



# 4: The Next Episode

Enhancing Channel 4's economic and social contribution to the whole of the UK under public ownership

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This document describes 4: The Next Episode, Channel 4's proposed alternative to privatisation. This document summarises information submitted to the government earlier in 2022, in order to inform the government's consultation on a potential change of ownership of Channel 4. Section 1 describes the 4: The Next Episode proposals; and Section 2 summarises the economic analysis of Channel 4 ownership options.

# Section 1:

## 4: The Next Episode

Channel 4 has developed bold new proposals to address the challenges that the government outlined in its public consultation on Channel 4's future. We present here an alternative approach to strengthening Channel 4's position and public contribution that would be the most profound evolution to our model since Channel 4 was created by Margaret Thatcher forty years ago.

Our plan – which we have called **4: The Next Episode** – would leverage significant private capital into Channel 4 for the first time, in a way that would not adversely impact the public sector balance sheet. Our proposals are designed to help Channel 4 grow faster and compete more effectively, investing an extra £1bn into truly representative British content and retaining more British IP onshore without jeopardising the important role which Channel 4 plays in supporting the growth of the independent production sector. Introducing these reforms under public ownership would enable us to increase significantly Channel 4's contribution to the Nations and Regions that we serve, spreading opportunity to people and places that are under-represented in the UK's cultural institutions and on screen today.

4: The Next Episode would do three key things:

- **Grow investment in the UK's Nations and Regions** – continuing the journey we embarked on in 2018, working with DCMS, to commission more content produced in the Nations and Regions, and grow Channel 4's presence outside London. Our proposals would enable us to make both our spending and our editorial output more representative by:
  - Enshrining in licence the commitment to commissioning at least 50% of our content from the Nations and Regions
  - Doubling our original target for 300 roles outside of London by 2023 (a target that we have already exceeded) to 600 roles outside of London by 2025
  - Streamlining our presence in London by creating a London base that supports our new ways of working
- **Offer a route into the creative industries for 100,000 young people who would otherwise not have the opportunity** – expanding 4Skills and looking to establish a dedicated 4Skills School outside the southeast.
- **Grow scale and investment in British content** – evolving our commercial model, injecting new private capital to increase our scale and investment potential. A steady state increase in commissioning spend of c.£300m would unlock 3,000 creative sector jobs which, under our plan, would be focused in the Nations and Regions.

This paper sets out in more detail:

- The challenges facing Channel 4 and the PSB sector, and an assessment of Channel 4's financial position and how we have over-delivered on our remit
- An outline of our proposals to address these challenges and ensure Channel 4 can thrive over the next 40 years (4: The Next Episode)
- An overview of how we propose to invest more in British content, spreading creative opportunities across the country
- Options for how our remit could be updated to reflect our vision for a sustainable future.

# The challenges facing Channel 4 and public service broadcasting

The last decade has seen the transformation of our sector. When Channel 4 was established by Margaret Thatcher in 1982 as an entirely commercially funded public service broadcaster, it was intended to increase viewing choice, promote competition in broadcasting, and stimulate the British production sector. Forty years later, British audiences have access to more than sixty times the number of channels than when Channel 4 was established. The nature of the challenge that our audiences, producers and employees face today – and are likely to face tomorrow – is markedly different.

The UK's homegrown film and production sectors are recognised as best-in-class internationally and have huge potential for further growth. But the industry is still too focused within London and the southeast, demanding more content investment and skills training in the Nations and Regions to level-up and represent more fully the whole of the UK on- and off-screen<sup>1</sup>.

This untapped potential applies as much to broadcasters as to the production companies that we work with, with the creative industries as a whole dominated by a narrow subset of the population. This has been an area of focus for us at Channel 4, with the past five years seeing a significant improvement in the socioeconomic diversity of our workforce: the proportion of our staff from non-professional backgrounds has increased from 34% in 2016 to 40% in 2021. That said, as an industry it is clear there is much further to go.

In short, whilst competition, consumer choice and the production sector have flourished since Channel 4's inception forty years ago, representation of different types of British people and places is lagging across the industry. With the right balance of new capital, innovation, public service incentive and independence, this presents an opportunity for a radical reset of Channel 4's role to address these challenges.

