



Department  
for Culture  
Media & Sport

# Increasing the Regional Impact of Channel 4 Corporation: Consultation

12 April 2017

## FOREWORD



The UK has some of the most creative and dynamic television in the world.

Our public service broadcasters are a key part of this - fostering creative diversity and creating programming which reflects and examines wider society.

But with increased consumer choice, new ways of watching and fierce competition at home and abroad, our public service broadcasters must evolve to meet new challenges and maximise the public value they deliver.

Channel 4 has changed considerably over the years, partly of its own accord and partly due to interventions of the government. But its fundamental status has not changed. It remains a commercially-funded public service broadcaster which is owned by the country.

I want to protect and enhance this precious public asset, to ensure its sustainability in the long term and maintain the contribution it makes to society. I also want to make sure it serves the whole country.

It is for these reasons that I am launching this consultation. This Government is committed to spreading jobs and prosperity throughout the UK, and we want Channel 4 to be part of that. We would like to see Channel 4 have a major presence outside London, stimulating creative and economic activity right across the country. In doing so it can play a leading role in a public service broadcasting system that reflects our United Kingdom.

Public assets, such as Channel 4, should deliver for the public in every possible way. This is key to building an economy that works for everyone, not just a privileged few.

Channel 4 rightly prides itself in being different, in providing alternative views and new perspectives. This evolution will help to underpin that purpose and make Channel 4 even more distinctive - and give audiences the length and breadth of the UK content that speaks to them and where they come from.

A handwritten signature in blue ink that reads "Karen Bradley".

**Karen Bradley**

Secretary of State for Culture, Media & Sport

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# 1. Summary

## 1.1 Overview

The Prime Minister set out in the government's Plan for Britain and the Industrial Strategy Green Paper that the government wants to deliver a stronger economy and a fairer society – where jobs, prosperity and opportunity are spread across every community in our United Kingdom.

The UK's creative industries, and the broadcasting sector within that, have an important role to play in delivering those objectives. The creative industries are one of the UK's major success stories, employing 1.8 million people and growing by more than a third since 2010 - twice as fast as the economy as a whole. The UK's broadcasting ecology - with a mix of non-commercial and commercially-funded public service broadcasters (PSBs) in public and private sector ownership, and privately owned commercial broadcasters - is the envy of many around the world, continuing year after year to provide inspirational and entertaining drama, comedy, and documentaries, as well as high-quality, impartial and reliable news and current affairs output. The creative industries and the broadcasting sector have the opportunity to be at the heart of the UK's industrial and economic future in this new digital age.

With annual revenue of nearly a billion pounds, the publicly-owned Channel 4 Corporation (C4C) has been an engine for economic growth within the creative sector. As an 'alternative voice' in the broadcasting landscape Channel 4 also seeks to provide a platform for unheard voices and untold stories from right across the United Kingdom. The government believes that Channel 4, as a publicly-owned PSB, should play its part in forging this fairer society and creating a stronger economy. In doing so, and in meeting its founding remit and being true to its public service ethos, it will strengthen its vital and distinctive position in the UK's cultural life.

### History

When Channel 4 began broadcasting in 1982 it was in a very different broadcasting landscape. No breakfast TV. No overnight TV. There were only three channels before its inception, and it became only the third provider in Britain after the BBC and ITV. The government had the intention that Channel 4 would develop a 'distinctive character of its own' and would offer specific types of programming that were under-represented in television schedules. This included programming that appealed to tastes and interests not generally catered for by ITV, programming that had an

educational nature and programming that encouraged innovation and experimentation.

In the 35 years since its first broadcast, Channel 4 has offered an alternative to the other public service broadcasters. Its funding model has enabled non-public service content – including imports – to pay for new and otherwise less commercial news, current affairs, arts, religion, and other programmes. It has been responsible for iconic and ground breaking television including: Big Breakfast, Big Brother, Unreported World, Queer as Folk, Skins, Smack the Pony, Inbetweeners, Educating Essex, Gogglebox, and many others.

Channel 4's outstanding achievements continue - in 2015 films funded through Film4 secured a record 15 Oscar nominations, and it has been awarded Channel of the Year by Broadcast magazine for the last two years.

Channel 4 has to date been a commercial success. Today it generates annual revenue of nearly £1bn, and since 2000 it has generated profits of more than £200m whilst delivering substantial growth in programme investment. It has also played an important role in the growth of the UK's independent production sector, which is now an international leader with around £3bn in annual revenues.

### Channel 4 Today

However, the broadcasting landscape is changing rapidly, with increasing competition, globalisation and technological change. Channel 4 is now part of an environment of hundreds of channels and hundreds of thousands of hours of programming. It operates a portfolio of channels and services, with an output of tens of thousands of hours a year, of which the majority of content is not first-run or originated UK public service content. With ever-greater digital convergence, competition and consumer choice, Channel 4's audience share on its main PSB channel has reduced considerably over the last decade. As a result, there are strong arguments for Channel 4 to make a substantial contribution to the UK's broadcasting system in new and different ways.

While Channel 4's financial position appears strong, the full picture is complex. In 2015 the business relied on advertising revenues for 94% of its income, making its business model highly cyclical and potentially also at risk from the changes to the broadcasting landscape highlighted above. 91% of this advertising revenue came from TV advertising and 9% from digital advertising. In the wider market, other broadcasters have responded to these challenges by diversifying away from a dependency on advertising revenues. Restrictions to Channel 4's business model, including its inability to produce content for its main channel (its

'publisher-broadcaster' model) and its necessarily limited access to capital reduce the opportunity for Channel 4 to follow suit.

### Channel 4 Review of Options

As a result, since late 2015 DCMS has worked with UK Government Investments (formerly the Shareholder Executive) to look at options for the future of Channel 4. We have looked at whether the Channel 4 model is still appropriate, and what its role should be as part of a fast-changing and challenging broadcasting landscape.

The government has concluded that Channel 4's public service model and remit are important to the continued strength of the UK's broadcasting ecology, and would not be best served by privatisation at this time.

However, while Channel 4 already delivers significant public value in various ways, there is scope for it to do more. In particular, the government recognises that the growth in the broadcasting and production sector has not been evenly distributed, with more than two thirds of producers based in London and the South East. This limits the spread of jobs, prosperity and opportunity, not only in terms of regional growth, but also the representation of local views and interests on television.

In light of this and the government's commitment to spread jobs, prosperity and opportunity across the country, the government believes Channel 4's role should evolve to serve the country and add public value in new and different ways. We want to open a new chapter of success and public service for Channel 4 where it makes a greater contribution to the regions beyond London and the South East. Channel 4 should have a strong and successful future - we want it to be able to take risks, to be different, and to be able to thrive and provide for the UK as a whole, not just for those in and around our capital city.

### Consultation

As a result, the government is launching a consultation to seek views on how Channel 4 can most effectively (i) contribute to regional economic growth, (ii) stimulate regional creative industries, and (iii) better serve regional audiences.

Specifically, we want to look at:

- To what extent should Channel 4 be based outside London, potentially including moving its headquarters;
- Whether more programmes shown on Channel 4 should be made outside London; and

- Whether Channel 4 should be able to make larger investments in production companies to support the development of emerging talent, including that from the regions, and help bolster Channel 4's future financial position.

In considering these questions it will be necessary to consider value for money and the potential impact on Channel 4's sustainability to ensure that it retains business flexibility and a robust financial position.

