

Written evidence submitted by Channel 4

Digital, Culture, Media and Sport Select Committee inquiry Impact of COVID-19 on DCMS sectors

Channel 4 was created to be a radical, innovative force in UK broadcasting. Our mandate then was to be bold, radical and to take creative risks. While we are changing in many ways to adapt to the changing times, we have remained true to that founding mission. In this changed world, we are continually challenging ourselves on how we can maximise our positive impact.

Our intentionally marginal model – unlike other publicly owned broadcasters we are entirely commercially funded, contribute all our funds back in to the creative sector and do not seek a profit – means that we deliver public service content to audiences across the UK and fuel the economy, all at no cost to the taxpayer and with only one shareholder to satisfy – the British public.

At this time of unique national need, we are playing a vital role as the UK recovers from the global pandemic by bringing audiences together and stimulating growth and jobs across the UK's creative industries. As we look beyond the crisis to the next ten years, the role of PSB in reinforcing social cohesion and a shared national identity, while driving the success of the UK's creative industries, will only become more important.

Executive Summary

Channel 4's role

- Channel 4 has always played a vital role in keeping the nation informed and supporting social cohesion through our programmes. The COVID-19 crisis demonstrates more than ever the need for a strong public service broadcasting (PSB) sector to offer trusted information, to fact-check misinformation and to provide content that connects people across the UK through shared national moments. Against a backdrop of fake news and widespread anxiety, we have a particular responsibility through the current crisis to support the public health response through clear, authoritative news.
- Channel 4 is unique within the PSB sector for our ability to reach younger audiences and to represent the UK in all its diversity. This gives us an important responsibility to ensure younger people have access to information they can trust. The current crisis has seen young audiences turn to Channel 4, with our viewing figures among 16-34 year-olds increasing 33% for share since lockdown began – the biggest increase of any commercial PSB.
- Our commissions and marketing campaigns have been aimed at supporting the nation through the crisis, keeping it entertained and spirits high, and mitigating the impacts of isolation by giving people the sense that they are part of the wider national effort. In addition to news and documentaries, our Lockdown Academy programming features crafts with Kirstie Allsopp, cooking with Jamie Oliver and reading with Richard and Judy. Grayson Perry's Art Club has also been heralded as one of the very best creative and 'joyful' TV shows made in lockdown.

Immediate impact of COVID-19

- The unprecedented impact of this crisis has severely dented demand for advertising in the UK. We have taken action to navigate the crisis and protect Channel 4's ability to serve its audience and stimulate recovery in the UK creative industries.
- Run as an intentionally marginal business and deliberately lean company with no profit margins, Channel 4 pay no shareholders or dividends. We have reacted quickly and commercially to the crisis, not seeking a state bailout but responsibly cutting costs to preserve jobs and investment.

- Whilst the COVID crisis has had a severely detrimental impact on advertising revenues, it has seen a resurgence in linear television viewing, as television has become more important than ever in people's lives, as a vital source of trusted information, connection and entertainment.

Effectiveness of support in addressing sector's needs

- We welcome the Government's support for businesses and the self-employed across the UK. We also welcome their intervention to support the recovery of the TV and film sector – for example proactively engaging with industry and endorsing health and safety guidelines for UK broadcasting and production, so crews have confidence to return to work.
- However, there are some outstanding issues impeding immediate recovery, and we encourage the Government to rapidly resolve issues around production insurance, where UK TV and film production are currently unable to secure cover for risks relating to coronavirus.

Likely long-term impacts and further policy support

- While we have a robust and carefully managed business, the sharp, substantial decline in advertising spend has unprecedentedly impacted our revenue. Other commercial media sectors like TV and video on demand (VoD) are also forecast to post steep declines in advertiser investment in 2020.
- We recommend the Government stimulates investment in the advertising sector through a short-term targeted tax relief for advertising spend on commercial media (news publishers, radio and broadcasters). This would support the media and creative industries through this challenging period, and also act as a vital stimulus for the wider economy, enabling businesses to capitalise on the surge in media consumption to reach a mass audience and get them spending again.
- Longer-term, it's likely that the current crisis will accelerate structural transition in the broadcasting sector, in particular by strengthening the position of large multinational streaming platforms relative to commercially funded PSBs. Longer term interventions to modernise and adapt the existing framework to this transition are required in Ofcom's PSB Review¹.

QUESTION 1

What has been the immediate impact of COVID-19 on the sector?

