

CONSTITUTION, EUROPE, EXTERNAL AFFAIRS AND CULTURE COMMITTEE

17th Meeting, 2022, Session 6

23 June 2022

Channel 4

1. The Committee is taking evidence on the role of Channel 4 in supporting the screen sector in Scotland within the context of the UK Government's plans to privatise and change the operating model for Chanel 4, which it set out in its white paper published in April 2022.
2. SPICe have prepared a briefing at **Annexe A**.
3. Members can also find submissions from [PACT](#), [Screen Scotland](#) and [Firecrest Films](#) at **Annexe B**.
4. A further paper, from [Channel 4](#) itself, will be circulated in due course.

**CEEAC Committee Clerks
June 2022**

The logo for SPICe, featuring the letters 'SPICe' in a white, sans-serif font on a dark purple background.

The Information Centre
An t-Ionad Fiosrachaidh

Constitution, Europe, External Affairs and Culture Committee

23 June 2022

Channel 4

Introduction

This paper is to support the Committee during an evidence session on Channel 4. The Committee will be exploring the role of Channel 4 in supporting the screen sector in Scotland.

The Committee will be taking evidence from two panels—

- David Smith, Screen Scotland
- John McVay, PACT
- Nicole Kleeman, Firecrest Films

And then from—

- Alex Mahon, Chief Executive
- Jo Street, Head of Daytime and Features and Head of Glasgow Hub
- Emily Davidson, Head of Policy and Public Affairs, all Channel 4

The context of this session is the UK Government's plans to privatise and change the operating model for Channel 4, which it set out in its white paper, [Up Next](#) published in April 2022. It also published more detailed rationale for its proposals [for Channel 4](#).

Broadcasting and the operating model of Channel 4 is reserved; however, the media industry and the screen sector are largely devolved. The purpose of the session is to explore the potential knock-on effects of the UK Government's proposals on the screen sector in Scotland. The two key proposals are that Channel 4 be privatised

but remain a public service broadcaster; and that the restriction on Channel 4 as a publisher-broadcaster be removed.

This paper is in three subsequent parts. The first part sets the scene about Channel 4, the second looks at the activities of Channel 4 in Scotland, and the third sets out the UK government's proposals and explores some of the ensuing debates.

Channel 4

Channel 4 is a publicly owned, non-profit organisation that invests its income back into commissioning content. It receives no public money and is funded entirely through its commercial activity. According to its [2020 Annual Report](#), Channel 4 had a "record financial surplus of £74 million". Its revenues were "resilient" and were down only 5% on 2019. The report also noted that Channel 4's "model enables us to adapt quickly to how our environment is changing and respond to market challenges head-on".

Channel 4 is a public service broadcaster (PSB). The public service remit of Channel 4 is set out in section 265(3) of the Communications Act 2003 and requires "the provision of a broad range of high quality and diverse programming which, in particular –

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

Like other PSBs, Channel 4 is subject to licence conditions. Ofcom set out the broadcaster's regulatory framework in a [briefing published in September](#). It describes the specific regulatory requirements on C4. These include—

"The current Channel 4 licence requires at least 35% of the hours of programming to be made in the UK outside London, and for 35% of the spend on programme making to be in the UK outside London. Within this, 9% of programme hours and 9% of programme spend should be made outside England."

And—

"Known as its "publisher-broadcaster" status, C4C is prohibited under the Channel 4 licence from being involved in the making of programmes for the Channel 4 service, except to such extent as Ofcom may from time to time allow. There is no such prohibition in the licences for Channel 3 services or the Channel 5 service."

Ofcom’s paper also discussed the performance of C4. It said—

“Our reviews have concluded that C4C has largely met its remit and media content duties between 2014 and 2020. Every year we have found it showed a broad range of high-quality programmes reflecting the UK’s diversity, with respondents to our audience surveys consistently rating Channel 4 more highly than other PSB services in taking creative risks, as well as in tackling issues that other broadcasters would not, and enabling alternative voices to be heard.

“Audiences also place significant value on its news and current affairs output as a trusted and independent take on national and international events.

“We consider that C4C has successfully innovated online as it continues to seek ways to maximise the reach and impact of its content.

“Channel 4 has also met or exceeded its annual quotas for production spend and hours in the nations and regions, and has provided targeted support to producers around the UK which has helped develop their skills and scale. We consider that successful implementation of the ‘4 All the UK’ relocation programme should bolster its investment and representation outside London and strengthen its relationships with producers throughout the UK.

“We have also identified some recurring concerns. Over the last five years, C4C has not shown as many new and one-off programmes on screen as the previous five-year reporting period. While popular returning series are important to attract audiences it is equally important that C4C continues to experiment and take risks with new content.

“There have also been declines in the overall number of producers supplying C4C and, in more recent years, the number of producers new to C4C. Whilst this is in part explained by industry consolidation, sourcing content from a diverse range of producers is core to C4C’s remit.”

Channel 4’s ‘vision’ is to—

- Represent unheard voices
- Challenge with purpose
- Reinvent entertainment

Its [2020 Annual Report](#) sets out a number of strategies or areas of work to support this vision.

The [Future4 strategy](#) is an “ambitious and comprehensive plan to transform Channel 4 into a digital PSB that retains its distinctive brand and public service impact”. This includes a move to prioritising growth on digital platforms over linear TV, it also seeks to make the service more viewer-centric, to diversify income streams and to “focus on strategic partnerships”. It is not clear if there is a Scotland-specific

element to this, in terms of engaging with Scottish audiences or creating partnerships.