We are seeking the broadest range of views and evidence to inform our assessment, including from the broadcasting and production sectors, from regional authorities, and from audiences around the UK. Channel 4 is a key stakeholder in this process and the government will work closely with it throughout this process. Alongside this consultation, the government will commission external analysis to look at the potential regional economic benefits resulting from the options under consideration.

We also know it is not just Channel 4 that can do more to help us grow our creative economy. So we will explore whether there is more we can do, including working with other public service broadcasters, to help them drive the strong creative clusters we have right across the UK.

Following the consultation the government will consider the evidence and determine the best way forward, including through discussion with Channel 4. Channel 4 is a self-financing corporation established in statute. This legislative basis has evolved over time, and subject to the consultation the government may be prepared to consider legislation to ensure that Channel 4 maximises its delivery of public value for the country as a whole.

## **1.2 How to Respond**

Our preferred method of capturing your responses to the questions set out in this document is via an online service you can find at:

[https://dcms.eu.qualtrics.com/jfe/form/SV\\_74oFp20VzpqcmEt](https://dcms.eu.qualtrics.com/jfe/form/SV_74oFp20VzpqcmEt)

You can email your response to [c4consultation@culture.gov.uk](mailto:c4consultation@culture.gov.uk)

Hard copy responses can be sent to:

FAO Channel 4 Regional Consultation  
Department for Culture, Media and Sport  
4th Floor, 100 Parliament Street  
London SW1A 2BQ

When responding, please state whether you are doing so as an individual or representing the views of an organisation. If you are responding on behalf of an organisation, please make it clear what your role is at that organisation.

The consultation will run for 12 weeks and will close at 5pm on Wednesday 5 July 2017. We will publish the government's response to this consultation on the GOV.UK website, summarising the responses received and setting out the action we will take, or have taken, in respect of them.

For further information about this consultation please see Annex A.



## 2. Background

### 2.1 Channel 4 Corporation

#### Organisational Structure

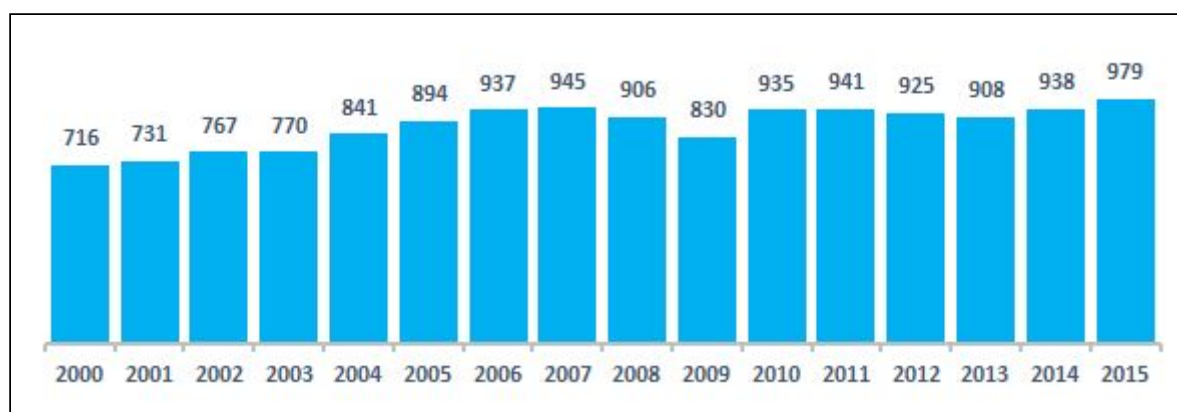
Channel 4 was established with the Broadcasting Act 1980, and began broadcasting in 1982 with aims to be innovative and experimental, to provide a service distinct from ITV, and to have a focus on underserved audiences. It was originally funded by Channel 3 which sold its advertising airtime. It has undergone several reforms to its remit and structure over its history, including through the Broadcasting Acts of 1990 and 1996, Communications Act 2003, and Digital Economy Act 2010.

With the Broadcasting Act 1990 Channel 4 became part of the Channel 4 Corporation (C4C), a self-financing public corporation. As such, there is a distinction between C4C as a statutory body which also operates a portfolio of channels and services (including More 4, E4, Film4, on-demand All4) and Channel 4 as a single channel (and C4C's only licensed PSB channel). It receives no direct funding from government, but as a PSB receives indirect support in the form of reserved access to valuable digital spectrum and due prominence on electronic programme guides (EPGs). For the purposes of this document we will refer to the Channel 4 Corporation as C4C or Channel 4, and references to the main PSB channel will be stated as such.

#### Financial Position

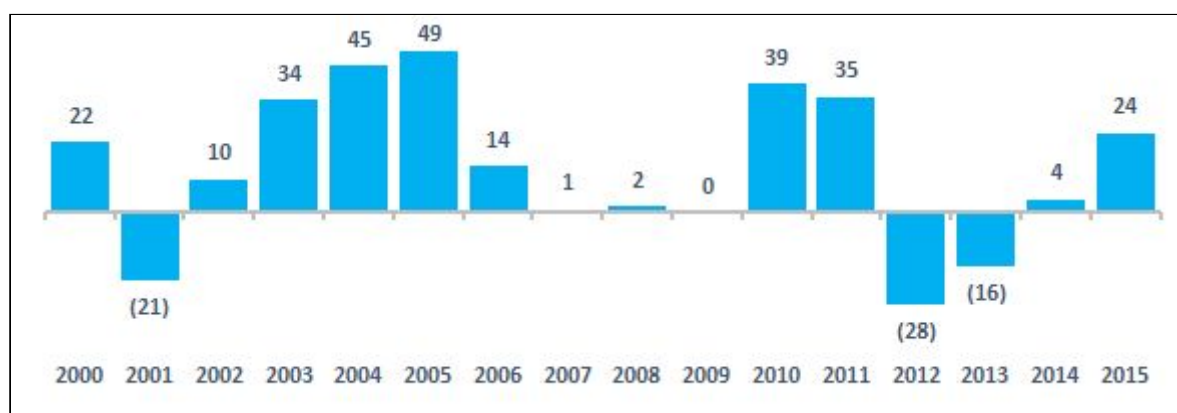
In 2015 Channel 4 generated revenue of £979m and profit before interest and tax of £24m. Since 2000 Channel 4 has grown its revenue by more than 35%. However, since 2010 Channel 4 has grown revenue by only 5%, whilst the UK TV advertising market has grown by almost 20%. Channel 4 is highly dependent on advertising, which generated 94% of Channel 4's revenue in 2015. 91% of this revenue came from TV advertising and 9% from digital advertising. Over time an increasing share of this has been derived from Channel 4 selling other broadcasters' advertising.

**Figure 1. Channel 4 Corporation revenue (£m)**



Channel 4 has had a number of different management teams, pursuing different business strategies in a range of market conditions. While it has reported both profits and losses, the organisation has delivered its remit and licence obligations in every year.