Financial impact

1. COVID-19 has deeply impacted the advertising market since mid-March, leading to an unprecedented decline in advertiser demand for TV. The latest [Advertising Association/WARC Expenditure Report](#) shows UK ad spend in 2020 is forecast to fall 16.7% – or £4.23bn – from 2019. The same research shows both TV and video on demand (VOD) are expected to be affected by the downturn this year, with TV forecast to see a 19.8% dip in advertiser investment and VOD a 6.3% fall.
2. There were 5.3 million jobs in DCMS sectors in 2019, accounting for 15.7% of all UK jobs. In addition, across all DCMS sectors, the Creative Industries has the most jobs (2.1 million) and has seen the largest increase in the number of jobs since 2011 (34.5% versus UK-wide average of 11.4%).
3. The Creative Industries Federation's (CIF) [latest research](#) highlights the fact that over 400,000 creative jobs – one in five – could be lost, with the UK creative industries projected to lose £1.4 billion a week in revenue in 2020 (and the sector also being hit twice as hard as the wider economy overall and up to three times as hard in certain regions of the country).

¹ Please see our [separate submission](#) to the Committee on the Future of Public Service Broadcasting for more information

4. The CIF also highlight in the same research that the creative sector was previously growing at five times the rate of the wider economy, employing over 2 million people and contributing £111.7 billion to the economy - more than the automotive, aerospace, life sciences and oil and gas industries combined.
5. Though publicly owned and run as a non-profit organisation which invests its available income into commissioning content, Channel 4 is entirely commercially funded, with the vast majority of revenue derived from television and digital advertising.
6. Channel 4 has prudently managed its finances over successive years and has demonstrated that it is well equipped to navigate normal cyclical pressures on the advertising market. However, the unprecedented impact of this crisis on the worldwide and UK economy has had a severe effect on the demand for advertising in the UK.
7. Run as an intentionally marginal business and deliberately lean company with no profit margins, Channel 4 pays no shareholders or dividends. We have reacted quickly, flexibly and commercially to the COVID-19 crisis, not seeking a Government bailout but responsibly cutting costs and drawing down on our commercially secured facility to preserve jobs and investment.
8. It has been reported that the TV advertising market is set to decrease by over 50% over April and May, with limited visibility of the summer months and beyond. In comparison, during the financial crisis, the worst months saw drops of no more than 30%².
9. Advertising is responsible for more than 90% of Channel 4 revenues. According to Enders Analysis³ that compares to 53% at ITV, whose production arm provides a significant alternative income stream, and 7% at Sky, who derive the majority of their income from subscription. As such, Channel 4 is particularly impacted by this sharp decline in the advertising market.
10. In the face of this challenge we have responded quickly to protect Channel 4's ongoing ability to serve its audience and invest in the UK creative industries. On 8th April we outlined several immediate financial measures which will enable us to successfully navigate through the crisis. These include the following:
 - All executive and non-executive Board members took an immediate voluntary 20% pay cut. At the request of the executive Board members the remuneration committee suspended the 2020 bonus scheme for executive directors.
 - Our 2020 content budget will be reduced by £150m, around 20%. This reflects both the difficulties of producing programmes and films in the current environment, as well as some extremely difficult decisions to delay or cancel some content across Channel 4, E4 and More 4 across the year.
 - A further £95m of savings will be achieved across the organisation through a full review of planned projects and investments, including reducing marketing budgets.
 - In order to provide additional liquidity and working capital through this unprecedented economic period we have drawn down on the commercial £75m revolving credit facility (RCF) that has been in place since 2018.
 - We remain focused on safeguarding the jobs and ensuring the wellbeing of Channel 4 staff but have undertaken a comprehensive review of our people costs, which will include a full recruitment freeze for all but business critical roles and a review of all third-party costs.

² [Financial Times](#), 14 April 2020

³ [Enders Analysis: COVID-19 TV impact - Permanent change without intervention](#), 6 April 2020

- Additionally, we will participate in the Government's Coronavirus Job Retention Scheme and have furloughed around 10% of Channel 4 staff, whose roles are impacted by the current circumstances.
11. Channel 4 will maintain its support for the creative sector – continuing to commission and develop content for 2020 and 2021.
 12. Despite the financial challenges, we have acted to safeguard the smallest, nations and regions and BAME-led suppliers from the extremes of the coronavirus scenario. Half of the £10m Channel 4 plans to spend on programming reflecting the coronavirus crisis has been ringfenced for these groups, as has half of the £3m it has committed to fund development across 2020.

