

Channel 4 response to Ofcom's consultation on renewal of the Channel 4 licence

Introduction

1. Channel 4 is a publicly-owned, commercially-funded public service broadcaster, with a statutory remit to be innovative, experimental and distinctive. Channel 4 was set up as a publisher-broadcaster, commissioning all of its content from the independent production sector rather than from an in-house base, and our not-for-profit model means that we work to maximise investment into high-quality, original UK content. In addition to the main Channel 4 service, Channel 4's portfolio includes E4, More4, Film4 and 4Music, as well as an ever-growing range of online activities that includes channel4.com, Channel 4's bespoke video-on-demand service 4oD and standalone digital projects.
2. Channel 4 welcomes the opportunity to respond to Ofcom's public consultation on the renewal of the Channel 4 licence. The licence is an important part of our overall accountability framework, of which our public service remit sits at the heart. Channel 4's primary purpose is the fulfilment of this remit, as set out by Parliament, and which requires us to deliver a wide range of elements, including to be distinctive, innovative, diverse and educational. Following the Digital Economy Act 2010 we work to deliver this remit across all of our platforms, including television, digital and film. The licence, which relates to the main 'Channel 4' service only, articulates and holds the channel to a specific and narrow set of public service obligations, such as news provision and investment in commissioning from outside of London.
3. In addition to the licence, and in recognition of the broader remit, the Statement of Media Content Policy (SMCP) provides a comprehensive assessment of our public service delivery across a full spread of genres and platforms. This document is a statutory requirement published on an annual basis and contains a basket of metrics and narrative to demonstrate fulfilment of the remit, including data about investment, audience perceptions about remit delivery as well as details of quota fulfilment. It is subject to scrutiny by Ofcom during its preparation. In this respect, the Channel 4 licence differs to those of Channels 3 and 5, who are not subject to a similarly extensive statutory remit, and whose status as a public service broadcaster is therefore more narrowly tied to their licence as held by Ofcom.
4. We further welcome Ofcom's recognition in the consultation document of the important role Channel 4 plays in the public service broadcasting landscape and we look forward to securing a new 10 year licence that will enable us to continue this role in the coming years. We believe that despite the significant technological and social changes of the last three decades, our public service role remains as essential in today's fragmented media landscape as in the analogue era of the 1980's, and will continue to be important in the years ahead. Along with the preservation of our remit and our status as a not for profit, publicly-owned broadcaster, as well as our own plans for creative and commercial innovation, we believe a long-term commitment from Ofcom to our licence will help provide Channel 4 with the secure footing needed to maintain this essential contribution to public service broadcasting.
5. The following submission outlines Channel 4's response to the specific consultation questions relating to the public service licence as set out by Ofcom.

Consultation Question 1: Do you agree with Ofcom's view that the current licence conditions remain largely appropriate to securing Channel 4's obligations?

6. Channel 4 is wholly committed to its role and purpose as a UK public service broadcaster. As a publicly-owned, not for profit broadcaster, Channel 4's entire focus and commitment is on the delivery of our public service 'obligations' both through the remit and the specific requirements in the licence. We design our creative, commercial and financial strategies to ensure the most effective means of delivering to our public service remit, and our model ensures that we can invest the maximum amount of revenue back into fulfilling it. The specific public service components we are asked to deliver are established through a series of regulatory mechanisms:
 - a. Primarily, our unique public service remit as given to us by Parliament and set out in primary legislation in the Communications Act 2003 and the Digital Economy Act 2010. This requires Channel 4 to be distinctive, innovative, diverse, educational, to champion alternative views, to stimulate debate, nurture talent, inspire change and appeal to a culturally diverse society. These requirements apply across our output, rather than to specific genres only, and following the Digital Economy Act, can be delivered across our portfolio. In addition, the remit requires Channel 4 to participate in some specific activities: film, news and current affairs, and content for older children and young adults.
 - b. In addition, a more narrow set of quantitative obligations for the main Channel 4 service only are set out in the main channel's PSB licence as held by Ofcom. These are comparable with the responsibilities of other Public Service Broadcasters and relate to a specific subset of PSB components: independent production, out of London production, out of England production, original programming, 'schools provision' and provision of UK news and current affairs.
7. Channel 4 agrees that the current conditions outlined in the licence are appropriate mechanisms for securing some specific and quantifiable components of our public service responsibilities. Channel 4 believes these licence obligations are effective and sustainable, and that as the only channel within the portfolio for which a public service licence is applicable under statute, and consequently the only channel which receives specific public service 'benefits' such as "appropriate prominence" on Electronic Programming Guides, the main Channel 4 service remains the appropriate vehicle to continue to be subject to specific public service licence obligations.
8. However, Channel 4 sees our broader statutory remit, and the accompanying SMCP that reports on its delivery, as the primary mechanism for securing and monitoring our wider public service obligations. It is this broader remit, which is ingrained in Channel 4's identity and ethos, which ensures that across the genres, whether comedy, drama or documentaries, we deliver public value, for example by seeking to take risks, being innovative, and promoting alternative views.
9. Furthermore, the wider remit is delivered across the portfolio, not just the main channel. For example, our commitment to nurturing talent runs throughout the organisation, and is evident not just in examples like the main channel strands *First Cut* and *Coming Up*, but also in film (with our Film4 production arm giving film-makers from Danny Boyle to Steve McQueen their first big break), on our portfolio channels (E4 drama series such as *Youngers* and *Misfits* feature new writing, directing and acting talent) as well as in digital (our multiplatform commissioners have sought to build relationships with many small digital agencies that have never worked with a network broadcaster before).

