



Channel 4 Financial Review

Ofcom analysis of the output, reach and impact of
Channel 4's remit delivery

Report

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Section 1

Executive Summary

Introduction

- 1.1 Ofcom's Financial Review of Channel 4 stems from Ofcom's Public Service Television Broadcasting Review. The PSB Review stated that a not-for-profit, commercially funded Channel 4 would be an important part of the PSB landscape, and should remain so up to switchover and beyond.
- 1.2 The Government's White Paper on the future of the BBC also welcomed Channel 4's commitment to maintaining the strength of the remit in the digital age and restated its support for Channel 4's public service role which it saw as "vital....alongside the BBC, in the provision of PSB for the future".
- 1.3 During the PSB Review Channel 4 identified a funding gap which, it argues, has the potential to threaten the delivery of its remit. Ofcom found no strong evidence of a short term funding gap at the time of the review but stated that there would be a need to revisit the issue.
- 1.4 The primary function of the financial review is, therefore, to assess the Channel 4 Group's financial viability in delivering its PSB remit.¹
- 1.5 The review is being conducted in two phases. Phase 1 assesses Channel 4's historic and current financial position and the likely resilience of its funding model in the face of changing competitive pressures. Phase 2, if required, will identify whether further regulatory intervention may be required to ensure continued delivery of Channel 4's PSB remit, and if so, the possible forms that intervention could take.
- 1.6 Ofcom appointed LEK to provide financial advisory services to support the Financial Review of Channel 4. LEK has undertaken, on Ofcom's behalf, a detailed review of Channel 4 Group's financial statements, business plans and management accounts for the past five years, and of its future performance projections.
- 1.7 The terms of reference for Ofcom's Financial Review of Channel 4 state that Ofcom will undertake work in parallel with Phase 1 of the Financial Review to assess Channel 4's delivery of its public service remit. This will include:
 - Understanding how Channel 4 defines and implements Channel 4's public service remit;
 - Identifying relevant performance indicators and benchmarks for current and future performance
- 1.8 This report on the delivery of Channel 4's remit – prepared by Ofcom - is published alongside LEK's report. This report supplements Channel 4's own submission, provides independent scrutiny of Channel 4's PSB Delivery and contextualises Channel 4's remit and PSB delivery as part of the provision by the Public Service Broadcasters 'taken together'.

¹ See the Terms of Reference for the Channel 4 Group Financial Review

1.9 Channel 4's submission to the Financial Review included detail as to how it interprets and delivers its remit. Channel 4's submission, the relevant part of which is attached as an appendix to this report, comprises a range of data and analysis including:

- Historical delivery against licence obligations
- Genre delivery by volume and spend
- Audience share
- Expenditure
- Historical analysis of the Birthday Week Schedule
- Analysis of Channel 4's delivery of elements of the remit
- Channel Reputation Tracking Study
- Programmes Values Tracking
- Off-screen initiatives

1.10 This submission was supported by a data pack comprising the following data, research and analysis, which Ofcom has drawn from as appropriate in the preparation of this report:

- Data on long term trends in Channel 4 programme investment
- Trends in genre specific programme investment over time
- Long term analysis of the changing shape of the schedule
- Data on new titles and one-off programmes in the schedule
- Image Tracking Study (October 2006)
- Programme data from the BBC Pulse Survey
- Audience research
- Regional origination data for 2004, 2005 and 2006

1.11 The function of Ofcom's report is to provide a factual account of the delivery of Channel 4's remit (as laid out in the Communications Act 2003) and the broadcaster's contribution to overall delivery of public service broadcasting by the PSBs 'taken together' through drawing on the data available to Ofcom. It includes within the Appendix Channel 4's own analysis of its PSB delivery which formed part of its submission to the Financial Review.

1.12 Ofcom and Channel 4 have also considered the extent to which a set of quantitative measures can be used to assess Channel 4's public service delivery and whether an expanded approach is needed to benchmark Channel 4's future public service delivery.

Structure of the report

Section 2 – The Evolution of Channel 4's Remit

- 1.13 Section 2 outlines the development of Channel 4's remit and flags up key findings from the PSB review relating to Channel 4's role

Section 3 – Delivery of the Channel 4 Remit

- 1.14 The third section analyses output, reach and impact data to ascertain how Channel 4 delivers its remit as laid out in the Communications Act 2003. Channel 4's delivery is placed in the context of the delivery of the other terrestrial public service broadcasters and the report uses a variety of data sources to establish Channel 4's delivery of its remit, including:

- Output data supplied by the broadcasters
- Schedule analysis of Channel 4's peak time and all day schedules indicating any trends in Channel 4's output
- BARB data looking at reach and volume of viewing to Channel 4 and where the broadcaster reaches distinct or diverse audiences
- Data from Ofcom's PSB Tracker to establish the impact of Channel 4's output
- Data from the BBC Pulse Survey to establish impact and audience opinion of Channel 4's output

Section 4 – Delivery of other Licence Requirements and Common Public Service Obligations

- 1.15 Section 4 examines the other contributions that Channel 4 makes to the public service broadcasting environment that are not directly related to its remit. This section utilises the same quantitative and qualitative data sources as the previous section.

Section 5 – Benchmarking PSB Delivery

- 1.16 The final section of the report outlines Ofcom and Channel 4's initial thinking regarding a basket of indicators that might be used by Channel 4 going forward to measure and report on the delivery of its remit.

Key Findings

- 1.17 Overall, the data available to Ofcom and provided by Channel 4 suggests that Channel 4 is delivering the quantifiable elements of its remit. It consistently meets its licence requirements, and in some cases significantly over-delivers on its obligations. It has a significant role in delivering some core PSB genres, particularly news, current affairs and religion, which are highly valued by viewers.
- 1.18 In recent years Channel 4 has adapted the way in which it delivers its PSB remit with the stated objective of ensuring the ongoing impact of its service and its PSB elements. Hours of original programming have declined in recent years and spending on PSB genres such as current affairs, news and religious programmes has declined in real terms despite an overall increase in Channel 4's programme

budget. Spend on acquisitions has increased and there has been a shift from serious factual programming to other kinds of educational output that seek to engage audiences through a more entertaining style and approach.

Channel 4's Delivery of its Remit

1.19 The Communications Act 2003 assigns a specific and unique remit to Channel 4 that only applies to the core channel. The Channel 4 Group operates a number of commercial activities intended to generate profits to support the core channel.

1.20 Channel 4's remit requires the broadcaster to:

- Provide a broad range of high quality and diverse programmes
- Demonstrate innovation, experimentation and creativity in the form and content of programmes
- Appeal to the tastes and interests of a culturally diverse society
- Make a significant contribution to meeting the need for the licensed public service channels to include programmes of an educational nature and other programmes of an educative value
- Exhibit a distinctive character.

1.21 Channel 4 also has a number of specific requirements set out in its licence including quotas for originated programming, independent production, European production, out of London production, news, current affairs and schools programming.

1.22 Assessing Channel 4's delivery of its remit in the round requires a range of measures. Channel 4's Submission to the Financial Review, attached as an appendix to this document, outlines how it interprets and delivers its public service remit. Channel 4's submission was also supported by a data pack comprising an extensive range of data and performance measures.

High quality and broad range

1.23 The quality and range of Channel 4's output can be assessed by looking at proxies such as spending on original programming, the volume of original programming in its schedule and the mix of genres it broadcasts.

1.24 Since 2001 Channel 4 has maintained a high level of investment in original programming. Over the last three years the proportion of Channel 4's schedule accounted for by original programming has begun to fall. From 2001 to 2005 investment in peak time programming was declining although 2006 saw this trend reversed.

1.25 Between 2001 and 2006 Channel 4 has begun to invest more in acquired programmes. This increased investment is a result of both an increase in the cost per hour of acquired content and an increase in the hours of acquired programming transmitted in peak. (Although the amount of acquired programming transmitted in 2006 was at a lower level than in 1998). In contrast, the level of expenditure in some of the core public service genres has not increased despite - in some cases - a larger volume of output.

- 1.26 In terms of range, Channel 4 broadcasts a relatively high proportion of the factual, religious and entertainment programming supplied by the terrestrial public service broadcasters but contributes relatively less to the PSBs' total output of children's, news and arts programming.
- 1.27 The genre mix in Channel 4's schedule has altered since 2001. The proportion of general factual programming has increased and the proportion of sport in the schedule fell in 2006, as Channel 4's coverage of English cricket came to an end.
- 1.28 The peak time schedule has seen some shifts in the distribution of different genres. Since 2001 the proportion of current affairs, light entertainment, films and general factual programming transmitted in peak has increased. The proportion of the schedule comprised of drama programming has decreased.

Demonstrates innovation, experiment and creativity in the form and content of programmes

- 1.29 It is difficult to measure precisely the characteristics of innovative programming. We have looked at two possible approaches; one is to look at the number of new series and titles in Channel 4's schedule, which is a crude but useful high-level measure. The other approach is to ask viewers what they think, which also has limitations, but helps provide insight into audiences' expectations and preferences.
- 1.30 With respect to output, between 2004 and 2005 the number of new series broadcast by Channel 4 declined but the number of one-off titles increased.
- 1.31 With respect to audiences' views, Channel 4 receives the highest rating for innovation from its regular viewers compared with any of the other PSBs except for BBC Two, which receives similar ratings from its own regular viewers. Younger viewers are more likely to describe Channel 4 as innovative.
- 1.32 Channel 4 might also be expected to benefit from the creativity and innovation of its wide and highly competitive supplier base. In 2006, Channel 4 worked with around 300² suppliers, but the top five suppliers have taken an increasing share of commissioning spend over the last five years which may be a reflection of increased consolidation in the production sector.

Appeals to the tastes and interests of a culturally diverse society

- 1.33 Channel 4 has an average weekly reach of approximately 61%.³
- 1.34 The PSB Tracker asks viewers about their overall satisfaction with the way the PSB channels deliver the purposes and characteristics of public service broadcasting. 64% of all viewers were satisfied with Channel 4's overall delivery (compared to about 75% of all viewers for BBC One and Two, 62% for ITV1 and 44% for Five). Regular viewers demonstrated higher levels of satisfaction for all the broadcasters. 81% of Channel 4's regular viewers responded positively. The only terrestrial public service broadcaster to receive a higher level of overall satisfaction from its regular viewers was BBC Two.
- 1.35 In general, the PSB Tracker indicates that male viewers and younger viewers are more likely to rate Channel 4 than regular viewers from other demographics.

² Channel 4 Annual Review of 2006

³ Weekly TV reach in all homes (15 minutes, all day)

- 1.36 Channel 4's regular viewers are just as likely as the BBC's to regard Channel 4 as showing programmes reflecting different cultures and viewpoints. However, in relative terms the importance of this aspect of PSB is positioned higher for Channel 4 than for other PSBs.

Makes a significant contribution to providing programmes of an educational nature and other programmes of educative value

- 1.37 Channel 4's remit requires the broadcaster to deliver 'educational' and 'educative' programming, and it currently provides the main commercial competition to the BBC in this area. Much of Channel 4's educative programming is delivered via innovative general factual and formatted programmes, such as *You Are What You Eat* and *Property Ladder* rather than formal educational programming.
- 1.38 The extent to which Channel 4 achieves this aspect of its remit can be assessed by exploring both trends in its output over time and audiences' attitudes towards that output.
- 1.39 In recent years the volume of general factual programming (comprising factual entertainment and hobbies and leisure) in the peak time schedule has increased, although in 2006 this did drop slightly for the terrestrial PSBs as a whole and for Channel 4. Investment in general factual programming has also increased; the cost per hour is high compared with other genres.
- 1.40 Channel 4 is rated better by its regular viewers for the educational value of its output than other commercial PSBs are by their viewers. However, regular viewers to BBC Two are significantly more inclined to believe that the channel shows interesting programmes about history, science or the arts than Channel 4's regular viewers.
- 1.41 Channel 4's regular viewers are also less likely to agree with the statement "As a result of watching its programmes I've become more interested in particular subjects" than BBC Two's regular viewers.
- 1.42 Analysis of BBC Pulse data indicates that there were high levels of agreement for all the public service broadcasters that something had been learnt as a result of watching factual programmes (Serious Factual and Other Factual). This response was particularly positive for BBC Two. Respondents were also asked if they had been inspired to learn more as a result of watching broadcasts. One in five responses were in agreement with this statement for Channel 4's Other Factual programmes, compared to over one-third of responses to similar BBC Two and ITV1 programmes and slightly less than one-third of responses to BBC One other factual programmes.

Exhibits a distinctive character

- 1.43 Channel 4's remit to be 'distinctive' may be reflected both in its output and in the nature of the audience it attracts. Distinctiveness of output may be reflected in a number of the variables discussed in this report, including mix of genres, use of a wide range of suppliers and audience perceptions.
- 1.44 However, output data can only describe distinctiveness at a broad genre level, where it may be difficult to identify differences between the style, format and content of different broadcasters' output. There are currently no available quantitative measures to assess the distinctiveness of delivery within a genre.

- 1.45 With respect to its audience, Channel 4 achieves a higher reach and better appreciation among younger demographics, suggesting that it is successfully reaching a distinctive audience. Channel 4 has the second highest reach of the PSBs among minority ethnic groups.

