



A Review of Channel 4

Channel 4 Corporation's performance in meeting its
media content duties

Statement

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About this document

Channel 4 Corporation (C4C) operates Channel 4 as well as a number of other television channels and online services. C4C has been given a range of media content duties by Parliament which it must deliver across all its services. Parliament also requires Ofcom to review C4C's delivery of these duties over the same period as that set for the PSB Review. We published a consultation in December 2014 detailing our preliminary views of C4C's performance between 2010 and 2013. This statement sets out our final conclusions.

This review should be read in conjunction with Ofcom's Public Service Broadcasting Review, which is also published today.

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Section 1

Introduction

- 1.1 Public service broadcasting (PSB) currently consists of the BBC, Channel 4 (provided by the Channel 4 Corporation), Channel 3 (provided by ITV plc, STV plc and UTV plc), and Five (which has recently been acquired by Viacom), together with S4C in Wales and BBC Alba in Scotland. Channel 4 occupies a unique place in this system. Publicly owned but commercially funded, it has a focus on diversity and delivers programmes with an alternative take on the world to younger audiences who are increasingly seeking content beyond the PSB (and TV) environment. It does this by providing content across its main channel, Channel 4, its portfolio of channels, including E4 and More4, as well as online, through the newly-launched All4.
- 1.2 The Communications Act 2003 ("the Act") requires Ofcom to assess the effective operation of the PSB system as a whole through periodic PSB reviews. The Act also requires Ofcom to undertake periodic reviews of C4C's delivery of its media content duties¹. We have carried out our first such review in parallel with Ofcom's third PSB Review. Today we have published our final statements on both the reviews.
- 1.3 The backdrop to these reviews is the growth in the internet. Although live television remains hugely important, catch-up TV watched over the internet and programming and content premiered on the internet is increasingly important to audiences, especially to younger audiences. Today, only 50% of 16-24s audio visual consumption and 61% of 25-34s is through live television (i.e. TV viewed at the time it is broadcast). Viewing of TV news by younger people aged 16-34 has dropped by 29% since 2008 to 39 minutes per person per week in 2014. This poses challenges for C4C, given its young target audience.
- 1.4 The PSB Review showed that the PSB system to date has been broadly working and delivering the outcomes for which Parliament has legislated. While the BBC remains the cornerstone of the PSB system, Channel 4 also plays a crucial role through high levels of investment in new UK content on its main channel (£382m in 2013, making it the third highest investor in new programmes in the UK) as well as supporting the independent production sector (C4C works with more independent producers than do most other broadcasters).
- 1.5 PSB spend is under pressure as a result of changes in technology and audience behaviour. These challenges may become more heightened if some of the market dynamics that we are seeing accelerate: while consumption of TV remains high overall, despite a decline over the past two years, young people's behaviour may be an early indication of a more substantial shift across age groups to on-demand and online viewing. The widespread changes we are seeing in technology and user interfaces are affecting how people find and access content and what content they choose to view.
- 1.6 Therefore, we have suggested that a simplified framework for C4C might better support the delivery of its challenging but crucial role. This might include:

¹ Section 198C of the Act.

- 1.6.1 giving it a single remit across all its services;
 - 1.6.2 applying obligations to C4C as a whole rather than to Channel 4 specifically;
 - 1.6.3 giving appropriate prominence to its portfolio services (e.g. E4, More4) and on-demand player; and
 - 1.6.4 reviewing its current remit, to better focus the organisation on delivering in the areas of PSB where it can make the most distinctive contribution.
- 1.7 This increased flexibility would allow it more easily to adapt to the changing media habits and needs of its core audience, ensuring that its PSB output remains relevant and capable of meeting the needs of its core audience.
- 1.8 The rest of this review looks in detail at C4C's performance from 2010 to 2013 and also considers information now available about its performance in 2014.