## Channel 4's financial position

Channel 4 is currently well placed to meet these challenges. We are financially sustainable: as an entirely self-funded broadcaster, 2021 was our strongest ever year, reaching record revenue of £1.2bn; a financial surplus of £100m; and a year-end cash balance of £270m<sup>2</sup>.

Despite inflationary pressures in the sector, we remain highly competitive in content markets, commissioning some of the most successful, innovative, and nationally representative programmes of recent years.

## We have over-delivered on our remit obligations

Our core organisational purpose is to deliver against our statutory public service remit which requires us to:

- Champion unheard voices
- Innovate and take bold creative risks
- Inspire change in the way we lead our lives; and
- Stand up for diversity across the UK

<sup>1</sup> Oliver & Ohlbaum Associates research for Pact found that 45% of commissioning spend in the UK TV industry went outside of London in 2020. To put this context, London accounted for 22.7% of total UK GDP in 2019. O&O Associates, UK Television Production Survey, July 2021; Office for National Statistics, Gross Domestic Product (GDP)

<sup>2</sup> Note these are draft figures, and are subject to audit

This remit is what pushes us to continue to take risks and deliver content that is challenging and unique such as *It's a Sin*, a portrayal of the horrendous impact of HIV and AIDS in 1980s Britain which received critical acclaim; or our coverage of the Beijing 2022 Paralympic Winter Games with a global-first of a 100% disabled presenting team.

Film4 has continued to nurture the careers of Oscar and Bafta winners in ways private backers have not. From Danny Boyle to Steve McQueen, Film4 continues to help British filmmakers reach global audiences – with Film4's funding double that of BBC Films, winning 37 Oscars in its history, and securing eight Bafta nominations only this week.

We always strive to be innovative and to inspire change. Relative to other public service broadcasters, we have taken successful steps in reorienting our organisation to focus on serving younger audiences on digital channels.

Channel 4's digital growth has continued through 2021, and All 4 is now the youngest-skewing broadcaster video on demand service<sup>3</sup>:

- Following 26% growth in 2020, All 4 (digital) viewing grew by 21% in 2021 to reach over 1.5bn streaming views, against a market growth forecast of 12%<sup>4</sup>
- Digital revenues grew 37% in 2021, with revenue outpacing viewing
- Digital viewing now makes up 13.1%, versus 9% in 2020
- Digital represents 19% of total 2021 revenues, versus 17% in 2020
- Through 4Studio, which delivers trusted content to younger audiences on social platforms, Channel 4 experienced 11.3bn global views, a 7% increase on 2020

We are only getting started: accelerating our shift to digital – including our target to reaching 30% of revenue through digital advertising by 2025 – will be integral to offsetting the long-term decline of linear television advertising revenue. As increasing production budgets from US giants put pressure on domestic broadcasters, and advertising competition intensifies, we agree with DCMS that the scale and unpredictability of change demands the exploration of all options to remain relevant, resilient and expedite our digital growth. Our 4: The Next Episode plan would put us in a strong position to be able to capitalise on the rapid growth in the digital advertising market.

## 4: The Next Episode

Since DCMS launched its consultation in July 2021, we have been seriously assessing meaningful reforms to our model. The consultation raised legitimate questions about how to ensure that Channel 4 can continue to thrive as a public service broadcaster and deliver value for the country in the future. We recognise that these are questions for the government to decide upon and we hope to continue to meaningfully engage with the government during this process given our shared interest in the organisation's future success. Despite inflationary pressures in the sector, we remain highly competitive in content markets, commissioning some of the most successful, innovative, and nationally representative programmes of recent years.

Responding to the DCMS challenge, our alternative vision for Channel 4 would bring private capital into the business for the first time - outside of the public sector balance sheet - to enable greater content investment and allow us to grow faster, build scale and compete harder for content. These reforms will unlock capital that will drive a substantial increase to Channel 4's public contribution, spreading opportunity to people and parts of the country that are under-represented in our cultural institutions and on our screen. Retaining Channel 4 in public ownership will ensure that the additional capital realised by these reforms is focused on maximising public value.

## Growing investment in the Nations & Regions

Channel 4 under public ownership has delivered significant benefits to the UK. In the past ten years, Channel 4 has invested over £1.5 billion in content made outside of London. Independent analysis shows Channel 4 consistently spends significantly more with independent producers in the Nations and Regions than any other commercially-funded broadcaster.