10. The requirement to publish the annual SMCP provides an effective means of capturing and reflecting the way in which Channel 4's activities as a whole deliver public value. The SMCP encapsulates the multi-faceted nature of Channel 4's remit, and the diverse ways in which it is delivered, more fully than the purely quantitative volume measures required by the licence. This broader 'basket of measures' includes both qualitative and quantitative audience data as well as evidence of the public and social impact of particular programmes. The SMCP framework also provides a clear process of accountability that is subject to scrutiny from both Ofcom and Parliament – including an annual session with the Culture Media and Sport Select Committee.
11. Channel 4 believes that the current regulatory framework works effectively in securing our substantial public service contribution – enabling us to deliver our unique public service remit across our portfolio, as well as delivering to a narrower set of 'key', specific public service requirements on our main channel in line with our licence.

Consultation question 2: Do you consider it would be appropriate to increase the Out of England quota on the Channel 4 service? If so, please set out the reasons for setting a particular level for the quota and for the rate of increase to this level?

12. Channel 4 is committed to increasing its investment in, and support for, production in the devolved Nations. As part of our early discussions with Ofcom on the licence renewal process, we have proposed to introduce a phased increase in commissioning from the Nations to achieve a level of 9% of both network spend and hours by 2020.
13. This new quota builds on our progress in recent years in supporting independent production companies in Scotland, Wales and Northern Ireland, achieving a network investment in the Nations of a record 5.4% in 2012. Channel 4 has been able to make this progress as a result of dedicated initiatives and specific focus on how best to grow the sectors in each Nation – but it has been a long-term approach working from an initially low base. We believe that the new 9% quota, which we anticipate delivering to in phased increases from 2014 of around a half percentage point a year, is a realistic and achievable target which maintains the positive momentum we have seen in recent years, whilst also recognising the differing levels of scale and genre expertise in the sectors, and the many other elements of the remit that Channel 4 must support.
14. Channel 4 engages regularly with stakeholders in the Nations and recognises that there is desire from some communities that we invest at a higher rate, more quickly. In particular, Channel 4 recognises that the voluntary commitments made by the BBC in this area have sent a powerful message about the importance of commissioning from across the UK – and they have also set a precedent for some stakeholder expectations about what an appropriate commissioning target for the Nations may look like.
15. However, it is important that any consideration of an appropriate quota for Channel 4 considers the very different context in which Channel 4 operates. Notably:
 - a. As a **publisher-broadcaster** we do not have the flexibility to move in-house production around the UK, and as such we have sought to grow our investment organically instead. We do not have the same in-house infrastructure in each of the nations as the BBC, and are therefore completely dependent on the strengths and weaknesses of each particular independent sector. We work closely with the independent production community to identify specific internal initiatives aimed at addressing some of the strategic issues affecting network production in the devolved nations, but this is by necessity a long-term approach.

