

*Championing
excellence and diversity
in broadcasting*



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VLV RESPONSE TO DCMS CONSULTATION ON A POTENTIAL CHANGE OF OWNERSHIP OF CHANNEL 4 TELEVISION CORPORATION

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INFORMATION ABOUT THE VLV

1. The Voice of the Listener & Viewer (VLV) is an independent, not for profit membership-based charity, free from political and sectarian affiliations. VLV supports high quality broadcasting which maintains the democratic and cultural traditions of the UK. We support the independence and integrity of the BBC and encourage work which demonstrates commitment to the principles of Public Service Broadcasting (PSB). VLV is a charitable company limited by guarantee (registered in England and Wales No 4407712 - Charity No 1152136).

EXECUTIVE SUMMARY

1. VLV's primary concern is the impact changes to the ownership model of Channel 4 will have on audiences and, more widely, on citizens in the UK.
2. VLV believes that privatisation of Channel 4 will have a negative impact on audiences because a private owner will aim to attract the largest possible audience to maximise commercial success and as a result Channel 4 output will become less distinctive. The motivation of commercial broadcasters is necessarily different from publicly-owned broadcasters because they have a responsibility to provide a return to investors.
3. Channel 4 is currently delivering its remit in a way which benefits audiences, citizens and the creative community in the UK. VLV believes that its recent performance demonstrates that it will be able to continue to do so going forward. As we show in this submission, there is at the very least a strong possibility, and perhaps probability, that many of these benefits would be lost, or at least significantly impaired, if it were to move into private ownership. Therefore, the onus is on government to provide the evidence and research to demonstrate the need for such a change. The consultation document completely fails to do this.
4. Any consideration of Channel 4's future ownership model needs to take into account the impact changes will have on the whole PSB system and not on Channel 4 alone. Any change to the ownership model or remit of Channel 4 will have significant impact on the rest of the PSB system which will impact on audiences.
5. The consultation states that 'choice is no longer a problem' because audiences have access to so much content. VLV disagrees strongly with this view because there are genres of UK PSB content which have been in market failure for years, such as religion, arts and content for children¹. Additionally Ofcom has highlighted that it is unlikely the PSB's will be able to maintain existing levels of investment in PSB content because of declining income². It is important that government addresses this decline in the range and choice of PSB content.
6. VLV agrees that there are challenges for Channel 4 in the current market, but considers that these challenges apply to all the public service broadcasters and will not be solved by putting Channel 4 into private ownership. Instead of undermining the PSB system by privatising Channel 4, which will destabilise the PSB system, the government should support all the PSBs with greater regulatory certainty. At a time of great global and

¹ *Small Screen: Big Debate – a five-year review of Public Service Broadcasting (2014-18)*, Ofcom, 27 February 2020, page 21

² *Small Screen: Big Debate – a five-year review of Public Service Broadcasting (2014-18)*, Ofcom, 27 February 2020, page 18

geopolitical uncertainty audiences need content which is trustworthy and relevant to their lives in the UK.

7. Channel 4's provision is an essential element of UK PSB because it is particularly popular among younger, more diverse audiences³, a sector which feels underserved by PSB. Therefore VLV considers that Channel 4 provision needs to be maintained fully without any dilution.
8. VLV does not consider that the government has taken adequate account of Channel 4's successful digital strategy in its consideration of its future sustainability. Having considered the available evidence VLV believes that Channel 4 will be financially sustainable if it continues to successfully implement and evolve its Future 4 strategy. VLV does not believe that Channel 4 needs to be part of a larger media conglomerate in order to continue to play an important role in the UK's broadcasting ecology or to be able to deliver its public service remit for UK audiences.
9. VLV believes that the only way Channel 4 will be able to deliver the government's aims for Public Service Broadcasting at set out in the 2003 Communications Act is if it remains in public ownership, retaining its remit and publisher-broadcaster model. This is the only way it will continue to provide the same volume and nature of innovative PSB content as it does now, by reinvesting surpluses into PSB content and supporting the UK's independent production sector.
10. VLV is concerned that in order to make Channel 4 attractive to a buyer the government will dilute its remit and publisher-broadcaster model. Such changes will undermine the delivery of C4C's existing public purposes and would be detrimental for UK audiences.
11. VLV believes the existing remit which applies to Channel 4, its portfolio channels and digital output should not be reduced and that C4C should continue to provide a distinctive offering, less constrained by commercial pressures, focusing on culturally-specific innovative British PSB content for the benefit of audiences.
12. In some respects the remit could be strengthened to ensure better delivery of market failure genres such as arts, religious content and international content which have all declined significantly on Channel 4 during the past decade⁴. VLV believes this is the only way to ensure a range of high quality free to air public service content is maintained for the benefit of audiences.
13. While the qualitative assessment of Channel 4's non-quota obligations is a useful indicator of Channel 4's performance, such research is less robust than quantitative analysis. VLV is concerned that if Channel 4 is acquired by a commercial company there is a risk this will allow it to dilute such content without Ofcom or the government being able to challenge it. VLV recommends that if Channel 4 is taken into private ownership all remit commitments should be tracked by quantitative metrics.
14. VLV opposes any proposal to dilute the publisher-broadcaster restriction. If it is changed to allow a new buyer to produce in house content this will reduce the number and range of independent producers commissioned to provide programming. This will not only be detrimental for the UK creative economy, but it will also impact on audiences who are likely to be exposed to a narrower range of perspectives and reduced representation of the UK on

³Channel 4's is the youngest profiling PSB, with double the young audience share of BBC. 80% of UK 16-24 year olds are signed up to All 4, which has a record 1.25bn streams in 2020. *Channel 4 Annual Report, Statement of Media Content Policy 2020*, 22 June 2020, Pg. 46

⁴ *Future models for the delivery of public service broadcasting*, Mediatique, December 2020, Figure 4.22

screen, as well as less content by new producers who provide fresh, innovative approaches.

15. In summary, VLV believes that moving Channel 4 into private ownership risks the following impacts:

- Less innovative and risk-taking content
- A reduction in UK original culturally-specific content
- A reduction in the range of PSB content available to audiences
- A reduction in C4C's spend on content, more repeats and acquisitions
- A decline in UK independent production
- Fewer commissions for new, smaller independent producers
- A reduction of content representing the Nations and Regions
- A reduction of investment in training
- A dilution of Film4's distinctively British content
- An increase in competition for the creative 'middle ground' between the PSBs
- A reduction in the number of advertising sales' houses
- An over-reliance among UK independent producers on foreign global giants

INTRODUCTION

16. In responding to this consultation VLV is concerned with the impact any change to the ownership model of Channel 4 will have on audiences and, more widely, on citizens in the UK.

17. VLV supports the government's stated aim to ensure the sustainability of Channel 4 so that it can maintain its role as a key UK public service broadcaster.

18. VLV welcomes the government's recognition that the PSB system *provides significant value across the UK, keeping people informed, educated and entertained every day*⁵ and that Channel 4 *should continue to play a role in the PSB system*. VLV also welcomes the government's commitment to *the continued success of the UK's mixed broadcasting ecology*⁶ of which Channel 4 is an important element.

