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Bectu response to the consultation on a change of ownership of Channel 4 Television Corporation

Do you agree that there are challenges in the current TV broadcasting market that present barriers to a sustainable Channel 4 in the public ownership?

No, we do not agree with that statement. On the contrary, the evidence suggests that Channel 4's current public service broadcasting model has allowed for its unquestionable success and ability to adapt to recent changes in the TV broadcasting market.

The TV broadcasting market is always changing and adapting to suit viewer habits, thus consistently creating new challenges for broadcasters. Channel 4's current model allows it to take these challenges in its stride, and successfully adapt to suit viewing preferences and the changing landscape of public broadcasting.

Channel 4 is an organisation that thrives on modernity, and its programmes truly reflect the lives of people in modern Britain. This is evidenced through Channel 4's success in its efforts to prioritise digital streaming, in order to compete with streaming giants such as Netflix.

In November 2020, Channel 4 set a target to double All 4 views from 1 billion to 2 billion and make 30% of their total revenue from digital services by 2025. Already Channel 4 has achieved 1.5 billion views on All 4, with digital advertising accounting for 19% of its total revenue, and non-advertising accounting for 9%. Digital revenues are forecast to be up 32% each year, and Channel 4 is leaps and bounds ahead of broadcasting competitors in terms of digital streaming, with its revenue from digital advertising revenues standing at over 50% higher than the rest of the TV market.

These figures demonstrate how Channel 4 is already halfway to achieving its five year plan targets, and is leading the way in terms of digital for other public service broadcasters.

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

No it would not, because private ownership would almost certainly mean first and foremost satisfying the interests of the owners and shareholders, ahead of other obligations including satisfying a public service broadcasting remit. The government is yet to provide any clear

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evidence that a new ownership model would deliver against its aims for public service broadcasting at all, never mind whether it would be better placed to do so than the already highly successful Channel 4 model.

The Channel 4 model allows the broadcaster to be self-sustaining, with a unique remit which allows it to take creative risk. This balance is what supports a thriving independent production sector in the UK, with commissioners and producers taking risks on new and untested talent and production companies from across the country. Indeed, Channel 4 has directly invested £12 billion into the UK production sector, at no cost to the taxpayer, and thus established a world beating industry with a high level of skillset that is renowned across the globe. Through this, Channel 4 is consistently investing back into the public, with 100% of its revenue being reinvested in the organisation, and at no cost to the taxpayer and no dividend payments to shareholders.

Privatisation would seriously undermine the public service nature of Channel 4 and removing its model would risk incentive being driven by profit rather than delivering from the British public. It would lead to a stifling of creativity, with production companies rewarded for playing it safe rather than creating the innovative, ground-breaking UK programmes that the ratings would suggest we all love.

Bectu also challenges the premise of this question – that an ownership model outside of public ownership would continue with a public service broadcasting licence and remit. One of the reasons given for the proposed privatisation of Channel 4 is the need to raise revenue for HM Treasury. [Enders Analysis estimate](#) that a sale of Channel 4 could generate £600m-£1.5bn, depending on the buyer and the requirements attached. A non-broadcaster buyer would (according to Enders) value the business at £600m with its existing remit, including terms of trade attached, but if it were being sold to an international broadcaster (e.g. Comcast, Discovery or Viacom/CBS) it could fetch up to £1.5bn if the terms of trade were relaxed

It is reasonable to assume that the terms of trade a potential buyer would seek to relax are those very public service obligations – news provision, cultural diversity, broad geographic representation – that government seeks to reassure will be kept. So every reassurance the government gives about the Public Service remit reduces the price and therefore a key reason the government has given to do it.

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

Retaining a presence outside London is very important, and Channel 4 has already proved itself to be a truly national broadcaster that supports regional productions, moving its headquarters to Leeds, creating hundreds of new jobs in the process and investing in local talent. Channel 4 supports 10,000 jobs in the supply chain, and 1/3 of these are in the regions and nations. Its indie growth fund guides and provides mentoring for start-ups across the country and its 4skills programme in Leeds focuses on finding diverse talent from across the UK. It has built creative clusters in Glasgow, Bristol and Leeds, which have brought about new production companies and boosted existing ones. Established companies such as Sky Studios and Workerbee opened new offices in Leeds, and the National Film and Television school opened a new hub in Leeds in January 2020.

This year, Channel 4 ran 400 roles outside London, and is two years ahead of its target to spend half of its content budget outside of London. The network has clearly demonstrated a real commitment to levelling up the regions and nations, which will only be continued if Channel 4 remains in public hands. A public ownership model ensures that broadcasters have a responsibility to act as a mouthpiece for viewers across the whole of the UK, providing us with a breadth of stories and experiences. The ability to reflect the voices of

those in the regions and nations allows Channel 4 to portray a realistic image of Global Britain through its programming.

