Cardiff University PEC

'Arts, Culture and Public Service Broadcasting' workstrand, Creative Industries Policy & Evidence Centre

Response to the Lords Communications and Digital Select Committee inquiry on the future of Channel 4

Executive Summary

1. Channel 4 is an integral part of the UK's broadcasting ecology. In 2020 it generated £992m added value for the UK economy, and in 2019 spent over £350m commissioning programmes from independent UK producers.[1] Across its TV portfolio, Channel 4 reaches 73% of all viewers, and its All4 streaming service received 1.25bn on-demand content views last year.[2] Its news programming records the largest PSB viewing share among both young and ethnically-diverse audiences, and the public consistently rates Channel 4 more highly than BBC One, ITV and Channel 5 for innovativeness, distinctiveness and reflecting different cultures in the UK.[3]

2. The social, cultural and economic benefits that Channel 4 delivers for the UK public clearly demonstrate its significant value as a publicly owned, commercially funded broadcaster. This public value is epitomised by three core commitments: a founding remit for creativity and serving "the tastes and interests of a culturally diverse society"; a publisher-broadcaster framework that supports the growth and competitiveness of SME producers; and a not-for-profit model that guarantees reinvestment in the UK creative industries across TV, film, advertising and online media, particularly in the Nations and Regions.

Based on the evidence presented in our answers below, Cardiff University PEC recommends:

3. ***Channel 4 Television Corporation should remain in public ownership. A change in ownership would risk the sustainability of Channel 4's public service mission, reduce competition in commissioning and disrupt the UK's broadcasting ecology during a period of profound market uncertainty.*** Privatisation would diminish the diversity of content available to UK audiences and shrink Channel 4's economic contribution to the creative industries. We have been unable to identify any evidence, in the UK context or internationally, demonstrating any corresponding benefit to the public value of Channel 4 to support a case for privatisation.

4. ***Channel 4's obligations should be revised to strengthen its founding remit for serving minority audiences and supporting SME producers.*** As Channel 4 continues to evolve with the changing media environment, it could do more to distinguish itself from commercial multi-channel and SVoD competitors. Its remit should refocus and strengthen its efforts to serve minority groups, engaging audiences with experimental, innovative formats and opening programme-making to greater public participation. New requirements on commissioning from SME producers in the Nations and Regions would also enhance diversity in content supply while boosting Channel 4's investment in the UK creative industries.

5. ***The renewed 2024 Channel 4 licence should include further obligations for reaching and appealing to under-30s with innovative, UK-made public service content.*** As these audiences lead the transition from linear broadcasting to a more fragmented, on-demand digital media environment, Channel 4's next licence settlement should expand on its existing obligation for serving older children and young adults. This might include requirements on Channel 4 for exploring new content formats and cross-platform delivery, or engaging with and involving younger audiences in building a future Public Service Media compact.

[1] Channel 4 (2021) Annual Report, p. 100; EY (2021) Channel 4's contribution to the UK, p. 15.
[2] Channel 4 (2021) Annual Report, p. 86.
[3] BARB; Ofcom PSB tracker, January 2020.

Information about the Cardiff University PEC

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The PEC is led by Nesta, the innovation foundation, and involves a UK-wide consortium of universities. The name 'Cardiff PEC' is used above to designate this workstrand's focus on public service broadcasting.

Introduction

7. Cardiff University PEC welcomes this opportunity to respond to the Committee's inquiry on the future of Channel 4. We are pleased the Committee has invited an evidence-based discussion recognising the unique successes of a publicly owned Channel 4, reaffirming its contribution to the UK's creative industries, and demonstrating the enduring value of Public Service Broadcasting (PSB). Our response offers recommendations for ensuring that Channel 4 continues to benefit UK audiences and serve the public interest in an evolving media landscape.

8. Channel 4 is an integral part of the UK's broadcasting ecology. In 2020 it generated £992m added value for the UK economy, and in 2019 spent over £350m commissioning programmes from independent UK producers.[4] Across its TV portfolio, Channel 4 reaches 73% of all viewers, and its All4 streaming service received 1.25bn on-demand content views last year.[5] Its news programming records the largest PSB viewing share among both young and ethnically-diverse audiences, and the public consistently rates Channel 4 more highly than BBC One, ITV and Channel 5 for innovativeness, distinctiveness and reflecting different cultures in the UK.[6]

9. The social, cultural and economic benefits that Channel 4 delivers for the UK public clearly demonstrate its significant value as a publicly owned, commercially funded broadcaster. This public value is epitomised by three core commitments: a founding remit for creativity and serving "the tastes and interests of a culturally diverse society"; a publisher-broadcaster framework that supports the growth and competitiveness of small and medium-sized enterprise (SME) producers; and a not-for-profit model that guarantees reinvestment in the UK creative industries across TV, film, advertising and online media, particularly in the Nations and Regions.

