TAC

Teledwyr Annibynnol Cymru
Welsh Independent Producers

Response to DCMS consultation on a change of ownership of

Channel 4 Television Corporation

September 2021

Respondent details

We are responding as the trade association for independent TV production in Wales.

About TAC

TAC (Teledwyr Annibynnol Cymru) is the trade association of the independent television production sector in Wales. The sector is a highly important element of the creative industries in Wales, whose collective turnover is estimated at £3.5bn,[1] providing economic, social and cultural benefits through supplying creative content. There are over 50 companies in the sector, ranging from sole traders to some of the leading players in the UK production industry. TAC members produce content for the BBC, ITV, Channel 4, Channel 5 and Sky as well as other commercial broadcasters. They produce almost all the original television and online media content for the Welsh-language broadcaster S4C, and a variety of radio productions for UK-wide networks.

Topline questions

Question 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?

No.

The current TV broadcasting landscape certainly presents challenges. There has been an increase in competition for viewers' attention via the SVoD services, in addition to the growing digital content freely available on platforms such as You Tube. Some public service broadcasters are finding it particularly challenging to attract younger viewers to its content

Succeeding in such an environment rests on a number of factors: access to high-quality compelling content; a distinctive identity in the marketplace and availability and prominence on a wide range of

[1] The size and composition of the creative industries in Wales. CLWSTWR, May 2020, p11

platforms. Channel 4 already has the available content and a distinct proposition to audiences and as we detail below, its availability is not dependent on a move to private ownership.

Looking first at its content proposition, Channel 4 has enabled the development of a thriving UK independent production sector from which to commission its content. These range from larger companies producing a range of content to smaller players focusing on one or two genres. The sector is spread around the UK, including in Wales, where Channel 4 has recently increased the number of companies from which it commissions content.

Channel 4 also has a distinct identity shaped by its public service remit and resulting focus on work with new entrants to the production sector and new individual talent, which helps it to maintain a distinctive and contemporary output. In 2020 Channel 4 worked with 274 producers around the UK, of which 37 were new suppliers. The broadcaster is particularly committed to developing new talent and supporting new businesses. In recent years, it has developed several initiatives to strengthen this support such as its Growth Fund investment programme, its BAME-led indie accelerator scheme and its Production Trainee Scheme aimed in particular to support individuals from backgrounds that are underserved and under-represented in the media industry.

We would also note its 4Skills programme, an investment of £5m to reach 15,000 young people annually with training and development initiatives, beginning in 2022. It is also planning to launch a new digital academy, including paid three-month training and work placements for young people from lower socio-economic backgrounds. Furthermore, Channel 4 has a new pan-schools engagement programme, plus it is providing new on and off-screen training for people with disabilities in advance of the Paris Paralympic Games in 2024. All of these feed into Channel 4's ability to remain distinctive. We question whether any of these initiatives would be undertaken by a privately-owned profit-driven Channel 4.

Channel 4 is publicly owned but, with all of its revenues being commercially sourced, this comes at no cost to the taxpayer. With no private shareholders or owners, all of its revenue profits are reinvested into its content and services. Its publisher-broadcaster model, its requirement to appeal to particular audience demographic and to take risks as well as provide an hour of news in evening peak time, all ensure it remains distinctive and therefore offers a USP to audiences.
In terms of availability, Channel 4's core linear channel is available at number 4 on the digital terrestrial EPG as well as the UK-based SVoD services, and its portfolio of other channels is also visible in the top channels listed on the EPG. It provides catch-up services via its All4 platform – the largest free to air streaming service in the UK. Channel 4's content and services are therefore clearly accessible to audiences.

Going forward, however, it does need to secure prominence on all streaming services available in the UK, as recommended also by Ofcom. We understand that Ofcom and the Government are currently working to implement this as part of securing additional prominence for public service broadcasters in the UK. Given that this has yet to happen, TAC's opinion is that it is not the right time to be making any change in the ownership structure of Channel 4.