Creative impact and response

13. The current crisis has meant the role of public service broadcasting is more important than ever, reflecting a distinctive, whole-of-UK view on the crisis, in a way that global content providers cannot. As part of our PSB mandate, Channel 4 is here to inform the audience with trusted news and current affairs, to help them stay in touch with what's going on around them and, just as importantly, to lift them up and make them feel connected with the rest of the UK when they are isolated at home.
14. The importance of PSB content in providing for a shared national experience has been borne out by the way in which viewers of all ages have turned to the PSBs during this period. C4's total audiences are up by 24% since lockdown began and young audiences up by 33%. Our lockdown share of 16-34 year old audiences is up 19% year-on-year, the biggest share increase of all commercial PSBs
15. Channel 4 has responded by commissioning a wide range of fast turnaround programming aimed at supporting the nation through this unprecedented time.
16. On March 25th we set out these creative plans, designed to help audiences navigate through the crisis, to stay connected with the rest of the country, to help families stay occupied in isolation, and most importantly to keep spirits high with a range of great entertainment.
17. We launched a range of new programming under the banner of Lockdown Academy, aimed at providing the sense of a shared experience for viewers at this unique national moment. This includes Grayson Perry creating art with the whole nation, Kirstie Allsopp sharing craft ideas for all the family and Jamie Oliver helping people cook with store cupboard essentials. We also brought forward the launch of The Steph Show, filmed in Steph McGovern's Leeds home.
18. The pandemic has also accelerated our drive to engage with viewers in new formats, with demonstrable impact. Channel 4 soap Hollyoaks' innovative digital content has made it the top soap for social media engagement during the isolation period. In March alone Hollyoaks reached over 99m Facebook users and 42m Instagram users with its content, including its Hollyoaks @ Home strand of videos shot at home by the cast, giving in-character advice and setting fans challenges and activities including bakery lessons, workout sessions, and homework tasks.
19. This is in addition to increasing the channel's commitment to award winning Channel 4 News, current affairs and factual output, commissioning around 80 hours of new COVID-related programming. This programming is providing vital information and discussion on the COVID-19 issues that matter most to UK audiences, getting under the skin of the virus's impact on the NHS and exploring the science and technology needed to battle it. Recently commissioned COVID-related programming includes:
 - A scientific debate exploring origins of the virus and dispelling any myths
 - A film revealing South Korea's approach to testing and tracing
 - A documentary look at how self-isolation is affecting homes and communities
 - Dispatches specials on how to self-isolate successfully, how supermarkets are dealing with supply chain pressures, and how Coronavirus is changing Britain in the long-term.

20. In response to major news developments throughout the crisis, Channel 4 News ran a number of extended programmes including a period of special 90-minute news programmes every Monday, and regular hour-long debate specials on the crisis.
21. The coronavirus outbreak and the need to follow Government and Public Health England advice has had an impact on a large number of existing productions – in particular on the scripted slate and as a consequence filming has paused on many in-production titles. We worked closely with other broadcasters and the production community to develop a set of best practice safety protocols to ensure that production can return safely. These were published 18th May with support from DCMS.

Channel 4 is providing authoritative, trusted information

21. Against a backdrop of fake news and anxiety, Channel 4's role as a public service broadcaster, providing the public with up-to-date, trusted information, has become even more important during COVID-19.
22. Crucially, these viewers trust us. Ofcom's most recent [research](#) on trust in the media during the COVID-19 pandemic has shown that Channel 4 has **consistently been the most trusted national news provider amongst users** – in the last week of May 75% of viewers trusted Channel 4's coverage of coronavirus (versus 67% for BBC and 69% for ITV).
23. Channel 4 News has been reaching record audiences – particularly young viewers where viewing is up 72% for share year-on-year since lockdown. There have been over 200 million views of Channel 4 News content on social media since the pandemic began (141m on YouTube alone). Channel 4 News also reached 22.8m people in March, equating to just under 38% of the UK population, and up 43% on March 2019.
24. Our Channel 4 News website's page views have more than doubled year-on-year (April 2019 to April 2020) to three million with a strong showing for Coronavirus FactCheck articles. Our series to help FactCheck, explain and debunk virus stories 'Coronavirus Explained' grew to a 17-part series, averaging over one million minutes viewed per episode.

