

## Channel 4's response to Phase 1 of the second Ofcom PSB Review

### Introduction

The creation of Channel 4 in 1982 was one of the most imaginative public interventions ever in UK media. Throughout its history, Channel 4 has provided audiences with distinctive, risk taking and irreverent television, catering to audiences in different ways to the BBC and the wider market. It has made programmes that are innovative and distinctive, and which recognise the diversity of Britain. It has given voice to a new generation of creative talent, and was the initial catalyst for the independent television production sector in the UK.

Since then, the pace of change in British media has been, and continues to be, breathtaking. By 2012, the analogue television world into which the public service broadcasters were born will have disappeared. Consumers are increasingly opting to access content and services online. However, despite changes in the consumption of digital media, television is still seen as having a unique power to engage with large audiences and influence social change.

In response to these challenges and opportunities, *Next on 4*<sup>1</sup> was published in March 2008, setting out Channel 4's strategic blueprint for its future role and purposes in the digital age. Channel 4 believes it has a strong—and indeed enhanced—public service role to play in the future.

First and foremost, Channel 4's vision sets out a future in which Channel 4 will become the main source of UK-wide competition and plurality alongside, and complementary to, the BBC. The importance of plurality lies at the centre of this review. Viewers consistently say in research (including that conducted by Ofcom and Channel 4) that they value plurality highly and that they do not believe that the BBC should become the monopoly supplier of public service content. The quality of service provided to audiences and the success of the British television industry has historically been underpinned by a plurality of public service institutions—Channel 4, the BBC, ITV, Five and S4C—providing content for audiences free to air. Plurality helps to ensure the provision of a wide range of content which serves the broadest possible range of audiences—from the mainstream to the minority. Channel 4 provides a distinctive offering to the BBC across a range of areas, from news to drama to specialist factual. As a public service institution focused primarily on public value maximisation, Channel 4 is the key source of plurality for providing UK-wide public service content with scale and impact.<sup>2</sup>

Our extensive viewer research for *Next on 4* demonstrated the value attached to Channel 4 being distinctive, diverse and independent, prepared to take risks and challenge the consensus. People told us, very emphatically, that we bring something unique and important to Britain's media mix, and they want us to go on doing so. And they expect our content and services to be available in new forms of digital media.

Channel 4 has articulated for the first time a set of core public purposes that capture in greater detail the end value of Channel 4's activities. Those purposes are to:

1. Nurture new talent and original ideas

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<sup>1</sup> Channel 4 is submitting *Next on 4* formally in support of this response.

<sup>2</sup> We recognise that S4C has a specific and important role to play as a publicly owned institution providing additional plurality in Wales.

2. Champion alternative voices and fresh perspectives
3. Challenge people to see the world differently
4. Inspire change in people's lives.

As Channel 4 looks to fulfil its public service role in a digital world, in the face of digital expansion and increasing pressures on the current commercially-funded public service broadcasting system, Channel 4's values remain clear and distinct. This response focuses on a series of key areas that we believe are central to the PSB Review:

*Original UK content:* Maintaining high levels of investment in UK-originated content is a key objective, and a pre-requisite for the delivery of Ofcom's purposes and characteristics. Audiences in the UK enjoy one of the highest levels of original, domestically-produced content in the world, driven by the public service broadcasters, who are the primary investors in content. Twenty years on from the arrival of cable and satellite broadcasting, the vast majority of investment in original UK content continues to be made by the public service broadcasters and there are no indications that the market will in future supply substantial levels of UK programming. Through our status as a publisher-broadcaster and our commitment to supporting the creative community and new talent across platforms, Channel 4 will play a vital role in meeting audience demands for high levels of UK produced content across a range of genres in the digital world.

*The scale and impact of a public service network:* The ability to deliver content with scale and impact is increasingly challenging as audiences fragment across an increasing variety of platforms, channels and technologies. A key aspect of this is ensuring that audiences continue to be able to access content that is universally and freely available. Notably, even where content that displays public service characteristics is provided by the market, it is largely available only on platforms that require viewers to pay and/or reaches only tiny audiences. Pursuing a multiplatform strategy is vital for Channel 4, not only to remain relevant to all audiences and specifically the young, but also to maintain and extend reach in the delivery of public service content. Television is likely to remain the cornerstone of PSB for the foreseeable future. But we believe that Channel 4 can bring the power of its brand and relationships with audiences to new platforms and services, working in partnership with a range of other organisations, to provide new opportunities to increase impact through greater engagement, participation and depth of information.

*A new legislative model:* Channel 4 believes that a new legislative and regulatory framework is urgently needed to respond to changing consumer demands and the opportunities of the digital world. This new model should build from a base of two UK-wide public institutions<sup>3</sup>—the BBC and Channel 4—focused primarily on maximising public value, not shareholder value. Such a base provides the benefits of institutional plurality and maintains scale and impact in the delivery of PSB. However, we also recognise that gaps will remain that can probably best be filled by retaining some defined—if diminished—public service requirements on ITV and Five as well as offering opportunities to new providers. For this reason we believe the right model for the future delivery of PSB is 'Model 3 *plus*' with the BBC and Channel 4 each delivering on their respective public service remits plus limited defined contributions from other providers to address specific PSB needs. Building upon this

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<sup>3</sup> As noted elsewhere we envisage S4C continuing to play an important and specific PSB role in Wales.

bedrock, Channel 4 believes that the UK can continue to enjoy a plural, dynamic and innovative public service broadcasting system well into the digital future.

*Urgent funding needed for Channel 4:* The increasing financial pressures on all commercially-funded public service broadcasters means there is an urgent need for a new model of public service content delivery and a new system of funding to support it. Channel 4 is already facing significant funding pressures and having to reduce its programme budget accordingly. In 2007, core Channel 4 made a loss for the first time in 15 years and in 2008, with the advertising market already showing a real terms decline, the scale of loss on the core channel is likely to be higher. Elsewhere, investment in original children's programming has also dropped significantly in recent years and ITV is pressing to make further reductions to its regional requirements. All of this is evidence of the very real pressures that are already impacting on the industry.

Channel 4 is, of course, an organisation that lives by the disciplines of the market, and under any future scenario Channel 4's vision sees it remaining primarily commercially funded. However, Channel 4's ability to deliver its remit has always required public support to maintain scale, reach and impact and deliver the kind of PSB programming that audiences value. Ofcom and LEK's analysis last year confirmed that Channel 4 will need an alternative form of support in the future to replace the decreasing value of the historic analogue spectrum subsidy if it is to go on delivering the levels of public service content and impact that audiences want and that are sufficient to provide significant competition to the BBC. However, we would envisage that any new form of support would continue to represent only a small proportion of Channel 4's income (around 15%), just as it always has done.

Clearly, as Ofcom observes, maintaining appropriate levels of PSB plurality will need intervention in the broadcasting market and an alternative funding model to the implicit subsidy that has historically come in the form of analogue spectrum. Ofcom sets out in its Phase 1 document a range of funding options that Channel 4 is now examining in more detail. In considering these options, from a Channel 4 perspective, we have established some important principles built around protection of Channel 4's editorial independence and ability to take genuine creative risks and thus offer the plurality and competition to the BBC that is our continuing ambition.

### *The timetable for change*

It is clear that the pressures facing the commercially-funded PSBs are already biting. Channel 4 welcomes Ofcom's recognition that these problems are already affecting the industry and that the need for action suggests that new legislation needs to be put in place by 2011. However, if the UK broadcasting sector is to avoid a loss of plurality in key areas that are already under severe strain, we would urge that legislative and/or regulatory change be introduced sooner. Assuming that Ofcom's PSB Review produces clear recommendations to Government in early 2009 and that the Government's Convergence Think Tank is able to put forward similarly clear conclusions at roughly the same time, we would urge the introduction of legislative proposals in late 2009.

## Response to consultation questions

### Section 3. How well are the PSBs delivering public purposes?

#### a) Do you agree with Ofcom's assessment that television continues to have an essential role in delivering the purposes of public service broadcasting?

Television continues to have an essential role to play in delivering the purposes of public service broadcasting. Our research as part of the *Next on 4* review showed that audiences still see television as playing an important role in society, to entertain, educate and inform. People turn to television as a primary source of information for a wide variety of topics.

Indeed, television will continue to play a central role in PSB delivery as the best—and only—way to reach mass audiences and deliver public service content with scale and impact. For example, Channel 4's *Big Food Fight*, a season of programming in January 2008 dedicated to raising awareness of and encouraging debate about food production, animal welfare and healthy eating, was watched by over half of all households. Importantly, over a third of people surveyed said they would think more about the food they eat and / or change their buying behaviour following the season, which chimes with Ofcom's second PSB purpose about stimulating knowledge and Channel 4's own purpose of inspiring change in people's lives.

In particular people rely on television for news to a greater extent than any other medium. For this reason, plurality of supply is particularly valued to ensure quality and a balance of views (an issue picked up on in more depth in section 6). Our *Next on 4* research showed the recognition *Channel 4 News* receives for its depth and international scope of coverage. Furthermore, in a society in which young people are increasingly less engaged with politics and current affairs, Channel 4's reach with this demographic plays a vital role, with 22% of *Channel 4 News*' audience aged 16-34 (versus just 7% and 11% for the BBC's 6pm and 10pm news programmes respectively).<sup>4</sup>

Channel 4's own research for *Next on 4* supports Ofcom's findings in terms of television's role in reflecting and portraying different cultures and perspectives. In particular our research revealed audiences felt "TV should challenge people's ignorance and prejudice by asking difficult questions" and "show points of view from different ethnic groups in Britain". This purpose of PSB has consistently been strongly associated with Channel 4 over its history, with audiences believing the channel is more likely to give airtime to alternative viewpoints, with programmes such as *Queer as Folk*, *Britz* and *Dispatches*.

