

House Of Lords Communications and Digital Committee Inquiry.

The Future of Channel 4.

Response from the Children's Media Foundation.

[The Children's Media Foundation](#) (CMF) is a not-for-profit organisation which advocates on behalf of children and young people to ensure the best possible mix of media is available to them. CMF is not an industry body, nor a research institution. This response is based upon our concern that the plan to privatise Channel 4 may threaten the range of content available to teenagers in the UK.

So the main purpose of this submission is to respond to question 3 in the Committee's Call for Evidence:

If Channel 4 were to remain in public ownership, what would be the benefits?
Insofar as they are valid, how could concerns about its longer-term viability be addressed?

As a body which deals with young people, we are acutely aware of the stresses on conventional broadcasters - particularly public service broadcasters - caused by audience migration to new on-demand services. Young people are in the vanguard of this consumer mobility. The Children's Media Foundation's recent report on the future of public service media [Our Children's Future: Does Public Service Media Matter?](#) clearly outlines the issues.

We understand government concern that an organisation like Channel 4, constrained by regulation and lack of access to finance, is not well equipped to compete against dominant new players with deep pockets for production. However, our public service media report also comes down clearly on the side of supported public service plurality, and we question the wisdom and logic of putting the assets and goodwill of Channel 4 up for sale as the sole response to this structural problem.

Channel 4 is the only public service broadcaster committed to serving teenagers in its licence obligations. The commitment is a public service good which fills an important gap in the market.

The culture of Channel 4 and its offshoot channels resonates strongly with the teen audience in a way that other PSBs find difficult. Young people have a natural affinity to content that surprises, pushes boundaries, takes a minority position, explores innovative ideas and celebrates contrarianism.

Channel 4's most recent strategy to serve the teen audience has been to include their perspective in more general programming. Series such as 'Derry Girls', 'Friday Night Dinner', 'Gogglebox', 'Teen First Dates' highlight this commitment. And the increase in viewing amongst the younger audience during the first lockdown in early 2020 - which included Channel 4 News - indicates this approach has been successful.

Acquiring and scheduling the American Open Women's Tennis Final this week was a typically bold move, reflecting Channel 4's interest in the younger audience while providing for all. It achieved a 48% viewing share among 16-34 years olds.

Young people of all ages also need content tailored to their specific life-stage needs. Relevant programming that connects young people to each other, to society and the wider world. Content that develops empathy, appreciation of difference, diversity of thought and motivation, equipping them to engage, understand and question.

Public service provision for the young is one of the most effective methods of advancing social cohesion.

But there remains a significant lack of content targeted at teenagers aged 13-15 and 16 up. While commercial broadcasters and streaming platforms provide much that is entertaining and attractive for this age-range, their content needs to address wider audiences to be commercially viable. The niche nature of the teen audience creates market failure. Only a public service regulatory regime can ensure provision of content that will both engage and provide specific value for teens, reflecting their lives and passions as young people in the UK - rather than as homogenous consumers.

Recent funding decisions by the Young Audiences Content Fund supporting content for teens on ITV2 and E4 are indications that there is indeed market failure requiring intervention.

Channel 4 could make still greater impacts on the teen audience by pursuing content of this nature. But this is only likely to happen if it remains a public service broadcaster. Ofcom now has powers (mandated in the Digital Economy Act) to regulate all the commercial PSBs to ensure adequate and plural provision of content for children and young people. Under these powers, pressure has recently been brought by Ofcom to ensure Channel 4 complies with its commitment to serve younger teenagers.

We understand that the government's plan for this privatisation proposal is to maintain Channel 4's public service commitments. However, we believe it extremely unlikely that Channel 4 – currently essentially a “not for profit” – could be made profitable while maintaining all its current public service obligations. This would include remaining a publisher broadcaster, maintaining production in the Nations and Regions, and provision of niche content for specific groups as described above.

Commercial ownership will not be a simple matter of installing the ability to borrow to fund growth. There will inevitably be a range of other commercial factors that impact on the new entity. These could include the purchaser wishing to take ownership of content to increase revenue from sales, reducing costs through centralisation, increasing advertising revenue with more popular, broader-based programming and so on. Even if accepted at the outset, public service obligations will be eroded over time because they are incompatible with returns on investment.

Considering the possible candidates to purchase, we should note:

1. They are not likely to support public service, UK-centric content, over internationally viable commercial content.
2. They are likely to consider Channel 4's relationship with the independent sector a financial liability. This will indirectly impact on the young audience as a healthy independent production industry offers plurality of programme supply which is vital to competition, innovation and the multiple perspectives young people need to thrive.
3. There is no guarantee that they will prioritise Channel 4 as the focus of international expansion. Rather the channel's advertising revenue and position in the UK market will be the value they seek. There is no reason to believe that Channel 4, its audiences and the UK will ultimately benefit – other than through the provision of more international programming.

Providing the Channel 4 Corporation with the capacity to grow becomes meaningless if it cannot continue to serve the British public as a uniquely British brand. Taking Channel 4 out of public ownership is a spurious solution, when others could be possible.

We accept there are challenges ahead for Channel 4. We appreciate that the decline in advertising revenue is of concern, and might lead over time to a diminished service, lower production values and further loss of audience to the rich international competitors. We do not advocate limiting its growth and ambition, but it is an essential contributor to the UK's public service eco-system, with special importance for young people. As such, it must remain in public ownership, with its public service commitments intact. The government should seek more innovative ways of ensuring Channel 4's future.

[The Young Audiences Content Fund](#) is a prime example of how market failure can be addressed by a publicly funded initiative. Channel 4 has been a beneficiary of the Fund and could benefit further from a broader-based plan to support public service content in the future.

It would be of far more advantage to the UK to create strong public service competitors to the international streaming services. A first step would be to raise funding by levying those streaming services and other successful on-demand platforms and apply those revenues to enhancing Channel 4's budget, while maintaining its public service purposes.

Channel 4 is a vital, innovative contributor to the rich landscape of public and commercial content in the UK system, which once lost will be irreplaceable.

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