# Channel 4 Corporation response to Ofcom's Consultation on the proposals for the new Channel 4 licence

**February 2024**

## Table of Contents

# Executive summary

Channel 4 is a public service broadcaster (PSB), freely available to all of the UK. As well as our main linear channel we operate a number of portfolio television channels, and we are the UK's biggest free online streaming service. We also make a valuable contribution to UK film production through the multi-award winning Film4. We are publicly owned, and entirely commercially funded.

Channel 4 was created to be a radical, innovative force in UK broadcasting, challenging the status quo and giving a voice to the under-represented, all at no cost to the taxpayer. We have a broad and varied set of statutory responsibilities (our remit) which we must meet via our content output, and Ofcom holds us to account for delivering this. We are here to commission, curate, and share distinctive content in line with our remit.

Our main Channel 4 linear service first started broadcasting in 1982. It is subject to a set of specific requirements and quotas – set via our broadcast licence – which guarantee a minimum level of public service delivery. Our main channel is central to the delivery of our remit, and we also deliver public service benefits to audiences via our Channel 4 streaming service, our portfolio channels, our role in film production, and through content distributed via third-party social platforms such as YouTube and TikTok.

Over the last ten years there have been seismic changes in how people watch content, with a huge shift from linear broadcast TV to digital streamed TV, watched when people want. Since we launched our Future4 strategy in 2020, younger 16-34 audiences watching regular TV have fallen by 46% and in the past year alone by another 14%. Linear TV is still important, but it is in structural decline. We have always responded positively to generational shifts in TV viewing to embrace change and stay ahead. We were the first UK PSB to launch a video-on-demand ("VoD") service. And more recently, we were the first to prioritise digital streaming over linear with our Future4 strategy.

Building on Future4, in January 2024 we launched **Fast Forward**: our ambitious new strategy to accelerate our transformation into an agile and genuinely digital-first public service streamer by 2030. It is designed to ensure we embrace the generational shift in TV viewing, elevate our impact across the UK and stand out in a crowded market. Fast Forward will get us into the right shape and place for the 2030s. It will enhance our core public service values, ensuring that we remain a trusted and relevant brand, with brilliant shows that matter and that people love.

Fast Forward has three strategic pillars:

1. **Digital growth and transformation**: We are accelerating our move to a digital-first commissioning strategy, with a significant shift in investment to types of programmes that drive streaming growth and remit delivery, while targeting younger viewers on platforms including YouTube. We will transform our streaming platform to deliver a step-change in experience for audiences and for advertisers, and we will build new distribution partnerships to ensure greater visibility to audiences.

2. **Diversified new businesses**: As well as ramping up our digital advertising revenues, we will continue to diversify to protect our long-term sustainability. This includes growing Channel 4+, our ad-free streaming tier; building a substantial ecommerce business allowing viewers to purchase products through our digital platforms; and leveraging FAST channels[1] so that audiences can access more of their favourite content online. With the Media Bill expected to remove the restriction on Channel 4 producing its own TV shows, we are also exploring the potential of intellectual property ownership for Channel 4.

[1] Fast Ad-Supported Streaming Television (FAST) channels offer free video content to viewers over the internet in a format akin to a linear TV channel, supported by ads.

3. **Reengineering the business for a digital-first world**: we will reduce cost in the business, particularly out of our legacy operations, to create more operational efficiency and ensure we are in the right shape to embrace the opportunity to deliver our remit in new ways.

Now more than ever, we need a future-facing licensing framework from Ofcom that gives us the security to maximise our public service impact and maintain our investment in UK content as we grow our audiences online and transition to a new operating model. Our ability to evolve how we distribute content – including securing the prominence of that content across platforms – will be key to ensuring that audiences engage with the content that most strongly reflects our public service remit. It is therefore essential that the new Channel 4 licence conditions reflect these realities, and do not constrain us to operate as if we remain in a world of linear primacy.

We therefore support the changes to the licence proposed in Ofcom's consultation. This document sets out our views and reasoning in detail, with our main points summarised as follows:

- **Ofcom's overall approach and impact assessment:** we welcome Ofcom's overall approach to setting conditions in the next Channel 4 licence, which recognises that regulatory safeguards to secure the main channel's public service output must be balanced against the need for additional commercial flexibility for Channel 4 throughout the next licence period.
- **News**: Ofcom's proposal to maintain the current quota for news in peak recognises the crucial contribution that our evening news programmes make to our remit, and we welcome this proposal. We also support Ofcom's proposal to give us additional scheduling flexibility in the daytime schedule by removing the requirement for lunchtime news bulletins on weekdays.
- **Current affairs**: Ofcom's proposal to reduce the overall linear current affairs quota by 30 hours will help to support additional C4C investment in digital-first current affairs content, which will increase the impact of our current affairs delivery for younger audiences in particular. High quality current affairs in peak will continue to be core to our public service remit, and we are comfortable with Ofcom's proposal to retain the peak current affairs quota.
- **Original productions**: Ofcom's proposal to reduce our overall original productions quota from 56% to 45% would support our shift to a digital-first commissioning strategy in which we focus investment in fewer, stronger titles that drive streaming growth and maximise the impact of our remit. Ofcom's proposal to maintain the 70% quota for original production hours during peak times is consistent with this commissioning strategy.
- **Production in the Nations and Regions**: We agree with Ofcom's proposals to retain the quotas for production outside London and production outside England at their current levels. Our impact on the creative economy across the Nations and Regions remains central to our strategy, and we have recently restated our voluntary commitment to invest 50% of our main channel commissioning budget outside London.
- **Schools programming**: Given that the Government is planning to remove our schools programming requirement as part of the Media Bill, we agree with Ofcom's proposal to keep this quota at the current level until this takes place.
- **Independent productions**: In the context of the current legal framework, we agree with Ofcom's proposal to retain the licence condition requiring that at least 25% of qualifying programme hours on our main channel must be independent productions. We note the Government's intention that, in the event that the restriction on C4C producing content in-house is removed with the passing of the Media Bill, Channel 4's independent production quota would rise from 25% to 35% from the point at which we begin producing shows in-house (should we choose to do so).
- **Licence duration:** Our clear preference is for a licence duration of ten years, which would provide us with certainty and flexibility to develop and grow our services across linear and digital, and to make plans that require multi-year commitments.

# Ofcom's approach to setting the new Channel 4 licence and impact assessment

**Question 1:** *Do you agree with our assessment of the potential impact on specific groups of persons?*

**Question 2:** *Do you agree with our Welsh language impact assessment?*

**Question 3:** *Do you agree with our proposed approach to setting the new Channel 4 licence?*

**Summary**

- The next licence period will be one of ongoing significant change for the entire media sector and the Channel 4 Corporation ("C4C"). To deliver our remit and secure our long-term sustainability, we need to accelerate our transformation to become a digital-first public service streamer during the next licence period.
- Through our new Fast Forward strategy, we are seizing the opportunity to deliver our public service remit to audiences across streaming and social platforms. This means accelerating our move to a digital-first commissioning strategy, growing our impact on social media, improving our streaming platform, and increasing our revenues from diversified new businesses. It also means ensuring the organisation is in the right shape to deliver further digital growth and diversification by reducing costs in the business.
- In this context of strategic change for C4C, we welcome Ofcom's balanced approach to setting conditions in the next Channel 4 licence. Ofcom's approach recognises that, while there continues to be an important role for regulatory safeguards to secure our public service output on our main channel, these must be balanced against the need for additional commercial flexibility for C4C to adjust our content output across our services.
- We agree with Ofcom's conclusion that, by helping to ensure the fulfilment our public service remit for the next decade, the proposed Channel 4 licence conditions and duration would have a positive impact on C4C and audiences and will not have undue negative impacts on particular audience groups. We also agree with Ofcom that the proposals for the renewed Channel 4 licence will not have any impact on opportunities for people to use the Welsh language, or on treating the Welsh language no less favourably than the English Language.

Under Ofcom's consultation proposals, the quotas and obligations included in the next Channel 4 licence will last until the end of 2034. This period will be one of significant change for the entire media sector. A large proportion of UK audiences have already significantly reduced their consumption of linear TV and now primarily consume content via on-demand and streaming services. Since 2016, live viewing among all UK adults has declined by 38%.[2] This trend is all but certain to continue throughout the next ten years.

The requirements in a new Channel 4 licence must therefore be consistent with the Channel 4 Corporation ("C4C") maintaining investment in UK content that fulfils our public service remit and maximises the impact of our remit across linear and online platforms. In January 2024 we launched the Fast Forward strategy, building on our existing Future4 strategy – and our founding public service principles – to accelerate our transformation into an agile and genuinely digital-first public service streamer. This builds on the significant progress we have made in shifting the focus of our business online. 2023 has been a strong year for streaming growth, with overall viewing

[2] Source: BARB.

minutes up by 24% year-on-year.[3] Digital revenues accounted for 27% of total revenues last year, and we have also successfully expanded non-advertising revenue to represent 10% of total revenues.

In its consultation document, Ofcom sets out that its approach to setting a new licence for the Channel 4 service aims to strike a balance between:

- "allowing C4C greater flexibility in the future to develop its content and distribution strategy in support of its digital transformation"; and
- "continuing to safeguard [C4C's] investment in distinctive UK content and protect the delivery of the core elements of its linear output".