In 2020, Channel 4 launched 4Skills. Channel 4 offers a range of opportunities for individuals to begin their career in the industry. This includes an apprenticeship scheme working directly for Channel 4; it is not clear whether the apprenticeships in Scotland would be through [Scottish apprenticeships](#). The Production Training Scheme provides placements at production companies; the [current opportunities include two places](#) at companies based in Glasgow. Channel 4 currently advertises a number of learning opportunities – some of these are geographically specific, e.g. the [current TV Drama New Writers Scheme](#) is specifically for those living and working in the West or South West of England.

Channel 4 has a number of funds which invest and take a share in production companies. The [Indie Growth Fund was launched in 2014](#). Its purpose is to help grow early-stage production companies and to create commercial returns for Channel 4. The current portfolio contains 16 companies including two Scotland-based companies: Firecrest Films and Two Rivers Media. Firecrest Film's submission to the Committee commented on its relationship with Channel 4 and the Indie Growth Fund—

“This new relationship supercharged the company, allowing us to expand our creative team and diversify further. It is much more than a financial investment in our business – the IGF provide management and commercial advice, mentoring, and strategic development which has been invaluable, putting us in touch with industry giants and creative leaders who have grown their own businesses successfully.

“In the first year after investment our turnover trebled to £3m, growing again to £4m in the following year. In 2018, the company was named the fastest growing independent production company outside London.”

The [Emerging Indie Fund](#), was launched in 2020 and is aimed at helping small, new or emerging independent production companies outside of London. This fund provides “slate [i.e. several items] development funding to help them develop programme ideas, and will have a direct relationship with a relevant commissioning editor, who will meet with the indie on a regular basis to discuss their slate”. Glasgow-based Black Camel studios was one of the 12 beneficiaries in 2021 and Flabbergast TV, also based in Glasgow, received a discretionary award. The [Global Format Fund](#) was also launched in 2020 and is aimed at supporting productions with the potential for global reach.

There are four live commissioning briefs. These are—

- [Channel 4 and Motion Content Group Diverse Indies Fund](#)
- [Contestable Pot](#)
- [Channel 4 Climate Emergency Brief](#)
- [Channel 4 Global Format Fund](#)

In 2018, Channel 4 [launched its 4 All the UK](#) strategy. This had four aims—

- Channel 4’s Nations & Regions content spend to significantly increase, from 35% to 50% of main channel UK commissions, by 2023 – over £250m more in total
- A National HQ will be established outside London alongside two new smaller creative hubs in the Nations & Regions in 2019, home to 300 Channel 4 jobs including key creative decision makers – with the intention to grow over time
- Significant increase to Channel 4 regional representation with new studio and new Channel 4 News bureaux in Nations & Regions
- Channel 4 to reduce London footprint with space in Horseferry Road office made available to Nations & Regions production companies doing business in the capital

Channel 4 has chosen Leeds to become its new national HQ and Glasgow was chosen as a location for a creative hub.

Channel 4 in Scotland

Channel 4’s [4 All the UK](#) strategy has committed the organisation to increasing its spend on “creative content in the Nations and Regions – from 35% to 50% of main channel UK commissions by 2023, worth up to £250 million more in total.” It has established a Creative Hub in Glasgow. On [announcing this move in 2019](#), Channel 4 said—

“The new Creative Hub in Glasgow will be a home for key creative decision makers supporting Channel 4’s relationships with the production sector, particularly focused on genres with strengths in Scotland and Northern Ireland.

“Commissioning departments represented in the new Creative Hub in Glasgow will include: Entertainment & Live Events, Factual, News & Current Affairs and Popular Factual. It will also continue to be the base of the Nations & Regions Creative Diversity team – and will also have additional supporting operational roles.”

Ofcom’s Media Nations report gives the proportion of network spend on qualifying productions in Scotland by PSB. The table below has been taken from the 2021 report.

Figure 22: Proportion of qualifying network production in Scotland, by PSB: 2016-2020

		2016	2017	2018	2019	2020
BBC	Spend (%)	10.3	9.1	10.4	9.1	6.5
	Hours (%)	16.6	16.3	16.7	15.1	15.3
ITV	Spend (%)	0.02	0.9	0	0.4	0.8
	Hours (%)	0.03	0.2	0	0.2	0.3
Channel 4	Spend (%)	5.2	6.8	3.3	4.5	6.1
	Hours (%)	6.3	8.7	4.8	6.1	5.6
Channel 5	Spend (%)	0.2	0.5	0.7	2.4	3.8
	Hours (%)	0.1	0.6	0.3	1.1	1.6

Source: Ofcom/broadcasters

In a [letter to the Scottish Affairs Committee](#), Channel Four stated—

“Channel 4 also invests more in independent production companies outside London than any other broadcaster, including the BBC. O&O research shows Channel 4 spent the most, £171m, with independent companies in the Nations and Regions. This comfortably out invested the BBC (£144m) and ITV (£77m).

...

“Our new offices are helping us to develop relationships with new suppliers across the UK, with commissioners on the ground in locations across the country for the first time and our biggest commissioning department now based in Scotland.”

Channel 4 has undertaken joint projects with Screen Scotland in recent years, for example a jointly funded [call for factual programme ideas in October 2020](#). More recently, [a strategic development and pilot production initiative for entertainment shows to be produced by Scottish independent producers](#).