19. Channel 4 is currently delivering on its remit in a way that benefits audiences, citizens and the creative community in the UK. VLV believes that its recent performance demonstrates that it will be able to continue to do so going forward. As we show in this submission, there is at the very least a strong possibility, and perhaps probability, that many of these benefits would be lost, or at least significantly impaired, if it were to move into private ownership. Therefore, the onus is on government to provide the evidence and research to demonstrate the need for such a change. The consultation document completely fails to do this.

20. Any consideration of Channel 4's future ownership model needs to take into account the impact any changes will have on the whole PSB system and not on Channel 4 alone. The **PSB system** is complex and interconnected. It is made up of a set of competing broadcasters with portfolios of channels which are supplied with content by thousands of producers which form part of the UK's successful creative industries. Each PSB provides a different range of content across different channels for different audiences; each has different creative and commercial priorities; each has a different remit and obligations which

⁵ Consultation on a potential change of ownership of Channel 4 Television Corporation, DCMS, 8 July 2021, Pg.17

⁶ Consultation on a potential change of ownership of Channel 4 Television Corporation, DCMS, 8 July 2021, Pg.4

combine to provide structure to the whole PSB sector. Any change to the ownership model or remit of Channel 4 will have significant impact on the rest of the PSB system which will impact on audiences.

21. **Too much choice:** The consultation states that decades on from the founding of Channel 4 'choice is no longer a problem'⁷ now that audiences have access to so much content through a combination of free to air TV, streaming and pay subscription services. VLV disagrees that choice is no longer a problem. Maintaining the wide range of high quality public service content is increasingly challenging in a highly competitive commercial market because PSB content is often less commercially successful. Therefore VLV considers it is more crucial than ever that the UK's Public Service Broadcasting system should be strengthened, so that the public service broadcasters are supported and citizens continue to have access to a wide range of free to air high quality UK specific content. This is the only way to ensure the delivery of the public policy goal instituted in legislation to provide equal and universal access to public service content which doesn't discriminate against individuals on the basis of their ability to pay for additional services.
22. **Making Channel 4 attractive to a buyer:** VLV accepts that that the government has a responsibility to consider whether the *public policy purpose* of Channel 4 *may be more efficiently realised with the asset in private ownership*⁸. However, VLV disagrees with the government's conclusion that Channel 4's *ability to...continue serving its public purpose and contribute value to the UK is likely to be best served by private ownership*.⁹ One of VLV's primary concerns is that in order to make Channel 4 more attractive to a buyer the government will dilute its remit and publisher-broadcaster model. Such changes will undermine the delivery of its existing public purposes and would be detrimental for UK audiences.
23. **PSB Motivation:** VLV believes that the underlying motivation of any broadcaster influences its creative decisions. The motivation of commercial broadcasters is necessarily different from publicly owned broadcasters. Channel 4 prioritises public good rather than profit, which will be the primary objective of a commercial broadcaster. PSB will be less well delivered by Channel 4 if it is taken into private ownership because a private owner will have a responsibility to its shareholders to maximise profits and many PSB programmes are not commercially successful.
24. **Channel 4's financial sustainability:** VLV notes that the government has not provided evidence of how citizens will benefit from the privatisation of Channel 4 and how any likely negative impacts of privatisation will be addressed. Without impact assessments for both models, i.e. a publicly-owned Channel 4 and a privately-owned Channel 4, it is impossible for citizens to adequately respond to this consultation in an informed manner.
25. Having considered the available evidence VLV believes that for at least the mid-term Channel 4 is financially sustainable if it continues to successfully implement its Future 4 strategy. VLV does not believe that Channel 4 needs to be part of a larger media conglomerate in order to continue to play an important role in the UK's broadcasting ecology or to be able to deliver its public service remit for UK audiences.

⁷ Consultation on a potential change of ownership of Channel 4 Television Corporation, DCMS, 8 July 2021, Pg.3

⁸ Consultation on a potential change of ownership of Channel 4 Television Corporation, DCMS, 8 July 2021, Pg. 16

⁹ Consultation on a potential change of ownership of Channel 4 Television Corporation, DCMS, 8 July 2021, Pg. 16

Potential impacts of privatisation

26. VLV believes that if Channel 4 is acquired by a commercial company this will lead to a reduction in choice, quality and the societal benefit of British content for audiences. A comparison of the characteristics of a publicly-owned Channel 4 and potential characteristics of a privately-owned Channel 4 along with the potential economic, social and cultural impacts of privatisation are set out in Figure 1 below.

Issue	Public characteristics	Private characteristics	Overall impact of privatisation	Economic impact of privatisation	Social and cultural impact of privatisation
Motivation	Public impact and value balanced with the need to be sustainable. Reinvestment of surplus into content.	Providing a profit for shareholders while delivering the minimum amount of content to satisfy the PSB remit. No requirement to reinvest profits into content.	Reduction in volume of and spend on high quality PSB content because profits will not be reinvested for the benefit of citizens and production costs will be minimised.	In-house production will mean less investment in the UK creative industries. Fewer jobs and training in the independent production sector and the nations and regions.	Less innovative, risk-taking content will mean a narrower range of content and perspectives on air which means audiences will be less well informed and engaged with as wide a range of subjects. Audiences will be less exposed to a plural range of views, which encourages greater tolerance and understanding of other perspectives.
PSB Remit and Content Mix	PSB content alongside more commercially successful content. More innovative, risky content financially supported by commercially successful shows.	Aim for more commercially successful content to attract mass audiences while still delivering the minimum amount to satisfy C4's remit.	Less challenging, new original UK PSB content. Less distinctive content, taking C4 towards the creative middle ground. More repeats and acquisitions, some of which may be international. Competition between the PSBs will be reduced. In the past C4 innovation has led other broadcasters to take greater creative risks.	Producers of PSB content – including UK current affairs, innovative content, arts, religion, etc – will no longer be commissioned. Many of these are smaller, SMEs in the nations and regions. Fewer jobs and economic benefits for the UK as a whole	Reduction in new original UK PSB content will be detrimental for UK audiences. Reduced range and choice for audiences. More international acquisitions will reduce the relevance of content for UK audiences. Weaker representation of the UK.
News	Independent, distinctive, trusted news and current affairs and investigations, including excellent international content which is one of C4 News' strengths.	Reduced investment in more expensive aspects of news.	More studio which is cheaper, fewer location reports and investigations, less international content. A reduction in the diversity of supply of high quality PSB news. A reduction in online news content designed to engage younger adult and diverse audiences.		Democratic engagement could be reduced, especially among key younger and diverse audiences for whom C4 News is popular. Reduction in the range and plurality of high quality news in the UK which would be detrimental for citizens.
Audience Choice	C4 especially excels at engaging younger and more diverse audiences with innovative content.	A commercial owner will aim to attract the largest audience possible. They will provide a more mainstream commercial offering, taking fewer risks and innovating less. Less popular content will be dropped.	Reduction in the range of new original PSB content choice for audiences. Less creative innovation. Less risky, challenging content which is one of C4's hallmarks. Less content which appeals to younger and diverse audiences.		A reduction in PSB content which opens our eyes to new topics and attitudes. A reduction in content which particularly appeals to younger adult and diverse audiences. A reduction in innovative and challenging content which is beneficial societally.
Changing the Publisher-Broadcaster model	C4 worked with nearly 300 production companies in 2020. It especially supports SMEs and new entrants. Benefits UK economy by providing 10,000 jobs and encouraging growth in the creative industries.	Work with established producers to minimise risk and transaction costs and rationalise operations; likely to be based in the south east. In-house production and possible renegotiation of Terms of Trade to retain more IP.	Reduced range of voices and perspectives on air. Less regional and national production. Reduced representation of the UK's nations and regions.	Reduced investment in the nations and regions, especially in SMEs and new production companies. Reduced investment in training. Renegotiation of the Terms of Trade will be detrimental to independent producers.	Having content provided by fewer independent producers, especially new and smaller companies, will lead to a reduced range of perspectives on air which will lead to less audience exposure to new ideas and new voices. Reduced representation of the UK on screen

Figure 1: Comparison of public and potential private characteristics of Channel 4 and the potential impacts of privatisation.