Promoting the Government's public health advice to young people

25. Channel 4 is the youngest skewing of the UK broadcasters, and our resonance with young people means we are particularly well placed to speak to young audiences at this time of crisis. 16-34-year-old audiences are turning to TV in huge numbers with Channel 4's linear viewing among its key young demographic up 19% since lockdown – the biggest share increase of all commercial PSBs – and our total evening news audience volume is up 78% for this group. Ofcom research indicates younger people are less likely to follow official health advice, so we are using our programmes, marketing and talent to deliver important public health messaging to this harder to reach group.
26. Channel 4 activated a 'Stay at Home' digital on-screen graphic (DOG) – which was on screen during all Channel 4 programming across all its channels until Government issued updated advice on May 10th – to help deliver this vital public health message during the coronavirus crisis. This graphic reached 78% of the whole UK population, seeing the message on average thirteen times. Our 'Stay Safe' graphic has reached 67% of the whole UK population, and has been seen an average of seven times⁴.
27. Recognising that young men were proving the hardest to reach with public health messaging we created a specific #StayAtHome campaign targeted at young male viewers – including a series of clips featuring our biggest on-screen talent such as Adam Hills, Krishnan Guru-Murthy, Jon Richardson, Katherine Ryan and Big Narstie. The young male focused 'We Need You' campaign reached 31% of the country, and 41% of the target audience of all 16-24 men.

QUESTION 2

⁴ (13th May to 8th June)

How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?

28. Since the outbreak of the coronavirus, Channel 4 has responded quickly to ensure we remain able to keep delivering content for audiences and supporting the creative sector. In Question 1 we outlined the measures we believe will help us deliver this.
29. We welcome the unprecedented scale and range of support initiatives launched at pace by the Government. We also welcome the Government's ongoing engagement with industry and willingness to respond to specific concerns, for example by extending the cut-off date for the Job Retention Scheme so that employees whose contracts started in early March could also qualify. However, we remain concerned that certain categories of freelancer may be excluded from the support available.
30. Some specific elements of the proposals do not apply to over 20,000 of freelancers working in the creative industries. Therefore, we welcome further clarification on announced measures and recommend the Government ensures proper income protection for all freelancers in the creative industries by ensuring that the Job Retention Scheme is available to as many creative industry workers as possible and that they do not fall through the cracks.
31. In March, the Public Service Broadcasters wrote a joint letter to the Chancellor requesting support for the critically important freelance community within the UK creative industries. We urged the Government to take measures to protect the long-term health of the UK creative industries, by supplying a package of support to freelancers to provide for a level of income protection and access to statutory sick pay for the freelance community in these industries as a matter of urgency.
32. The UK creative industries now contribute over £100 billion to the UK economy. The UK film and television production sectors are a vital and growing area of the UK – growing at five times the rate of the UK economy as a whole.
33. According to the Creative Industries Federation, a third of the UK's creative workforce are self-employed - more than double the national average of 15%. Of the creative workers in film and TV, 50% of those engaged in screen production are freelancers. Therefore it is true to say that the survival and health of the UK creative industries depends very heavily on them.
34. Data from The Film & TV Charity suggests there are around 100,000 freelancers in the film and television industry - 50,000 of whom will not be supported by the Government rescue plans. This is because of the uniquely embedded ways of working in the industry – with many freelancers moving between short-term PAYE contracts, and the extensive use of one-person limited companies.
35. The complex and varied ways in which individuals are contracted to work in the industry has also made it difficult for many freelancers to interpret the Treasury announcements, meaning many people are still confused about what support they can access. This is exacerbating the impact on people's mental health.
36. There is also a risk that the current crisis will adversely affect diversity within the industry. New talent from underrepresented groups who have already had to overcome significant barriers to get into the industry, may be less financially resilient and more likely to leave the industry if they cannot access the support they need to weather this period.
37. The issues which are being highlighted with the different schemes are set out below, along with some possible solutions which we've recommended that DCMS and the Government could consider.
38. The Self-Employed Income Support Scheme (SISS) was welcome, but its main flaw was that many creative industry freelancers fell through the cracks of eligibility because of their specific working arrangements.
39. The Job Retention Scheme (JRS) was also a welcome intervention, particularly that production companies can re-hire and furlough workers. However, some smaller firms cannot afford to contribute to wages.

Some smaller indies may not be able to afford to pay wages until they are reimbursed, causing cash flow problems and deterring the re-hiring and furloughing of workers.

QUESTION 3

What will the likely long-term impacts of COVID-19 be on the sector, and what support is needed to deal with those?

40. We know that these are exceptionally challenging times for everyone in the UK, particularly many of the producers, talent and freelancers we work with across the television and creative industries and we are committed to safeguarding our long-term ability to invest in distinctive and challenging content and create jobs and opportunities in the sector across the UK.
41. Channel 4 have been working hard across the industry to ensure broadcasting and production can get up and running as safely as possible. In May Channel 4 collaborated with the other UK broadcasters and PACT to publish new industry wide guidance for producing TV safely during Covid-19, to ensure that all members of cast and crew feel confident in returning to work safely.
42. We have also aimed to support the freelance sector through this difficult time – for example by partnering with key industry organisations such as ScreenSkills to support the provision of free training and masterclasses to freelancers who are currently not working, enabling them to upskill during this downtime and stay connected with the industry.
43. In addition to this industry collaboration, we believe there are some significant ways in which Government could support both Channel 4 and the wider sector.

