



Department for  
Digital, Culture,  
Media & Sport

# Government Response to the consultation on a potential change of ownership of Channel 4 Television Corporation

# Summary

Channel 4 is an integral part of our public service broadcasting system. It contributes to the UK's creative economy and creates fun, daring, and provocative programming enjoyed by a broad range of audiences.

Channel 4 has done an excellent job in delivering its founding purposes - providing greater choice for audiences, and supporting the British production sector. Forty years on, independent production in the UK is now booming, with companies increasingly less reliant on Channel 4 for commissions. Choice is no longer a problem, in a world of smart TVs and streaming sticks, catch-up and on-demand.

Channel 4 delivers commercially successful content that appeals in particular to young and valuable audiences, which underpins its distinctive brand. However, the market in which it operates has changed radically and is continuing to change. Channel 4's current financial position and its short-term outlook cannot therefore be our sole focus. Its historical performance does not guarantee its future sustainability – we must pay attention to the longer-term outlook too and consider what tools will be necessary for future success.

As is the case for other public service broadcasters, Channel 4 faces growing competition for audiences, programmes and talent, from new global video-on-demand providers with greater spending power. In addition, the TV advertising market has changed significantly, with spending on linear TV advertising declining substantially in the last decade in favour of digital. Audiences are increasingly likely to consume content on non-linear platforms such as video-on-demand services. Whilst overall daily audio-video viewing is increasing, rising from 4 hours 49 minutes in 2017 to 5 hours 40 minutes in 2020, broadcast TV's share of total viewing fell from 74% in 2017 (3 hours 33 minutes) to 61% in 2020 (3 hours 27 minutes). At the same time, subscription video-on-demand services' share of total video increased from 6% in 2017 (18 minutes) to 19% in 2020 (1 hour 5 minutes).<sup>1</sup> In addition, the TV advertising market has changed significantly, with spending on linear TV advertising, which constituted 74% of Channel 4's revenue in 2020, declining substantially in the last decade in favour of digital. Linear TV advertising revenues have fallen 31% sector-wide between 2015 and 2020<sup>2</sup>.

In the Government's view, Channel 4's public ownership model is constraining its ability to respond to the challenges and opportunities of this changing broadcasting market. That is why we consulted on the best means of ensuring its future success and sustainability as a public service broadcaster. It is our conclusion that now is the right time for the Government to pursue a change of ownership of Channel 4. We need to ensure that Channel 4 can continue to thrive and grow its impact for years to come as part of the wider public service broadcasting ecology in the UK.

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<sup>1</sup> [Ofcom Media Nations: UK 2021](#)

<sup>2</sup> [Ofcom Media Nations: UK 2021, analysis of AA/WARC Expenditure Report and IAB UK/PwC Digital Adspend Study](#)

We are at a unique turning point. Channel 4 has fulfilled its original mission and now it is the Government's responsibility to take a long-term view. We believe that the investment in content and technology needed to survive and thrive in this rapidly-changing media landscape will be delivered at greater scale and with greater pace under private ownership, supported by private-sector capital, rather than asking the taxpayer to bear the associated risk. We have the opportunity to make Channel 4 bigger and better without losing what makes it so distinctive. Channel 4 is and will remain a public service broadcaster, just like other successful public service broadcasters – ITV, STV, Channel 5 – that are already privately-owned. A change in Channel 4's ownership forms part of the Government's wider broadcasting reforms to support all public service broadcasters into the future.

This is not a decision the Government has taken lightly. Our consultation generated considerable response, and there is a clear strength of feeling on this issue. The Government has taken the consultation responses into account, and examined a broad range of other options outside of a change of ownership. We have worked closely with Channel 4's management to understand the challenges and opportunities the changing market presents and different models and plans that might support Channel 4's future. The Government believes investment in content and technology will be key to Channel 4's future success. This can be delivered at greater scale and with greater pace under private ownership, supported by private-sector capital, rather than asking the taxpayer to bear the associated risk.

The consultation on a change of ownership of Channel 4 Television Corporation closed on 14 September 2021 after receiving **56,293** responses. This consists of **40,411** responses from members of the public which were identified as attached to the social campaigning organisation 38 Degrees; **15,727** responses, which were identified as being from individuals received through the online survey, by email and by post; and **155** responses from organisations, campaign groups or sectoral stakeholders, including Channel 4 themselves, who alongside their own response also submitted a report they commissioned from Ernst and Young.

The 38 Degrees campaign presented respondents with what it described as 'translated' versions of each of the consultation questions which respondents were invited to answer. These 'translated' questions are presented alongside the relevant analysis below. It should be noted that the questions posed by 38 Degrees are an interpretation of the original questions, and therefore had different emphases and sometimes the sense of the original question was significantly altered by the 38 Degrees 'translation'. 38 Degrees also provided potential respondents with suggested written answers.

The majority of responses from individuals, including those who responded to the survey and by email, and those who responded to a campaign by 38 Degrees, did not feel that there are challenges in the current broadcasting market that present barriers to a sustainable Channel 4 in public ownership. They felt that Channel 4 would not be better placed to deliver sustainably on the Government's public service broadcasting aims outside of public ownership. Compared to responses from individuals, a smaller majority of stakeholder responses (for the purposes of this summary, this includes organisations, campaign groups or sectoral stakeholders such as independent production companies, advertisers, broadcasters and academics) also took a similar position; whereas some recognised

opportunities for Channel 4 under private ownership. Broadly speaking, respondents were supportive of Channel 4's contributions to the levelling up agenda. The majority of respondents wanted to see Channel 4's current remit and obligations remain. Respondents held more mixed views on the removal of the 'publisher-broadcaster' restriction. Whilst many supported it remaining in place, there was some support for removing the restriction, whilst others were unsure. Respondents also took the opportunity to give their views on the broader economic, social and cultural costs and benefits of a potential change of ownership against a number of listed categories specified within question six of the consultation. The majority of responses argued there would be negative impacts under all categories. This document summarises the responses to the consultation in more detail and sets out the Government's response to the views raised.

Responses to the consultation argued that Channel 4 is currently in a stable financial position and set out concerns that a change of ownership may negatively impact Channel 4's delivery on its remit and its content. The Government recognises Channel 4's success in delivering on its remit and its current financial performance. However, we cannot be short-termist in our thinking and must consider the longer-term outlook for Channel 4. Channel 4 itself has set out that it both wants and needs to grow. We welcome that ambition, and to achieve it Channel 4 will need to invest and innovate more and faster. As for all other public sector broadcasters, it needs to be able to generate and own its own content. Having greater access to capital, and the ability to produce and sell its own content will give Channel 4 the best range of tools to accelerate and unleash its potential. The Government does not believe that private ownership has to be to the detriment of public good. It is not a binary choice, and the right owner will provide access to more investment, and support Channel 4's role in delivering public good.

New opportunities and investment, facilitated by a change of ownership, will complement continued Government support for the creative economy. The Government will look to use some of the proceeds from the sale of Channel 4 to deliver a new creative dividend for the sector. The Government will also consider funding for the creative industries in the round at the next Spending Review.

The Government has set out its vision for public service broadcasting, including the future of Channel 4, in the Broadcasting White Paper published 28 April 2022.

## Introduction

1. The UK's creative economy is a British and international success story, and our public service broadcasters are the beating heart of that success. They produce great British content loved across the UK and the world over. The Government wants it to stay that way and to see Channel 4 keep its place at the heart of British broadcasting and continue to support the great creative economy in this country. The Department for Digital, Culture, Media and Sport (DCMS) launched a public consultation on the future of Channel 4, including its ownership model and remit, on 6 July 2021. The consultation ran for 10 weeks before closing on 14 September.