Channel 4's Delivery of Tier 2 Licence Requirements and Common PSB Obligations

- 1.46 Channel 4 has a number of numerical licence requirements. These Tier 2 requirements, and Channel 4's delivery of these requirements, are detailed in the following table:

Figure 1: Channel 4 Tier 2 Quotas (% of qualifying output or hours per week)

	Quota	2006	2005	2004	2003	2002	2001
Original production – % all hours	60%	63%	62%	63%	71%	68%	69%
– % peak hours	70%	74%	75%	80%	83%	78%	82%
European production	50%	71%	71%	71%	77%	72%	73%
Independent produced – UK quota	25%	84%	87%	82%	62%	65%	61%
– European quota	10%	56%	69%	65%	45%	42%	42%
Produced in regions – % of hours	30%	40%	33%	35%	-	-	-
– % of spend	30%	37%	31%	30%	30%	30%	29%
Network news – all hours	4:00	6:03	6:09	6:01	5:55	4:36	5:00
– peak hours	4:00	4:02	4:10	4:06	4:00	4:30	4:46
Network current affairs – all hours	4:00	4:13	4:08	4:08	4:09	4:47	5:00
– peak hours	1:32	2:18	2:26	2:15	2:17	1:48	1:40
Network schools	6:20	13:01	13:05	12:56	13:12	12:55	10:52

Delivery of Tier 2 Licence Requirements

- 1.47 Channel 4 delivers, and in some cases significantly over delivers, on its Tier 2 obligations.
- 1.48 Over the last few years it has significantly increased the overall volume of its news output and the proportion of current affairs programming played in peak time. However, the total volume of current affairs is lower in 2006 than it was in 2001.
- 1.49 Channel 4's news and current affairs output is distinctive and research suggests it plays a significant role in the public service environment.
- 1.50 Channel 4 news offers more in depth analysis than the other public service news providers and covers more international issues.
- 1.51 Channel 4's current affairs output is likewise notable for covering international issues which might otherwise become the sole preserve of the BBC.
- 1.52 With respect to news and current affairs, evidence from Ofcom's PSB Tracker survey indicates that its regular viewers do not rate Channel 4's output as highly as regular

viewers to the BBC and ITV rate those channels. Male viewers and those in the 16 – 24 demographic tend to value Channel 4's output more highly than other demographics.

Common PSB obligations

- 1.53 In addition to these quota requirements Channel 4 also contributes to the common public service obligations for the public service broadcasters taken together. These are laid out in the Communications Act 2003 and reflected in the purposes and characteristics of public service broadcasting⁴ defined by Ofcom's PSB Review.
- 1.54 Channel 4 is making important contributions to some core aspects of public service broadcasting and delivers significant volumes of programming in several of the 'traditional' PSB genres.
- 1.55 Since other public service broadcasters have reduced the amount of religious programmes they transmit, Channel 4 provides a reasonable proportion of all the religious programming transmitted by the terrestrial PSBs.

Benchmarking PSB Delivery

- 1.56 Channel 4's submission to the financial review and Ofcom's report use a range of quantitative and qualitative measures to consider delivery of Channel 4's remit.
- 1.57 The analysis in these documents provides a useful high-level picture of Channel 4's output, and can be used to determine whether Channel 4 is, overall, delivering its remit. However, quantitative measures such as hours of output or spend per hour in a particular genre constitute only one part of a full assessment of Channel 4's PSB contribution, particularly given that several areas of its remit relate to the characteristics of its programming that do not easily translate into delivery of traditional programme genres. For these reasons, gaining a full picture of Channel 4's remit delivery involves going beyond a narrow set of output measures.
- 1.58 We therefore believe that to track the development and implication of any funding issues identified by this financial review it would be appropriate for Channel 4 to develop a basket of measures that could be used by Channel 4 to assess its PSB delivery in a way that captures the nuances of its remit as fully as possible over time.

⁴ The Purposes and Characteristics of Public Service Broadcasting are defined in full in Section 2 of this report.

Section 2

Background – The Evolution of Channel 4's Remit

2.1 This section illustrates the development and evolution of Channel 4's remit since 1981 and flags up key findings regarding Channel 4's role from Ofcom's Public Service Television Broadcasting review

The Evolution of Channel 4's Remit

2.2 Channel 4's remit has evolved in important ways through legislation since 1981. The Broadcasting Act of 1981 outlined Channel 4's original remit as follows:

- To ensure programmes contained a 'suitable proportion of matter calculated to appeal to tastes and interests not generally catered for by ITV
- To ensure that a suitable proportion of the programmes are of an educational nature
- To encourage innovation and experiment in the form of content of programmes

2.3 The ITC used power under the Act to transfer supply of schools programmes from ITV to C4 and The Broadcasting Act 1990 expanded Channel 4's remit:

- It is provided as a public service for 'disseminating information, education and entertainment'
- It should maintain high standards and a wide range of subject matter
- Sufficient time should be given to high quality news and current affairs
- A proper proportion of its programmes should be of European origin
- Not less than the prescribed percentage should be from independent producers

2.4 The Communication Act 2003 enshrined Channel 4's current remit as the provision of a broad range of high quality and diverse programming which, in particular:

- Demonstrates innovation, experiment and creativity in the form and content of programmes
- Appeals to the tastes and interests of a culturally diverse society
- Makes a significant contribution to providing programmes of an educational nature and other programmes of educative value
- Exhibits a distinctive character.

2.5 Special obligations for Channel 4 include provision for schools programmes and Ofcom's approval is required for Channel 4 to be involved in TV programme production. Channel 4 also has quantitative output quotas for news and current

affairs programmes. Channel 4's public service obligations only apply to the core channel.

The Public Service Television Broadcasting Review and Channel 4's role

- 2.6 Phase 1 of the PSB review noted Channel 4 would continue to play an important role in providing competition to the BBC and in supplying the audiences' desire for originality and innovation. However it also noted that there was a lack of understanding of Channel 4's remit beyond its core audiences. It observed that one of the challenges for Channel 4 going forward would be to maintain its distinctive and innovative remit in an increasingly competitive environment.
- 2.7 Phase 1 also recommended that moving forward public service broadcasting should be measured in terms of purposes and characteristics of public service broadcasting rather than in terms of the amount of specific type of programming. These purposes and characteristics are:

Purposes

To inform ourselves and others and to increase our understanding of the world through news, information and analysis of current events and ideas

To stimulate our interest in and knowledge of arts, sciences history and other topics through content that is accessible and can encourage informal learning

To reflect and strengthen our cultural identity through original programming at UK, national and regional level, on occasion bringing audiences together for shared experiences

To make us aware of different cultures and alternative viewpoints through programmes that reflect the lives of other people and other communities both within the UK and elsewhere

Characteristics

High quality – well-funded and well-produced

Original – new UK content rather than repeats or acquisitions

Innovative – breaking new ideas or re-inventing existing approaches, rather than copying old ones

Challenging – making viewers think

Engaging – remaining accessible and attractive to viewers

Widely available – if content is publicly funded, a large majority of citizens need to be given the chance to watch it

- 2.8 Phase 2 of Ofcom's Public Service Broadcasting Review noted that during the transition to the digital age Channel 4 should remain a vital force in the provision of PSB particularly as a provider of innovative content for its target audience group and noted that it should focus on the reflection of diverse and alternative perspectives.

- 2.9 Phase 3 of the PSB review concluded that the Channel 4 Group should retain its current organisational status as a commercially funded, primarily not-for-profit institution in public ownership, with a sharp focus on its public purposes and that it should continue to make an important and unique contribution to public service broadcasting in the run up to switchover.
- 2.10 The Government's White Paper on the future of the BBC also welcomed Channel 4's commitment to maintaining the strength of the remit in the digital age and restated its support for Channel 4's public service role which it saw as "vital....alongside the BBC, in the provision of PSB for the future".
- 2.11 The next chapter assesses how Channel 4 interprets its remit today, and how it delivers its remit requirements– through its output and through the reach and impact this output has on the audience. It also places Channel 4's output into the context of PSB taken together to establish what Channel 4 uniquely brings to the PSB environment.

Section 3

Delivery of Channel 4's Remit

Channel 4's interpretation of remit

- 3.1 Channel 4's remit is laid out in the Communications Act 2003.
- 3.2 Channel 4's submission to the review interprets its PSB remit as below.
- 3.3 "Channel 4's formal contribution to the public service ecology is based on three core elements:

- Its part in the overall delivery of public service programming, as set out in Tiers 1-3 in the Communications Act:

Tier 1 – Minimum content standards for all PSBs (i.e. standards)

Tier 2 – Output quotas for PSB obligations which apply to all PSBs, and cover original production, regional production, independent production quotas and news & current affairs.

Tier 3 – Qualitative public service measures, varying by broadcaster and regulated through the annual Statements of Programme Policy and Annual Reviews. This includes a detailed description of a wide range of programming genres and outputs which – taken collectively – are viewed to represent public service broadcasting.

- Its requirement to meet the terms of its licence issued by Ofcom, and to produce an Annual Statement of Programme Policy and Review of its performance.
- Its delivery of the unique remit set out for the organisation in the Communications Act, which sets out the following role:

"The provision of a broad range of high quality and diverse programmes which, in particular:

- ***Demonstrate innovation, experiment and creativity in the form and content of programmes***
- ***Appeals to the tastes and interests of a culturally diverse society***
- ***Makes a significant contribution to meeting the need for the licensed public service channels to include programmes of an educational nature and other programmes of an educative value***
- ***Exhibits a distinctive character"***

- 3.4 Ofcom publishes performance against Tier 2 quotas in the annual Communications Market Review. The annual Statements of Programme Policy and Annual Review are published by Channel 4 in the first quarter of the year. In March 2007, Ofcom published a PSB Report to supplement the publication of the Statements and Review.
- 3.5 A number of sources of quantitative and qualitative data are used in this analysis to examine Channel 4's delivery of its explicit remit requirements:

- **Output:** returns on volume and value of programming provided by the broadcasters, recent content analysis conducted by Ofcom into specific genres of programming (news and current affairs)
- **Reach:** BARB data on genre reach, volume of viewing, audience profile and analysis of duplication of audiences of specific programmes
- **Impact:** BBC Pulse data and the PSB Tracker.⁵

The PSB Tracker is a large scale (7,500+ adults aged 16+ per year) telephone survey conducted by Ofcom on a continuous basis. It comprises viewer ratings on a scale (1-10) of the five terrestrial channels plus BBC Three and BBC Four according to the range of PSB Purposes and Characteristics. The reporting is focused on *self-defined regular* viewers.

The BBC Pulse Survey is a nationally representative survey (including Northern Ireland, Scotland, Wales and England) conducted online. The panel is maintained at a level of 15,000 with over 5,000 responses on any given day. It is important to note that Panellists only score programmes they have chosen to watch, and therefore they will generally be scoring programmes they enjoy. Scores are presented as number of responses not respondents.

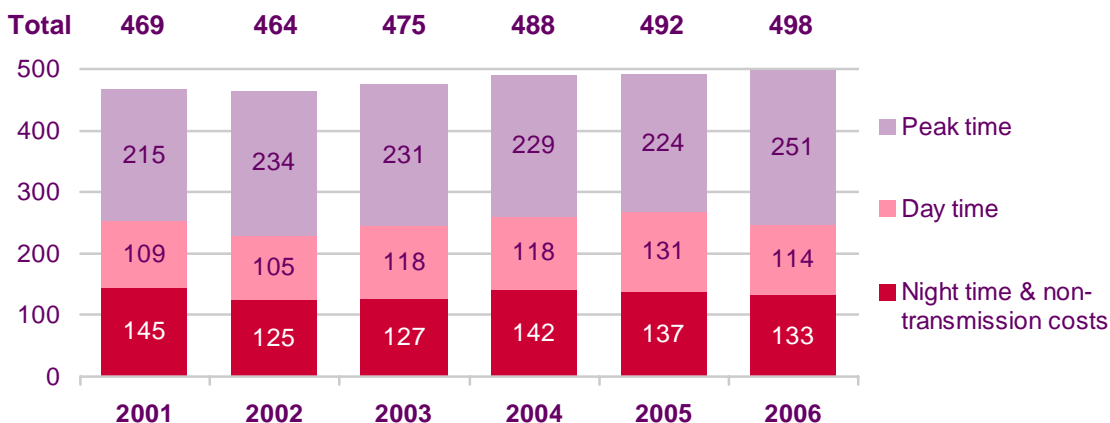
- 3.6 The use of a mixture of quantitative and qualitative measures is intended to offer a balanced score card approach to how Channel 4 delivers its remit and public service obligations. There are, however, elements of Channel 4's remit that are particularly difficult to measure.

Delivery of Remit Requirements: "A broad range of high quality programming"

- 3.7 Other than the value of expenditure on regional productions, the Communications Act does not specify quotas or targets for financial investment in output by broadcasters. However, PSBs are required to provide services of 'consistently high quality and Channel 4's remit specifically requires the broadcaster to supply 'a broad range of high quality and diverse programming' Programme investment is one indicator of quality as is the proportion of original programming.
- 3.8 In the last five years, investment by the PSBs in programming increased year-on-year to £3bn in 2004, declining marginally to £2.95bn in 2005. The majority of programme investment is on original productions (£2.55bn), with the remainder being spent on acquisitions of programmes previously broadcast on another channel (£0.25bn) or fees for repeat broadcasts of original productions (£0.15bn).
- 3.9 In the last five years, Channel 4 has consistently accounted for 14% to 16% of total PSB programme expenditure and 15% to 17% of total PSB original programme expenditure, with overall investment increasing at a similar rate to the other PSBs. However, Channel 4's investment strategy has differed from the BBC and ITV1, the largest investors in programming.
- 3.10 Channel 4's investment in day-time programming (6.00am to 6.00pm) had been increasing until 2005, while investment in peak time programming (6.00pm – 10.30pm) had been declining in real terms. 2006 has seen this trend reversed and real spending on peak time programming (originated and acquired) is now at a level higher than in any earlier year.

