple in *Bride and Prejudice*.

#### Arts:

- Channel 4's remit calls for it to appeal to "the tastes and interests of a culturally diverse society", "work with cultural organisations" and "make, distribute and broadcast high quality film" rather than a specific quantitative quota for arts.
- During the first lockdown, *Grayson's Art Club* saw Turner Prize-winning artist Grayson Perry encourage the British public to pick up their paint brushes and unleash their creative side. *Grayson's Art Club* was one of the best performing series from the *Stay At Home Academy* strand which Channel 4 launched to support viewers during the pandemic, attracting more than one million viewers per episode and causing a spike in online sales for craft specialists. Nearly 10,000 people submitted their art to Grayson – a selection of which went on display at Manchester Art Gallery, providing a visual record of Britain in isolation.
- Channel 4 ran *Barenboim on Beethoven: The Lost Tapes* in which acclaimed conductor and composer Daniel Barenboim played excerpts and shared personal insights into Beethoven's music. The show won the Voice of the Listener and Viewer Awards for Excellence in 2020 for Best Entertainment / Arts programme.
- Channel 4's '*Random Acts*' series which has been airing since 2011 is a short film strand dedicated to the arts. The new film '*Lesbian*' is a powerful spoken word film by first time director Rosemary Baker and has just been nominated for a Broadcast Digital award.
- Channel 4's investment in British film through Film4 is the largest of any UK broadcaster and has led to 37 Oscar wins, showcasing British talent, culture and building Britain's soft power around the world. Channel 4 has been the launch pad for a glittering array of British talent including Danny Boyle, Steve McQueen, Olivia Colman, and Daniel Kaluuya.

#### Education:

- In line with its remit to provide "*programmes of an educational nature and other programmes of educative value*" Channel 4 also provides a wide range of programmes that have an educational purpose and effect.
- Channel 4 has spent £36m since 2014 and this programming spans across multiple genres and topics including factual, consumer affairs, hobbies, lifestyle and history programmes.
- Ofcom praised this work in their 2020 SMCP stating: "innovative content commissioned as part of C4C's '*Stay at Home Academy*' strand proved popular with audiences and the documentaries relating to the pandemic helped keep people informed in uncertain times."

Mr. Elstein's evidence submission states that:

***“For instance, the youth-oriented sibling service, E4, is in permanent breach of the most basic condition required of Ofcom-licensed UK terrestrial broadcasters: that its schedule comprises at least 50% European works.”***

**P.g. 5**

- The “European Programming” quota originates from the Audiovisual Media Services Directive (EU), and Ofcom guidance clearly states adherence to this is expected “where practical” and if a channel cannot meet this requirement to “explain why to Ofcom.”
- E4’s target audience and commercial proposition includes a focus on youth orientated sitcoms, often originating from the U.S. This helps drive the E4 channel commercially and enables us to invest surpluses in original, peak time content for the main C4 channel.
- Due to the type and large volume of content required for E4, this means that is not always commercially practical to focus on European Programming. Although it is important to note that in 2020, E4 showed over 2,000+ hours of European content including Hollyoaks, Made In Chelsea, Celebs Go Dating, Don’t Tell The Bride, The Inbetweeners, as well as cross- channel repeats such as Gogglebox, First Dates, Taskmaster and Come Dine With Me.
- Looking holistically, Channel 4’s portfolio was collectively above the 50% quota for European Programming, averaging 60% in 2020. The C4 main channel is at 69%, More4 at 97%, and 4seven at 93% - these channels represented 70% of the portfolio viewing share.
- In total, this represents over 20,000+ hours of European Programming for last year alone. Additionally, for the last 20+ years, the C4 portfolio has surpassed the 50% quota.

### **3. Channel 4 remit & regulatory accountability**

Mr. Elstein’s evidence submission states that:

***“Anyone familiar with the history of Channel 4 will know that the “remit” is these days essentially whatever Channel 4 says it is. The truth is that the only hard quotas facing Channel 4 can be fulfilled for expenditure of less than £50 million a year. Everything else is self- prescribed, self-monitored, unquantified and unenforceable.”*** P.g 4

***“None of it [the remit] actually subject to any regulatory enforcement.”*** P.g 3

- It is not correct to say that Channel 4’s remit is “self-prescribed”. Channel 4 Television Corporation is an independent statutory organisation accountable to Parliament. Over a number of years Parliament has developed and significantly expanded Channel 4’s remit, which is set out in legislation, both through the 2003 Communications Act and 2010 Digital Economy Act.
- The delivery of Channel 4’s remit is monitored by Ofcom and is subject to a robust accountability process. Channel 4 is required by Ofcom in its Statement of Media Content Policy (SMCP) to set out a clear set of data, including narrative and metrics, that assesses how it has delivered against its remit. This is a detailed and transparent process which involves the

publication of the same set of 42 quantifiable metrics every year, regardless of their rise and fall, and which report against a detailed statutory public service remit that was expanded rather than narrowed by the Digital Economy Act of 2010.

