

## **National Union of Journalists—written evidence (FCF0048)**

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

*The National Union of Journalists is the voice for journalism and journalists in the UK and Ireland. It was founded in 1907 and has more than 30,000 members working in broadcasting, newspapers, news agencies, magazines, book publishing, public relations, photography, videography and digital media.*

- 1) The NUJ does not believe that Channel 4 would benefit from being taken out of public ownership. Channel 4 has made great strides in improving its offering in terms of jobs and programming in the regions and nations of the UK and the NUJ can find no evidence that a sale of the station would benefit the regions in economic, social or cultural terms.
- 2) This opinion is shared by virtually the whole broadcasting industry, viewers' organisations, advertisers and those with a stakehold in the broadcaster. Culture Secretary Oliver Dowden's forward to the consultation document says: "Channel 4 itself has done an excellent job in delivering its remit and more recently in managing the uncertainty in the market over the last few years. It has advanced its digital strategy, whilst supporting the independent production sector in the UK, contributing to the economies of our nations and regions, and creating diverse and risk-taking content."
- 3) The union's view is: If isn't broke why fix it?

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

- 4) The government says its long-term dependence on advertising will not make it sustainable but does not back this up with an impact assessment. Since the publication of the government document on 6 July 2021, industry analysts have upgraded their predictions of the TV advertising market and other broadcasters have reported better-than-expected figures. Channel 4 has no programme library and few programme rights, these are held by its main suppliers – the independent producers. The money its sale will raise (figures touted include £1bn, but others say less than that) will be peanuts for the government. This has led to concerns that the channel's public service remit (and its specific remit to include under-represented voices) may be changed or watered down to make the sale price more attractive. When the broadcasting market is dominated by large US-owned streaming services, surely there is even more of a case of preserving Channel 4 with its remit to produce innovative, home-grown, less commercially oriented programming, enable alternative voices to be heard and continue to use profits to fund programming rather than dividends?

- 5) The pandemic has shown the rise of social media has strengthened the need for trustworthy news and public service broadcasters which prioritise programming in the public interest. Over three-quarters of the UK's population watch Channel 4 services during an average week.
- 6) The broadcasting landscape has hugely changed since the creation of Channel 4, but the station has shown it can adapt and is resilient.
- 7) Despite the hit to advertising spend during the pandemic, it announced a record £74m pre-tax surplus and is expected to report £1bn this year, with net cash reserves of £201m. Indeed, the government noted that: "Channel 4's approach in this scenario has instead been to maintain a solid financial position with substantial cash balances to ensure it remains financially self-sufficient." The advertising market has recovered beyond the government's predictions: ITV's half-year figures showed it had rebounded to pre-pandemic levels as advertising income and ITV Studios' revenues leapt by more than one-quarter. Delivering its interim results for the six months to 30 June, Carolyn McCall, its chief executive, said that advertising revenue grew 29 per cent to £866m from £671m in 2020. According to media investment company, GroupM, the UK advertising market will rise 24 per cent during 2021 – a major improvement from the previous prediction of 12.4 per cent growth in expenditure.
- 8) Channel 4 has also proved that it has a strategy to deliver a digital future. By investing in All 4 and prioritising digital growth, Channel 4 delivered streaming growth of 26 per cent in 2020 to hit more than 1.25bn views, while linear share grew by 3 per cent on its main channel, and young audiences rose 7 per cent. Digital advertising revenues increased by 11 per cent in 2020 despite the negative economic effects of Covid-19. In 2020, digital advertising made up 17 per cent of Channel 4's total revenues, up from 15 per cent in 2019. C4 has taken on the BBC's design and engineering chief operating officer, Grace Boswood, as its technology director and she has been given the task of delivering the technical element of the broadcaster's Future4 strategy under which it plans to double All 4 viewing by 2025.

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

- 9) We do not believe that the privatisation of Channel 4 would offer any significant benefits.
- 10) Ministers say it needs the sale to compete with market leaders Netflix, Amazon and Disney+, but the whole point is that it doesn't; its job is to provide the sort of UK programming that a US-owned broadcasting behemoth has no interest in producing. Its remit is to nurture home-grown, new stars and reach UK niche viewers. Instead, the presence of the big streamers makes a greater case for the Channel 4 public service broadcasting option which would continue to provide a wide range of free-to-air, high-quality content.