**We welcome this balanced approach**. It will enable C4C to deliver the best possible outcomes for UK audiences by investing more of our budget where it will drive strong online audiences and grow our digital revenues – allowing us to deliver our public service remit more effectively where audiences are increasingly spending their time.

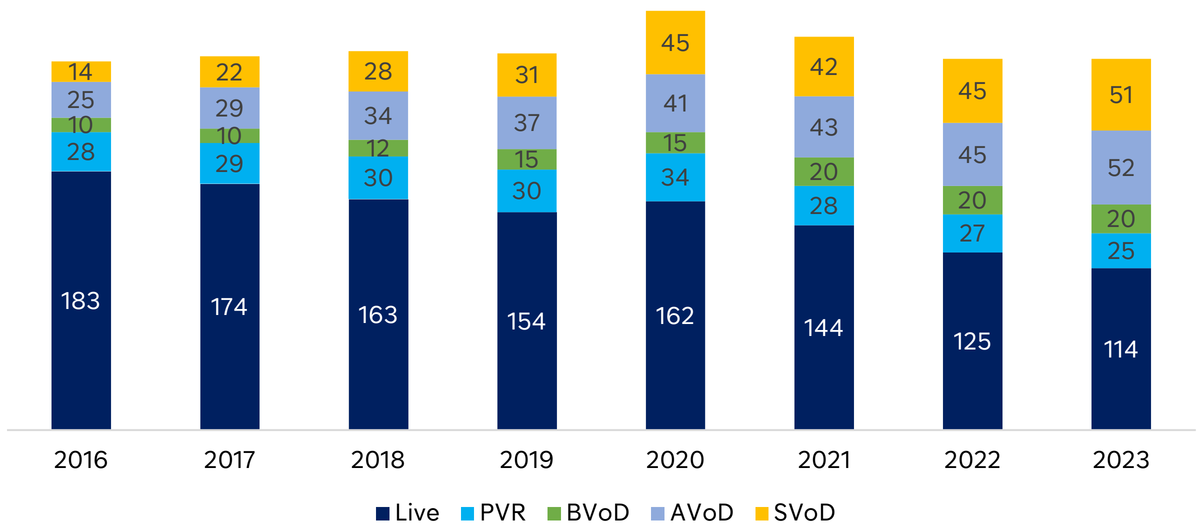
### C4C is delivering its remit in a rapidly changing market context, with audiences continuing to migrate online

Ofcom's approach recognises the progressive environment in which C4C is delivering its public service remit, with significant further market and audience shifts expected to continue throughout the next licence period and beyond.

We expect to observe the following viewing trends over the next licence period:

- The evolving landscape and increasing shift towards internet-delivered TV services will contribute to further changes in viewing and content consumption.
- Live viewing will continue to exhibit structural decline, and PVR viewing will likewise fall, reflecting lower PVR penetration on TV platforms (and therefore a decline in PVR homes).
- By 2034, we expect live + PVR viewing to account for about c.30% of total viewing, compared with over 50% today. In contrast, VoD services will grow to account for c. 70% of viewing time.

**Figure 1: Historic long form viewing (individuals, minutes per person, per day), 2016-2023**




*Source: BARB; C4*

[3] Based on total streaming minutes as recorded by BARB.

Whilst linear broadcasting will continue to be meaningful throughout the next licence period, it will become less important to Channel 4 (and to the wider market) as a means of reaching audiences. To fully deliver our remit, we need to be able to reach the growing proportion of audiences who mainly or only consume content online. Channel 4 has a particularly strong imperative to accelerate this transition, as we have a specific remit to serve younger audiences – who are much more likely to view content online than they are to tune in to broadcast television. In 2023, live TV viewing accounted for just 16% of average daily viewing minutes for audiences aged 16-34.[4]

### Our Fast Forward strategy will accelerate our transformation into a digital-first public service streamer

In January 2024 we launched the **Fast Forward strategy**, building on Future4 to accelerate our transformation into an agile and genuinely digital-first public service streamer. The strategy has three strategic pillars:

#### 1. Digital growth and transformation

We will seize the opportunity to deliver our public service remit to audiences across streaming and social. This means accelerating our move to a digital-first commissioning strategy with a significant shift in investment to types of programmes that drive streaming growth – like drama, high-end documentaries, comedy and reality. Our focus will be on commissioning fewer, stronger titles that generate more scale and impact in delivering our remit.

We will double social views through 4Studio (our digital and social content division) by 2030, and increase the amount of content on YouTube. We will also transform our streaming platform through outsourced technology that delivers a step-change in the user experience for viewers and advertisers. And we will focus on building new distribution partnerships, including initiatives like Freely.[5]

#### 2. Diversified new businesses

We will continue to diversify our revenues to protect our long-term sustainability. This includes doubling the number of members of Channel 4+, which allows audiences to stream our content without ads, by 2030; building a double-digit million ecommerce business to allow viewers to interact and purchase products through our digital platforms; and leveraging FAST channels[6] to allow viewers to access more of their favourite content online. We are also exploring the potential of intellectual property ownership for Channel 4. Any move we may make into this new business on Channel 4 owning its own production, becomes law (we expect the Media Bill to pass in the first half of 2024).

#### 3. Reengineering the business for a digital-first world

To stay competitive and to invest in digital priorities, we have to reduce costs, particularly out of our legacy operations. We remain committed to having 600 roles based outside of London by the end of 2025. To simplify and streamline our operations, we are also proposing to close small linear channels that no longer deliver revenues or public value at scale.

In its licence renewal consultation as well as its most recent annual review of Channel 4's performance (both of which were published before the launch of our Fast Forward strategy), Ofcom has been clear in its support for the objectives that were set out in the Future4 strategy

[4] Ofcom, 2023, *Media Nations 2023*, p. 8.
[5] Freely is a new free TV service that will deliver live TV over broadband being developed by Everyone TV, the organisation which runs free TV in the UK and is jointly owned by the BBC, ITV, Channel 4 and Channel 5.
[6] Fast Ad-Supported Streaming Television (FAST) channels offer free video content to viewers over the internet, supported by ads.

that set our direction of travel until 2025.[7] We are making significant progress towards meeting our core Future4 targets by 2025, which are to:

- Double streaming views, to reach 2 billion streaming views;
- Deliver 30% of total revenues from digital advertising; and
- Secure 10% of total revenues from non-advertising sources.

2023 has been a strong year for streaming: overall viewing minutes were up 24% year-on-year. February aside, Channel 4 streaming has posted year-on-year growth every month in 2023. BARB data showed we generated 6.7 billion streamed viewer minutes in October – the largest since we started recording this data in November 2021. We have also seen robust growth in our digital advertising and non-advertising revenues. In 2022, our digital advertising revenue increased by 14% on the previous year to reach £255m, accounting for 22% of our total revenues. In 2023 this increased to 27% of our total revenue, and we aim to increase this to 30% in 2024 and pass the tipping point of 50% by 2030. Non-advertising revenues made up 10% of total revenues in 2023, already meeting our 2025 target.

We expect advertising to continue to be a major source of revenue for C4C throughout the next licence period. However, like every organisation we are having to deal with an extremely uncertain economy in the short term, which has a direct impact on the advertising revenue that we generate. Nonetheless, while the potential for short-term downturns in the ad market remains ever-present, our forecast is that the TV advertising market should remain robust over the next licence period, with structural decline in linear advertising more than offset by digital growth as audience behaviours shift. The financial returns generated from our digital growth will enable us to invest in maximising our remit delivery.

Ultimately, this means that the Channel 4 of 2034 will be very different from today, albeit one which continues to be focused on our distinctive remit and purpose. We will:

- Be a genuinely **digital-first public service streamer**: our streaming service will provide the central plank of our viewer offering, and providing the majority of our revenues.
- Provide **trusted public service content on the social platforms of the future**, available on all devices through which viewers consume content.
- Continue to be a **live, linear broadcaster** – albeit with linear of reducing importance, and increasingly delivered over the internet (IPTV).
- Evolve the business further following the passage of the **Media Bill**, which is expected to remove the restriction on Channel 4 producing its own TV shows – opening up the opportunity for greater revenue diversification.

### Ofcom's approach to setting new licence conditions is consistent with our continuing digital transformation and will deliver positive impacts for UK audiences

Ofcom's approach recognises that, while there continues to be an important role for regulatory safeguards to secure our public service output on our main channel, these must be balanced against the need for additional commercial flexibility for C4C to adjust our content output across our services. We are increasingly optimising our content investment to ensure it is focused on content that is likely to succeed with online audiences.

Whilst this process will inevitably have implications for our main channel output, any impacts for audiences resulting from this must be set within the broader context of how our digital transition

[7] Ofcom, 2023, *Consultation: Channel 4 licence renewal*, p.54; Ofcom, 2023, *Letter to Channel 4 Corporation on its Statement of Media Content Policy 2022*, p. 3.

will enable us to maximise our remit delivery across all audiences – including the large proportion of audiences whose consumption is primarily online. It is crucial that the new Channel 4 licence affords us with the maximum amount of flexibility, so that we have the best chance of managing our digital transition and delivering our remit in a way that achieves the highest impact for all audiences. In particular, Ofcom's proposals will help us to maximise our remit delivery for younger audiences, whom we have a specific remit to serve.