⁵ For further details on survey methodologies please see Annex 2

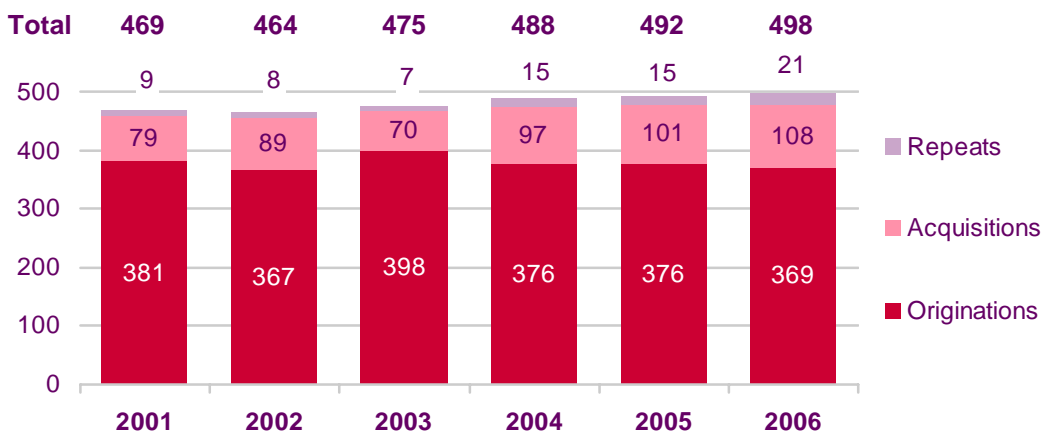
Figure 2: Channel 4 programme expenditure (£m, 2005 prices)



Peak: 6.00pm to 10.30pm, Day: 6.00am to 6.00pm, Night: 10.30pm to 6.00am
 Source: PSB broadcaster returns

3.11 Channel 4's investment in original programming has fallen in real terms since 2001, while expenditure on acquisitions has increased significantly. The BBC and ITV1 have reduced expenditure on acquisitions in the last three years, with only Five increasing expenditure. The value of Channel 4's expenditure on acquired programming has increased from 30% to 40% of the terrestrial PSB total.

Figure 3: Channel 4 programme expenditure (£m, 2005 prices)



Source: PSB broadcaster returns

3.12 The following chart sets out the trends in the average cost per hour of Channel 4's originated and acquired programming.

Figure 4: Cost per hour of originations and acquisitions⁶ (£m) (2005 prices)

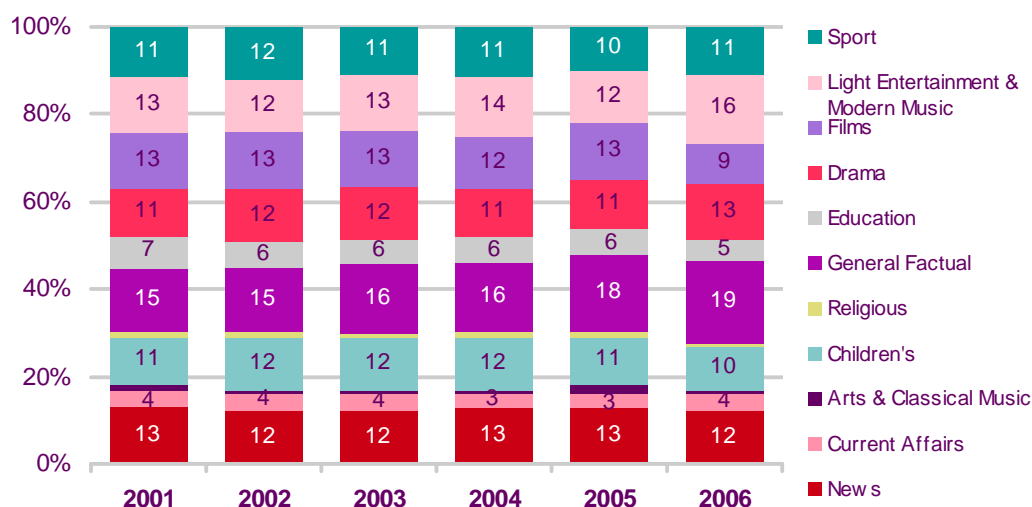


Source: PSB broadcaster returns

- 3.13 To examine the trends in the cost per hour of originations and acquisitions for Channel 4 it is useful to put this into context with the other commercial public service broadcasters. The cost per hour of acquisitions on Five (which like Channel 4 transmits a number of US acquired dramas) has also risen since 2001. The cost per hour of acquired programming on ITV1 is higher than in 2001. However, it has reduced from a peak in 2003.
- 3.14 Channel 4's remit requires the broadcaster to provide 'a broad range' of programmes. The Communications Act also requires that the assessment of public service television broadcasting takes account – overall - of the key values and purposes of PSB set out in section 264 (4) of the Act, linked to specific programme areas (reflected in Section 264 (6) of the Act). This places a common obligation on all PSBs that their programme offer, as appraised in their statements and reviews, should reflect the broad purposes and characteristics of PSB as set out in the PSB Review. While not all channels produce programmes in all categories and genres, output delivery within key genres is used to understand how the public service broadcasters – taken together – fulfil the overall PSB remit. Examining Channel 4's output also indicates the range of programming that the broadcaster provides.
- 3.15 Analysis of the proportion of total hours broadcast by genre by the terrestrial PSBs is given in the figure below. The change in the proportion of news and current affairs is due to a reclassification from 2004 of parliamentary affairs on BBC One and BBC Two as news, not current affairs. Outside of this, there has been little other change in the genre mix across the PSBs other than an increase in general factual programming and a reduction in religious programming and children's programming. In 2006 there was an increase in the proportion of light entertainment and a decrease in the proportion of films that comprise the all day schedule.

⁶ Cost Per Hour data for 2006 is not currently available for the other public service broadcasters

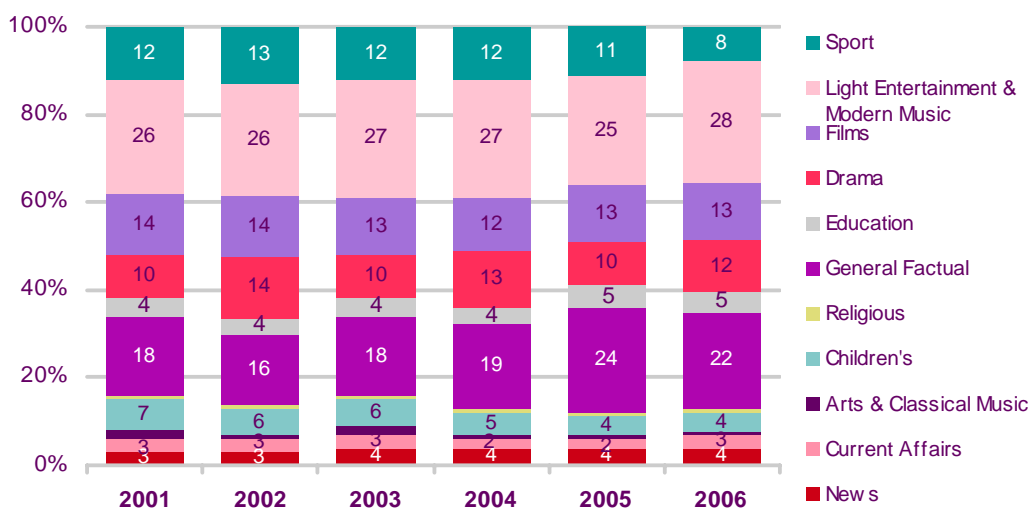
Figure 5: Proportion of main terrestrial PSB output by genre (%)



Source: PSB broadcaster returns

- 3.16 The genre mix in Channel 4's schedule has shifted in the last five years. The proportion of general factual programming has increased from 18% to 22% in 2006. The proportion of sport in the schedule fell in 2006, as Channel 4's coverage of English cricket came to an end. The proportion of children's programming has also fallen.
- 3.17 The proportion of general factual across the schedule has likewise increased since 2002 for all of the terrestrial public service broadcasters apart from Five.
- 3.18 The proportion of children's programming has also fallen on ITV1 and BBC One but accounts for more of BBC Two and Five's all day schedules. The proportion of sport has not only fallen on Channel 4 but also on ITV1. It has risen on BBC Two. The proportion of drama in Channel 4's all day schedule has risen by 2% since 2001 although it peaked in 2002 at 14%. The proportion of drama has also increased in ITV1 and BBC One's all day schedule but fallen for BBC Two.

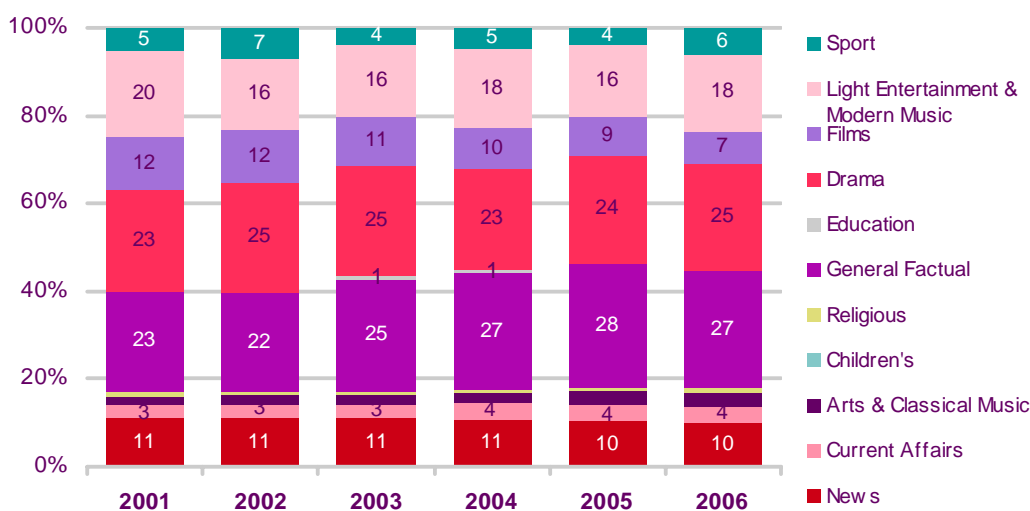
Figure 6: Proportion of Channel 4 output by genre (%)



Source: PSB broadcaster returns

3.19 Analysis of the proportion of total hours in peak time suggests there has been greater change in the evening schedules across the PSBs. Since 2002, the general factual genre has increased its share of peak-time output from 22% to 27%. Light entertainment has fluctuated between 16% and 18% and films have reduced from 12% to 7% of the peak time schedule. However, other genres, such as drama, news, current affairs, arts and classical music, have largely retained their share of the schedule.

Figure 7: Proportion of main terrestrial PSB output by genre in peak time (%)



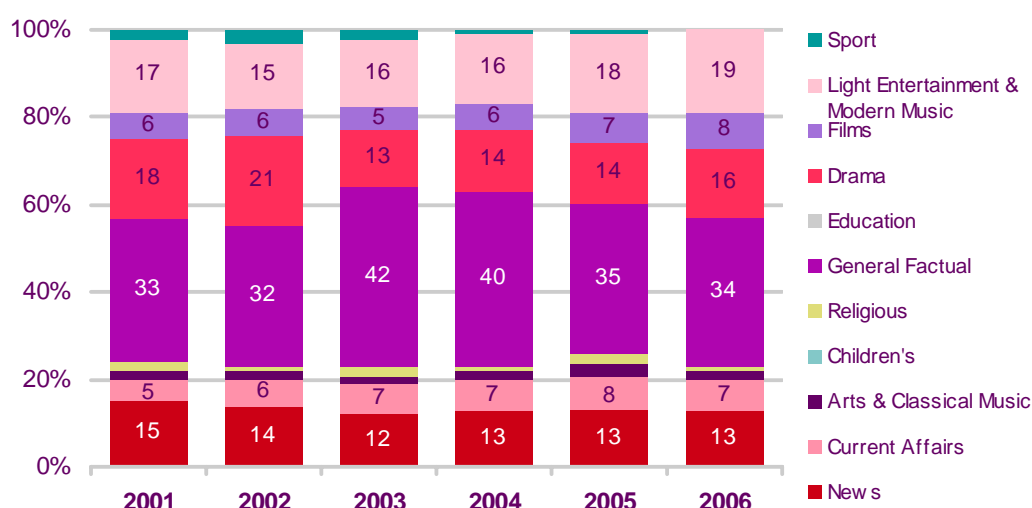
Source: PSB broadcaster returns

3.20 The genre mix in peak time on Channel 4 has also shifted. The proportion of light entertainment, films and drama in the peak time schedule has increased since 2003 (the amount of drama is still lower than the 2001/2002 proportions following the end of *Brookside* in 2003), while factual programming has fallen from a peak in 2003 but takes up a marginally higher proportion of the schedule than in 2001 and 2002. The shift in the proportions of output in 2001 and 2002 from news to current affairs is

partly explained by a reclassification of a portion of the Channel 4 evening news as current affairs in 2003, and also an increase in episodes of Dispatches in peak time in 2005.