Channel 4 already has a successful strategy of forming partnerships with privately owned media platforms including Sky, Netflix, TikTok and Snapchat. This enables it to reach out and ensure its content has greater impact. It also showed its ability to move quickly to secure key sports rights on more than one occasion. Two examples from 2021 are: in February, it acquired the rights to broadcast the Test Cricket series between India and England, and more recently, securing the rights to broadcast free-to-air the US Open tennis final featuring Britain's Emma Raducanu, which at its peak attracted 9.2m viewers. We believe these examples show how a privatisation would not be introducing any new advantage in terms of such strategic partnerships and ability to secure key rights at short notice.

Providing therefore that sufficient prominence is gained, which can happen whilst remaining in public ownership, Channel 4 is likely to be able to overcome any known challenges.

Question 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?

No.

Channel 4's recent Annual Report[2] showed clearly that it has recovered well from the pressures of the coronavirus pandemic: record digital advertising revenue of £161m; the highest-ever programme streaming views (1.25m, an increase of 26%); 24m viewers registered on All4, including 80% of all 16-24 year-olds and 16-34 year olds in the UK (a statistic that sets it apart from its PSB competitors); a £74m pre-tax surplus; and £201m cash reserves.

It is worth noting that, contrary to the statement by the Minister for Media & Data at the Edinburgh TV Festival that *"Channel 4 is the only channel which is completely dependent on its advertising revenue"*[3], Channel 4 also benefits from other revenues from sources such as its 4Studios unit, partnership deals and its share of rights income from content. This non-advertising revenue totalled £84m in 2020, an increase of nine per cent.

Channel 4 is therefore in a very healthy position to successfully deliver its public service remit. It has a sustainable commitment to supporting the independent sector. In our opinion it is not in need of a dramatic alteration such as placing it into private ownership. On the contrary, private ownership would likely weaken Channel 4's ability to deliver on its public service remit, dilute the uniqueness of its content and potentially damage its relationship with hundreds of producers based all around the UK.

In November 2020, Channel 4 launched its five-year 'Future4' strategy, which aims to double All4 viewing plus deliver 30% of total revenues from digital advertising and 10% from non-advertising. This strategy is already showing positive results and it would be beneficial for Channel 4 to continue to work on accomplishing those targets without the distraction of a pending privatisation, especially as it has just been through a significant reorganisation as part of its '4 All the UK' strategy.[4]

The average monthly reach of Channel 4's TV portfolio is 73%, much higher than the privately-owned Channel 5, despite Channel 5 having been bought by Viacom in 2014. Despite six years of

[2] Emerging Better Together: Channel Four Television Corporation Report and Financial Statements 2020. Channel 4, July 2021

[3] Channel 4: John Whittingdale's Views in full. *Broadcast* magazine, 27 Aug 2021.

[4] https://www.channel4.com/corporate/4-all-uk-working-across-uk

ownership by a large international media company, Channel 5 still has significantly less reach than Channel 4.

We note that Channel 5 recently argued that it should have fewer obligations to provide news output in peak time on its main channel. Ofcom has proposed to accept Channel 5's proposition, which is as follows: *"Channel 5 has requested the removal of the requirement to include at least one news programme in the mid-evening and a reduction to the requirement to include in each calendar year at least 120 hours of news programme between 18:00 and 22:30 (i.e. peak time) to 20 hours."*[5]

This shows a privately-owned PSB reducing its commitment to provide PSB news content by over 83% during the times when audiences are most likely to be watching. In contrast, Channel 4 has been running an hour-long news bulletin in peak time since its inception, without once requesting that this should be reduced.

In our opinion, there is no doubt that any private owner of Channel 4 would similarly be lobbying to reduce its PSB remit in order to increase audience share and raise greater ad revenues, which would be passed on to shareholders rather than reinvested in the UK creative economy.