Ofcom's assessment of the impact of its proposals concludes that the proposed Channel 4 licence conditions and duration would have a positive impact on C4C and audiences and would help ensure the fulfilment of the PSB purposes and Channel 4's public service remit.[8] For the reasons set out above, **we agree with this assessment of the impact of Ofcom's proposals**, **including Ofcom's view that the proposed changes to the licence will not have undue negative impacts on particular audience groups.**

**We also agree with Ofcom that the proposals for the renewed Channel 4 licence will not have any impact on opportunities for persons to use the Welsh language, or on treating the Welsh language no less favourably than the English Language.** As we discuss further in answer to questions 9 and 10 below, we support Ofcom's decision to maintain the current requirements for productions outside England. Although we do not have a requirement to commission Welsh language programming, this does guarantee a commitment to spend on new content in Wales throughout the next licence period (as well as in Scotland and Northern Ireland). In 2022 we had a record level of spending in Wales across our portfolio of services. We are currently collaborating with S4C in bringing a Welsh-language opera *Un Nos Ola Leuad* ("One Moonlit Night") to the small screen, and we also recently acquired the award-winning Welsh language documentary *Sex, Me and Disability* originally made for S4C by Wildflame ,which will be broadcast this year.

### Changes to Channel 4's quotas under the Media Bill should align with Ofcom's decisions in this licence renewal process

In the event that the Media Bill passes into law, further changes would be required to all PSB licences to change how certain quotas operate. The changes would allow PSBs to use on-demand content as well as content from their main linear channel to meet the quotas for original productions, independent productions and nations & regions productions. These quotas would also change from proportional quotas (a percentage of overall output) to absolute quotas (requiring a fixed level of hours and spend).

We would advocate that the level of any new absolute quotas should be set at a level which is (as far as possible) equivalent to the quota levels that Ofcom has proposed in this licence renewal consultation. In the event the Media Bill passes into law, we look forward to discussing with Ofcom its proposed approach to applying new quotas.

[8] Ofcom licence renewal consultation, p.7. The PSB Purposes are the overarching purposes which all PSBs collectively must fulfil – see s264 of the 2003 Communications Act.

## News

**Question 4**: *Do you agree with our proposal to retain the condition requiring not less than 208 hours of news programmes in peak viewing time to be included in the Channel 4 service in each calendar year of the licensing period?*

**Question 5:** *Do you agree with our proposal to remove the lunchtime news scheduling requirement?*

**Question 6:** *Do you agree with our proposal to retain the weekend news scheduling requirement?*


***Summary***

- We welcome Ofcom's recognition of the importance of our evening news programmes which is reflected in the proposal to maintain the current quota for news in peak.
- With audiences increasingly consuming news online at a time that suits them, the relevance of specific scheduling requirements is likely to diminish by 2034. We therefore support Ofcom's proposal to give us additional scheduling flexibility in the daytime schedule by removing the requirement to broadcast bulletins at lunchtime on weekdays.
- Given the declining relevance of linear schedules, we also requested the removal of the requirement to broadcast news programmes at weekends to give us flexibility to make occasional changes to the schedule. However, we accept Ofcom's argument that these programmes remain an important part of audience's overall news consumption, particularly for older audiences, and that therefore the requirement should be retained.


### News in peak on our main channel remains central to C4C's public service delivery

News is at the heart of Channel 4's schedule and is one of the most important and impactful ways in which we fulfil our public service remit. We are highly regarded by audiences for our in-depth, well-rounded coverage, including stories from every corner of the UK. The Covid-19 pandemic, the cost-of-living crisis, continued coverage of the war in Ukraine and, most recently, the conflict in Israel/Gaza have demonstrated the essential role that public service media plays in providing accurate and trustworthy news on matters of both national and international significance. Over the course of the next licence period we will continue to provide high quality and trusted news on our main channel, in peak scheduling slots to reach the largest audience possible.

Our hour-long weekday evening bulletins provide ample time for a level of in-depth focus on news stories that sets us apart from other news providers. During 2023, the weekday evening programme was watched by over half a million viewers on average. While overall viewing of Channel 4 news declined by 7% between 2022 and 2023, this was due in part to a particular peak in major news stories in 2022 (such as the death of Her Majesty the Queen, and the war in Ukraine). All PSB weekday evening News programmes (bar *5 News at 5*) have declined both their average volume and share per episode in 2023 vs 2022. Channel 4 News' weekday evening news viewing share in 2023 was 7% higher than it was in 2021, which indicates continuing strong performance for our linear news programmes.[9]

In an age of further fragmentation of news delivery, and growing misinformation and disinformation, PSBs' provision of trusted news is more important than ever. 87% of regular Channel 4 News viewers said they trust Channel 4 to report the news accurately and fairly.[10] Brand trust for Channel

[9] Source: BARB – Channel 4 News' weekday evening news share was 3.82% in 2023, vs 3.56% in 2021. In 2022 in was 4.09%.

[10] Based on Q1-Q3 2023 data. Ipsos quarterly tracking study for Channel 4 (nationally representative sample of 1500 adults aged 16+ in each wave).

4 News (among all those aware, not just viewers) is second highest of all News brands included within the Reuters Digital News Report 2023, only behind BBC News. According to this measure Channel 4 News receives very low "do not trust" scores, lower than all other broadcast news and all newspapers included in the survey bar The Financial Times.[11]

The Jigsaw Research that was published alongside Ofcom's consultation document found that Channel 4 News was highly respected by audiences, who felt it provided unbiased, trustworthy news and that it challenges establishment thinking.[12] Ofcom's consultation notes that together with ITV1, Channel 4's weekday peak news has the joint youngest audience profile of any PSB. Ofcom also finds that Channel 4 has the most diverse audience within the PSB news landscape.[13]

Our new permanent newsroom in Leeds opened in May 2023, and we now deliver live programming on weekday evenings from these two bases – making Channel 4 News the first national evening news programme to co-present from two locations. This new venture, in the heart of the city, has significantly increased our presence in the region – with a substantial newsroom team and a second digital unit to support the programme's data-driven output.

It is appropriate that, as long as the linear schedule is of importance to viewers, the powerful impact of our news programmes in peak continue to be reflected in our licence requirements. **We therefore agree with Ofcom that the requirement to broadcast 208 hours of news in peak should be maintained**.

### Alongside our linear news programmes, we are increasing our digital news output to reach online audiences, especially younger people

While news programmes on our main channel will continue to be at the heart of our news output, we must also continue to grow the presence of *Channel 4 News* on digital platforms. Our strategy for news aligns with our overall corporate strategy, which is to ensure that audiences are able to choose how, when and where to access content, whether on linear, digital or social.

As viewing behaviour continues to evolve – particularly amongst younger audiences – it is crucial for Channel 4 News to reach audiences via the main social and digital platforms where viewers are accessing content. There is a particular need for trusted sources of news on social media platforms, where the risks of misinformation and disinformation are much greater. Channel 4 News publishes a wide range of short, medium and longer-form videos on YouTube, as well as shorter videos and clips on a range of other platforms. In 2023 Channel 4 News videos achieved an average of nearly 93 million views per month across Facebook, Instagram, TikTok and YouTube – including over 30 million views per month on YouTube, and nearly 40 million per month on TikTok.[14]

### As more audiences consume online news, watching news at specific times of day will become less important

As linear viewing declines, online platforms are becoming the main route to news content for an increasing proportion of audiences. In this online environment, audiences want to know what is happening when news breaks, not at a time dictated by a linear schedule. Already, Ofcom's News Consumption Survey notes that under half of 16-24s use broadcast TV for news (47%), while 83% consume news online (mainly via social media).[15]

While news in peak will remain central to our public service delivery in the next licence period, other specific requirements regarding the scheduling of news programmes are likely to become

[11] Reuters Institute, 2023, *Reuters Institute Digital News Report 2023*, p.59.
[12] Jigsaw Research, November 2023*, Channel 4 Corporation Relicensing Research*, p. 30-31.
[13] Ofcom licence renewal consultation, p.36.
[14] Source: Social Media Dashboard Data Source (Internal Data Warehouse).
[15] Ofcom, 2023, *News consumption in the UK: 2023*, p.2.

less relevant to audiences. In this context, regulatory requirements applying to specific scheduling times for broadcast TV news are likely to appear increasingly anachronistic.

This is particularly the case with the requirement to broadcast news at lunchtimes. We currently deliver against the lunchtime news requirement by providing a three-minute news bulletin on weekdays. The lunchtime news bulletins comprise a very small part of overall Channel 4 news consumption. Viewing of the bulletins in 2023 averaged less than 2% share of viewing, versus the news in peak which is just under 4%. Viewing of our lunchtime news accounted for less than 1% of the total viewing to Channel 4 News across the whole schedule.[16]

The relatively limited impact that our lunchtime news bulletins deliver for audiences is likely to decrease further over the next licence period, as audiences become increasingly accustomed to finding news online. In the light of this, it appears disproportionate to maintain a regulatory requirement to broadcast news programmes at lunchtime for the duration of the next licence period (which, as per Ofcom's consultation proposal, would last ten years).