Section 2

Key findings

- 2.1 Overall, C4C is performing well, and broadly met its media content duties over the review period.
- 2.2 C4C continues to make a broad range of high quality media content of wide appeal. It produced a wide variety of new and one-off programmes across a range of genres, including *Utopia*, *Educating...*, *Gogglebox* and *The Mill*. The number of new and one-off programmes delivered by Channel 4 compared favourably with the other main PSB channels.
- 2.3 It increased its real-terms investment in first-run UK-originated content on the main channel by 8.2%, spending £382m in 2013. This is in contrast to BBC One and ITV, whose spend fell over the same period.
- 2.4 Falls in viewing to the main channel were largely offset by growth in viewing to the portfolio channels. The rate of decline in audience share for both the main channel and the C4C family of channels has slowed in 2014.
- 2.5 The falling consumption of news from C4C has been a concern since 2010, but we welcome the performance of *Channel 4 News* both on TV and online in 2014. Between 2010 and 2013, C4C increased both its current affairs spend and output, and the main channel showed substantially more of this output in peak time than did any of the other main PSB channels.
- 2.6 C4C increased its spend on UK film production in real terms, after committing to invest at least £15m a year from 2011. The number of Film4-supported films released in UK cinemas doubled over the review period, from six in 2010 to 12 in 2013. It also won 144 film awards in 2013. This included three Oscars, two BAFTAs and one Golden Globe for *12 Years a Slave*.
- 2.7 Over the review period, C4C met its duty to provide content that appeals to the tastes and interests of young adults (whom C4C defines as 14-19 year olds). While *Youngers*, aimed at older children (10-14s), was a notable success on E4, there was no specific provision beyond this for older children in 2013. C4C has now outlined a strategy to provide content on the main channel which, while not specifically targeted at this age group, will appeal to them and deliver greater impact than bespoke content has done so far. We have requested that C4C reports to us in early 2016 on the delivery and impact of the programmes it has identified that will appeal to this audience.
- 2.8 We recognise the strengths of C4C's output covering diversity issues (the coverage of the 2012 Paralympics being a particular highlight) and its new commitment in its Diversity Charter. We consider both diversity and international topics to be core to C4C's remit. However, we do note some ongoing trends of decline in the volume of output in these areas in 2014 (noting C4C's commitment to both areas in the future).
- 2.9 We will continue to monitor closely C4C's performance in the key areas identified: reach and share; content for older children and young adults; the performance of *Channel 4 News*; diversity and international output; and the number of companies providing C4C with media content. We have also asked C4C to provide us with some additional data and reporting in 2016 to aid our analysis of its performance.

Section 2

C4C's performance

- 3.1 This section presents our final conclusions on the extent to which C4C delivered its media content duties over the review period. We have taken into account the consultation responses² and also considered C4C's 2014/15 Statement of Media Content Policy ("SMCP")³ which is now available.
- 3.2 The following paragraphs first outline our final conclusions on C4C's performance overall, and then those in the areas on which we focused in the December consultation, or where we received notable responses from stakeholders. This includes: audience reach and share; content for older children and young adults; news; diversity output; and international content. This is followed by our conclusions on the remaining duties, where we received fewer responses.

C4C's overall performance against its media content duties

- 3.3 We provisionally concluded that, overall, C4C had broadly delivered its media content duties over the four-year review period (2010-2013), performing strongly on a number of duties including: the making of a broad range of high quality media content of wide appeal; the making of high-quality films for cinema release; and supporting creative talent. C4C welcomed this recognition, and many respondents agreed with our over-arching conclusion. Some also noted the important role C4C plays in the overall PSB system.
- 3.4 Some respondents suggested that they considered there to be a tension between C4C's need to attract audiences in order to remain sustainable and its duty to show innovative and challenging content. Ofcom concluded, as part of the 2013/14 Channel 4 relicensing process, that C4C's ten-year financial plan (2015-2025) was credible. We also concluded that Channel 4's licence obligations, which include its remit, could be maintained. While some more challenging content may indeed deliver lower audiences than overtly popular programming, this is not inevitable. Where such a tension does exist, C4C has balanced it well, increasing revenues at the same time as drawing large audiences for innovative programmes such as *Educating...* and *The Undateables*.
- 3.5 Overall, we remain of the view that C4C broadly delivered against its media content duties between 2010 and 2013.

² Standalone responses to the December 2014 consultation can be found here:

<http://stakeholders.ofcom.org.uk/consultations/c4-media-content/?showResponses=true>

Respondents who answered question 7 as part of a wider response to the PSB Review can be found here: <http://stakeholders.ofcom.org.uk/consultations/psb-review-3/?showResponses=true>

³ C4C's 2014/15 SMCP published as part of its Annual Report:

<http://www.channel4.com/media/documents/corporate/annual-reports/C4%20Annual%20Report%202015.pdf>