**Figure 2. Channel 4 Corporation profit before Interest and Tax (£m)**



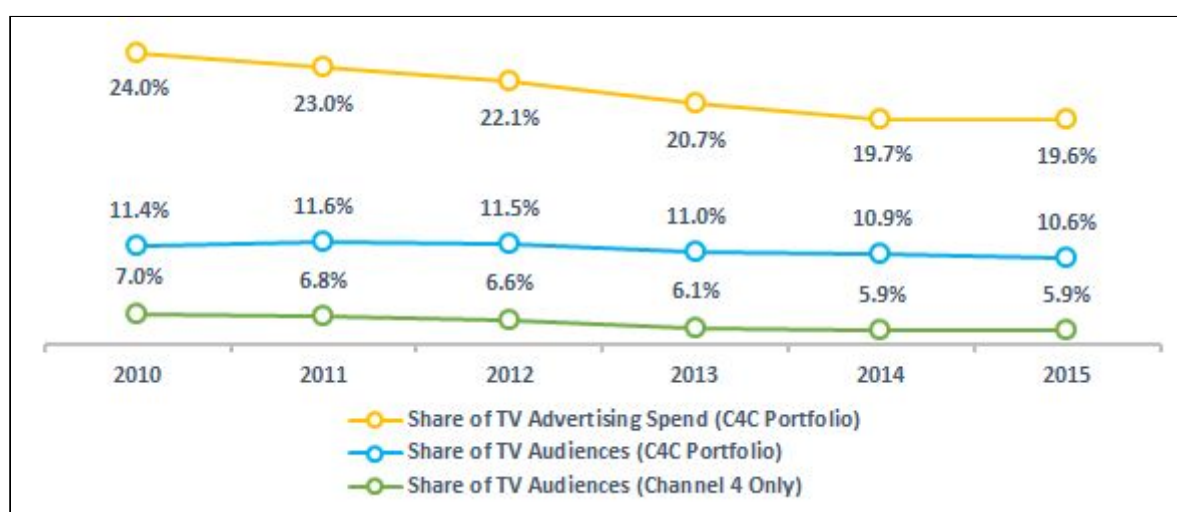
Compared to other PSBs, Channel 4 spends a greater share of its revenue on the content it broadcasts on its channels, and in 2015 spend on originated and acquired programmes and other content reached a record high of more than £640m.

**Figure 3. Channel 4 Corporation programme and other content costs (£m) (includes acquired programmes)**



In recent years Channel 4's share of television audiences and its share of television advertising spend have been falling. Today the Channel 4 portfolio of channels has a 10.6% share of television audiences and a 19.6% share of television advertising spend.

**Figure 4. Channel 4 share of audiences and advertising**



### Purpose and Remit

Channel 4 is subject to a remit of public service obligations which it must fulfil. As Channel 4 describes, the remit is 'the template' for its 'unique and important role in British life'.

While Channel 4's specific remit has evolved over time, throughout its history there has been a thread of challenging content, diverse voices and fresh perspectives.

Channel 4 has done much to push boundaries, stimulate debate, and provide for those not always catered for by the mainstream.

The detail of the remit as it currently stands is set out in Annex B. The remit applies in different ways to the main channel and the portfolio as a whole, and consists of the following types of obligation:

- **Quantitative obligations on the main channel:** These licence conditions are imposed by Ofcom, with several required by legislation. These relate to how and where programmes are made, requirements for access for disabled viewers, and minimum output levels for certain genres, including news and current affairs.
- **Qualitative obligations on the main channel:** These are set by the Communications Act 2003 and include obligations to provide innovative and distinctive content, content of an educational nature, and content that appeals to a culturally diverse society.
- **Qualitative obligations on C4C as a whole:** Introduced by the Digital Economy Act 2010, requirements include supporting the development of people with creative talent, providing content that appeals to older children and young adults, and promoting alternative views and new perspectives.

Channel 4's delivery against its remit requirements is monitored and assessed by Ofcom, primarily through the annual 'statement of media content policy' process (included in Channel 4's annual report, with Ofcom publishing its assessment separately) and its annual PSB reports. Last year Ofcom assessed that Channel 4 had been 'broadly successful'<sup>1</sup> in meeting its remit obligations, but did raise concerns in particular about Channel 4's lack of provision of content for older children. More widely, we also note that Channel 4's spending on other key public service genres such as arts, religion and education remains low. In addition, Ofcom have set out plans to bolster their current assessment of Channel 4's performance through new consumer research, ensuring that Channel 4 is effectively held to account for the delivery against its remit.

### Publisher-Broadcaster

At its inception, the government sought to use Channel 4 to support the development of the UK TV production sector, which until then had been dominated by BBC and ITV in-house production. Channel 4 was therefore established as a

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<sup>1</sup> Ofcom SMCP letter to Channel 4,  
[https://www.ofcom.org.uk/data/assets/pdf\\_file/0019/84313/ofcom\\_letter\\_to\\_channel\\_4\\_corporation\\_on\\_its\\_statement\\_of\\_media\\_content\\_policy\\_2015\\_2016.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0019/84313/ofcom_letter_to_channel_4_corporation_on_its_statement_of_media_content_policy_2015_2016.pdf)

‘publisher-broadcaster’, with a focus on securing programming from the independent TV production sector rather than developing in-house production operations.

The publisher-broadcaster requirement was introduced in the 1981 Broadcasting Act, and is currently prescribed in the Communications Act 2003. This has complex implications, which are explained in more detail in section 4.3. These arrangements mean that Channel 4 is uniquely restricted in how it can diversify revenue streams, as unlike its competitors it cannot wholly own the formats and rights to programmes that it commissions. As a result, it is highly dependent on advertising revenues, as noted above.

Owing to its unique model, Channel 4 support has been an important driver in the success of the UK independent production sector. As Ofcom noted in its 2015 Production Sector Review,<sup>2</sup> ‘before the launch of Channel 4 in 1982, almost all TV programmes (i.e. on the BBC and ITV) were produced in-house.’ Largely due to the PSB system, including Channel 4, Ofcom notes that ‘the UK production market has changed from a cottage industry twenty years ago where producers operated on a work-for-hire basis, to a very successful sector that in 2014 generated £2.9bn in revenues and generated 30% of its revenues from overseas markets.’ The sector continues to evolve, with considerable consolidation and international investment. The government is committed to the sector’s continued success, as demonstrated by the reforms in the new BBC Charter to open up all BBC commissions (with the exception of news and current affairs) to full competition.

## 2.2 Review of Options

### Channel 4 Business Model

Ofcom’s Third Review of Public Service Broadcasting,<sup>3</sup> published in 2015, identified five key trends shaping the future broadcasting environment: consolidation and globalisation; changing technologies and models of distribution; changing user interfaces driving new consumption habits; new international players; and new platforms. Channel 4 itself argued in its submission to Ofcom’s review that ‘the downside risks to the PSB system are substantially greater than the upside opportunities that these developments present.’<sup>4</sup>

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<sup>2</sup> Ofcom, *TV Production Sector Review*, 2015

[https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0028/82684/tv\\_production\\_sector\\_review.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0028/82684/tv_production_sector_review.pdf)

<sup>3</sup> Ofcom, *Public Service Broadcasting in the Internet Age*, 2015

[https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0025/63475/PSB-statement.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0025/63475/PSB-statement.pdf)

<sup>4</sup> Channel 4, *Response to Ofcom’s Third PSB Review*, 2015

[https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0016/47230/channel\\_4.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0016/47230/channel_4.pdf)

So, while Channel 4's financial position appears strong, the full picture is complex. In 2015 the business relied on advertising revenues for 94% of its revenue, making its business model highly cyclical and potentially also at risk from the structural changes taking place in the broadcasting market. Other broadcasters have responded to these challenges by diversifying - including notably by acquiring significant production capacity. Restrictions to Channel 4's business model, including its inability to produce content for its main channel (its 'publisher-broadcaster' model) and its necessarily limited access to capital reduce the opportunity for Channel 4 to follow suit.

As a result, since late 2015 DCMS has worked with UK Government Investments (formerly the Shareholder Executive) to look at options for the future of Channel 4. We have looked at whether Channel 4's financial model is still appropriate, and what its role should be as part of a fast-changing and challenging broadcasting landscape.