Television as a medium offers the unique benefits of impact and shared experiences. Whilst the internet may reach many individuals, few of them are likely to be consuming the same thing at the same time, thereby limiting the opportunity for stimulating debate. Channel 4's programme *Embarrassing Illnesses* tackled some of the most sensitive health taboos, such as testicular cancer, piles and breast cancer in peak time and was supported by a website (*Embarrassing Bodies*) that offered information and advice and a variety of self 'health checker' guides. Examples like this demonstrate the power of linking the impact and reach of television to the personalisation of the internet to deliver significant public value, by exploiting the unique benefits of different platforms.

<sup>4</sup> Source: BARB, 1<sup>st</sup> Jan 2008 – 29<sup>th</sup> May 2008

Whilst all research emphasises the value audiences place on the role of television in informing and educating, our research showed that such content is most desirable and effective when presented in a way that is entertaining and innovative. This is seen as a key strength of Channel 4 with programmes such as *Meet the Natives*, which turned the idea of social anthropology on its head and looked at the “tribes” of Britain through the eyes of a South Pacific island tribe. Another example is *Grand Designs*, which is popular and entertaining but with real public value. This is more important than ever when there are an increasing number of ‘easy’ entertainment options.

**b) Do you agree that UK-originated output is fundamental to the delivery of public service broadcasting purposes?**

We believe that UK originated content is vital both to the delivery of the PSB purposes and for wider economic reasons. Originated content can most effectively reflect the lives and interests of UK citizens, whether through news and current affairs or drama that tackles contemporary issues with the UK audience in mind.

Whilst UK origination has a very clear and direct link to the fulfilment of Ofcom’s purpose one (informing our understanding of the world) through the provision of UK news and current affairs programming, there is a more subtle but equally valuable link to purposes three and four, around cultural diversity and different viewpoints. Our research shows the importance of television’s role in reflecting and portraying different groups and communities. In one survey participants felt that “television has a unique power to lift the curtain on other people’s lives and lifestyles”. Minority groups in particular attach great importance to their representation and portrayal on TV. Audiences strongly associate Channel 4’s output with creating awareness of different cultures and viewpoints.

A healthy market for UK originated content supports our national production market. The UK TV production sector is one of the strongest in the world and was estimated to be worth £3.8bn in 2006, behind only the US and Japan. On a per capita basis, the UK’s TV industry invests more in original production than any other country and the UK economy has a higher share of the global format and programme export market than any other territory outside the US. The UK public service broadcasters play a vital role in supporting the sector through maintaining high levels of demand for high quality original production. The market alone will not deliver against this: investment in original programming (excluding sports rights) by non PSB operated digital channels is estimated by Ofcom to be less than £100m a year – less than 4% of total investment in UK origination (in contrast Channel 4 alone invests over £400m in first run original content each year across its channels).

As well as supporting the creative economy through *demand* for commissions, PSBs have a role to play in supporting the continued *supply* of high quality, diverse UK content and talent from across the nations and regions. Channel 4 is committed to new talent development and laid out specific plans in *Next on 4*, including a commitment of £10m a year to 4Talent (which supports creative talent through formal and informal learning and development initiatives), and a range of initiatives to support newcomers to the industry both on and off screen. We have also committed to continue to support production from around the UK, increasing television production expenditure in the nations by more than 50% by 2012 and continuing our strong track record of production in the English regions. We will

further support supply from a diverse geographic base by strengthening our partnership model with regional development and arts bodies, partly through 4IP (a fund set up to invest in new content and services across digital platforms).

#### **Section 4. The changing market environment**

##### **Do you agree with Ofcom's conclusions about the way that other digital channels and interactive media contribute towards public purposes?**

Channel 4's digital channels and interactive media services play a fundamental role in the delivery of our programming. Firstly, a multiplatform strategy allows us to maximise the reach and impact of programming through providing many opportunities for audiences to view content. Secondly, multiple platforms enable us to produce more content and tailor this content to specific audience groups, exploiting the characteristics of digital channels and online. Thirdly, the interactivity of online services also enables us to reach audiences in new ways and increase the impact of content.

In terms of providing multiple viewing opportunities, the impact and reach of public service programming on the core channel can be significantly enhanced by Channel 4's digital portfolio of channels and delivery mechanisms. One example is *Shameless* (series 5) whose total reach was 5 million, of which 2.5m came from repeats across the portfolio channels, recordings and VoD downloads. *Embarrassing Illnesses* achieved 4.4m viewers for one episode where 2.6m viewed the first transmission on Channel 4, 0.4m viewed on C4+1, 1.1m viewed the repeats on Channel 4 and C4+1, 0.4m viewed it on-demand. The total audience for the first episode of *Skins* was 4.8m, of which only 30% was attributable to the first transmission on E4, with the remainder from further showings across the channel network and 10% from new technology including VoD and PVRs.

Ofcom's research shows that the portfolio channels play a special role in reaching ethnic minority groups and younger audiences. Our research supports this, showing that 45% of our share of 16–34 year olds comes from our digital channels. There are many examples of content on both E4 and More4 that fulfil the purposes and characteristics of PSC in terms of content and UK origination, for example, *Skins*, a drama commissioned for E4 covering stories about teenagers for teenagers. The series used new young writers, actors and directors who really understood their subjects and the stories they were telling. The impact has been substantial with a recent Guardian article referring to the influence of *Skins* on a new generation of UK film makers (the "E4 Generation") in reference to a new group of British films characterised by presenting "a contemporary view of what young British people are like" through "original and risky material"<sup>5</sup>. *Skins* would have been unlikely to be commissioned for Channel 4 but went on to become the most successful programme on E4. Similarly, innovative comedy *Fonejacker* was developed from Channel 4's annual Comedy Lab season to find new comedy talent, and went on to become E4's biggest ever comedy show.

Looking at the small amount of quality origination on digital channels from non-PSBs, it is clear that the market would not produce such content either on digital channels or online. Whilst there is some public service content on some non-PSB digital channels, Ofcom's research and analysis shows these channels invest little in UK originated content and this is unlikely to improve as financial pressures increase.

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<sup>5</sup> "No holds barred", The Guardian, 13/06/08

Niche channels such as Sky Arts that clearly offer public service content lack the programme investment and innovation of PSB channels as well as the audience reach and, vitally, they are not free to view.

Similarly, whilst the internet has also provided a valuable opportunity for new providers to reach new audiences in new ways, examples of public service content beyond the public service broadcasters do exist but lack impact because they are either not available to all or are hard to find. MTM's research for Ofcom presents a valuable insight into the depth and diversity of content provided by commercial and public sector organisations and their conclusions are closely aligned with those of our research for *Next on 4*. Whilst there is high quality PSC online the shortcomings, which vary by genre, are lack of reach and impact, low discoverability and low rates of UK origination.

Only the public service broadcasters have both the scale and the intent to maximise the reach and impact of public service content. Commercial online providers are incentivised to provide audiences with more of what they already know they want. There is, therefore, a critical role for the public service broadcasters to take their knowledge of scheduling and creating reach and impact for challenging public service content into the online world and help audiences discover the new as well as the familiar.

All the PSB institutions have a long established history of producing content and providing services of very high standards. This history and reputation means audiences place a high degree of trust on output in terms of quality, impartiality and accuracy. In a fragmented world with escalating numbers of competing providers this is a valuable legacy that should be maintained and strengthened across platforms.

In terms of scale, large established online brands act as important signals to audiences in a market that is heavily reliant on discoverability; and funding is critical to keep content and functionality relevant. Many of the large scale online operators are global but their content is not focused on UK culture and social diversity. Public service broadcasters with strong brands and large scale and reach, therefore have a valuable role to play in proactively directing audiences to high quality PSC from third party providers or directly commissioning and supporting content from the creative community. Channel 4 has always been a strong advocate of partnerships, a commitment that is reiterated in *Next on 4* and made all the more relevant in the online world.

4IP is a demonstration of Channel 4's commitment to developing content on digital platforms and the role they can play in delivering public service value. The 4IP fund has been set up to invest in new content and services across digital platforms and will allow us to experiment in delivering our public purposes in entirely new ways. It has a partnership model at its core, focusing on working with a new generation of creative talent in digital media. The aim is to find new ways for audiences to engage with both their personal interests and wider social issues.

In terms of Ofcom's purposes specifically, Channel 4 believes that online content can contribute particularly to improving understanding of the world and stimulating interests in subjects, but is less well positioned to deal with reflecting and strengthening cultural identity and creating awareness of different cultures and viewpoints. Our own *Next on 4* research showed that "there is a risk that online

audiences may never be confronted by alternative cultures or diverse viewpoints” as people tend to search for the familiar in terms of content and perspectives online.

We believe that for the foreseeable future TV will largely continue to be the cornerstone for delivering PSC with impact but this impact can be enhanced by more in depth content on other platforms and complementary delivery methods, such as 4OD and online. We believe that public service broadcasters should play an evolutionary and innovative role in the development of content on digital channels and interactive media.

#### **Section 5. Prospects for the future delivery of public service content**

##### **a) Do you agree with Ofcom’s assessment of the implications of different economic scenarios for the UK TV market for the future prospects for delivery of the public purposes?**

Ofcom’s assessment and findings are very similar to those of Channel 4’s own analysis and LEK’s report and all emphasise the speed of change faced by all commercial public service broadcasters. For the first time in 15 years Channel 4’s core channel was loss making in 2007 and we have had to significantly cut our investment in original programming in real terms to balance the books. While Channel 4 remains committed to its public service role, all existing and emerging research shows the continued decline of viewing shares and advertising revenues for the core PSB channels. This limits the reach and economic feasibility of PSC within the current regulatory framework.

