

## Your response

Question	Your response
<b>Question 1: Do you agree with our assessment of the potential impact on specific groups of persons?</b>	<p>Confidential? – N</p> <p>The Advisory Committee for Scotland (ACS) advises Ofcom about the interests and opinions, in relation to communications matters, of persons living in Scotland. This response from the ACS to this consultation draws on the knowledge and expertise of ACS members and is informed by our individual experience and through discussion at our meetings. It does not represent the views of Ofcom or its staff.</p> <p>In this response, we therefore focus on areas that might impact on Scottish audiences and the independent sector within Scotland.</p> <p>We recognise that since the last renewal of the Channel 4 licence in 2014, the landscape both within the UK and globally has changed significantly. We anticipate that this will continue with rapid technological changes and innovation in content distribution models. We therefore agree that it is imperative that Channel 4 has flexibility in its licence to adapt swiftly to these, whilst continuing to fulfil its remit within the PSB ecosystem as well as meeting the needs of all its audiences. As identified by Ofcom:</p> <p><i>'In response to these changes, the main challenge currently facing all broadcasters is how to manage the transition from a primarily linear delivery model to a digital-first one, while continuing to meet the needs of their audiences.'</i></p> <p>Whilst we agree with the overall assessment of the potential impact on specific groups of persons, we believe that there are areas in which we feel the information on the potential impacts could be broken down for Scotland. It would be useful for Ofcom to understand and acknowledge this in future decisions.</p> <p>A digital-first approach, for example, will be problematic in the future, if Scotland lags behind in telecoms connectivity. The demographic and geographic challenges in Scotland are a barrier at the moment to universal connectivity. Hopefully as this improves, the risk of Scottish audiences being left behind, as broadcasters move online will recede. Until then, it should always be a consideration in future planning.</p>
<b>Question 2: Do you agree with our Welsh language impact assessment?</b>	<p>Confidential? – Y / N</p> <p>No comment</p>

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

Confidential? – Y / N

We agree that it is important to strike a balance between allowing Channel 4 greater flexibility in the future to develop its content and distribution strategy in support of its digital transformation, while continuing to safeguard its investment in distinctive UK content and protect the delivery of the core elements of its linear output.

The search for commercial sustainability must not dilute the diverse and cultural remit of Channel 4.

Ofcom has already identified that

*The number of people from minority ethnic groups watching the main five PSB channels has been falling over the current licence period, but it has fallen at a higher rate for Channel 4 than the average for PSB channels....*

*A similar trend is seen with disabled audiences, among whom Channel 4's reach declined from 2016 to 2022 (from 52.1% to 43.5%) but the share of viewing remained stable at just under 4%.*

It is important that audiences like this continue to be served by Channel 4 and all the PSBs

Ofcom's approach to setting a new licence for Channel 4 must also be seen as part of a much bigger picture to avoid any unintended consequences.

We have already mentioned the risk to Scottish audiences in a digital-first approach.

We would recommend that Ofcom also take note of the crisis within the freelance talent sector within the UK and Channel 4's role in that. Any reduction in commissioning from Channel 4 will have a direct impact on this troubling situation.

The potential for Channel 4 to have its own production base will also impact the sector as inevitably commissions will be lost by production companies across the UK, putting their sustainability at risk. There is already talk from Channel 4 about there being 'too many producers for the industry to sustain.'

This loss of talent across the board will impact on the sector, reducing the pool for other broadcasters and adversely affecting the UK's ability to attract international productions.

If continued, the sector in Scotland, could be disproportionately affected. It is already a fragile ecosystem with a heavy reliance on PSB commissioning.