#### Conclusion on Channel 4's future sustainability

The government has concluded that Channel 4's public service model and remit are important to the continued strength of the UK's broadcasting ecology, and would not be best served by privatisation at this time.

Following the review, the government is working with Channel 4 to make sure oversight of its financial position is robust. This will aim to provide government with the necessary reassurance about Channel 4's financial sustainability and approach to risk management, in line with other publicly-owned corporations. This is particularly important given the changes taking place around Channel 4 in broadcasting and wider media markets.

Channel 4 generates its own income - primarily through selling advertising - and reinvests it back into the business. However, as a public service broadcaster established by Parliament in statute, it operates for the public benefit and its borrowing counts as public borrowing. And if it gets into problems, the taxpayer bears the ultimate risk. Channel 4 can also choose not to make a profit, and may not have the same incentives to deliver the kind of efficiencies expected both of private broadcasters and the BBC. As a result, the government needs to be reassured about Channel 4's financial performance and how it is managing the risks it faces.

We will make sure oversight of its financial position is robust, and ensure we have the necessary reassurance about Channel 4's financial sustainability and approach to risk management. This is in line with other statutory corporations and is particularly important given the changes taking place around Channel 4 in

broadcasting and wider media markets.

We want a Channel 4 that is sustainable while continuing to deliver public value. This is why we are also consulting on Channel 4's power to take a larger stake in production companies.

### Conclusion on Channel 4's regional impact

Through the review of options it has also become clear that while Channel 4 already delivers significant public value, there is scope for it to do more.

Firstly, the government would welcome the Channel 4 board maintaining a focus on delivering against its remit to provide a distinctive and challenging counterpoint to other leading broadcasters in the UK.

Additionally, the government believes now is the right time for Channel 4's role to evolve to meet the needs of the creative industries and audiences across the UK. In particular, the government recognises that the growth in the broadcasting and production sector has not been evenly distributed, with London and the South East – where more than two thirds of producers are presently based – seeing far more of the benefits than the rest of the UK.

This limits the spread of wealth and opportunity, not only in terms of regional growth, but also the reflection and representation of local tastes and interests on television. Ofcom has found that 'The nations and their regions are the areas where there is the largest gap between the public expectation of PSB and the operations of the PSBs.'<sup>5</sup>

In light of this and the government's commitment to spread jobs, prosperity and opportunity across the country, the government believes Channel 4's role should evolve to serve the country in new and different ways. Channel 4 should have a strong and successful future - we want it to be able to take risks, to be different, and to be able to thrive and provide for the UK as a whole, not just for those in and around our capital city.

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<sup>5</sup> Ofcom, *Public Service Broadcasting in the Internet Age*, 2015  
[https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0025/63475/PSB-statement.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0025/63475/PSB-statement.pdf)

## 3. Government's Regional Objectives

### 3.1 Regional Objectives

The government's ambition to support a growing, vibrant and dynamic market for the creative industries across the UK, and for Channel 4 to enhance the public value it delivers through an increased regional impact, is driven by three central objectives:

- To support regional economic growth
- To stimulate regional creative industries
- To better serve audiences in the nations and regions

#### To Support Regional Economic Growth

The government is committed to a stronger economy and fairer society where jobs, prosperity and opportunity are spread around the country. The broadcasting sector, and in particular the publicly-owned broadcasting sector, has a vital role to play in achieving this.

As the BBC has shown with the relocation of 2,500 roles to Salford, there is the potential for public service broadcasters to play a transformative role in helping drive creative hubs beyond the capital. A report from KPMG,<sup>6</sup> commissioned by the BBC Trust, found a positive contribution by the BBC to the Salford area in terms of employment, increased skill levels and spill-over effects. KPMG identified a range of positive agglomeration and network impacts, including reduced barriers to collaboration for smaller, independent digital agencies; improvements to the quality of outputs for firms collaborating with the BBC; and a greater flow of creative industry talent to the area.

#### To Stimulate Regional Creative Industries

The 2011 Census recorded that 78% of the population lives outside London and the South-East. Yet Ofcom's 2015 Review of the Production Sector found that around two-thirds of all TV producers are based in London and the South East.

Beyond London, PACT notes that Scotland and the North West are the most prominent regional hubs for the industry, but a number of other areas - such as the Midlands, East Anglia, and the North East - secure negligible investment. The broadcasting industry's value chain reflects the geographical spread of production

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<sup>6</sup> KPMG, *The Role of the BBC in Supporting Economic Growth*, 2015:  
<https://assets.kpmg.com/content/dam/kpmg/uk/pdf/2017/02/roleofbbcsupportingwebaccess.pdf>



enterprise. We want this to be less reliant on London and to be spread across the UK, developing and strengthening regional clusters. This will contribute to rebalancing the economy, in line with the government's stated objectives.

Ultimately, the government wants to see creative individuals and programme-makers given the broadest range of opportunities, wherever in the UK they are based. Great ideas shouldn't need to come from - or travel to - London to be able to reach our screens.

### To Better Serve Audiences in the Nations and Regions

It is essential that the public service broadcasting system provides for the country as a whole and reflects our varied lives and experiences. Ofcom has stated that 'audiences in all the UK nations attach a high degree of importance to PSBs portraying their nation or English region fairly to the rest of the UK'<sup>7</sup>, and that this attitude has increased across the UK since 2008. However, we understand the ability for programming to reflect audiences around the country can be stifled by the concentration in London of TV producers and decision-makers, severely restricting the plurality of voices and diversity of content available to viewers, and leading audiences in localities outside London to feel under-represented on-screen.

Ofcom has stated that 'It is the commissioning decisions of the PSBs that ensure that new programmes continue to reflect UK cultural identities.'<sup>8</sup> However, we are of the view that the concentration in London of commissioners and production may reduce the ability to consider regional viewpoints and reflect audiences and local identities around the country as fully as should be.

Ultimately, this can stifle the plurality of voices and diversity of content available to viewers and lead audiences in localities outside London to feel under-represented on-screen. Indeed, Ofcom found that 'The nations and regions are the areas where there is the largest gap between the public expectation of PSB and the operations of the PSBs.'<sup>6</sup> For example, Ofcom found that in the north of England, one in five people say they feel negatively portrayed by PSBs, compared to one in ten people in England when thinking about the portrayal of England as a whole.<sup>6</sup>

In short, the content we all see on-screen doesn't sufficiently do justice to the lives of the people that the PSB system is there to serve. The government is determined to take steps to remedy this, and improve representation of local tastes and interests

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<sup>7</sup> Ofcom, *Public Service Broadcasting in the Internet Age*, 2015  
[https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0025/63475/PSB-statement.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0025/63475/PSB-statement.pdf)

<sup>8</sup> Ofcom, *Review of the Operation of the Television Production Sector*, 2015,  
[https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0028/82684/tv\\_production\\_sector\\_review.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0028/82684/tv_production_sector_review.pdf)

on our television screens.

### **3.2 Channel 4's Current Regional Impact**

Channel 4 has broadcast programming from around the country and made a positive contribution to the UK regions over many years.

Channel 4's main channel, like other licensed PSB channels, has specific obligations to commission programming from UK producers outside London. These regional production quotas are set by Ofcom at 35% of the hours and spending of new original programming on the main channel. Channel 4 is also subject to a UK nations production quota, currently set at 3% and rising to 9% from 2020 after an Ofcom review that concluded in 2014.

Channel 4 has never failed to meet these quotas, and consistently exceeds them. In 2015, 39% by value and 53% by volume of new programming on the main channel was produced regionally, with 7% by value and 9% by volume being produced in the nations.