Whether or not this was the case, it should be noted that it is very difficult to be sufficiently prescriptive in any written remit in order to compensate for a less public-service driven culture. So day-to-day commissioning decisions would inevitably be distorted by a new profit-drive priority even if ostensibly staying within the current remit.

Social public service value

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?

Yes.

Channel 4 has just undergone a process of transforming its structure and commissioning in order to ensure that voices around the UK are heard more on its services than ever before.

At its recent Leeds HQ launch on 6 September, Channel 4 described itself as a 'public service catalyst across the UK, with its CEO Alex Mahon saying: *"We want to accelerate Channel 4's public service impact for all corners of the UK by supporting more jobs, growing more skills and providing more opportunities to help level up the UK, create opportunities to those who might not have been able to consider a career in TV or tech, and helping create vital skills to support our regional digital and production sectors."*

Provided that equal priority is given to indigenous companies in the Nations and Regions (as opposed to sub-offices of London-based companies), using more companies based throughout the UK will provide greater benefits to local creative economies and further the levelling-up agenda. It is

[5] Request for change of licence conditions relating to the provision of news output on Channel 5: Our assessment of the request. Ofcom, 30 June 2021, p14

no surprise that concern has been voiced by many Nations and Regions' representatives about the impact on Channel 4's out-of-London strategy if Channel 4 were to be privatised.[6]

While Channel 4's executive team is clearly fully behind the 4 All the UK strategy, this has also partly been driven by a desire from the Government to have it based more outside London and represent all voices around the UK. Due to Channel 4's public-ownership status and public service remit it was able to be firmly directed to pursue an Out-of- London strategy. Such leverage would, we argue not exist with a privately-owned broadcaster, which would no doubt work to alleviate any requirements on its level of out of London spend.

Reducing out-of-London spend would serve to exacerbate effects of the pandemic on the production sector. We note that O&O's latest survey of the UK TV production sector shows that total UK TV production sector revenues fell by £450m during the Covid-19 pandemic, with the biggest reduction unsurprisingly coming from the drop in original commissions.[7]

The recent 3Vision report on the impact of the pandemic on the UK TV industry states that the BBC and Channel 4 were the two broadcasters which continued to commission from outside London during the pandemic: *"With the exception of the BBC and Channel 4, London based production companies accounted for 75% of all successful commissions from the national broadcasters in 2020/21. ITV in particular have notably increased their London skew throughout the global pandemic."* [8]

The 3Vision report also stated that *"unsurprisingly production companies operating on smaller budgets are far more concerned about their levels of cash reserves (~70% of companies with previous year revenues below £750K Vs. 16% of £5 Million +)"*.

Clearly, therefore, the types of smaller company with which Channel 4 often works suffered particular significant effects and a reduction in commissioning resulting from a privatisation would exacerbate this.

3Vision's report shows that Wales and Scotland in particular are confident in their capacity to meet increased demand.[9] However, the obvious other side to this is that demand needs to be present, and with Channel 4 being a major commissioner of small and mid-sized companies outside London, there could be a serious detrimental effect on capacity were it to be privatised and commissioning skewed back towards London-based companies.

Channel 4's annual report for 2020 states that 47% of its spend on first-run originations was on the Nations and Regions – the highest ever level of investment outside of London by the broadcaster.

Channel 4 has spent some £77m in Wales over the last ten years and is committed to a greater spend going forward outside London as a result of the '4 All the UK' strategy. Producers based in Wales are also likely to benefit from Channel 4devolving commissioning powers to its new Bristol

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[6] As one example see: https://www.yorkshirepost.co.uk/business/levelling-up-agenda-questioned-as-government-announces-plans-to-sell-off-channel-4-3296260

[7] UK TV Production Survey – Financial Census 2021. O&O for Pact. Sep 2021

[8] COVID Long-Term Impact Study. 3Vision on behalf of Pact. Aug 2021

hub. Analysis shows that in 2019 Channel 4 contributed £20m to GVA in Wales and supported 200 jobs. It is hoped that this will continue to grow as a result of the increased focus on investment in the Nations.