It is therefore important that this new flexibility suggested by Ofcom and being delivered by the Media Bill does not

	<p>add to the issues and that Channel 4 continues to support the development of creative talent in Scotland and across the UK.</p>
<p><b>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?</b></p>	<p>Confidential? – Y / N  <b>YES</b>  News programming in peak is one of Channel 4’s key strengths, offering fair and well-informed debate. This is particularly important as the risk of misinformation continues to rise, both online and on other new linear broadcasters.</p> <p>We also believe that the delivery of news hours can be positively amortised over the initial investment. Once the investment into the ‘standing army’ delivering news is made, we don’t believe that the reduction of 30 hours would be a significant saving and would alternatively have a negative effect on audiences.</p>
<p><b>Question 5: Do you agree with our proposal to remove the lunchtime news scheduling requirement?</b></p>	<p>Confidential? – Y / N  <b>NO</b></p> <p>In its submission to Ofcom, Channel 4 expressed its commitment to its overall provision of news. It said that news programmes sit <i>“at the heart of Channel 4’s schedule mission and are amongst the most important and impactful ways in which we fulfil our public service remit.”</i></p> <p>We therefore do not believe that removing the lunchtime news is in accordance with this commitment. The past few years have demonstrated that major local and UK events can happen very quickly, and the world can change in heart-beat. It does not seem logical for Channel 4 to therefore have to wait until 1900 to inform their audience on that day’s news.</p> <p>Channel 4 also noted that <i>“removing this requirement would give us additional flexibility to plan our schedules in the most competitive way to maximise audiences [...] The three minutes would be replaced with daytime suitable programming, ensuring that there is a flow of audience throughout the schedule.”</i></p> <p>We do not believe that schedule disruption is a valid and sufficient reason for removing the lunchtime news bulletin. The three minutes could be incorporated into programming that enables the news bulletin to be retained whilst also retaining a flow of audience. We are sure that this scheduling challenge would be easily solved in a positive and creative way by Channel 4.</p> <p>From the research undertaken by Jigsaw, although it demonstrates the evidence and reasoning behind this suggestion, Ofcom also needs to take into account the overall decline of local and UK news. The growth of global players and streamers such as Netflix and Amazon Prime Video means that PSBs such as Channel 4, must compete harder</p>

	<p>for audiences so this does not correlate with removing the lunchtime bulletin nor a suggested reduction in peak hours.</p> <p>Streaming channels have no obligation to provide news or current affairs, so it is important that, where possible, current levels of news output remain. If engagement is dropping, one could say that it is the channel's responsibility to turn that around, to attract new audiences, to maintain existing audiences and adopt innovation in their creative output to do this.</p> <p>We recognise that younger viewers are moving to digital and therefore this lunchtime bulletin may not seem particularly important for this audience. However, we believe that there will be small sectors of society that will value it eg those now working from home. This transition from linear to online therefore needs to be handled carefully to ensure that it does not leave older and remote audiences in Scotland with a reduced service.</p>
<p><b>Question 6: Do you agree with our proposal to retain the weekend news scheduling requirement?</b></p>	<p>Confidential? – Y / N YES</p> <p>All of our arguments set out for Q4 and Q5 are relevant here. We are not supportive of Channel 4 reducing its commitment to news and current affairs.</p>
<p><b>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?</b></p>	<p>Confidential? – Y / N NO</p> <p>We are not supportive of Channel 4 reducing its commitment to news or current affairs programming and we consider the reduction of 30 hours to undermine the opportunity for debate and analysis, presented in a fair and measured way.</p> <p>Again, we would reiterate that need for Ofcom to look at the bigger PSB picture. Channel 4's commitment in current affairs is a strong incentive to other PSBs, ensuring that all of them continue to deliver current affairs, both local and international. By allowing Channel 4 to reduce its output, it undermines this plurality of output.</p> <p>As mentioned previously, there has been a sudden growth of other commercial broadcast channels, with specific political positions. It is therefore even more important that the PSBs continue to offer impartial and public discussion, giving audiences the information that they need to make informed choices.</p> <p>This is particularly important in the possible run up to a general election and a Scottish election. Current affairs could not be more important in the very near future and we therefore do not see the logic in Ofcom allowing this reduction.</p> <p>We also do not understand Channel 4's desire to reduce this area of programme. It has the potential to drive audiences and to reinforce its position as a broadcaster that asks the</p>