- 3.21 Comparing the trends on Channel 4 to the other terrestrial broadcasters puts the changes in Channel 4's peak time output into context.
- 3.22 There are three genres where Channel 4 appears to buck the trend: light entertainment, film and drama.
- 3.23 The proportion of Light Entertainment in Channel 4's peak time schedule has increased but every other terrestrial PSB has seen a drop in the proportion of light entertainment in the schedule apart from ITV1, where it rose significantly in 2006 due to an increase in phone in quiz shows.
- 3.24 Channel 4 is the only broadcaster to see an increase in the proportion of their schedule comprised of films. In contrast, BBC One, BBC Two and Five have all decreased the proportion of their peak time schedules that is devoted to films.
- 3.25 Channel 4 and BBC Two are the only two broadcasters to have seen a drop in the proportion of drama in the peak time schedule– for BBC Two this has fallen from 16% of the schedule to 4%. Channel 4's drama output in peak is lower in 2006 than it was in 2002, but 2006 did see an increase on the previous three years. However, BBC One and ITV1 have increased the proportion of drama in the peak time schedule and on Five it has remained at a similar level as 2002.
- 3.26 In terms of general factual programming, with the exception of BBC One (where it has remained relatively steady), all of the terrestrial public service broadcasters have seen the proportion of general factual programming in the schedule increase since 2002 apart from ITV1.

Figure 8: Proportion of Channel 4 output by genre in peak time (%)

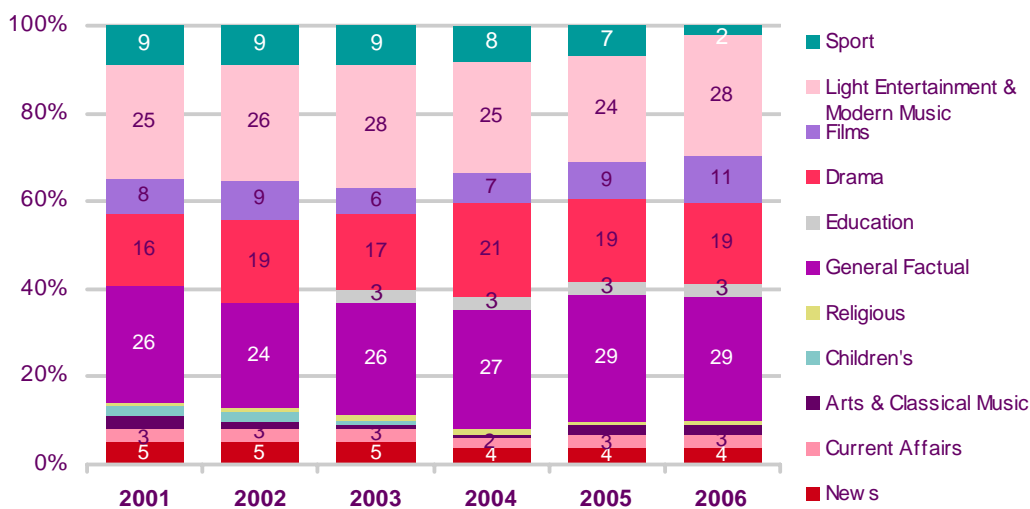


Source: PSB broadcaster returns

- 3.27 Trends in programme expenditure by genre broadly follow the level of output in a genre. The proportion of expenditure on factual programming all day has increased overall, though share of peak time expenditure fell in 2006. The proportion of expenditure on films and light entertainment has also increased. The proportion of

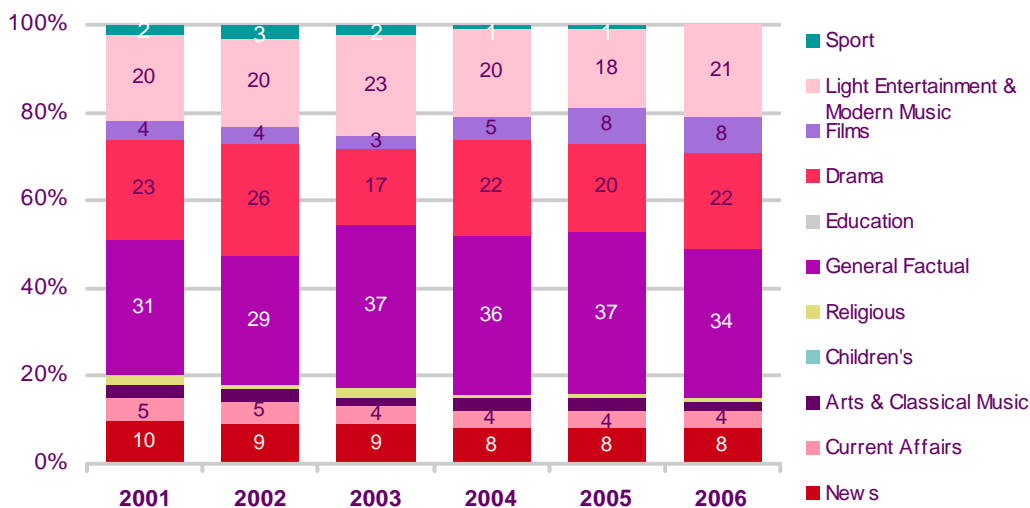
expenditure on sport declined in 2006, in line with a decrease in hours of sports programming. The exception is current affairs, where the increase in share of schedule has not been accompanied by an increase in share of spend, in part because the increase in hours due to the re-allocation of news in 2003 did not require any change in expenditure.

Figure 9: Proportion of Channel 4 programme spend by genre (% , 2005 prices)



Source: PSB broadcaster returns

Figure 10: Proportion of Channel 4 programme spend by genre in peak time (% , 2005 prices)



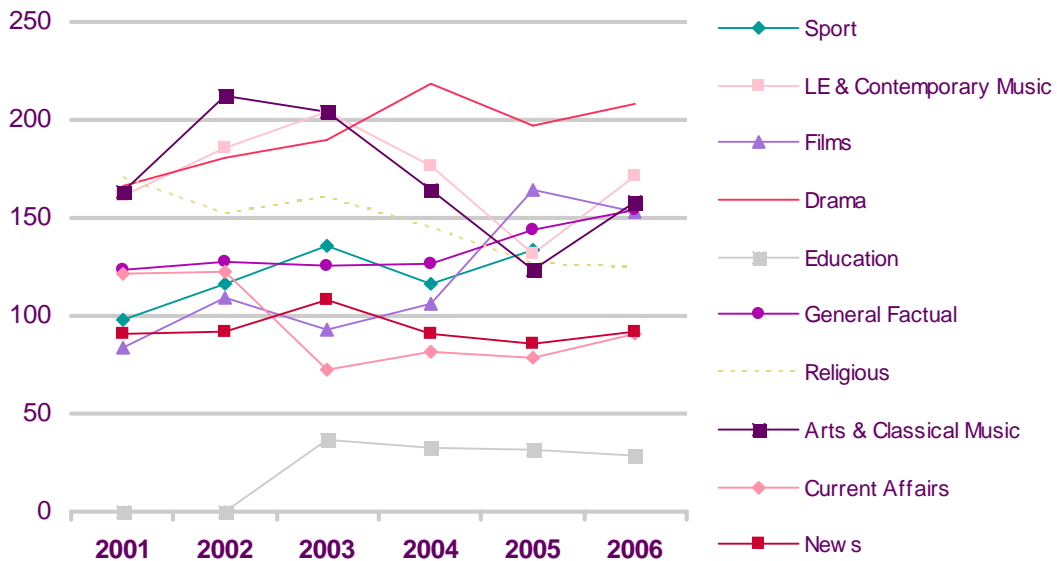
Source: PSB broadcaster returns

3.28 An average cost per hour by genre can be implied by dividing total expenditure by genre by the total hours by genre. Although broad genres contain many different types and formats of programme demanding different budgets, trends in cost per hour can be used as one proxy for the resources invested in programmes.

3.29 Analysis suggests that in real terms, the average cost per hour of peak time religious programmes, news and current affairs has declined in the last five years while the

average cost per hour of factual and drama has increased; drama has consolidated as Channel 4's most expensive genre per hour. The average cost per hour of films increased significantly in 2005, perhaps reflecting the higher acquisition costs of US studio films. The average cost per hour of arts and entertainment programming fell between 2003 and 2005, but increased by almost 30% from 2005 to 2006. This is accounted for by the fact that in 2006 Channel 4 broadcast two major arts series in peak – *The Play's The Thing* and *Ballet Change My Life: Ballet Hoo!*

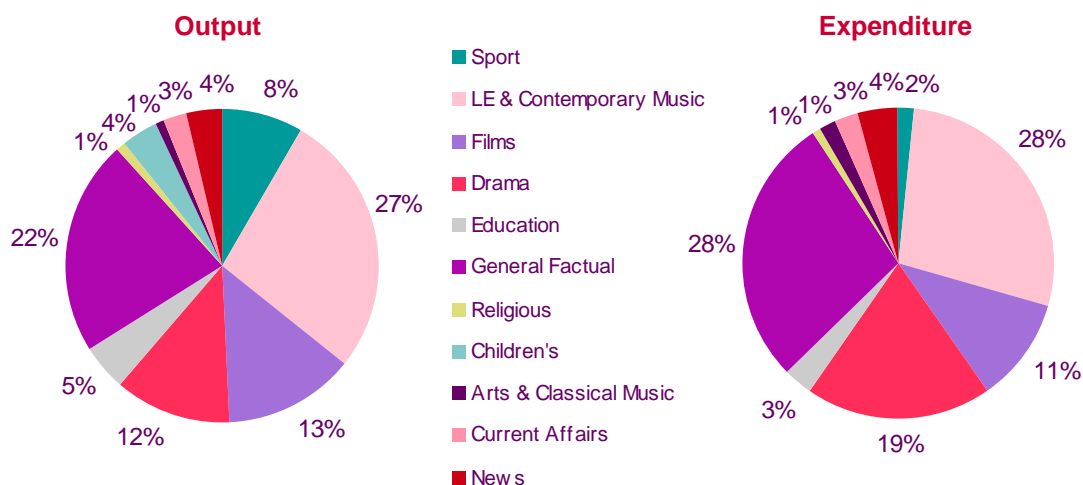
Figure 11: Channel 4 average cost per hour in peak time by genre (£000s, 2005 prices)



Source: PSB broadcaster returns

- 3.30 The increase in factual programming output and investment, particularly in peak time, alters the proportion of both output and expenditure by genre. The chart below summarises these for Channel 4 in 2006.
- 3.31 General factual programming accounts for 22% of total output but 28% of total programme expenditure. Drama, the highest cost per hour genre, accounts for 12% of Channel 4's schedule but 19% of its programme budget. Other high volume genres in the schedule – films and sport – account for a proportionately lower share of total programme budget.

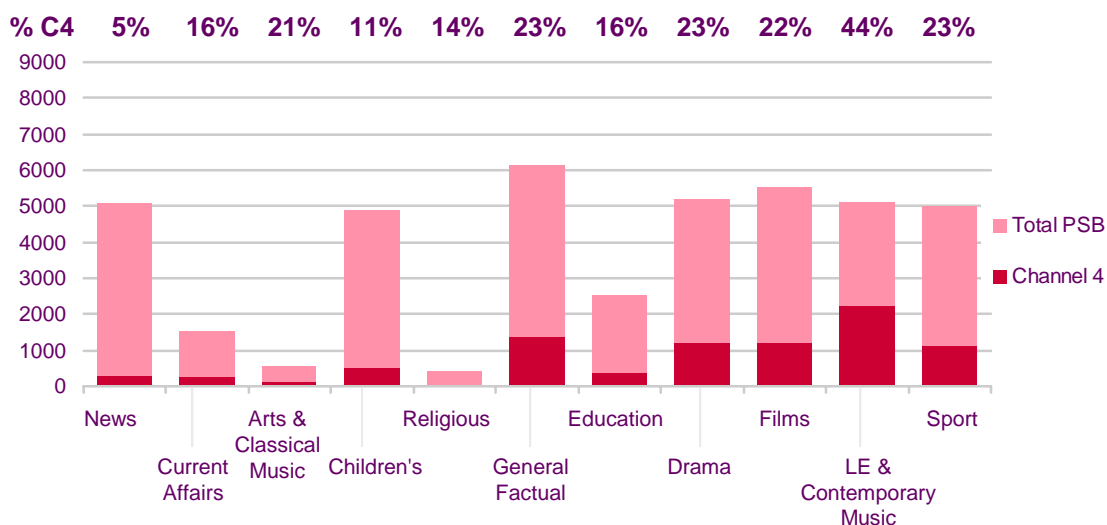
Figure 12: Proportion of Channel 4 output and programme expenditure by genre (% , 2006)