Tax relief for advertising

44. A time-limited tax relief for advertising spend targeted at commercial media (news publishers, radio and broadcasting) for a three-month period could act as an important stimulus for the wider economy, helping to get Britain back to work and spending again, whilst also supporting the advertising funded media and creative industries.
45. Advertising is uniquely placed to help the economy recover from this crisis – it delivers a significant multiplier that reaches beyond just the advertising ecosystem - for every pound spent, there is a £6 uplift in GDP. With confidence currently fragile, advertising could have a particularly profound impact on normalising consumer behaviour and encouraging people to resume spending, which will be essential for the wider economic recovery.
46. As well as acting as a stimulus for the wider economy an advertising tax credit would also serve to support advertising funded local journalism, radio, TV, cinema and culture which have been particularly hard hit by the downturn in advertising revenues caused by the crisis.
47. The key objective of the advertising tax credit is to incentivise UK businesses to advertise when they otherwise might not, and to encourage existing advertisers to advertise more. This would stimulate aggregate demand and domestic consumption. Further economic analysis is required, but we do know for certain that advertising plays a crucial role in brand competition, drives product innovation and fuels economic growth.
48. We are working with the Advertising Association and other organisations from the commercial media sector to develop these proposals in more detail and look forward to sharing them with the Committee.

Wider support for production sector

49. A key obstacle to getting production up and running again is the lack of insurance that will cover productions for Covid risk. We note that there is ongoing work across Government and the insurance industry on a potential 'Pan-Re' risk-pooling facility – similar to the Pool Re facility for terrorism-related

claims. This is a welcome development, but we are concerned that its development and implementation is likely to take many months, which would inhibit and restrict the short-term resumption of TV and film production.

50. We are therefore working with PACT and the other broadcasters to develop a proposal for a time-limited and capped government-backed emergency guarantee fund, which would guarantee coverage for suspension or abandonment costs relating to COVID-19. We urge the Committee to support these proposals which will be vital in facilitating the recovery and growth of our world-leading production sector.
51. Further support to incentivise investment in regional infrastructure and production, replicating specific creative industries schemes for England that have been announced for Scotland and Wales, would also be a welcome and beneficial intervention.
52. As we have set out in our response to question two, it is vital that the Government supports freelancers, who are the lifeblood of the creative industries, through comprehensive income protection schemes that take account of employment practices in the production industry.

Longer-term issues

53. In our [separate submission](#) to the Committee on the Future of Public Service Broadcasting we set out in much more detail the longer-term issues and policy support required in the context of Ofcom's PSB Review.

QUESTION 4

What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with COVID-19?

54. Channel 4 welcomes how proactively DCMS has engaged with industry, how quickly it has implemented policy decisions and how receptive it has been to feedback from stakeholders. We also welcome how the industry has worked together swiftly to identify proactive policy solutions.
55. Given the fast-changing nature of the market in the media sector, this is a positive, refreshing approach to developing policy. We believe this should be applied to other policy areas, for example in updating legislation around expanding the current prominence regime to include PSB video on demand (VOD) players and to ensure electronic programme guides (EPGs) themselves are given prominence on platforms.

QUESTION 5

How might the sector evolve after COVID-19, and how can DCMS support such innovation to deal with future challenges?

56. COVID-19 will have a significant economic impact, and it will be vitally important that essential elements of the sector survive – whether that is freelancers or the PSBs. DCMS should continue to engage closely with the sector and encourage proactive policy solutions from the industry.
57. Beyond the serious short- and medium-term risks, the pandemic will also accelerate innovation in the sector. Channel 4 has always been a radical, disruptive force within British broadcasting, and we are continuing to innovate through this pandemic. For example, we have seen how, in commissioning, video pitching has created a levelling effect between producers from different regions. Through the crisis we have also stepped up our efforts to engage with viewers on digital formats, as previously outlined in relation to Hollyoaks. We would encourage DCMS to take account of the innovation we are seeing in the sector
58. We encourage the Committee to examine our [separate submission](#) to their Future of Public Service Broadcasting inquiry, where we set out in much more detail the longer-term issues and policy support required in the context of Ofcom's PSB Review.

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