2. Channel 4 is a self-financing public corporation which is publicly-owned but commercially run. Channel 4 is part of the UK's vibrant public service broadcasting (PSB) family, and plays a distinctive role economically, socially and culturally. These contributions have significant synergies with supporting the Government's wider strategic aims for the creative economy. This includes its support for the independent production sector; its specific focus on producing content for audiences that are not otherwise well-served by other broadcasters, including diverse and young audiences; and in more recent years, it has increased its focus on support for the creative economy outside London, through its physical footprint outside London, and through targets to increase commissioning from producers based outside the M25.
3. As set out in the consultation, the linear broadcasting sector is rapidly evolving, and a number of challenges stem from this including changing consumer habits, increased choice, and increased spend and changing strategies and business models from global competitors. There are now a number of large global competitors that have significant financial and operational resources competing directly with UK public service broadcasters (PSBs) for audiences, content and talent. These firms, with significant resources compared to UK PSBs, have driven up content costs and viewer acquisition costs and UK PSBs are needing to invest more in content and technology to keep up with their competitors. Given these challenges in the market, the Government is considering how best to ensure Channel 4 continues to contribute economically, socially and culturally across the UK.
4. The Government consulted on the future of Channel 4 to test its view that a change of ownership of Channel 4 could give it the broadest range of tools to continue to thrive in the face of the new and emerging challenges to the future of linear TV broadcasting. The consultation asked for respondents' views and supporting evidence on whether they agree that there are challenges in the current TV broadcasting market that present barriers to a sustainable Channel 4 in public ownership; and whether a privatised Channel 4, with a continued public service broadcasting licence and remit, would be better placed to deliver sustainably against the Government's aims for public service broadcasting.
5. The consultation also sought views on Channel 4's remit and obligations and sought views from respondents more broadly on what the economic, social and cultural costs and benefits might be to moving Channel 4 out of public ownership.
6. The consultation asked six questions, the first five of which included a yes/no/don't know check box followed by free text for supporting evidence. The final question, question six, was made up of free text boxes. The questions were as follows:

*Question 1: Do you agree that there are challenges in the current TV broadcasting market that present barriers to a sustainable Channel 4 in public ownership?*

*Question 2: Would Channel 4, with a continued public service broadcasting licence and remit, be better placed to deliver sustainably against the Government's aims for public service broadcasting if it was outside public ownership? Please provide supporting evidence.*

*Question 3: Should Channel 4 continue its contribution to levelling up the regions and nations of the UK through retaining a presence outside London and a strengthened regional production remit? Please provide supporting evidence.*

*Question 4 Should the Government revise Channel 4's remit and obligations to ensure it remains relevant in an evolving broadcast market? If yes, what changes should be made (which could include new freedoms or changes to its obligations)? Please provide supporting evidence.*

*Question 5 Should the Government remove the publisher-broadcaster restriction to increase Channel 4's ability to diversify its commercial revenue streams? Please provide supporting evidence.*

*Question 6: With reference to supporting evidence, what would the economic, social and cultural costs and benefits of Channel 4 moving out of public ownership be on:*

- a. overall audience experience?*
- b. the Channel 4 Television Corporation itself?*
- c. investment in the independent production sector?*
- d. investment in the independent film sector?*
- e. the TV advertising market?*
- f. investment in the creative industries sector more widely?*
- g. competition between Channel 4 and other PSB and non-PSB channels?*
- h. the regions and nations of the UK?*

## Consultation responses

7. The consultation closed on 14 September after receiving **56,293** responses. This consists of **155** responses from organisations, campaign groups or sectoral stakeholders such as independent production companies, advertisers, broadcasters and academics (referred to as 'stakeholders' throughout this document) including Channel 4 themselves, who alongside their own response also submitted a report they commissioned from Ernst and Young; **15,727** responses, which were identified as being from individuals received through the online survey, by email and by post. An additional **40,411** responses from members of the public were identified as attached to the social campaigning organisation 38 Degrees.
8. Respondents submitted their responses to the consultation in various ways. The majority of responses submitted by members of the public were collected through one of two surveys, the Government's consultation survey or a similar survey established by campaign group 38 Degrees, with a small number through email and a very small number by post. The majority of stakeholders submitted their responses via email, often with detailed attachments, with the remainder submitting their responses through the Government survey and a small number by post.
9. All questions in the consultation survey were optional and therefore not all respondents answered every question. Questions 1-5 of the consultation survey included a yes/no/not sure tick box, followed by a free text box for respondents to provide further supporting evidence or detail to explain their views. Question 6 only

included a series of free text boxes. A significant proportion of responses from individuals did not include any completed free text boxes, or just had one of some completed free text boxes; while some of those who did provide further commentary did not address the questions asked or provide any other relevant information. Responses attributed to 38 Degrees were structured in the same way as the Government's survey, but with what 38 Degrees described as 'translated' questions.

10. Typically, stakeholders provided more detailed responses, often submitting fuller papers or reports for consideration via email.

## 38 Degrees campaign

11. The Government received **40,411** responses from members of the public which were identified as attached to the social campaigning organisation 38 Degrees.
12. For the purposes of creating a statistical analysis, 3,127 of the 38 Degrees responses were identified as being duplicate responses and were therefore discounted. Duplicate responses were discounted if they were identical and came from the same respondent. This was to ensure that the analysis was based on a single response from each individual.
13. The 38 Degrees campaign presented respondents with what it described as 'translated' versions of each of the consultation questions which respondents were invited to answer. These 'translated' questions are presented alongside the relevant analysis below. It should be noted that the questions posed by 38 Degrees are an interpretation of the original questions, and therefore had different emphases and sometimes the sense of the original question was significantly altered by the 38 Degrees 'translation'. 38 Degrees also provided potential respondents with suggested written answers.
14. Given respondents to the 38 Degrees campaign were presented with a different set of questions to those who responded to the consultation itself, the 38 Degrees responses are presented separately to the combined figure for individual survey, postal and email responses received to the Government's consultation questions.

## What we did with the consultation responses received

15. The quantitative data received via the yes/no/not sure tick boxes was converted to percentages and analysed.
16. We used thematic analysis to analyse the free text responses, applying codes based on the sentiment and ideas raised in each response, before totalling the number of times each code was applied. All responses were coded in their entirety to ensure all the points raised were captured regardless of where in the survey or written consultation response the information was provided.

17. We used the same analysis method for stakeholders, assessing their entire response, including papers where submitted. We also used the same methodology for the responses received from the 38 Degrees campaign.
18. As explained above, 3,127 of the 38 Degrees responses were identified as being duplicate responses and were therefore discounted from the statistical analysis.

## Presentation of responses:

19. The headline figures for responses received from individuals (in bold) show how many respondents answered yes/no to questions 1-5. We do not present the same quantitative data for stakeholders, as many stakeholders provided detailed text responses rather than directly answering the yes/no/not sure tick box. We have instead added a qualitative summary in bold reflecting the sentiment from stakeholders for each question. The detail following these summaries considers the free text responses, which were given by both individuals and stakeholders. As a result, discussion below referring to responses received from individuals concerns only those free text responses that related to the questions set out in the consultation.
20. Throughout this document, where we use 'responses received from individuals', we are referring to responses received from members of the public submitted via the survey, email or post, along with those responses attributed to 38 Degrees. Where we use the term 'stakeholders', we are referring to responses from organisations, campaign groups and sectoral stakeholders such as independent production companies, advertisers, broadcasters and academics.

## What the responses said and the Government's response:

### ***Do you agree that there are challenges in the current TV broadcasting market that present barriers to a sustainable Channel 4 in public ownership?***

*38 Degrees translated question: Do you think Channel 4 should be privatised?*

21. The first question sought views and supporting evidence on whether respondents agree that there are challenges in the current TV broadcasting market that present barriers to a sustainable Channel 4 in public ownership. **Of the 55,737 responses received in total from individuals to this question, 96% (53,426) said no, whilst 2% (995) agreed. Of these responses, 15,329 were received via the gov.uk survey, or by post, or by email, of which, 89% (13,698) answered no to this question, whilst 5% (838) agreed. Of the 40,408 responses received from individuals through the 38 Degrees survey, 98% (39,728) said no, whilst 0.4% (157) agreed. In line with the views presented in responses from individuals, the majority of stakeholders also disagreed with the Government's position on the sustainability of Channel 4 under its current public ownership model.**
22. It was argued by both stakeholders and individuals that Channel 4 is already sustainable and thriving in the current broadcasting landscape. A reason provided for

this was that respondents felt that Channel 4 has already adapted appropriately to the digital age. Further explanations provided were that respondents noted their views that All4 is the youngest reaching of the PSBs' streaming services, that its All4 platform has a growing user base, and that it is successfully transferring its advertising income from linear to digital.