Source: PSB broadcaster returns

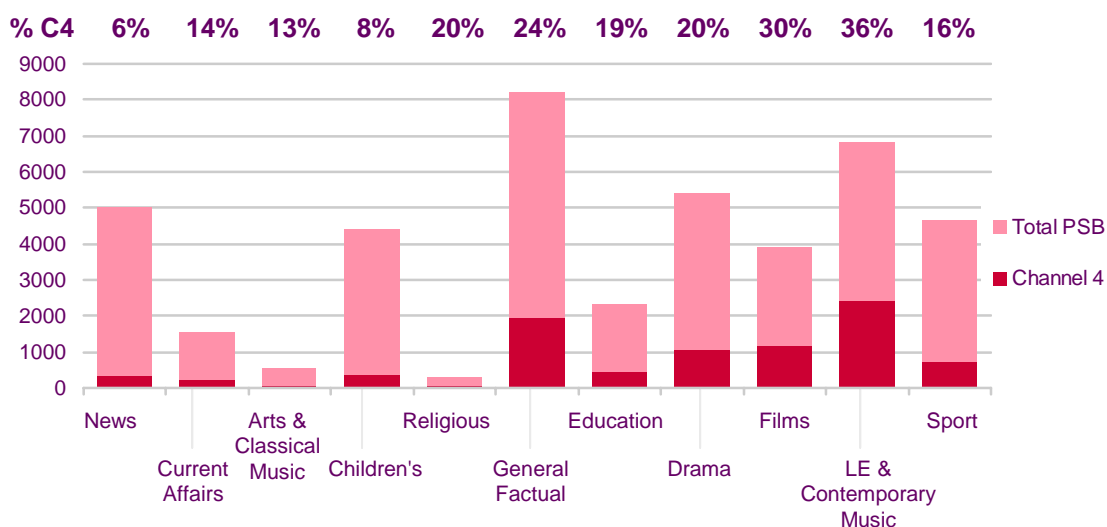
- 3.32 The assessment of PSB delivery is made considering the output of the PSBs taken together. The charts below set out the changing relative importance of Channel 4's output to the overall output of each genre by the five main terrestrial PSB channels, by comparing the total annual output hours of the main terrestrial PSBs in 2002 and 2006.
- 3.33 By comparison with the other main terrestrial PSBs, Channel 4 broadcasts a substantial proportion of general factual, religious and entertainment programming. In 2006, Channel 4's religious programming represented 29% of the relatively limited output of the PSBs. Channel 4's entertainment programming represented approximately a third of total PSB output in 2006. In 2006 Channel 4 provided just under a quarter of the total of general factual programming. This is in a period where all of the main terrestrial PSBs except Five also increased the volume of factual output.
- 3.34 Though Channel 4 contributes relatively limited volumes of hours of news and religious programming to its total across all PSB genres, the proportion of output in these genres accounted for by Channel 4 has increased between 2002 and 2006. In 2006 Channel 4 supplied 20% of religious programming compared to 14% in 2002, as Channel 4 has maintained religious output while it has fallen on some of the other PSBs. The significant falls in share of PSB output are in arts and classical music programming, which has fallen from 21% to 13% of the total PSB output.

Figure 13: Total annual output hours of main terrestrial PSBs by genre (% , 2002)



Source: PSB broadcaster returns

Figure 14: Total annual output hours of main terrestrial PSBs by genre (% , 2006)



Source: PSB broadcaster returns

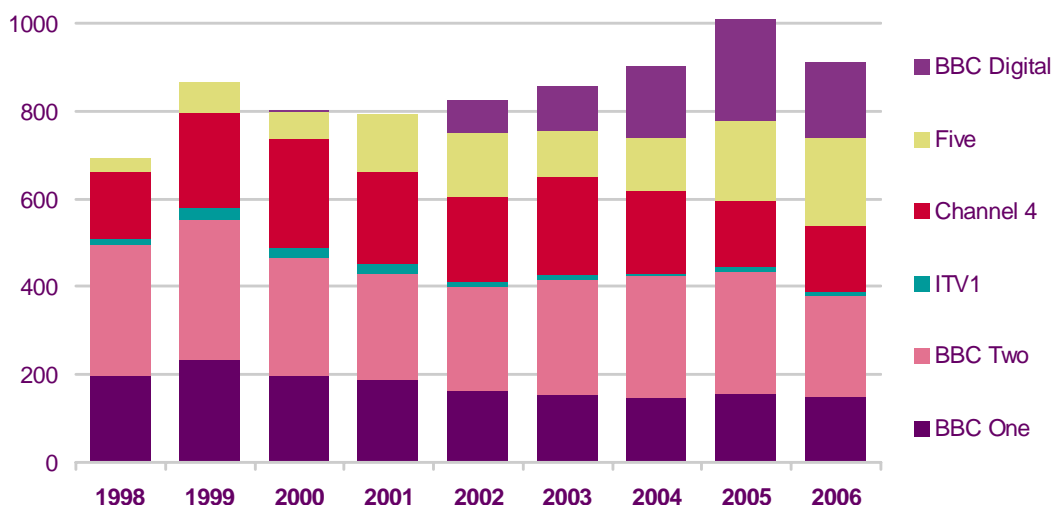
Programmes of an Educational Nature and Other Programmes of Educative Value

- 3.35 Channel 4's remit requires the broadcaster to make a 'significant contribution to providing programmes of an educational nature and other programmes of educative value'.
- 3.36 Channel 4's remit requirement to supply educational and educative programmes, corresponds with one of the purposes of public service broadcasting (as defined by Ofcom's Public Service Broadcasting Review). This requirement is:

“To stimulate our interest and knowledge of the arts, science, history and other topics through programmes that are accessible and can encourage informal learning.”

- 3.37 This purpose specifically mentions encouraging interest and learning through the genres of arts and science yet, as noted in the PSB Report, broadcasters may also consider that other types of programmes play a part in the delivery of this purpose. Given that other genres *may* or *may not* be playing a part in achieving this purpose, the PSB Tracker focussed upon the most obviously related genres of factual, arts, music and education.
- 3.38 PSB broadcasters do not have any specific quotas to achieve in relation to this purpose. However, the volume and value of designated 'education' programming is included in the broadcasters' returns in the analysis above. In the last five years, Channel 4 broadcast an average of 7 hours per week of educational programmes: this represents an average of 4% of the broadcast schedule. Channel 4 also has a particular responsibility for schools programming. In 1993 Channel 4's Schools quota was 6 hours 21 minutes per week (i.e. directly equivalent to the current 330 hours per year requirement). Channel 4 meets its requirements for schools programming and focuses specifically on the 14 to 19 age range, in keeping with its general targeting of the youth audience.
- 3.39 There is however, a difficulty in detailing all programming which has educative content – which is often returned to Ofcom under a different genre.
- 3.40 In its Review of 2006 Channel 4 assessed its educational programming as follows:
- Channel 4's Education offer comprises peak time programmes, schools output in the mornings and new media projects such as *Breaking the News*. In addition we offer teachers' notes for our schools programmes and back up for programmes across the schedule. Our commitments are detailed in the sections below on Schools, Science, History, Religion, Arts, Social Issues and International.
- 3.41 Part of Channel 4's educative output is provided by the 'serious factual' genre of programmes. The amount of serious factual in the Channel 4 peak time schedule has fallen by more than 25% over the last five years. In 2001 there were 210 hours of serious factual compared to 150 in 2006.

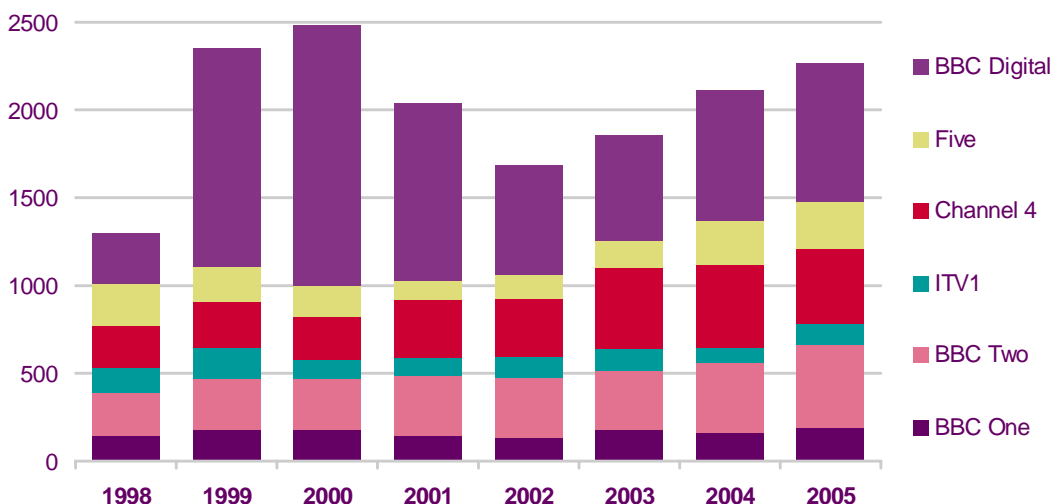
Figure 15: Serious factual programming in peak (first run originations)⁷ (hours p.a., 1998-2006)



Source: PSB broadcaster returns

3.42 Channel 4’s educative output also comprises programming which is informal rather than formal learning. Examples include: *Cold Turkey* and *The Big Royal Dig* as well as more traditional science, history and arts documentaries. Channel 4’s educational output is the main alternative to BBC Two’s educational programming.

Figure 16: Other factual programming in peak (first run originations)⁸ (hours p.a., 1998-2005)



3.43 One of the key trends in output over the last few years across the terrestrial PSBs has been the increase in factual programming. However, output data reveals that the increase in peak time factual programmes is mostly driven not by a rise in serious factual but in other factual. In 2001 Channel 4 broadcast 331 hours of ‘other’ factual.

⁷ Data derived from broadcaster returns. Other Factual comprises Hobbies and Leisure and Factual Entertainment.

⁸ Other Factual data is not available for 2006

By 2005 this had risen to 427 hours. Much of Channel 4's educational output now falls into this factual category.

3.44 This trend is reinforced by the schedule analysis that Channel 4 conducted for the review. (See the Channel 4 submission attached as an appendix). Channel 4 analysed the entire peak time schedule for 2001 and 2005 to assess the amount of educational programming in those years. The analysis indicated that 'hard' education had fallen (from 48% to 40% of the schedule in 2005) but 'softer' education had more than doubled.

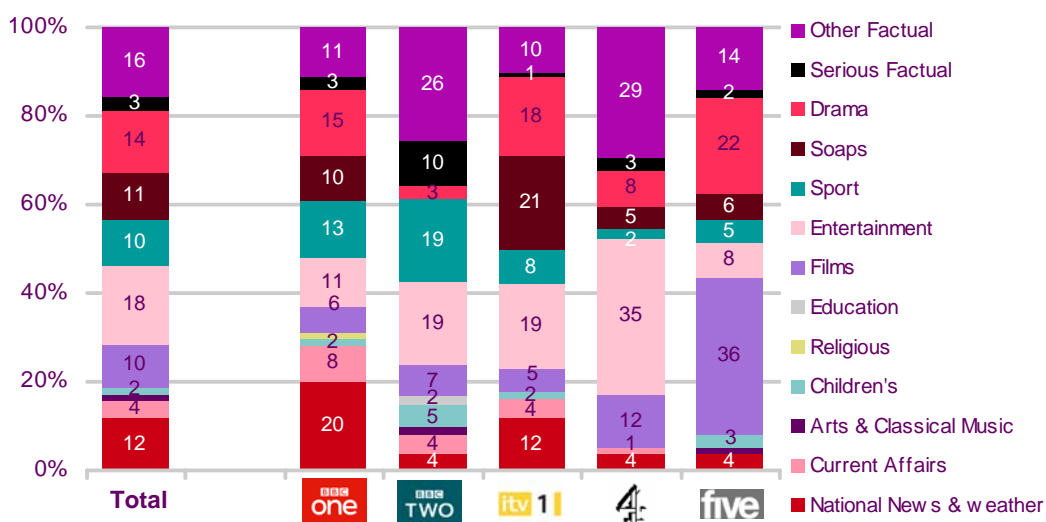
Stimulating Knowledge and Learning

3.45 In 2006 Factual dominated peak-time viewing on Channel 4. 43.8% of viewing on Channel 4 was to Other Factual and 4.8% of viewing was to Serious Factual. Other factual is comprised of the sub genres Hobbies and Leisure and Factual Entertainment. Examples of this programming in 2006 include: *Ten Years Younger*, *Location, Location Location*, *Supernanny* and *Big Brother*.

3.46 Of the other terrestrial PSBs only BBC Two had a higher percentage of peak time viewing to factual programming overall. BBC Two also had a higher proportion of viewing to Serious Factual. (36.3% of viewing to BBC Two was accounted for by Other Factual and 16.2% was made up of viewing to Serious Factual).

3.47 Across the entire day, Channel 4 viewing includes a particularly high level of entertainment (including comedy) and other factual viewing compared with the terrestrial PSBs as a whole.