26. VLV believes that if Channel 4 is acquired by a commercial company this will lead to a reduction in choice, quality and the societal benefit of British content for audiences. Likely outcomes of privatising Channel 4 include:

27. **Less innovation:** VLV predicts that if Channel 4 is taken into private ownership its approach to programming will be less risk-taking and audiences will be exposed to fewer innovative programmes in order to maximise commercial income.

28. **Reduction in UK original culturally specific content:** VLV predicts that there will be less culturally-specific British content commissioned because this will be more difficult to sell internationally. UK original content will be replaced by acquisitions and repeats which cost less. This will mean a reduction in the telling of British stories, a key ingredient of our current successful Public Service Broadcasting system. There will be a reduction in investment in current affairs, news and other less commercially attractive programming.

29. **Reduction in the range of content:** Overall the decline in less commercially attractive

genres of content will lead to a reduced range and diversity of content available to audiences.

30. **Reduction in spend on content:** There are no requirements in the Channel 4 licence specifying how much it should spend on content, except for the requirement to spend 30% of its expenditure on programmes for the Channel 4 main channel outside the M25.¹⁰ Channel 4 currently spends 70% of its income commissioning new content. It is notable that Channel 5 and ITV commit a lower proportion of their revenues to content than Channel 4 does and VLV considers it likely that a commercial owner will minimise costs wherever it can to maximise profits.
31. **Decline in UK independent production:** VLV believes that in order to attract a buyer Channel 4's publisher-broadcaster model will be partially or fully abandoned. A commercial owner is unlikely to agree to the existing model because it will want to retain the intellectual property rights of content to maximise distribution income. It will also want to produce its own content for the same reason. PACT predicts that the independent sector is at risk of losing £3.7bn over the next decade if Channel 4 is privatised¹¹. Such a change will be detrimental for the UK economy.
32. **Fewer commissions for new, smaller independent producers:** Channel 4's focus on supporting smaller production companies, which would not be awarded commissions by other broadcasters, is particularly valuable because it provides opportunities for new entrants to the sector. EY research, commissioned by Channel 4, forecasts that there will be a reduction in revenues for small and medium sized production companies of up to 16%¹².
33. **Reduction of content representing the Nations and Regions:** VLV predicts that a commercial broadcaster will rationalise its operations, focus its relationships with better established producers and aim to reduce transaction costs. The better established production companies all have headquarters in London and the south east. VLV notes research from EY which forecasts that spend in the nations and regions could fall by 37%¹³. Such a reduction is likely to reduce representation of the nations and regions of the UK and the diversity of perspectives on screen.
34. **Reduction of investment in training:** Since 2015, Channel 4's training and skills work has involved over 10,000 people. VLV is concerned that a private corporation will reduce costs and have less interest in providing support to train new entrants in the TV production sector. The publicly owned model allows Channel 4 to prioritise public benefits, such as investment in training, especially for young people from socio-economically disadvantaged backgrounds.
35. **A dilution of Film4's distinctively British content:** Film 4's current commissioning priorities are "stories with contemporary relevance, based around British-led talent or content", and "distinctive voices and work that aims to push the boundaries, within any given film genre"¹⁴. A commercial owner is likely to orient its film commissioning towards generic content aimed at international audiences rather than innovative, British-led film making which reflects UK culture and issues.

¹⁰ https://www.ofcom.org.uk/_data/assets/pdf_file/0017/7073/c4licence.pdf

¹¹ *C4 sale could cost indies £3.7bn in a decade*, Broadcast, 8 September 2021

¹² *Assessing the impact of a change of ownership of Channel 4*, EY, September 2021

¹³ Ibid.

¹⁴ <https://www.channel4.com/commissioning/4producers/film4/film4-faqs>

36. **An increase in competition for the middle ground between the PSBs:** A private owner will aim to maximise its profits and not prioritise innovative public service content which is less commercially successful. This will result in less distinctive public service, creative and innovative content. In the past C4's innovation has led other broadcasters to take greater creative risks.
37. **Advertising sales' houses:** If a UK broadcaster buys Channel 4 there will be a reduction in competition in advertising sales houses, which will be detrimental to the advertising market and UK commercial broadcasting more generally.
38. **Over-reliance on foreign global giants:** If Channel 4's publisher-broadcaster model is abandoned, British independent producers will become 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 maintaining the UK production industry and this puts the UK production industry at greater risk.

CONSULTATION QUESTIONS

1. **Do you agree that there are challenges in the current TV broadcasting market that present barriers to a sustainable Channel 4 in public ownership? Please provide supporting evidence.**
39. VLV considers Channel 4 to be financially sustainable in the mid-term and that its longer term sustainability is dependent on the successful implementation and evolution of its digital Future 4 strategy launched in November 2020.
40. VLV agrees that there are challenges for Channel 4 in the current market but that these challenges apply to all the public service broadcasters. VLV does not believe that if Channel 4 were acquired by a commercial company this will help it overcome the challenges it faces.
41. VLV identifies the most significant challenges for the PSB system as follows:
- Shift of viewing to on-demand, online and subscription, especially among younger audiences
 - Inflation of production costs largely driven by the global players¹⁵
 - The power of prominent American technology companies: Facebook, Amazon, Apple, Netflix, and Google.
42. **Linear TV Viewing:** While there is a decline in linear viewing which will impact on Channel 4's income from linear TV advertising, VLV believes the government has overstated the speed of this trend and the impact it will have as Channel 4 shifts its focus to its digital advertising platforms.¹⁶
43. Live TV still commands 57% of all time spent with the TV set in the UK and 79% of broadcast content viewed on television is watched live, with a further 8% seen later on the same day¹⁷. And, as is highlighted in the consultation document, the share of Channel 4's

¹⁵ Ofcom 2021 [Recommendations to Government on the future of public service media](#)

¹⁶ The total weekly reach of linear TV for individuals remains high at 85.5%. (ThinkBox Monthly TV viewing Report June 2021). TV and BVOD viewing remains strong in lockdown (vs. pre lockdown) As time spent watching increases, TV and BVOD (combined) have seen an 11% increase in daily minutes from pre-lockdown (ThinkBox report based on IPA touchpoint data).