As an organisation that is able to prioritise public purpose over profit, our proposals will allow us to go even further in deepening our investment in rebalancing the creative sector and creating jobs and training opportunities right across the UK without changing Channel 4's commercially funded model. With greater capital, scale and an increasingly diversified pool of revenues, Channel 4 will be in a strong position to turbocharge its economic and social contribution in the coming years.

We anticipate that our plan would allow us to grow investment in the Nations and Regions, providing a new source of investment in commissioning content from (often SME) production companies based in the Nations & Regions. Independent analysis commissioned by DCMS in 2018 found that Channel 4's scale and distinct publisher-broadcaster model makes where we spend our commissioning budget far more impactful than our physical location in terms of benefit to regional economies. **We would retain and propose that the Government enshrines in licence our voluntary commitment to spending at least 50% of our relevant commissioning budget outside London.**

Our '4 All the UK' strategy is increasing our presence in the Nations and Regions, but we are only just two years into this journey. We opened our Leeds HQ at the end of last year and we have already met our commitment to base 300 roles outside of London by 2023. **We want to accelerate our commitment to levelling up by doubling our commitment on roles outside of London, growing to 600 roles by 2025.**

Alongside this, we would **streamline our presence in London by creating a new London base that reflects our new ways of working.** As we embrace hybrid working, and reorient our focus away from London to the Nations and Regions – a reorientation intrinsic to our existence in public ownership – Channel 4 may require a different scale London base.

As part of this, we would look to **dramatically expand Channel 4's digital content production studio in Leeds – 4Studio.** Investment in 4Studio aligns with our strategy to build on 4Studio's position as a trusted source of social content for younger audiences, countering misinformation and creating IP opportunities to exploit at home and abroad. We would aim to significantly increase revenues by 2024, whether through strategic partnerships or acquisitions, or organically. We estimate that 4Studio's expansion in this way would take headcount in Leeds to 200 jobs by 2024.

This runs alongside our commitment to improve **diversity at Channel 4:** we have increased the proportion of our staff from non-professional backgrounds to 40%, but we know we have more to do. As a publicly owned organisation, we recognise that we have a responsibility to fully represent the nation we serve.

## Supercharging 4Skills

Next, we would offer a route into the industry for **100,000 young people** who would otherwise not have the opportunity, and work with partners to scope **the first television school outside the southeast.** In so doing, we would align closely with the **Skills Mission in the government's Levelling-Up White Paper.**

Skills shortages, especially outside London, are holding back the creative economy from achieving its full potential. The government's 2018 Sector Deal for the creative industries highlights how nearly half of creative industry jobs are in London and the southeast<sup>5</sup>. Training provision is patchy with many elite institutions similarly located in the southeast. The only national film and television school is based in Buckinghamshire. We want to scope out the creation of a television school more accessible to people based elsewhere in the UK, to support the creative cluster Channel 4 is developing in Leeds.

We have already committed to £5m of additional investment in 4Skills, enabling us to reach 15,000 people a year from 2022. **Diversifying our revenue will enable us to grow this investment to £10m per annum** which we see as critical to addressing both the lack of capacity and the lack of diversity in the sector. **This would increase the number of training opportunities offered to 20-25,000 a year – or 100,000 over a five-year period.**

In public ownership, as we expand our footprint in the Nations and Regions, we would look to focus this additional investment on young people from non-professional family backgrounds. Economic analysis of these proposals is set out in Section 2.

### *Driving scale and new investment*

4: The Next Episode enables Channel 4 to release capital and new sources of revenue, in order to drive scale and new investment.

We intend to leverage **significant private capital into Channel 4 for the first time, bringing £1bn of new British investment in British content by 2030.** With external financial advisers, we have been developing an intellectual property joint venture (JV) proposition with an external investor as majority shareholder.

The JV would invest in British creative content, combining Channel 4's commissioning expertise, distinctive British flavour and 'shop window' for curated content with private capital.

Our specialist financial partners would be the majority investor, providing access to debt outside of the public sector balance sheet. The scale of the JV would expand over time.