Figure 17: Proportion of network viewing by channel, 24 hours (% , 2006)



Source: BARB 2006, network, terrestrial channels only, all individuals, all time (0600-3000)

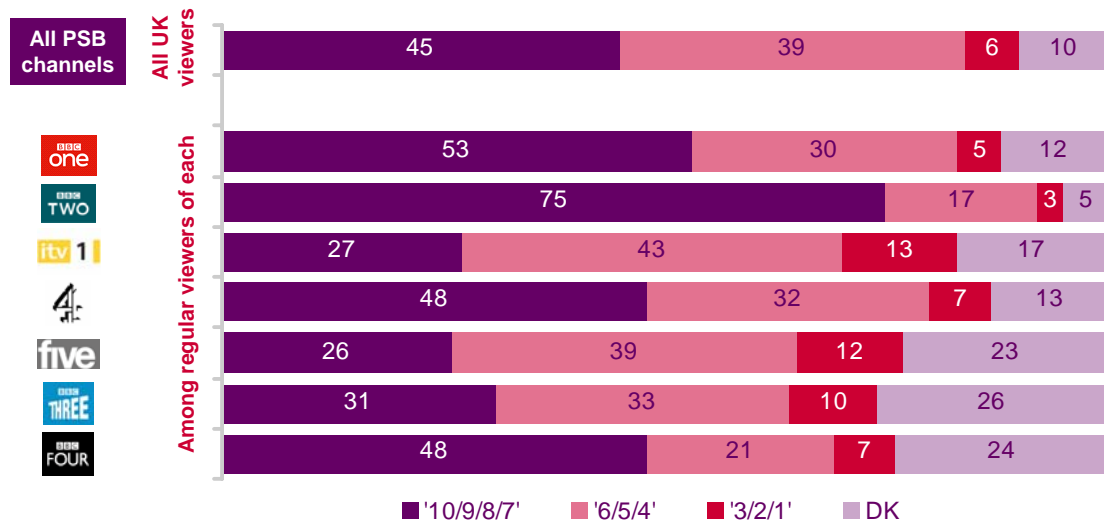
3.48 Around three fifths (62%) of the UK population see showing interesting programmes about history, science or the arts as an important part of the remit for the PSB channels (rating this as 7 – 10 out of 10) and a similar proportion (57%) say they believe it is important that they become more interested in particular subjects as a result of watching their programmes. Ofcom's PSB Tracker posed two statements that relate to this PSB Purpose and to the 'educational' requirement in Channel 4's remit. These were:

- Show(s) interesting programmes about history, science or the arts
- As a result of watching its programmes I've become more interested in particular subjects

Figure 18: Stimulating knowledge and learning – audience views (%)

It shows interesting programmes about history, science or the arts

Extent to which the purpose/characteristics applies to the channel(s), where 10 means 'applies completely' and 1 means 'does not apply at all'



Base for 'all PSB channels': all UK adults, 937, Oct 06
 Base for individual channels: self-reported regular viewers of each channel (amalgamated data: Jan 06, April 06, July 06, Oct 06)
 BBC1 = 5220, BBC2 = 2420, ITV1 = 4027, Channel 4 = 2746, Five = 1424, BBC3 = 481, BBC4 = 247

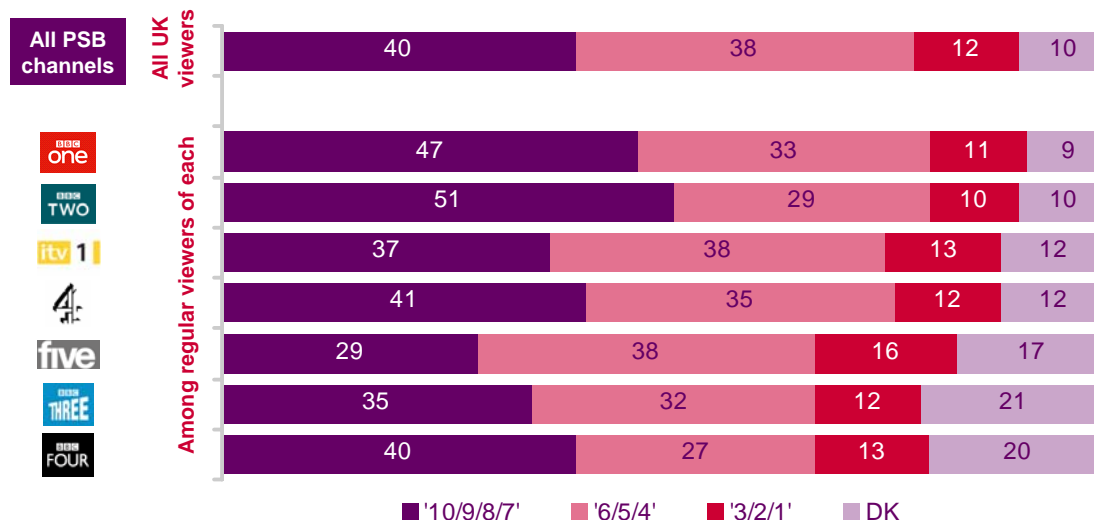
Source: PSB Tracker - GfK NOP Media, 2006

- 3.49 The PSB channels together are seen by just under half of the UK population as offering interesting programmes about history, science and the arts.
- 3.50 BBC Two viewers in particular see the channel delivering this kind of programming. Despite its remit to show educational and educative programming Channel 4 is rated highly on this characteristic by less than half of its regular viewers (at similar levels to BBC One and BBC Four). However, Channel 4 is more likely than ITV1 or Five to be associated with this kind of programming. Men, those in the 25-34 age group and AB viewers rated Channel 4 more highly than its other regular viewers.

Figure 19: Stimulating knowledge and learning – audience views (%)

As a result of watching its programmes I've become more interested in particular subjects

Extent to which the purpose/characteristics applies to the channel(s), where 10 means 'applies completely' and 1 means 'does not apply at all'



Base for 'all PSB channels': all UK adults, 937, Oct 06

Base for individual channels: self-reported regular viewers of each channel (amalgamated data: Jan 06, April 06, July 06, Oct 06)
 BBC1 = 5220, BBC2 = 2420, ITV1 = 4027, Channel 4 = 2746, Five = 1424, BBC3 = 481, BBC4 = 247

Source: PSB Tracker - GfK NOP Media, 2006

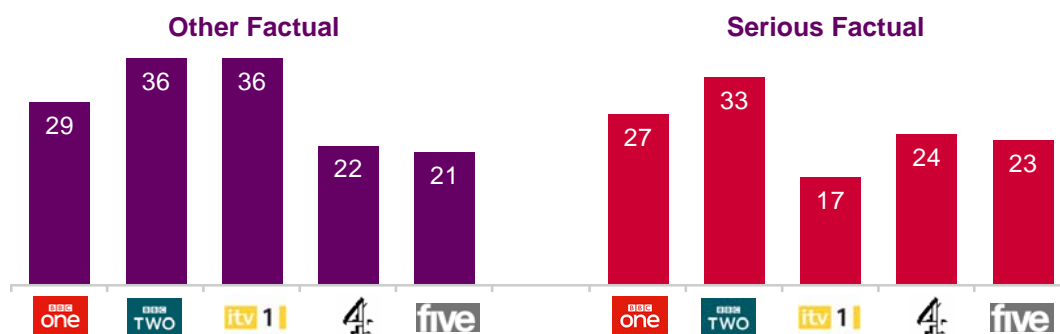
- 3.51 Fewer people see the channels together as encouraging their interest in particular subjects (40% rate the channels as 7-10 out of 10) than offering interesting factual programmes per se. The disparity in opinions of the regular viewers is also less on this element of the purpose; although again BBC Two is dominant with 51% of its regular viewers rating it highly on this compared to 41% of Channel 4's regular viewers. Regular viewers of Channel 4 from minority ethnic groups are more likely than white viewers of the channel to rate it highly in terms of 'making me more interested in subjects'.
- 3.52 The BBC Pulse survey poses two similar questions that relate to Channel 4's remit requirement regarding contributing educational and educative programming. These are:
- Did you feel you learnt anything from watching this programme
 - Has this programme inspired you to find out more about the subject(s) covered in this programme
- 3.53 Responses to the first question indicated that for all the terrestrial PSBs there was a high level of agreement that something was learnt by watching other factual and serious factual programmes.⁹
- 3.54 Respondents were also asked whether they thought the broadcasts they had watched had inspired them to find out more about the programme subject. For Other Factual programmes about 20% of responses for Channel 4 and Five were in agreement with the statement. Over one third of responses were in agreement for BBC Two and ITV1, and less than one third for BBC One (29%).

⁹ Genre of serious factual as defined by BDS and Ofcom.

3.55 There were similar results to this statement for Serious Factual programmes with the exception of ITV1 where 17% of responses were in agreement that it had inspired the viewer to find out more.

Figure 20: BBC Pulse Survey – ‘inspired to find out more’ (% saying yes)

Other Factual and Serious Factual: “Has this programme inspired you to find out more about the subject(s) covered in the programme?”



Base for all responses to programmes watched in Other Factual genre as defined by BDS; Serious Factual genre as defined by BDS and Ofcom

Responses: Other Factual - BBC One 127228, BBC Two 109992, ITV1 9688, Channel 4 41630, Five 12603

Responses: Serious Factual - BBC One 120754, BBC Two 112960, ITV1 42606, Channel 4 55784, Five 36726

Source: BBC Pulse survey, fieldwork by GfK NOP, Jan-Dec 2006

Appeals to the tastes and interests of a culturally diverse society

3.56 One of Channel 4's specific obligations, as set out in the Communications Act, is to broadcast programming that “appeals to the tastes and interests of a culturally diverse society”.

3.57 As with the other less tangible elements of Channel 4's remit, there are no quotas or particular methods of measurement to assess Channel 4's delivery of programmes of multi-cultural appeal. This obligation is also not tied to any particular genres or areas of the schedule, but is expected to be reflected in programming across the schedule. Therefore, quantitative analysis can provide only indicators for Channel 4's delivery against this remit requirement.

3.58 The volume and value of targeted 'multi-cultural' programming was measured by Channel 4 until 2004. In the five years to this point, Channel 4 broadcast an average of 4 hours per week; this represented an average of 2% of the schedule.

3.59 This element of Channel 4's remit is closely related to another of the PSB Purposes:

To make us aware of different cultures and alternative viewpoints through programmes that reflect the lives of other people and other communities both within the UK and elsewhere.

3.60 The genres of programming which most directly relate to this element of the remit and to the corresponding PSB purpose include: multicultural programming, religious programmes and social documentaries.

3.61 It is important to caveat that these are not the *only* genres that might reflect cultural diversity as is indicated by the rise of cross genre programming, and the tendency of the public service broadcasters to 'mainstream' multicultural/diversity programming rather than commission it out of a separate department. Channel 4's own research

has confirmed that viewers engage more with issues of cultural diversity if they form part of mainstream output.

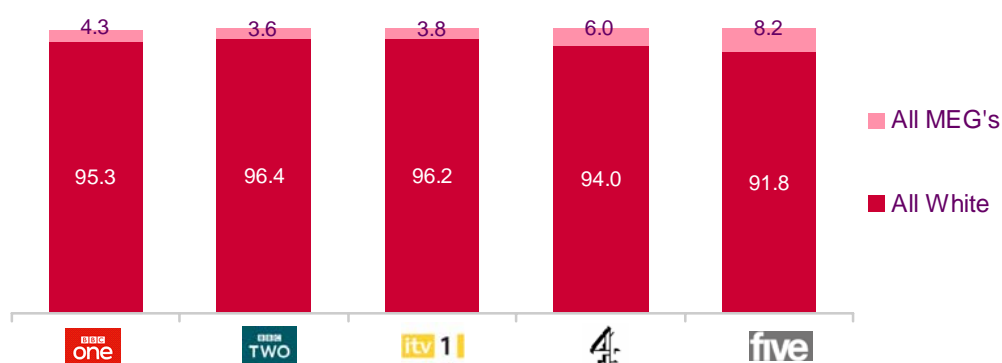
3.62 Off screen activities in this area are also of significance. The broadcasters report on 'cultural and other diversity' in their annual statements of programme policy and review. In its review of 2006, Channel 4 notes that it spent £525,000 on training initiatives for ethnic minorities in 2006. Channel 4 also spent over £220,000 on training and employment for people with disabilities.

3.63 As part of its submission to the review, Channel 4 conducted schedule analysis of the entire peak time schedule for 2001 to 2005. The goal of this was to establish what proportion of programmes in the peak time schedule deliver against various remit criteria (see Channel 4's submission) – including cultural identity/diversity. In terms of diversity this analysis indicated that there was an increase in the number of peak time hours that reflected this value, an increase that Channel 4 believed was accounted for by the changes to their commissioning strategy to reflect diversity across all genres not specific genres such as 'multicultural' programming.

3.64 The channel profile of ethnicity is illustrated in the following chart:

3.65 Of the terrestrial public service broadcasters Five has the highest proportion of viewers from minority ethnic groups, followed by Channel Four.

Figure 21: Channel profile – Ethnicity (audience, %)



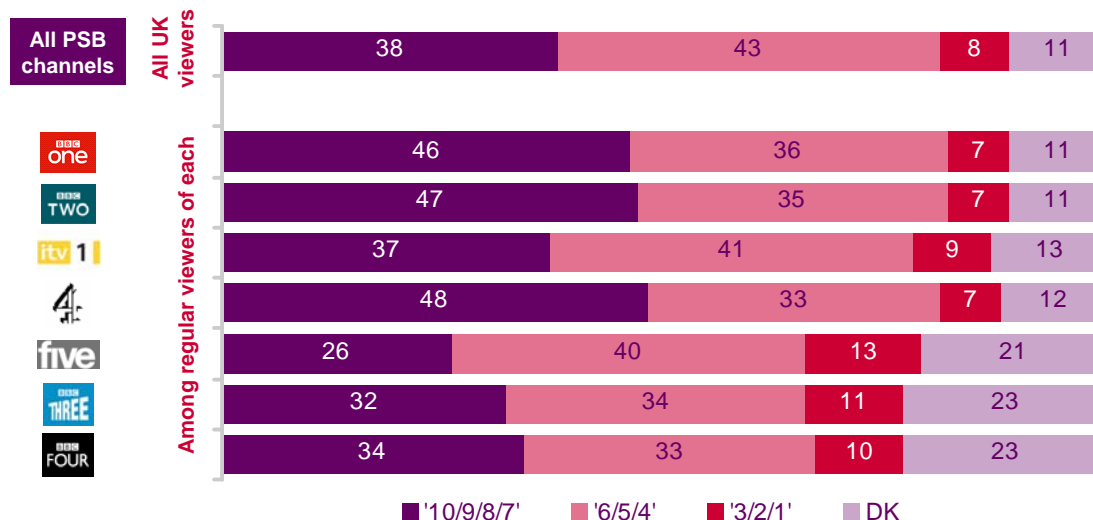
Source: BARB, 2006. Profile data calculated on a base of all individuals

3.66 The PSB Tracker gauged the perceived performance of the PSB channels on this purpose by asking viewers to rate the extent to which "its programmes show different kinds of cultures and opinions within the UK".

