

## **Channel 4 submission to the DCMS free-to-air events review**

Channel 4 welcomes the review of the listed events system. As a publicly-owned, commercially-funded public service broadcaster, Channel 4 is committed to delivering its remit to provide—free-to-air—innovative and distinctive content, and to cater to diverse audiences not well-served by other broadcasters. Channel 4 believes strongly in a public service broadcasting system that offers a range of high-quality content to UK audiences, free at the point of use: sporting events are an important part of this public service mix.

Channel 4 has a long history of providing innovative sports coverage, and in 2008 broadcast over 800 hours of sport. In line with Channel 4's remit, the focus of this programming was on minority sports and events not well-covered by other broadcasters, including events as diverse as athletics, sailing, beach volleyball and smaller motorsports. Channel 4 is also committed to providing over 80 days of horse racing coverage in 2009. While Channel 4 does not have the rights to any of the current listed events, Channel 4 most recently provided live free-to-air Test cricket coverage between 1999 and 2005. In this context, this submission addresses the following issues.

- The principle of ensuring that major events are available on free-to-air television.
- The criteria used by the Secretary of State in deciding whether to list events.
- The composition of the current list.
- The impact of digital switchover on the operation of the listed events system.

### The principle of having a list

Channel 4 believes that the UK should continue to protect certain major events through live or deferred coverage on free-to-air television. A key principle underpinning the UK's broadcasting system is that a wide range of content should be universally available to audiences, free at the point of use. The listing system ensures that this range of content includes major events of national importance, such as sporting events.

Channel 4 is committed to delivering its remit and providing a mixed public service schedule, including sports coverage. However, in the light of the current financial challenges facing commercially-funded public service broadcasters, Channel 4 has not recently been in a financial position to compete strongly for the rights to listed events. Nonetheless, as a public service broadcaster, Channel 4 believes that it is important in social and cultural terms to maintain a list that protects major events for free-to-air coverage.

### *Listing benefits UK audiences*

Reach and impact are extremely important elements of the public service content equation. Free-to-air coverage extends the reach of content, thus maximising the public value generated for UK audiences. Taking Test cricket as an example, Channel 4's experience demonstrates that free-to-air provision broadens access to—and the appeal of—the sport. For example, in 2004 and 2005 Channel 4 and Sky Sports shared live coverage of Test cricket. Channel 4 achieved average ratings between three and four times larger than those for Sky Sports, as shown in the table below.

COMPARISON OF LIVE CRICKET AUDIENCES: CHANNEL 4 AND SKY SPORTS

<i>Test</i>	<i>Broadcaster</i>	<i>Average ratings (000s)</i>	<i>Channel 4 rating/Sky rating</i>
<i>2005 Bangladesh Test Series</i>			
First Test	Channel 4	688	
Second Test	Sky Sports	223	3.1
<i>2004 New Zealand Test Series</i>			
First and Third Tests	Channel 4	1001	
Second Test	Sky Sports	240	4.2

Source: BARB, Channel 4 analysis

In the absence of a list protecting events of national importance for free-to-air coverage, it is likely that subscription broadcasters would acquire exclusive rights to broadcast these events. Due to their different business model, subscription broadcasters such as Sky are able to offer greater amounts of money for exclusive rights to events, compared to free-to-air advertising-funded broadcasters such as Channel 4 or ITV, or the licence fee funded BBC. Again taking Test cricket as an example, in 2005 both Channel 4 and Sky bid for the rights to England home matches between 2006 and 2009. Channel 4 understands that Sky was able to bid substantially more per annum for the rights to the matches for which Channel 4 also bid.

Given the high probability that, without a list, the rights to major events would be won by subscription broadcasters, these events would only be available to those who are willing and able to pay for access. This would severely restrict the reach of such events. Pay satellite services (eg. Sky) are accessed in around 9 million homes in the UK, and Channel 4 estimates that only 60% of these homes take Sky Sports—around one fifth of total TV homes in the UK. By contrast, broadcasters such as the BBC, ITV and Channel 4 provide universal coverage, free at the point of use.

The viewing figures for Test cricket over the past decade demonstrate that the shift from free-to-air to pay coverage has restricted access to cricket. Since Sky Sports acquired exclusive rights to England Test cricket in 2006, viewing and share has decreased markedly from an average audience of over 1 million viewers each year on Channel 4, to an average audience of only 265,000 each year on Sky Sports.