- b. As a **commercially funded PSB**, we must also be sensitive to the need to ensure our ability to compete commercially by commissioning and scheduling the best ideas is not unfairly or disproportionately hindered by regulation.
 - c. As a PSB whose licence is **regulated** by Ofcom, our obligations with regards to Out of England production are formally binding. This is in contrast to the BBC's voluntary commitments.
16. We are also affected by other factors – for example, the nature and content of our schedule. A significant proportion of Channel 4's budget for UK commissions is already committed to long-running programmes such as *Channel 4 News*, *Hollyoaks*, *Deal or No Deal* and *Channel 4 Racing*. The scope within the remaining budget to commission a returning series of scale is limited as much of this spend goes towards shorter series and single films, which, while important in providing platforms to new talent or for more risky programmes, do not deliver the rapid levels of growth needed to achieve a higher Nations target quickly. These limitations are likely to become more intense in the coming years; 2011 and 2012 saw a particular peak in the diversity of our schedule as a result of the creative renewal process, with a high volume of new titles providing more opportunities for programmes from the Nations. However, as the schedule stabilises over the coming years, with an increased number of returning series, finding these opportunities at such a rapid rate of growth could prove challenging.
17. Where there are opportunities for returning series, prioritising Nations productions must also be balanced against other strategic and commercial priorities for Channel 4. This could include other elements of our remit, such as delivering innovation, appealing to culturally diverse communities, or supporting other regional creative economies. It must also be considered alongside commercial targets around audience delivery, and the creative importance of commissioning the best ideas possible. We therefore believe that our proposal of a 9% quota by 2020 is both sustainable and proportionate, and will allow us to further develop our relationships with creative partners in the devolved nations in a managed way and ensure we can effectively deliver to the multi-faceted nature of our remit.
18. As part of the consultation process, some stakeholders have also raised the possibility of ring-fencing money within this 9% figure for each Nation. Channel 4 recognises the interest from each Nation on the specific investment in their area, and will publish a more detailed breakdown going forward as part of the annual SMCP process. However we do not believe that micro-quotas of this kind would be advantageous either for Channel 4's ability to retain creative flexibility, or for the sectors in each nation, who could see the ring-fenced budget as a ceiling to reach rather than exceed.
19. Finally, it is important to be clear about the policy objectives sought through the extension of the Out of England quota. Channel 4 is aware that considerable dialogue about commissioning from the Nations can often become conflated with debate around representation of the Nations on-screen. In the consultation document Ofcom themselves include audience research showing that viewers rate Channel 4 less strongly for delivering to the statement "portrayal of my region/nation" than other broadcasters, as potential evidence for extending the Out of England quota. (Channel 4 would note in relation to this particular finding that given our status as a network broadcaster only, with no opt-out services, it is unlikely to perform as well on this metric as broadcasters with local news provision).
20. However, Channel 4 would emphasise that production quotas do not guarantee on-screen representation. Elsewhere in the document Ofcom state that "*the reflection of a particular culture or community is not guaranteed by the location of production*", and there are many

examples of high-volume programmes, of the kind that contribute significantly towards production quotas (and therefore are important in delivering to rapid increases), but which are not focused on representing that particular Nation on-screen. These include *Location Location Location* from Scotland and *4Thought* from Northern Ireland. Indeed, Channel 4 believes that too explicitly tying representation to production quotas could result in limiting the ambitions of production companies in the Nations – encouraging them to only develop ideas relating to their particular regional identity, rather than covering as broad a scope of topics, ideas and genres as possible.

21. Channel 4 recognises that cultural representation is an extremely important issue, and while it does not have a specific remit or licence obligation to reflect regional identities in the same way that the BBC or ITV does, we are committed to reflecting the full diversity of contemporary Britain on-screen, whether its regional diversity or ethnicity, disability or sexuality. However, it is a separate issue, and policy objective, to that of ensuring a sufficiently diverse range of production bases across the country, and it is important this is taken into account when considering an appropriate level for Channel 4's Out of England quota.
22. Channel 4 would welcome the opportunity to have a more regular, formal dialogue with stakeholders in the Nations on these issues, as part of its annual SMCP process. This would have the benefit of providing Channel 4 with a greater level of transparency around the delivery of the Out of England quota, as well as providing stakeholders with a more detailed understanding of the work we are doing to grow our investment.

Consultation question 3: Do you agree with our proposal to leave the existing licence condition for schools programming unchanged? What role do you consider the main Channel 4 service should play in delivery of its education remit? Are the existing licence conditions appropriate to this?

