



Channel 4 MythBusters

The UK Government is claiming that Channel 4 needs to be sold so that it can remain competitive in an increasingly digital and globalised market, surviving challenges from global streaming giants such as Netflix, Amazon Prime and Disney+.

However, the WGGB believes that there are several issues with this narrative. These include:

1. Comparing Channel 4 to SVOD providers

By comparing Channel 4 to global streaming giants the Government is failing to acknowledge that Channel 4 exists for an entirely separate set of reasons to SVOD providers. Channel 4 was created to support and grow the independent UK production sector, create varied and diverse content which reflects a modern UK, as well as providing educational content and impartial coverage of news and current affairs. Netflix does not produce or invest in award-winning news and journalism, or educational programming. Netflix exists for profit.

Channel 4 also operates on an entirely different financial model to that of SVOD providers. It has already been pointed out by the WGGB and others that Channel 4 is financially sustainable, generating over a billion in annual revenue and operating at a surplus. It does this mostly through advertising revenue but is diversifying its income streams. Netflix on the other hand is funded by subscribers and backed by private equity, meaning it is already in billions of dollars' worth of debt.

Finally, Channel 4 operates on a publisher-broadcaster model which means it does not own the content it funds. It is very different to the

model of Netflix or Amazon Prime who acquire the rights to the content they make. It also means that UK production companies commissioned by Channel 4 can continue to monetise their shows by licensing them to other platforms and in other markets. In fact, streaming providers rely on being able to acquire many of the programmes originally commissioned by Channel 4 to add to their portfolio offering. In Q1 2021 content originally distributed by Channel 4 accounted for 124 million streams on Netflix.

2. Assuming that digital is best

Linear TV is still by far the number one way UK viewers consume content. Last year the average person watched two hours, 57 minutes of broadcaster TV (live, TV playback and broadcaster VOD) a day, whilst only 34 minutes were spent watching SVOD.

There are also around 1.5 million households in the UK who do not have internet access, with those over 65 and from lower incomes most affected by a lack of internet access.

3. Assuming that Channel 4 isn't already planning for the future

That said, Channel 4 is already planning on how it can improve its digital offering and has announced its Future4 strategy to “transform Channel 4 into a digital public service broadcaster”. Channel 4 also aims to have increased its digital viewing to at least two billion views, have digital advertising account for 30% of its total revenue and have at least 10% of its revenue from non-advertising.

As part of this strategy, Channel 4 is also prioritising digital growth, targeting younger audiences, launching a £30 million Global Format Fund to invest in new UK-created and -produced content formats that have global potential. Further, Channel 4's 16-34 audience profile is 15% – more than double the 16-34 profile of BBC1 and BBC2 at 7%, and significantly younger than ITV's or Channel 5's at 9%. 22 of the top 25 young shows on TV in 2020 were on Channel 4.

Channel 4's digital offering is also already considerable. All 4 has more than 14,500 hours' worth of content available and is the UK's largest free streaming service, which, in 2021, amassed more than 1.25 billion programme views.

4. Suggesting that Channel 4 is too niche

Channel 4 is governed by its public service remit, which is agreed by Parliament and enshrined in legislation. As part of that remit Channel 4 has a responsibility to deliver content which appeals to underrepresented and marginalised groups across the UK. In a survey, 52% of UK adults agreed that Channel 4 "Reflects the lives of lots of different types of people in Britain".

5. Suggesting that UK indies don't rely on Channel 4 to fund new original content

In its *Small Screen: Big Debate* report, Ofcom noted that "The PSB channels provide the majority of first-run UK-originated programmes, despite the increasing role of SVOD services in the UK market", with PSBs, including Channel 4, contributing "32,200 hours of first-run UK content in 2018, compared to just over 210 hours of UK-produced content available on SVOD services Netflix and Amazon Prime Video".

Channel 4 has several funds which are specifically designed to support the independent productions and training initiatives and investment. These include the Emerging Indie Fund, which supports production companies in the Nations and Regions. The Creative Diversity Fund is a development and production fund to support and accelerate diverse ideas, talent and external production companies. The Indie Growth Fund invests in early-stage production companies and supports their development. As part of the 4 All the UK strategy, the Indie Growth Fund has been refocused to prioritise investment in companies based in the Nations and Regions, companies led by people from ethnically diverse backgrounds, and digital companies. The Indie Accelerator supports production companies where

the main shareholders, the leading decision makers or the creative leaders, comprise those from ethnically diverse backgrounds.

Ernst & Young has estimated that the privatisation of Channel 4 could lead to the loss of 2,400 jobs across the supply chains and the closure of at least 60 production companies, with many of those based in the Nations and Regions.

6. Arguing that privatising Channel 4 will add to the “levelling up” agenda

Channel 4 has also contributed significantly to the levelling up agenda, with regional hubs in Glasgow and Bristol, a sales hub in Manchester and offices in Leeds. In 2019, Channel 4 contributed a record £189 million into the Nations and Regions, creating jobs and supporting supply chains.

Historically, Channel 4 has exceeded its regulatory quota to commission 35% of its content from outside London, and in 2018 it made a voluntary commitment to commission a minimum of 50% of its content from the Nations and Regions by 2023.

Channel 4 spent £222 million on Nations and Regions external productions in 2021, which is estimated to be over double ITV’s external spend in the Nations and Regions, and over six times Channel 5’s external Nations and Regions spend.

Channel 4 also provides investment into skills training and development. In its *4: The Next Episode* document Channel 4 says it plans to double its investment in 4Skills to £100 million over the next decade. It has also made plans to move more roles to its Leeds HQ.

There is no reason to believe that any private owner would prioritise supporting Nations and Regions in the way Channel 4 has.

WGGB is campaigning to Save Channel 4. Visit the campaign website via www.writersguild.org.uk/about/campaigns