23. Channel 4's response agreed with some of the Government's assessments about rapid change in the broadcasting market, but stressed that these challenges relating to viewing and competition are faced by all commercially-funded broadcasters - a view also expressed by the Government in the consultation. Channel 4 disagreed with the Government's view that public ownership presents particular barriers to the broadcaster's sustainability and stated their view that there is no evidence that the transfer of Channel 4 from public into private sector ownership will be of benefit to either British audiences or the UK economy, and that in their view it may indeed cause harm. Channel 4's response argued the organisation is responding better to the challenges in the market than its competitors and argued that their Future4 strategy constituted an ambitious and comprehensive plan to address these challenges. The response argued that a change of ownership could slow down their rate of digital transformation through bringing about disruption, or potentially making Channel 4 part of a larger, less agile organisation.
24. A view acknowledged by both stakeholders and individuals was that the broadcasting market is changing with the rise of global streamers, but it was also argued that linear viewing will remain relevant, and that Channel 4 is therefore resilient under its current model. It was also argued that Channel 4 has a relatively more successful digital strategy than some competitors, and respondents expressing views on these terms often pointed to Channel 4's digital strategy as helping it to diversify its income. Other responses recognised the challenges in the landscape but felt Channel 4 had responded well under its current ownership model, citing their recent financial record and the success of All4.
25. It was argued that many of the challenges that currently exist were not unique to Channel 4, but were the same for all broadcasters irrespective of their ownership. For example, it was argued that Channel 4 has continued to meet the challenges of and keep pace with the evolution of the market.
26. One stakeholder noted that the changes to the media landscape and challenges facing Channel 4 are overstated, citing the fact that Channel 4 can already access capital by using deficit financing that producers can bring to any programme's production budget. It was suggested that challenges to Channel 4's financial sustainability would exist for another, private, owner. Other responses referenced the Future4 Strategy, and Channel 4's historical financial performance, as evidence that the current ownership model is sustainable, highlighting Channel 4's 2020 Annual Report where it reported that its streaming and linear viewing share had continued to grow over the first half of 2021 and that Channel 4 is aiming for digital advertising to be at least 30% of total revenue by 2025, further supporting its evolution into a digital-first organisation and supporting its commercial sustainability.

27. Another view expressed was that Channel 4 faced specific challenges in the existing market. One stakeholder argued that, given the pace and scale of change in the sector, it is understandable that the Government is looking at the future of Channel 4. The respondent argued that the public value of Channel 4 is owed to its distinctive remit obligations and not its ownership model, but they would like to see the remit preserved under a change of ownership, with the caveat of updating it where appropriate to reflect changes in the media landscape.
28. Another stakeholder also broadly agreed with the Government's assessment of changes in the media landscape, noting that changes in the market for global online distributors, content providers and advertising platforms require national players to be able to collaborate and create greater scale to compete effectively. They noted that all linear broadcasters face these challenges, but considered Channel 4 more constrained than others in responding under its current ownership model. Other stakeholders argued that a move into private ownership could bring benefits to Channel 4, particularly around ensuring its financial sustainability and greater strategic opportunity.

#### *Government response*

29. Rapid changes in technology, audience behaviour and the growing competition from global players have introduced new challenges for British broadcasters. There is a wealth of evidence provided by a range of respected organisations, including Ofcom, about the evolving media landscape and the challenges this presents for linear TV broadcasters. Market data and analysis demonstrates that linear TV broadcasters, including public service broadcasters, are facing long-term challenges as advertisers switch spend to digital platforms. Ofcom's recent recommendations to Government<sup>3</sup> on the future of public service media set out the 'rapid changes in the industry - driven by global commercial trends and transformation viewing habits' and note that these changes are 'making it harder for public service broadcasters to compete for audiences and maintain their current offer'. The report also notes further consolidation and financial pressures to the sustainability of public service media.
30. The switch to digital has accelerated over the past five years, whilst linear TV advertising revenues have fallen from £5.5bn in 2015 to £3.8bn in 2020<sup>4</sup>. This trend is expected to continue with video-on-demand advertising growth forecast at 8.6% in 2022, well above total TV advertising growth forecast at 0.6% in 2022.<sup>5</sup> There has also been a marked shift in viewing habits from traditional broadcasting to subscription video-on-demand, exacerbated by the rapid growth in penetration of global competitors with deep pockets such as Netflix and Amazon into the UK market. In 2020, UK streams grew 89% year-on-year for Netflix, whilst Amazon Prime Video streams were up 118%.<sup>6</sup> Young audiences in particular have moved

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<sup>3</sup> Ofcom, [Small Screen Big Debate: Recommendations to the Government on the future of Public Service Media](#) (2021)

<sup>4</sup> [Ofcom Media Nations \(2021\), analysis of AA/WARC Expenditure Report and IAB UK/PwC Digital Adspend Study](#)

<sup>5</sup> [AA/WARC Expenditure Report](#) (2021)

<sup>6</sup> [Ofcom Media Nations](#) (2021)

away from traditional TV with 16-34 year olds spending 91 minutes per day viewing SVoD content in 2020, more than the 76 minutes across live TV and BVoD services (like BBC iPlayer or All4) combined.<sup>7</sup>

31. With regard to Channel 4's ability to respond to these challenges, the Government recognises Channel 4's recent financial performance, and its vision for the future, including its digital-first strategy cited by respondents. However, previous financial success is not a guarantee of future sustainability, and the Government should not be short-termist in its views. Under the current borrowing limits set out in legislation, Channel 4 has restricted access to capital, whilst Channel 4 is also prohibited from producing content for its main channel. These restrictions limit its opportunities to diversify its income streams, leaving Channel 4's revenues and financial sustainability under public ownership vulnerable to shocks that impact advertising revenues. To date, Parliament has restricted Channel 4's borrowing to £200 million, and under its existing ownership model, Channel 4 does not have the option to raise capital by issuing equity to third party investors.
32. As a public corporation, Channel 4's borrowing is accounted for as public sector borrowing and scores against public sector net debt. This means it is more constrained in its ability to respond to market changes than other PSBs, and linear TV broadcasters. The Government has considered alternative options to address Channel 4's sustainability under public ownership, including options to increase its ability to invest and thus diversify its revenue streams by raising its borrowing limit and permitting Channel 4 to borrow more, and allowing Channel 4 to establish a commercial subsidiary or other investment fund. However, both these options could be expected to lead to an increase in public sector net debt and would arguably not offer as many potential benefits and opportunities as a change of ownership, and certainly not without putting additional risk back onto the Government, and ultimately the taxpayer. It is questionable whether the borrowing of a commercial TV business should be underwritten by the taxpayer when private investment is available and could bring additional benefits through giving Channel 4 greater ability to accelerate its growth and unleash its potential.
33. While the Government acknowledges that a change of ownership could be disruptive for the business, this could be expected to be a short-term impact and could be followed by greater long-term benefits unlocking the improved access to capital that Channel 4 needs and enabling it to make content and diversify its income streams without the material impact on public sector net debt that would likely occur if this happened under public ownership. It is likely that any buyer would display an active approach to supporting Channel 4's growth and sustainability; and that it will have a broader range of tools to facilitate this, and in a more agile way, than it does under public ownership.