[Screen Scotland’s submission to the Committee highlighted joint activities between it and Channel 4 in Scotland. These included funding TRC Media which provides training and development courses.](#)

Work had been progressing on a Memorandum of Understanding between Channel 4 and Screen Scotland. A letter from [Isabel Davis to the Culture, Tourism, Europe and External Affairs Committee in May 2020](#) stated—

“The Memorandum of Understanding between Channel 4 and Screen Scotland remains under discussion and both parties have now agreed to work towards signature in August, 2020.

“The process of negotiation has been subject to delay due to the Covid19 outbreak. I can share with the Committee that negotiations around the MOU with Channel 4 have focussed on the following areas:

- Skills/talent development with a particular eye for diversity;
- Business development with an eye towards both growth in turn-over and sustainability; and
- Market development, to ensure there is a market for the content developed by the talented individuals and companies we invest our efforts/funding in.”

As yet, there does not appear to have been an MoU agreed.

Consumption of Channel 4 in Scotland

Ofcom’s annual Media Nations reports examine key trends in the media sector and set out how audiences are served in the UK – this includes nation-specific reports.

The [2021 Scotland report](#) found that in 2020, Channel 4 main channel’s percentage share of the total TV audience was 4.7%. This was a little lower than the UK as a whole, which was 5.0%.(p15) In terms of the broadcasters’ on demand services, the report stated (referring to 2020)—

“The broadcaster video-on-demand (BVoD) players from the BBC, STV, ITV, Channel 4 and Channel 5 are also proving popular with viewers. The most popular, the BBC iPlayer, was watched in more than six in ten Scottish homes (61%). The STV Player (50%) was the next most popular BVoD player, followed by All4 (40%) and My5 (21%).” (p7)

The [2021 Scotland report](#) referred to its Ofcom News Consumption Survey 2021 which found that Channel 4 News was the ninth most used source for news in Scotland.

UK Government Proposals

This section sets out the UK Government proposals for a change of ownership at Channel 4. For more a more detailed briefing, members may wish to note that the [House of Commons’ Library has published a short briefing](#) on this topic.

On 6 July 2021, the Government launched a [consultation](#) on the future of Channel 4. In a Written Ministerial Statement, Oliver Dowden, the then Secretary of State for Digital, Culture, Media and Sport, gave this context:

“Since its creation almost 40 years ago by a Conservative Government, Channel 4 has delivered on its remit, aims and objectives. But, in that time, the broadcasting landscape has changed beyond recognition, and continues to change apace. Increased global competition, changing audience habits, the decline of linear advertising revenue and a wave of consolidation in the sector all pose challenges. The consultation therefore asks for views and evidence on what ownership model and remit will best support Channel 4 to thrive for another 40 years and beyond.”

The consultation, which closed on 14 September 2021, formed part of the Government's wider review of public service broadcasting (PSB), alongside [Ofcom's PSB review](#).

On 4 April, it was reported that the UK Government are intending to privatise Channel 4. The Secretary of State for Digital, Culture, Media and Sport, Nadine Dorries MP [said on her twitter feed on 4 April](#)—

“Channel 4 rightly holds a cherished place in British life and I want that to remain the case. I have come to the conclusion that government ownership is holding Channel 4 back from competing against streaming giants like Netflix and Amazon.

“A change of ownership will give Channel 4 the tools and freedom to flourish and thrive as a public service broadcaster long into the future. I will set out the future plan for Channel 4 in a White Paper in due course.

“I will seek to reinvest the proceeds of the sale into levelling up the creative sector, putting money into independent production and creative skills in priority parts of the country - delivering a creative dividend for all.”

[Channel 4's response stated](#)—

“With over 60,000 submissions to the Government's public consultation, it is disappointing that today's announcement has been made without formally recognising the significant public interest concerns which have been raised.

“Channel 4 has engaged in good faith with the Government throughout the consultation process, demonstrating how it can continue to commission much-loved programmes from the independent sector across the UK that represent and celebrate every aspect of British life as well as increase its contribution to society, while maintaining ownership by the public.

“Recently, Channel 4 presented DCMS with a real alternative to privatisation that would safeguard its future financial stability, allowing it to do significantly more for the British public, the creative industries and the economy, particularly outside London. This is particularly important given that the organisation is only 2 years into a significant commitment to drive up its impact in the UK's Nations and Regions.”

The subsequent White Paper, [Up Next The Government's vision for the broadcasting sector](#), covered a broad range of issues. In relation to Channel 4, it set out the UK Government's plan to privatise the broadcaster. It also stated it would remove the publisher-broadcaster restriction on Channel 4 and this would be replaced with minimum quotas for commissioning independent productions. The White Paper stated that a privatised Channel 4 would retain its “distinctive voice”. It said—

“This will include retaining its remit to provide distinctive, educational, innovative and experimental programming that represents the breadth of society. It will also include equivalent obligations for news and current affairs

provision, to show original programmes, and to continue to make programmes outside London and across the UK.” (p20)

On 28 April, the UK Government also published a [Decision rationale and sale impact analysis for a change of ownership of Channel 4](#). This stated—

“With the broadcasting sector continuing to evolve at pace, now is the right time to act to ensure the long-term sustainability of C4C and future-proof its economic and social contributions across the UK. The decision to privatise C4C could potentially have impacts on three main areas: C4C’s sustainability; the delivery of C4C’s remit, and the independent production sector.”

