

CHANNEL 4 SUBMISSION AHEAD OF INITIAL CONVERGENCE THINK TANK SEMINAR

Introduction

Channel 4 welcomes the Government's announcement of the creation of a Convergence Think Tank (CTT) and its outline work programme. In light of Channel 4's status as one of the UK's two publicly-owned public service broadcasters, we will clearly be seeking to have a significant input into the CTT's work to **'consider the future form and provision of public service content, building on the outputs from the Ofcom review of public service broadcasting which is currently underway'**.

We particularly welcome the Secretary of State's undertaking at January's Oxford Media Convention that the CTT's work will specifically address the issue of future PSB funding beyond the BBC. We would urge the CTT to ensure its work in this area is co-ordinated with Ofcom's in its second PSB Review so that by the end of this year a clear answer to this critical issue is beginning to emerge.

Channel 4 strongly believes that the challenges facing those public service broadcasters dependent on commercial funding and analogue spectrum subsidy need to be addressed with urgency if we are to have the right policy tools in place in time to address the challenges that will be brought about by convergence. The traditional processes that have been relied upon to address future broadcasting policy are in danger of being significantly outpaced. As the Secretary of State said in Oxford: *"...one of the characteristics of the industry now is that legislation approaches its sell-by date quicker. Now I think we are on the threshold of more significant changes which may require further reform."*

The CTT's agenda is very broad and so we will seek to restrict our submissions during this process to those areas where we can add most value to its deliberations, in particular those phases dealing with the future of public service content, funding and institutions. Notwithstanding this general limitation we set out some brief, general comments below on the general questions that have been asked in advance of the first seminar, i.e.

- What do we mean by convergence?
- Why is it important for (a) consumers (b) citizens, (c) the economy as a whole?
- How does the UK compare internationally?
- What are the key challenges and opportunities convergence presents for the future?
- What are the key policy implications which the Convergence Think Tank needs to address?

In line with the CTT's initial documentation, we take convergence to mean the coming together and cross-fertilisation of certain industries (e.g. broadcasting and telecommunications) driven by rapid migration of digital distribution platforms and the increasing proliferation of open technical standards. Taking telephony and television as examples, in 1982 when Channel 4 was launched it had very little to do with the telecommunications industry. Television (exclusively via analogue terrestrial broadcast) delivered audiovisual content to audiences at pre-determined times; the telephone (then exclusively landlines) was used by individuals to talk directly to one another. Today, with the massive advancement in telecoms technology and in particular mobile telephony, the lines are much more blurred. For example, audiovisual content commissioned by Channel 4 for broadcast can, and often is, delivered to individuals directly via their mobile phones.

The arrival of the internet and high-speed broadband has even greater implications for the way in which individuals are able to access and consume audiovisual content as well as for the relationship that they will have with the media as citizens. The traditional broadcast world of one-to-many communication (from broadcaster to viewer) has to respond to a growing consumer expectation of two-way communication and of greater interactivity and engagement. This is enabling audiences to shape and enhance traditional TV programmes in a variety of ways.

At the moment we are only scratching the surface of the possibilities, both creative and technological, that the process of convergence is opening up for the UK's economy. It is our view that UK plc is incredibly well-placed to take advantage of the dramatic technological changes that underpin convergence. Our creative industries are world class in both reputational and economic terms: a fact underscored by the recent Work Foundation analysis showing that the UK's cultural and creative industries are the largest in the EU. Broadcasting ranks #2 in the world in terms of global exports, behind only the US, while no other country boasts a higher level of originations per head; in terms of share of exports of music, the UK is again #2 in the world, behind only the US; the UK is also the largest advertising market in Europe, with London acknowledged (alongside New York) as one of the two world centres of creative advertising.

Whilst the UK starts from an incredibly positive position and has a heritage across a range of creative industries that mean it has the potential to remain a global leader in these areas we should not be complacent. This is an increasingly global market and a number of other countries are well placed too and see the creative industries as a critical growth area. If the UK is going to cement its leading position and build on it there are a number of policy issues that it needs to consider. We have listed some of the priority areas as we see them below:

1. Maintaining high levels of investment in UK originated audiovisual content

As set out above, no country in the world invests as much in TV originations per head as the UK. This investment has ensured not only that the UK has a significant volume of domestically originated, culturally relevant content available to audiences but that it is of significant quality. This has underpinned the UK's success in being able to export much of this content and the formats that underpin it and the contribution that television has been able to make to culture in the UK – from drama and film, through to comedy and news.

This high level of investment has not happened by accident. It has been triggered by major government intervention, initially through the creation of the BBC funded by Licence Fee and subsequently through the granting of free – and scarce – analogue spectrum to ITV, Channel 4 and Five.