Based on advice from external financial advisers we estimate it could scale to £200m per annum (or £1bn over a 5-10-year cycle). Benefits to Channel 4, the creative economy and our public owners include:

- Bringing incremental private capital into the UK content market, delivering significant additional investment in UK production. Channel 4 would reinvest revenues from the secondary sale of IP into domestic content commissioning, bringing new money into the ecosystem.
- Enabling Channel 4, when commissioning via the IP JV, to benefit from IP without breaching the publisher-broadcaster model.
- Establishing a one-stop shop for financing for independent production companies, removing the challenges of assembling complex financing structures and speeding up recommissioning.

**We would also look to develop an All 4 proposition for international markets.** Global All 4 would enable us to leverage our brand and content expertise into selected international markets. Following our global success with Walter Presents, a strand of All 4 that specialises in global content, this proposal would create a meaningful Channel 4 branded service that would be distributed worldwide. A multi-genre offer targeting a young demographic globally, Global All 4 would boost British cultural diplomacy, generate an estimated £100m of revenue for Channel 4, and benefit British producers by boosting the profile and reach of Channel 4's commissioned content.

These initiatives would enable us to **grow investment in British content – with £1bn of new British investment in British content by 2030.** The joint venture with a private investor would leverage more investment into British content. Combined with international expansion, by 2030 we estimate a steady state increase in commissioning spend of c.£300m (cf. £700m in FY24 in 3YP). This would unlock 3,000 creative sector jobs which, under our plan, would be focused in the Nations and Regions.

## Public ownership is integral to these proposals

These proposals can only be delivered if we remain in public ownership. A private owner would reasonably be expected to scale back investment that is less certain to deliver a financial return to Channel 4. Past performance suggests a private owner would focus commissioning on content from more established companies based in and around London. Conversely, in public ownership Channel 4 would aim to leverage private investment and growth to reinvest in content created across the UK.

Furthermore, there are significant economic benefits to the UK from this alternative approach. These are set out in more detail in Section 2.

## Options to update the remit to reflect our vision for Channel 4's future

As DCMS reviews the regulatory framework for the public service broadcasting (PSB) system as a whole, there is an opportunity to enshrine Channel 4's commitment to promote distinctively British content. This would help to preserve distinctively British content in the face of the globalising pressures of US-owned subscription services. Reforms could include:

- Reinforcing our commitment to **Britishness** in content, including in British film.
- Incorporating into our remit a commitment to **regional and social diversity**, reflecting our desire to provide access to the creative industries to people with creative talent from all backgrounds.
- Enshrining much of what Channel 4 does to go **above and beyond the existing remit** already, mandating our currently voluntary commitment to spending at least 50% of commissioning spend outside of London.

Furthermore, there could be additional opportunities to modernise the remit to ensure that it remains fit for a digital age. This includes:

- An opportunity for the government to make a clear statement of its expectations that Channel 4 leads the PSB sector as a **digital-first broadcaster**.
- It may also be useful to update the approach to **regulation and measurement** to enable a more flexible service-neutral and outcomes-focused approach, moving away from a narrow application of linear quotas (as we are currently discussing with Ofcom).

Whilst remit reform is integral to outlining a clear and future-facing vision for Channel 4, we are clear that even more important is the culture, priorities and incentives driving an organisation. In public ownership, Channel 4 is able to go above and beyond its remit in pursuit of wider public benefits.

## Next steps

Together, these changes would transform Channel 4 into a model for UK public service broadcasting - a digital-first broadcaster combining private capital and public purpose to lead the media sector's shift towards creating jobs and opportunity outside of London. As the future of public service broadcasting comes under scrutiny, new sources of capital and revenue diversification will significantly strengthen Channel 4's commercially funded, free to air model and increase its scale and its contribution to British cultural life.

## Section 2: Economic analysis of Channel 4 ownership options

Following the government's consultation, Channel 4 has undertaken extensive analysis and developed proposals to meet the government and Channel 4's shared objective of ensuring Channel 4 continues to thrive over the next four decades. These proposals – 4: The Next Episode – are described in detail in Section 1 of this paper.