**We therefore welcome Ofcom's proposal to remove the requirement to broadcast news at lunchtimes**. Removing the requirement would give C4C the flexibility to cease lunchtime bulletins if the value that they deliver to audiences overall continues to diminish as more people migrate away from linear TV. Our request to remove the requirement to provide a lunchtime bulletin does not mean that we intend to remove these bulletins immediately: it is likely that they would remain in place for some time. Greater flexibility regarding lunchtime bulletins would enable us to schedule our programming more competitively – for example, by removing the lunchtime bulletin at key moments in the year such as the festive period.

*Channel 4 News* digital content on social channels is an important way to deliver news content and can reach the widest possible audience more effectively than a 3-minute linear bulletin. Whilst removing the lunchtime bulletin would result in daytime Channel 4 linear viewers not receiving a news update, viewers who are seeking news on linear would still have options of other linear news services to watch during the daytime.

In view of the fundamental changes taking place in audience habits, we also requested that Ofcom should consider removing the requirement for C4C to broadcast news at weekends. This would have allowed us greater flexibility to make occasional changes to our weekend schedule to make it more competitive.

In making this request, we were mindful of the fact that our weekend news programmes make a greater contribution to our overall news provision than our weekday news bulletins do. Unlike the lunchtime news bulletins, the 30-minute programmes on Saturday and Sunday provide time for in-depth discussion of key issues. In 2023 the weekend news accounted for 15% of total viewing to *Channel 4 News*, compared to 84% for the weekday evening news. We also note Ofcom's finding that a Channel 4 News programming at weekends is particularly valuable for older audiences.

In general we remain of the view that prescriptive scheduling requirements are likely to become increasingly irrelevant over time as audiences shift their consumption habits. Nonetheless, in view of the clear public value that our weekend news delivers, and the fact that the flexibility to make occasional changes to weekend news provision would have made only a minor contribution to our overall digital strategy, **we accept the reasoning behind Ofcom's proposal to retain the requirement for news broadcasts at weekends.**

[16] Source: BARB.

## Current Affairs

**Question 7:** *Do you agree with our proposal to require that there are not less than 178 hours in each calendar year of the licensing period of current affairs programmes included in the Channel 4 service which are of high quality and deal with both national and international matters? Do you agree with our proposal to retain the requirement that 80 hours of the 178 hours must be in peak viewing time?*

**Summary**

- High quality current affairs programming will remain at the heart of how we deliver our public service remit throughout the next licence period.
- Whilst current affairs programming on linear will remain an important part of our public service delivery, there is opportunity to increase the impact of our current affairs content across online streaming and social platforms. We have already had significant success in reaching younger audiences with innovative content specifically designed for online distribution, such as our *Untold* – our youth-focussed investigative journalism series.
- Ofcom's proposal to reduce the linear current affairs quota by 30 hours will help to support additional C4C investment in digital-first current affairs content. While relatively modest in scale, this reduction will give us additional scope to gradually shift the focus of our current affairs spending towards more digital-first content as linear viewing steadily declines.
- Delivering high quality current affairs in peak will continue to be an essential part of our public service delivery throughout the next licence period, and we are comfortable with Ofcom's proposal to retain this quota.

### We are innovating to reach younger, online audiences with our renowned current affairs output

Alongside news, current affairs is central to C4C's public service output and our identity as a PSB. Channel 4 is one of the few broadcasters specialising in investigative journalism.

Audiences place high value on our current affairs output. The audience research that Ofcom published alongside its consultation found that audiences appreciated Channel 4 for its "cutting-edge documentaries, which were prepared to challenge or take an alternative angle to other channels, shining a light on life and political issues in the UK".[17] Our 90-minute *Dispatches* special, *Russell Brand: In Plain Sight*, was the result of a three-year joint investigation by Channel 4 Dispatches, The Times and The Sunday Times. It received record-breaking audiences for Channel 4 and the Dispatches strand, reaching 5.7m across both linear and C4 streaming in the 28 days post-transmission. This included a 54.4% share of 16-34 audiences in the first seven days after broadcast – our highest on record for a new 9pm commission.

Current affairs will remain a priority throughout the next licence period. We will continue to hold power to account through our uncompromising *Dispatches* investigations, such as the highly impactful *Undercover Ambulance: NHS in Chaos* which looked at ambulance workers battling the pressures on A&E departments. We will also continue to bring fascinating insight into international affairs. In an age of declining linear viewing, our long-running *Unreported World* series is holding its own – increasing its share of audiences by 17% year-on-year, and 2023's share of 16-34 audiences was its best since 2020.[18]

[17] Jigsaw Research, November 2023, *Channel 4 Corporation Relicensing Research*, p.27.
[18] Source: BARB.

**Our digital-first current affairs content is reaching younger audiences across social platforms**

In line with our remit to serve older children and young adults, it is a priority for Channel 4 to reach younger audiences with high quality journalism and current affairs.

*Untold*, our digital current affairs strand, is specifically designed to appeal to younger audiences online with brave, informative and entertaining investigations into topics that young people care about. Recent episodes have covered subjects such as life in UK prisons, the exotic pet trade, and drink spiking. Since launching in October 2022, *Untold* videos have received 5.5 million views on our own streaming service, and over 11 million views on YouTube.[19]

From the success of our *Untold* documentary strand, we know that we can reach younger audiences through innovative digital-first current affairs content that is made in a different way and distributed via C4 Streaming and YouTube. Commissioning content that is designed specifically for online distribution is more likely to prove effective in attracting younger, online audiences to current affairs content than simply transferring or repackaging traditional current affairs programmes online.

**Reducing the overall linear current affairs quota will enable more investment in digital-first current affairs**

Whilst current affairs programming on linear will remain an important part of our public service delivery, there is an opportunity to increase the impact of our current affairs content across online streaming and social platforms. Over the course of the next licence period we therefore intend to increase the amount of digital-first current affairs content that we deliver. However, it is unlikely we would be able to increase our overall current affairs budget as a proportion of our total content spend. We must balance a range of wider commercial imperatives in pivoting to a digital-first business model, including the need for budgetary constraint in the short-term due to economic uncertainty.

Unlike certain other quotas, the Media Bill will preserve the current affairs quota as a purely linear quota. This means that when the Media Bill passes into law, as we expect to happen later this year, we would remain unable to use any online current affairs output to count towards our quota. We would like the flexibility to build on the success we have had in reaching younger audiences with new, digital-first current affairs content, without putting the delivery of our linear quota at risk. For this reason, **we support Ofcom's proposal to reduce the linear current affairs quota for the next licence period.** While relatively modest in scale, the proposed reduction of the quota by 30 hours would give us additional scope to gradually shift the focus of our current affairs spending towards more digital-first content as linear viewing steadily declines.

We do not anticipate any significant impacts on our linear current affairs commissioning in the short term and we anticipate continuing with our flagship programmes in this area. We requested the reduction under the assumption that the new licence will be in place for ten years. When deciding which aspects of our linear current affairs output would be reduced in order to enable a gradual re-allocation of spend into digital-first current affairs, we would consider the following factors:

a) The strength of contribution to our remit; and
b) Whether the programme(s) in question will drive strong online audiences.

We believe that the overall impact on audiences from these changes will be positive. By shifting more of our current affairs budget into digital-first current affairs, we can build on the success we've had to date with titles like *Untold* and reach a greater proportion of younger audiences who have largely left linear television behind. We welcome Ofcom's commitment to hold us to account for this delivery via its annual SMCP report, and to enable this we will provide information to Ofcom about the number of hours of digital current affairs that we provide each year, as well as information about who is viewing it and on which platforms.

[19] As of January 2024.

## Delivering current affairs content in peak will continue to be important throughout the next licence period

We have some reservations about the proportionality of retaining specific linear scheduling requirements in the next licence. With online viewing now a long-established part of most people's TV consumption, audiences are becoming increasingly accustomed to watching content whenever and wherever they choose to do so. The concept of a linear TV schedule will continue to decrease in relevance over the course of the next licence period.

As we explore further in the following section, our peak-time programmes tend to achieve higher streaming audiences than programmes broadcast at other times in the schedule. Delivering peak-time current affairs content will therefore continue to be an essential part of our public service delivery throughout the next licence period. **We do not anticipate any challenges in meeting our peak current affairs quota of 80 hours and as such we are comfortable with Ofcom's proposal to retain this quota**.

## Original productions

**Question 8:** *Do you agree with our proposal to require that:*

*a) at least 45% of the hours of programmes included in Channel 4 in each calendar year are originally produced or commissioned for the service; and*
*b) at least 70% of the hours of programmes in peak viewing time are originally produced or commissioned for Channel 4?*


**Summary**

- Our ability to maintain and increase our content investment over the course of the next licence period depends on growing digital audiences.
- Under our Fast Forward strategy, we are accelerating our move to a digital-first commissioning strategy with a significant shift in investment to types of programmes that drive streaming growth. This may require us to reduce the overall number of original production hours that we deliver so that we can focus investment in fewer, stronger titles that enable us to have a greater impact in delivering our public service remit.
- Ofcom's proposal to reduce our overall original productions quota from 56% to 45% would support this strategy and help drive our digital growth. Whilst we recognise that this change to our commissioning strategy will have an impact on producers, in practice it will take effect over a number of years, allowing time for the sector to adjust.
- Given that we are likely to increase our investment in peak-time commissions in order help drive digital growth, we support Ofcom's proposal to maintain the 70% quota for original production hours during peak times.