**Viewing of live England Test cricket (average by year, 1999–2008)**

		<b>Individuals</b>	
<b>Channel 4</b>		<b>000s</b>	<b>Share (%)</b>
1999	New Zealand	1,311	17.8
2000	Zimbabwe & West Indies	1,324	17.3
2001	Pakistan & Australia	1,205	14.7
2002	Sri Lanka & India	1,048	12.2
2003	Zimbabwe & South Africa	1,184	14.5
2004	New Zealand & West Indies	1,127	14.6
2005	Bangladesh & Australia	2,157	26.1
<b>Sky Sports</b>			
2006	Sri Lanka and Pakistan	263	4.4
2007	West Indies and India	253	3.6
2008	New Zealand and South Africa	280	3.6

The move to pay TV has also seen a shift in the demographic composition of the audience for live cricket. In particular, when Test cricket was broadcast on Channel 4, over half the audience were aged over 55. By contrast, when live Test cricket first moved onto Sky Sports, less than one in three viewers were aged over 55. In addition, the profile of Test cricket viewers has also become more upmarket (ABC1) since the shift to pay TV. Together with the change in age profile, this indicates that those audiences less likely to subscribe to pay TV (older, downmarket audiences) are most affected by the shift of cricket from free-to-air to pay TV.

#### *Listing is in the long term interests of sport*

Free-to-air coverage of major sporting events is not only important in cultural terms, it is also important for the long term interests of sport in the UK. The viewing figures for Test cricket demonstrate that the move to restrict coverage to pay TV decreased both the number of people who can access cricket coverage and the total amount of Test cricket viewing. Channel 4 questions whether this trend will be in the long term interests of cricket, as a large number of the next generation of fans are prevented from developing a relationship with the sport.

Of course, the policy framework needs to strike a balance between, on the one hand, catering to audience needs and increasing participation in sport, and, on the other hand, allowing sporting bodies to try and maximise revenue. However, Channel 4 would question whether the lack of availability of key sports on free-to-air television to audiences throughout the UK will be beneficial to those sports in the long term—rather, it could prove highly damaging by reducing access and interest.

#### The current criteria for listing events

Channel 4 agrees that it is important to ensure that the criteria that the Secretary of State can use to list events are fit for purpose. In particular, Channel 4 believes that the criteria must be clear and proportionate, while at the same time allowing the Secretary of State sufficient flexibility to change the list in the light of social and cultural change.

In this context, Channel 4's view is that the current essential criterion test—that "the event has a special national resonance, not just a significance to those who ordinarily follow the sport concerned; it is an event which serves to unite the nation, a shared point on the national calendar"—continues to be the right test for the Secretary of State to use in deciding which events to list.

In relation to the other factors and characteristics of events that may be taken into account by the Secretary of State in coming to a listing decision, Channel 4 again sees no reason to change the current arrangements. Channel 4 is particularly keen to ensure that the impact on the public service broadcasting system is considered, and therefore believes that it is vital that the Secretary of State continues to take into account the "likely impact on the broadcasting market, including future investment in sports broadcasting, the level of competition and *the position of public service broadcasters.*"

### The composition of the current list

While the decision whether or not to list a particular event is a matter for the Secretary of State—after consultation with broadcasting authorities and rights holders—the review panel has asked for views on the content of the current list.

Channel 4 looks forward to engaging in any future consultation by the Secretary of State but, in the meantime, Channel 4 is broadly content with the composition of the current list and sees no reason to remove events that are currently listed. However, for the reasons discussed above, Channel 4 considers that it would be in the interests of audiences and the long-term interests of cricket if coverage of some form of the sport benefited from Group A listing.

### Digital switchover

Finally, Channel 4 encourages the review panel to consider the implications of digital switchover on the operation of the listed events system. Digital switchover is likely to have a meaningful impact on the level of competition for free-to-air sports rights in future—after digital switchover, the number of channels on digital terrestrial television that enjoy universal, free-to-air coverage will increase dramatically, creating more potential bidders for sports rights.

At present, only five channels (BBC1, BBC2, ITV1, Channel 4 and Five) meet the qualifying conditions for those broadcasters which must be given a genuine opportunity to acquire the rights to broadcast listed events. Those conditions are that “the service is provided without any consideration being required for reception of the service; and that the service is received by at least 95% of the UK population”.

After digital switchover, it is likely that a large number of other channels will also meet those qualifying conditions, which could have a real impact on the operation of the system. In addition to a likely increase in competition for sports rights, digital switchover might allow public service broadcasters with a portfolio of digital channels to cover sporting events more comprehensively, especially events of longer duration (such as Test cricket or tennis tournaments), in turn increasing reach and impact. Equally, this change might also allow pay TV providers with access to slots on digital terrestrial television, such as Sky, to provide free-to-air coverage of listed events after digital switchover.

### Concluding comments

Channel 4 believes in a public service broadcasting system that delivers, free at the point of use, a wide range of high-quality content. Channel 4 therefore supports the principle of maintaining a list that ensures major events of social and cultural importance are available as part of the public service content mix. Free-to-air coverage is vital to extending the reach and impact of content, and helps to ensure that those people who are unable to pay for subscription services do not miss out on important national events. Channel 4 believes that the current list strikes the right balance between the public interest and the financial interests of sporting bodies, and is confident that the current system allows sufficient flexibility for the list to change in future should there be a change in cultural circumstances.

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