The economic challenges faced by broadcasters are both cyclical and structural. Cyclically we are entering a period of economic slow down, with advertising spend forecast to decline. Structurally, digital switchover and increased competition from new channels and new platforms are putting increasing pressure on margins. LEK’s report showed increasing competition for content from an increasing number of channels putting upward pressure on prices.

The success of the BBC portfolio channels, iPlayer and website shows the extent to which audiences value new digital services from PSBs. Channel 4’s digital channels and 4OD have shown similar success, particularly since becoming free to view and available on all digital platforms. For example, More4 is bigger than both ITV4 and BBC4 (its core demographic competitors) with an average weekly reach of 10.7m (21.4%)<sup>6</sup>. Particular ratings successes have included shows like *Death of a President* (which used drama to examine the political and social reactions to national crisis in the US - the fictional death of George W Bush), *Ghosts* (which also used drama to discuss migrant labour in modern Britain), *Shrink Wrap* (which brought psychology into the mainstream through a twist on the celebrity chat show), and *More4 News* (including coverage of neglected areas of UK and world affairs), all of which demonstrate strong public service characteristics. However, without the premium advertising rates of the core PSB channels, the returns on the digital channels are much lower.

As discussed previously, the internet can play a valuable role in extending the reach of PSC and providing new and innovative ways of increasing impact. Many of the barriers faced by the internet as a provider of PSC mean there is a role for public service broadcasters as trustworthy and recognised content creators, aggregators

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<sup>6</sup> More 4 average weekly reach, January to May 2008.

and sign-posters. And in an increasingly fragmented digital world, digital channels can help deliver PSC to audiences not typically reached by the core PSB channels. However, whilst public service broadcasters are building reach and impact on digital platforms despite competition, the economic models are very different and the returns are well below those of core linear TV. Furthermore, the scale of growth in Channel 4's online audiences is well below the scale of decline in TV audiences, as viewers fragment across multiple platforms and providers.

Whereas the BBC's uniquely flexible regulatory framework means it is well positioned to respond to opportunities, the commercial public service broadcasters are still operating within a core channel framework that fails to recognise wider delivery platforms. As discussed elsewhere, a revision to the legislative framework for PSB is essential.

#### **b) Do you agree with Ofcom's analysis of the costs and benefits of PSB status?**

Channel 4 agrees with Ofcom's analysis of the generic costs and benefits of PSB status but we also recognise that the magnitude of each may vary for individual public service broadcasters and channels. Channel 4 has already seen the effects of the declining net benefits of PSB status. For the first time in 15 years, the core channel made a loss and we have had to significantly cut our investment in original programming in real terms to balance the books. Across public service broadcasters the effects of digital switchover are evident with regional non-news, regional news and children's programming already suffering cuts.

In addition to the increasing costs and declining benefits of PSB status specifically, the public service broadcasters face the same economic challenges as the wider industry. These challenges are both cyclical and structural. Cyclically we are entering a period of economic slow down, with advertising spend forecast to decline. Structurally, digital switchover and increased competition from new channels and new platforms are putting increasing pressure on margins.

In addition to Ofcom's general analysis of the costs and benefits we would observe that LEK's report identified areas where Channel 4 may be more affected by market changes than other organisations as a result of its particular remit. Firstly, Channel 4 is more affected by the terms of trade agreements with independent producers and acquired programme inflation due to its status as a publisher-broadcaster, with no in house production<sup>7</sup>. Secondly, analysis of viewing figures shows Channel 4's share of viewing on second sets is particularly high – with complete digital switchover a significant fall off of viewing is likely to occur.

The combination of declining net PSB status benefits and wider economic challenges emphasises the need for new forms of funding to support the provision of public service content in the future if significant provision beyond the BBC is to be maintained.

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<sup>7</sup> Whilst we recognise the strategic benefits of in house production we nonetheless re-stated our commitment to our publisher-broadcaster status in *Next On 4*, seeing this as the best route to delivery of our PSB values of distinctiveness and innovation and central to our role in nurturing new talent and the creative economy.

## **Section 6. Meeting audience needs in a digital age**

### **a) Do you agree with Ofcom's vision for public service content?**

Channel 4 broadly agrees with Ofcom's vision for public service content in future. Ofcom states that audiences continue to value the principles of public service broadcasting and the provision of content across platforms that meet those principles. Channel 4 agrees with Ofcom's view that intervention will continue to be required to achieve the public purposes of broadcasting and to ensure availability and access to content that the market would otherwise not provide.

The creation of Channel 4 provided audiences with television with an entirely fresh perspective: distinctive, risk-taking and irreverent. Twenty-five years on our audience research shows that audiences see Channel 4, more than any other broadcaster, as always trying something new, taking different approaches to subjects, covering ground other channels wouldn't and catering for audiences other channels don't cater for. Our stakeholders similarly recognise Channel 4's role as a creative risk taker, providing invaluable plurality and driving competition for quality. Our stakeholders also consider our contribution to developing and nurturing talent and helping new production businesses find their feet is very important.

Channel 4's *Next on 4* is a strategic blueprint which outlines Channel 4's public service vision for the digital age, building on its strong existing base of public service output. It set out four key public purposes of Channel 4:

1. to nurture new talent and original ideas;
2. to champion alternative voices and fresh perspectives;
3. to challenge people to see the world differently; and
4. to inspire change in people's lives.

These public purposes were informed by an extensive research programme and dialogue with thousands of people from every part of the UK—the most comprehensive review undertaken by Channel 4 in its history. Audiences said that Channel 4 had a track record of "TV firsts", and the channel was described as "edgy", "shocking" and "independent", underpinning the element of original ideas in public purpose one.

In a YouGov survey for Channel 4, audiences also told us that "television should challenge people's ignorance and prejudice by asking difficult questions" (73%) and that "television should show points of view from different ethnic groups in Britain" (63%), clearly underpinning public purposes two and three. In addition, television should play an important role in the democratic process: 87% of people believe that there should be "lots of different points of view on TV on political issues", again supporting public purpose two.

Audiences said that they look to television as a key source of information on a wide range of personal interests and concerns, valuing the information they pick up from programmes on topics such as health and diet, property and family issues. Audiences also thought that television has a particularly strong role to play in helping people to manage transitions in their life or to address difficult issues. These views clearly feed in to Channel 4's fourth purpose: inspiring change in people's lives.

Ofcom's vision, also driven by audience priorities, comprises six broad objectives and seven areas of content that it considers to be important in future. Broadly speaking, Channel 4's vision set out in *Next on 4* corresponds with Ofcom's vision for a new PSB system. The table below shows how proposals made in *Next on 4* help contribute to Ofcom's vision for PSB, incrementally building on Channel 4's core purposes and activities.

<b>Ofcom's vision – PSB Review</b>	<b>Channel 4's vision – <i>Next on 4</i></b>
<i>A vision for a PSB system that:</i>	<i>Channel 4 will:</i>
<ul style="list-style-type: none"> <li>Delivers high levels of new UK content meeting PSB purposes</li> </ul>	Provide viewers with more new programmes on the core channel in peak Decrease spend on acquisitions by 20% to focus on UK-originated programmes
<ul style="list-style-type: none"> <li>Provides PSC that is innovative, original, challenging, engaging, high-quality</li> </ul>	Continue to deliver a wide range of high-quality programming and other content that entertain and enlighten viewers
<ul style="list-style-type: none"> <li>Is available in a form and on a range of platforms to achieve maximum reach and impact</li> </ul>	Continue the transformation to be a public service network Grow presence across platforms £50 million 4IP fund for digital media
<ul style="list-style-type: none"> <li>Competition for the BBC in each public purpose on sufficient scale to achieve reach and impact</li> </ul>	Be the primary source of public service competition to the BBC. Channel 4 will: <ul style="list-style-type: none"> <li>Nurture new talent/original ideas</li> <li>Champion alternative perspectives</li> <li>Challenge people to see world differently</li> <li>Inspire change in people's lives</li> </ul>
<ul style="list-style-type: none"> <li>Exploits the benefits of different delivery platforms</li> </ul>	Grow presence across alternative platforms and launch 4IP
<ul style="list-style-type: none"> <li>Supplies diverse content which meets the needs of all UK communities</li> </ul>	Support the widest range of voices of any broadcaster Increase Nations spend by 50% by 2012 Multicultural programming fund Head of Diversity and multicultural commissioning editor
<i>Which requires a range of UK-originated content, available across a range of platforms, from more than one provider, in these areas:</i>	
<ul style="list-style-type: none"> <li>National/international news and current affairs</li> </ul>	News will continue to offer informed, in-depth journalism with international flavour <i>Dispatches and Unreported World</i> will tackle challenging subject matter
<ul style="list-style-type: none"> <li>News content for the devolved nations</li> </ul>	—
<ul style="list-style-type: none"> <li>News content for English regions, and at a local level where possible</li> </ul>	—
<ul style="list-style-type: none"> <li>Children's content – drama and factual for older children/young teens</li> </ul>	£10 million pilot fund for older children and young teens £6 million for broadband education content
<ul style="list-style-type: none"> <li>Drama and comedy reflecting UK values, identities and culture</li> </ul>	Continue to deliver a wide range of high-quality programming and other content that entertain and enlighten viewers
<ul style="list-style-type: none"> <li>Factual content which stimulates knowledge – arts, science, history, and</li> </ul>	C4/More4: 260 hours of new documentaries a year on Channel 4 and More 4

other topics	Ambition to be recognised as the home of British documentaries
<ul style="list-style-type: none"> <li>Content which reflects the views of, and caters for, different communities/groups</li> </ul>	Will reflect the UK's diversity in everything that we do £2 million multicultural fund for peak time Head of Diversity role

**b) How important are plurality and competition for quality in delivering the purposes and characteristics of public service broadcasting, and in what areas?**

Channel 4 believes that plurality and competition for quality are essential for delivering the purposes and characteristics of public service broadcasting. Channel 4 provides a key source of plurality to the BBC across a range of genres due to both its primary objective of maximising public service value and its ability to deliver public service content with scale and impact.