In contrast, in cases where the type of media organisation which might purchase Channel 4 has already invested in UK production, this has tended to be in South-east England, for example Netflix's production hub in Surrey's Shepperton Studios and Disney's long-term lease for Pinewood Studios near London.

Channel 4's various funds to help emerging companies have been utilised in Wales to good effect:

- The Emerging Indie Fund has benefited companies including Chwarel (Criccieth, North Wales). The Fund replaced the Alpha Fund which invested in many Welsh production companies over the years, supporting slate development and growth.

- The Indie Accelerator is providing development funding and bespoke support to the production companies with Black, Asian and minority ethnic leadership, including Cardiff Productions.

- The Indie Growth Fund has invested in award-winning Welsh production company Yeti, the first investment in a business based in Wales

- In terms of commissioning, Channel 4 has always commissioned some Welsh production and in recent years TAC has had constructive conversations with Channel 4 to encourage it to work more closely with companies in Wales. Recent discussions with Channel 4 show that a combination of TAC's engagement and the development of the '4 All the UK' strategy is leading to an increasing amount of activity:

    - North Wales-based indie Chwarel has secured two new series of BAFTA-winning *The Great House Giveaway*, with 50 hours in Channel 4 daytime and ten in peak. Some of the hours have been co-produced with S4C, who are broadcasting a Welsh-language version of the series. This business has been transformative for Chwarel, previously a small, bespoke business and now a supplier of high-volume daytime and peak time content for Channel 4 and with more projects in the pipeline.

    - Avanti Media's *Happy Campers: The Perfect Pitch* has been greenlit for a series of 20 x 30-minute episodes in daytime following a successful pilot co-funded by Creative Wales. Avanti is another good example of a business rooted and grown in Wales now supplying network content for the BBC, Channel 4 and other broadcasters.

    - *Find It, Fix It, Flog It*, co-produced by Yeti, has been recommissioned for a further 30 episodes, also doing all its post-production work at Rondo Media.

- Other programmes commissioned by Welsh companies include *Last Minute Holiday Secrets* from Boom, *Heineken Champion's Cup* and *British and Irish Lions* from Sunset & Vine, *The Truth About Your Gut* from Boom, plus two new series from Yeti.

It is therefore essential that Channel 4's aim of commissioning more from around the UK should be fulfilled, along with its remit to reflect increased portrayal of the Nations and Regions.

Film4 has made films in Wales, for example *Dream Horse* and *Brian and Charles.*

Channel 4 has also supported training in Wales:

- C4's flagship Production Training Scheme has been refocussed to be 100% Nations and Regions and four trainees have recently started placements with Bad Wolf, Yeti and Chwarel.

- The Factual Fast Track scheme is supporting progression and addressing skills gaps to develop Executive Producers in the factual genre in the Welsh sector. Following the success of the first round in 2019, Channel 4 has agreed with BBC Wales, S4C and Creative Wales to support another Welsh cohort of six which is currently being recruited.

- Earlier in the year Channel 4 held virtual open days, including one for Cardiff, which included commissioner briefings attended by a wide range of Welsh production companies, and a 4Skills event attended by around 300 people considering a career in TV. In previous years, Channel 4 has also held in-person outreach events in Cardiff and Swansea.

We question whether all or any of this would continue under a privately owned Channel 4, which would be more focused on creating mainstream programing from a smaller larger set of suppliers.

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.

No.

As stated in our earlier answers, Channel 4's strength lies in its unique remit. So far, this has allowed it to accomplish many distinctive achievements, including:

- Working to ensure that diverse voices are portrayed on screen in an authentic manner and to increase diversity on and off screen, including representing people of all types across the UK

- Its remit to be challenging has also given rise to some unique new programmes and formats

- Its hour of peak time news every evening has provided a distinct counterpoint to other broadcasters' news, and viewers have benefited from its in-depth analysis

- Lastly, its role in identifying and developing new talent has unearthed truly exceptional talent such as Michaela Cole, Russell T Davies and Sharon Horgan.