Across the portfolio, in 2015 Channel 4 spent £152m on productions outside of London (of which £28m was in the UK nations), from a total original content spend of £455m. In other words, in 2015 Channel 4 spent around twice as much on programming made in London than it did on programmes made in the rest of the UK combined.

More broadly, Channel 4 also seeks to meet qualitative remit obligations - set out in the Communications Act 2000 and the Digital Economy Act 2010 - that can relate to the regions. These include promoting alternative views and new perspectives, and providing content that appeals to a culturally diverse society. The full Channel 4 remit is set out in Annex B. Channel 4 measures its delivery against these requirements through audience research, which has found that it performs strongly on these obligations. Ofcom considers Channel 4's research findings, along with output and spend data and its own audience analysis data in undertaking its own assessments of Channel 4's performance. Ofcom is also carrying out specific consumer research this year to better understand audience perceptions of Channel 4.

In terms of staff, Channel 4 is predominantly based in London. Of Channel 4's total staff of 819 (at year end 2015), around 25 - 3% of the total workforce - are based outside London. These are primarily advertising staff based in Manchester, a small nations and regions commissioning team, which manages a £300,000 pot of development funding allocated to regional companies to help them grow (the 'Alpha

Fund'), and a video games operation both based in Glasgow.

Channel 4 has also made a number of small investments (totalling around £7m of its £20m Indie Growth Fund as at 31 December 2015) into small and medium-sized independent production companies based in London and around the UK. These investments are intended to support the growth of emerging talent, as well as to provide a commercial return to Channel 4.

Channel 4 supports a number of regional initiatives such as pop-up and roadshow events to attract and support emerging talent, and collaborates with De Montfort University on a Master's degree in Investigative Journalism.

## 4. Increasing Channel 4's Regional Impact

### 4.1 Regional Presence

The UK's broadcasting and production sectors are dominated by London. All of our major UK wide national broadcasters are based in London, as well as most of those international broadcasters who have major operations in the UK. PACT has found that activity in the London area accounts for 61% of reported production sector revenue from UK commissions and 63% of the people employed in the sector.<sup>9</sup>

However, efforts have been made to change this and make the sector more reflective of the country as a whole. The introduction of regional production quotas for the public service broadcasters was an important step. But often it takes significant business relocations to drive real change. KPMG's report on the BBC's Salford move notes that 'There is academic support for the idea that when a large, important, operator locates in a particular area, this tends to attract similar organisations looking to benefit from the same type of skills.'

#### Case study: BBC relocation to Salford

While the BBC is in many respects a very different organisation from Channel 4, including in having its own production activities, it provides a clear example of the benefits that can accrue to a public service broadcaster and the UK as a whole from a greater presence outside London.

#### Objectives

To achieve a more balanced national spending profile and better reflect audience needs outside of London, the BBC set targets in 2004 for the period up to 2016 to:

- increase the proportion of public service staff based outside London from 42 per cent to 50 per cent;
- increase annual spend on programmes outside London by 35 per cent to £1 billion; and
- move 20 per cent of decisions (measured by spend) to commission new programmes outside of London.

To help meet these targets, the BBC decided in 2006 that it would establish a new regional centre in Salford, with 2,500 roles relocated. The BBC determined this would deliver value for money as it would:

- better serve audiences in the north;
- improve the quality of content for audiences across the UK;
- improve efficiency using new technology and ways of working; and
- provide economic and other benefits to the region, including up to 15,000

<sup>9</sup> Oliver & Ohlbaum for PACT, *UK Television Production Sector Survey 2016*, <http://www.pact.co.uk/news-detail.html?id=uk-tv-production-sector-revenues-bounce-back>

jobs.

### Assessment

The BBC Trust noted in 2013 that ‘there are encouraging signs that the anticipated benefits of the move are beginning to be realised; the BBC’s relative share of overall television viewing in the north-west has increased when compared to the UK average, more collaborative and flexible ways of working have been introduced, some efficiency savings have been delivered and there has been significant economic investment in the region.’<sup>10</sup>

The NAO determined in 2013 that it was too early to judge the long-term impact of the move, but welcomed the work the BBC had done to establish targets and performance indicators so that the achievement of benefits could be evaluated. The NAO also made a number of important recommendations about managing the costs from a relocation.

In 2015 KPMG estimated that the BBC’s activities in the North West (predominantly driven by the Salford site) made a Gross Value Added contribution of £277 million in 2014/15 (before the final 1,000 posts had moved). This is equivalent to approximately 5% of the GVA of Salford, 2% of the GVA of Manchester and 6% of the GVA of the UK’s programming and broadcasting sector. KPMG commented that ‘agglomeration’ and ‘network’ effects are observed in many sectors: from scientific research in Cambridge, to Formula 1 teams in the M4 corridor, to financiers in the City of London. There are signs that the BBC’s relocation to Salford has triggered the beginnings of a network in the North West.’

Channel 4 is based in its Horseferry Road headquarters in central London. Of its total of 819 staff, only around 25 are based outside London. As noted above, Channel 4 makes other important contributions to the regional broadcasting and creative sectors. However, for a publicly-owned broadcaster tasked with being distinctive and providing alternative viewpoints, there may be a missed opportunity in having more than 96% of its staff based in London.

### Increasing Regional Presence

The government believes that moving Channel 4 staff outside of London warrants detailed consideration - and that this consideration should include potentially moving its headquarters. Any move should be capable of stimulating a regional cluster - or strengthening an existing one - to create employment opportunities and enhance regional economic growth.

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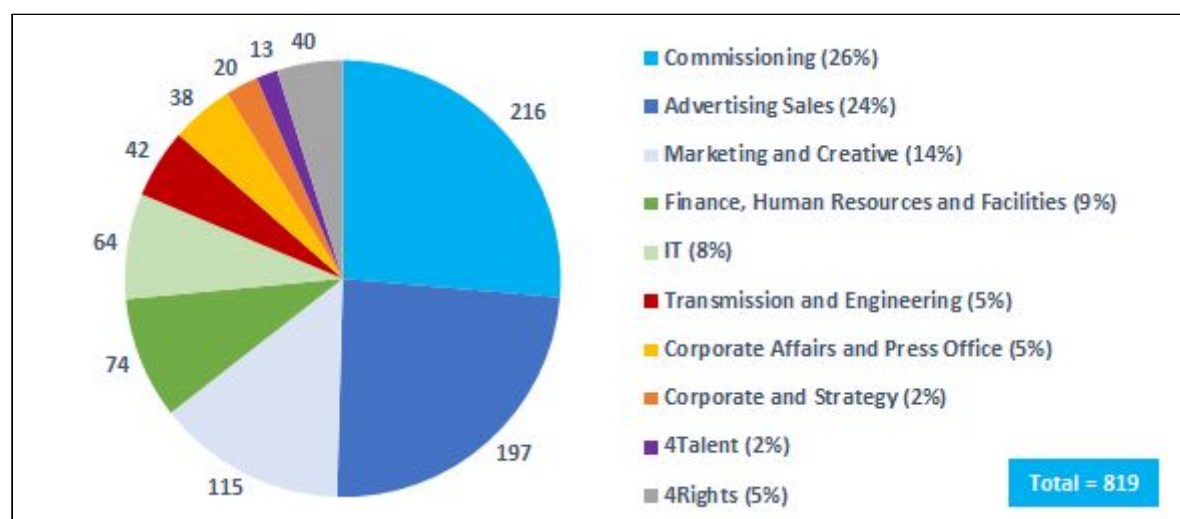
<sup>10</sup> BBC Trust, *Response to the National Audit Office value for money study: The BBC’s move to Salford*, 2013

[https://www.nao.org.uk/wp-content/uploads/2013/05/10143-001\\_The-BBCs-move-to-Salford.pdf](https://www.nao.org.uk/wp-content/uploads/2013/05/10143-001_The-BBCs-move-to-Salford.pdf)

The government recognises it may be necessary for some Channel 4 business functions to retain a presence in London; for example in advertising sales, where the top-10 ad agencies by revenue are located in London. However, this is unlikely to be true for all C4C functions.