The success of the UK's television industry has been underpinned by a plurality of public service institutions providing public service content. Alongside Channel 4, the BBC is publicly-owned, fulfilling the duties set out in its Charter. ITV and Five are privately-owned and financed by advertising and sponsorship, each having to fulfil a public service remit. Finally, the satellite and cable platforms make hundreds of channels available, some of which provide some content that meets public service purposes and characteristics, although this content is not universally available and free at the point of use – a vitally important aspect of PSB. Institutional plurality allows the benefits of different organisational structures to be exploited – Channel 4 delivers unique benefits for the creative economy through its status as a publisher-broadcaster and its ongoing commitment to supporting the creative economy and new talent.

Channel 4 believes that plurality is important as it brings the benefits of competition and innovation, different services and choice, variety and a diversity of viewpoints to consumers. Plurality also helps to ensure the provision of a wide range of content which serves the broadest possible range of audiences. In news, for example, while Channel 4 competes directly with the BBC and others journalistically, it also pursues a different editorial agenda and caters for a different audience as a result. *Channel 4 News* has a strong 16-34 profile, with 22% of its audience from this demographic<sup>8</sup> compared to just 7% and 11% for BBC's 6pm and 10pm programmes respectively and 8% and 12% for ITV's two evening News programmes. *Channel 4 News* contains a much greater amount of international news coverage than other major news programmes, and its greater length allows for more in depth reporting and analysis. The programme actively seeks comment and perspective from outside the political and social establishment, which may explain why it has greater appeal to minority ethnic audiences as well as a higher proportion of younger viewers.

In current affairs, Channel 4 also pursues an editorial agenda that is distinct from other broadcasters. *Dispatches* is the only regular one-hour current affairs strand in peak-time on terrestrial television, allowing subject matter to be explored in far greater depth compared to *Panorama* on BBC1 and *Tonight* on ITV1, which both run for just half an hour. Like *Channel 4 News*, *Dispatches* has traditionally had a greater focus on international subject matter including, in recent times, films on Afghanistan, Iraq, China, Tibet, India, Pakistan, Somalia, Kenya and Sierra Leone. *Dispatches* also

<sup>8</sup> Data from January to June 2008

has a proven reputation as an investigative strand, including a firm annual commitment to undercover investigations, which allows it to take on more challenging political and social subject matter: *Undercover Mosque*, for example, used secret filming and journalistic investigation to expose extreme views being preached in mainstream UK mosques and Islamic organisations. Adjudicating in Channel 4's favour on complaints received about the programme, Ofcom Chief Executive, Ed Richards, said: "It is essential that Channel 4 continues to produce challenging programmes about controversial issues which are responsibly handled. In this case the Dispatches team did not shy away from a difficult subject and upheld British broadcasting's strong tradition of investigative journalism."

Channel 4's greater journalistic range is also evident in other aspects of its current affairs output, including *Unreported World*, which, as its title suggests, explores issues from the developing world which seldom get exposure on British television outside the news bulletins. This strand has recently doubled its annual run to 20 episodes. Its editorial agenda clearly supports one of the core purposes of public service broadcasting as defined in Ofcom's first PSB review; to inform British viewers understanding of the world.

Channel 4's output is not just distinct from the BBC and the other commercial public service broadcasters in news and current affairs; the channel demonstrably provides an alternative in other public service programme genres, broadening the range of output and catering for different audiences. In drama, for example, with BBC1 and ITV1 schedules dominated by drama series aimed at mainstream adult audiences, with a preponderance of crime and medical dramas, Channel 4 super serves younger viewers, who are otherwise not specifically catered for. Programmes like *Hollyoaks* and *Skins* have amongst the highest proportion of 16 to 34-year-old viewers of any programmes on British television: a third of all 16-24 year olds watched the first series of *Skins* and *Hollyoaks* attracts the highest share of 16-34 year olds of any soap at 47% (versus 14% for *Emmerdale* and 25% for *Eastenders*).<sup>9</sup>

In the last half decade, Channel 4 has also invested heavily in single and serial drama, particularly topical, issue-led films that other broadcasters have traditionally shied away from. *Britz*, which won best drama serial at the 2008 BAFTAs, was a timely addition to the debate about whether the Government's attitude to engagement with British Muslims and its policies were contributing to a radicalisation of some members of that community. Inspired by the 2004 Morecambe Bay disaster *Ghosts* was made with a cast of largely non-English speaking, non-professional actors, a very modest budget and a script which pointed a finger very directly and forcefully at the interests of big business. It epitomised Channel 4's commitment to use drama as a means of exploring issues more usually dealt with by the documentary format. The critical success Channel 4 has achieved with topical single dramas such as *Longford*, *The Trial of Tony Blair*, *Death of a President*, *The Government Inspector*, *The Mark of Cain*, *Omagh*, *Secret Life*, *The Deal*, *The Hamburg Cell* and *The Battle for Haditha* has significantly expanded the range of British TV drama.

A similar argument for how Channel 4 extends the creative range of British television can be advanced in documentaries (*Cutting Edge*), comedy (*Peep Show*, *Star Stories*), domestic film and specialist factual genres such as history and religion. Plurality at the commissioning level drives competition for ideas. The benefits of the creative spur of competition across all genres from factual to comedy and drama

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<sup>9</sup> Source: BARB, year to date (1Jan – 29 May 2008)

may be hard to measure but they are widely acknowledged. In a recent interview, BBC Director of Vision Jana Bennett emphasised the great value she places on the competition provided by Channel 4 saying “*innovation by one producer breeds envy among the others and that’s a really great dynamic to have within the industry*”.

Plurality of commissioning also drives the widest range and diversity of viewpoints and perspectives to large audiences. Plurality at this level cannot be achieved by one institution, like the BBC, where ultimately all commissioning decisions are made by one institution and set of voices.

As well as creative benefits for the audience, there are economic benefits to the industry from plurality. Whilst the Window of Creative Competition (WoCC) ensures some degree of plurality of supply to the BBC, Channel 4’s status as a publisher-broadcaster and its commitment to developing new talent means it plays a vital role in supporting diversity in the production sector and the creative industries more broadly. PwC’s 2007 report on Channel 4’s contribution to the UK’s creative economy highlighted the economic benefits delivered by our £400 million per annum original commissioning spend. The report found Channel 4 contributes £2 billion a year to the UK economy and generates 22,000 jobs. Channel 4 works with more than 300 production partners each year – more than any other broadcaster. Working with such a diverse range of suppliers is essential to Channel 4 delivering its core purposes of championing alternative voices and fresh perspectives and challenging people to see the world differently.

Plurality will continue to be important in the digital age, arguably more so. There remains overwhelming support from the public and policy-makers alike to ensure that the BBC does not become the monopoly provider of public service content. Recent reports from Ofcom, the DCMS and others (such as the Culture, Media and Sport Select Committee, in its report on Public Service Content) demonstrate strong support for other public service providers to compete with the BBC.

Recently, an argument has been tentatively advanced that the BBC’s output is of such high-quality in some key areas of public service provision, such as children’s programmes and speech radio, that there is no benefit to be derived from competition of supply. This ignores the fact that the BBC is far from achieving universal reach or audience satisfaction in any programme area. It also ignores Ofcom’s findings that parents value plurality in children’s programming behind only news (including national and regional) in terms of importance of plural supply.

Both audiences and industry stakeholders agree that plurality and competition for quality is important across a wide range of areas of public service content including but not limited to:

- news;
- current affairs;
- serious factual and documentaries;
- drama, including one-off, series and serials;
- comedy;
- children’s programmes.

In future, Channel 4 believes that it will increasingly be the primary source of public service competition to the BBC. The vision in *Next on 4* set out our plans to provide competition and choice in the key areas noted above. We have stated we will have

more news than ever before on the core channel, More4 and other platforms such as online, mobile and radio, providing choice, variety and different perspectives for a range of audiences. In the current affairs area, Channel 4 programmes such as *Dispatches* and *Unreported World* will continue to tackle the most challenging subject matter. We are committed to exploring new ways of presenting contemporary issues, in order to engage audiences who are no longer connecting with conventional current affairs programmes. We discuss our plans to provide competition and choice in children's programming in our response to question 10.

Channel 4 believes that its current organisational model—a publicly-owned statutory corporation which is not required to maximise profits for shareholders—remains the best way to deliver its distinctive public role and to provide competition to the BBC and choice and variety to audiences.

**c) In maximising reach and impact of public service content in the future, what roles can different platforms and services play?**

It is worth prefacing the discussion on the future roles of different platforms and services by emphasising the importance of reach and impact in delivering public service content. Channel 4 agrees with Ofcom's assessment that the value of intervention in public service content is driven by four factors: impact, reach, availability and value for money.