We question whether all or any of this would continue under a privately owned Channel 4, which would be more focused on creating mainstream programing from a smaller larger set of suppliers.

Creative economy impact

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.

No.

Channel 4's unique publisher-broadcaster model has been a core part of its success.

While the UK production sector now has more options in terms of content buyers and investment options, Channel 4 still represents a unique and vital opportunity to make challenging content for a particular audience.

The publisher-broadcaster remit ensures that the vast majority of Channel 4's content spend goes on original UK programming from the vibrant production sector. This, combined with the protections for IP rights in the regulated Terms of Trade, means Channel 4 is a real enabler for the sector and a creator of growth in the creative industries. We are concerned that a privately owned company would not be as willing for producers to share in net receipts/have relationships with distribution companies and similarly to benefit from other content distribution arrangements. This could undermine the profitability and therefore the competitiveness of the UK sector, at a time when it is more important than ever for it to be thriving and able to command international interest.

Removing Channel 4's publisher-broadcaster remit would reduce opportunities to new entrants to the market, which in turn would have a direct impact on the vibrancy and competitive nature of the sector which makes it so strong and successful. We note that EY's report on the potential impact of privatisation, states that 66% of the content on ITV's main channel is sourced in-house.[10] If removal of Channel 4's publisher-broadcaster model resulted in a similar proportion of production lost to the independent sector, the results would be profound, with EY estimating that the present value of Channel 4's supply chain contribution to GVA over a ten-year period could be 29% (or £2.1bn) lower than Channel 4's current model.

This would be felt particularly in the sector outside London, with EY's analysis suggesting that the present value of GVA generated by Channel 4 in the Nations and Regions in its supply chain over a ten-year period could be 37% lower.

This clearly demonstrates the value that the sector places on Channel 4's current publisher-broadcaster model as well its ownership structure and remit.

Working with the production sector, Channel 4 has already devised ways of extracting greater returns on investment whilst remaining a publisher-broadcaster. Its Global Format Fund[11] aims to give rise to new UK original formats which will benefit Channel 4 and production companies in terms of creating new successful shows in the UK and internationally. Channel 4 is ring-fencing £30 million of incremental content spend to be invested in the Global Format Fund over 2021 and 2022. Net receipts from producers' exploitation of Global Format Fund-commissioned content will be shared 50/50 between Channel 4 and the producer.

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[10] Assessing the impact of a change of ownership of Channel 4: An economic, social and cultural impact assessment of the impact of privatisation. EY, Sep 2021

[11] https://www.channel4.com/commissioning/global-format-fund

Other questions

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 the following:

We discuss below the economic, social and cultural costs which could be incurred. We do not believe there is any evidence that moving Channel 4 out of public ownership would provide any benefits at all. We note that Channel 4 itself has said the same, including at the IPPR Oxford Media Convention, where its representative pointed to a lack of analysis in the document on the result of a sale for Channel 4.[12] We agree that any such analysis is missing from the government consultation document.

We also agree with the sentiments expressed in the letter from the All Party Parliamentary Group on Channel 4 that: *"a compelling and coherent case for sell-off is therefore needed before, not after, any major decisions are taken."*[13]

Given that the government is continuing to look at the PSB system via its Public Service Broadcasting Panel, it is puzzling as to why this consultation has appeared at this time, with little supporting analysis and with a surprisingly strong steer towards one conclusion, namely privatising Channel 4. We also note a concern that this consultation sets out privatisation as the government's favoured option, thus giving the regrettable impression that the consultation outcome is a foregone conclusion.

a. Overall audience experience?