The rationale highlighted the changing market in broadcasting, the pressures on advertising revenue and the cost pressures for production. As a publisher-broadcaster, Channel 4 does not own the intellectual property rights to the shows it commissions. UK Government stated—

“Investing in producing and owning content has been used by most broadcasters as a key way to reduce reliance on advertising revenue. Unlike other broadcasters, C4C’s publisher-broadcaster status prohibits it from being involved in the making of programmes to be broadcast as part of the C4C service without first seeking regulatory approval. This publisher-broadcaster restriction largely precludes it from using intellectual property ownership as a form of revenue diversification.”

The Government intends Channel 4 to remain a public service broadcaster and anticipates removing the publisher-broadcaster restriction “and set C4C’s independent production quota in line with other PSBs”. The UK government argued that the distinctive nature of Channel 4 would likely be seen as an asset to any potential buyer, including the commitment to diversity and the links with independent producers. It also pointed to other privately owned PSBs out of London spend (particularly in English regions) and argued that Channel 4 under private ownership would not have less of an incentive to continue to invest in the nations and regions. As a public service broadcaster, a privatised Channel 4 would likely to have license conditions in respect of commissioning independent productions and spend outside of London. At this stage what these would be is unclear. Currently the license conditions covering out-of-London network hours/spend differ for different PSB broadcasters: the BBC’s out-of-London quota includes a specific Scotland target; Chanel 4’s includes an out -of-England element; ITV and Channel 5’s out-of-London quotas do not include targets for nations. Screen Scotland’s submission stated—

“From Scotland’s perspective [[Ofcom’s Made Outside of London title register](#)] provides clear evidence that the publicly owned Public Service Broadcasters (PSBs), specifically Channel 4 and the BBC, regularly work with Scottish producers while the privately owned PSBs do not to anything like the same extent.”

The UK Government’s rationale noted that Channel 4 is statutorily restricted in how much it can borrow to £200m – Channel 4 borrowing is considered public sector debt. The Government expects that a private company would have greater access

to capital and investment. A privately owned Channel 4 would remove any financial risk being borne by public finances. The UK Government also stated—

“The government will look to use some of the proceeds from the sale of Channel 4 to deliver a new creative dividend for the sector. The government will also consider funding for the creative industries in the round at the next Spending Review.”

[PACT opposed the suggested privatisation](#) and a joint letter from [entertainment unions issued on 13 June](#) expressed strong opposition to the sale. PACT’s submission to the Committee referenced an economic assessment it had commissioned which estimated that the independent sector in the UK could lose £4.2 billion of investment by 2032 as a result of the proposals for Channel 4.

[The Cabinet Secretary for Constitution, External Affairs and Culture wrote to Nadine Dorries MP on 26 May 2022](#) in relation to the White Paper. This letter stated—

“It is my committed belief that privatising Channel 4 will damage its current remit to deliver new and experimental programmes, and to reach and represent diverse audiences. Your White Paper notes that other PSBs (ITV, STV, and Channel 5) are already privately owned and are successful. While I agree that these broadcasters offer their own valuable contributions to the wider PSB landscape, this only strengthens the case for maintaining Channel 4’s current public ownership model – it occupies a unique position that allows it to make exciting programming decisions, and invest in distinct talent and content that may well be considered too high-risk for a private company that would, first and foremost, be beholden to its shareholders.

“Further, the White Paper is clear that a privatised Channel 4 would be in a position to move away from its current publisher-broadcaster model, and be able to pursue in-house production. As I have said before, the Scottish Government, taking into account the advice of industry experts, is clear that this is likely to have a serious adverse impact on independent production companies across the UK, including in Scotland. The White Paper acknowledges the significant growth in independent production in recent years, and I am clear that any proposed reform to Channel 4’s ownership must prioritise how this valuable growth can be protected and enhanced. Changing Channel 4’s model just as we are seeing the benefits from it seems to be entirely the wrong approach.”

Ned Sharratt, Senior Researcher (Education, Culture), SPICe Research

20 June 2022

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area. The Scottish Parliament, Edinburgh, EH99 1SP www.parliament.scot

Pact Briefing for Constitution, Europe, External Affairs and Culture Committee on Channel 4 and the indie sector in Scotland

Overview

- 1.1 Pact is the UK trade association which represents and promotes the commercial interests of independent feature film, television, digital, children's and animation media companies. We currently have over 800 members based across the UK, with around 59 companies based in Scotland. Pact members make programmes for a range of UK Public Service Broadcasters, UK commercial broadcasters, and SVODs, including Netflix.
- 1.2 The Scottish independent production sector is in a strong position with 5% of commissioning spend coming from Scotland and 7% of the production workforce being based in Scotland in 2020.¹ Glasgow is one of the larger production hubs outside of London and many popular programmes such as *Escape to The Chateau*, *Supershoppers* and *Kirstie and Phil's Love it or List It* are all produced in Scotland by local production companies.
- 1.3 Channel 4 is a key investor in the Nations and Regions. In 2019, Channel 4 contributed £992m to the UK economy including £274m to the regional economy representing 30% of Channel 4's indirect and induced GVA contribution to the UK. This supported around 10,600 jobs across the UK in 2019, of which nearly 3,000 related to jobs supported by Channel 4 in the Nations and Regions.²
- 1.4 The Government's proposals for the future of Channel 4 contained within the Broadcasting White Paper will do damage to the independent production sector across the UK, impact jobs, and limit opportunities for the next generation of creative talent. Pact commissioned independent economic consultancy, Oliver & Ohlbaum Associates (O&O) to undertake an assessment of DCMS's proposals for Channel 4.³ Which found that the Government's proposals would lead to £4.2 billion of lost investment by 2032, an increase from the £3.7 billion we had originally estimated in 2021. This lost investment would not only have an impact on the UK's production sector, but also the wider creative economy.