Audience reach and share

- 3.6 Our consultation showed that the decline in audience reach and share of the main channel over the review period was largely (but not entirely) offset by increased viewing to the portfolio channels. This helped limit the loss of reach and share to C4C's television services as a whole. We also welcomed the increase in consumption of C4C's on-demand and online services.
- 3.7 Recognising that the majority of the main five PSBs also sustained audience losses over the review period, the rate of decline for Channel 4's reach and audience share was significantly higher. We therefore suggested that further declines in Channel 4's audience reach and share, at the rate observed between 2010-2013, could create the risk that C4C's impact could lessen over time. Some respondents to our consultation shared this concern.
- 3.8 During 2014, the monthly reach of the main channel continued to decline; however, while viewing share also declined for both the main channel and the C4C family of channels, the rate of decline stabilised when compared to the falls experienced in 2013. Further, the total C4C portfolio of channels increased its share in peak time. This suggests that C4C's three-year drive to reinvent Channel 4's peak-time schedule, through increased investment in new commissions, is starting to bear fruit. Additionally, share among 16-34s increased.
- 3.9 In C4C's response, it stressed the importance of the performance of the institution as a whole, arguing that Ofcom had placed too much emphasis on the headline performance of the main channel, and argued that this perspective risked overlooking the commercial reality of the digital world.
- 3.10 We agree with C4C that the combined performance of all its services is very important for the delivery of both C4C's remit and its revenues. However, since around 90% of C4C's originations budget is allocated to the main channel, which continues to attract a higher audience share than all the portfolio channels combined, Channel 4 continues to play a disproportionately important role in fulfilling C4C's duties. We therefore consider it legitimate to focus in detail on the performance of this service and the impact it delivers.
- 3.11 However, we also recognise the increasingly central role played by C4C's services beyond the main channel. In our PSB Review statement, we have suggested a simplified framework for C4C, applying obligations to C4C as a whole rather than solely to the main channel to better support the delivery of its challenging but crucial role. While many of C4C's historic performance measures are centred around the main channel alone, as the roles of the its portfolio channels and online services continue to grow we would welcome C4C reporting on the delivery of its public service remit and media content duties across its other services as well.

Content for older children and young adults

- 3.12 C4C has a duty to: *participate in the making of relevant content that appeals to the tastes and interests of older children and young adults*. In our consultation we assessed C4C to have broadly delivered on its obligations to young adults through its education content targeted at 14-19 year olds.
- 3.13 In contrast, we considered that the levels of original content provision targeted at older children (defined by C4C as 10-14 year olds) demonstrated a relative lack of ambition by C4C in meeting this aspect of the duty. We also noted that the small

volume of content provided by C4C for this age group was of concern in the broader context of low levels of provision of children's programming delivered beyond the BBC. This matter is explored in more detail in the PSB Review statement.

- 3.14 Many respondents supported our position and were concerned about the lack of content provided for older children by C4C over the review period. Many of these supported our recommendations for C4C to make its reporting in this area clearer with a more articulated strategy, and pointed to the lack of content for children provided by the PSB system more broadly.
- 3.15 C4C disagreed with our preliminary conclusion that its investment in output for 10-14 year olds demonstrated a lack of ambition in the provision of content for this age group. The broadcaster stated that it had always been explicit that its investment in this area would be modest, and any increases would come at the expense of investment in other equally important parts of the remit. It also noted that viewing figures show that general commissions on the main channel, E4 and More4 appeal to this audience despite not being specifically targeted at them.
- 3.16 In its recent 2014/15 SMCP, C4C disaggregated its spend and output metrics for education and older children, as recommended in our consultation. We welcome this decision. The SMCP also highlighted a sharp fall (47%) in the volume of TV educational output aimed at 14-19 year olds in 2014, and a corresponding fall in reach to this age group. Spend against this duty was maintained by the launch of the *Am I Normal?* online content hub. C4C has told us that this was a one-off fall in output, rather than a change in strategy, and that 2015 will deliver more TV-based educational output.
- 3.17 For older children, the 2014/15 SMCP outlined that C4C's strategy has evolved since the period under review. In 2015 it plans to serve 10-14 year olds through the provision of general Channel 4 commissions of broad appeal in peak-time, pre-watershed slots, which the broadcaster considers will also resonate with older children. Given the doubts raised, both in the consultation and in responses regarding the ability of general adult programming commissions to deliver "*relevant content that appeals to the tastes and interests of older children*", this change in strategy could be of potential concern. However, we understand the rationale for C4C's new approach, and the expectation that prime-time broad-appeal output should attract a greater volume of young viewers than would otherwise be delivered by more targeted content in less prominent parts of the wider C4C schedule. As part of the recent SMCP process, C4C has provided us with examples of three programmes which it believes will be of strong appeal to 10-14s in 2015, and the way in which it will measure the success of this strategy⁴. We have requested that the broadcaster reports on this in its 2015/16 SMCP, and we will assess its performance and provide it with our position on its delivery against its duty to cater for older children.
- 3.18 In conclusion, we remain of the view that C4C successfully delivered against the part of this duty to provide content for young adults over the review period, and we will