***Would Channel 4, with a continued public service broadcasting licence and remit, be better placed to deliver sustainably against the Government's aims for public service broadcasting if it was outside public ownership? Please provide supporting evidence.***

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<sup>7</sup> [Ofcom Media Nations](#) (2021)

*38 Degrees translated question: Do you think a privatised Channel 4 will be more financially sustainable than in public ownership?*

34. The consultation outlined a number of factors which the Government believes place constraints on the ability of Channel 4 to meet the challenges facing the media landscape today. The Government argued that moving Channel 4 into private ownership could allow it to leverage its differentiated position to access new capital, take advantage of international opportunities, and create new strategic partnerships, to protect its long-term future as a valued PSB. The consultation asked respondents whether they agreed with this position. **Of the 55,365 responses received in total from individuals to this question, 91% (50,138) felt Channel 4 would not be better placed to deliver sustainably against the Government's aims for public service broadcasting, or be more financially sustainable, outside of public ownership, whilst 4% (2,270) were in favour. Of these responses 15,289 were received via the gov.uk survey, or by post, or by email of which 88% (13,503), disagreed that a Channel 4 outside of public ownership would deliver better against the Government's aims for public service broadcasting, whilst 9% (1,317) agreed. Of the 40,076 responses received from individuals through the 38 Degrees survey, 91% (36,635) said no, whilst 2% (953) agreed. Stakeholders supported a view expressed by individuals that Channel 4 is already sustainably delivering against PSB aims under public ownership and raised concerns that a change of ownership could negatively impact Channel 4's PSB contributions.**
35. There was concern expressed that privatisation would have a detrimental impact on Channel 4, and in particular, that Channel 4's delivery of PSB aims would be weaker under private ownership because of a perceived trade-off between an ongoing incentive to make a profit on behalf of shareholders and the delivery of PSB content. This was a view shared by Channel 4 who argued that their current ownership model allows them to prioritise the delivery of public service over profit generation. An argument presented by stakeholders and individuals was that the delivery of the public service remit is at odds with a profit-making model, and that a private owner would cut the content budget and non-statutory obligations - for example, those linked to skills and training. Questions were also raised by stakeholders and individuals as to whether Channel 4 could be attractive to potential buyers without an erosion of its public service remit, or changes to its ability to raise sufficient capital to make it more competitive. One production sector stakeholder argued that sustaining Channel 4 in the future should not equate to shoring up its finances with private capital; rather, this should be achieved by ensuring that the remit of the channel is clearly defined and enforceable. Other stakeholders noted that the Government would need to address how it could future-proof the protection of Channel 4's remit in any resale or restructuring following a sale.
36. Another concern raised by both stakeholders and individuals to a possible privatisation was its potential negative impact on Channel 4's content. In particular, concerns about its contribution to diverse, alternative, challenging and representative content and its approach to creativity and innovation under private ownership were raised. Channel 4's coverage of the Paralympics and focus on programmes featuring

people from a range of different backgrounds were cited as key contributions from Channel 4, and respondents related the choice to show this content to its current ownership model. It was argued that a private company with a profit-making objective would be more risk averse, leading to less innovation and creativity in programming, and instead broadcasting more sensationalist material designed to attract ratings.

37. It was also argued that a privatised Channel 4 would be inclined to steer away from culturally specific British content and instead prioritise programming that appeals to more homogenous international markets, reducing the wider representation of the cultural diversity of British life and the Nations and Regions.
38. A view from advertising sector stakeholders was that changes to the delivery of Channel 4's remit might materially change the character of its programming and, in turn, audience base. They were concerned this would impede advertisers' ability to access the high-value younger, diverse audiences Channel 4 currently particularly appeals to who are otherwise difficult to reach through linear TV. They acknowledged the shifts in the media landscape outlined by the consultation document, but remain confident that advertising retains trust for brands, and noted their view that Channel 4 have been particularly adept at increasing their digital advertising revenue.
39. Concern was expressed about Channel 4's independence if a change of ownership were to be pursued. The depth, quality and impartiality of Channel 4's news coverage was praised, and fears were raised that should a change of ownership be pursued, Channel 4 might lose its impartiality and become beholden to the views or ideals of its owner at the expense of delivering its PSB aims.
40. Another argument presented was that should Channel 4 be privatised, it would deliver fewer public service or social, cultural benefits such as its wider contribution to the creative industries value chain. Concerns were also raised about whether Channel 4 would continue to provide both in-depth documentaries on important matters and religious and ethical content under a private owner.
41. A view presented by respondents from the independent production sector argued that private ownership would lead to an inevitable pressure to reduce Channel 4's public service remit. A view from other sectors was that private ownership of Channel 4 would lead to a loss of its distinctive identity. They felt that there would be a cultural cost, and expressed their view that economically and socially its effect would constitute the opposite of supporting and promoting the independent television production sector.
42. A further view presented by stakeholders was that a privatised Channel 4 would be better placed to deliver content and PSB aims. A set of stakeholders supportive of this position set out that public value can be delivered effectively and efficiently by private sector players under the right rules, and with the right regime of incentives, particularly if the culture of those companies aligns with that delivery. These stakeholders did however stress the importance of wider Government reforms to PSB obligations and benefits to ensure the sustainability of all PSBs, not just that of Channel 4.

43. It was argued by both stakeholders and individuals that preserving the remit under a change of ownership would be preferable and it was also noted that it might be appropriate to update certain aspects of the remit to reflect changes in the media landscape. It was felt that the licence obligations could be a useful mechanism to ensure the continued delivery of PSB aims of Channel 4 under new ownership.
44. A further view expressed by independent producers was that, under private ownership, a significant amount of production would be taken in house, assuming Channel 4's publisher-broadcaster restriction was removed. Another argument presented was that the erosion of the publisher-broadcaster model would both harm the creative economy and affect their ability to export their formats overseas. Respondents arguing in these terms, argued that the success of the UK independent production sector is not just an economic success, representing some £2.9 billion per annum, but also affords the UK soft power and global influence through exporting British content and emerging talent.
45. Respondents expressed concern about the impact of privatisation on the wider broadcasting sector and there were calls on the Government to commission analysis on the impact of privatisation on the wider PSB sector.

#### *Government Response*

46. The Government acknowledges the concerns respondents expressed about the different choices a new owner might make in relation to delivery of Channel 4's remit, and recognises the important role its public service broadcasting remit plays in supporting the creative economy, and ensuring Channel 4 offers a diverse range of content to its audiences. To date, Channel 4 has operationalised the delivery of outcomes set out in its remit to the benefit of its brand and audience attraction strategy, creating a successful commercial model. This includes the risk taking and distinctive content it shows, and the process that goes into creating it, including its role in supporting skills and talent in the creative economy. Although it is not possible to predict precisely how its future obligations would be operationalised by any particular buyer, we would expect buyers to see the value in making decisions that continue to deliver outcomes in line with those we see today, as they are linked to Channel 4's brand. As the market becomes more competitive, media companies are looking to attract and retain more discrete audiences and to play to specific strengths. It is likely that Channel 4's distinctive brand and standing in the market represent a valuable foundation that a new owner would look to build on, and that it would continue to have an interest in supporting skills and talent development in the creative economy.
47. The Government will require any new owner of Channel 4 to adhere to ongoing commitments, similar to those Channel 4 has today, whilst allowing Channel 4 to adapt and grow, keeping its distinctive voice on our screens for years to come. This will include retaining its remit to provide distinctive, educational, innovative and experimental programming that represents the breadth of society. It will also include equivalent obligations for news and current affairs provision, to show original

programmes, and to continue to make programmes outside London and across the UK.