Despite the pandemic, in 2021 Channel 4 achieved a record financial performance, with £1.2bn revenue and a surplus of over £100m – the highest ever. Channel 4 expects this strong financial performance to continue, reaching £1.7bn of revenues by the end of the decade, as the organisation's successful digital transformation accelerates revenue diversification away from linear advertising. Nevertheless, Channel 4 does not underestimate the scale of change in the media sector; and, taking account of the government's consultation, has considered how Channel 4 can further enhance its commercial resilience.

In light of recent discussions, and to inform the government's appraisal of options, this paper sets out an economic evaluation of Channel 4's proposals relative to privatisation. It finds that the government would receive a **one-time revenue injection of c.£0.5bn** from privatisation, assuming the current public service remit was protected. However, in eroding that part of Channel 4's contribution that extends beyond its formal remit and licence, and in foregoing the proposal made by Channel 4, under privatisation there would be a £1bn to £2bn reduction in GVA in the **Nations & Regions**, and a 40% (c. 2,000) decline in Nations & Regions jobs. In addition, 100,000 young people would lose **training opportunities** planned over the next 10 years to widen access to the creative industries. The table below summarises the economic analysis of ownership options.



|   | <b>Reformed C4 in Public Ownership<sup>6</sup></b>   | <b>Privatisation</b>  |
|---|--|---|
| <b>Channel 4 value</b>  | >£500m asset retained  | £500m one-off cash <sup>7</sup>                                       |
| <b>Gross value added (GVA)</b>  |  |   |
| <i>Direct GVA within Channel 4</i>  | £2bn   | £2bn to £4bn <sup>8</sup>   |
| <i>Creative economy: London</i>   | £5.5bn   | £4bn to £5bn  |
| <i>Creative economy: Nations &amp; Regions (N&amp;R)</i>  | £3.5bn   | £1bn to 2bn <sup>9</sup>  |
| <i>Total</i>  | £11bn  | £8bn to £10bn   |
| <b>Jobs supported</b>   |  |   |
| <i>Direct jobs within Channel 4</i>   | 1,000  | 1,000 to 3,500  |
| <i>Creative economy: London</i>   | 7,000  | 4,500 to 5,500  |
| <i>Creative economy: Nations &amp; Regions (N&amp;R)</i>  | 5,000  | 2,500 to 3,500  |
| <i>Total</i>  | 13,000   | 9,000 to 11,500   |
| <b>British exportable IP</b>  | £500m to £1bn production sector UK IP exports over next decade                               | <b>No longer organisational priority</b> for a new owner of Channel 4 |
| <b>New routes into industry for young people who would otherwise not have had the opportunity</b> | 100,000 opportunities, at £100m total cost over 10 years: worth <b>c. £2bn</b> to UK economy | <b>No longer organisational priority</b> for a new owner of Channel 4 |
| <b>Time to execute</b>  | <b>Immediate</b>   | <b>c. 24 months</b>   |
| <b>Primary legislation required?</b>  | <b>No</b>  | <b>Yes</b>  |

6 Public ownership in summary table assumes implementation of Channel 4's 4: The Next Episode proposals; and Privatisation assumes publisher-broadcaster status is removed. GVA and jobs figures are Channel 4 estimates, based on EY analysis.

7 Channel 4 value based on Alvarium analysis.

8 Range in Direct GVA and Direct jobs reflects in-house production in a new owner of Channel 4 (due to end of publisher-broadcaster model), with lower end of range reflecting potential for offshoring of production activity. Offshoring could also reduce creative economy GVA and jobs.

9 Range on N&R GVA and jobs depends on Nations & Regions production quota applied to new owner of Channel 4. Lower limit assumes existing 35% quota.

## Options under consideration

### 1. Reforming and enhancing Channel 4's role in public ownership (including Channel 4's proposals for enhanced contribution: 4: The Next Episode)

Channel 4 commissioned forward-looking economic contribution analysis from EY in 2021, which was based on Channel 4's 3 Year Plan at the time. Since that analysis was conducted, Channel 4 has updated its forecasts in the light of continued strong financial performance, and this paper is informed by updated analysis which reflects Channel 4's latest forecasts.