- The SMCP undergoes independent auditing from KPMG, a public evaluative report from Ofcom assessing our performance in detail every year and highlighting areas for improvement, followed by a further scrutiny session with the House of Commons Culture Media and Sport Select Committee. No privately owned non-PSB broadcasters are subject to this accountability process.
- This information is published every year as part of Channel 4's Annual Report, and Ofcom publish an accompanying document assessing our remit performance and highlighting areas for improvement. Ofcom have consistently concluded that Channel 4 delivers its remit effectively – most recently praising our commissioning response to COVID-19, our increased regional commissioning and the success of Channel 4 News across both television and on social.<sup>1</sup>
- Broadcasting quotas are strictly monitored by Ofcom with penalties for non-compliance and ultimately the power to revoke our broadcasting license. Ofcom have fined public service broadcasters in the past for breaching their licence obligations (for example, ITV in 2009).<sup>2</sup>

#### **4. Channel 4 relationship with independent production sector**

Mr. Elstein's evidence submission states that:

***"Channel 4 was slow to deliver was in the proportion of its programming it commissioned from outside the M25. It has taken a long time – and a slow ratcheting up of the target – for Channel 4 to reach a 35% level (which it now comfortably exceeds)." P.g 3***

- Channel 4 has a proud record of major investment in the UK's nations and regions. In the past 10 years we have invested over £1.5bn in out of London content. Through our 4 All the UK plan we have established a new national HQ in Leeds with creative hubs in Bristol, Glasgow and Manchester supporting nearly 400 jobs. We also committed voluntarily to increase our quota for programmes made in the Nations and Regions to 50%. This 50% spend far exceeds the 35% quota set by Ofcom and demonstrates our commitment to the All 4 the UK strategy. In 2021, we are on track to meet this commitment, two years ahead of schedule by spending half of our original content budget, worth around £200m, in the Nations and Regions.
- Our pivotal role in helping the creative economy outside of London is magnified with producers in the Nations & Regions, and our investment in skills and training bringing disadvantaged young people into the digital workforce and transforming their prospects as we have done recently with our 4Studio apprenticeship scheme.

Mr. Elstein's evidence submission states that:

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<sup>1</sup> [https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0017/220922/C4-SMCP-2020.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0017/220922/C4-SMCP-2020.pdf)

<sup>2</sup> <https://www.theguardian.com/media/2009/jan/16/itv-ofcom-fine-regional>

**"Channel 4 has warned that its support for the nation's TV production sector was at threat of "irreversible" damage from a shift into private hands. Given that last year Channel 4 spent just £155 million with production companies that qualified as independent – less than 5% of sector turnover – this seems a hollow warning." P.g 6**

- Supporting the diversity and vibrancy of the UK's independent production sector is fundamental to Channel 4's purpose. In its PSM Review, Ofcom identified the creation of Channel 4 as a publisher broadcaster as "*the most significant*" public policy intervention in helping to develop the UK's production sector.<sup>3</sup>
- According to the latest O&O/PACT (2020) survey,<sup>4</sup> Channel 4's spending accounts for 15% of the independent sector's revenue. This figure also doesn't take into account the secondary revenue our suppliers generate from the sale of their IP globally.
- Crucially, the latest independent analysis by EY demonstrates privatisation of Channel 4 could significantly reduce Channel 4's economic contribution in the supply chain, particularly in the Nations and Regions, by around 30% – with contribution of around £2bn being transferred from the creative economy and regions, to a new private owner.<sup>5</sup>
- Channel 4 works with significantly more qualifying independents than other commercial broadcasters. The latest data found that Channel 4 worked with 161 independent production companies across its portfolio, ITV (which is around three times the size of Channel 4) worked with 86 and Channel 5 worked with 111.<sup>6</sup>
- Channel 4 also invests more in independent production companies outside London than any other broadcaster, including the BBC. O&O research shows Channel 4 spent the most, £171m, with independent companies in the nations and regions. This comfortably out invested the BBC (£144m) and ITV (£77m).<sup>7</sup>