48. The Government has no intention to erode the contribution to public service broadcasting that Channel 4 currently makes, but rather sees the opportunity a more profitable and growing Channel 4, facilitated by access to capital and other potential strategic benefits, offers for greater public value contributions, especially when underpinned by a continuing public service remit. If Channel 4 were able to access capital to facilitate more investment in content and technological developments, we could see a greater quantum of economic and social benefits as its ability to reach and appeal to audiences expands, whilst a new owner may also be able to accelerate the international expansion of the Channel 4 streaming product, increasing the impact of Channel 4 abroad and bringing further soft power benefits to the UK. The Government will look to assess potential buyers' plans for Channel 4 as part of any process to secure a new owner. The Government agrees with those respondents who cited the evidence of privately-owned broadcasters delivering public value, as demonstrated by ITV and Channel 5 regularly exceeding their content, independent production and regional commissioning quotas. It does not agree therefore that delivering on PSB obligations is at odds with private ownership.
49. All PSBs, under any ownership model, are continually monitored and evaluated by the independent regulator Ofcom on their delivery against their public service broadcasting obligations as a condition of their broadcasting licence.
50. In addition and in relation to the concerns expressed by some respondents regarding a potential loss of Channel 4's independence or impartiality, Ofcom's Broadcasting Code contains stringent rules to ensure that broadcast news, in whatever form, is reported with due accuracy and impartiality. All UK licensed broadcasters are under a legal obligation to observe these rules, and ensure that procedures for handling audience complaints about any potential breach of these rules are established and maintained.

***Should Channel 4 continue its contribution to levelling up the regions and nations of the UK through retaining a presence outside London and a strengthened regional production remit? Please provide supporting evidence.***

*38 Degrees translated question: Do you think Channel 4 should continue providing jobs, opportunities and investment outside of London and around the UK?*

51. The consultation document outlined Channel 4's commitment to levelling up and its ongoing support for the national and regional economies. It set out Channel 4's financial contribution to the UK economy and the various strategies and initiatives introduced and aimed at boosting regional presence, content spend, commissioning and skills development across the UK. Views were sought on whether these commitments should be maintained or strengthened. **Of the 54,760 responses received in total from individuals to this question, 94% (51,450) felt that Channel 4 should continue its contribution to levelling up. Of these responses 15,283 were received via the gov.uk survey, or by post, or by email, of which 86% (13,104) felt that Channel 4 should continue its contribution to levelling**

**up, whilst 5% (708) disagreed. Of the 39,477 responses received from individuals through the 38 Degrees survey, 97% (38,346) said yes, whilst 1% (479) disagreed. Stakeholders were generally supportive of Channel 4's work in this area.**

52. It was argued that Channel 4 was already delivering on its contribution to levelling up with Channel 4's continued presence in Leeds, Bristol and Glasgow cited as evidence of this. An approach taken by stakeholders was to reference Channel 4's recent process of transforming its structure and commissioning via its '4 All the UK' strategy as evidence. Others pointed towards Channel 4's investment in programming outside London and that it continues to play a role in helping to build the television sector and activity across the regions and nations of the UK. An argument presented from stakeholders based in the locations where Channel 4 has a physical presence described how the Leeds HQ and regional hubs have provided 'catalysts' for other creative organisations to set up offices outside of London, noting their view that ongoing commitments of this nature were likely to be harder to sustain in the medium to long term through a private ownership model. Those responding from the advertising sector were united in their recognition of Channel 4's existing contributions to regional creative economies.
53. Other stakeholders argued that going forward, Channel 4 should maintain or improve its presence outside of London and the South East, for example, further relocation outside of London, increased national production quotas, increased regional production quotas, or programme budgets protections. Regional stakeholders, particularly from the independent production sector presented the view that levelling up was long overdue, arguing that London continues to remain too dominant with commissioners deciding to commission the biggest returning titles from a small number of super indies based in London by default - a norm they felt was only deviated from for quota fulfilment.
54. One viewpoint expressed was that existing regional production quotas should be maintained, pointing to Channel 4's own voluntary commitments to increasing its spend on content in the regions over and above its current quotas. It was also suggested that the quotas should be strengthened to bring them into line with Channel 4's voluntary commitments and to prevent the risk of any future owner reneging on previous Channel 4 aspirations.
55. It was argued that privatisation would jeopardise Channel 4's commitment to levelling up. A concern raised was a perception that a private owner would put profits and efficiencies before levelling up, leading to a re-concentration of spending in London and the South East's creative industries. Trade unions in particular expressed concerns that private owners would seek to make cost-efficiency savings through centralising Channel 4's operations, with the result that the economic benefits currently spread across the UK being concentrated back into the capital. One viewpoint expressed by stakeholders was that it would be more difficult to ensure Channel 4 maintained its commitment to levelling up if it was privatised. It was argued that Government imposing priorities on Channel 4, such as the levelling up agenda, is the main threat to Channel 4's sustainability.

56. Stakeholders from the independent production sector cited the recent Ernst & Young (EY) report commissioned by Channel 4 to demonstrate its contribution to the creative industries and independent production sector and how this could be damaged under private ownership.<sup>8</sup> They voiced a concern that the privatisation of Channel 4 could significantly reduce Channel 4's economic contribution to its supply chain, particularly in the Nations and Regions. The EY report, commissioned by Channel 4, suggests that GVA generated in the Nations and Regions in its supply chain over a ten-year period could be 37% lower if Channel 4 is privatised with the publisher-broadcaster model removed, due to a shift in commissioning spend towards in-house productions.
57. In its response, Channel 4 argued that its activity in the regions and nations of the UK would likely reduce under private ownership. It argued that the channel's current remit requires it to champion unheard voices and to stand up for diversity across the UK, and that under the current model and strategy it has plans to continue to grow its commitment in this area. It added that, under the current model of public ownership, Channel 4 is not just a broadcaster but a valuable policy intervention for delivering national priorities like 'levelling up'.

#### *Government Response*

58. The Government recognises Channel 4's commitment to levelling up, and its support for national and regional economies. In 2017 the Government consulted on increasing the regional impact of Channel 4, and following this, in 2019, Channel 4 officially opened its new National headquarters in Leeds. The Government recognises the importance of Channel 4's network of relationships outside London, not only in supporting the growth of the creative economy, but in support of its distinctive positioning in the market, and ability to speak to audiences across the UK. The Government does not agree with the EY report's suggestion that Channel 4 will do the bare minimum to meet its nations and regions quotas and other public service obligations under private ownership given Channel 5 and ITV regularly exceed their regional production quotas. Instead, the Government believes that Channel 4's regional network will be an attractive asset for potential buyers to nurture and develop. Channel 4's existing obligations in terms of regional production, and production outside of England, will be maintained. We expect Channel 4's access to networks outside London and its ability to speak to a diverse range of audiences across the UK to be an attractive asset that any potential buyer will look to nurture and develop. Indeed, there is no reason that a sale could not accelerate the process of growing the broadcaster's impact outside of London.
59. The Government will test the ambition of potential bidders on regional presence and investment through any sale process. This will allow a new owner to consider the best approach to build sustainably on Channel 4's contributions in this area and will be underpinned by clear remit obligations for continued investment.
60. Channel 4's decision to create more roles and offices outside London is not the result of legislation or other obligations placed on it, and the Government does not deem it

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<sup>8</sup> EY/Channel 4 (April 2021): [Channel 4's contribution to the UK](#)

appropriate to be prescriptive on its physical footprint given the dynamic market backdrop. Overly prescriptive requirements would neither support Channel 4's future sustainability nor the ability for the Government to respond in an agile manner to any future scenarios where there is an imbalance in where the benefits of the creative economy are felt.