4: The Next Episode would enable Channel 4 to leverage private capital, develop strategic partnerships and generate scale; and would do so under continued public ownership to protect and enhance Channel 4's public contribution, especially in the Nations & Regions. As set out in Section 1 of this document, 4: The Next Episode would:

- **Grow investment in the Nations & Regions** through increased Nations & Regions commissioning, and growing Channel 4's presence outside London.
- **Offer a route into the industry for 100,000 young people** who would otherwise not have the opportunity, through significant growth to 4Skills.
- **Drive scale and new investment, through British exportable IP**, by answering the government's challenge to find ways to bring in private capital. This includes a majority privately-funded joint venture that would own and exploit intellectual property (IP), and would enable Channel 4 to use new private capital to grow British investment in British content.

### 2. Privatisation

The government has consulted on a potential sale of Channel 4, including the removal of Channel 4's publisher-broadcaster status (which means that Channel 4 does not produce its own programmes, and instead commissions all programming from external producers).

## Comparative economic evaluation

### Economic impact of retaining a reformed Channel 4 in public ownership

Retaining Channel 4 in public ownership would support Channel 4's economic contribution and delivery of its remit. Channel 4's 4: The Next Episode proposals are designed to enable an enhanced economic contribution, over and above Channel 4's current model. This enhanced economic contribution would be enabled by **greater business growth and financial scale** for Channel 4 – growing to a £1.7bn revenue business, and content investment increasing to £1bn per annum by 2030 (from c. £1.2bn and c. £700m respectively today).

Under continued public ownership, and by implementing the 4: The Next Episode proposals, Channel 4 would:

- Contribute c. **£11bn of GVA** in present value terms over the next ten years.
- Support **13,000 jobs** each year across the UK economy – of which over 90% are in the supply chain outside Channel 4.
- Deliver around £3.5bn of GVA, and almost 5,000 jobs in the **Nations & Regions** of the UK.

Further, retaining Channel 4 in public ownership would support Channel 4's contribution to **British exportable IP**:

- Retaining publisher-broadcaster status for Channel 4 would lead to **c. £4bn of external commissioning** in the external production sector over a decade, that would otherwise move in-house if a new owner of Channel 4 were to commission in-house commissioning at ITV levels.
- Programmes commissioned by Channel 4 are **sold all over the world**, promoting UK exports and UK soft power: O&O analysis for PACT estimates that Channel 4 contributes **25% of independent producers' international secondary sales** (£462m from 2010 to 2019, out of total £1.817bn).

- Due to business growth, and enabled by the proposed IP joint venture, this export contribution is expected in the 2020s to range from **£500m to £1bn** in total, reflecting Channel 4's important role in driving an IP-based economy in the UK.

Channel 4's proposals would also offer **new routes into the industry for 100,000 young people** who would otherwise not have the opportunity:

- Channel 4 intends to expand **4Skills to £10m per annum**, from £5m in 2022, offering a route into the industry for 100,000 young people who would otherwise not have the opportunity.
- Channel 4 would begin initial scoping work to establish a dedicated **4Skills School** outside the south-east of England, aligning with the Skills Mission in the government's Levelling-Up White Paper.
- This would drive growth in **economic contribution**: Channel 4 would spend c. £100m on 4Skills over a decade, generating **c. £2bn of value** for the UK economy in aggregate.

Further, these proposals would enhance economic contribution by:

- **Growing investment in the Nations & Regions**
  - Increasing Channel 4's quota to commission **50% of content from the Nations & Regions**, resulting in c. £2bn investment in Nations & Regions content over this decade.
  - Growing presence in the Nations & Regions: doubling original target to grow to **600 Channel 4 roles** outside London by 2025, including significant expansion of 4Studio.
  - **Streamlining Channel 4's presence in London**: reducing office space in the London base.
- **Scale and new investment into British content, with continued publisher-broadcaster status**
  - Greater **scale and investment** would be enabled through business growth, and evolution of Channel 4's commercial model – through a majority privately-funded joint venture that would own and exploit IP (therefore contributing the creation of exportable IP, whilst maintaining publisher-broadcaster status); the launch of a new international offer, Global All 4; and expansion of 4Studio, Channel 4's digital content production studio in Leeds.
  - **New British investment in British content**. By 2030, Channel 4's content investment could be c. £1bn per annum (cf. £700m in FY24 in previous 3 Year Plan shared with government).

### Economic impact of privatisation

The sale of Channel 4 would deliver a one-off revenue injection to the Exchequer. Alvarium estimates a **sale value of £0.5bn** if the current public service broadcaster remit is protected. This level of enterprise value is plausible if the government protects Channel 4's remit and public contribution, as it has indicated it would.