⁴ As outlined in Ofcom's letter to Channel 4 Corporation on its Statement of Media Content Policy 2014 / 2015: http://stakeholders.ofcom.org.uk/binaries/broadcast/tv-ops/c4/Ofcom_letter_to_Channel_4_Corporation_on_its_Statement_of_Media_Content_Policy_2014_2015.pdf

monitor how its new approach delivers programmes that will appeal to the tastes and interests of older children.

News

- 3.19 The consultation recognised the high quality, distinctive nature of *Channel 4 News* and its ability to attract hard-to-reach audiences (16-34s and BAME viewers). However, both the reach and share of the programme continued to decline throughout the review period. We welcomed C4C's development of an online news strategy (targeted at young people) in an effort to help counter the fall in linear delivery and impact between 2010 and 2013. We also noted the challenges in measuring reach and impact posed by the use of online platforms, and said we would continue monitoring C4C's progress in developing further metrics in this area, as well as reviewing the reach and share performance of the TV bulletin.
- 3.20 A number of respondents stressed the value of *Channel 4 News*, particularly for its distinctive tone, that it covers stories which are not reported on the other main PSBs, that it brings plurality to the news agenda, and for its efforts to increase the impact of *Channel 4 News* online. C4C's response highlighted more recent successes in news for 2014 and also pointed to its new online metrics, urging Ofcom to take these into account when measuring the reach and impact of *Channel 4 News* in the future.
- 3.21 As noted as part of the 2014/15 SMCP process⁵, C4C's metrics (including new metrics for online delivery) indicate positive progress in attracting audiences to both linear TV and online news, with both viewing share and website views increasing, which we welcome. C4C is planning further news innovations for 2015 including an online *News Wall* aimed at younger consumers which we hope will build on the achievements of 2014. We also welcome C4C's assurances that *Channel 4 News* will soon be integrated into its new online content hub, All4. Given that reach of PSB news overall continues to decline, it remains important that we continue to monitor C4C's news performance as part of the annual SMCP processes.

Diversity output

- 3.22 The review provisionally concluded that C4C's delivery of the diversity aspect of its duties was largely very positive, as evidenced by audience opinions of the main channel, its coverage of the 2012 Paralympic Games and its participation in the Diamond Diversity Monitoring Scheme⁶. In contrast, the volume of first-run originated diversity hours on Channel 4 fell in 2013 to levels below those of 2010. We said we would monitor the provision on the main channel and liaise with C4C to understand more clearly its future strategy for content provision and reporting in this area. We also suggested that C4C's decision to measure the volume of diversity output only on the main channel may have affected the picture of broader diversity provision across C4C's services, potentially resulting in C4C not receiving the full recognition it deserves.

⁵ As outlined in Ofcom's letter to Channel 4 Corporation on its Statement of Media Content Policy 2014 / 2015: http://stakeholders.ofcom.org.uk/binaries/broadcast/tv-ops/c4/Ofcom_letter_to_Channel_4_Corporation_on_its_Statement_of_Media_Content_Policy_2014_2015.pdf

⁶ The new industry-wide initiative will gather real-time data on on-screen and off-screen diversity representation, with the first report expected in 2016.

- 3.23 Of those who commented, the majority of respondents commended C4C for its commitment to diversity, both on and off screen, and welcomed both its 360° Diversity Charter and its role in the Diamond Diversity Monitoring Scheme.
- 3.24 As highlighted as part of the recent 2014/15 SMCP process, the hours of originated diversity output on the main channel grew slightly in 2014 (although output was still lower than in 2010), while hours in peak time fell considerably. However, as outlined in our SMCP letter⁷, we have noted C4C's explanations for this fall in peak-time output.
- 3.25 Further, C4C's research showed that audience perceptions of Channel 4 in this area remained high in 2014, scoring above the other PSBs' combined average against a number of characteristics in this area such as "showing different kinds of cultures and opinions" and "challenging prejudice". Popular shows such as *The Undateables* (which returned for a second series in 2014) and C4C's coverage of the 2014 Sochi Winter Paralympic Games also continued to highlight the broadcaster's commitment to diversity.
- 3.26 We also note that the 360° Diversity Charter (launched in January 2015) and the Diamond Diversity Monitoring system will help to provide more clarity in measuring C4C's performance, both on and off screen and across all of its channels, which we welcome, given that its current data covers only the main service.
- 3.27 We remain of the view that C4C performed largely positively in meeting the broader duty: *to participate in the making of a broad range of relevant media content of high quality that, taken as a whole, appeals to the tastes and interests of a culturally diverse society* over the review period, and will continue to monitor its performance in this area.