We believe audience experience would be the poorer. In our view, it is inevitable that any sale would involve a watering down of Channel 4's remit and publisher-broadcaster model, which would be necessary in order to make it more attractive to potential buyers. For all the reasons given above, there is a real risk that Channel 4 could be less diverse, challenging and distinctive, and no doubt there would be moves to reduce its peak-time news output as we have seen occurring with Channel 5. Channel 4's programme decisions are characterised by its PSB remit and purpose, which is reflected in the diverse contributors cast for programmes such as *The Great British Bake Off*, *It's a Sin*, *24 Hours in A&E*, *First Dates* and *Gogglebox*. A more diverse cast makes audiences feel more included and as though PSB is for them. Without this PSB ethos we therefore believe audiences would lose a unique broadcaster in favour of one which veered towards the mainstream in order to chase higher ratings.

A sale of Channel 4 could also reduce the cultural identity of its output as a more profit-driven motive aimed content towards more international audiences, especially as any likely buyer would be an international media firm. An Enders Analysis report[14] into the effects of more overseas investment in programming gave the example of the successful drama *Black Mirror* which, once it transferred from Channel 4 to Netflix, featured fewer references to UK cultural reference points.

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[14] Outsourcing culture: When British shows aren't 'British'. Enders Analysis, Mar 2021

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Overall, Enders determined that *"while this [international] investment is welcome, our analysis shows that the output is predominantly less 'British' than that commissioned directly by local broadcasters. Distinctive and diverse British cultural touchpoints are created or perpetuated by television. Current trends suggest a dilution of this, a globalisation of local content, and perhaps less relevance to British viewers."*

b. The Channel 4 Television Corporation itself?

Being in private ownership would fundamentally change the character of Channel 4 as an organisation. Rather than being purely about delivering a public service remit – albeit while needing to be commercially profitable – it would instead be focussed on a profit motive. This would fundamentally alter its approach to commissioning and its overall ethos. There is a danger that a focus on profit motive could impede Channel 4's commitment to commissioning new content, restrict its range of genres and, in some cases, lead to reducing some programme budgets. All of these would have a highly negative effect on the UK production sector. Following several years of changes, including the much welcomed new strategy to strengthen its network across the UK, Channel 4 is now facing an upheaval that could be potentially very damaging. It should be allowed to focus on fulfilling its strategy as it also recovers from the impact of the coronavirus pandemic.

c. Investment in the independent production sector?

The likely weakening of its remit which would result from a selling off of Channel 4 would, in our view, cause reduced investment in the creative sector as a whole in favour of a combination of more overseas acquisitions and a much greater focus on larger players in the market. This would adversely affect the ability of the sector to renew itself. In the long term, we believe it would harm its overall vibrancy and competitiveness which has given it such an edge globally.

The effects on the production sector in the Nations and Regions could well be greater if, as would be expected, a privatised Channel 4 favoured larger South-East based production companies. The EY report states that: *"If the new private owner of Channel 4 reduces spend in the Nations and Regions to the level of Channel 4's quota (35%), we estimate that Channel 4's contribution to GVA through its supply chain in the Nations and Regions could reduce by 43% (£1.2bn) over a ten-year period. Similarly, we estimate that jobs supported by Channel 4 in the Nations and Regions each year (both directly and in its supply chain) would reduce by 60% (2,300 fewer jobs supported each year) compared to a scenario where Channel 4 is not privatised."*

The government will no doubt be aware of the strength of concern felt in the production sector regarding the potential selling off of Channel 4. *Broadcast* magazine, which serves the TV broadcasting and production sectors, took the extraordinary step of setting up a 'Not4Sale' campaign, which at time of writing has over 160 signatories from the UK production sector, including Welsh companies, as well as many associated membership organisations such as TAC, Bectu, NUJ and Writers' Guild of Great Britain.