Figure 22: Portraying a diverse society – audience view (%)

Its programmes show different kinds of cultures and opinions within the UK

Extent to which the purpose/characteristics applies to the channel(s), where 10 means 'applies completely' and 1 means 'does not apply at all'



Base for 'all PSB channels': all UK adults, 937, Oct 06

Base for individual channels: self-reported regular viewers of each channel (amalgamated data: Jan 06, April 06, July 06, Oct 06)
 BBC1 = 5220, BBC2 = 2420, ITV1 = 4027, Channel 4 = 2746, Five = 1424, BBC3 = 481, BBC4 = 247

Source: PSB Tracker - GfK NOP Media, 2006

3.67 Responses to this statement reveal that around half of Channel 4's viewers rate it between 7 and 10 out of 10 in terms of showing a range of opinions and cultures. This score is similar to that achieved by BBC One and BBC Two, and above the average for all PSB Channels which was 38%. People from minority ethnic groups were statistically no more likely to agree with the statement for Channel 4 (49% compared to 48% overall for PSB taken together). Regular viewers aged 55 and over were less likely to agree.

Demonstrates innovation, experimentation and creativity in the form and content of programmes

3.68 Channel 4 has a particular remit to innovate. This corresponds to the PSB characteristic that public service programmes should be:

Innovative – breaking new ideas or re-inventing exciting approaches, rather than copying old ones

3.69 Measurement of innovation is notoriously difficult to assess with purely quantitative measures. One indicator of the level of new ideas being generated by a broadcaster is the ratio of new titles and one offs compared to returning series.

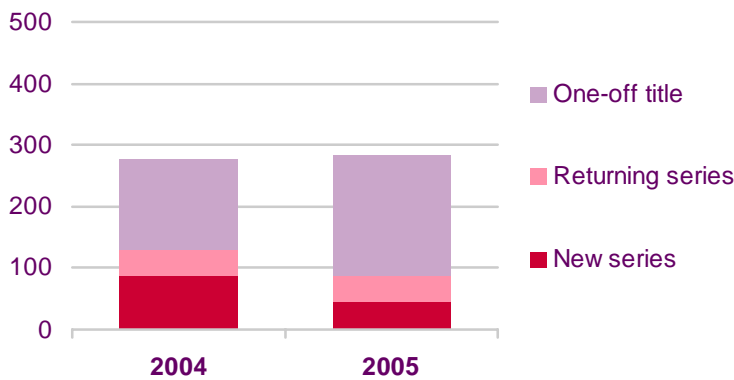
3.70 The number of new series, returning series (re-commissioned series) and one-off titles broadcast in peak time are returned by all of the commercial PSBs. The comparative amount of these could be considered as one way, but by no means the only one, of indicating the amount of innovation and rate of refreshment of the programming schedule.

3.71 In 2005, Channel 4 broadcast 46 new series and 196 one-off programmes: this represented 37% of all new titles broadcast by the commercial PSBs within the year.

In the same year, Channel 4 broadcast 42 returning series, which represented 28% of all returning series broadcast by the PSBs. While the number of new series broadcast by Channel 4 declined from 2004, the number of one-off titles increased.

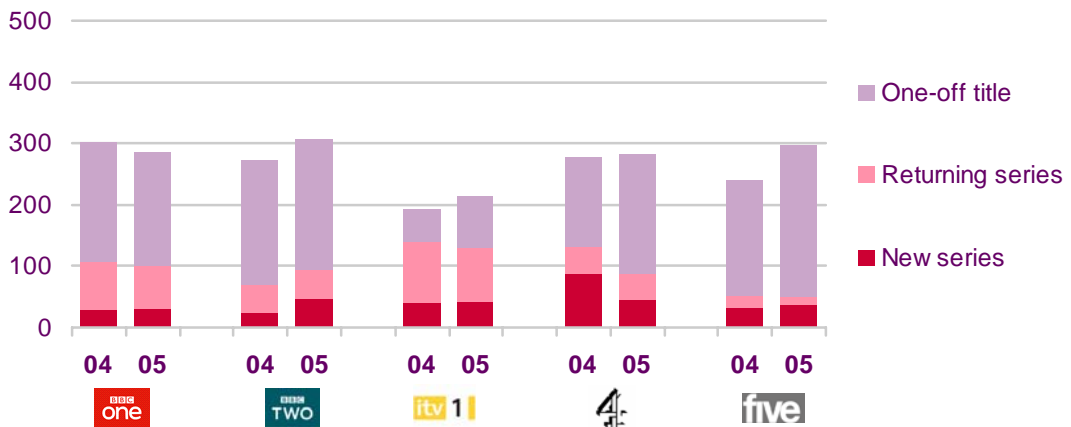
3.72 Putting this into context with the other terrestrial PSBs, all the other broadcasters apart from BBC One saw an increase in the number of one offs shown in 2005 compared with 2004. The number of new series also increased on Five, BBC Two and BBC One and remained relatively steady on ITV1.

Figure 23: Number of new series, returning series and one-off titles broadcast by Channel 4 in peak time



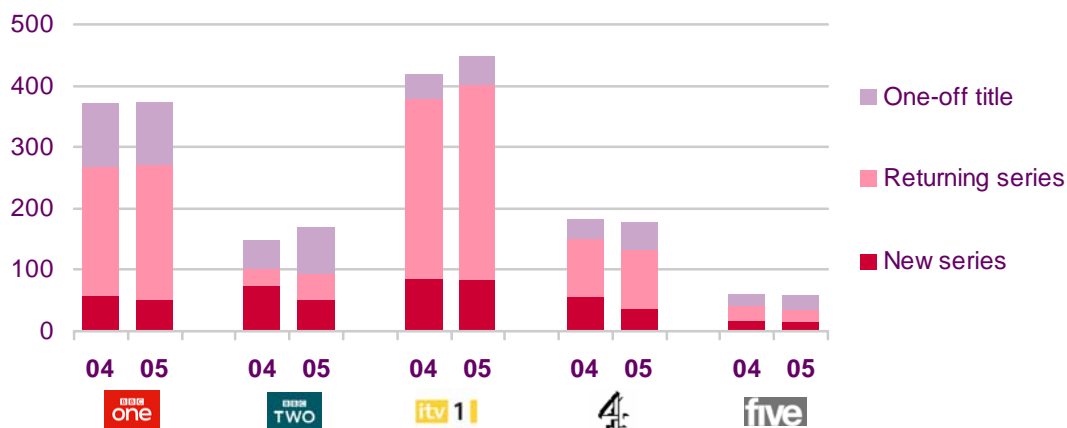
Source: PSB broadcaster returns

Figure 24: Peak time output of one off titles, returning series, new series



Source: PSB broadcaster returns

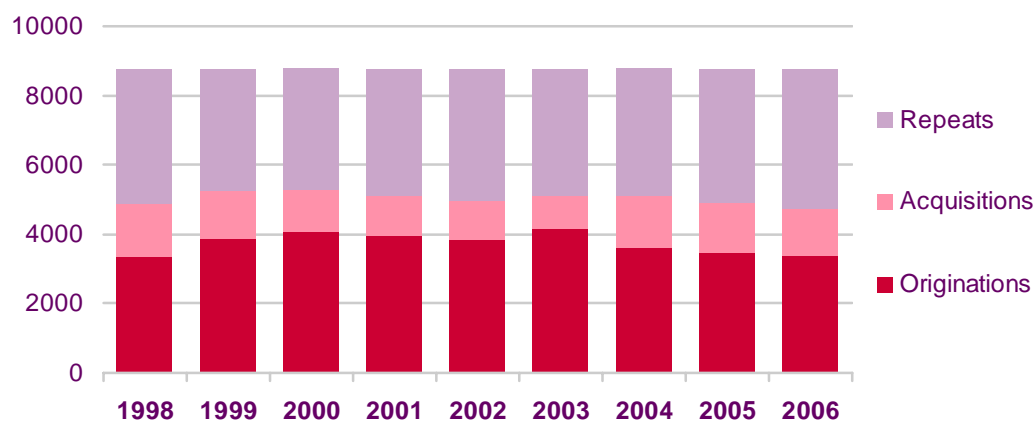
Figure 25: Expenditure £000's peak time output



Source: PSB broadcaster returns

- 3.73 Another top line measure of innovation is the amount of new original programming in the schedule.
- 3.74 The number of originated programmes transmitted by the public service broadcasters indicates the level of original new UK content.
- 3.75 Across the five mainstream networks, hours of first run originated output fell by 2,319 hours (6%) to 33,825 hours in 2006. In 2006 Channel 4's original programming made up 63% of the core channels schedule and contributed 15.4% of all networked original programmes broadcast by the terrestrial public service broadcasters.

Figure 26: Originations – Channel 4 programme output (all day)



Source: PSB broadcaster returns

- 3.76 All day originations on Channel 4 peaked in 2003 with 4,160 hours. This has decreased since then with 3,388 hours of originated programming being broadcast in 2006. The volume of acquisitions on Channel 4 has tended to work inversely to original programming: acquisition hours decreased between 1998 and 2003 to 934 but by 2006 had risen to 1,311 hours of acquired programming. The number of hours of repeats has also increased since 2000.

- 3.77 As detailed previously Channel 4 has maintained a high level of investment in original programming. However expenditure on original programming has fallen from a peak in 2003.
- 3.78 One of the benefits of Channel 4's publisher/broadcaster model is that it can draw on a wide and competitive supply base to provide new and innovative programme ideas. Channel 4 works with a wide range of independent producers. Over the last five years the number of hours produced by the top 30 external producers has remained steady at around 83% despite consolidation within the independent production sector.
- 3.79 The share of hours taken by the top five producers has however also increased over the same period from ([✂]) in 2002 to just less than ([✂]) in 2006. This may be a reflection of the consolidation of the independent production sector.
- 3.80 Since 2002, the share of commissioning spend accounted for by the top thirty producers has increased with the top five producers also taking a rising share, again this may be related to the consolidation of the independent production sector, particularly in genres of programming where the value of commissioning is historically high. Over the same period the share of spend accounted for by other producers has fallen.

Figure 27: Original productions expenditure (£m, 2005 prices)

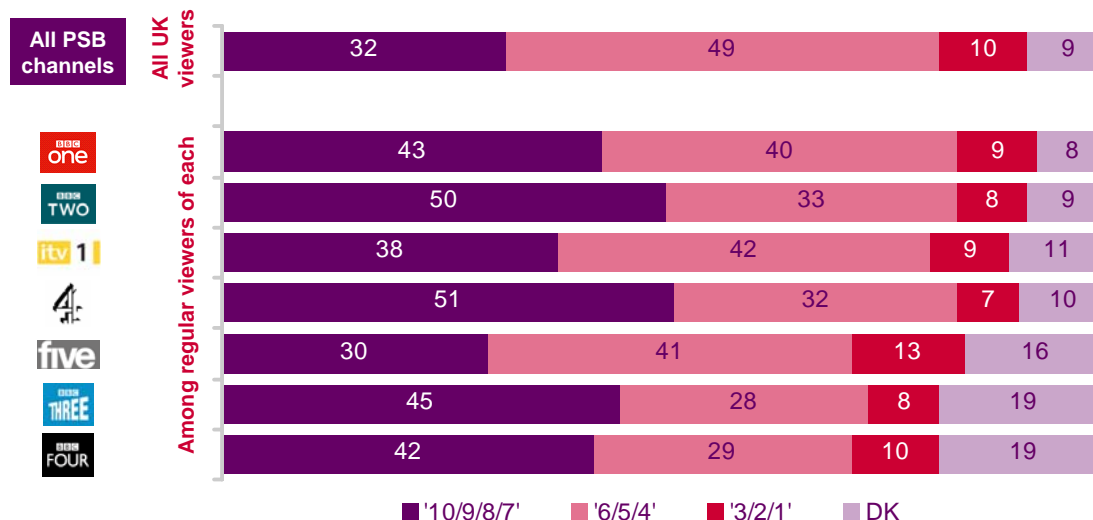
([✂])

- 3.81 Another indication of risk taking is the level of investment into developing new ideas and new talent. In its Review of 2006 Channel 4 noted that it spent £12 million on the development of new talent.
- 3.82 Since 2002 the amount spent by Channel 4 on programme development has doubled and is being invested on a wider range of projects. But most of the growth in spend is on projects that have not yet resulted in a commission, although they may do so in the future as there is often a significant time lag between the time a development begins and a successful commission.
- 3.83 The genres that received the largest amount of development funding in both 2002 and 2006 were drama and light entertainment.
- 3.84 Ofcom's PSB Tracker sought audience views on whether PSB broadcasters "show programmes with new ideas and different approaches". This was one of the areas in which Channel 4 is seen by regular viewers to be performing better than most of the other PSBs. 51% of regular viewers score Channel 4 highly on this measure; However, BBC Two received a very similar score from its regular viewers (50%).
- 3.85 Viewers aged 16-24 were more likely to rate all the terrestrial channels highly on this characteristic. This tendency was more pronounced for Channel 4; 70% of 16-24 year old regular viewers scored the channel highly in terms of innovation.