There is a risk that privatisation would result in a reversal of the decentralisation of programme making which would result in fewer jobs outside London. It also risks a narrowing of opportunity due to less investment in local talent as profits are diverted to shareholders rather than reinvested in the industry. All this could result in the reduction of lives and stories of Britons from all four corners of the United Kingdom being enjoyed by audience at home and abroad.

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, because Channel 4's unique remit is the very tool that allows it to meet the challenges of an evolving broadcast market. The network has never been in a stronger position, both culturally and financially than it is today, leading the way for public broadcasters in digital media and heading towards recording £1 billion in revenues this year. Last year, Channel 4 recorded a £74 million pre-tax surplus, with net cash reserves of £201 million, with digital advertising revenues surging to £161 million after All 4 was boosted during lockdown. An EY report from April 2021 demonstrated how in 2019 Channel 4 contributed £992 million to the UK economy, including £247 million to the regional economy. 2021 revenues are set to grow 19% from 2020 and cash forecasted to reach £250 million by the end of the year, with net assets of £0.5 billion.

Evidently, Channel 4's remit has placed the network in a highly profitable position, that allows the network to quickly and significantly invest in new content. Channel 4 bosses have announced that the budget for their 2022 content spend is the highest it has been since 2016, as it has the financial resources to truly invest in the creative economy.

Channel 4 also successfully showcases UK culture and British values to the world through its diverse programming. The UK has a world leading film and TV industry, with its international exports contributing to the economy and strengthening the UK's reputation abroad. In line with the network's remit, the highly successful Film4 showcases diverse content and stories from across the UK, investing £114 million in films that have been shot in the regions and nations. Channel 4 has pledged to more than double its spend on shows from the global format fund, which was launched this year to aid shows that have global potential.

Channel 4's remit also strengthens the UK film and TV industry through its support of the independent production sector, which is integral to the UK's balance of payments. Though one worrying impact of the pandemic is evidenced in the [Pact census 2021](#), which showed that for the first time ever UK commissions fell, with the impact felt mostly by smaller independents based outside London. In the meantime, streaming giants such as Netflix and Amazon are beginning to take up production capability. The impact of this in the long run will be a decreased independent production sector and ultimately a poorer service for UK viewers, with fewer British stories and voices. Crucially, it will also mean that the IP for productions will belong elsewhere, further devaluing a successful British industry.

The UK has a highly skilled and versatile workforce, whose talents are recognised across the world and contribute to a positive image of a Global Britain. Channel 4's remit only strengthens this image and nurtures the skillset of UK workers. Revision of a remit that clearly brings so much financial and cultural success to Channel 4 would have serious negative consequences for the UK economy and film and TV industry.

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, the publisher-broadcaster model should not be removed or altered in any way. The model has allowed Channel 4 the success that it has achieved today. 100% of revenue made is reinvested back into content which supports independent production sector, the creative economy and satisfies viewing habits. Since the birth of Channel 4 in 1982 under Margaret Thatcher's government, the network has invested £13 billion in content and accounts for 36% of all public service broadcasters spending on UK independent production. Channel 4's link to the independent production sector allows it to promote diverse content from across the country that is reflective of a wide range of socioeconomic and racial backgrounds.

Channel 4 has already proven itself to be agile and adaptable within its current model. As previously stated, digital advertising already accounts for 19% of total revenue – with a target of 30% of total revenue to come from digital services by 2025. All 4 is phenomenally successful, with revenue from digital advertising standing at over 50% higher than the rest of the TV market. This would have been almost unthinkable just a few years ago and is a testament to the versatility of the broadcaster.

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:

Overall audience experience

Privatising Channel 4 would lead to a lack of creativity in programming, lack of risk and lack of excitement. This would make for much less interesting viewing, with profitable returns prioritised over audience experience. Currently, Channel 4's remit means that 100% of revenue is reinvested back into the channel. If privatised, revenue would not be given back into the network or to the independent production sector, meaning that programme quality and innovation would decline. For reasons already alluded to, there is also a huge risk that without Channel 4 reinvesting millions into the independent production sector, UK production capacity would instead be taken up by streaming giants aimed at international audiences. Similarly, if a proportion of production were to move in-house at Channel 4, that too would potentially be interested in satisfying international audiences particularly if the potential new owner was non-UK based. This should concern the government, firstly because it should want to encourage home grown talent and investment, and also because [there is evidence](#) to suggest that UK audiences have a preference for local voices and talent, as opposed to big-name Hollywood stars. The UK is an outlier in this regard, and one can assume this is due to the strength of our domestic industry, which is thanks to the strength of UK public service broadcasting. with an emphasis on international audiences

Channel 4 Television Corporation

Privatising Channel 4 would completely shift the focus of the network, prioritising shareholder returns over unique programming and public investment. We are concerned that a change of ownership and model could lead to a risk of job losses at the corporation, as well as a lack of investment in the production sector. Whatever the outcome of the consultation and the government's decision on the future of Channel 4, Bectu will prioritise safeguarding the job security of members at the corporation and indeed those in the supply chain who rely on commissions. Our concern for members extends beyond job security and includes a genuine concern that privatisation could change the nature of the organisation that they have chosen to build their careers in and give committed service to.