Channel 4 believes that public service content is not likely to generate sufficient value if it does not reach a wide audience or make an impact. While it is true that many publicly- and privately-funded organisations do make a contribution to public service purposes on television and online, these projects may not have sufficient scale to deliver value. Established public service broadcasters, such as Channel 4, have the scale, experience, ability and incentive to maximise the reach and impact of public service content across platforms and technologies. This brand strength and the ability to cross promote across a network of platforms and channels is a key strength that should be nurtured.

Turning to the delivery of public service content, Channel 4 agrees that different platforms and services are essential tools to maximise the reach and impact of public service content. Television will continue to play a central role in PSB delivery—as the best way to reach mass audiences and deliver public service content with impact—but there will be an increasing role for the delivery of public service content in digital media in the future.

Audience behaviour, expectations and attitudes are changing fast, fuelled by the rapid penetration of online technology and distribution. Online is capturing an increasing share of time and attention, and some of this activity is at the expense of other media. In response to these changes, Channel 4 has expanded its portfolio of services in recent years, offering a video-on-demand service and a range of digital media services at [channel4.com](http://channel4.com), which currently includes the broadband documentary service FourDocs.

These services allow Channel 4 to deliver public purposes beyond the core channel, by leveraging Channel 4's brand on new platforms. The *Embarrassing Bodies* website is a good recent example. The Channel 4 programme *Embarrassing Illnesses* tackled some of the most sensitive health taboos such as testicular cancer and STDs in peak time. In one week following broadcast of the programme, the website was the most

visited part of channel4.com, outperforming even regular favourites like *Hollyoaks*, achieving 3.5 million page views, 367,000 visitors and 633,000 uses of the “How to check for...” videos. The site continues to offer candid information and advice and a series of interactive health checkers and videos. Visits to the site continue to total around 250,000 a month, with over 2 million page views. In total the videos have been played 867,000 times on the core site alone, with the testicular check alone attracting 180,000 checks. Online services also facilitate better engagement with audiences and greater interaction: the programmes generated lively online comment including 3,500 comments in the first week alone.

New and emerging platforms are particularly relevant in reaching and remaining relevant to younger audiences. Teen drama *Skins* launched on E4 in January 2007 following an extensive but almost purely online marketing campaign focused on audience participation including competitions to star in an episode, redesign the logo, create music for a scene and style the characters. The result was a 50% awareness a week before the show – the highest ever for a Channel 4 show – and 500,000 unique users viewing the Myspace site in the month before launch. The impact achieved by *Skins* is further emphasised by its influence on the British film sector with a new group of films from Warp X, Channel 4’s collaboration with the UK Film Council, recently referred to as “*Skins* cinema”<sup>10</sup>.

Channel 4 is building on this by developing new services in digital media to reach the widest possible audience. We are continuing the transformation to become a “public service network”—delivering public value across a range of platforms. We will significantly increase our commitment to new forms of digital content, exploiting their functionality in terms of interactivity, community and participation.

For example, Channel 4 is exploring the potential of new platforms to deliver public purposes by launching 4IP, a £50 million fund for projects that offer public service content on digital media platforms. The fund will allow us to experiment in delivering on our public purposes in entirely new ways, working with a new generation of creative talent in digital media and providing new ways for audiences to engage with both their personal interests and wider social issues. 4IP will invest in a diverse range of digital media platforms, exploring projects in areas such as news, games, education, arts and navigation.

However, as noted previously, the economic models for digital channels and new platforms such as online and on-demand are very different and the returns are well below those of linear TV. Furthermore, there is not a direct substitution by audiences – the scale of growth in Channel 4’s online audiences is well below the scale of decline in TV audiences, as viewers fragment across multiple platforms and providers.

**d) Do you agree that the existing model for delivering public service broadcasting will not be sufficient to meet changing needs in future?**

Channel 4 agrees that the existing model for delivering public service broadcasting will not be sufficient to meet changing needs in future. There is a broad consensus that the existing model is not fit-for-purpose for the digital age, both in terms of the way that public service content is funded and the focus of the model on linear television.

<sup>10</sup> No holds barred – The Guardian, 13/06/08

The pressure on the current model for supporting commercially-funded public service broadcasting is widely recognised. As audiences migrate to the more competitive world of digital television, viewing to the traditional PSB network channels declines and the resulting loss of audience on the core channels translates into a lower share of advertising revenues for the commercially-funded broadcasters. As a result, the profitability of Channel 4's core channel is already under pressure with the recent annual report showing a loss for the first time in 15 years and we have had to significantly cut our investment in original programming in real terms to balance the books. Consequently the channel's ability to deliver on its public service broadcasting remit is under threat.

Aside from the BBC—which has a remit defined in legislation as the delivery of PSB that covers television, radio and online—the current PSB model is focused on a small number of linear television channels, rather than the opportunity to distribute that content on a wide range of digital media platforms. We discussed above the importance of different platforms in maximising the reach and impact of public service content. If public value needs to be delivered across a range of platforms to meet the demands of our audiences—as we propose in *Next on 4*—a new model will be needed.

In addition, the rapid pace of change in the market creates much uncertainty. The scenarios developed for Ofcom by Oliver & Ohlbaum (O&O) demonstrate the wide range of possible scenarios for the future—any new model needs to be sufficiently flexible and responsive to cope with uncertainty and change.

## **Section 7. Future models for funding and providing public service content**

### **a) What are your views of the high level options for funding public service broadcasting in the future?**

On funding, we agree wholeheartedly with Ofcom's conclusion that a key dilemma lies ahead, as the analysis shows that if there are no changes to the funding and delivery of public service broadcasting, the public benefits can no longer be delivered. Ofcom identifies a choice between doing nothing (and accepting a reduced level of public service value, plurality and impact), providing new funds, or redeploying some BBC resources. Clearly Ofcom's overall purpose, to maintain and strengthen public service broadcasting, rules out the first option, which leaves a choice of new funds or the redeployment of BBC resources, on an understanding that the BBC should have appropriate funding to remain as the cornerstone of public service broadcasting. Ofcom's forecasts suggest that the BBC's funding will continue to increase and Channel 4's modelling confirms that revenues to the commercial public service broadcasters will decline as the combination of cyclical economic downturn and structural problems persist over the short and medium term.

Channel 4 is currently internally reviewing the effectiveness and feasibility of various potential models of future funding for Channel 4 services, in order to continue delivering the risk taking, innovative and high quality public service content that audiences want. We believe that any funding solution for Channel 4 should satisfy four key criteria:

- Allow Channel 4 to maintain its independence, both editorially and corporately

- Allow Channel 4 to continue to make a major public impact through sufficient size and scale and encourage ongoing operational efficiencies
- Provide appropriate and proportional governance and oversight from stakeholders, accountability to audiences and transparency to both
- Additional funding is proportionate, flexible and scaleable over time as the traditional sources of funding continue to diminish

We envisage that, while other commercially funded public service broadcasters may seek to reduce the public value that they deliver over time, in line with the reducing benefits associated with being a public service broadcaster, Channel 4's role will take on greater significance, moving from an ecology of the BBC as the cornerstone of public service broadcasting surrounded by a number of secondary providers, to a new ecology in which the BBC and Channel 4 take on primary responsibility for the public purposes defined by Ofcom in its previous review of public service broadcasting, supported by defined, but diminishing contributions in particular genres or geographical ambitions from ITV and Five. Any funding solution needs to meet the criteria mentioned above, but also support the transition to this new ecology. We are currently working through the particular funding options in detail and expect to share our views with Ofcom as the review progresses.

As part of the current consultations on Spectrum Pricing and RADA we have submitted our initial responses on these two potential funding mechanisms. On the former, we accept the introduction of AIP from 2014 but do not believe that Channel 4 should pay, given the level of our public service contribution we propose to make in the future. On the latter, Channel 4 has serious concerns about the potential of increased minutage to provide new funding to the commercially-funded public service broadcasters as it would be likely to cause an overall decline in television advertising market revenue due to increased supply and downward price pressure. Channel 4, therefore, believes that no change to minutage would be the most favourable outcome for viewers and the sustainability of the PSB ecology.

**b) Are the proposed tests of effectiveness for future models for public service broadcasting the right ones?**

We agree with Ofcom that any new model of public service broadcasting should have greater flexibility than the current model, encourage multiplatform delivery in line with changing audience behaviour, and look at public impact in the round, with the value of a piece of originated content being measured by its cumulative impact across all platforms.

We see two types of public service providers in this new model. Firstly, the BBC, Channel 4 and S4C: institutions whose primary responsibilities are the delivery of public service content and the creation of public value, and whose roles cannot readily be reduced to defined commitments in terms of specific genres or levels of investment. Rather, the BBC's public role is set out in its Charter, while the remits of Channel 4 and S4C are set out in legislation. Channel 4 has also developed a set of purposes that further clarify its public role. While Channel 4 is required to meet certain legislative quotas – which it exceeds – Channel 4's remit is defined in terms such as innovation, experiment and distinctiveness – “diffuse” notions that do not lend themselves to defined obligations specified in terms of genres, hours and spend.

Secondly, and in contrast to the BBC and Channel 4, are privately-owned commercially-funded broadcasters, most notably ITV and Five. For these

organisations, their primary role is (like all private companies) the creation of shareholder value. But they also have a series of clearly-defined content-based PSB obligations, for example, quotas for specified areas of programming (such as news).

Different approaches are necessary to ensure accountability for these different types of organisations. For private broadcasters with defined public service roles, it should be possible to measure directly their PSB delivery in terms of relevant volume and expenditure metrics. Appropriate measurement processes should be put in place as part of the contractual relationship between the broadcaster and Ofcom.