As the panel will be well aware, the arrival of digital technology and process of convergence has made possible the Government's plan to switch off the analogue signal. The old model of commercial PSB, in which investment in UK content was underpinned by the indirect subsidy of the analogue spectrum, is coming to an end (see OFCOM's first PSB Review and more recent Financial Review of Channel 4). We believe this poses major problems for the UK in both cultural and economic terms.

Economically, the health and strength of the UK's independent production sector and its ability to export has been underpinned by investment from a range of broadcasters other than the BBC. With the analogue subsidy disappearing the ability of the commercially-funded PSBs to maintain levels of investment will be threatened. The recent experience of the children's production sector, which has seen significant and rapid decline in investment in originated UK children's content, gives a clear indication of what may happen in other genres as the historic economic model comes under pressure.

Whilst the massive expansion in the digital economy of recent years has seen significant financial investment this has predominantly gone into distribution and networks. There has been little additional investment in originated UK content (if you strip out sports rights). The PSBs remain the UK's major investors in original UK audiovisual content.

The PSBs investment in a wide range of genres, many of which are not themselves commercially viable, also pays dividends for UK plc by providing a training ground for a range of talent that then goes on to make a global impact. Taking film as an example, director Kevin Macdonald, initially came to prominence through his work on a documentary feature for Channel 4 called **Touching the Void**. Following this, Channel 4 was able to give him the opportunity (through Film4) to direct his first fiction feature – **The Last King of Scotland**. This film generated global recognition for the UK film industry,

winning an Oscar for best actor, and has also given Kevin (and leading actor James McAvoy) the opportunity to break into Hollywood.

In cultural terms, the current breadth and range of programming available to UK audiences – from comedy and arts through to news and current affairs – is likely to be unsustainable without intervention. Given the vital role that impartial news and current affairs, for example, play in the lives of UK citizens both directly and as a counterpoint to provision by the BBC, convergence could have a major negative impact on the cultural and social role that audiovisual content is able to play in the UK in the future.

Of course, in the UK we have the safeguard of the BBC, which has just been granted a new 10 year Charter, guaranteeing significant levels of investment in domestic production for the next decade. However, there is wide acceptance that the economic and cultural impact of the UK's creative industries has been driven, at least in part, by having a system marked by plurality – both in terms of the number of providers and in terms of the ways in which these different providers deliver their output. Competition to the BBC, whether that be in children's, comedy or drama, has helped drive up quality. The presence of more than one provider also ensures that a greater plurality of voices and opinions are seen and heard. In news and current affairs, for example, whilst Channel 4 clearly seeks to compete directly with the BBC and other providers it also seeks to bring a different perspective, allowing greater access to alternative voices. **Channel 4 News**, for example, contains a much greater amount (c.40% of the bulletin) of international news coverage. Its greater length, compared to other major bulletins, also allows for more in-depth reporting.

Channel 4's unique publisher-broadcaster model also means it has played a very different role to the BBC in the development of the UK's independent production sector. This role extends well beyond straightforward investment in commissioned content and into training and development of the sector. Channel 4 is required, for example, to commission at least 30% of its content (by volume and spend) outside the M25. Our Nations & Regions office, which is based in Glasgow, operates a major Creative Cities initiative across the UK and works with numerous RDAs to support fledgling independent production companies and grow their businesses. No other PSB works with as many new independent production companies each year¹. This work makes a vital contribution to the development of a healthy UK-wide production sector. But as the recent Pact report on production in the Nations & Regions and work of the Scottish Broadcasting Commission have highlighted there is a need for further action if we are to spread opportunity and grow a truly sustainable production sector beyond London and the North West of England.

The UK's PSB model has also been underpinned by the presence of readily identifiable public service institutions, in the form of the BBC, ITV and Channel 4. We are strongly of the view that having major, publicly recognised institutions that are able to deliver content with scale and impact is as important as the investment in content itself. Taking Channel 4's recent 'Food Season' as an example, it featured a series of films raising the important public issue of the way food is reared and treated in the UK. These films were valuable in their own right but much more so for their ability to have a major impact on the audience and trigger a wider public debate about the way in which animals are reared and sold.

That said we are not in the business of defending the status quo. We believe that convergence offers a myriad of exciting opportunities to transform and evolve the relationship that audiences have with PSB content, both as consumers and citizens. However, this will necessitate a new regulatory and legislative settlement to reflect the rapidly changing nature of public service content and delivery. The current legislative framework, as set out in the Communications Act 2003, defines the public service output of commercially-funded public service broadcasters purely in terms of their core terrestrial channels (i.e. ITV1, Channel 4 and Five). This model did not anticipate the speed of the migration to a digital world that would follow: the take-up of digital television, the growth of on-demand technologies and the major advances of the internet. Now, audiences can watch and engage with content that is clearly public service in nature in a variety of ways, whether watching a serious factual documentary on digital

¹ Over 50 in 2007 – out of a total of c.300 companies

channel More4, catching up on a Channel 4 programme on 4oD, or seeking in-depth analysis on Channel 4's news website.