## **5. Channel 4 cost to taxpayer**

Mr. Elstein's evidence submission states that:

***The total value of this hidden subsidy from the Treasury to Channel 4 came close to £200 million, including launch costs. Those who recite the mantra that Channel 4 "costs the public nothing" forget this subsidy, along with the gifted spectrum and EPG prominence which have been worth at least £20 million a year on average since launch, or £800 million. P.g. 1***

- Channel 4 and the UK's other Public Service Broadcaster all receive two regulatory benefits in return for and to better enable the delivery of their

<sup>3</sup> [https://www.smallscreenbigdebate.co.uk/\\_data/assets/pdf\\_file/0023/221954/statement-future-of-public-service-media.pdf](https://www.smallscreenbigdebate.co.uk/_data/assets/pdf_file/0023/221954/statement-future-of-public-service-media.pdf), p.g 27

<sup>4</sup> O&O/PACT (2020): UK Television Production Survey Financial Census 2020

<sup>5</sup> EY, Assessing the impact of a change of ownership of Channel 4, 2021

<sup>6</sup> O&O/PACT (2020): Nations and Regions Annex

<sup>7</sup> O&O analysis for Channel 4, 2021

licence obligations and public service remits.

- Prominence: which ensures our channels are at the top of the electronic programme guide. This ensures the public service content we have been tasked with producing is easily discoverable by audiences and enables commercially funded PSBs to maximise the advertising revenues which fund this content by reaching the largest possible audiences.
  - Spectrum: access to spectrum which reaches 98.5% of the population ensures the entire country can access our content and similarly enables commercially funded PSBs to maximise advertising revenue.
- In exchange for these benefits, PSBs are required to invest in programming obligations such as regional production, news and current affairs. There is therefore a clear value exchange at the heart of the 'PSB compact' (rather than any "gift") and this applies to all PSBs, not just Channel 4.

## 6. Channel 4 efficiency

Mr. Elstein's evidence submission states that:

***"It has been obvious since at least 2000 that by combining back office functions with another broadcaster – finance, advertising sales, HR, transmission, office administration and so on – huge savings can be effected without any impact on programming strategies (other than the potential for re-investing the savings in additional content)...Staff costs at Channel 4 are on average by far the highest in the media industry, with each of the 912 current employees costing the channel (in effect, us the taxpayers) £100,000 a year." P.g 5***

- The £100,000 average figure quoted is not correct. The average salary at Channel 4 is £71K (2021), this excludes benefits and bonuses.
- Channel 4 is an extremely lean and efficient business and is ahead of our closest competitors when it comes to revenue generation per head. Our latest analysis shows Channel 4 generates £1.02m/head compared to £443k for ITV and £228k for the BBC (including licence fee and commercial revenue).
- Furthermore, privatising Channel 4 with the intention of cutting jobs goes squarely against the Government's consultation objective of "more jobs, more content".

Mr. Elstein's evidence submission states that:

***"Although Channel 4 took temporary advantage of the furlough scheme for its lowest paid employees, there is no evidence that the board or executive addressed the issue of total staff costs at all last year." P.g. 5***

- This is not accurate as both the Executive and Non-Executive team took temporary pay cuts to help the organisation navigate the crisis. Additionally, in October 2020 Channel 4 announced it would be repaying all payments received from the furlough scheme, given the improvement in economic conditions
- Channel 4 has a Remuneration Committee which oversees all aspects of pay for

the Executive Members and staff of Channel 4, reviewing proposals for the overall annual pay awards and variable pay schemes applicable to all staff.

- In April 2020, the Committee reviewed and approved proposals for temporary voluntary pay cuts of 20% for the Executive and Non-Executive team as part of the Corporation's response to a substantial fall in revenues during the initial Covid-19 outbreak.
- In June 2020 the Committee confirmed that previously agreed salaries would be reinstated from 1 July 2020, reflecting the improvement in the advertising market since the cuts were initially made. The Remuneration Committee agreed that there would be no repayment of salary foregone by Executive and Non-Executive team between the period of April 2020 to June 2020.

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