***Should the Government revise Channel 4's remit and obligations to ensure it remains relevant in an evolving broadcast market? If yes, what changes should be made (which could include new freedoms or changes to its obligations)? Please provide supporting evidence.***

*38 Degrees translated question: Right now, Channel 4 has a responsibility to champion unheard voices, take bold creative risks and to stand up for diversity across the UK. The Government is asking whether they should change this to make Channel 4 more competitive.*

61. The consultation outlined the Government's aims and priorities for public sector broadcasting, noting that the modernisation of Channel 4's existing remit will also be considered as part of that process. The question seeks views on the relevance of the current Channel 4 remit against the changing broadcasting landscape. **Of the 54,440 responses received in total from individuals to this question 87% (47,554) opposed any revision to the remit, whilst 6% (3,275) were in support. Of these responses, 15,255 were received via the gov.uk survey, or by post, or by email, of which 72% (10,987) were opposed to any revision to the remit, whilst 14% (2,178) were in support. Of the 39,185 responses from individuals received through the 38 Degrees survey, 93% (36,567) were opposed, whilst 3% (1,097) were in support. Stakeholders were generally supportive of Channel 4's current remit, highlighting its distinctive role in the broadcasting ecology.**
62. It was argued by both stakeholders and individuals that Channel 4's existing remit worked well and that therefore Channel 4's remit and obligations should not be changed, but as set out above, respondents expressed concerns about the impact privatisation might have on Channel 4's delivery of its remit. A set of stakeholders emphasised that Channel 4 has a distinctive role in the broadcasting ecology due to its current PSB remit. It is also worth noting that there was acknowledgement that under its current model Channel 4 consistently went above and beyond its current remit in terms of performance against quotas, particularly in terms of qualifying hours commissioned from independent producers.
63. A benefit raised of Channel 4's current remit was its diversity and creativity, with coverage of the Paralympics and focus on underrepresented groups particularly praised in responses. This role was felt to be distinctive to Channel 4, with its current remit requiring it to take risks, innovate and reflect diversity in its content. For example, a view raised by stakeholders was that Channel 4 had distinct accomplishments both in ensuring that diverse groups are portrayed on screen in an authentic manner, and in driving diversity and the representation of protected characteristics offscreen. Other responses highlighted that there were further benefits delivered by Channel 4 for UK audiences and the wider sector under its current remit.

Another view expressed by respondents was that the Government should use the recent Ofcom recommendations on PSB to ensure Channel 4 continues to deliver those benefits.

64. Channel 4's news programmes were highlighted as being particularly important by respondents. Channel 4's independence was also valued with an argument presented by respondents being that Channel 4 delivers balanced and impartial programming. In addition it was noted that Channel 4 screened other programmes of a high quality.
65. It was also argued that Channel 4's remit could be strengthened, or have further obligations added. A view expressed was that strengthening the remit could ensure better delivery of genres such as arts, religious content and international content, which was said to have declined significantly on Channel 4 during the past decade. A view expressed by broadcasters was that a review and revision of the remit would be useful, but within the context of the Government's overall review of PSB, and not just to achieve a change of ownership of Channel 4. One stakeholder suggested the public service mission of Channel 4 should be extended through a transparent independent consultation process overseen by Ofcom, not Government. Others suggested a remit review to ensure that Channel 4 continued to have a strong remit and that areas such as investing in the nations and regions, news and current affairs, feature film, skills development and diversity remain safeguarded.
66. Another view presented by stakeholders was the idea of Channel 4 being allowed new freedoms. For example, some highlight the restrictions on Channel 4's ability to borrow saying that this should be looked at again, and argued that any increase in Channel 4's ability to borrow could be managed to ensure it had limited material impact on public sector net debt.
67. Channel 4's response argued that its culture of public service has allowed the remit to grow and develop. While being clear it did not wish to see the remit diluted, it argued the Government and Ofcom could consider how remit delivery might be modernised to reflect that how audiences watch content has changed.

#### *Government Response*

68. The Government is supportive of a modern system of public service broadcasting that remains relevant and can continue to meet the needs of UK audiences in the future. That is why the Government announced a strategic review, informed by Ofcom's recent review of public service broadcasting ('Small Screen: Big Debate'), the relevant reports from the Select Committees in both Houses of Parliament, and expert advice from its own PSB Advisory Panel. The review, which this consultation was part of, looked at ways to bring the remits and obligations of all our public service broadcasters up to date in line with the changes we are witnessing in the broadcasting market, to make sure they can continue to contribute successfully and sustainably.
69. The Government does not believe that the delivery of the public service remit is at odds with a profit-making model, nor that a private owner would make Channel 4 a

less-trusted broadcaster with reduced public awareness. Channel 4's distinctive public contribution, informed in part by its remit, is intrinsic to its brand and market positioning. Channel 4's distinctiveness will be part of what makes it attractive to potential buyers, and combining this with requiring ongoing commitments, similar to those it has today, through its remit and as part of any sale process will ensure Channel 4's public contribution continues to be nurtured and developed by any new owner. A more profitable and growing Channel 4, facilitated by access to capital, could make greater public value contributions, especially when underpinned by a continuing public service broadcasting remit.

70. In relation to the concerns expressed by some respondents regarding Channel 4's news programming, as outlined in paragraph 49, all PSBs, under any ownership model, are continually monitored and evaluated by the independent regulator Ofcom on their provision of high quality news and current affairs content as conditions of their broadcasting licence. Moreover, as outlined in paragraph 50, Ofcom's Broadcasting Code contains stringent rules to ensure that broadcast news, in whatever form, is reported with due accuracy and impartiality. All UK licensed broadcasters are under a legal obligation to observe these rules, and ensure that procedures for handling audience complaints about any potential breach of these rules are established and maintained.

71. The precise impact of a change of Channel 4's ownership on diversity and equality, both on and off screen, will ultimately be dependent on its strategy under private ownership. However the Government considers that Channel 4's ability to appeal to a diverse range of viewers and its distinctively different content is a central facet of its brand. There is both cultural and commercial value in this brand which a potential buyer would likely want to nurture and develop.

***Should the Government remove the publisher-broadcaster restriction to increase Channel 4's ability to diversify its commercial revenue streams? Please provide supporting evidence.***

*38 Degrees translated question: Channel 4's model means they use independent production companies from around the UK, should this model be changed instead so it produces content itself?*

72. The consultation explained that Channel 4 operates as a publisher-broadcaster, broadcasting programmes that it has commissioned (or otherwise acquired) from others. Unlike other public service broadcasters, it is prohibited from being involved in the making of programmes to be broadcast as part of the Channel 4 Service, except to such extent as Ofcom may from time to time allow. As such, its ability to generate revenue from producing content is restricted and its business model is heavily reliant therefore on advertising revenues, which are cyclical in nature and shifting away from linear TV platforms to digital platforms. Channel 4's competitors have been able to diversify their revenues through investment in production, but the publisher-broadcaster restriction means Channel 4 is limited in its ability to do so. The publisher-broadcaster restriction was originally introduced in order to support the independent production sector, however, the UK's independent production sector is

now flourishing. The consultation asked respondents for views on removing or revising this restriction.

73. **Of the 47,689 responses received in total from individuals to this question, 77% (36,573) felt that the Government should not remove the publisher-broadcaster restriction, with 8% (3,583) believing that it should be removed, and nearly 16% unsure (7,533). Of these responses, 15,252 were received via the gov.uk survey, or by post, or by email, of which 64% (9,727) felt that the Government should not remove the publisher-broadcaster restriction, with 17% (2,594) believing that it should be removed, and 19% (2,931) unsure. Of the 32,437 responses received from individuals through the 38 Degrees survey, 83% (26,846) felt that it should not be removed, whilst 3% (989) believed it should be removed, and 14% (4,602) were unsure. The majority of stakeholders were in favour of maintaining the current publisher-broadcaster restriction and many stakeholders highlighted the positive aspects of the current model, especially its support for the independent sector.**
74. It was argued that the current model ensures that everything aired on Channel 4 has been commissioned from independent companies and that all profits made by the channel are reinvested into the industry. An approach taken by stakeholders responding in these terms was to cite the Oliver and Ohlbaum study for PACT<sup>9</sup> published in October 2020, to demonstrate that independent TV production sector revenues reached a new record of £3.3 billion in 2019 - driven by international revenues breaking £1 billion for the first time – an increase of 11% on 2018, and 30% over the past five years and cite this as evidence that Channel 4's current model works.
75. A further point made by stakeholders was that Channel 4 was purposely established as a publisher-broadcaster to support the growth and sustainability of the external production sector. They made the point that since Channel 4's inception, the independent production sector has gone from strength to strength, contributing to a successful creative economy. A view presented by stakeholders from the advertising sector was that the current publisher-broadcaster restriction has been an important stimulus to the independent production sector, with knock-on benefits for skills and talent in advertising. A view presented by both stakeholders and individuals was that it was important for Channel 4 to continue to support the independent production sector.
76. Concerns were raised about potential negative impacts of the removal or weakening of the publisher-broadcaster restriction, particularly on the independent production sector, but also in terms of the weakening of Channel 4's delivery of its remit, specifically relating to diversity, variety, independence and other related aspects. An argument presented from independent production sector stakeholders was that removing the publisher-broadcaster restriction would see a transfer of value from small and medium production businesses to the shareholders of any new owner of Channel 4. Others argued that the restriction does not impede Channel 4's