Broadcast's statement accompanying the announcement of its campaign stated: *"If the future is a watered-down remit and a significant IP ownership or in-house production, then that is not a Channel 4 that the industry would recognise."*[15]

[15] The thinking behind Broadcast's Not 4 Sale stance. Broadcast magazine, 8 July 2021

d. Investment in the independent film sector?

Likewise, we suspect that Channel 4's investment in film could potentially be weakened, or that the options chosen for it to fund would be 'safer' and less distinctive if run by a privately-owned Channel 4. It could even be that a privately-owned Channel 4 would not be interested in investing in film at all. Given that Channel 4's film investment has helped the UK film industry and uncovered talents such as multi award-winning director Steve McQueen, this would be a significant loss to the industry. Channel 4 has supported and enabled a wide range of successful recent films, such as the Bafta award-winning *Rocks* and Oscar winners *The Father* and *The Favourite*, as well as *Dream Horse*, *Wild Rose*, *Saint Maud*, '71, *Cold War*, *You Were Never Really Here* and many other distinctive, diverse bold films where Film 4's investment and support has played a crucial role and supported major talent such as Rose Glass, Steve McQueen, Lynne Ramsey, Yorgos Lanthimos and Sarah Gavron.

e. The TV advertising market?

We have a concern that a Channel 4 with a reduced remit and distinctiveness, plus a less unique character, would lead to a convergence of audience with the other commercial PSBs. This would remove a key audience demographic for certain advertisers who would move their investment into other media platforms. Therefore, there is a real danger that the overall advertising spend in UK PSB could be reduced.

This point has been made by the advertising industry itself. The Incorporated Society of British Advertisers (ISBA) has been quoted raising concerns about the impact of a private owner on the ability of brands to reach the type of audience which Channel 4 has nurtured: *"C4's unique remit provides advertisers with highly valued, younger and diverse audiences, at scale and in quality environments, at a time when these audiences are becoming increasingly hard to reach through linear TV … No new owner, with a purely commercial incentive, could be guaranteed to maintain all the facets of the current offering, which contributes so significantly to media plurality and diversity in the UK."*[16]

f. Investment in the creative industries sector more widely?

TV production's indirect impact includes the purchase of supplies and services from a variety of other sectors, e.g. hospitality, transport, legal advice, talent agencies, make-up artists, costumiers, equipment suppliers, catering and event venues. We therefore assume that, as is the case with many creative industries, the UK TV production sector's activity has positive impacts through its spend in the wider creative economy, creating a 'multiplier effect'. Clearly, any reduction in spend in the UK TV production sector, which in our opinion would be inevitable in the event of privatisation, would reduce the benefits of this multiplier effect, thus causing a loss of revenue to these associated industries.

In addition, if Channel 4's role in developing new talent was removed or reduced, then that would have a knock-on effect, as talent often moves between different creative sectors, e.g. writers, actors etc. will be involved in TV, film, audio and so on. So loss of a key investor in such talent could result

[16] Bowler, H, Farber A. Major advertising body pans C4 privatisation Broadcast, 31 Jul 2021

in there not being enough employment opportunities to sustain the skills base, meaning loss of jobs and potential shortages during particularly busy periods of production.

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

As per our reply to sub-question e) we believe that there would be more competition between the other PSB and indeed non-PSB channels for the same advertising revenue, resulting in a net loss to the UK TV sector. This in turn would mean lower investment in the production sector.

In general, it would be harder for PSB investment to be maintained in a situation where a more mainstream Channel 4 served to undermine the other PSBs' viewing figures. This could have an impact in terms of reduced investment in content, with a resulting negative effect on those broadcasters' own ability to compete with SVoDs.

With regard to non-PSB broadcasters, these also rely on a diverse set of production companies to come up with new ideas and formats for their services. The loss of Channel 4's work with new companies and new talent would make sources of innovative new ideas more scarce, thus causing issues for other broadcasters as they seek to find the best ideas and the best new producers and on-screen talent to populate new shows.

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