¹⁷ *Television Viewing: Most is still watched Live*, Enders Analysis, 20 July 2021

linear channels has remained remarkably robust since 2010 with only a drop of 1.1% on the main channel and 1.4% in the portfolio in a decade¹⁸. VLV notes that in July 2021 Claire Enders said ‘I think we can see a lot of longevity in the advertising model in the UK’¹⁹.

44. **The PSB Challenge:** VLV welcomes the government’s clear commitment to support PSB, a ‘concept that TV has the opportunity to contribute to the cultural, economic and democratic life of the United Kingdom... but for reasons including market failure will not not achieve this effectively without a robust regulatory framework.’²⁰
45. The PSBs are mandated to provide a range of content which puts them at a disadvantage against fully commercial platforms and channels. Their provision goes beyond mainstream drama and entertainment; a proportion of the the content they broadcast has to be new and original; they have to commission a minimum percentage of their content from independent producers across the UK to support the creative industries; they have to provide news and current affairs and UK children’s programmes among a range of other content. Channel 4 and the BBC have additional commitments in their Licence and Charter respectively.
46. While some PSB content is not commercially successful, viewing during the pandemic demonstrated the important value and benefits that audiences look for in PSB, with particular increases in audiences seeking out television news²¹. The global streaming services may have entertained UK audiences during this period with international drama and entertainment programming, but most of this content is not culturally specific to the UK, its nations and regions, and does not reflect our lives in the UK. The streaming services did not provide content to inform or educate citizens in the UK during the Pandemic – an especially important PSB responsibility at a time of local lockdowns and widespread disruption of schooling.
47. In this context it is more important than ever that the government supports the provision of high quality UK PSB content to maintain national identity and reinforce UK democracy. Instead of undermining the PSB system by privatising Channel 4, which will reduce the volume and nature of PSB content and destabilise the PSB system, it is crucial that the government supports all the PSBs with greater regulatory certainty so they are able to continue to provide high quality culturally specific UK content for citizens. Audiences need content which is relevant to their lives at a time when UK national identities are shifting, the UK is forging a new path globally following Brexit and access to accurate information has never been more crucial. Channel 4’s provision is an essential element of PSB in the UK, especially because it is particularly popular among younger, more diverse audiences²², a sector which feels underserved by PSB. Channel 4 provision needs to be maintained fully without any dilution.

Channel 4 Sustainability

48. VLV notes that the consultation bases its conclusions on Channel 4’s sustainability on its historic over-reliance on TV advertising income. VLV does not consider that the government has taken adequate account of Channel 4’s so far successful digital strategy which aims to diversify Channel 4’s income.

¹⁸ *Consultation on a potential change of ownership of Channel 4 Television Corporation*, DCMS, 8 July 2021, Pg.10

¹⁹ Clare Enders video presentation July 2021 - <https://vimeo.com/583389291/888a340c55>

²⁰ *Consultation on a potential change of ownership of Channel 4 Television Corporation*, DCMS, 8 July 2021, Pg.16

²¹ Ofcom 2021 *Recommendations to Government on the future of public service media*

²² Channel 4’s is the youngest profiling PSB, with double the young audience share of BBC. 80% of UK 16-24 year olds are signed up to All 4, which has a record 1.25bn streams in 2020. *Channel 4 Annual Report, Statement of Media Content Policy 2020*, 22 June 2020, Pg. 46

49. Channel 4 has led the way among UK broadcasters in diversifying its income stream and implementing a forward-looking digital strategy which means it is becoming increasingly less reliant on linear TV advertising as its primary source of income. Just over a quarter of its revenue in 2020 came from sources other than TV advertising²³. Its focus is on digital growth over linear ratings, reducing the C4C's reliance on linear TV advertising income with the goals to double All 4 viewing by 2025, for digital advertising to be at least 30% of total revenue by 2025 and non-advertising income to be at least 10% of total by 2025²⁴. VLV notes specific ongoing projects which include the Emerging Indie Fund and the Indie Growth Fund, Channel 4 Ventures, and the Global Format Fund. Its digital strategy is more developed than that of the other commercial PSBs, ITV and C5, both of which are privately owned.
50. Channel 4's current finances are healthy, ending the year 2020 with a record financial surplus of £74 million. Although this was achieved by reducing their content budget by £150 million, this was in the context of a global pandemic which affected the entire television sector. While revenues from linear television advertising are declining,²⁵ privatisation will not help address this challenge and privatisation will add the additional financial burden of generating profits for shareholders.
51. VLV is confident that if Channel 4 successfully implements and develops its Future 4 strategy so that it evolves with market developments then Channel 4 will be sustainable with its current remit and operating model.
52. **Access to Capital:** The consultation document states that Channel 4 needs access to capital in order to grow. While privatisation could provide access to private capital which would allow Channel 4 to invest more in digital development, for example, VLV questions whether this is necessary. Channel 4 currently has a strong balance sheet and its digital strategy is credible; it has never drawn on the borrowing facility provided by the government and has not asked for the limit on its borrowing to increase. In any case were Channel 4 in need of additional capital - which would ultimately benefit audiences as well as the UK in the form of additional income for the UK's creative industries - its current owner, the UK government, has cheaper access to capital than any potential future owner would have.
53. **Strategic partnerships:** The government suggests that Channel 4 needs to be part of a larger media conglomerate to improve its ability to form strategic partnerships and maximise acquisition opportunities. VLV does not believe this to be the case. Channel 4 has already established successful partnerships with global media companies; these were formed on the basis that Channel 4 is small enough not to pose a threat to global players which means they feel more able to work in partnership.
54. **Agility:** The consultation document states that 'third party ownership...could allow Channel 4 to...be more agile than is possible under public ownership'²⁶. VLV disagrees with this view. While VLV acknowledges that if Channel 4 were acquired by a commercial company it would have potential access to capital from its larger parent company, thus not having to approach the government for support, we believe that privatisation would also make Channel 4 less agile because under the ownership of a commercial company Channel 4 will be beholden to the strategies and creative direction of its parent company, which will have its own priorities, and this would restrict Channel 4's activities and creative priorities.

²³ Channel 4 Annual Financial report and statements year ended 31 December 2020, pg. 7. 17% income from digital advertising, 9% from non-advertising revenue.

²⁴ <https://www.channel4.com/corporate/future4>

²⁵ Ofcom 2021 [Recommendations to Government on the future of public service media](#)

²⁶ Consultation on a potential change of ownership of Channel 4 Television Corporation, DCMS, 8 July 2021, Pg.10

2. Would Channel 4, with a continued public service broadcasting licence and remit, be better placed to deliver sustainably against the government's aims for public service broadcasting if it was outside public ownership? Please provide supporting evidence.

55. VLV notes that the government's aims for Public Service Broadcasting, as set out in the Communications Act 2003, are: the provision of diverse, high-quality, accessible programming on a free-to-air basis. Channel 4's remit also commits it, among other responsibilities, to demonstrate innovation and distinctive character in its programming.²⁷
56. VLV believes that the only way Channel 4 will be able to deliver the government's aims for Public Service Broadcasting is if it remains in public ownership, retaining its remit and publisher-broadcaster model. This is the only way it will continue to provide the same volume and nature of innovative PSB content as it does now, by reinvesting surpluses into PSB content and supporting the UK's independent production sector. As stated above in response to question 1, VLV believes that Channel 4 will be sustainable, while retaining its remit and publisher-broadcaster model, if it successfully implements its Future 4 strategy and evolves to adapt it to the market.