23. Providing programmes with educational value has always been an important element of Channel 4's public service remit. We seek to do this across the schedule, for all age groups, through a wide range of programmes that informally educate audiences about the world around them. This includes programmes covering science, history and the arts, those that teach people skills – such as cookery or crafts – and programmes that inform people about specific social issues, such as those covered in our current affairs commissions or documentaries. Over the next decade, we will continue to deliver our broad educational remit through this diverse slate of programming, identifying imaginative ways of bringing new topics to life and inspiring people to make changes in their own lives as a result.
24. As part of its licence, Channel 4 also has a requirement to make an annual investment in 'schools-related' content, which, in recent years, we have increasingly focused away from traditional curriculum programming in favour of content that promotes life-skills. We have done so because we believe this is the area where Channel 4 can add most value, by filling the 'gap' that exists between what schools teach and what families teach.
25. Given this move away from curriculum-based content towards a broader provision of life-skills content for teens, a move which has been supported by Ofcom and other stakeholders, we feel that it would be appropriate to update the wording of our remit in due course to favour a broader educational remit aimed at young adults across our services, should the legislation governing our remit change.
26. Channel 4 remains committed to delivering educational content for a younger audience and we continue to innovate in the delivery of our obligations in this area. Channel 4 believes that blending popular television content with the additional depth and interactivity provided by online resources allows us to reach our target audience in the best way

possible. Recent examples include *Fresh Meat House*, a successful online website accompanying the popular TV series providing guidance and support about difficult teen issues, and *Hollyoaks DocYou*, an interactive project which looked in more depth at the issues of teen and cyber bullying that featured in the on-screen storyline.

27. In addition to this specific requirement for content for 14-19 year olds, since the Digital Economy Act 2010 Channel 4 has had a new, statutory remit to provide content for 'older children'. We have interpreted this as investing in content for 10-14 year olds.
28. Given the multi-faceted nature of our remit, and that Channel 4 does not have an extensive track record or clear destination for children's content, our investments in this area since 2010 have been modest. However, we have had some significant successes:
 - a. In 2012, we made a substantial investment in the *Snowman and The Snowdog* and its accompanying mobile game, which attracted more than 1 million downloads and won several industry awards. The programme was viewed by more than half a million 10-14 year olds.
 - b. 2013 saw the success of *Youngers*, a distinctive pre-watershed comedy drama shown on E4, which told the story of two young teens growing up on a Peckham council estate and navigating their way into maturity. Audience research conducted amongst older children found that they appreciated its distinctive tone, with nearly 8 in 10 of viewers aged 10-14 agreeing the show was different from anything else on TV at the moment. *Youngers* has been re-commissioned for a second series, which will be broadcast in 2014.

Consultation Question 4: Do you agree with the assessment set out of the market changes and future challenges for C4C in sustaining delivery of Channel 4 and its licence conditions?

29. We welcome Ofcom's assessment that our model - as a publicly owned, not for profit commercially funded PSB - will remain sustainable over the next decade. This model has proved remarkably resilient over the last licence period, despite significant technological disruption - with evidence showing that levels of live TV viewing have remained broadly stable over the course of the last ten years, that PSBs have successfully enacted strategies to defend share, and that linear TV advertising has also remained robust. Channel 4 in particular has been successful amongst the PSBs in increasing portfolio share over this period, as well as in engaging key 'hard to reach' groups such as ABC1s and younger adult audiences. Channel 4 believes that income from advertising will continue to be the cornerstone of our revenue model.
30. Our ability to maximise revenue generation - which is in turn reinvested back into delivering the remit - is also driven by our award-winning sales team, who have a strong track record in advertising sales innovation, pioneering new advertising formats and developing ground-breaking partnerships with clients. This strength, as well as our continued resonance with key audience demographics, has enabled us to maintain our advertising premium. The team's prominence within the industry has been strengthened with our recent deals to represent third parties such as BT and UKTV.
31. This combination of creative success and commercial strength has enabled Channel 4 to build financial reserves whilst increasing our investment in UK content and public service impact. Our strategy for the next decade is to continue this focus on maximizing public service impact through innovation in our core business of free-to-view content delivery. We have outlined in several public forums as well as in dialogue with Ofcom our plans for creative and commercial innovation, and welcome Ofcom's conclusion that these plans are credible and realistic. Our approach will be to:

- a. Continue our investment in 'creative renewal', investing in a diverse range of high-quality programmes that deliver to our remit and resonate with audiences. Our commissioning teams will look to work with the widest range of suppliers to ensure the most distinctive and creative ideas.
 - b. Evolve our commercial model by looking to deepen our relationship with our viewers through data-driven insight, ensuring we have a better understanding of our audience than any other broadcaster. This will enable us to gain a commercial advantage as we innovate our trading model and launch new targeted products and services. Channel 4 is already in a leadership position with this strategy, having attracted c.9m users registered with 4oD, including one in three 16-24 year olds.
32. We believe that our successful heritage in navigating the changing media landscape, the robustness of the traditional linear television model and our commitment to creative and commercial innovation will ensure that Channel 4 will be able to continue making a strong and sustainable contribution to public service broadcasting over the next decade.

Consultation question 5: Do you agree with our view that the Channel 4 licence should be renewed for a ten year period?

33. We welcome and support Ofcom's proposal to renew Channel 4's licence for the full ten-year period. Together with the preservation of our public service remit and our status as a not for profit, publicly-owned broadcaster, we believe that a long-term commitment from Ofcom to our licence will provide Channel 4 with the secure footing needed to maintain its substantial and important contribution to public service broadcasting, as well as our vital support for the creative economy.
34. Critically, we believe a 10 year licence will also provide certainty to audiences about the ongoing place and role of Channel 4 in the broadcasting landscape. Audiences currently benefit from a strong broadcasting ecology that includes a mix of different business models, from the publicly funded BBC to the shareholder owned commercial sector. It is this system which ensures British viewers can enjoy a competitive mix of high-quality original content that is among the most diverse and acclaimed in the world. Channel 4 – with our unique model and remit - sits at the heart of this system, providing viewers with content that is distinctive, innovative, creatively risky, challenging and inspiring.
35. Evidence shows that audiences highly value this unique contribution to the public service broadcasting landscape. Channel 4 is perceived as the leading PSB for many key audience statements – including taking risks, being experimental, showing different kinds of cultures and opinions, challenging prejudice, and making them think in new ways. We are also particularly successful at engaging hard to reach audiences, including Black, Asian and Minority Ethnic (BAME) and younger viewers. Renewing our licence for a full 10 year period will grant viewers the security that Channel 4 will continue making this distinctive public service contribution in the years ahead.
36. A 10 year licence is also important for sustaining Channel 4's economic role. Since our inception, Channel 4 has been a vital supporter of the UK independent production sector, helping to grow it into a £2bn industry that is one of the worlds leading exporters of television programmes. A 2010 report concluded that Channel 4 contributes more than £1bn to the UK economy, supporting around 28,000 jobs. In 2012, Channel 4 invested £434m across 460 production companies across the UK, ranging from the large to the very small and specialist. Certainty about Channel 4's future is critical for our production partners, especially smaller companies in their early stages who may be entirely dependent on Channel 4 for their business. Channel 4 sees the support of these companies

as a long-term project, often investing in pilots, development funding and one-offs for several years before a company is in a position to deliver commissions of scale. We also recently announced plans to develop a Growth Fund, aimed at providing investment support for small to medium sized production companies. Without long-term certainty, Channel 4 may not be able to offer long-term support of this kind, and therefore a 10 year licence is important in giving producers the certainty that we will continue to champion new suppliers.

37. Just as the current 10 year licence gave Channel 4 the certainty to make the substantial investments required to successfully navigate the multichannel era, including the creation of our digital portfolio, a new 10 year licence would provide us with the stability on which to evolve the business model in the long-term. As noted above, while it is clear that linear viewing remains the most popular means of television consumption, Channel 4 is making significant investments in an innovative data-led strategy to ensure that we can harness the benefits of a converged future and navigate changes in the market. However, this is a long-term investment that requires certainty about Channel 4's long term future. Similarly, Channel 4 also makes long-term investments in free-to-air TV services in the UK such as support for free-to-view platforms, specifically Freeview and YouView. However the ongoing investment in technology required by these initiatives necessitates the long-term certainty of a 10 year licence.
38. Channel 4's public service remit requires it to take risks – whether that is giving space to new and untested talent, championing challenging ideas, innovating with new technology or backing projects that can take years to come to fruition. However, these risks are not feasible without the long-term certainty of a 10 year licence. A shorter licence period is likely to see us become more risk averse, diminishing the benefits for audiences and the wider creative economy and would provide a disincentive for Channel 4 to develop its business model over the long-term.

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