In particular, the government believes it is important that Channel 4 has a greater regional commissioning presence. Programme makers based around the country should not have to travel to London to pitch their ideas, and having decision-makers outside London could help Channel 4 programming better reflect the varied lives and interests of audiences across the country. Ultimately this could strengthen Channel 4's ability to fulfil its remit to be distinctive, to offer alternative perspectives and to reflect the UK's cultural diversity.

**Figure 5. Channel 4 employees by category (2015)<sup>11</sup>**



It would be important to take into account the impact of any substantial relocation on Channel 4's stability and financial sustainability. In particular, risks around the retention of staff and business relationships, access to talent and operational disruption would need be managed to ensure that Channel 4 could retain business flexibility and a robust financial position. On the other hand, as well as strengthening Channel 4's distinctive brand, a greater presence in the nations or regions could in the long-term help reduce costs, and offer opportunities to improve efficiency using new technology and ways of working. Were a substantial relocation to be preferred, it may be that relocation costs could be funded by the sale of Channel 4's Horseferry Road headquarters, valued at £96m in its 2015 annual report.

<sup>11</sup> <http://annualreport.channel4.com/downloads/Channel-4-annual-report-2015.pdf>

We would welcome views and evidence as to the suitability of different locations for an expanded Channel 4 presence to help inform an assessment of the costs and benefits of such a move. This will include whether such a move should strengthen existing media clusters outside London, such as in Salford, or seek to catalyse a new cluster elsewhere in the country. The government will also commission external analysis to look at the potential regional economic benefits resulting from staff relocation and carefully assess the potential risks to Channel 4's business model of a move away from the capital.

**Question 1(i).** To what extent do you agree/disagree that Channel 4's regional impact would be enhanced if more of its people and activities were located outside London?

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

Please set out the reasons for your answer.

**Question 1(ii).** Following on from Question 1 (i), what location(s), if any, would make a substantial impact and be suitable for an increased regional presence for Channel 4 outside of London?

Please set out the reasons for your answer.

**Question 1(iii).** To what extent do you agree/disagree that there are strong arguments for specific parts of the business remaining in London?

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

Please set out the reasons for your answer.

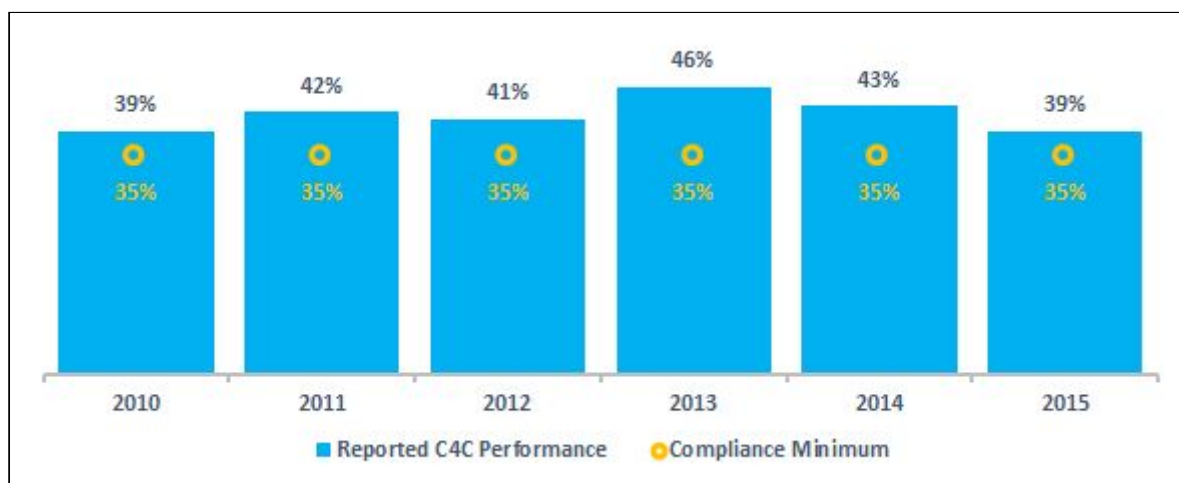
**Question 1(iv).** Following on from Question 1(iii), please state which specific parts of the business should remain in London, if any, and please set out the reasons why.

## 4.2 Regional Commissioning Quotas

Channel 4's main channel, like other licensed PSB channels, has specific obligations to commission programming from UK producers based outside the M25. These are required by the Communications Act 2003, with the level set by Ofcom. Ofcom has also introduced for the Channel 4 main channel out-of-England UK nations production quotas.

Ofcom has set Channel 4's main channel quotas at 35% (increased from 30% in 2010) of the hours and spending of new original programming on the main channel. Between 2004 to 2009 Channel 4 either met or exceeded its 30% quota, having commissioned on average 33.5% of spend and 39.5% of hours from outside London. Since the quota was increased to 35% in 2010, Channel 4 has continued to exceed its minimum obligations each year. In 2015 Channel 4 commissioned 39% of spend - down from 46% in 2013 - and 53% of hours from outside London.

**Figure 6. Channel 4 performance against regional spending quota** (% of first-run originated programming on main channel)



Channel 3 licensees are also subject to 35% main channel regional quotas. BBC's regional quotas are set at 30% spending and 25% hours, but this is across the BBC portfolio as a whole (rather than just the main channel). The BBC significantly exceeds these minimum obligations, consistently delivering around 50% of spend and 60% of hours. Ofcom is considering the BBC's regional impact in designing its new operating licence.

As previously outlined, across the portfolio Channel 4 spent £152m on productions outside of London (of which £28m was in the UK nations), from a total original content spend of £455m in 2015. In other words, in 2015 Channel 4 spent around



twice as much on programming made in London as it did on programmes made in the rest of the UK combined.

### Increasing Regional Quotas

Ofcom has stated that the policy objective of regional PSB obligations 'is to buttress and strengthen regional production in the UK.'<sup>12</sup> Ofcom considers 'that the production sector needs a plurality and diversity of supply in order to deliver on viewers' interests in terms of quality, innovation, and range and diversity of content and perspectives. The out of London and out of England quotas we impose... are likely to benefit regional creative economies, with the ultimate aim of securing these benefits for viewers.'<sup>13</sup>

Programmes such as the BBC's *Poldark* (Cornwall), *Shetland* (Scotland), and *The Fall* (Northern Ireland); and Channel 4's *Hollyoaks* (Liverpool) and *This is England* (Sheffield) demonstrate that programmes made outside London can improve the diversity of content and help serve the wider UK population - the vast majority of whom live outside the M25.

Channel 4, with its obligations to focus on developing talent and providing alternative points of view, should be playing a leading role in supporting a UK-wide production sector. It is also worth noting that the the BBC and ITV spend a far higher proportion of their content expenditure outside London, and even while noting that these organisations have significant in-house production operations, this may suggest that Channel 4 has scope to do more.

The government is therefore seeking views on whether Channel 4's regional production quotas should increase or change. Higher requirements, perhaps to 50% of expenditure on new content on the main channel, could lead to programming that better reflects audiences and supports production companies around the UK. Other options could include adjusting the quota framework to focus on specific regions, as well as the nations, in a similar way to Ofcom's proposed new operating licence for the BBC.