Based on the evidence presented in our answers below, Cardiff University PEC recommends:

10. ***Channel 4 Television Corporation should remain in public ownership.*** Despite rapidly changing audience habits and compounding market challenges, Channel 4 is adapting effectively to the emerging digital-first media landscape and has demonstrated robust finances, including throughout the Covid-19 pandemic. A change in ownership would risk the sustainability of Channel 4's public service mission, lessen competition in commissioning and disrupt the UK's broadcasting ecology in a period of profound market uncertainty. Numerous stakeholders have expressed alarm that a new private owner would likely reduce investment in less commercially viable content, seek to

[4] Channel 4 (2021) Annual Report, p. 100; EY (2021) Channel 4's contribution to the UK, p. 15.
[5] Channel 4 (2021) Annual Report, p. 86.
[6] BARB; Ofcom PSB tracker, January 2020.

dilute Channel 4's public service obligations, and/or prioritise its own production capacity at the expense of UK independent television and film producers.[7] Any of these outcomes would diminish the diversity of content available to UK audiences and shrink Channel 4's economic contribution to the creative industries. We have been unable to identify any evidence, in the UK context or internationally, demonstrating any corresponding benefit to the public value of Channel 4 to support a case for privatisation.

11. ***Channel 4's obligations should be revised to strengthen its founding remit for serving minority audiences and supporting SME producers.*** The current mission 'to innovate, inspire change, nurture talent and offer a platform for alternative views' remains consistent with the public interest. As Channel 4 continues to evolve, we propose it can do more to distinguish itself from commercial multi-channel and subscription video on-demand (SVoD) competitors. Its remit should refocus on serving minority groups, engaging audiences with experimental formats and opening programme-making to greater public participation. New requirements on commissioning would also enhance diversity in content supply while boosting Channel 4's investment in the UK creative industries. Potential reforms include quotas on the share of content commissioned from qualifying SME independent producers or limiting the proportion of Channel 4 spend going to 'super-indies' with higher turnovers.

12. ***The renewed 2024 Channel 4 licence should include further obligations for reaching and appealing to under-30s with innovative, UK-made public service content.*** Meeting the needs of younger audiences is essential for the sustainability of UK Public Service Broadcasting and the public value it creates. As these audiences lead the transition from linear broadcasting to a more fragmented, on-demand digital media environment, Channel 4's next licence settlement should expand on its existing obligation for serving older children and young adults. This might include requirements on Channel 4 for exploring new content formats and cross-platform delivery, or engaging with and involving younger audiences in building a future Public Service Media compact. The scope for pioneering new digital broadcasting technologies for public use is considerable, and Channel 4's leadership would be a considerable benefit to both audiences and the wider UK broadcasting sector.

Response to inquiry questions

What, if any, developments of the last five years give cause to re-evaluate the ownership of Channel 4 Corporation?

13. ***Far from being unsustainable in light of current challenges, Channel 4's ownership structure and public obligations have helped maintain its market position in recent years and build a solid financial foundation for the future.***

14. The TV broadcasting market faces significant challenges impacting on both the UK's Public Service Broadcasters and the wider commercial sector. Linear TV advertising has accounted for an increasingly smaller share of total UK advertising spend over the last decade, and revenues from TV advertising shrank by 15% from 2019 to 2020.[8] Increasing competition in genres like drama, comedy and documentaries has led to a rapid increase in production costs, with large international companies such as Amazon and Netflix able to outspend traditional broadcasters and further inflate the price-per-hour of original programme-making. While live TV and broadcast content still accounts for three-fifths of UK daily viewing, fragmenting consumption habits and the growing number of online media sources means that broadcasters make up a smaller share of audiences' daily media use, particularly amongst under-30s.[9]

[7] House of Lords Communications Committee (2019) Public Service Broadcasting: As vital as ever, p. 76; Ofcom (2021) Media Nations: UK 2021 Report, p. 74.
[8] Ofcom (2021) Media Nations: UK 2021 Report, p. 54.
[9] Ofcom (2021) Media Nations: UK 2021 Report, p. 6.