Why a privatised Channel 4 would not be able to deliver the government's PSB goals

57. If Channel 4 were acquired by a commercial company its motivation will necessarily be to maximise profits for the benefit of its shareholders which will limit its ability to deliver its existing remit and make it less inclined to support the UK's creative industries.
58. A privately-owned Channel 4 would be less able to continue to deliver against the government's aims for PSB for the following reasons:
- a) **Motivation:** The privatisation of Channel 4 will change the motivation of the corporation from being one which is dedicated to serve the public interest to one which is necessarily motivated to serve its shareholders, providing them with a return on their investment which VLV predicts would result in increased investment in commercially successful content. As a publicly-owned broadcaster Channel 4 is able to commission less commercially successful programmes, such as documentaries and current affairs, which are cross-financed by more commercially successful content, such as *Bake Off* or *Gogglebox*. This means it can also take greater risks with emerging talent and new, innovative content.
 - b) **PSB Choice:** Viewer choice will be reduced because a commercial operator is likely to favour programmes which appeal to the widest possible audience to maximise advertising revenue. If Channel 4 becomes more commercially oriented in this way, its distinctiveness as the UK's 'alt-mainstream' PSB will be reduced and the range and choice of content available for UK audiences across the PSB channels will be reduced. VLV predicts that if Channel 4 is acquired by a commercial company its approach to programming will be less creative; there will be a reduction in investment in current affairs, news and other less commercially attractive programming; it will take fewer risks and audiences will be exposed to fewer innovative programmes in order to maximise commercial income.
 - c) **UK culturally-specific content:** If Channel 4 is taken into private ownership VLV predicts that there will be less culturally specific British content commissioned because this will be

²⁷ Consultation on a potential change of ownership of Channel 4 Television Corporation, DCMS, 8 July 2021, Pg.9

more difficult to sell internationally. This will lead to a reduction in original new UK content which tells British stories, a key ingredient of our current successful Public Service Broadcasting system.

- d) **Reinvestment of surplus:** There will not be guaranteed reinvestment of surplus into content for the benefit of audiences as there is currently, which will reduce Channel 4's ability to deliver its public service remit.
- e) **Minimising Costs:** In order to maximise profit a commercial broadcaster is likely to cut production costs which will lead to a reduction in the quality and volume of new original UK content on air. VLV predicts there will be an increase in cheaper content such as international acquisitions and repeats which would be detrimental for audiences and the UK independent production sector.
- f) **Publisher-Broadcaster model:** A new owner will not favour the publisher-broadcaster model because this will prevent it from maximising a return on investment in content through secondary sales of IP. A new owner will try to dilute the publisher-broadcaster model or renegotiate the Terms of Trade so it can retain more intellectual property rights in the commissions it funds. It will also be likely to want to produce content in-house so it can retain 100% of the IP, a point John Whittingdale highlighted at the Edinburgh International Television Festival in August 2021 saying, 'If Channel 4 were acquired by an owner that did have an in-house production facility, then obviously, they will be able to use it'²⁸. All these changes would be to the detriment of independent producers and undermine the creative industries sector.
- g) **SME producers:** A commercial owner will be likely to commission content from a smaller number of more established producers to rationalise its operations, minimise commissioning risks and transaction costs. EY research, commissioned by Channel 4, forecasts that there will be a reduction in revenues for small and medium sized production companies of up to 16%²⁹. It will be likely to prioritise relationships with better established production companies, most likely with their headquarters based in the south east of England, which will reduce the diversity and number of production companies Channel 4 commissions from. This in turn will reduce the range and diversity of output on Channel 4.
- h) **Gaming the remit:** A commercial broadcaster will consider the remit and quotas to be too restrictive, which will lead to it 'gaming' the remit and quotas to maximise profit. In recent years, Channel 4 has exceeded and extended its public service quota obligations, while privately-owned ITV and Channel 5 have both sought to reduce their quotas citing commercial pressures. It therefore seems likely that a commercial buyer will only be interested in the Channel if the existing remit was diluted, leaving audiences worse off.

3. Should Channel 4 continue its contribution to levelling up the regions and nations of the UK through retaining a presence outside London and a strengthened regional production remit? Please provide supporting evidence.

59. As the government's 'levelling up' agenda recognises, the concentration of UK economic activity is in London and the south east, which is detrimental to the country as a whole. The

²⁸ <https://www.broadcastnow.co.uk/channel-4/john-whittingdales-c4-views-in-full/5162789.article>

²⁹ *Assessing the impact of a change of ownership of Channel 4*, EY, September 2021

TV and film industry is similarly concentrated³⁰. VLV strongly supports greater regional economic development, in line with the government's ambitions.

60. Channel 4 should continue its work supporting employment and production in the regions and nations of the UK. VLV believes that if Channel 4 is acquired by a commercial company this will undermine its contribution to the levelling up process, because a commercial broadcaster will rationalise its operations, minimise commissioning risks and transaction costs. As stated above, it is likely to prioritise relationships with better established, larger producers who are mostly based in London or the south east. VLV notes research from EY which forecasts that spend in the nations and regions could fall by 37% if Channel 4 is passed into private ownership³¹.
61. Channel 4 plays an important role in redistributing wealth around the country through its commissioning of independent producers outside the south east.³² It consistently over-delivers on its nations and regions targets³³ and has voluntarily increased its content budget target in the Nations and Regions to 50% by 2023. In 2019 it contributed £274m to the regional economy representing 30% of Channel 4's indirect and induced GVA contribution to the UK³⁴ and generated £65m of GVA in the devolved Nations (Scotland, Wales, and Northern Ireland), representing 24% of the indirect and induced GVA it generated in the Nations and Regions.³⁵
62. VLV welcomed Channel 4's '4 All the UK' strategy, devised as a result of the last government review of Channel 4's operating model in 2017. The relocation of Channel 4's headquarters to Leeds, the creation of the Glasgow and Bristol creative hubs and Manchester sales hubs are welcome moves, along with its Emerging Indie Fund, Indie Growth Fund and Indie Accelerator, as well as its 4Skills programmes which are supporting people outside London to enter the creative industries.
63. As well as focusing on Channel 4's financial contribution to producers in the nations and regions, it is also important to look at the *volume* of content produced in the nations and regions because content made all around the UK is more likely to be more representative of the population. 58% of Channel 4's hours were produced in the nations and regions in 2020, representing 47% of its expenditure on first-run originated programming.³⁶
64. Central to the Channel 4 strategy has always been support for new, emerging independent producers, which has been instrumental in encouraging growth in the creative industries, as well as encouraging the provision of innovative and more distinctive content from new entrants to the production sector. VLV would wish Channel 4's commitment to smaller, new independent producers to continue in the future.
65. The growth of the streaming sector makes it even more important that Channel 4, along with the other public service broadcasters, commissions content from sources across the UK. Research has shown that even when programmes commissioned by global streaming services are set and produced in the UK, they are less culturally-specific because they are

³⁰ In 2020, 52.5% of the UK's public service broadcasters' budgets were spent inside the M25. *Programming outside the London bubble*, Enders Analysis, 16 July 2021

³¹ *Assessing the impact of a change of ownership of Channel 4*, EY, September 2021

³² Channel 4 has increased the proportion of its content spend originating outside of London over the past decade from 39% in 2010 to 47% in 2020. *Programming outside the London bubble*, Enders Analysis, 16 July 2021

³³ *Channel 4's contribution to the UK*, EY, April 2021

³⁴ Ibid.