	<p>difficult questions, offering something different from other news providers.</p> <p>We agree with the proposal to retain 80 hours must be in peak viewing time.</p>
<p><b>Question 8: Do you agree with our proposal to require that:</b></p> <p><b>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></p> <p><b>b) at least 70% of the hours of programmes in peak viewing time are originally produced or commissioned for Channel 4?</b></p>	<p>Confidential? – Y / N</p> <p>We agree with proposal b) that at least 70% of programmes in peak viewing time are originally produced or commissioned for Channel 4.</p> <p>We have some concerns over the reduction from 56% to 45% of the hours included in Channel 4 in each calendar year are originally produced or commissioned for the service. This is particularly questionable when Channel 4 have consistently overdelivered in this area delivering 63% and 82%, respectively, in 2022.</p> <p>However, we understand Channel 4’s desire to move budget out of the daytime schedule to the more lucrative peak. We appreciate that these high-end titles will do better online and will have more impact for audiences.</p> <p>This move may have a direct risk for the Scottish sector. Many small and new production companies in Scotland can get their first commissioning opportunity through daytime programming. As they do not have the track record to aim for the high-end expensive commissions in peak, a reduction in daytime commissions will take away that first step on the ladder for many of them. Inevitably it will also mean less commissions as Channel 4 pursue fewer high budget, high impact peak titles as opposed to more but lower budget daytime shows. The BBC’s concept of ‘fewer, bigger, better’ is already in train and if another PSB adopts a similar policy, the ripples will be felt by the production sector across the UK and Scotland. When large budgets are at stake broadcasters tend to shy away from risk taking and will inevitably fall back on those companies that have delivered for them in the past – edging out those newer and riskier options.</p> <p>Ofcom should consider carefully the consequences of this reduction. It may be acceptable if there is safeguarding in other areas of the licence – Out of London quotas and Nations and Regions quotas (see our response to Q10)</p>
<p><b>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</b></p>	<p>Confidential? – Y / N</p> <p>NO.</p> <p>We do not agree with the proposal to retain the requirements that, in each calendar year, at least 35% of the hours of programmes and 35% of the expenditure on programmes, made in the UK, should be produced outside of the M25.</p>

production of programmes produced outside the M25 and must be referable to programme production at a range of production centres?

We believe that this should increase to 50%.

We question this proposal since in 2022 two thirds of all new programmes for Channel 4 were made in the Nations and Regions (outside of the M25) with a record £228 million invested in new shows outside of London. There is obviously no lack of talent or skill outside of the M25 and therefore this should be recognised.

Channel 4 seems to have no difficulty in consistently reaching 50% so why should we not consider increasing this quota? It would more accurately reflect reality and would acknowledge the diverse and creative companies already delivering and help ensure their sustainability to continue providing Channel 4 with the content that it needs.

Again, we understand the arguments about commercial sustainability and the flexibility required to achieve this. However, we also reflect on the fact that the BBC have outlined their ambition to increase their Out of London commissions by spend to 60%. We see no reason why Channel 4, which is now a mature and established broadcaster with similar sectorial remits and responsibilities, should not follow suit.

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?

Confidential? – Y / N

NO

Whilst we recognise Channel 4's commitment and support for Nations and Regions, we believe that this requirement is out of date. Indeed it is quite intriguing to consider this requirement reversed – that 91% of all hours produced for Channel 4 should be made in England?

This committee considers that this flies in the face of everything that Channel 4 and public service broadcasting stands for. Channel 4 was set up with the clear aim of extending the choice available to viewers, appealing to tastes and interests not generally catered for by other broadcasters, and so encouraging innovation and the development of the independent production sector. Reserving 91% of its commissioning to one part of the country does not seem in keeping with this ambition.

And whilst quotas may be deemed inflexible and not suitable for a digital future, they are a key and proven intervention that allows the sector to plan and gives assurance for the future in what is a very volatile market. Therefore, this committee believes that Ofcom has the potential to help deliver Channel 4's remit by changing these requirements to better reflect audiences and the current production sector.