15. These challenges are not unique to any one broadcaster or media service, and reflect longer trends that have begun to crystalise across the television sector over several decades. A privatised Channel 4 would still face falling advertising TV revenues, rising costs and disaggregated audiences, and would likely become more susceptible to these market pressures than it currently is under public ownership. As a wholly for-profit broadcaster, Channel 4 outside of public ownership would be subject to an additional financial burden of creating profit for shareholders, making it increasingly reliant on producing more commercial programming to attract a larger generalised audience base. This would markedly diminish the distinctiveness of Channel 4's output and place its content more directly in competition with SVoDs and international broadcasters.

16. Channel 4 has demonstrated robust finances in recent years and made a strong start in establishing a sustainable, diversified revenue stream for an evolving media market. Between 2016 and 2020, Channel 4's revenue from digital advertising almost doubled from 8% (£84m) to 17% (£161m) of total income, and its non-advertising share of income increased from 7% (£67m) to 9% (£84m).[10] This marks considerable progress towards the corporation's Future4 objective for 30% and 10% of total revenue earned from digital and non-advertising income respectively by 2025. In addition, Channel 4 has secured £201m of net cash reserves (equivalent to its unused government borrowing limit) and recorded a year-on-year revenue drop of just 5% in the wake of the Covid-19 pandemic. This resilience is due in no small part to the unique remit and ownership structure of Channel 4, which affords it a distinct market position producing high quality original content across news, entertainment and education aimed at the UK's diverse audiences.

17. Recent years have seen an increasing politicisation of interventions in Public Service Broadcasting more widely, particularly where decisions concerning funding, regulation and senior appointments have proven controversial. A case in point is the current DCMS consultation, which presents privatisation as the government's preferred option for the future ownership of Channel 4. Supporting evidence, including an impact assessment, has yet to be presented. Much of the press commentary surrounding the consultation makes apparent why the final decision needs to be informed by meaningful public debate and stakeholder engagement.[11] In the meantime, it is important the effective functioning of Channel 4 is maintained, such as by ensuring there are no delays to appointments to the Board of Directors. Bearing in mind the protracted search for a new chair of Ofcom, such measures help to safeguard public trust in the independence of British media.[12]

If Channel 4 Corporation were privatised, what might be the benefits? What would be the risks and to what extent could they be mitigated?

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

18. **A change to private ownership would risk the sustainability of Channel 4's public service mission, weaken competition in commissioning, and lessen investment in the Nations and Regions. Privatisation would almost certainly undermine the ability of Channel 4 to reinvest revenues in risk-taking creative enterprises, corresponding to a reduction in the scope of its commissioning from smaller independent producers outside of London.**

19. **Although the UK broadcasting sector is still experiencing a period of profound change in market conditions and audience behaviours, the underlying philosophy of Channel 4's unique**

[10] Figures from Channel 4 (2021) Annual Report and Financial Statements 2020, p. 218.
[11] The Guardian, 'Oliver Dowden restates his claim Channel 4 would benefit from privatisation', 15 September 2021
[12] The Guardian, 'Ministers veto reappointment of two women to Channel 4 board', 14 April 2021; The Times, 'Ministers seeking Channel 4 directors to back privatisation'. August 26 2021; The Guardian, 'Paul Dacre "should be banned from reapplying" as Ofcom chair, says Tory MP', 15 September 2021.

remit, with its vital contribution to the public value of the UK's mixed broadcasting ecology, remain as vital as ever.

20. As the Committee's 2016 report, 'A privatised future for Channel 4?,' concluded, Channel 4 is financially stable, reaches a substantial audience across linear and digital formats, and exceeds its regulated production quotas across a variety of important public service genres.[13] Despite the shock impact of the Covid-19 pandemic across the media industries, these conditions have not changed, nor has Channel 4 been outpaced by the growth of digital viewing and competition from international streaming companies. We have been unable to identify any evidence, either in the UK context or internationally, to corroborate the concerns surrounding Channel 4's access to capital, revenue diversity or its market 'agility' that underpin the government's current consultation on a change of ownership.

21. Channel 4 makes an essential contribution to the UK's public service broadcasting system. Its PSB obligations ensure that all UK audiences are served with high quality original programming on free-to-air television and digital broadcast platforms. Its licence requirements provide for a valuable mix of popular and socially significant programming, spanning impartial news and factual programming, education, content for younger audiences, and access to unifying national events — demonstrated most recently by its comprehensive Paralympics coverage and the Black to Front Project. Channel 4's distinct remit for appealing to "the tastes and interests of a culturally diverse society" and its emphasis on "innovation, experiment and creativity" also enhances the variety of genres and interests catered for, ensuring that across the full UK PSB offer audiences can experience ideas, cultures and formats not generally provided by the wider market. Quotas for regional production and investment in the creative industries not only contribute to the growth of the independent production sector, but more importantly introduce new perspectives in programme-making and improve the accurate representation of the different identities, beliefs, communities, Nations and Regions that make up the UK.