³⁵ Ibid.

³⁶ *Channel 4 Annual Report 2020*, 22 June 2021, pg.100.

aimed at an international audience.³⁷ This trend will inevitably lead to reduced representation of life and issues in the nations and regions outside of London.

4. Should the government revise Channel 4's remit and obligations to ensure it remains relevant in an evolving broadcast market? If yes, what changes should be made (which could include new freedoms or changes to its obligations)? Please provide supporting evidence.

66. The consultation document makes no strong commitment to retaining the current Channel 4 remit on origination or Nations and Regions programming and it appears that the government is considering altering the remit.

67. VLV notes that at the recent Edinburgh International Television Festival, the Minister of State, John Whittingdale, said there are a number of areas where the remit could be changed.³⁸

Channel 4 remit

68. As well as Channel 4's quotas for news, original productions, independent productions, schools etc., it has responsibilities which are more qualitatively assessed, namely:

- Demonstrates innovation, experiment and creativity in the form and content of programmes
- Appeals to the tastes and interests of a culturally diverse society
- Exhibits a distinctive character

Channel 4 splits its public service remit into four aspects:³⁹

- To champion unheard voices
- To innovate and take risks
- To inspire change in the way we lead our lives
- To stand up for diversity across the UK

69. The more qualitatively assessed commitments, alongside its quotas, are instrumental in influencing Channel 4's distinctive output.

70. VLV believes it is important that the remit which applies to Channel 4, its portfolio channels and digital output remains in place to ensure that Channel 4 continues to provide a distinctive offering, less constrained by commercial pressures, focusing on culturally-specific innovative PSB content for the benefit of audiences. Channel 4 plays a crucial role in the UK's Public Service Broadcasting system by providing alternative mainstream innovative British PSB content. As stated above, this content especially attracts younger adult and more diverse audiences who don't feel as well served by the other public service broadcasters so it is important that it is maintained.

71. VLV believes that in some respects the remit could be strengthened to ensure better delivery of market failure genres such as arts, religious content and international content which have all declined significantly on Channel 4 during the past decade⁴⁰. VLV believes

³⁷ [Outsourcing culture: When British shows aren't 'British'](#), Enders Analysis, 9 March 2021

³⁸ <https://www.broadcastnow.co.uk/channel-4/john-whittingdales-c4-views-in-full/5162789.article>

³⁹ <https://www.channel4.com/corporate/about-4/what-we-do/channel-4sremit>

⁴⁰ *Future models for the delivery of public service broadcasting*, Mediatique, December 2020, Figure 4.22

this is the only way to ensure a range of high quality free to air public service content is maintained for the benefit of audiences.

72. The consultation states that one of the original reasons for creating Channel 4, to provide an alternative to the BBC and ITV, is no longer relevant because 'choice is no longer a problem'⁴¹ since audiences have access to so much content through a combination of free to air TV, streaming and pay subscription services. As stated above, VLV disagrees that 'choice is no longer a problem'. Choice and range of high quality UK PSB content *is* a problem. Investment in PSB content has been declining since 2010 as BBC funding and advertising income for the commercial PSBs have both declined significantly.⁴² This decline has partly been offset by international co-production funding, but such financing inevitably dilutes the UK-specificity of content because if it is to attract international investment content needs greater international appeal. The reduction in PSB income has led to a reduction in investment⁴³ especially in genres which are less commercially viable such as religious programming, children's content, local and regional broadcasting. Mediatique research shows this trend is likely to continue in the coming 5-10 years unless regulatory changes are instituted.⁴⁴

73. **Younger and diverse audiences:** A notable aspect of Channel 4's role as a PSB is in attracting younger and more diverse audiences who have been migrating most quickly to global on-demand platforms which provide mostly drama and entertainment which is not culturally specific to the UK. Channel 4 is particularly popular with these audiences, with viewing by 16-34 year olds in 2020 55% higher across the C4 portfolio than the corresponding all-audience share⁴⁵ and it is therefore crucial that it continues to engage this sector of the audience with high quality PSB content which is relevant to their lives in the UK, broadens their horizons and is socially valuable⁴⁶. If these audiences do not continue to view high quality, regulated PSB content which engages them with events, culture and news about the UK that will be detrimental for UK society.

Societal value of C4: VLV considers the positive societal impacts of Channel 4's remit include:

- Support for the independent production sector across the UK which has led to employment and economic benefits as well as better representation of the UK's nations and regions.
- The provision of a diverse range of perspectives fostered by commissioning from many independent producers
- Providing audiences with new ideas and concepts, allowing a space for new voices
- Innovative content which no other broadcaster would commission
- Independent news and current affairs investigations
- Engagement with younger and more diverse audiences who are not as attracted to PSB⁴⁷.
- Engaging audiences with news and other content which is democratically valuable on social media and online video platforms⁴⁸.

⁴¹ *Consultation on a potential change of ownership of Channel 4 Television Corporation*, DCMS, 8 July 2021, Pg.3

⁴² BBC funding and advertising income down – <https://www.vlv.org.uk/news/vlv-research-shows-a-30-decline-in-bbc-public-funding-since-2010/> and PSB investment in first-run original content has fallen by 3% between 2017 and 2019 - *Media Nations Report 2020*, Ofcom, 3 November 2020

⁴³ *Communications Market Report 2020*, Ofcom, 30 September 2020, Pg. 6

⁴⁴ *Future models for the delivery of public service broadcasting*, Mediatique, December 2020, Figure 4.22

⁴⁵ *Consultation on a potential change of ownership of Channel 4 Television Corporation*, DCMS, 8 July 2021, Pg.10

⁴⁶ Channel 4 News is the youngest and most diverse profiling PSB news programme reaching a vital audience during the pandemic. *Channel 4 Annual Report 2020*, SMCP, June 22 2021, Pg.23

⁴⁷ *Channel 4 Annual Report, Statement of Media Content Policy 2020*, 22 June 2020, Pg. 46

⁴⁸ *Channel 4 Annual Report 2020*, SMCP, June 22 2021, Pg.23

- Diversity – Channel 4 has always been keen to promote diversity on and off screen and it performs better than most of the other PSBs in this regard.