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<sup>9</sup>[O&O/PACT UK Television Census 2020](#)

sustainability because the restriction means Channel 4 does not shoulder the financial risk of productions. Channel 4 echoed some of these sentiments about potential consequences of removing the restriction, arguing that Channel 4 can thrive as a publisher-broadcaster, highlighting that the organisation have found other ways to evolve and generate new revenue streams through initiatives including the expansion of 4Studio, the Global Format Fund, its venture funds, and enhanced digital distribution partnerships.

77. A view presented by advertisers was that changes to Channel 4's commissioning model would impact the character of its distinctive, risk-taking programming and thus their ability to access high-value, younger, diverse audiences.
78. It was commented by stakeholders and individuals that removing Channel 4's publisher-broadcaster remit would reduce opportunities for new entrants to the independent production sector, which would have an impact on the vibrancy of the sector which makes it so strong and successful. Channel 4 also highlighted its current role in commissioning and developing smaller indies, stating it works with dozens of new companies each year.
79. In addition, smaller production companies expressed concerns about their ability to retain their intellectual property rights if Channel 4's Terms of Trade were to be changed as part of any changes to Channel 4's ownership or operating model.
80. Of those who supported the weakening or removal of the restriction, many cited giving Channel 4 the ability to make its own programmes as a benefit of easing restrictions. However, another argument was that this should only happen if Channel 4 remained in public ownership, or stated that the restriction should only be weakened but not removed.
81. A view expressed by a set of stakeholders was in favour of removing the restriction, noting that owning IP is increasingly important in today's media landscape. Others were sceptical that the removal of the publisher-broadcaster restriction would have a detrimental impact on the UK independent production sector, given its success and growth over the years and the international revenue being generated by the sector. However, they recommended any change should be considered on a broader basis as part of the overall PSB reform agenda. They argued that, with the right obligations and incentives, privately-owned PSBs deliver value in this area.
82. Another piece of evidence cited by stakeholders was an independent report by Ampere Analysis<sup>10</sup> published in September 2021 which assesses the potential consequences of changes to Channel 4's distinctive remit and publisher-broadcaster model. Stakeholders responding in this way argued that a move to privatise Channel 4 and enable it to produce its own content could result in production companies going out of business.

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<sup>10</sup> Ampere Analysis (September 2021): [Channel 4 Privatisation: assessing the options](#)

83. Other stakeholders suggested that Channel 4's economic contribution in the Nations and Regions would shrink markedly were its publisher-broadcaster requirements diminished. Others point to the EY report commissioned by Channel 4<sup>11</sup>, which argues that a privatised Channel 4 with heightened public service obligations, the publisher-broadcaster model removed and commissioning costs reduced, would see its supply chain GVA in the nations and regions reduced by £1 billion over a ten-year period, leading to 1,200 fewer jobs in the supply chain in the Nations and Regions, than would be the case were its current model kept in place.

### *Government Response*

84. The Government agrees with the views expressed by many stakeholders that Channel 4 has played an important role in supporting the growth of the independent production sector, and acknowledges the concerns raised about the impacts removing the publisher-broadcaster restriction could have on the sector. However the Government does not agree with those who argued it was necessary to retain the restriction in order for the sector to continue to succeed. Independent production sector revenues have grown from £500 million in 1995 to £2.9 billion in 2020, whilst the contribution of PSB commissions to sector revenue fell from 58% in 2010 to 41% in 2020<sup>12</sup>, due in large part to the growth of international commissioning revenues. Of the £2.9 billion sector revenues in 2020, PSBs accounted for £1.2 billion, with Channel 4 spending £210 million on external commissions, less than each of the BBC (£508 million) and ITV (£356 million), who both have their own in-house production studios.<sup>13</sup>
85. Whilst Channel 4 therefore still plays an important role, the sector is increasingly benefitting from commissions from other sources and can continue to thrive without the publisher-broadcaster restriction. As such, the Government's view, on balance, is that the restriction should be removed to enable Channel 4 to have a level playing field to diversify its revenue streams into content, in order to improve its business resilience given the competitive pressures facing PSBs. Both BBC and ITV have their own production businesses, with ITV Studios accounting for 42% of ITV Group's revenue in 2020<sup>14</sup> and BBC Studios accounting for 25% of the BBC's total income in the year ending March 2021.<sup>15</sup> Channel 4 will still be required to commission a minimum volume of its programming from independent producers, in line with the quota placed on other PSBs, ensuring its continued contribution to the sector.
86. The Government disagrees with those suggesting that the publisher-broadcaster restriction should be weakened but not removed, and those who argued it should only be removed if Channel 4 remained in public ownership. It is the combination of removing the publisher-broadcaster restriction and the increased access to capital that a new owner could deliver, in addition to wider public service broadcasting reform, which will best ensure Channel 4's long-term sustainability.

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<sup>11</sup> EY/Channel 4 (April 2021): [Channel 4's contribution to the UK](#)

<sup>12</sup> O&O/PACT [UK Television Census 2021](#)

<sup>13</sup> O&O/PACT [UK Television Census 2020](#)

<sup>14</sup> [ITV PLC Annual Report and Accounts 2020](#)

<sup>15</sup> [BBC Group Annual Report and Accounts 2020/21](#)

87. The Government recognises the importance of the Terms of Trade regime, which ensures that independent producers retain the underlying copyright and intellectual property rights to their content, which they can then sell internationally. The regime is one of the key reasons why the independent production sector has been able to retain its rights and to benefit from those of its programmes that are successful and marketed around the world. Participation in the regime is a requirement of PSB status, and we do not propose to change this.
88. The EY analysis, commissioned by Channel 4 and cited by some stakeholders, suggests that ending the publisher-broadcaster model may result in a reduction in revenues from primary commissions for small and medium producers by up to 16%. The Government disagrees with this assessment since, in terms of investment, only 10% of Channel 4's external commissioning spend was with producers with turnover up to £10m in 2020, less than the BBC, ITV and Channel 5,<sup>16</sup> suggesting that private ownership does not necessarily lead to lower investment in SME companies. Instead, the Government expects any buyer to value Channel 4's relationship with the sector given it is a key value driver for the business, and believes that in the long run the UK production ecosystem will benefit from a more sustainable Channel 4 under private ownership. New private-sector ownership which improves Channel 4's access to capital to support its growth and sustainability may result in increased investment in independent productions in absolute terms as Channel 4 thrives and expands.
89. Demand for the independent production sector is predicted to remain strong, and many existing producers find themselves capacity - not demand - constrained (with per-hour prices for key genres like drama and natural history rising, and high budgets for programmes with international investment). Whilst Channel 4's future commissioning strategy and any associated impacts will be determined by any new owner's strategy for the business, the Government expects any impacts to be gradual given commissioning spend is allocated multiple years ahead and that schedules are hard to change overnight. This will allow for mitigating actions to be implemented in parallel if necessary.
90. The Government acknowledges the concerns expressed that removing the publisher-broadcaster restriction could have a negative impact on Channel 4's continued delivery of its distinctive remit, on its contribution to developing skills and talent across the sector, and on investment in production outside of London. However, the Government expects that any new owner is likely to value Channel 4's existing brand and continue to invest in a diverse range of content made across the UK as evidenced by Channel 5's significant increase in spend on qualifying indies in the nations and regions since Viacom (now Paramount) bought it.