Investment in the independent production sector

Currently, Channel 4 accounts for 36% of all public service broadcasters' spending on UK independent production. It is a strong relationship which allows indies and small producers a chance at success and reflects a diverse range of stories from across the country. Without this investment, the production sector would struggle. This will lead to job losses, and thus a loss of skillset, for which UK producers are known globally for. The current model allows for the retention of IP in the UK, which would not be the case if production were to be dominated by the streaming giants. This is important as it provides the necessary security for independent UK companies to take risks and continue growing, the alternative would be a diminished UK creative economy.

The TV advertising market

As Channel 4's digital revenue has increased, revenue from the advertising market has strengthened alongside. Digital advertising currently counts for 19% of its total revenue, and Channel 4's percentage of advertising revenue is 50% higher than the rest of the UK TV market. Channel 4 are certainly aware of the huge demand for TV advertising and have committed to delivering large revenues in this area. If privatised, this will be put at risk.

Investment in the creative industries

Channel 4 provides a boost to the creative industries like no other channel, through its support of independent producers, writers, directors, artists and actors. It puts equal investment in the film industry, TV industry and production industry, the successes of which all come together to better the creative industries as a whole. Channel 4's remit allows creatives across the country a platform to showcase their talent and further their career, and the network is committed to focusing particularly on creative workers from ethnic minority and poorer socio-economic backgrounds.

In pure economic terms, an [April 2021 EY report for Channel 4](#) found that Channel 4 contributed £992m to the UK economy in 2019, including £274m to the regional economy.

The creative industries will be key to the UK's economic recovery after the pandemic; before lockdown, the industry had been growing at 5 times the rate of the UK economy and accounted for 12% of UK exports. There has been no assessment made by the government on the impact of privatisation on the creative sector, but it is clear that the creative industries will suffer as a consequence of taking Channel 4 out of public ownership.

The regions and nations of the UK

Privatisation would reverse Channel 4's efforts of decentralising to the regions and nations, which was pushed for by Conservative MPs a few years ago. One third of 10,000+ jobs created by channel 4 are in the nations and regions, with many more being created through the move of HQ to Leeds and the creative clusters set up in Glasgow and Bristol. Channel 4 has ran 400 roles outside of London this year and is 2 years ahead of its target to spend half of its content budget outside of London. It has made serious gains in its commitment to investing in talent and production outside of London and privatising the network would seriously risk reversing this hard work, with a new owner seeking to cut costs and take the easier route of producing content and hiring talent in the already very well-established centres of London and the South East.

Apprenticeships and training schemes

Channel 4 provides apprenticeships and training schemes for entry level talent, which 5000 people accessed in 2021. The network has stated that this will grow to 15,000 per year, an investment worth £5 million annually. It has announced the launch of a new digital academy with three months paid work and training placements for young people from disadvantaged

socio-economic backgrounds, as well as a new schools engagement programme across the UK and an on and off-screen training programme for people with disabilities.

There is no guarantee that a new owner would continue to invest so much in nurturing the next generation of talent, and there is every risk that with a pure profit incentive and shareholders to consider, money would be diverted away from these schemes and that critical investment in the future of this great British industry would decrease.

Impact on broadcasting diversity

Channel 4 has a range of initiatives aimed at supporting people from minority ethnic backgrounds in the industry, for example the 4skills programme focuses on developing talent from BAME backgrounds and the new digital academy helps those from poorer backgrounds. In 2020, Channel 4 launched the Indie Accelerator which matches external production companies led by people from BAME backgrounds with heads of department in the network, to build connections and work together on programming. It has committed to more than doubling the number of external producers led by people from minority ethnic backgrounds by 2023 and has worked with the Sir Lenny Henry Centre for Media Diversity to cultivate aims and commitments of supporting off screen minority ethnic talent. It hopes to reach 20% of staff and 20% of the top 100 paid staff to be from ethnic minority backgrounds by 2023.

With a private remit, purpose driven output that prioritises promoting diversity would be lost. Without a remit that provides Channel 4 with requirements to support diverse talent, profitable programming would always come out on top. For example, Channel 4 has recently provided extensive coverage of the Paralympics. If the network was privately owned, its license would not require Channel 4 to cover over 1000 hours of the competition. All of the unique shows on Channel 4 would be at risk due to the desire to create profit.

Channel 4 is committed to supporting young people and to furthering its position as the young person's public broadcast streamer. All 4 is the youngest skewing public service broadcasting player, with a 37% 16-34 year old profile, demonstrating how the network can keep up with the streaming giants that young people turn to for entertainment. The network has promised to invest another £50 million into content for young viewers and will invest £5 million in all 4 documentaries that accurately reflect the lives of young people in the UK.