We have already mentioned parity with the BBC (Q9) and we would suggest similar considerations here, specifically in relation to those quotas relating to the Nations and Regions.

Channel 4 is now a mature PSB with a key role in the support and development of the independent sector. The BBC has a similar role as outlined in its Public Purpose 4.

*'To reflect, represent and serve the diverse communities of all of the United Kingdom's nations and regions and, in doing so, support the creative economy across the United Kingdom purposes.'*

It would seem reasonable for Channel 4 to now take on a similar commitment. We outlined our thoughts on increasing these quotas to align Channel 4 with the BBC in our response to the *DCMS consultation on a potential change of ownership of Channel 4* in 2021.

We continue to consider that parity with the BBC is a logical comparison and would mean that this requirement would increase from 9% to 16% first run originations from the devolved Nations (Scotland, Wales, and Northern Ireland).

We would further recommend that this requirement is then broken down by devolved Nation, committing 8% of those commissions from Scotland.

This would be extremely beneficial for the Scottish sector, as well as Wales and Northern Ireland, and would guarantee each sector a certain amount of production. The aim would be to increase sustainability within the independent production sector by establishing a spread of quotas throughout the UK and specifically within the Nations and Regions.

We would also urge Ofcom (and indeed Channel 4) not to consider these quotas as a burden. They should be seen as an opportunity to bring different voices and different perspectives to the Channel 4 output, which is exactly what Channel 4 should be doing.

We would also discourage any perception that there is a lack of creativity or talent. Many key titles presently on screens across the UK have originated and have been produced in Scotland. *Vigil* (BBC), *Bridge of Lies* (BBC) *Screw* (Channel 4) *Mayflies* (BBC) *Antiques Road Trip* (BBC) are all examples of shows developed and produced by Scottish teams.

These interventions become even more important as Channel 4 begins to consider inhouse production. It is essential that appropriate safeguards are put in place. The potential impact on the production sector of the removal of the publisher-broadcaster restriction could be extremely damaging and careful consideration must be given to any future protections and any unintended consequences.

We believe that as the economic future of C4 becomes linked to its own successful inhouse production, there will inevitably be a focus on building that part of the family and

	<p>ensuring its success – which will mean there will be losses outside of Channel 4. Commissions will have to move from the external production sector to in-house. It is interesting to note that within ITV, ITV Studios currently delivers around 68% of their output. Is this because ITV Studios consistently come up with the best ideas or is it because of their focus on vertical integration?</p> <p>Therefore, as Channel 4 goes down this route it will inevitably impact the independent production sector within the UK and it will have a disproportionate effect on Scotland. The Scottish production sector is fragile and heavily reliant on PSB commissions. In 2021, Screen Scotland commissioned a full-scale economic impact study to assess the economic value of the Screen Sector in Scotland. They found that the BBC accounted for 82.3% of all PSB programme spend in Scotland. Channel 4 accounted for 10.5%. Any reduction in these figures will be a severe economic blow that many of the smaller companies will not be able to sustain.</p> <p>To retain this requirement at 9% does take account of this systemic change in Channel 4 production approach and must therefore be updated to reflect a new decade for the broadcaster. This opportunity for Channel 4 must not be at the expense of the production sector which has consistently contributed to its success.</p>
<p><b>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?</b></p>	<p>Confidential? – Y / N YES</p>
<p><b>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?</b></p>	<p>Confidential? – Y / N YES - although we acknowledge that this is liable to change once the Media Bill becomes law. We understand that a wider review of all PSB licences will have to take place to ensure parity with the new legislation.</p>
<p><b>Question 13: Do you agree with our proposal that the Channel 4 licence should be renewed for a period of ten years?</b></p>	<p>Confidential? – Y / N YES We agree that the Channel 4 licence should be renewed for a period of ten years but with a midterm review after five. We believe that this is particularly important due to the fast-changing environment that Channel 4 is operating within. 10 years is too long to go without a review.</p>

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