We are keen to play our part, in particular, in exploring how public service content might meet the challenges brought about by convergence. However, we must be clear that our ability to fulfil this ambition will be determined by whether or not policymakers decide to put new forms of public intervention in place to replace the current analogue spectrum subsidy and construct a newly adapted regulatory and legislative framework. As stated above we believe this needs to be addressed with some urgency and are, therefore, pleased that one of the CTT's key areas for consideration will be 'the **future form and provision of public service content**'.

2. Content Regulation

The explosion in the types of content available to audiences and in the range of access points to this content is making the job of 'content regulation' more and more difficult. This clearly has a range of implications, perhaps most pressingly how to ensure children and vulnerable people are appropriately protected from unsuitable content. This new world does not lend itself easily to formal regulatory intervention because of the size and flexibility of the markets that are emerging and there is general agreement that systems of self and co-regulation offer the best hope of addressing these issues.

That is why Channel 4 has been an enthusiastic supporter and member of the ATVOD² initiative since launching our 4 On Demand service and is an active member of the Broadband Stakeholder Group, which is also examining how these issues can best be addressed. The systems currently in place are, inevitably, fledgling and have yet to be fully tested. But as more and more of these services move into the mainstream how can we ensure we have adequate regulatory arrangements in place to prevent abuse? What kinds of regulatory framework can offer maximum protection where appropriate but also offer maximum opportunity for creativity and risk taking? In terms of public service television, new funding models (particularly if reliant on public funding) will rightly necessitate new and improved forms of regulatory accountability. Again, how can we ensure that whatever arrangements are put in place hold organisations to account but do not crush the spirit of creative risk taking, innovation and independence that Sir Brian McMaster recently identified as being so important to achieving excellence in the arts?

3. Universal access to networks and services

The old, unconverted world, of one-way, analogue broadcasting had many limitations but one of its great advantages was the near universal access to the services provided. Again, this was not an accident but a result of conscious government policy and early recognition of the importance of offering citizens access to an entertainment medium that also plays a vital social and democratic role. As convergence makes it possible to distribute and access content on a wide range of devices, and will increasingly transform the very nature of the content that is available, e.g. offering two-way communication, there is a very real danger of a digital divide emerging. For example, if over the next decade the provision of local audiovisual content such as news over broadband becomes a critically important tool for informing and engaging citizens with what is going on in their locality will it not be important for there to be near universal access to high speed broadband?

Universal access to basic 'traditional linear TV' is already guaranteed as a requirement of the analogue switch-off process but will this be enough to guarantee citizens have sufficient access to the services of the digital future such as High Definition TV? If not, what networks should be required to deliver universal access and, in those places where it is uneconomic, how might that be funded? Furthermore, if access to these networks is going to be central to the ability of individuals to participate in the new digital economy is there a broader economic imperative for the Government to ensure universal access?

² Association of Television on Demand

Channel 4 believes that maintaining effective – i.e. affordable – universal access to high quality public service content in its increasingly varied guises goes hand in hand with maintaining high levels of investment in the content itself.

4. Training and skills

We believe that both the Government and Ofcom have been right to see media literacy as a major issue for the digital future. In this rapidly evolving world the ability of individuals as both citizens and consumers to participate will crucially depend on their ability to decode and understand what is being presented to them. And with a thriving digital information sector set to be central to the UK's prospects for economic growth, it will be increasingly important for the UK's population not only to be able to decode and understand but also to be able to create and participate in this rapidly converging digital economy.

The CTT should, therefore, consider what implications there are for the UK's educational system, its current priorities and resources. Are we providing children with access to the right educational resources to ensure that they get the most out of these new services and give them the best opportunity possible to exploit the emerging economic opportunities? Just as importantly, what are we doing to ensure that those who have already completed their formal education are able either to catch up with what is happening or ideally get ahead of the curve? On this latter point we are keen to explore how the role the PSBs (primarily the BBC and Channel 4), have historically played in the provision of schools and educational programming might evolve to help meet some of these challenges. Can the PSBs play a role in opening up access to the tools and skills that will be essential to full participation in the digital economy of the future?

As set out at the start of this letter, these are just a few high-level thoughts intended to inform the CTT's initial thinking. Channel 4 looks forward to participating more fully and actively in the forthcoming series of seminars and in particular on the issue of the future provision and funding of PSB content.

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