22. Outside of public ownership, Channel 4's ability to fulfil these core public service objectives would be decisively undermined. Privatisation would pose compounding constraints on the range and originality of programmes available to UK audiences, to the distinctiveness and representativeness of Channel 4 content, and to the scale of Channel 4 investment in the UK creative industries. As a wholly commercial operation, the new requirement for Channel 4 to return a profit for its private shareholders would necessarily reduce the amount available to spend on public service content, while also severely limiting the scope for reinvestment in non-broadcasting activities. Private ownership would entail a greater focus on producing more commercial content to boost revenues through greater advertising appeal, increasing competition with existing commercial broadcasters and SVoD providers while reducing the overall diversity, distinctiveness, experimentation and innovation in content available to UK audiences. A privatised Channel 4 would also be inclined to steer away from culturally specific British content and instead prioritise programming that appeals to more homogenous international markets, reducing the wider representation of the cultural diversity of British life and the Nations and Regions — a core distinguishing feature of Channel 4's output throughout its history under the current ownership model.

23. Channel 4 outside of public ownership would be worse placed to fulfil its public service broadcasting objectives either sustainably or effectively in the public interest. Commitments for impartial news, education, investment in UK production and innovative, diverse content for minority audiences do not form an attractive commercial proposition for prospective buyers. It is safe to anticipate that a new owner would either minimise its investment in these core public service areas to bolster more profitable content, or seek to reduce the scale and scope of Channel 4's current regulatory requirements and diminish its public value for UK audiences. Under increasing commercial pressures the UK's other commercial PSBs, ITV and Channel 5, have consistently appealed to Ofcom to reduce their regulated quotas in key service areas like news, while commercial provision of

[13] House of Lords Select Committee on Communications (2016) A privatised future for Channel 4? HL Paper 17. Available at: https://publications.parliament.uk/pa/ld201617/ldselect/ldcomuni/17/17.pdf

children's programming, educational content and news has declined markedly in recent years.14 The further scaling back of essential public service requirements by a wholly private Channel 4 would severely weaken the benefits it creates for audiences and damage the collective public value of the UK's mixed PSB ecology.

24. Keeping Channel 4 in public ownership is the most effective guarantee of continuing its contribution to the production sector and wider creative industries throughout the Nations and Regions. Under its current structure and remit, Channel 4 has created enormous economic and industrial value through investment in new localised creative clusters, shifting commissioning outside of London, and inducing spillover activity from employment and goods/services spending in regional economies.

25. Analysis by EY estimates that in 2019 Channel 4 supported over 10,000 jobs and generated £992m of 'Gross Value Added' (GVA) for the UK economy, including 3,000 jobs and £274m of GVA in the Nations and Regions.[15] Compared to equivalent GVA calculations for other broadcasters, Channel 4 created half the regional economic value of ITV with less than a third of the larger commercial PSB's overall revenue,[16] highlighting the distinct economic value of Channel 4's remit for creativity and diversity in broadcasting. Channel 4's significant contribution to 'levelling up' is further evidenced by its investment in new corporate facilities in Leeds, Glasgow and Bristol. These creative hubs support the growth of local producers in these areas, as well as enhancing the diversity of ideas and content representing different parts of the UK. They serve as important anchors for 'crowding in' new film, advertising and digital businesses to these growing local creative industries.[17]

26. As a publisher-broadcaster with no production capacity of its own, Channel 4 makes a major contribution to redistributing the share of commissioning spend and production currently concentrated in London and the south-east of England. In 2020, when just 45% of all external commissioning spend from PSBs, commercial broadcasters and international companies went to out-of-London productions in 2020, Channel 4 accounted for 14% of this revenue – more than ITV, Channel 5 and the combined spend of all other non-PSB UK channels.[18] In every year since 2012, when its out-of-London commissioning spend quota was increased to 35%, Channel 4 has consistently exceeded its regional production requirements.[19] In 2020, 47% of Channel 4's spend on UK original content came from producers in the Nations and Regions, firmly on track to meet its target for 50% of main channel commissions by 2023. In addition, the Indie Growth Fund has nurtured 19 early-stage independent production companies from outside London over 6 years and £20m of investment, while Channel 4's recently launched '4Skills' programme is supporting new industry talent through training and apprenticeships, focusing on attracting people from diverse backgrounds and the Nations and Regions.