Channel 4 and the Scottish Indie Sector

- 2.1 Channel 4 is an important investor in the Nations and Regions. Many production companies based outside of London rely on commissions from the UK PSBs, particularly Channel 4. Over the last 8 years Channel 4 has spent around £144m on content from Scotland by commissioning programmes such as *Location Location Location*, and *Fifteen to One*. It's long running series such as these which allow producers to build sustainable businesses of scale and invest in areas such as training and the research and development of new ideas.

¹ Pact Census Independent Production Sector Financial Census and Survey 2021, by Oliver & Ohlbaum Associates Limited

² IBID

³ O&O Assessment of DCMS's Channel 4 Privatisation Proposals: Remit and Regulation, O&O, May 2022

2.2 Channel 4 still commissions more programmes from small production companies than the other the PSBs between 2015 – 2016.⁴ This has enabled generations of creative entrepreneurs and small innovative start-ups to break into the UK broadcasting market and grow their businesses, initially working for Channel 4 and then supplying other broadcasters. Every year, Channel 4 commissions content for the first time from around 15 independent production companies. Which then go on to become successful businesses with further commissions from other broadcasters.

2.3 In a conversation with a Pact member based in Glasgow, *Finestripe Productions*, they told us how important Channel 4 has been to their business and the growth of the wider indie community in Scotland. Finestripe's first commission was for Channel 4, *Bank of Dave*, which is currently being made into a film for Netflix. They told us that without this Channel 4 commission, it would be unlikely they would be making a film for Netflix. Channel 4 has a commitment to taking risks, innovation, and diversity and it's this commitment that has helped indies like *Finestripe Productions* build a successful local business.

Government's Proposals for the Future of Channel 4

3.1 In April 2022, the Government published their Broadcasting White Paper, which sets out their future vision for the wider UK broadcasting ecology. It also details the Government's proposals for the future of Channel 4, which include:

- Removing Channel 4's publisher broadcaster status and applying the minimum 25% independent production quota to the main channel.
- Reducing Channel 4's voluntarily 50% commissioning spend in the Nations and Regions and instead applying the minimum 35% quota.
- No protection for Film4's investment in UK independent film, which is currently £25 million a year.
- No protection for Channel 4's commitment to training and skills.

3.2 Currently 100% of Channel 4's hours go to external production companies. This helps to ensure a wide range of high-quality programming from a range of suppliers across the UK. Under a new owner, Channel 4 would be free to commission 75% of qualifying hours from any future in-house studio or broadcaster-owned studio (such as ITV Studios, Paramount Studios). This move to 75% in-house is a transfer of value away from British SMEs to large profit driven corporations. New owners would seek to maximise profits back to shareholders and invest in their own IP rather than take the risk of commissioning a small start-up indie looking to break into the industry. Reducing the independent production quota to only 25% will result in a loss of jobs, investment and opportunities for SMEs who are just starting out.

3.3 To enable Channel 4 to make and own its own programmes, new owners would need to free up commissioning slots for its own production arm, which would mean cancelling a range of productions. Channel 4 may also have to scale back on programme investment, production is a hit driven business and hits are not a guarantee. BBC Studios and ITV Studios have an advantage with a substantial

⁴ Channel 4's impact on the UK's International Competitiveness and Global Profile, O&O Associates, p18 2021

back catalogue of IP, it would take Channel 4 many years to build a catalogue similar to its competitors. This would be at the expense of the independent production sector.

Constitution, Europe, External Affairs and Culture Committee

Evidence Session 23.06.22 – Channel 4

Submission provided by [Screen Scotland](#), part of [Creative Scotland](#).

Screen Scotland is the national body that drives development of all aspects of Scotland's film and television industries, through funding and strategic support. Screen Scotland is part of Creative Scotland and delivers these services and support with funding from Scottish Government and The National Lottery.

Summary

Screen Scotland has seen no evidence to suggest that Scotland would be advantaged by any change in the status of Channel 4. Nor has Screen Scotland seen any evidence that C4 would be more sustainable in private ownership.

There is no evidence that C4 would be better placed to deliver sustainably against the UK Government's aims for public service broadcasting if it were outside public ownership, nor is there evidence that any change in status would contribute positively to any levelling up agenda.

The current practice of privately owned PSBs in the UK is that they work with few suppliers, concentrate on commissioning content from internal production units, and do not operate to any significant extent outside of England.

By contrast the publicly owned PSBs – the BBC and Channel 4 - represent the core source of demand, financing and commissioning of TV programmes and documentary films made by Scotland-based producers.

Screen Scotland's evidence indicates that the Scottish economy would likely be impacted negatively by any sale of Channel 4 to a private owner, that production companies in Scotland would be at risk of job losses and business failure as a consequence of such a sale.

Privately Owned PSBs and Scotland

There are legitimate concerns that any sale of Channel 4 to a private owner would result in fewer commissions for independent production companies based in Scotland. It is likely that such a sale would see the new private owner concentrate commissioning activities internally, buying content primarily from production companies it owns. This would lead to job losses in the Scottish sector and potentially to the failure of some of our key production companies, who currently focus their efforts on C4.

Channel 4 currently commissions original programmes across its schedule, and across a range of genres, from producers based within Scotland. Tern TV, Mentorn Media, Firecrest, IWC Media, Remedy, Raise the Roof, STV Studios, Red Sky and Two Rivers Media are all regular suppliers of programmes and series to the Channel from Scotland.