Channel 4's UK nations production quotas are already due to rise from 3% to 9% in 2020. This is a positive move, but in looking at Channel 4's regional presence and impact, we should not exclude consideration of Channel 4's impact in the nations of

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<sup>12</sup> Ofcom, *Proposed Guidance on Regional Production and Regional Programming*, 2003

[https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0026/55484/pdf\\_version.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0026/55484/pdf_version.pdf)

<sup>13</sup> Ofcom, *Renewal of the Channel 4 Licence*, 2014

[https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0033/83778/channel\\_4\\_licence\\_renewal\\_statement.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0033/83778/channel_4_licence_renewal_statement.pdf)

the UK, and therefore the government is interested to hear views on Channel 4's current and proposed nations quotas.

It would be important to ensure that any change in quota takes into account the need for Channel 4 to retain financial flexibility and the ability to commission the best ideas. This may mean that quotas should not increase, or that any increase should be phased over time. The government could seek to change the existing levels by agreeing a voluntary commitment with Channel 4 or through legislation.

Ofcom is responsible for licensing Channel 4 and setting the conditions within its licence. As such, any variation to its licence would need to be considered independently by Ofcom.

**Question 2(i).** To what extent do you agree/disagree that increasing Channel 4's nations commissioning quotas would be an appropriate and effective way to enhance Channel 4's impact in the nations?

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

Please set out the reasons for your answer.

**Question 2(ii).** To what extent do you agree/disagree that increasing Channel 4's regions commissioning quotas (in relation to England) would be an appropriate and effective way to enhance Channel 4's regional impact?

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

Please set out the reasons for your answer.

**Question 2(iii).** Following Question 2(i) and (ii), what level of increased quotas do you think should be considered (if appropriate)?

Please set out the reasons for your answer.

**Question 2(iv).** Do you think that Channel 4's regions and/or nations commissioning quotas should change in any other way?

- a. Yes
- b. No

Please set out how and the reasons for your answer.

### **4.3 Ownership Stakes**

As set out above, Channel 4 was established as a ‘publisher-broadcaster’. While this has helped support the growth of the independent production sector, Channel 4’s inability to diversify into production for its main channel - a strategy many other broadcasters have adopted to navigate structural changes to the media landscape - limits Channel 4’s options to safeguard the sustainability of its business model.

The publisher-broadcaster restriction is now imposed by the Communications Act 2003, which states that Channel 4 must not ‘be involved, except to such extent as Ofcom may allow, in the making of programmes to be broadcast on Channel 4’. This applies only to content broadcast on the main channel, and so C4C could own production companies that broadcast on its portfolio channels or for other broadcasters, but has to date chosen not to do so.

Channel 4 has interpreted the legislation to allow it to take up to 25% equity stakes in independent production companies. Within this 25% threshold, Channel 4 has, through its Indie Growth Fund, made a number of investments (totalling around £7m as at 31 December 2015) in small and medium-sized independent production companies based in London and around the UK. In 2015 it had investments in 9 companies, with equity stakes ranging from 10% to 25%. Channel 4 has had some success in supporting the growth of these companies and generating a commercial return - for example in 2014 Channel 4 took a minority stake in True North, a Leeds based production company specialising in factual programming, which was then bought by Sky in January 2017. In 2017 Channel 4 took a minority stake in Firecrest Film, a Glasgow-based factual production company.

#### Increasing Channel 4’s Ability to Own Production

The government has looked carefully at whether giving Channel 4 greater flexibility to produce its own content could enhance its financial sustainability, as well as its ability to support the growth and international competitiveness of the UK’s production sector.

The government does not consider that it would be appropriate to remove the publisher-broadcaster restriction at this time. Channel 4 is also not in favour of such a fundamental change.

However, we have considered whether a subtler adjustment could support these aims in a more balanced way. Specifically, whether establishing the ability for Channel 4 to own larger equity stakes in production companies than it currently assumes it can could enable it to make a bigger impact in supporting the growth of developing small and medium-sized production companies around the UK, as well as supporting Channel 4's ability to diversify its sources of income.

Any production company that is more than 25% owned by a broadcaster can no longer be termed as an independent production company for the purposes of the independent productions quotas applying to public service broadcasters<sup>14</sup>. As such, any increase in the upper bound on Channel 4's ownership stakes would likely need to be materially higher than 25% for it to be considered potentially worthwhile for the firm in question. Ownership of equity stakes of up to 49% would avoid Channel 4 becoming majority shareholder in any production company in which it invested, which could help constrain its ability to control the company. Nevertheless, the government is mindful of any risk to the diversity and strength of the UK's thriving independent production sector, and any changes would need to be considered in the context of the terms of trade between PSBs and independent producers.

An ownership threshold in excess of 25% is untested under the current legislative framework. Certainty could be delivered through amending legislation, or as an alternative, it may be that Ofcom could potentially look at this issue and come to a view as to the appropriate upper limit within the existing framework.

**Question 3.** To what extent do you agree/disagree that Channel 4 taking shareholdings in production companies in excess of 25% would be an appropriate and effective way to enhance Channel 4's sustainability and regional impact?

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

Please set out the reasons for your answer.

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<sup>14</sup> The definition of "independent producer" for the purposes of the independent production quotas applying to public service broadcasters (under section 277 Communications Act 2003) is set out in the Broadcasting (Independent Productions) Order 1991. Under this definition, a broadcaster can only have a 25% share (or two broadcasters can have up to a 50% share) in order for a producer to be considered "independent".

## 4.4 Increasing the Regional Impact of the Public Service Broadcasting System as a Whole

All of the PSBs, including the Channel 3 licensees (ITV, STV and UTV) and Channel 5, as well as the BBC and Channel 4, play a critical role in providing content for and from the UK nations and their regions. All are required to meet quotas for production outside London (and in some cases in the nations), whilst the BBC and Channel 3 licensees also have obligations to provide news and non-news content specific to Scotland, Wales, Northern Ireland and the English regions.

In its 2015 Public Service Broadcasting Review, Ofcom set out a number of concerns about the impact of public service broadcasting in the nations and regions. Key concerns included:

- Decreased network spend and hours in the nations and regions - declining from £404m in 1998 to £277m in 2015 (largely as a result of a reduction in Channel 3 licensee obligations in 2008).
- Doubts about the sustainability of the production sector in Scotland and major disparities in production levels between the English regions.
- The nations and their regions are the areas where there is the greatest mismatch between public expectations of PSB and how it is delivering in practice.<sup>15</sup>

The government took Ofcom's findings into account as it undertook its review of the BBC Charter last year. Under the new BBC Charter, the BBC has an increased focus on the nations and regions, captured in its public purpose to *reflect, represent and serve the diverse communities of all the UK's nations and regions*. The BBC must reflect the diversity of the UK both in its content and as an organisation, and in doing so:

- accurately and authentically represent and portray the lives of people across the UK
- raise awareness of the different cultures and alternative viewpoints that make up its society
- ensure that it provides content and services that meet the needs of the UK's nations, regions and communities
- bring people together for shared experiences and help contribute to the social wellbeing of the UK.

Through this consultation, we are now seeking views on how Channel 4 can most

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<sup>15</sup> [https://www.ofcom.org.uk/data/assets/pdf\\_file/0025/47752/psbr\\_natreg.pdf](https://www.ofcom.org.uk/data/assets/pdf_file/0025/47752/psbr_natreg.pdf)

effectively contribute to regional economic growth, stimulate regional creative industries, and better serve regional audiences.