- 11) Privatisation makes little sense to the advertisers. Phil Smith, director general of the Incorporated Society of British Advertisers, said: "C4's unique remit provides advertisers with highly valued, younger and diverse audiences, at scale and in quality environments and at a time when these audiences are becoming increasingly hard to reach through linear TV. No new owner with a purely commercial incentive could be guaranteed to maintain all the facets of the current offering which contributes so significantly to media plurality and diversity in the UK."
- 12) The NUJ contends that it should concentrate on what it is already doing, reaching out to the nations and regions and providing programmes that represent its viewers. To date C4 has not seen the need for "improved and sustained access to capital" and, while no broadcaster is going to eschew an international hit (as Chanel 4 has done many times), it is better concentrating on what it does best rather than chasing international markets. The government has provided no impact assessment of what it would mean for C4 to be privatised. Its analysis is based on out-of-date predictions of the advertising market and it fails to make a comprehensive financial case for destroying what it admits is a successful model which has a plan for an improved digital offering.
- 13) It seems grossly unfair that C4 has made a huge effort to extricate itself from London by launching new headquarters in Leeds and creative hubs in Bristol and Glasgow yet has been rewarded by the government saying it now wants to flog it off. According to a 2021 report by business consultant, EY, Channel 4 contributed £992m to the UK economy in 2019, including £274m to the regional economy. It supported about 10,600 jobs across the UK in 2019, of which nearly 3,000 related to jobs supported by Channel 4 in the nations and regions [*Channel 4's contribution to the UK. EY report for Channel 4, April 2021*]. It spent more than £200m on Scottish commissions since 2007. In 2020 it spent £19m in Scotland [*C4 figures*] and its features and daytime team is based in its "creative hub" in Glasgow. One of Scotland's largest independent production companies is IWC Media. Mark Downie, IWC's creative director, said: "Privatising Channel 4 would syphon off tens or hundreds of millions of pounds each year, which is currently invested in a range of original British programming, and hand that to shareholders as profit. Frankly, we don't see the point of privatisation."
- 14) Clearly C4 plays huge role in the UK's creative sector as an employer and commissioner. It has broken out of the M25 with the direct aim of being more representative of its viewers as a part of its function as a PSB; and the NUJ supports this.
- 15) There is a view shared across the broadcasting sector that moving Channel 4 out of public ownership would damage its raison d'être to provide UK-specific programmes and less commercial, youth-oriented series. A privatised C4 would be less risk averse and would be under pressure to provide profit for shareholders rather than programming. Therefore, the NUJ sees very few economic, social and cultural costs and benefits of Channel 4 moving out of public ownership and has seen no

convincing arguments from the government to support its view that the audience experience would be improved by a sell off of the station.

- 16) The corporation may find itself with a buyer championing a completely different ethos. Its present remit to appeal to more diverse and niche audiences may not be attractive to commercially-driven prospective buyers and the government may be persuaded to dilute the public service element of its remit. A take-over of C4 could also inevitably lead to job losses.
- 17) A foreign buyer would have less interest in investing in UK-based production houses and the indie sector fears it would create real damage to its sector (see above). The present C4 model of publisher-broadcaster is to the advantage of the indie sector. The NUJ sees no economic benefits to the indie sector of Channel 4 moving out of public ownership.
- 18) The NUJ has no evidence to support any economic, social and cultural costs and benefits of Channel 4 moving out of public ownership in terms of wider investment in the creative industries sector. The government fails to make a case that investment would improve if the station was sold off. The 2016 Lords Communications Committee report on privatisation of Channel 4 concluded: "We heard little evidence to suggest that C4 itself or the creative industries would benefit from full or part privatisation." The then culture secretary, Karen Bradley, formally ruled privatisation out, saying Channel 4 was a "precious public asset" that would "continue to be owned by the country". Privatisation would put this at risk and we do not see how sufficient mitigations could be introduced.

**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?**

- 19) C4's present ownership and remit require it to be innovative, edgy and appeal to younger audiences and, according to the broadcasting watchdog, Ofcom, it is doing it very well. One of the reasons for its success and sustainability is that it does not need to make a profit and it is not beholden to shareholders. It can commission less obviously commercially programmes, such as documentaries and current affairs, and cross-finance with crowd-pleasers such as Bake Off or Gogglebox. It can take greater risks with emerging and home-grown talent and innovative content. If it was taken out of public ownership and sold to a non-UK organisation, it would lose its present ethos which is to "shine a light on stories untold elsewhere" and its commitment to celebrate "Great Britain in all of its diversity through our programmes".
- 20) The government points to the success of Channel 5 since its sale to Viacom – but they are very different beasts. C5 is largely an entertainment channel and, while it does broadcast home-grown productions, its schedules rely heavily on imports from the USA and Australia.

- 21) The NUJ is concerned that Channel 4's award-winning, hour-long news offering would be under threat, particularly if there was a foreign buyer. The ITN-produced programme is seen as a flagship of investigative and in-depth news coverage at peak time. Ofcom found Channel 4 News to be one of the most trusted media sources of information on the pandemic. The government could make it a part of the remit, but Ofcom has proved itself a light-touch regulator which previously has allowed ITV local news production to be reduced by about a third and its approach to regulating the provision of commercial local radio news has led to its virtual demise. Ofcom did nothing in 1998 when ITV slashed its current affairs coverage, including World in Action, in 2019 Global Radio replaced its 40 local breakfast shows across the UK with just three nationwide programmes, all out of London. Therefore, a foreign buyer could look to change the remit further down the road if it wanted to substitute it for a programme more likely to attract advertisers.
- 22) C4 is part of the UK's public service broadcasting ecosystem together with the BBC, ITV, Channel 5 and S4C. It is a player in what Ofcom calls "a long and proud tradition in the UK, delivering impartial and trusted news, UK-originated programmes and distinctive content". Each broadcaster has distinct remits and obligations, and their differences as PSBs are as important as their similarities. Evidence from Ofcom's PSB tracker survey shows Channel 4 still consistently outperforms the other PSB channels in tackling issues that other broadcasters will not and in terms of its originality and innovation.
- 23) There appears to be little appetite within Channel 4 to be given greater powers to access borrowing. Under its present ownership it is already able to innovate; take, for example, its trial of an advert-free version of its All 4 service, and it has partnered with Sky to provide viewers with expanded drama and comedy box sets. Further such innovation can take place under the current model of public ownership.

**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?**

- 24) The NUJ is certainly not persuaded that there is any need to weaken the regulatory regime or relax the remit of Channel 4 in terms of its public service obligations. If anything, it can argued that Ofcom should strengthen its remit to produce home-grown, innovative and "risky" productions.

*September 2021*