Details of all TV content commissioned "outside of London" are published each year by Ofcom. The most recently published Ofcom "Made Outside of London" title

register was published in August 2021, covering 2020 (https://www.ofcom.org.uk/data/assets/pdf_file/0021/222861/made-outside-london-programme-title-register-2020.pdf). From Scotland's perspective this Register provides clear evidence that the publicly owned Public Service Broadcasters (PSBs), specifically Channel 4 and the BBC, regularly work with Scottish producers while the privately owned PSBs do not to anything like the same extent.

ITV is a privately owned PSB. It is recognised as one of the potential buyers for C4. ITV is one of the UK's two Channel 3 licensees. The ITV schedule is the dominant Channel 3 schedule across the UK, with STV "opting out" of that schedule to provide local C3 services in Scotland. Though it does not hold the C3 licence for Scotland, ITV content is transmitted across the UK as a result of this "opt out" model.

According to Ofcom's data, ITV commissioned just two titles from Scotland across 2020: *Catchphrase Celebrity Special*, and *The Masked Singer*.

While only two ITV commissions in 2020 came from Scotland, 68% of ITV's television output was produced by one company, ITV Studios.

According to trade paper, [Broadcast](#), "Since ITV has focused efforts on growing [ITV Studios](#), the proportion of programmes produced in-house has grown steadily and now accounts for 68% of output, only a few [percentage points] below its 75% cap." ([Channel 4's potential bidders assessed | News | Broadcast](#) (broadcastnow.co.uk)).

On the evidence of how privately owned ITV currently operates, it is unlikely that a privately owned C4 would result in more being spent in Scotland on original commissions, less is likely to be spent. Nor, based on the evidence of ITV's commissioning strategy, is it likely that C4 would continue to commission in volume from independent producers. Levelling up would, on the evidence of how privately owned ITV operates, be frustrated and independent production companies that currently supply C4 would be at risk of business failure.

C4 successfully contributes to the UK's levelling up agenda because it is a publisher broadcaster (meaning it commissions programmes, it does not produce them), because it has quotas within its remit that require it to commission from across the UK and from independent suppliers, because its commissioners live and work in London, Glasgow, Bristol and Leeds, and because it has spent years working with key suppliers based across the UK to develop their capacity.

Publicly Owned PSBs Contribute to the Scottish Economy⁵

The publicly owned PSBs (the BBC and C4) represent the core source of demand, financing and commissioning of TV programmes and documentary films made by Scotland-based producers. This evidenced by a new report Screen Scotland commissioned from Saffery Champness and Nordicity, *The Economic Value of the Screen Sector in Scotland* (published 23rd June, 2022).

⁵ This paragraph was left out of the paper as originally appeared online due to the timing of the publication of the Committee's papers three days before Screen Scotland's report was published.

This report looks at 2019 (a follow-up examination of 2021 is currently underway) and it finds that in that year the BBC and C4 were core to the financing and commissioning of television programmes and many films made by Scotland-based producers.

PSBs as a whole spent an estimated £196million on content production in Scotland in 2019. They generated a further £61million of economic impact in Scotland through their operating expenditures, such as transmission, sales and marketing, administration and other overheads. This provided a combined Gross Operating Expenditure in Scotland of £257million in 2019.

Between them the BBC television services and C4 accounted for 87% of all PSB expenditure in Scotland in 2019 (12% from C4).

Privately owned ITV accounted for just 1% of all PSB Gross Operating Expenditure in Scotland in 2019.

Screen Scotland and Channel 4

Screen Scotland works with Channel 4 to develop production companies from Scotland and to provide skills and talent training in Scotland.

Recent Screen Scotland/C4 joint activity includes:

Entertainment Pilot Production Initiative – Channel 4 and Screen Scotland are working with Scotland based independent production companies to develop five original format ideas, one of which will be commissioned as a one hour special for Christmas 2022, which a maximum “tariff” (budget) of £250,000. This intervention is designed to expand entertainment production from Scotland in the context of Kevin Hall opening as a TV production studio in Autumn 2022.

Indielab 2022 – Channel 4 and Screen Scotland are among the funders of Indielab, a business development initiative for independent production companies. Scottish companies selected to participate in the 2022 programme of events are Montrose Pictures, Oxford Films Glasgow, and Leith based Studio Something.

TRC Media – Screen Scotland, alongside Channel 4 and the BBC are the major funders of TRC Media. From its Glasgow base TRC is a leading provider of training courses and business development work across the UK’s nations and regions including: FormatLab, Factual Fast Track, Supersizer and RAD.

- RAD - rad is a paid eight-month traineeship within a Scottish independent television production company which includes full training throughout the placement. The programme is aimed at those who are underrepresented in the TV industry: those either with a disability, from black, Asian or ethnic minority communities or from disadvantaged backgrounds.
- FormatLab is a training programme that aims to create the next wave of entertainment development talent for Scotland. Previous experience in the television industry is welcome but not required. Participants take part in a nine month traineeship which includes top flight industry training, expert mentoring

from industry professionals and a fully paid production placement. FormatLab is funded by Screen Scotland, BBC, Channel 4 and Glasgow City Council.

- SuperSizer is a professional development programme for ambitious development executives based in the Nations and Regions who want to win high value commissions. First launched in 2017, it equips development executives who produce factual, factual entertainment or specialist factual programmes with the skills, knowledge, and connections to create bold, inspiring ideas and formats that have the potential to scale and return and transform indies in the Nations and Regions.
- Factual Fast Track is a reputation-building programme which fast tracks established producers for larger scale and bigger budget productions on the UK networks by raising their profiles, extending their skills and experience, and expanding their networks so they become business winning Series Producers and Executive Producers for Scotland and Northern Ireland. Funded by BBC, Channel 4, Screen Scotland and Northern Ireland Screen.