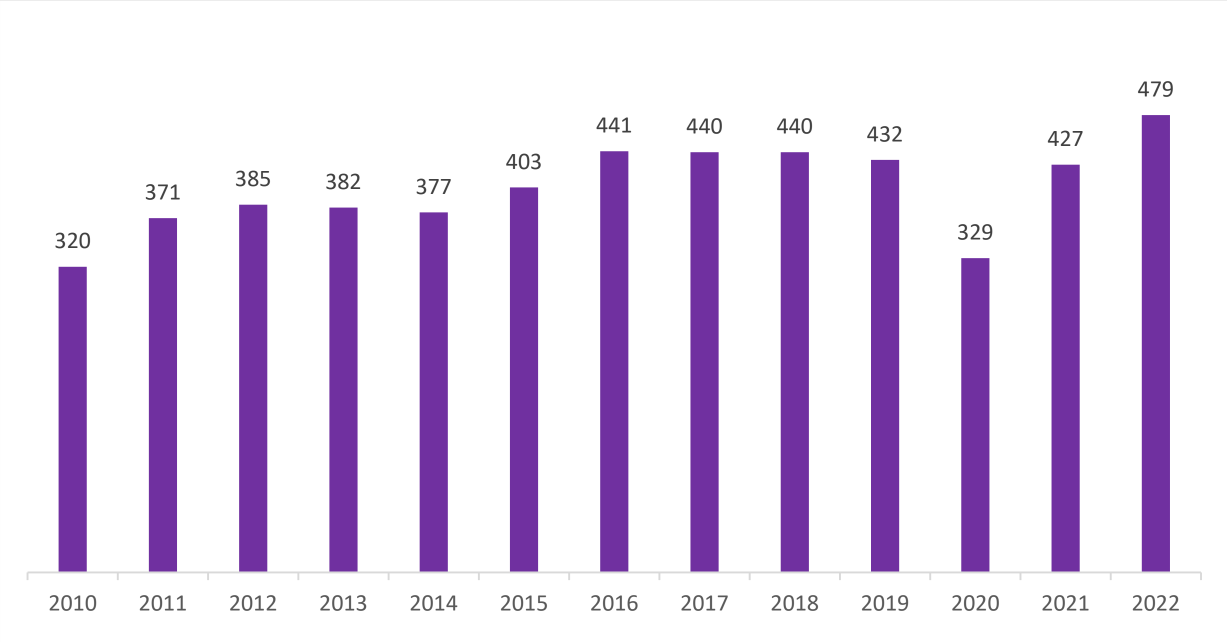

Innovative, challenging, surprising original content is what Channel 4 is best known for. With no shareholders, our operating model means that the returns we make are re-invested back into content.

We know that programmes that are truly reflective of the UK hold a particular and powerful appeal for UK audiences. The research published alongside Ofcom's consultation provides evidence for the importance that audiences place on C4C's ability to provide "authentically British content in a way that SVoDs could not".[20]

Across all our services, we invested £570 million in original content in 2022 – our highest ever level. This includes £479m spent on content on our main channel (see figure 2 below). Within a context of changing viewing habits and greater competition from global content services across platforms, we have every possible incentive to continue to maximise the impact that we have through our investment in original UK productions.

[20] Jigsaw Research, November 2023, *Channel 4 Corporation Relicensing Research*, p.6.

**Figure 2: Spend on first-run UK-originated programmes on Channel 4 main channel (£m)**




*Source: Channel 4*

### Adapting our commissioning strategy is part of our digital transformation

As we have set out in our answers to questions 1 to 3 above, audiences are continuing to migrate from linear to online viewing. Through our Fast Forward strategy, we are embracing this generational shift in TV viewing and prioritising growing our digital viewing and revenues in order to sustainably deliver our public service remit in the long-term. The revenues that will fund our investment in original productions throughout the next licence period will increasingly derive from digital advertising via our Channel 4 Streaming service, as well as a range of diversified revenue sources that we are looking to grow under our new strategy.

Under our Fast Forward strategy, we are accelerating our move to a digital-first commissioning strategy with a significant shift in investment to types of programmes that drive streaming growth – like drama, high-end documentaries, comedy and reality. Our focus will be on commissioning fewer, stronger titles that enable us to have a greater impact in delivering our public service remit.

Higher-budget programmes – for example, scripted genres like drama or comedy – tend to be strong performers on our streaming service. These shows are more likely to attract on-demand viewing for a significant period of time after linear broadcast, beyond the traditional seven-day window, helping to make our streaming service more attractive as a destination to browse for new content and not just a catch-up service. For example, 38% of viewing to our recent new documentary prison experiment *Banged Up* in 2023 came from streaming, and streaming accounted for over half (56%) of viewing to our recent drama *The Couple Next Door* in 2023.[21]

[21] Source: BARB – as viewed, based on all the viewing that occurred to each series in 2023.

**Figure 3: Proportion of linear broadcast vs streamed viewing (both on-demand and live streams on Channel 4 Streaming) splits for Channel 4 programming, by day part**

| Programme slot (weekdays only) | Day part | Streamed | Live and PVR |
|---|---|---|---|
| US acquisitions | 07:00 – 09:59 | 2% | 98% |
| C4C repeats | 10:00 – 11:59 | 1% | 99% |
| Daytime first run and some C4C repeats | 12:00 – 17:59 | 3% | 97% |
| The Simpsons and Hollyoaks (peak) | 18:00 – 18:59 | 4% | 96% |
| News (peak) | 19:00 – 19:59 | 1% | 99% |
| Lifestyle programming (peak) | 20:00 – 20:59 | 4% | 96% |
| Prime-time programming (peak) | 21:00 – 21:59 | 13% | 87% |
| Comedy / documentaries (peak until 22:30) | 22:00 – 22:59 | 12% | 88% |

*Source: Jan-May 2023 consolidated 7 day window, BARB*

To achieve our strategic goal to become a digital-first public service streamer over the next decade, we will need flexibility to prioritise investment in content that maximises our impact with audiences online as well as on linear. This will be essential to allow us to compete successfully with other streaming services, many of which are investing significantly in high-budget shows produced in the UK. This includes larger UK competitors like the BBC and ITV, and major global content providers like Netflix, Amazon and Apple. Ofcom notes in its consultation that the content mix on SVoDs is different to the offering on BVoDs, including more scripted programming tends to be more attractive to younger audiences.[22]

**Changing the level of the originations quota would give us greater flexibility to adjust our commissioning and drive digital growth**

The environment in which we operate is likely to remain highly uncertain throughout the next licence period. Whilst we expect to be able to grow our overall content investment over the next licence period, funded through increased digital and non-advertising revenues, we will have to prioritise the types of content that we invest in. The overall cost of TV production appears more likely to rise than to fall in coming years for a number of reasons, including cost inflation as a result of skills and studio space shortages, exacerbated by high levels of inward investment. 80% of producers surveyed in a recent report commissioned by Ofcom said they were worried about production cost inflation, having reported an average increase in the cost of every type of production resource over the last five years.[23]

Given this challenging environment, it may be necessary to reduce the overall amount of original production hours that we deliver over the course of the next licence period so that we can invest a greater proportion of our budget in productions with a higher production cost-per-hour that deliver better on Channel 4 streaming. A reduction in the original productions quota would increase the scope for such a strategy to make a real difference to our digital growth.

[22] Ofcom licence renewal consultation, p.54.
[23] Oliver & Ohlbaum report for Ofcom, 2023, *Understanding the UK's TV production sector*, p. 18.

**We support Ofcom's proposal to reduce the overall original productions quota from 56% to 45% of overall hours.** Based on a potential scenario which we shared with Ofcom, we consider that this reduction would give us meaningful additional headroom to adjust our commissioning strategy throughout the next ten years to enable us to deliver against our strategic objectives and to help our streaming service to become even more attractive as a viewing destination for audiences who have left linear behind. When audiences engage with Channel 4 streaming they will be encouraged to discover the full range of our content, increasing the reach and impact of programming that most strongly delivers against our public service remit and appeals to a broad range of tastes and interests.

We anticipate that this approach should have a relatively limited impact on our daytime audiences. We will continue to be focused on keeping the linear daytime schedule competitive, with an appropriate balance of originations, repeats and acquisitions.

Whilst we recognise that this change to our commissioning strategy will have an impact on producers, in practice it will take effect over a number of years, allowing time for the sector to adjust. We anticipate that the next licence period will bring new opportunities for producers of all sizes, including start-ups, to secure digital-first commissions as part of our increasing focus on growing our audiences across digital platforms.

### It is appropriate to maintain the requirement for original productions to account for 70% of peak-time hours

In general, we are of the view that requirements tied to the linear schedule are likely to appear anachronistic by the end of the next licence period, as most audiences will be fully accustomed to watching content on-demand whenever they choose to do so. Nonetheless, we would always seek the maximum linear audiences possible for certain shows, which would continue to be broadcast in peak. The types of programmes that we commission in peak tend to be higher-budget genres which perform better on streaming. As we have set out above, under the Fast Forward strategy we are shifting our focus and investment into programming that drive streaming growth – like drama, high-end documentaries, comedy and reality.