***With reference to supporting evidence, what would the economic, social and cultural costs and benefits of Channel 4 moving out of public ownership be on:***

- a. overall audience experience?***
- b. the Channel 4 Television Corporation itself?***

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<sup>16</sup> [O&O/PACT UK Television Census 2020](#)

- c. investment in the independent production sector?**
- d. investment in the independent film sector?**
- e. the TV advertising market?**
- f. investment in the creative industries sector more widely?**
- g. competition between Channel 4 and other PSB and non-PSB channels?**
- h. the regions and nations of the UK?**

*38 Degrees translated question: If Channel 4 is privatised, would the impact on each of the following be positive, neutral, negative or unclear?*

91. The responses to this question were graded in accordance with how respondents viewed the potential impacts (positive; negative; unsure; neutral) of Channel 4 moving out of public ownership against the listed categories. **The majority of responses from individuals which included a response to this question in the free text box stated that the impact of a change of ownership would be negative under all categories, generally with limited to no further detail or evidence to support this. The vast majority of the stakeholder responses also argued there would be negative impacts under all the categories, often referring back to responses to the earlier questions and providing limited further detail or evidence to support this within their response to question six.**
92. In response to question 6(a), it was argued there would be an overall negative impact on audience experience. One view expressed in responses, and one stated in Channel 4's own response, was the belief that a change of ownership could reduce the range and diversity of Channel 4's programme output. It was argued this could undermine the core values of its public service remit and be detrimental to the viewing experience.
93. In response to question 6(b), a view presented was that privatisation would have a negative impact on the Channel 4 Television Corporation itself, fundamentally changing the culture of the organisation through turning it into a commercial enterprise aimed at making profits. Channel 4 shared these views, suggesting that private owners would seek to minimise or remove obligations which are loss-making. Other responses argued that Channel 4 was a trusted operator due to a public awareness of its independence from both political and commercial interference, and argued that any privatisation of it could weaken UK democracy. It was also argued that privatisation would damage Channel 4's ability to contribute to how the UK is perceived globally.
94. In response to question 6(c), it was argued that there would be negative impacts on Channel 4's investment in the independent production sector. One explanation given here was that should the publisher-broadcaster restriction be removed as part of any potential sale, a private owner would invest more in house than in the independent production sector. Another explanation given was that a private owner would prioritise shareholder returns, over continuing to support the independent production sector. Channel 4 cited the concerns of the independent production sector here to suggest that such changes could be damaging to the sector. Another argument here was that a private-sector owner was likely to rely more heavily on tried and tested TV

formats, international dramas, and content which was not directed at the many facets of UK culture and experience.

95. In response to question 6(d), individuals and stakeholders highlighted the contribution of Film4 to UK independent film production and that Channel 4 spends more on British film than any other UK broadcaster. It was argued that Channel 4's PSB remit meant that it focused on supporting original and distinctive content from smaller British film companies, with no obligation to return profits to shareholders. Another view expressed was that this activity would not fit a purely commercial model. Channel 4 stressed that film is a risky business in which it is difficult to guarantee commercial returns, and they therefore considered it a risk that a private owner would not sustain its investment in Film4, or retain the same approach to the slate. The success of Channel 4's investment in British talent through Film 4 which has led to 37 Oscars was also highlighted and concerns were raised that a change of ownership would negatively impact this investment.
96. In response to question 6(e), a concern raised by stakeholders was that it is Channel 4's current creativity, risk-taking and diversity which attracts a sought after audience and felt there was a risk this would be lost as a result of privatisation. Channel 4 also expressed some concerns that a change of ownership would negatively impact their distinctive position in the market.
97. In response to question 6(f), it was argued that privatisation would negatively impact Channel 4's investment in the creative industries sector. It was argued there might be a ripple effect of privatisation through the wider creative industries and, for example, the potential reduction in investment in skills and training.
98. In response to question 6(g), concerns about negative impacts associated with Channel 4 losing its distinctiveness, reducing programme quality and tailoring for UK audiences in order to appeal to mass audiences were expressed. Channel 4 shared some of these views, stating that a channel increasing its focus on commercial programming could lead other privately owned PSBs to do the same, reducing the overall provision of PSB content.
99. In response to question 6(h), an area of concern was that privatisation would bring a negative impact to the regions and nations of the UK. This included a concern that a privately owned company expected to generate profits would be more likely to centralise work in London and the South East at the expense of the creative industries based throughout the regions. It was also argued this could have a knock on effect on diversity of regional representation. Independent reports by 3Vision and Oliver and Ohlbaum, commissioned by PACT, were referred to in order to suggest the adverse impacts of privatisation on the independent production sector in the UK nations and regions. Channel 4 reflected that its investment across the UK, beyond what is required by the remit, would not likely be protected under private ownership.
100. Some potential benefits of privatisation were noted by individuals and stakeholders. For those individuals, the benefits were thought to be increased investment from Channel 4 in film and the wider creative industries. For those stakeholders who

expected there to be benefits, these were around securing Channel 4's financial sustainability, and guaranteeing its distinctive place in the UK's broadcasting ecology be preserved.

### *Government Response*

101. The Government acknowledges the material and continued impact of Channel 4's investment in the UK film sector, and the important role that investment plays in contributing to the outcomes of these aspects of its remit. Channel 4 has a distinctive brand and track record of delivering successful Oscar-winning films that could be seen as an asset by many potential buyers. Any sale process will offer the Government the opportunity to seek the input of potential buyers on how they could build on this.
102. The Government acknowledges the concerns respondents expressed about the different choices a new owner might make in relation to delivery of Channel 4's remit, and recognises the important role its public service broadcasting remit plays in supporting the creative economy, and ensuring Channel 4 offers a diverse range of content to its audiences. To date, Channel 4 has operationalised the delivery of outcomes set out in its remit to the benefit of its brand and audience attraction strategy, creating a successful commercial model. This includes the risk taking and distinctive content it shows, and the process that goes into creating it, including its role in supporting skills and talent in the creative economy. Although it is not possible to predict precisely how its future obligations would be operationalised by any particular buyer, we would expect buyers to see the value in making decisions that continue to deliver outcomes in line with those we see today, as they are linked to Channel 4's brand. As the market becomes more competitive, media companies are looking to attract and retain more discrete audiences and to play to specific strengths. It is likely that Channel 4's distinctive brand and standing in the market represent a valuable foundation that a new owner would look to build on, and that it would continue to have an interest in supporting skills and talent development in the creative economy.
103. All PSBs, under any ownership model, are continually monitored by the independent regulator Ofcom on their news delivery against their public service broadcasting obligations as a condition of their broadcasting licence.
104. In addition, Ofcom's Broadcasting Code contains stringent rules to ensure that broadcast news, in whatever form, is reported with due accuracy and impartiality. All UK licensed broadcasters are under a legal obligation to observe these rules, and ensure that procedures for handling audience complaints about any potential breach of these rules are established and maintained.
105. On balance the Government believes that private ownership is the best way to secure Channel 4's long-term sustainability and that the potential benefits of diversifying its income streams and having improved access to capital outweigh the potential risks. The Government will look to mitigate any risks through the sale process to manage any possible negative economic and social impacts of the intervention. Moreover, the new opportunities and investment, facilitated by a change of ownership, will be complemented by increased Government support for the independent production sector. We will use some of the proceeds from any sale of Channel 4 to deliver a new

creative dividend for the sector to tackle the creative skills shortage. Our investment will allow the industry to continue to grow and thrive in the future.

## Next steps

106. The Government has set out its vision for public service broadcasting, including the future of Channel 4, and appropriate next steps in the Broadcasting White Paper published 28 April 2022.