International programming

- 3.28 The consultation showed that the volume of first-run content covering international matters (excluding news) on the main channel (plus *True Stories* on More 4)⁸ fell by more than 40% over the review period (reaching a low in 2012). The range of genres that included international content in 2013 was also narrower than in previous years. The review noted C4C's argument that this fall in output was largely due to its decision to decrease the number of *True Stories* films, yet it had compensated for the reduction by moving this content onto the main channel, thereby achieving higher audience figures and greater impact overall. The falling provision of international output was a concern for some respondents.
- 3.29 C4C's response reiterated the positive impact of moving *True Stories* to the main channel (fewer episodes but greater impact) and stated "we are continuing to explore ways in which we can further harness our international credentials".

⁷ Ofcom's letter to Channel 4 Corporation on its Statement of Media Content Policy 2014 / 2015: http://stakeholders.ofcom.org.uk/binaries/broadcast/tv-ops/c4/Ofcom_letter_to_Channel_4_Corporation_on_its_Statement_of_Media_Content_Policy_2014_2015.pdf

⁸ The *True Stories* strand was broadcast first on More 4 between 2010-2012.

- 3.30 Despite a commitment in the 2013/14 SMCP to find more space in the schedule for international content, C4C's most recent data show that the volume of international content on the main channel fell again year on year, to 54 hours in 2014 (equal to the low of 2012). The range of genres also continued to shrink, with no religious or historical international commissions. C4C cites, as reasons for this fall, its focus on the 2015 General Election and increased domestic coverage in its current affairs output, as well as programmes commissioned for 2014 being delayed until 2015.
- 3.31 In the consultation we said we would monitor the volume of international output and seek information from C4C to better understand its strategy in future. We are encouraged that C4C has committed, in the 2014/2015 SMCP, to refocusing on international content, particularly in the factual and drama genres. We also note the recent announcement that C4C will be launching a new foreign-language drama service on All4.

Additional areas covered by the review

- 3.32 There were a number of areas covered in the review where we were broadly content with C4C's performance and where little or no further evidence emerged in the second phase of our work. These comprise: content investment and output; online and on-demand delivery; production and portrayal of the nations; film; and supporting new talent and working with cultural organisations. Respondents who expressed views in these areas generally agreed with our preliminary findings and welcomed C4C's performance against the corresponding duties. We have therefore not restated our detailed position on these areas in this statement.
- 3.33 There were, however, some specific points raised, which we address here:
- 3.33.1 With regard to C4C's production in the nations, three respondents felt that the new 9% quota from 2020 was not high enough and should be increased, with Creative Scotland proposing the idea of population-representative quotas. While recognising the strength of feeling among some respondents for a higher out-of-England quota, this issue was considered in detail as part of the Channel 4 relicensing process in 2013/14. We do not propose to reconsider the quota as part of this review. However, we have suggested to C4C that, as part of its SMCP, it provides a consistent nation-by-nation breakdown of spend and output for both the main channel and the wider C4C group, in order to ensure clarity and consistent measurement of spend over time. We also note and welcome that C4C has committed formally to engage with a range of nations representatives to develop further relationships. We will continue to monitor C4C's progress in this area.
- 3.33.2 C4C's commitment to invest £15m annually in film expires in 2015. We will liaise with C4C to better understand its strategy beyond 2015.
- 3.33.3 Channel 4 works with more independent producers than do most other broadcasters. But 2014 data shows that the number of content suppliers C4C worked with fell year on year, as did the number of new suppliers. C4C attributes this decline to an increasing number of returning series in the schedule, following a period in which many new programme strands were commissioned. As such, the decline may level out as the schedule becomes more stable. Such a trend may be of concern if it continues over a longer period of time. However, we note the launch of the *Channel 4 Growth Fund* and its objectives - to stimulate the UK independent production sector and to help generate an additional revenue stream for C4C. We will continue to monitor C4C's performance in this area.