A more holistic approach would be needed to ensure accountability in the public service institutions with diffuse PSB roles (the BBC and Channel 4). The BBC already has an established process for measuring the public value of its channels and other services. Channel 4 is in the process of developing a public value framework that will likewise provide accountability across its public service network, and which is robust but also suited and proportionate to the nature of Channel 4 as an organisation with different public purposes and funding arrangements to the BBC.

**c) Of the four possible models for long term delivery of public service content, which, if any, do you consider the most appropriate and why? Are there any alternative models, or combination of models that could be more appropriate, and why?**

We have considered the relative merits of each of the models presented against the initial tests of effectiveness. In summary, we believe Model 1 fails adequately to respond to the challenges and opportunities of the digital world, Model 2 fails to offer the full benefits of plurality and Model 4 fails to capture the benefits of two UK-wide, state owned broadcasters with secure funding and the primary objective of maximising public value.<sup>11</sup> We strongly support Model 3, with the BBC and Channel 4 forming the bedrock of the PSB system, plus contributions from other providers including ITV, Five, and the wider competitive market. Such a model would build on the benefits of institutional, editorial and supplier plurality, with competitive market supply.

#### *Model 1 'Evolution'*

This model is based on maintaining the current model, which is widely agreed to be unfit for purpose in a digital world. Allowing public service responsibilities to decline in line with the value of gifted spectrum would fail to meet Ofcom's statutory responsibility to maintain and strengthen public service broadcasting. Furthermore, simply 'plugging the gap' in terms of funding does not reflect the changing landscape of players with greater or lesser commitment to delivering public value and therefore growing or diminishing appetite for its core values. Evolving the current model implicitly means a focus on the core PSB channels and does not allow for the role of digital media in delivering public service content, in conflict with the changing behaviour and expectations of viewers.

#### *Model 2 'BBC only'*<sup>12</sup>

This option seems counter to all the arguments and evidence in favour of plurality. Markets operate most efficiently when there is competition in supply, and the market for public service content is no different. Best value to the consumer will be

<sup>11</sup> We recognise that S4C has a specific and important role to play as a publicly owned institution providing additional plurality in Wales.

<sup>12</sup> See also discussion in response to question 6(b) about the importance of plurality.

delivered when there are strong incentives to find and develop the best ideas, the newest talent, the most innovative and original formats. With its strong in house production operation, the BBC alone cannot support the strong and diverse creative economy we currently enjoy in the UK.

Secondly, this model would have a dramatic impact on the size and health of the independent production sector. If Channel 4 were to operate on a purely commercial basis, we would use a much smaller pool of independent producers, concentrating on the larger, well established providers at the expense of both new entrants and small to medium sized producers.

Thirdly, institutional and editorial plurality are vital to the portrayal of a wide range and diversity of viewpoints and perspectives to large audiences. In section 6 we highlighted some examples of Channel 4 programmes that neither the BBC nor commercial providers would commission, including *Dispatches: Undercover Mosque*, *Skins*, *Embarrassing Illnesses* and *Ghosts*, all of which tackled challenging, sensitive and taboo subjects in peak time in an innovative way.

One suggested outcome of model 2 is that Channel 4's contribution declines in line with the value of the implicit subsidy. Oliver & Ohlbaum's analysis suggests that the likely effects of this would be twofold: a cut in unprofitable genres like current affairs, UK film and single drama; and a decline in programme quality, less innovation in new programming and less challenging programming. Channel 4's unique public service remit means it is clearly recognised by audiences as being very distinct from other broadcasters and in particular it is recognised as a challenging and alternative voice to the BBC, that offers resonance with a younger audience who are not core BBC viewers and who are most at risk of being lost to the public service system given the new world of alternative media which they inhabit.

#### *Model 4 'Broad competitive funding'*

This model fully embraces the concept of complementing market provision and could easily be applied across platforms. However, such a model does not exploit the reach and brand values of the commercial public service broadcasters who are best placed to accumulate audiences in a digital world to each piece of public service content. 'Discoverability' is likely to remain an issue not just online but across digital channels and all the evidence is that new operators will neither originate as much new content, nor have the incentives to help viewers discover the new, the challenging or the unexpected. In fact, all the commercial investment in search engines and EPGs is going to ways of helping audiences find more of the same, and more of what they already know they enjoy.

Furthermore, it is important to balance the gains of open market tendering against substantial governance and administration burdens. There are creative and financial scale economies from concentrating some proportion of PSC output in institutions with the brand power, the scale, and the incentives to deliver impact over a range of platforms and outlets.

Our research for *Next on 4* emphasised the value the public place on Channel 4's challenging and innovative approach. As Ofcom recognise, characteristics such as 'innovative' and 'challenging' cannot be defined in the same way as hours or spend on specific genres such as regional news. Channel 4 as a state owned PSB institution has a clear legislative remit and a primary objective of maximising public value.

Retaining such a diffuse requirement within an institution is the most effective model for delivery.

*Model 3 'BBC / Channel 4 plus limited competitive funding'*

We strongly support this model which builds on the bedrock of the BBC and Channel 4 as UK-wide, state owned institutions with clear public service roles and complementary remits and believe it will be the most effective platform upon which to build a remodelled system of PSB plurality for the digital age. Building on the bedrock of the BBC and Channel 4, we would welcome a system that secured PSB contributions from other operators.<sup>13</sup> We believe there should be an on-going, if diminished, role for ITV and a role for Five (which is publicly on the record as wanting to continue making a PSB contribution). However, we believe the contributions from the shareholder-owned and, rightly, shareholder focused broadcasters should be much more clearly defined and ring-fenced. Obligations must be set at levels appropriate for a system in which they no longer benefit from the major implicit subsidy of analogue spectrum.

Notwithstanding the future contributions from the current PSBs, we also believe there may be some role for additional mechanisms in specific, defined areas, for example in the provision of original UK children's content.

Using 'Model 3' as the base maintains the advantages of plurality in the most straightforward way and enables some competitive tendering, exploiting the benefits of the existing commercial PSC providers and providing a desirable public service role for Five and ITV for the future. But it reduces the governance and administrative burden of regulating PSC provision from multiple suppliers across all genres and services, while allowing defined services such as Teachers' TV to grow, attracting new entrants with new skills into the public service landscape.

This model also retains the ability to deliver public service content with scale and impact, which is increasingly challenging as audiences fragment across an increasing variety of platforms, channels and technologies. A key aspect of this is ensuring that audiences continue to be able to access content that is universally and freely available. Relying purely on a contestable fund for the provision of public service content is unlikely to achieve the scale, reach and impact provided by public service institutions.

*Next on 4* emphasises the specific and unique form of competition that Channel 4 can provide to the BBC. Not only does Channel 4's legislative remit define its diffuse role in the PSB ecology but *Next on 4* lays out the role Channel 4 has committed to play beyond this, in terms of supporting the creative economy and driving innovation across new and emerging platforms. These commitments include:

- Creating more room for new ideas and programmes across the entire 4-network
- Continuing to be a leading supporter of new creative talent in the sector (through initiatives such as 4Talent and schedule slots for new talent)
- Maintaining investment in British film development, commissioning and production
- Establishing a pilot fund for public service content for digital media called 4IP, working in partnership with organisations around the UK

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<sup>13</sup> As noted elsewhere we envisage S4C continuing to play an important and specific PSB role in Wales.

- Putting measures in place to help sustain plurality of supply, regional diversity and the development of the next generation of creative talent (for example, 20% of all production companies we work with will have turnovers of less than £2m and we will increase the proportion of our production budget spent in the nations by more than 50% by 2012)

## **Section 8. Options for the commercial PSBs**

**a) What do you think is the appropriate public service role for Channel 4 in the short-, medium- and long-term? What do you think of Channel 4's proposed vision?**

We believe that the vision set out in *Next on 4* articulates the appropriate public service role for Channel 4 in the short-, medium- and long-term. The research and consultation conducted for *Next on 4* showed that the wider industry, audiences and international bodies recognise Channel 4 as a unique institution that does remarkable things. There is a compelling case for it to continue to play a critical public service role, alongside the BBC, in the digital age. The vision set out is bold and ambitious, building on Channel 4's historic strengths, demonstrating the distinctive role Channel 4 can continue to play in a digital world.

Channel 4 is committed to remaining an organisation whose primary role is the delivery of its public remit. Our core values are as relevant in the digital age as they were in the analogue world.

Despite changes in the consumption of digital media, our research for *Next on 4* showed television as having a unique power to engage with large audiences and influence social change. In recognition of this we remain committed to more PSC in peak and working with more content suppliers than any other media organisation, across geographies and ethnic origins and from start ups to established players.

We will also continue our support of the British film industry through continuing to ring fence £10 million a year for investment in British film development, commissioning and production, whilst also investing heavily in other initiatives to support film, including the Film4 channel. An example of Channel 4's commitment to film is digital studio Warp X: a collaboration with the UK Film Council to harness cutting edge digital technology and low budget production methods to make high value movies that can reach cinema audiences across the world. Warp X's summer 2008 releases are *A Complete History of my Sexual Failures* and *Donkey Punch*.

We also acknowledge the important contribution new and emerging platforms and technologies can play in creating reach and impact in a digital world where audiences are fragmenting. For that reason we believe it is right for Channel 4 to develop into a public service network, making content available on-demand across multiple platforms and mobile devices.

The pilot funds – 4IP and children's – are designed to show how Channel 4 can contribute to public purposes in a new space. We do not profess to have all the answers at this stage, but hope that these initiatives can demonstrate how we can generate public value in new areas and use our scale and impact to drive innovation and creativity. These pilot funds are sustainable in the short term due to reprioritisation but a sustained contribution by Channel 4 to these importance public service objectives will require support over and above the £100 million funding gap we have already identified.