27. Channel 4's publisher-broadcaster status is central to its distinctive role as a cultural and economic dynamo for the UK's media ecology. Prohibiting in-house production has enabled substantial investment in the independent production sector and helped turn it into one of the fastest growing sectors of the UK economy. In 2019, Channel 4 commissions accounted for 10% of the £3.3bn total revenue of UK independent production companies (including revenue from international and domestic commissions and rights income) – equivalent to the combined sector revenue from all VOD companies.[20] The requirement to commission from independent television and film producers (particularly those outside of London) has also enhanced the diversity of content and formats Channel

[14] The Children's Media Foundation (2020) Written evidence to Commons Digital, Culture, Media and Sport Select Committee.
[15] EY (2021) Channel 4's contribution to the UK.
[16] Mediatique (2021) ITV in the Nations and Regions.
[17] Mazzucato et al. (2020) Creating and measuring dynamic public value at the BBC; Ofcom (2020) The role of PSBs in the UK TV production sector, p. 13.
[18] Oliver & Ohlbaum (2021) Pact UK Television Production Census, Nations & Regions Annex, p. 7.
[19] Ofcom (2020) The role of PSBs in the UK TV production sector, p. 7.
[20] Oliver & Ohlbaum (2021) Pact UK Television Production Census, p. 10; Ofcom (2020) The role of PSBs in the UK TV production sector, p. 11.

4 features in its programmes. It improves the choice and range of content available to UK audiences while providing a home for minority communities and groups, helping to ensure audiences engage with alternative voices recurrently ignored, trivialised or excluded from mainstream broadcasting.

28. Removing Channel 4's publisher-broadcaster status, as is currently being considered as part of the DCMS consultation on Channel 4's ownership, would drastically reduce the scale and value of commissioning opportunities available to UK independent producers. Abandoning the current model would mean these companies would be competing directly with major global players looking to extend their production and distribution revenues not only via ITV, but also via Sky, BT, and Virgin Media TV.

29. Further challenges to Channel 4's publisher-broadcaster model risk inhibiting its currently robust support for the production sector in the future. Of particular concern is the growing market domination of 'super-indies', production companies with large (£70m+) revenues and international reach, who represent just 1% of businesses in the UK production sector but accounted for 38% of all commissioning revenue.[21] Smaller UK producers would become increasingly reliant on international (predominantly US-based) commissions, limiting the appeal and audience reach of culturally specific content reflecting the UK and its diverse communities.[22]

30. Channel 4's economic contribution in the Nations and Regions would shrink markedly were its publisher-broadcaster requirements diminished. Analysis by EY projects that Channel 4's GVA would be reduced by £1bn in economic activity over a ten-year period, leading to 1,200 fewer jobs in the Nations and Regions, than would be the case were its current model kept in place.[23]

31. As we propose in our recommendations, Channel 4 can still do much more to rebalance the disproportionate investment in London and support greater economic development in the Nations and Regions. What is clear, however, is that ***privatisation would set Channel 4 on a reverse course, negating its ability to reinvest revenues in risk-taking creative enterprises and likely reducing its commissioning from smaller independent producers outside of London***. A new emphasis on reaching a more commercially oriented, international audience would lead to fewer commissions for original programmes or innovative formats that accurately represent the diversity of UK life and its distinct communities, while investment in training and industry infrastructure would prioritise higher returns for Channel 4 shareholders rather than 'levelling up' the UK's local and regional economies.

Should the regulation and/or remit of Channel 4 be changed, irrespective of its ownership? What would be the risks and benefits of any such changes to the UK Public Service Broadcasting system?

32. Channel 4's remit and obligations are pivotal to its ability to serve diverse audiences and fulfil the underlying social and cultural objectives of UK PSB policy. The core regulatory requirements that comprise the current Channel 4 licence — commissions outside of London, original and innovative formats, agreed requirements for news, current affairs and educational programming — effectively ensure it contributes significant public value within the UK creative industries and beyond. The Channel 4 mission, 'to innovate, inspire change, nurture talent and offer a platform for alternative views', is consistent with a public interest exemplified in broadcasting that is relevant, distinctive and purpose-led.

33. As Channel 4 continues to evolve and recalibrate this mission in new media contexts, we propose it can do more to distinguish itself from commercial multi-channel broadcasters and international streaming services.