Even with the protection of Channel 4's remit and licence obligations, a sale in which the publisher-broadcaster model was removed (and consequently Channel 4 made programming in-house) could have important creative economy and levelling-up implications:

- Over a decade, Channel 4's contribution to **supply chain GVA would be c. £6bn**<sup>11</sup> – i.e. around £3bn lower in a privatisation scenario than if the 4: The Next Episode proposals are implemented. Around **£1bn to £2bn of this reduction would be felt in the Nations & Regions**<sup>12</sup>.

<sup>11</sup> Supply chain GVA and jobs could be lower than shown here, were a new owner to offshore more production activity

<sup>12</sup> Range on N&R GVA and jobs depends on Nations & Regions production quota applied to new owner of Channel 4. Lower limit assumes existing 35% quota

- This is equivalent to a reduction in supply chain jobs supported by Channel 4 of 32% (c.4,000 jobs), including a reduction of 40% (c.2,000 jobs) in the Nations & Regions.
- The removal of publisher-broadcaster status is estimated to increase Direct GVA and jobs contribution (through ongoing business value to a new owner), but this represents a transfer of economic value from the creative economy supply chain to a new owner of Channel 4. It should be noted that independent analysis by Ampere finds that privatisation would put over 60 production companies at serious risk. Further, a proportion of this economic value would be lost from the UK economy in aggregate, if an overseas owner were to offshore profits.
- The removal of publisher-broadcaster status would mean that British exportable IP may no longer be an organisational priority for a new owner of Channel 4, particularly if the new owner is based overseas. This would therefore create risks to Channel 4's export contribution.
- In addition, privatisation would result in the foregoing of additional public contribution as set out in the assessment of the 4: The Next Episode proposals. For instance, offering new routes into industry for young people is not expected to be an organisational priority for a new owner of Channel 4.

### **Overall comparison of the economic impact of Channel 4's proposals relative to privatisation**

When overall economic contribution of Channel 4 is taken into account, it is expected that retaining Channel 4 in public ownership, and implementing Channel 4's 4: The Next Episode proposals would lead to growth in creative economy GVA and jobs across the UK, and in the Nations & Regions. In contrast, both supply chain GVA and jobs are estimated to fall overall under privatisation, particularly in the Nations & Regions, even if the remit is protected.

The government therefore faces a trade-off between a **one-time revenue injection of c.£0.5bn** from privatisation; and a series of significant risks associated with privatisation:

- **Risks to the UK creative economy**
  - The **loss of £3bn GVA from UK supply chains**, and potentially a reduction in GVA in the UK economy entirely if a new owner offshores profits
  - A **32% decline in jobs** supported in Channel 4's supply chain
- **Risks to the government's levelling-up agenda**
  - A particular **adverse impact on the Nations & Regions** – with c. £1bn to £2bn GVA foregone, and a c. 40% decline in Nations & Regions jobs supported
  - Loss of **100,000 training opportunities** over the next ten years, with this training intended to offer a route into the industry for young people who would otherwise not have the opportunity
- **Risks to British intellectual property**
  - Removal of publisher-broadcaster status would create downside risk for the UK's world-leading production sector, raising the risk of more **offshoring of British IP**
  - Independent analysis by Ampere finds that over **60 production companies would be put at serious risk**
- **Broader implementation risks**
  - Significant **implementation and legislative costs of change**
  - **Uncertainty and disruption** in Channel 4's business during legislative and sale process

Further, by retaining Channel 4 in public ownership, the government would facilitate the delivery of Channel 4's **4: The Next Episode** proposals, which have been developed to address the government's questions about Channel 4's commercial sustainability. These proposals would:

- Deliver an **enhanced economic contribution** over and above Channel 4's current model: resulting in **over £11bn of GVA** overall; and supporting **over 13,000 jobs**
- Allow the government to **continue to own a valuable asset**, which would likely increase in value as a result of the growth and diversification plans outlined by Channel 4
- Avoid the implementation and legislative costs of change noted above: **Channel 4's plans can be implemented rapidly**, and without the need for legislation or a potentially lengthy sale process.

Channel Four  
Television Corporation