74. **Assessment of the delivery of the remit:** In its Annual Report Channel 4 evidences the delivery of its non-quota commitments through qualitative research of audience perceptions. The data consistently shows that audiences value Channel 4 as the PSB which tackles issues other broadcasters wouldn't.⁴⁹ In its most recent review of Channel 4 Ofcom concluded that audiences consistently rated Channel 4 more highly than other PSB services for taking creative risks, tackling issues that other broadcasters would not and enabling alternative voices to be heard.⁵⁰

75. While Channel 4 has always largely successfully met its remit and the qualitative assessment of Channel 4's impact is a useful indicator of Channel 4's performance, such research is less robust than quantitative analysis. VLV is concerned that if Channel 4 is acquired by a commercial company there is a risk that its new owner will have less regard to the public value and societal impact of the content it broadcasts. This less robust approach to evidencing delivery of these qualitatively assessed aspects of its remit will allow a commercial owner of Channel 4 the opportunity to dilute such content Ofcom or the government being able to challenge it. Therefore VLV recommends that if Channel 4 is taken into private ownership all remit commitments should be tracked by quantitative metrics.

5. Should the government remove the publisher-broadcaster restriction to increase Channel 4's ability to diversify its commercial revenue streams? Please provide supporting evidence.

76. Channel 4's publisher-broadcaster model has played an essential economic role in increasing investment in the film and television sector since its inception. Over its lifetime it has invested £12 billion in the independent production sector, and it makes an economic contribution of £992 million per year to the UK economy, supporting 10,000 jobs in its supply chain.⁵¹

77. VLV opposes any proposal to dilute the publisher-broadcaster restriction. As stated above, VLV considers Channel 4 to be sustainable in the mid-term with its current remit and publisher-broadcaster model.

78. While the government says it wishes to retain the Channel 4 publisher-broadcaster model, VLV notes that it has not ruled out changes which may be necessary for a sale of Channel 4 to go ahead. We also note that the consultation suggests that the future sustainability of Channel 4 depends on it retaining more rights to the content it commissions; this implies that the government is considering abandoning or diluting the publisher-broadcaster model.

79. If the publisher-broadcaster model is changed to allow a new buyer to retain more rights in the content they commission or to produce content themselves, this will instead transfer value from the UK independent production industry, which is one of the UK's most successful sectors and provides thousands of jobs around the UK, to a single commercial corporation. The existence of a thriving independent production sector is both economically and culturally valuable for the UK. The benefit for audiences of Channel 4 having a wide

⁴⁹ Channel 4 scores 38% vs 8% average for other PSBs - *C4C Annual Report and Financial Statements 2020*, June 22 2021, Pg. 112

⁵⁰ *Channel 4 Corporation's performance in delivering its media content duties 2014–2018*, Ofcom, 27 February 2020

⁵¹ *Channel 4's contribution to the UK*, EY, April 2021

range of producers is that it increases the number of perspectives they are exposed to; it improves representation of the UK population on screen; and it encourages new voices and innovation.

80. VLV believes that the government's analysis in the consultation document underestimates Channel 4's contribution as a publisher-broadcaster to the UK, both economically and societally, because its analysis is limited to its overall financial contribution (15% of the independent production sector's revenue)⁵². This analysis does not take into account the volume of content commissioned and the impact it has. For example, a drama such as *It's a Sin*⁵³ has had a far greater societal impact in the UK than an SVoD series on Netflix, such as *Sex Education*, also produced in the UK but not reflective of UK culture, which costs significantly more to produce.
81. The analysis also does not take into account the secondary value of its commissions to producers who can then sell the programmes internationally. Channel 4's model underpins the UK production ecology, allowing independent producers to retain IP and export rights globally, providing income streams that have been a catalyst for growth.
82. While not being able to retain the IP in the content it commissions is a limitation on Channel 4's ability to generate income through international sales of content, VLV considers the publisher-broadcaster model brings more economic and cultural benefits to the UK than would be derived from removing this restriction. If it is removed this will reduce the range of independent producers providing content for Channel 4 which will narrow the range of content and perspectives available for audiences as well as undermining the success of the UK's creative industries.

Reasons for not removing the publisher-broadcaster restriction

83. **Multiplier effect:** The multiplier effect of Channel 4's publisher-broadcaster model is at the heart of Channel 4's success. It has driven the growth and export success of the UK's independent production sector. In 2019 C4C spent £496m (£370m in 2020 having reduced its investment due to the pandemic) with UK external production companies.
84. **Transfer of value away from thousands of UK companies:** Removing or diluting the publisher-broadcaster model will result in a transfer of value from the independent production sector to a single corporation. VLV notes EY research which estimates that £2bn would be transferred during the next decade⁵⁴. While this would mean that in principle Channel 4 could commission more content from producers because of its increased income from IP, this is not guaranteed if Channel 4 is acquired by a commercial company. Such a move will run counter to the government's plan to *supercharge the creative industries*⁵⁵ and its Plan for Growth in which levelling up and encouraging new businesses are key aims⁵⁶.
85. **Reduction in the range of content:** Removing or diluting the publisher-broadcaster model will have a detrimental impact on audience experience. If Channel 4 reduces the number of independent producers it commissions from, this will reduce the range and diversity of content on air. Fewer new, challenging and alternative views will be seen; the diversity and range of content is likely to be reduced; as stated above, fewer programmes from the

⁵² Consultation on a potential change of ownership of Channel 4 Television Corporation, DCMS, 8 July 2021

⁵³ <https://inews.co.uk/news/health/its-a-sin-hiv-aids-testing-awareness-879148>

⁵⁴ Assessing the impact of a change of ownership of Channel 4, EY, September 2021

⁵⁵ Consultation on a potential change of ownership of Channel 4 Television Corporation, DCMS, 8 July 2021, Pg.4

⁵⁶ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/968403/PfG_Final_Web_Accessible_Version.pdf

nations and regions are likely to be commissioned which which will reduce representation of the UK on screen. This reduction in the nature and range of content will reduce the public value of Channel 4's output.

6. With reference to supporting evidence, what would the economic, social and cultural costs and benefits of Channel 4 moving out of public ownership be on:

Many of these responses duplicate what has already been stated above, so we have summarised our responses for the sake of brevity.

a) Overall audience experience?

86. VLV believes that privatisation of Channel 4 will have a negative impact on audience experience because, as stated above, it is likely that Channel 4 output will become less distinctive and more commercially mainstream, aiming to attract the largest possible audience to maximise commercial success.

87. Cultural/Social costs:

- a) Channel 4 will become less innovative and risk-taking, less likely to commission content from new, untested voices and small production companies.
- b) There will be a reduction in the investment of key PSB genres which attract smaller audiences.
- c) There will be more repeats and acquisitions
- d) Communities across the UK will be less well represented because a commercial owner will be less concerned with serving minority audiences.
- e) There will be less overall choice in PSB content for audiences, especially for young adult audiences and diverse audiences who are currently underserved by PSB.

88. Democratic cost:

- a) Audiences will have reduced access to a key PSB news and current affairs provider as a privately-owned Channel 4 will be less likely to invest in news and current affairs, which are amongst the most expensive programmes to produce. This will especially apply to younger and more diverse audiences, among whom Channel 4 News is particularly popular.
- b) News will become more studio-based because that is cheaper and there will be fewer investigations because they are costly. There is likely to be less international coverage, which has been one of the strengths of Channel 4 News.
- c) As a result UK citizens will be less well informed and are likely to be less democratically engaged.