34. ***Firstly, the Channel 4 remit should refocus its commissioning agendas to provide more content in socially significant 'merit' genres, serving minority audiences, and pioneering***

[21] Ofcom (2020) The role of PSBs in the UK TV production sector, p. 9.
[22] Enders Analysis (2021) Outsourcing culture: When British shows aren't.
[23] EY (2021) Assessing the impact of a change of ownership of Channel 4, p. 41.

innovative, risk-taking formats. Channel 4's provision of educational and older children's content on its TV channels has declined dramatically following successive reductions in its licenced quotas. At the same time, there has been little to no corresponding gain in productions in these genres across the wider Channel 4 portfolio. In 2019, just 1% of Channel 4's total content spend went to original education and older children's content.24 Channel 4 has also withdrawn from providing children's news following the easing of commercial PSB quotas in 2003. Increased service in these genres would help remedy the sector-wide slump in provision and increase the public value of Channel 4's content catalogue. In addition, Channel 4 is widely regarded as the leading UK broadcaster for featuring minority voices, including those from otherwise marginalised communities and groups within society. This essential contribution to UK public service media should be reaffirmed as a guiding tenet of Channel 4's remit (set out in the 2003 Communications Act), inviting even greater investment in the universality and representativeness of its content.

35. ***Secondly, Channel 4 should adopt an expanded role in reaching and appealing to younger audiences with innovative, UK-made public service content.*** Channel 4 has established a strong position in attracting younger audiences to its services. Channel 4 is the only PSB to have a higher viewing share amongst the 16-34 age group than its viewing share of all audiences (15.7% vs. 10.1%), and its news programming has more younger viewers as a proportion of its total audience than all other PSB news services.25 However, younger audiences are also shifting their media consumption away from traditional broadcasting more quickly than any other group. 68% of 16-34s' average daily viewing is comprised of non-broadcast media, such as streaming, online video and gaming, compared to just 39% for all adults, and this figure has risen year after year.26 In addition, this age group's relationship with PSBs is more tenuous (having grown up with access to a much wider range of media content), survey data suggesting the expansive choice and personalised format of US-based services like Netflix, Amazon Prime, Apple TV, Disney+ or YouTube may be perceived to be more closely aligned with their interests in entertainment programming.27

36. Survey data has also shown that younger audiences appreciate and value the core ideals of Public Service Broadcasting. Research for Ofcom indicates that 16-34s distinguish PSBs as far more socially and culturally beneficial than SVoDs for creating shared experiences, producing unique content and offering programmes that reflect and represent the UK.28 As such, Channel 4's next licence settlement should expand on its existing obligation for serving older children and young adults, and focus on ensuring that distinctive PSM content is widely available on the platforms and services that make up younger audiences' day-to-day media consumption. These new obligations might include requirements on Channel 4 for exploring new content formats and cross-platform delivery, or directly involving younger audiences in programme-making and building a future Public Service Media compact. The scope for pioneering new digital broadcasting technologies for public use is considerable, and Channel 4's leadership would be a considerable benefit to both audiences and the wider UK broadcasting sector.

37. ***Thirdly, the regulations governing Channel 4 production should be strengthened to guarantee that a greater proportion of commissioning and content spend goes to the UK's SME producers.*** In 2020, more than two-thirds of Channel 4's UK commissioning spend went to production companies with turnovers in excess of £25m, while just 10% went to producers with annual revenues under £10m, despite these smaller companies making up 58% of all independent production companies in the UK. To ensure that Channel 4 continues to boost the UK's independent production sector and support economic growth across the creative industries, its commissioning requirements should prioritise SME producers in addition to the existing out-of-London quotas. One potential reform to achieve this could involve explicit quotas on the minimum share of Channel 4 commission spend

[24] Channel 4 (2021) Annual Report 2020, p. 97.
[25] Channel 4 (2021) Annual Report 2020, p. 89-91.
[26] Ofcom (2021) Media Nations 2021: UK Report, p. 22.
[27] Reuters (2019) How young people consume news and the implications for mainstream news; Commons Digital, Culture, Media and Sport Select Committee (2021) The future of public service broadcasting.
[28] Jigsaw (2020) An exploration of people's relationship with PSB, p. 39-44.

going to smaller producers, and/or maximum limits on commissions going to ‘super-indies’ in the highest turnover brackets. This would drive greater investment in SME producers (many of which are based in the Nations and Regions) and increase the diversity of ideas, talent and perspectives involved in Channel 4 programme-making.