We consider that the 70% peak time quota is consistent with our digital-first strategy, and functions as a guarantee that audiences in peak will continue to receive a very high proportion of content that is made in, and representative of, the UK. **We therefore support Ofcom's proposal to maintain the 70% quota for original production hours during peak times.**

## Production in the UK Nations and Regions

**Question 9:** *Do you agree with our proposals to retain the requirements that, in each calendar year, at least 35% of the hours of programmes made in the UK for viewing on Channel 4 must be produced outside the M25, and at least 35% of expenditure on programmes made in the UK for viewing on Channel 4 must be allocated to the production of programmes produced outside the M25 and must be referable to programme production at a range of production centres?*

**Question 10:** *Do you agree with our proposals to retain the requirements that, in each calendar year, at least 9% of the hours of programmes made in the UK for viewing on Channel 4 are produced outside England, and in each calendar year at least 9% of its expenditure on programmes made in the UK for viewing on Channel 4 is allocated to the production of programmes outside England and referable to programme production at production centres in Scotland, Wales and Northern Ireland?*

**Summary**

- We agree with Ofcom's proposals to retain the quotas for production outside London and production outside England at their current levels.
- Channel 4's commitment to growing the number of commissions from the Nations and Regions on our main channel is part of a broader strategy to invest in production and skills outside London, which spans across all our services. Our spend in the Nations and Regions was at its highest ever level in 2022, and we significantly exceed our outside London spend and hours quotas.
- We have recently restated our voluntary commitment to invest 50% of our main channel commissioning budget outside London. Our impact on the creative economy across the Nations and Regions remains central to our strategy as we make the long-term shift to becoming a digital-first public service streamer. Increasing the level of our main channel quotas would create unnecessary additional commercial and regulatory risk for C4C as we undertake this strategic shift.

### Channel 4 plays a vital role to support TV and film production in the UK Nations and Regions

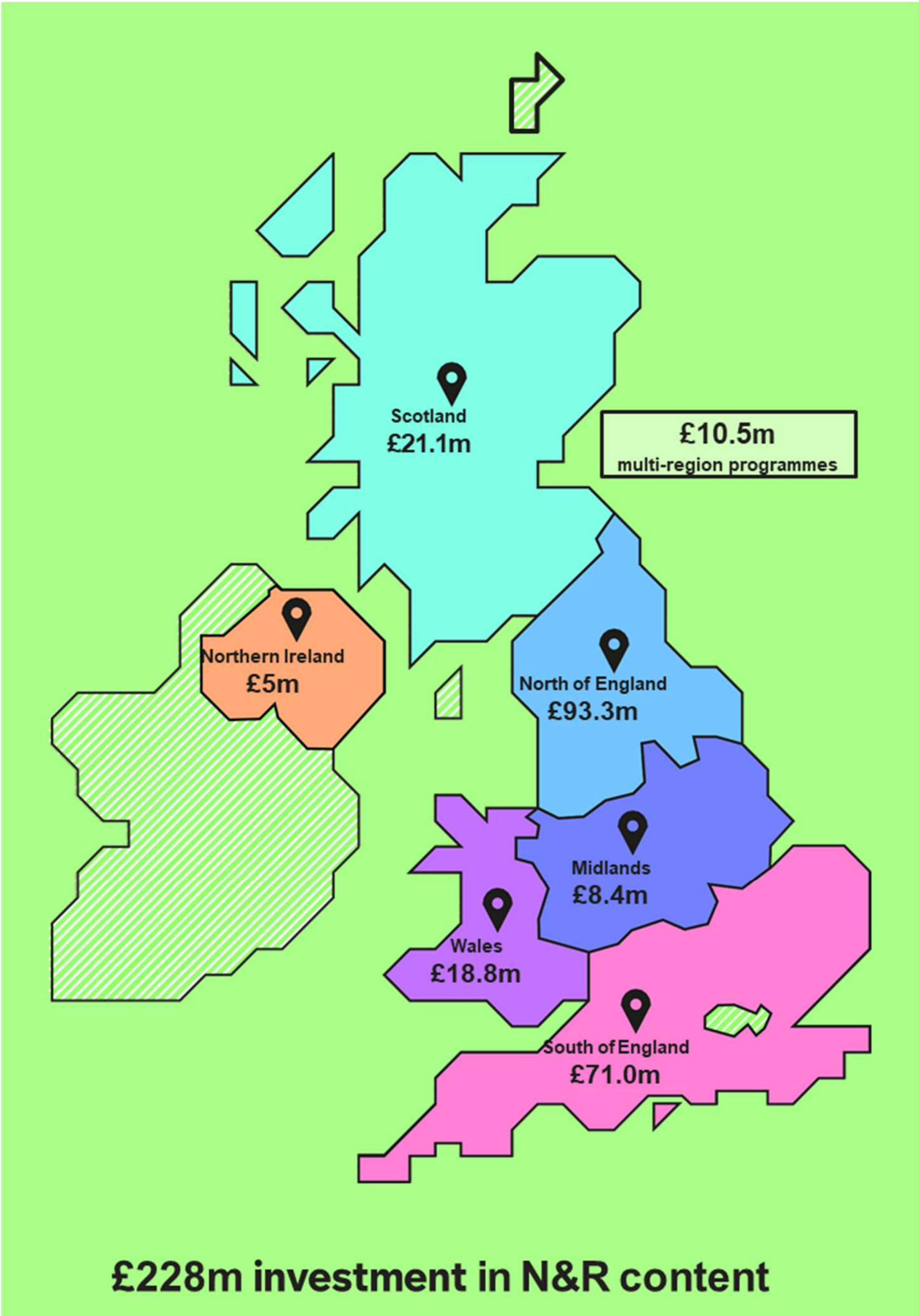
TV and film production in the UK has historically been focused in and around London and the South-East. PSBs, including Channel 4, have been pivotal in growing talent and production outside of London, boosting local economies and opening up opportunities for people from all backgrounds to have meaningful careers in TV and film. This contribution to the creative economy in the UK Nations and Regions is central to our public service role.

Commissioning programmes from production companies based across the whole of the UK also ensures that our content authentically represents diverse communities across different parts of country and gives them a voice in our shared national culture. This enables Channel 4 to deliver content that appeals to the tastes and interests of a culturally diverse society, which is part of our statutory remit. Whether that's telling the story of 400 people in South Wales who split a £3.7 million jackpot in *The Welsh Valley That Won The Lottery*, providing unprecedented access to the fighter jets and personnel at RAF Lossiemouth in Scotland in *Top Gun: Inside the RAF,* or revelling in the chaos of family life in Hull-based sitcom *Hullraisers* – we seek to tell authentic stories of different experiences that resonate with people across the UK. And with our new permanent newsroom now operating in the heart of Leeds, *Channel 4 News* has become the first national evening news programme to co-present from two locations.

In 2022 Channel 4 invested a record £228m in new productions from outside London across our full portfolio of services, with £45m invested in the UK devolved nations (also a record). Two-thirds (66%) of all hours on our main channel in 2022 came from the Nations and Regions.

We are also committed to growing the independent film production sector outside of London and supporting the production of British films in the Nations and Regions of the UK through the work of our film division, Film4. Between 2011 and 2021, £40.3m of Film4 investment has generated £161m spend on films shot predominately in the Nations and Regions.[24] As well as making a significant contribution to the economy, providing jobs and training and skills opportunities, they serve to project the UK's Nations and Regions across the world, attracting tourism into the UK.

**Figure 4: Channel 4 total investment in production across the UK Nations and Regions, 2022**




[24] EY report for Channel 4, 2021, *Channel 4's contribution to the UK*, p.6.

**Figure 5: C4C financial commitment to N&R**

| | | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Investment in the nations and regions** | Main channel | % of spend | 42% | 39% | 40% | 45% | 45% | 46% | 47% | 55% | 52% |
| | Main channel | % of hours | 51% | 53% | 55% | 57% | 59% | 54% | 58% | 66% | 66% |
| **Investment in the nations** | Main channel | % of hours | 6% | 9% | 9% | 12% | 10% | 11% | 12% | 10% | 9% |
| | Main channel | % of spend | 6% | 7% | 8% | 9% | 8% | 8% | 9% | 9% | 9% |
| **Spend outside of London** | Portfolio | £m | 151 | 149 | 169 | 189 | 186 | 189 | 141 | 222 | 227 |
| **Spend in the nations** | Portfolio | £m | 21 | 28 | 36 | 39 | 33 | 35 | 28 | 38 | 44 |

(Figures do not include Film4 spend)

### Our 4 All the UK strategy is maximising our impact by boosting our presence in the Nations and Regions, growing links with local indies, and developing young talent

The level that we invest in content production in the Nations and Regions is just part of a broader range of measures and initiatives we have taken to grow creative talent and businesses across the UK.

In 2018 we announced our **4 All the UK strategy**, the biggest structural change in the organisation's history – aimed at increasing our physical presence across the UK's Nations and Regions through our new national HQ in Leeds and creative hubs in Bristol, Glasgow and Manchester. We surpassed our commitment to 300 roles based outside of London in 2021. There are now over 485 roles with Channel 4 based outside of London, and we have a new target to reach 600 roles outside of London by the end of 2025.