While the publicly owned PSBs – the BBC and C4 – regularly fund and participate in these development programmes neither ITV or Channel 5 (the privately owned PSBs) have done so in Scotland since the formation of Screen Scotland in 2018.

Recent jointly funded C4/Screen Scotland productions include:

Screw, Series 1 - a 6x60' drama from STV Studios, by BAFTA nominated writer Rob Williams. Prison set drama filmed entirely in Scotland, with a purpose built prison set constructed within Kelvin Hall.

Rescue: Extreme Medics – 5x60' documentary series from Glasgow's Firecrest Films following the work of the Scottish Trauma Network as it answers emergency calls spread across 30,000 square miles of land, some of which is extremely challenging.

What Killed the Whale – 1x90' specialist factual documentary from STV Studios following Biologist Ella Al-Shamahi investigates the rise in whale strandings along the UK coastline, joining the team performing an autopsy on a 40-foot sei whale washed up near Edinburgh.

Scotland: My Life in the Wild – 1x60' documentary from Hello Halo.

The Ardnamurchan peninsula on the west coast of Scotland is one of the most spectacular wildlife locations on the planet. This film follows wildlife cameraman Hamza Yassin as he endeavours to capture iconic species like red deer, pine martens, white tailed sea eagles and puffins that live on his doorstep.

Limbo – award winning, Cannes selected, feature film from Edinburgh based director Ben Sharrock and Scottish producers Irune Gurtubai and Angus Lamount set in the Outer Hebrides. Funded by Film4, the BFI and Screen Scotland.

Deadwater Fell – 4x60' crime drama series from Kudos starring David Tennant, Cush Jumbo and Anna Madeley.

Screen Scotland's Recommendations for Channel 4's Future

Screen Scotland's view is that the publicly owned C4 is an improving and

sustainable success across the UK, but that Channel 4 could further improve its work in the nations and regions of the UK and with the independent production sector.

From a Scottish perspective, C4 is improving in terms of representation and the number of companies it works with, but it is doing so from a low base, in a limited number of genres and with too great a focus on single or short-run commissions. Drama commissions for C4 from Scotland are rare, though *Screw* is a notable success.

Screen Scotland believes that within C4's remit, the following should be protected/enshrined whether C4 remains in public ownership or not:

- That C4 remain a publisher broadcaster, operating within Terms of Trade.
- That at least 50% of C4's original programmes by volume and value are commissioned from qualifying independent producers.
- That at least 60% of its original programmes by volume and value are commissioned from production companies based outside of London.
- That at least 20% of its original programmes by volume and value are commissioned from production companies based outside of England, with a 10% from Scotland.
- That C4 remains committed to investing in training and skills development across the UK.
- That Film4, is protected, and that it continues to work with filmmakers based across the UK
- That the commissioning of multi-part and returning series – not just single films - from qualifying independent production companies based outside of London should be a condition of any new C4 licence, with potentially, at least 20% of such commissions from Scotland, Wales or Northern Ireland.

David Smith, Director Screen Scotland, 17.06.2022

FIRECREST FILMS
NOTE FOR THE CONSTITUTION, EUROPE, EXTERNAL AFFAIRS AND CULTURE
COMMITTEE
THE SCOTTISH PARLIAMENT
20 JUNE 2020

Firecrest Films is an independent TV production company. We make factual programmes from our office in the former Fairfield shipyard in Govan, Glasgow. We currently employ 65 people and have seven series / 40 hours in production for the BBC, Channel 4 and Amazon. This week we were nominated as one of the best small indies in the UK by the Edinburgh TV Festival Awards, for the third year running.

Our recent titles include:

- *Murder Trial: The Disappearance of Margaret Fleming* (BBC Scotland / BBC TWO). A ground-breaking series with cameras inside Glasgow High Court relating the astonishing story of a vulnerable young woman who went missing for nearly 20 years without anyone noticing. With access to the police investigation, alongside the prosecution and the defense teams, the series won six awards including RTS and BAFTA Scotland for best Factual Series, and has had 3m views to date on TV and BBC player.
- *Murder Case* documenting the work of Police Scotland's Major Investigations Team, winner of six BAFTA Scotland and RTS awards. The series began on BBC Scotland and subsequently transferred to BBC TWO. Now in its third series it is the model for co-commissioning between BBC Scotland and network BBC, with 50:50 contribution from either side. It resonates strongly with young audiences – a third of iPlayer views across the UK are from 16-34 year olds.
- *Michael Palin: Travels of a Lifetime* – BBC TWO. Developed in the first lockdown, when filming and travel were tricky and viewers yearned for escapism and nostalgia, this series with Michael Palin revisiting his travel films was one of the highest rating new BBC titles in 2020 with an overnight audience of 2.7m. It was also a critical hit – Pick of the Day / Week in almost every paper. “*I watched Travels of a Lifetime twice, just for the joy of it*” Daily Telegraph; “*Excellent viewing... lucid, fascinating and informed*” The Times; “*Charming, entertaining and wistfully reflective, it's guaranteed to put a smile on your face.*” Sunday Telegraph.
- *Rescue: Extreme Medics*, premium Channel 4 series showcasing the extraordinary pioneering work of the Scottish Trauma Network. This scale and ambition of this project

made it a game-changing commissioned, offering extensive training opportunities for Scottish talent.