We have already made progress on these initiatives: we are in advanced negotiations with a number of RDAs and relevant agencies to partner the initiative. We are also in discussion with a range of companies over some initial ideas, and are working on developing an extensive UK-wide database of digital media companies working in areas such as games, graphic design, mobile, software development, interactive media, web design and navigation, from which we can source talent. We are anticipating that the 4IP will be launched formally in autumn 2008.

This public service network vision highlights the need for a new legislative framework that recognises the role of new and emerging platforms in the delivery of public service content and exploits the distinct benefits of different delivery platforms. The current framework offers no such flexibility. Any future funding across the market must be supported by a model that enables maximum reach and impact.

*Next on 4* was well received across stakeholder groups:

*"It's clear that Channel 4 has a continuing and vital role to play at the heart of British broadcasting, providing competition and plurality to the BBC. Channel 4's ambition to remain a strong public service provider, focused on taking creative risks, being distinctive and nurturing new talent should be applauded. The broadcaster must now look to build on its strength in engaging younger people through innovative digital media activities. The Government and Ofcom have an important task in finding a solution that ensures that Channel 4 can thrive as a relevant, creative and independent organisation in the digital world."* (Liberal Democrat culture spokesman, Don Foster).

*"25 years of Channel 4 has more than demonstrated the value of plurality in public service broadcasting. In that time Channel 4 has moved from a quirky outsider to being a central part of the originality and creative risk-taking that has made British television into one of the most dynamic and envied broadcasting sectors in the world. This vision is about helping Channel 4 to adapt to the huge technological changes on the near horizon – and everyone will be hoping it provides a framework to help Channel 4 go from strength to strength in challenging, entertaining and occasionally shocking audiences for many years to come"* (Shadow Culture Secretary, Jeremy Hunt).

*"The partnership that Channel 4 and indies have enjoyed will continue to be vital in the future success of one of the world's most distinguished broadcasters and the world's most successful independent sectors"* (PACT).

*"[I am] tremendously impressed [by the network's Next on 4 report]"* (Andy Burnham, Culture Secretary).

In response to the statement in this section that "increased advertising minutage would appear to offer most value to Channel 4 in the short term", we refer to our response to the Review of Television Advertising and Teleshopping Regulation, which expressed serious concerns about the potential of increased minutage to provide new funding to the commercially-funded public service broadcasters. Channel 4 believes that increased advertising minutage would be likely to cause overall television advertising market revenues to decrease, which would have a negative impact on all free-to-air commercial broadcasters and would destabilise

commercially-funded public service broadcasters at a time when they are already facing significant commercial pressures.

Channel 4 believes that any potential gains for commercially-funded public service broadcasters from increased minutage would be likely to disproportionately favour ITV1, which would destabilise the overall PSB ecology by damaging the relative competitive position of other public service broadcasters, including Channel 4. Channel 4 therefore disagrees with the statement that increased minutage would offer the most value to Channel 4 in the short term. By contrast, Channel 4 believes that no change to minutage would be the most favourable outcome for viewers and the sustainability of the public service broadcasting ecology.

**b) Which of the options set out for the commercial PSBs do you favour?**

Channel 4 is already suffering losses on the core channel and reducing investment in originations, and we acknowledge the financial pressures on all commercially-funded public service broadcasters. The declining benefits and increasing costs of PSB status are further compounded by the different and conflicting objectives ITV and Five face as shareholder owned institutions. Whilst Channel 4's financial position and remit delivery are increasingly under threat, it has a primary objective of maximising public value, uniquely positioning it to deliver public service content in the future. For these reasons, we support a future model for public service content delivery that builds on a base of two public value maximising institutions with specified additional contributions in areas such as regional news and children's from other providers including ITV and Five.

**Section 9. Scenarios for the UK's nations, regions and localities**

**a) To what extent do you agree with Ofcom's assessment of the likely future long-term issues as they apply to the nations, regions and localities of the UK?**

In this section Channel 4 largely restricts itself to commenting on policy issues around sustaining and growing network TV production in the nations and regions of the UK. Channel 4 is a UK-wide broadcaster and does not – unlike ITV and the BBC – operate any regional/national opt outs or, therefore, supply any dedicated regional/national content. Nonetheless, given our key role as a major investor in the UK's independent production community and in reflecting the UK's cultural diversity Channel 4 has a significant role to play in supporting production across all nations in the UK and in reflecting the UK's culture across its output.

*Network production from the Nations and Regions*

Channel 4 fully acknowledges the challenges facing the nations, regions and localities of the UK in terms of programming output, production and portrayal. Channel 4's role as a national broadcaster is to reflect the diversity of culture in the UK as a whole, which we have done through a wide variety of genres and programmes. A few examples include *Channel 4 News*, dramas such as *Skins* (Bristol), *Shameless* (Manchester) and *Wedding Belles* (Scotland), current affairs including *Dispatches: Undercover Mosque* (featured under cover filming in a number of UK Mosques including in the West Midlands), and documentaries including *The Lie of the Land* (which focused on the state of the agricultural industry across the UK particularly in the South West).

Devolution has increased the importance of reflecting the different perspectives and policies of different parts of the UK. However, at the same time due to the

increasingly challenging dynamics of the UK TV market and the effects of consolidation, network production from the nations in particular has declined—although Channel 4 continues to exceed delivery of its out of London quota. Channel 4 recognises these challenges and has engaged with the Welsh Assembly and the Scottish Broadcasting Commission to discuss how best to address them. Channel 4 has committed in *Next on 4* to increase the proportion of television production expenditure in the nations by more than 50% by 2012. In addition we are creating a £1m dedicated pilot fund for the nations which will be provided within the 2009 programme budget. We aim for the fund to deliver at least two strong pilots in 2009 with potential to become a returning series by 2010. We are in consultation with our partners in the nations to identify areas where most significant value can be added.

One key observation we would make, however, is that action from Channel 4 will not be enough to sustain significant creative clusters in the nations. There needs to be a wider alignment of broadcaster strategies and public policy. For instance, whilst we welcome the BBC's recent additional commitments in the nations, it should be acknowledged that unless these plans include specific commitments to spend on network programming from independent producers we will miss a major opportunity for the independent production sectors in Northern Ireland, Wales and Scotland to be significantly strengthened. *Dr Who*, provides a good example of where a failure to align public policy interventions means that we are not maximising the benefits to the UK's creative economy that could be delivered. *Dr Who* is produced in Cardiff by BBC Wales. It is an exceptionally good, high quality network drama of which the BBC is rightly proud. But as it is made in-house it does very little to enhance the ability of the wider Welsh production sector to win network drama commissions beyond the BBC.

If *Dr Who* was made by an independent company in Wales, that company, with a track record of successful network drama production for the BBC and a sustainable returning series production base, would be well-placed to pitch to Channel 4. As a publisher-broadcaster Channel 4 is dependent upon the strength of the independent sector and the existence of production companies with sufficient scale and capability to produce network content. Whilst we have a wide range of supply-side initiatives in place to help nurture the independent sector around the UK, Channel 4's commitments alone are not sufficient to support the creative communities of the nations—a strategy aligned between the BBC and Channel 4 is needed.

The digital media sector currently has strong potential for growth and Channel 4 is keen to ensure that this sector does not suffer from the same kind of structural problems currently facing the television community. At the heart of our 4IP initiative is a commitment to identifying and supporting a generation of new creative talent from across the UK. Whilst television production is already a London-centric industry, a wide range of digital media and technology centres have emerged across the country – often away from traditional broadcasting centres. We are keen to tap into this range of talent, and through our network of regional funding partners (in principle already covering Scotland, Northern Ireland, Yorkshire and Birmingham) and dedicated commissioning managers based across the UK, we will ensure that regional diversity is at the heart of our commissioning from the outset. Our aim is that as we grow this burgeoning sector, no single geographical location will be imposed as being the centre of production, and therefore in the long-term there will be no need to impose commissioning incentives such as regional quotas.

**b) Which models do you think would be most appropriate in each of the nations and regions in the long term, and why?**

Our experience of working with a variety of cities outside London suggests that the best way of supporting and growing network production is to tailor a development plan to the characteristics of the region and play to strengths within the local creative economy. Those regions that have performed the best tend to have:

- One or more long running strand or strands
- Plurality of commissioning demand from amongst the public service broadcasters
- Plurality across the creative community, including parallel sectors such as games and digital media
- Supportive funding partners, able to seed smaller projects and support new talent

As stated elsewhere, in developing models, we suggest that these criteria are combined with a review of the BBC's approach to commissioning independents out of London to make network programming, in order to drive an aligned approach to developing a sustainable independent production sector in the nations and regions. Additional regional and national commitments from the BBC do not benefit the wider independent sector if they are limited to in-house production, or allow Channel 4 to effectively fulfil its own regional and national commitments as these resources are not accessible to the rest of the sector. These limitations are a challenge for the sector as a whole and Channel 4 is keen to work with other broadcasters to help strengthen the supply base across the UK.

**c) What are your views on the short / medium term issues referred to, including the out-of-London network production quotas?**

We agree that supporting diverse national and regional production and portrayal at a network level is important for fulfilling the purposes of public service broadcasting. In each case diversity refers to both the genre of programming and geography i.e. Welsh production should not be concentrated in one genre.

British television remains London-centric, which means that production companies based in the nations and English regions often face challenges in terms of accessing development support and programme commissions. In addition, programming budgets are disproportionately allocated to the largest production companies. As we noted in *Next on 4*, this has implications for geographical diversity of perspectives, innovation and the health of the creative economy across the UK. Whilst these issues are important for all broadcasters, they are particularly pertinent to Channel 4 with innovation and diversity explicitly embodied in its remit.