We have also invested in supporting the skills and talent that are needed to fuel a thriving creative economy in the UK Nations and Regions. Our Leeds-based 4Skills initiative is providing young people with the skills and knowledge they need to break into the industry. This includes reaching out to engage young people in schools via our 4Schools programme, providing opportunities for work experience and apprenticeships, and giving people a first break into the industry through our production training scheme and our Content Creatives scheme. We invested £5 million in 4Skills in 2022, reaching over 28,000 people with training, development and learning and opportunities, and we have committed to double our skills investment to £10 million per year by 2025, growing our reach and impact on the creative industry across the UK. We are also in the process of rolling out our new 4Schools initiative to Wales, Scotland and Northern Ireland.

### The current quota levels remain an appropriate backstop in a changing market context

Channel 4 is currently subject to the following licence requirements regarding outside London production:

- 35% of the hours of, and expenditure on, programmes made in the UK for viewing on the Channel 4 main channel must be produced outside the M25, using a range of production centres;
- 9% of the hours of, and expenditure on, programmes made in the UK for viewing on Channel 4 main channel must be produced outside England, using production centres in Scotland, Wales and Northern Ireland.

These quotas operate as an important backstop protection, guaranteeing a minimum proportion of our output will be commissioned from outside London. This helps to support economic confidence in the production sector outside London and is important for attracting investment into the sector. **We therefore welcome Ofcom's proposal to keep the outside London and**

**outside England quotas at their current level for the next licence period.** This strikes the right balance, maintaining current protections for the sector whilst ensuring that we retain sufficient flexibility to pursue innovation in our content output and how we reach audiences in an increasingly online world. This is essential for us to be able to continue to deliver on our public service remit over the long-term future. Within this context, we will continue to:

- Embed and build upon the 4 All the UK strategy, hitting 600 C4 roles outside London and doubling our annual spend on training and skills to £10m by 2025;
- Develop bespoke strategies for the devolved nations and English regions working in partnership with key partners in each area; and
- Continue to drive growth in production sectors in the devolved nations**,** working to support a more equitable distribution of our nations spend over the longer term.

### Increasing the Nations and Regions quotas beyond their current levels would be challenging given market uncertainties and the need for operational flexibility

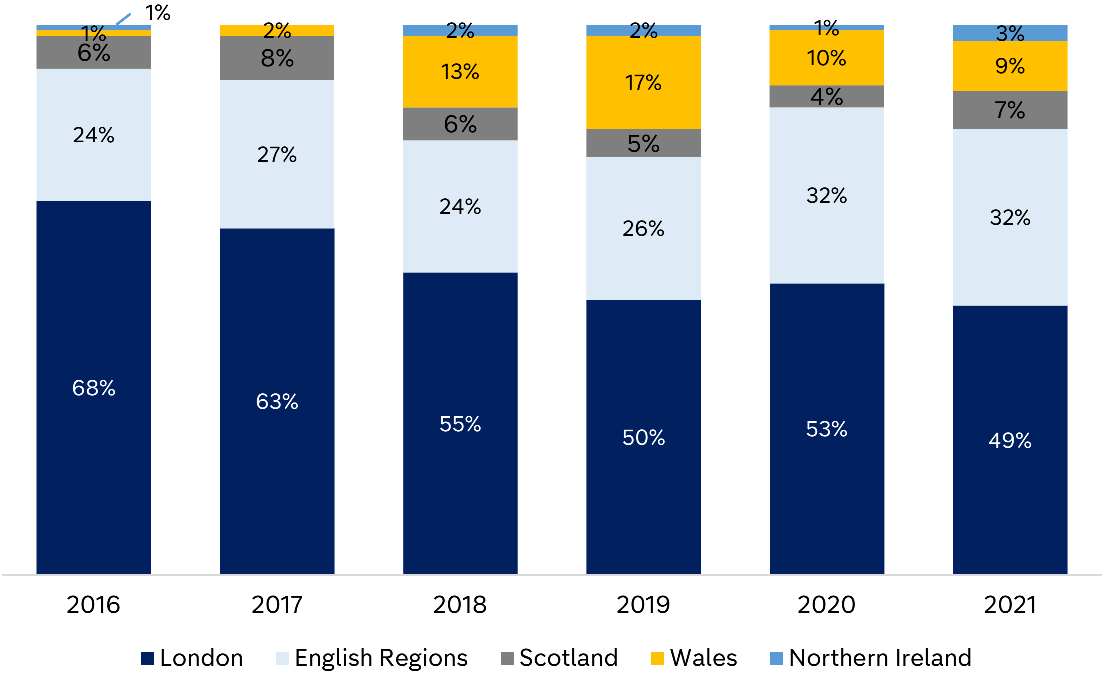
We considered potential approaches to Nations and Regions production throughout the next licence period in the context of our remit and strategic objectives, broader economic uncertainties and underlying challenges in the production sector, and the need for C4C to have sufficient operational flexibility to make the shift to becoming a digital-first public service streamer during the next licence period. Balancing these various factors, our assessment was that maintaining the current quota levels would be the best option.

We have consistently over-delivered on our 35% outside London quotas for many years. In 2018, we voluntarily committed to increase our Nations and Regions content spend to 50% of main channel qualifying commissioning spend by 2023. We achieved this target early – delivering 55% in 2021 and 52% in 2022. In November 2023 we publicly re-committed to maintaining the 50% target in response to the Secretary of State's announcement on in-house production.

In 2020, the outside London quota was raised from 3% of linear broadcast hours to 9%. We have consistently delivered the 9% quotas since they came into force. However, this quota is more challenging for us to deliver than our 35% outside London quotas. We are dependent on the level of production capacity available in the UK nations, which can be limited in certain genres such as scripted content. Data from Oliver & Ohlbaum and the Pact Census shows that while the overall amount of production taking place in the UK nations has grown, there has been considerable fluctuation in both the number of active production companies and the proportion of total UK production spend in each of the devolved nations.[25] This is also the case in our own spend data: although we meet our overall quota, there can be considerable variation between the amount we spend in different nations year-on-year. This variability in available production capacity in the nations makes our 9% outside England production quotas particularly challenging to meet.

[25] O&O research for Ofcom, 2023, *Understanding the UK's TV production sector - Slide deck*, p.41; Pact, 2022, *Pact Census 2022 – Nations & Regions Annex*, p.8.

**Figure 6: 2022 Pact Census data on production budget by region of production, 2016 – 2021[26]**



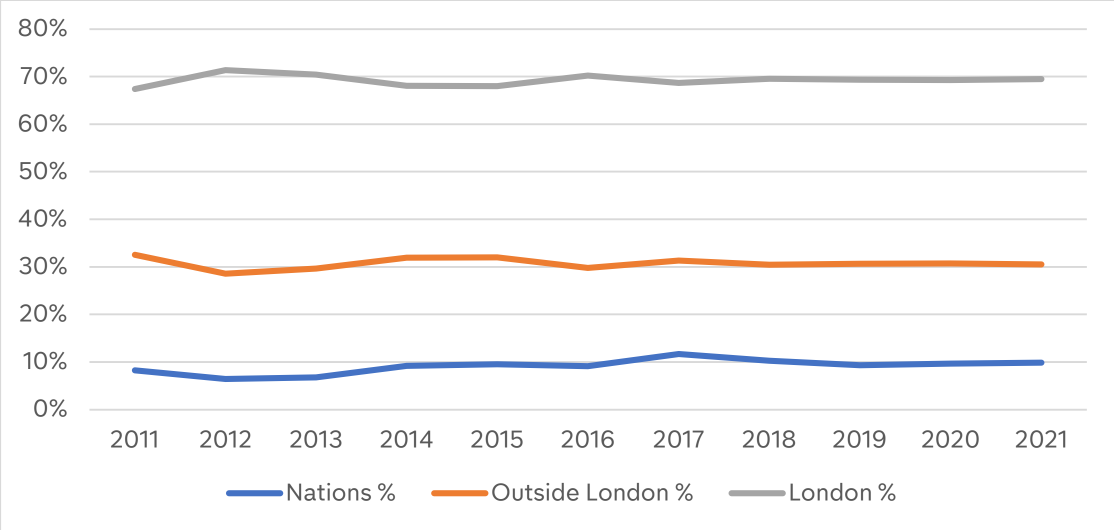

It is in the nature of the industry that some of our commissions will inevitably be delayed in production, have to be moved in the schedule, or come to an end for a number of reasons. These factors can make it challenging to deliver on our Nations and Regions commitments. The disruption to or loss of a single high-tariff commission that makes a disproportionate contribution to our Nations and Regions spend can make the difference between us hitting and missing a quota (as Ofcom's independent analysis in its consultation document shows).[27]

Although more production investment has shifted outside London – thanks in large part to increased investment by PSBs, including Channel 4 – the sector continues to be significantly smaller outside of than within the M25. As shown in figure 7 below, the proportion of production companies that have their headquarters in London has remained broadly consistent for the last ten years.

[26] Pact Census 2022 Nations & Regions Annex, p.8.

[27] Ofcom's modelling found that excluding either *Screw* or *Derry Girls* from our output in 2022 would have meant that we failed to meet our 9% nations spend quota – see Ofcom licence renewal consultation, p.66.