But we know it is not just Channel 4 and the BBC that can do more to help us grow our creative economy. We are also interested in views on whether more could be done, including by the commercial PSBs (the Channel 3 licencees and Channel 5), to strengthen regional creative clusters and provide for audiences outside London, thereby strengthening the regional impact of the public service broadcasting system as a whole.

**Question 4.** Do you have any views on whether more could be done, including by the commercial PSBs, to strengthen regional creative clusters and provide for audiences outside London, thereby strengthening the regional impact of the public service broadcasting system as a whole?

Please set out the reasons for your answer.

## 4. List of Questions

**Question 1(i).** To what extent do you agree/disagree that Channel 4's regional impact would be enhanced if more of its people and activities were located outside London?

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

Please set out the reasons for your answer.

**Question 1(ii).** Following on from Question 1 (i), what location(s), if any, would make a substantial impact and be suitable for an increased regional presence for Channel 4 outside of London?

Please set out the reasons for your answer.

**Question 1(iii).** To what extent do you agree/disagree that there are strong arguments for specific parts of the business remaining in London?

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

Please set out the reasons for your answer.

**Question 1(iv).** Following on from Question 1(iii), please state which specific parts of the business should remain in London, if any, and please set out the reasons why.

**Question 2(i).** To what extent do you agree/disagree that increasing Channel 4's nations commissioning quotas would be an appropriate and effective way to enhance Channel 4's impact in the nations?

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

Please set out the reasons for your answer.

**Question 2(ii).** To what extent do you agree/disagree that increasing Channel 4's regions commissioning quotas (in relation to England) would be an appropriate and effective way to enhance Channel 4's regional impact?

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

Please set out the reasons for your answer.

**Question 2(iii).** Following Question 2(i) and (ii), what level of increased quotas do you think should be considered (if appropriate)?

Please set out the reasons for your answer.

**Question 2(iv).** Do you think that Channel 4's regions and/or nations commissioning quotas should change in any other way?

- a. Yes
- b. No

Please set out how and the reasons for your answer.

**Question 3.** To what extent do you agree/disagree that Channel 4 taking shareholdings in production companies in excess of 25% would be an appropriate and effective way to enhance Channel 4's sustainability and regional impact?

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

Please set out the reasons for your answer.

**Question 4.** Do you have any views on whether more could be done, including by the commercial PSBs, to strengthen regional creative clusters and provide for audiences outside London, thereby strengthening the regional impact of the public service broadcasting system as a whole?

Please set out the reasons for your answer.



## **Annex A: Further information about this consultation**

For enquiries about the practicalities of responding to this consultation, rather than responding to the content, please contact the DCMS Ministerial Support Team at the Department for Culture, Media and Sport, 4th floor, 100 Parliament St, London SW1A 2BQ or email using the form at [www.gov.uk/contact\\_us](http://www.gov.uk/contact_us).

Information provided in response to this consultation, including personal information, may also be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (“FOIA”), the Data Protection Act 1998 (“DPA”) and the Environmental Information Regulations 2004).

The government may publish responses received. If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this, please identify, and provide explanation for, any information that you consider confidential and do not wish to be disclosed.

If we receive a request for disclosure of the information, we will take account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. It would need to be considered appropriate under the relevant legislation. You should note that many email messages carry, as a matter of course, a statement that the contents are for the eyes only of the intended recipient. In the context of this consultation such appended statements will not be construed as being requests for non-disclosure unless accompanied by an additional specific request for confidentiality.

The Department will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

## Annex B: Channel 4 Remit

Communications Act 2003<sup>16</sup> (main channel only)

*The public service remit for Channel 4 is the provision of a broad range of high quality and diverse programming which, in particular—*

- a. demonstrates innovation, experiment and creativity in the form and content of programmes;*
- b. appeals to the tastes and interests of a culturally diverse society;*
- c. makes a significant contribution to meeting the need for the licensed public service channels to include programmes of an educational nature and other programmes of educative value; and*
- d. exhibits a distinctive character.*

Communications Act 2003, as amended by the Digital Economy Act 2010<sup>17</sup> (C4C as a whole)

*1. C4C must participate in -*

- a. the making of a broad range of relevant media content of high quality that, taken as a whole, appeals to the tastes and interests of a culturally diverse society,*
- b. the making of high quality films intended to be shown to the general public at the cinema in the United Kingdom, and*
- c. the broadcasting and distribution of such content and films.*

*2. C4C must, in particular, participate in -*

- a. the making of relevant media content that consists of news and current affairs,*
- b. the making of relevant content that appeals to the tastes and interests of older children and young adults,*
- c. the broadcasting (...) of feature films that reflect cultural activity in the United Kingdom (including third party films), and*
- d. the broadcasting or distribution of relevant media content by means of a range of different types of electronic communications networks.*

*3. In performing their duties under 1) and 2) C4C must:*

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<sup>16</sup> Section 265(3) Communications Act 2003. Available at:

<http://www.legislation.gov.uk/ukpga/2003/21/section/265>

<sup>17</sup> Section 198A Communications Act 2003 inserted by section 22(1) of the Digital Economy Act 2010.

Available at: <http://www.legislation.gov.uk/ukpga/2010/24/section/22>

- a. *promote measures intended to secure that people are well-informed and motivated to participate in society in a variety of ways*
- b. *contribute towards the fulfilment of the public service objectives (as defined in section 264A)*

4. *In performing their duties under 1) to 3) C4C must -*

- a. *support the development of people with creative talent, in particular people at the beginning of their careers in relevant media content or films, and people involved in the making of innovative content and films*
- b. *support and stimulate well-informed debate on a wide range of issues, including by providing access to information and views from around the world and by challenging established views,*
- c. *promote alternative views and new perspectives, and*
- d. *provide access to material that is intended to inspire people to make changes in their lives.*

5. *In performing those duties C4C must have regard to the desirability of -*

- a. *working with cultural organisations,*
- b. *encouraging innovation in the means by which relevant media content is broadcast or distributed, and*
- c. *promoting access to and awareness of services provided in digital form.*

6. *In this section—*

*“participate in” includes invest in or otherwise procure;*

*“relevant media content” means material, other than advertisements, which is included in any of the following services that are available to members of the public in all or part of the United Kingdom—*

- a. *television programme services, additional television services or digital additional television services,*
- b. *on-demand programme services, or*
- c. *other services provided by means of the internet where there is a person who exercises editorial control over the material included in the service;*

*and a film is a “third party film” if C4C did not participate in making it.*

## C4 2015 performance against Ofcom licence conditions<sup>18</sup> (main channel only)

Meeting Channel 4's licence obligations			
Average hours per week	Compliance minimum	2015	2014
<b>News</b>			
In peak-time (6–10.30pm)	4	4	4
<b>Current Affairs</b>			
Overall	4	5	5
In peak-time (6–10.30pm)	2	3	3
<b>Hours per year</b>			
Schools	1	27	4
<b>Percentage</b>			
Origination production			
Overall	56	65	63
In peak-time (6–10.30pm)	70	81	77
Independent production	25	64	73
European independent production	10	34	40
European origin	50	69	66
Subtitling for the deaf and hard of hearing	90	100	100
Audio description	10	26	28
Signing	5	5	5
Regional production	35	39	43
Regional hours	35	53	52
Production in the Nations	3	7	6
Nations hours	3	9	6

<sup>18</sup> Channel 4 Annual Report 2015

<http://annualreport.channel4.com/downloads/Channel-4-annual-report-2015.pdf>