Channel 4 has a strong track record of working with production companies from across the nations and regions, consistently exceeding its volume and value license quotas. In 2007, a third of programmes were commissioned from companies outside London, with £125m spent in the nations and regions. In recognition of national issues, Channel 4 has made a number of commitments in *Next on 4* to build on this, such as increasing the proportion of television production expenditure in the nations by more than 50% by 2012 and establishing a Nations' Pilot Fund of £1m from 2009 onwards specifically targeted at the smaller nations. In addition Channel 4 has pledged to support small production companies by ensuring 20% of the

independent production companies it works with will have an annual turnover of less than £2m.

Furthermore, Channel 4 intends to continue its partnership approach with at least £20m funding pledged from partners including Advantage West Midlands, Scottish Enterprise, Screen Northern Ireland and Screen Yorkshire for our 4IP digital fund to support new creative talent. The 4IP initiative will be driven by dedicated staff working in regional hubs in Glasgow, Yorkshire, and Birmingham, finding and developing talent from across the UK.

One of the reasons that the out of London quota has been successful is that it provides an incentive for broadcasters to overcome the London centricity, while giving the flexibility to commission excellent programmes from whichever regions offer the best ideas. Our current view of an out of England quota is that it would considerably hamper our flexibility to commission the best ideas, and force a reliance on a much smaller independent production base than is accessible under the existing out of London quota. This view reflects the current commissioning patterns of the BBC and ITV, who rely heavily on their in-house production to satisfy the out of London quota for network commissions.

Nonetheless we recognise that without proactive steps being taken the non-English production sector will struggle to grow. We have a role to play in facilitating growth, but this needs to be achieved alongside other PSBs.

**d) What are your initial views on the preliminary options set out relating to ITV plc's regional news proposal?**

Ofcom's analysis clearly shows that audiences "continue to value nations and regions content, especially news from more than one provider". This is supported by the consistent viewing figures for the BBC and ITV regional news programmes and viewer surveys: 84% of Ofcom's survey respondents agreed that television is an important source of news about their region or nation and 83% agreed both ITV1 and BBC should provide this news service. Plurality of regional and national news provision is important to drive the benefits of competition and innovation, different services and choice, variety and a diversity of viewpoints to viewers. The demographic profiles of the early evening news programmes from BBC and ITV illustrate a key role that plural provision can play – the BBC 6pm national news slot has a higher proportion of ABC1 and older viewers, whereas ITV 6.30pm programme has a higher proportion of C2DE and younger viewers. If the BBC were the monopoly provider of regional and national news, not only would the quality and innovation of supply be under threat but the diversity of viewpoints and the range of audiences catered for would be reduced.

ITV has a long history of providing regional news and both its brand and reach mean it is a highly effective alternative provider to the BBC. However, we recognise the increasing pressures on all public service broadcasters from rising costs, the falling value of PSB benefits and declining advertising revenue. Regional news in particular is a pressure point due to the high associated costs of maintaining a regional production infrastructure.

As with all the current challenges to the PSB system, there is an urgency to agree a model for delivery of regional and national news. Failure to do so will mean a collapse in the production infrastructure currently provided by ITN for both ITV and

Channel 4. Both broadcasters benefit from the shared efficiencies of sourcing news from a single supplier. ITV's presence in the nations and regions provides Channel 4 with access to newsgathering resource around the UK, which in turn enhances the quality and range of the Channel 4 news service as a whole. A retreat in terms of the amount of newsgathering in the nations and regions by ITV would potentially therefore have a knock-on impact on the quality and range of newsgathering resource available to ITN's other customers including *Channel 4 News*.

The level of information provided in this review is insufficient to comment in any detail on ITV's proposal beyond highlighting that any future model of delivery of regional news should aim to achieve the following:

- Plurality of provision against the BBC
- Minimal negative impact on viewers, including maintaining reach and impact
- Sustainability of plural supply
- No dilution in the effectiveness of the regional news gathering infrastructure

This is clearly an issue which requires further discussion but decisions must be made and acted upon quickly given Ofcom's analysis of when the costs of key ITV regional licences will begin to outstrip the benefits.

<p><b>Section 10: Prospects for children's programming</b> <b>Do you agree with our assessment of the possible short-term options available relating to children's programming; are there any other options available?</b></p>
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Channel 4 recognises the challenges facing the provision of original UK-produced children's programming. In particular, Channel 4 notes the concerns raised in Ofcom's report on the Future of Children's Programming about the provision of programming for older children (9-12 year olds), who do not have access to a wide range of high-quality and original UK programming, and young teenagers (13-15 year olds), who find that they rely on programming aimed at younger children or on general adult output.

In addition, Channel 4 also notes that Ofcom's research demonstrates that parents believe that plurality of provision should play a key role in delivering public service content to children. Given current trends, plurality is clearly under threat in this area. While the BBC provides a large amount of high-quality children's programming, it would be undesirable for it to become the monopoly provider of this type of content in future.

Channel 4 therefore agrees that action must be taken in the short-term to ensure the continued delivery of children's programming, and agrees with Ofcom's assessment of the possible short-term options available.

However, only two of the three options identified—extending Channel 4's provision and exploring a greater role for S4C—will achieve the objective of ensuring plurality in the provision of original children's programming. S4C has set out plans to increase investment in children's programming in future, and Channel 4 has announced a new pilot fund for programming for 10-16 year olds. Channel 4 is well placed to provide children's content as it has a particular appeal to younger viewers, built on programmes such as *Hollyoaks*, the T4 strand and digital channel E4. Channel 4 also has a tradition of providing schools programmes aimed at 14-19 year olds and remains committed to fulfilling its licence obligations in this area. As Channel 4's brand resonates strongly with younger viewers, built on a reputation for authenticity

and for being outside the establishment, this puts the channel in an excellent position to provide programming that will appeal to older children.

Channel 4 is seeking to develop this relationship with young audiences to address the gap in the market identified by Ofcom for originated television aimed at older children. In *Next on 4*, the channel committed to establishing a new pilot fund of £10 million over the next two years dedicated to programming for older children (10–16 year olds) that will appear across the 4-network. Channel 4 has invited proposals from independent producers for this fund, with a view to commissioning a small number of large projects, including at least one drama project. Some projects will have a strong presence on the core channel, but will also embrace interactive media.

Channel 4 has the ambition to make older children's television a core part of its public service role in future. The channel hopes that the children's pilot fund will help make the case for the provision of sustained public support in future, which would enable Channel 4 to meet this ambition. While the fund is currently financed from reprioritisation within existing budgets, it does require incremental ongoing support if Channel 4 is to continue with it in the medium- to long-term and provide plurality in the provision of children's programming.

In future, Channel 4 believes that new platforms will be vital to the provision of content for children. For example, while the children's pilot fund will include projects that have a strong presence on the core channel, it will also embrace interactive media. Through 4IP, Channel 4 will continue to explore projects that offer content for children on digital media platforms.

**Section 11. Timetable for implementing a new model**

**Do you agree that new legislation will need to be in place by 2011 in order to ensure continued delivery of the public purposes in the medium and long term?**

Channel 4 welcomes Ofcom's commitment to new legislation. It is the first time the need for change has been formally recognised and we fully support the move. However, Channel 4 would urge Ofcom to press the Government to legislate earlier than 2011. We believe that a new legislative and funding model is **urgently** needed in order to underpin non-BBC public service broadcasting as a whole and to ensure the delivery of public purposes in future.

Channel 4 will come under significant pressure well before 2011. Indeed, evidence of the pressures facing commercially-funded public service broadcasters is already being seen. Specifically in the case of Channel 4, in 2007, the core channel made a loss of £8 million (its first loss in 15 years) and as a result Channel 4 has had to make tough choices in deciding how to deliver on its public service remit, having already cut back on investment in original content in real terms. Channel 4 has protected the core channel's peak time schedule, but the harsh economic climate has forced the channel to reduce investment in other areas. For example, the channel has stopped commissioning content for early evening on Saturdays, which has traditionally shown specialist factual programming.

Equally, Ofcom's analysis of the pressures in Scotland shows the costs of the PSB obligations of the ITV1 licenses are likely to exceed the benefits of PSB status from around 2010. Action to address this issue in 2011 would clearly appear to be too late for Scotland.

There is therefore a need for greater urgency and an acceleration of the policy and legislative process. Channel 4 is under immediate pressure to cut back on its public service delivery, and this is likely to intensify over time. We also note Ofcom's view, expressed in the Phase 1 document of the PSB review, that Channel 4 will face increasing challenges in meeting its existing remit after 2010.

Our preference would be for new legislation to be in place by the end of 2009. This would reduce the current levels of uncertainty faced by all the commercial public service broadcasters, maintain continuity in the public service broadcasting system and prevent dramatic reductions in investment in original UK content. We believe this is a challenging, but achievable, goal.

Ofcom's review process should be in a position to report by January of next year, as should the Government's Convergence Think Tank (CTT), allowing the Government to produce a White Paper in the Spring and move to new legislation by the end of 2009. Our preliminary review of the existing Communications legislation suggests that there are some measures that can be taken without the need for legislative change and these are therefore worth looking at earlier. The legislative changes that may be necessary (depending on the model opted for) could build upon the work that Ofcom has already completed in producing the public service purposes as well as enshrining in legislation the principle of institutions delivering these purposes through a range of platforms and delivery mechanisms that maximise impact.

**June 2008**