

Dear Ofcom

As an independent film and TV producer, and as someone who has championed the development of the UK's creative industries over the past decade, I write to express my firm view that Ofcom, and in turn the UK Government, need to take on board several key questions in the phase 2 consultation:

- Support for new model 2: BBC/Channel 4 at the heart of PSB plus potential for limited competitive funding
 - Recognition of the funding gap and the need to address Channel 4 funding as a matter of urgency
 - That the funding settlement needs to be sustainable, certain and meaningful
- Ofcom's Phase 2 consultation document makes clear that there is widespread public support for plurality of PSB, providing audiences with alternative voices and viewpoints.
 - As set out in *Next on 4* Channel 4 believes it can and should play an enhanced PSB role in the digital age, offering public value across a range of platforms
 - Channel 4 should be the main source of plurality alongside the BBC, offering guaranteed, high quality content of scale and impact - Ofcom's new Model 2 (which also includes the potential for further competitive funding).
 - With the right PSB framework in place Channel 4 will continue to commission high levels of original content, including in those areas where the market will not provide (e.g. serious factual, arts, current affairs, single drama, comedy, arts etc)
 - Channel 4 has ambitions to enhance its PSB role – including the provision of digital content online through its digital innovation fund (4iP), provision for older children and a greater commitment to commissioning from the Nations and regions.
 - Because of Channel 4's unique partnership structure (commissioning from the independent sector and working with a broad range of external partners), a strong Channel 4 benefits the wider creative economy.

The funding gap

- The declining value of spectrum and the structural shift in the market (dispersing revenue across digital channels and platforms) is already putting the Channel 4 model under pressure, as Ofcom recognises: the core channel is already in loss (£8 million in 2007)
- Channel 4 faced a structural funding gap of some £150 million a year:
 - To continue to provide its current remit there is a gap of around £100 million per year
 - To deliver the full ambitions set out in *Next on 4* (e.g. the digital innovation fund 4iP, investment in the Nations, content for older children) there is a further gap of £50 million
- The economic downturn is putting further immediate pressure on Channel 4, resulting in a shortfall of at least £100 million over 2008/09, which Channel 4 is addressing through 'self help' measures and internal efficiencies:
 - The advertising market is forecast to be down 5% in 2008, and up to 8% down in 2009 – every 1% decline in the market impacts Channel 4 by £8 million
 - £50 million has been taken out of the programme budget in 2008 and 2009
 - Channel 4 is having to scale back on a number of projects (e.g. delaying the children's pilot project, reducing training initiatives)
 - Staff headcount is being reduced by 15% (c. 150 posts)

Funding options

- Ofcom and Government's recognition of the urgent need to put in place a new PSB settlement is welcome and should be supported
- Channel 4 should remain in public ownership - able to focus on the delivery of public purposes - rather than shareholder interests.

- Ofcom has set out a range of funding options, all of which merit consideration in the coming weeks and months. At this stage the priority is to stress that the funding gap is real and that a new settlement is needed urgently
- Unless a funding solution is put in place as a matter of urgency, Channel 4 will not be able to deliver on the full range of ambitions set out in *Next on 4*
- With early certainty on a new funding settlement Channel 4 may be able to restore investment in a number of areas that are currently under particular pressure (e.g. children's, Nations and regions)
- Whatever the solution it must be sustainable, certain and meaningful to provide stability to the PSB system as a whole and to enable Channel 4 to fully realise its public value ambitions set out in *Next on 4*

Please keep me informed about how your review is progressing.

Best wishes,

Grant Keir
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