89. Economic costs:

- a) There will be a reduction in commissioning from independent producers as a commercial owner will prioritise in-house production to maximise IP exploitation.
- b) There will be increased commissioning from larger, established production companies to reduce risk and transaction costs. This will mean fewer commissions for smaller and newer production companies.
- c) As stated above in response to Question 3, there will be less commissioning from the nations and regions.
- d) A commercial owner will potentially attempt to revise the Terms of Trade to increase Channel 4's share of IP.

b. The Channel 4 Television Corporation itself?

90. Keeping Channel 4 Television Corporation in public ownership helps to ensure it can meet its public service obligations less constrained by commercial pressures.
91. As stated above, VLV believes that the underlying motivation of any broadcaster influences its creative decisions. VLV considers one of the primary benefits of the publicly owned model is that it reinforces Channel 4's public service motivation. If Channel 4 is taken into private ownership, this will lead to commercial priorities driving its creative processes. If it remains publicly owned, its motivation will be to balance its sustainability with its responsibility to deliver publicly valuable content for the benefit of audiences.

c. Investment in the independent production sector?

92. VLV notes forecasts by PACT⁵⁷ and EY⁵⁸ that investment in the independent production sector will decline significantly if Channel 4 is privatised.
93. As stated above in response to Questions 3 and 5, VLV predicts that investment in the UK's creative industries is likely to decline because:
- a) A commercial owner will want to renegotiate the Terms of Trade.
 - b) It will want to rationalise its operations and reduce transaction costs.
 - c) It will want to reduce production costs.
 - d) It is likely to want to produce its own content to retain 100% of the IP which will mean less investment in the UK's wider creative economy.
 - e) A commercial owner is likely to rely on tried and tested TV formats, international dramas, and other lower cost content in order to maximise profits.
 - f) It is also likely to prioritise commissions from larger, established production companies.
 - g) This will lead to a concentration of investment in larger independent producers which will reduce opportunities for SME and new entrants to the creative industries sector.

d. Investment in the independent film sector?

94. Channel 4 spends more on British film than any other UK broadcaster, investing £25m-£30m a year across a portfolio of films, and Film4 has been a huge global success - its films have collectively won 37 Academy Awards. Film 4's current commissioning priorities are "stories with contemporary relevance, based around British-led talent or content", and "distinctive voices and work that aims to push the boundaries, within any given film genre".⁵⁹ Because Channel 4 has no obligation to return a profit it can focus on commissioning original, distinctive content from smaller British film companies which a more commercially oriented operator might not.
95. As with general TV commissioning, a commercial owner is likely to orient its film commissioning towards generic content aimed at international audiences rather than innovative, British-led filmmaking. This will not necessarily mean that it will reduce its investment in the UK's independent film sector, but it will mean less distinctive UK film content which would be detrimental for audiences, both in the UK and around the world.

⁵⁷ *C4 sale could cost indies £3.7bn in a decade*, Broadcast, 8 September 2021

⁵⁸ *Assessing the impact of a change of ownership of Channel 4*, EY, September 2021

⁵⁹ <https://www.channel4.com/commissioning/4producers/film4/film4-faqs>

e. The TV advertising market?

96. VLV considers the most likely buyer for Channel 4 will be another UK broadcaster.
97. If ITV were to buy Channel 4 this will consolidate half of all advertising watched on television and over 70% of revenue, which raises significant competition issues.
98. A sale to Sky, Channel 5 or STV will result in a reduction of major advertising sales houses from three to two, so this would be also detrimental to competition.
99. VLV notes that the ISBA is opposed to the privatisation of Channel 4. Paul Smith, Director General of the ISBA, said in July 2021, "The UK is already a three-legged stool and a UK buyer will cause competition concerns for the fragmented advertiser community...And locally-produced content resonates with audiences. A proliferation of content created for a global audience at the expense of local audiences would also prove a concern".⁶⁰

f. Investment in the creative industries sector more widely?

100. As stated above in response to question 6(c), if Channel 4 is acquired by a commercial company VLV anticipates that this will lead to a decline in commissioning from independent producers which will impact on the creative industries more widely, which will lead to a reduction in the number of production companies, especially smaller ones, and economic decline in a sector which has been growing five times faster than the national economy according to the government.
101. VLV notes the forecast by EY that the annual number of TV supported roles will drop by 26% if Channel 4 is taken into private ownership from 9500 to 7000, with a reduction of 35% of jobs in the nations and regions.⁶¹
102. Privatisation could also lead to a reduction in investment in skills and training in the creative sector. Since 2015, Channel 4's training, skills and outreach work has benefitted over 10,000 people. In 2020, Channel 4 launched 4Skills, a skills and training programme which is run out of Leeds and is providing opportunities for young people from socio-economically disadvantaged backgrounds across the UK to get into the media who otherwise may not be able to. It also works with organisations across the UK to support learning and development across the sector.

g. Competition between Channel 4 and other PSB and non-PSB channels?

103. If Channel 4 is acquired by a commercial company its output is likely to become less distinctive as it aims to attract the largest possible audiences to maximise advertising income. As a result it is likely to become increasingly similar to the other PSBs. This will lead to greater competition for mainstream audiences between Channel 4 and other UK commercial broadcasters.
104. Audiences are best served when different channels and platforms compete on the basis of quality, rather than how much money they generate. Channel 4 was set up with a distinct remit to provide content for groups that were not being served by the BBC and ITV,

⁶⁰ <https://www.broadcastnow.co.uk/channel-4/major-advertising-body-pans-c4-privatisation/5162091.article>

⁶¹ *Assessing the impact of a change of ownership of Channel 4*, EY, September 2021

as well as to invest in the independent production sector as a publisher-broadcaster. As the broadcasting market has become more competitive all the PSBs have had to work harder to maintain their share. Privatisation will only increase this competition. Privatisation will only force Channel 4 to become more commercial, undermining its distinctiveness.

105. In terms of non-PSB channels, competition is largely genre specific. For news and current affairs (where the main competitor is Sky News), privatisation will almost certainly result in a reduction of investment. In terms of drama, Channel 4's competition increasingly comes from streaming services, especially as both seek to appeal to younger audiences. Here the Channel will inevitably be outspent, and privatisation will not solve this challenge. However, as the success of *It's a Sin* demonstrated that, when Channel 4 focuses on providing high quality content tailored for UK audiences, it is currently well able to compete. Privatisation will be likely to dis-incentivise investment in this kind of content which is risky and doesn't guarantee a commercial return.

h. The regions and nations of the UK?

106. As stated above in response to Question 3, VLV believes that investment in and representation of the nations and regions of the UK will be detrimentally affected if Channel 4 is acquired by a commercial company.

107. VLV notes EY research which forecasts that there will be a 37% decline in spend in the nations and regions if Channel 4 is taken into private ownership.⁶²

108. VLV does not believe that a commercial owner will fulfil Channel 4's existing commitment to the 4All the UK strategy because it will be likely to commission from existing established producers which are based in the south east to rationalise operations, minimise risk and transaction costs.

109. If fewer producers in the nations and regions are commissioned to make content this will have a detrimental impact on the range and diversity of content on screen. The UK and its people will be less well represented and there will be a narrower range of perspectives presented which will reduce the public value of Channel 4's output and impact on audiences.

⁶² *Assessing the impact of a change of ownership of Channel 4*, EY, September 2021