**Figure 7: % of total production companies based in London, outside London and in the UK nations, 2011-2021**




*Source: Oliver & Ohlbaum report for Ofcom, August 2023, Understanding the UK's TV Production Sector, slide 41.*

Oliver & Ohlbaum's recent report on the production sector, cited by Ofcom in its consultation, highlights a number of underlying challenges to the future growth of the independent production sector outside of London. In particular, the report highlighted the risk of sustained cost inflation and continuing challenges around skills shortages. Although 52% of producers surveyed thought that more productions would move to the Nations and Regions in the coming years, this finding demonstrates a high level of uncertainty in the sector about the prospects of future growth in production in the Nations and Regions.[28]

While these risk factors highlight the important role for PSBs in continuing to fuel investment across the UK under challenging circumstances, they also indicate the danger of increasing quotas beyond their current levels. If we were to see a reduction in production capacity in the Nations and Regions (for example, due to companies going out of business, or skilled professionals that work in a certain area leaving the industry), there would be less production capacity available to develop and produce the strongest ideas to commission. Consequently, the commercial impact on PSBs of maintaining current levels of outside London production would increase.

Independent producers are vital partners for C4 and we pride ourselves on working with hundreds of different companies each year, based across the length and breadth of the UK. However, in order to ensure that we have sufficient flexibility in commissioning and to weather different financial and commissioning environments, we believe that it continues to be important for the outside London quota to remain at 35%, and for the outside England quota to remain at 9%. We welcome Ofcom's proposal to retain these quotas at their current levels. Ofcom modelling shows that the cost-per-hour of C4C content made outside England exceeded the cost-per-hour of content made in England in 2022. This means that an increase in the 9% outside England quota would "probably increase the total cost of content", with potential implications for our sustainability over the long-term.[29]

There is a careful balance to be struck, and we consider that Ofcom has done so appropriately. It is critical that Channel 4 retains the freedom to commission the best ideas from across the UK. We are dependent on the strength of the ideas brought to us and must avoid a situation where we are overly restricted or incentivised to commission ideas primarily due to a quota. We will

[28] Oliver & Ohlbaum report for Ofcom, 2023, *Understanding the UK's TV Production Sector*, slides 58-60.
[29] Ofcom licence renewal consultation, p.68.

continue to see these quotas as a minimum level, not a ceiling for investment outside of London. Our mission to promote growth and wider participation in the creative economy across the whole of the UK will remain at the heart of our strategic priorities as we continue our transformation into a digital-first public service media organisation.

## Schools Programming

**Question 11:** *Do you agree with our proposal to retain the requirement to transmit at least half an hour of schools programmes, excluding presentation material, in each calendar year of the licensing period?*

**Summary**

Given that the Government is planning to remove our schools programming requirement as part of the Media Bill, we agree with Ofcom's proposal to keep this quota at the current level.

Channel 4 has an existing licence condition to produce 30 minutes of schools programming a year. The quota is so low as to not be meaningful in its current form, and we would argue for this requirement to be removed from legislation, and the licence, as soon as possible. If Ofcom is required to set a minimal quota for C4C under the existing statutory framework, we consider that the current *de minimis* quota should remain unchanged for the time being. We have observed that it is the government's intent to remove the schools programming requirement from legislation via the Media Bill. We support this change.

Engaging and serving young audiences (including older children and teenagers) with public service content is a core part of our remit. Channel 4 continues to be the UK's youngest profiling PSB streaming service: 28% of viewing comes from 16-34s, compared to 23% for ITVX, 20% for iPlayer and 14% for My5.[30]

Informing and educating younger audiences through entertainment will continue to be a key part of our strategy over the next licence period, and one that is far broader than providing "curriculum-led" learning. We will continue to build on our strengths as the youngest-skewing PSB to find new and innovative ways to reach younger audiences through a broad range of programming that seeks to both educate and inform and reflect the lives and interests of young people, delivered across both linear and digital.

Over the next licence period we intend to:

- **Accelerate our presence on social platforms** – in particular, transforming our performance on YouTube, where young people are spending an increasing amount of time.
- **Continue to invest in younger-skewing viewing,** using deeper audience insights, including the Beyond Z survey commissioned to understand the experience of being young in Britain in 2022.
- **Continue to drive younger viewers to watch more content via Channel 4 streaming** – and aim to grow our share of 16-24 year olds viewing video-on-demand.
- **Continue the drive from 4Studio to develop partnerships** to publish long-form content, produce more original shorts and grow branded digital entertainment, including the launch of the all new digital-first brand, *Channel 4.0* aimed at 13-24 year olds.

[30] Source: BARB; based on Jan-Dec '23; % 16-34 profile.

## Independent production

**Question 12:** *Do you agree with on our proposal to retain the condition that provides that in each calendar year not less than 25% of the total amount of time allocated to the broadcasting of qualifying programmes on Channel 4 must be allocated to the broadcasting of a range and diversity of independent productions?*

**Summary**

In the context of the current framework, we agree with Ofcom's proposal to retain the licence condition requiring that at least 25% of qualifying programme hours on our main channel must be independent productions.

We note the Government's intention that, in the event that the restriction on C4C producing content in-house is removed with the passing of the Media Bill, Channel 4's independent production quota would rise from 25% to 35% from the point at which we begin producing shows in-house (should we choose to do so).

Fuelling the UK's independent production sector is at the heart of why Channel 4 was set up in 1982. For over forty years, indies have had the opportunity to build their companies by launching shows with us and owning their own IP, which is regulated under the Terms of Trade. That partnership has been pivotal to the growth of the hugely success UK independent TV production sector.

As Ofcom notes in its consultation, the level of the independent production quota can only be amended by legislation. **In the context of the current framework, we therefore agree with Ofcom's proposal to retain the licence condition requiring that at least 25% of qualifying programme hours on our main channel must be independent productions.**

In order to give Channel 4 additional commercial flexibility to compete with global streamers, the Government has put forward legislation proposing to remove the restriction on in-house production as part of the Media Bill, which is currently going through the legislative process in the UK Parliament. Alongside this, when the Media Bill was published in November 2023, the UK Government announced a package of mitigations to safeguard Channel 4's pivotal role in sustaining the independent production sector.

These mitigations include increasing the independent production quota from 25% to 35% of qualifying hours in the event that C4C were to make use of the new ability to produce shows in-house.

We welcome the Government's package of mitigations to ensure that future potential commercial flexibility for C4C is balanced against the requirements of the independent TV production sector. Our ability to deliver our public service remit depends on the vibrancy and competitive health of the independent sector and it is right that there are regulatory measures in place to give independent production companies additional security.

As we have set out publicly before, any move we might make into in-house TV production in the event that the Media Act removes the restriction on C4C making programmes in-house would be a gradual change.[31] We would take the utmost care to avoid market shocks that would unduly impact our independent production partners.

[31] See statements from Channel 4 Chair Sir Ian Cheshire and CEO Alex Mahon made in response to the announcement of the Department for Culture, Media & Sport on 8th November 2023.

## Licence Duration

**Question 13:** *Do you agree with our proposal that the Channel 4 licence should be renewed for a period of ten years?*

**Summary**

Our clear preference is for a licence duration of ten years, which would provide us with certainty and flexibility to develop and grow our services across linear and digital, and to make plans that require multi-year commitments.

We intend to continue to deliver our public service remit over a further ten-year licence period as a commercially funded, not for profit, publicly-owned broadcaster. We are confident that the sustainable direction of Channel 4 over the next decade will allow us to be a truly digital-first public service media provider, continuing to fuel the independent production sector and serving audiences with high quality, innovative and distinctive content across the whole of the UK.

Ofcom's proposed licence duration of ten years would provide us with certainty and flexibility to develop and grow our services across linear and digital. We believe that a licence for this duration is essential to provide us with the necessary certainty for planning to deliver on the long-term strategic vision outlined in this document. We do not believe that C4C would be able to fully adjust to these strategic shifts in how we operate within a shorter licence period (such as five years).

The markets in which we operate will continue to evolve over the coming years – and C4C needs long-term certainty in order to be able to adapt our business where necessary in the continually changing landscape. A new ten-year licence would give us the certainty to grow our investments in partnerships and digital innovation to grow Channel 4 viewing in line with projected digital audience growth and the longer-term transition to internet protocol television (IPTV). It would also provide operational clarity for our suppliers, enabling us to make multi-year deals with advertisers and partners, and to have clarity over commissioning cycles.

We have considered the possible impacts of a shorter licence period on the delivery of our public service remit. We consider that this could impede our ability to deliver against our remit and that a shorter planning horizon would act against our strategic intent to transform Channel 4 into a digital-first public service media provider. We would have to secure the value of investments over a shorter time horizon, which could threaten our commercial sustainability. A shorter licence period would also reduce our scope for securing meaningful partnerships which could aid our digital growth.

We do not consider that a longer licence duration is appropriate either, given the rapidity of technological and behavioural change in the broadcasting environment. For example, setting licence conditions for a much longer duration could risk linear obligations being imposed on C4C for longer than necessary.

Having considered the options, **our clear preference is to be issued with a new ten-year licence, to run from 1 January 2025 to 31 December 2034**.