- *The Hunt For Bible John* - BBC Scotland / BBC TWO. The two-part series was named the best show on the BBC iPlayer by The Guardian in April 2022. The reviews have been outstanding: “*The best true-crime documentary of the year*” (The Guardian); *A chillingly brilliant piece of film-making. Rather than wallow in the details of the crimes (hello, Netflix!), [director Matt] Pinder focuses on the people and culture of the city. As a result, it becomes a far more fascinating and engrossing watch, showing how religion, popular culture and Glasgow's unique style of journalism shaped the reality and the myth surrounding this terrifying folk devil. Beautifully assembled, with a variety of rich subplots, this is a crime documentary par excellence and undoubtedly one of On Demand's shows of the year.*” (The Times).

Firecrest has enjoyed strong commercial success. The business has expanded every year, even through the tough challenges of the pandemic. Established in 2008 to produce short investigative films for Channel 4 News, Firecrest began as a one person operation, run from our spare room. Four years later we took premises in Govan when Channel 4 commissioned the first of many Dispatches films. Our output for Channel 4 Dispatches has included some of the strand's highest rating episodes, as well as award winning investigations like *Low Pay Britain* and the undercover expose *Inside Facebook: Secrets of a Social Network*. This work cemented the company - and Scotland - as a key supplier to Channel 4 current affairs; in 2020 Firecrest was the department's biggest supplier.

Channel 4 has been central to Firecrest's growth. At every stage of expansion, Channel 4 has been there, supporting the business with funding, advice and talent schemes. In 2015 Channel 4 provided development finance through their Alpha fund which led to our first returning series, *Supershoppers*. Returnable business is holy grail of independent TV companies as it provides dependable income. It means we can offer secure employment in predominantly freelance industry. *Supershoppers* ran for seven series, winning both BAFTA Scotland and RTS Scotland awards and providing a stable income stream which enabled further growth.

Subsequent Channel 4 Alpha funding in 2016 allowed Firecrest to diversify into documentary, with series like the award-winning *Lifers Behind Bars* filmed at HMP Shotts, Barlinnie and Castle Huntley, showcasing the very different approach the of the Scottish Prison Service to the rest of the UK.

Channel 4's support has also been key to the growth of the talent pool in Scotland. The broadcaster has part funded nine posts at Firecrest for new entrants from diverse backgrounds, providing year round training and mentoring. (C4 provide similar opportunities at other Scottish companies). They have also financed senior talent

development, allowing us to grow Executive Producers and Series Producers. No other broadcasters works with us in this way.

Five years ago, Channel 4 took an investment stake in Firecrest through their Indie Growth Fund, the first investment the fund made outside England. This new relationship supercharged the company, allowing us to expand our creative team and diversify further. It is much more than a financial investment in our business – the IGF provide management and commercial advice, mentoring, and strategic development which has been invaluable, putting us in touch with industry giants and creative leaders who have grown their own businesses successfully.

In the first year after investment our turnover trebled to £3m, growing again to £4m in the following year. In 2018, the company was named the fastest growing independent production company outside London.

The business grew again during the pandemic although more modestly. We have emerged from that tough period in good health, with our key series renewed and new business commissioned. Last month we announced our first streamer project, a three-part documentary series for Amazon, the first indie in Scotland to make this breakthrough. Made by an all female team, this will cement our reputation not only as a premium factual producer in Scotland but also a key player across the UK.

In terms of Screen Scotland, we have received support from the Broadcast Content Fund, including for slate development. We have had two tranches of development support; the first led to the ground-breaking commission of *Rescue: Extreme Medics*, and the second was the lifeline that kept our new business pipeline running through the pandemic.

The Broadcast Content Fund has supported two productions: *Rescue: Extreme Medics* and the BBC Scotland series *One Night At the Museum*. Both had a wider benefit to the Scottish sector. Neither would have happened without Screen Scotland support.

I also wanted to add a note about public value. We have filmed inside many of Scotland's key institutions – the courts, police, hospitals, ambulance service, schools and prisons. All have invited us back to work together again. There is a strong public interest in opening up the workings of these bodies to viewers in Scotland and beyond, fostering greater understanding and showcasing the different approaches we have here to the rest of the UK.

Looking to the future, the proposed privatisation of Channel 4 presents a real challenge to Scottish independent producers. But it is not the only concern. All of the public service broadcasters (PSBs) face significant pressures, and together they represent Scottish indies' biggest customers. Changes in viewing habits across the PSBs have accelerated

in the pandemic as people move away from linear TV. Ad-funded and subscription funded models are also precarious with the cost of living crisis.

Indies are grappling with reduced programme tariffs at the same time as inflation and wage costs are rising. Increasingly, broadcasters are not fully funding projects but asking us to look elsewhere for the remaining budget. It is harder than ever for productions companies to make any margin at all on production.

This means international distribution is more important than ever. It is vital that Scottish indies are able to retain and exploit high value IP and benefit from selling our programmes around the world. Getting a foothold with streamers like Amazon has also been crucial for us. Although the streamers usually take all IP they offer high tariffs and generous production fee in recompense.

Without IP or true compensation for it we can't grow and invest our profits back into Scotland. We can't continue to reflect and promote Scotland to the rest of the UK and world. We would struggle to sustain the business and continue to employ people in Govan, meaning a contraction in growth in the sector here and reduced opportunities for people from all backgrounds to work in this world leading industry.