Figure 28: Innovation – audience view (%)

Shows programmes with new ideas and different approaches

Extent to which the purpose/characteristics applies to the channel(s), where 10 means 'applies completely' and 1 means 'does not apply at all'



Base for 'all PSB channels': all UK adults, 937, Oct 06

Base for individual channels: self-reported regular viewers of each channel (amalgamated data: Jan 06, April 06, July 06, Oct 06)
 BBC1 = 5220, BBC2 = 2420, ITV1 = 4027, Channel 4 = 2746, Five = 1424, BBC3 = 481, BBC4 = 247

Source: PSB Tracker - GfK NOP Media, 2006

- 3.86 BBC Pulse data gives an indication of which Channel 4's programmes are considered to be most original by viewers.
- 3.87 In the period 1 Jan to 23 October 2006 all but one of the top ten scoring 'original' Channel 4 programmes were UK commissions. (The only acquisition to feature was *Lost* which was placed at number 7). Additionally the top three were all serious factual programmes. These were: *Autopsy: Life and Death*, *Tony Robinson: Me and My Mum* and *Life Before Birth*. Only one original drama (*Shameless*) and one original comedy (*Green Wing*) were placed in the top ten.
- 3.88 The BBC Pulse survey asked respondents whether the Comedy programmes they had watched felt original and different from other programmes they had seen. Channel 4 received the highest number of responses in agreement with this statement (85%). This was compared to 75% for BBC Two and Five and 67% for ITV1 and 63% for BBC One
- 3.89 Ofcom's PSB Annual Report identified general audience dissatisfaction with the levels of new programming which is underpinned by the 'continued decrease in originated output across the five main networks.
- 3.90 The PSB Annual Report found that of all the PSB characteristics there was more overt negative opinion given on levels of *original* new UK programming with only around one third of viewers highly rating the PSBs taken together. However, the report also caveats this by noting that this is the characteristic with one of the lowest levels of overall importance. (Channel 4 viewers aged 16-24 and those from minority ethnic groups were inclined to rate the Channel more highly on this characteristic)

3.91 The provision of challenging programming can also be seen as one aspect of Channel 4's requirement to be innovative and distinctive. The PSB Tracker reveals that of the individual channels BBC Two, Channel 4 and BBC One are seen by regular viewers as having challenging content. Younger regular viewers who watch Channel 4 are amongst those most likely to rate the channel as challenging (66% of 16-34 year olds).

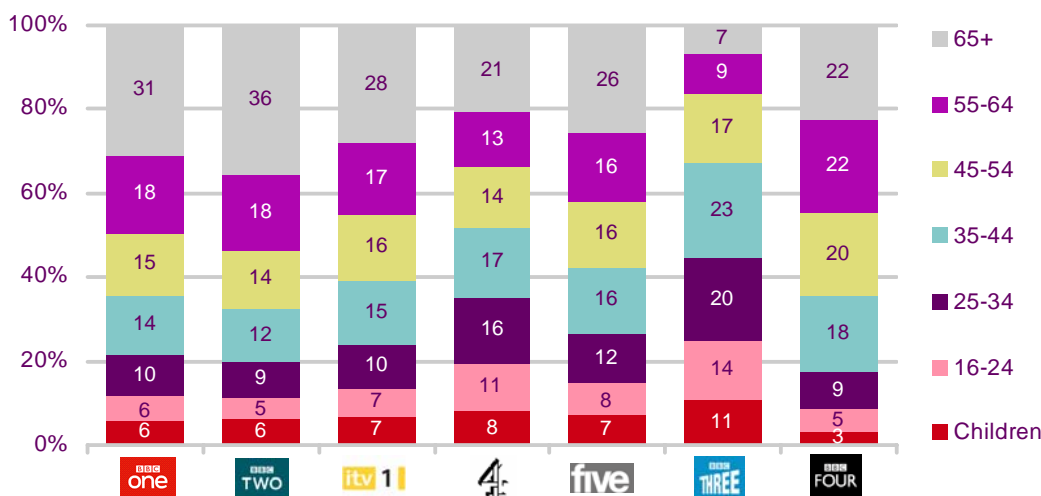
Exhibits a Distinctive Character

3.92 Channel 4's remit requires it to 'exhibit a distinctive character'. This could refer to both the nature of its output and the audience it reaches. Several of the analyses contained in this report speak to the distinctiveness of Channel 4's output, including the mix of genres it broadcasts, the diversity of its supplier base and audience attitudes towards its programmes.

3.93 The other indicator of distinctiveness is whether Channel 4 appeals to a particular audience or audiences compared to the other PSB terrestrial broadcasters.

3.94 The broadcaster is not obliged by legislation to target a particular age group - however historically Channel 4 has targeted younger viewers, in particular the 16 - 34 age group.

Figure 29: Age profile of PSB channel viewers (%)

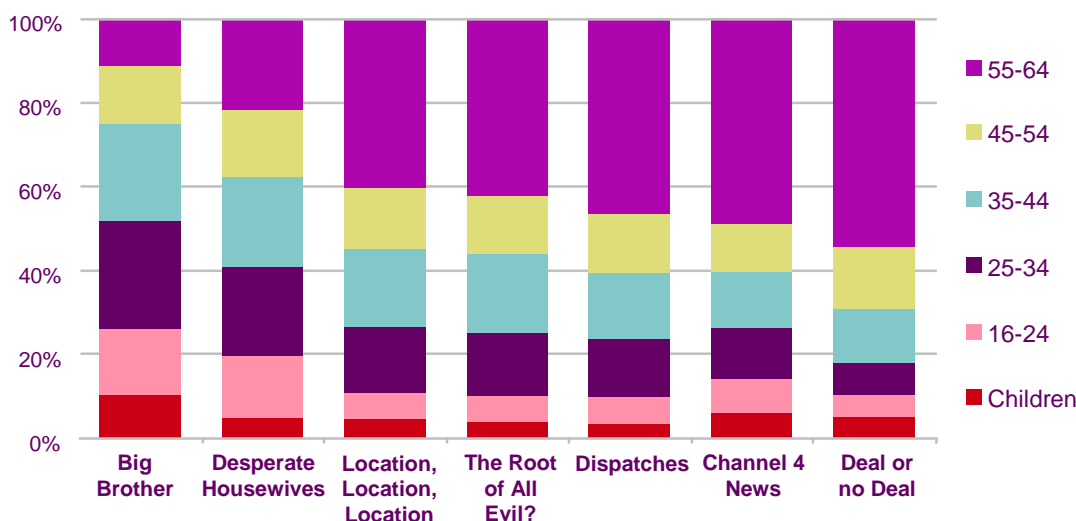


Source: BARB 2006, Network. Profile data calculated on a base of all individuals 4+

3.95 Channel 4 targets the younger audience and comparing the age profile of Channel 4's audience with the other public service broadcasters (including the digital channels BBC Three and BBC Four) demonstrates that the audience it delivers is proportionately younger than the other channels except for BBC Three. 28% of Channel 4's audience is comprised of 16 – 34 year olds compared to 17% of BBC One's audience.

3.96 Within Channel 4's schedule certain types of programming have a greater appeal to the younger audience. Analysis of the profiles of different types of Channel 4 programmes indicates that programmes such as *Big Brother* (Factual Entertainment) and *Desperate Housewives* (US Acquisition) have a higher proportion of younger viewers than the sampled Channel 4 programmes from core PSB genres.

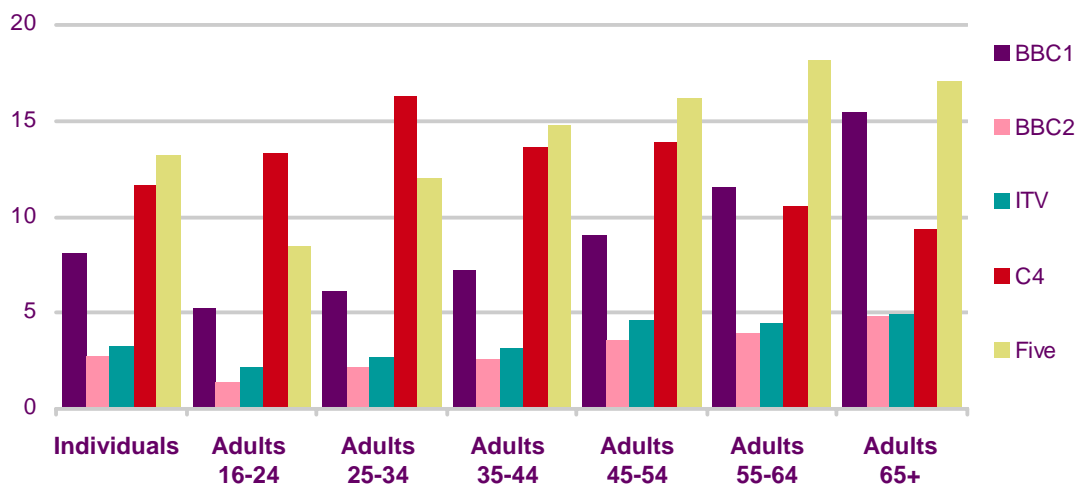
Figure 30: Programme Profiles, 2006 (BARB)



Source: BARB, 2006

3.97 Channel 4's acquired drama is of particular appeal to younger viewers. BARB viewing data indicates that this type of programming has distinct appeal to 25-44s and that appeal decreases with age, in contrast with the pattern seen for the other PSBs.

Figure 31: Average weekly reach of Non-UK drama, demographic overview (average weekly reach - %, 2006)



Source: BARB UK

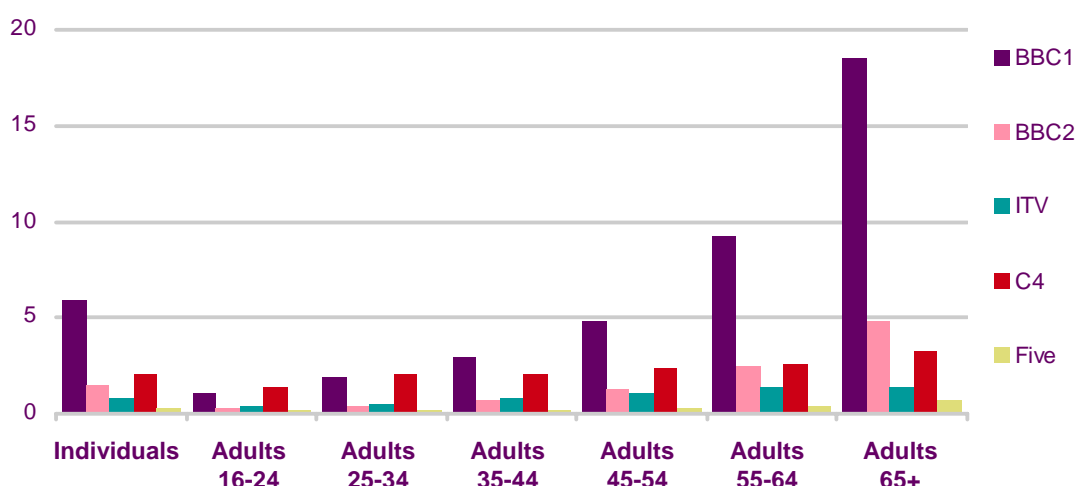
3.98 Analysis of viewing to different programmes within the Channel 4 schedule seems to bear out the appeal that different genres have to different audiences. Some illustrative examples include:

- In July 2006, 20% of the *Channel 4 News* audience also watched *Big Brother*. 4.6% of those who watched *Big Brother* also watched *Channel 4 News*;
- Throughout 2006, 13.1% of the audience for *Dispatches* watched *Location, Location, and Location*. 7.2% of the *Location, Location, Location* audience also watched *Dispatches*.

3.99 However, with regard to some types of programming historically considered to be 'core PSB' genres, Channel 4 does reach a different audience to the other PSBs.

3.100 For example, average weekly reach data for religious programmes indicates that Channel 4 has the highest reach in 16-34s and is not as skewed towards older viewers as the BBC's programming.

Figure 32: Average weekly reach of Religious programming, demographic overview (average weekly reach - %, 2006)



Source: BARB UK

3.101 Analysis of viewers' opinions of the quality of different channels reinforces the appeal of Channel 4 to younger demographics. The PSB Tracker indicates that 16-34 year old regular viewers of Channel 4 tend to have a particularly positive view of the channel. 74% of 16 – 24s and 65% of 25 – 35s rate Channel 4 highly against 58% of all regular viewers. (In general younger people did tend to be more enthused than older people for the other channels as well).

3.102 Analysis of Channel 4's news and current affairs output also indicates delivery of distinctive programming in these core PSB genres.

Conclusions - Broad Range & High Quality

3.103 The level of origination peaked in 2003 and then gradually declined to 2005. The proportion of origination increased slightly in 2006.

3.104 Growth in programme investment had been more focused on programmes broadcast in daytime than in peak. However, 2006 saw a substantial uplift in expenditure on programming in peak time

3.105 Channel 4 has maintained a high level of investment in original programming but in real terms programme expenditure on original programmes is beginning to fall.

3.106 Expenditure on acquired programming has risen sharply since 2004.

3.107 In real terms the average cost per hour of peak time religious, news and current affairs programmes has declined, while the average cost per hour of factual and drama has increased.

- 3.108 In comparison with the other terrestrial PSBs, Channel 4 broadcasts a significant proportion of factual, religious and entertainment programming, but contributes relatively less to the PSB total output of children's, news and arts programming.

Conclusions – Educational & Educative

- 3.109 Channel 4 is the main commercial competitor to the BBC in this area. However, regular viewers of BBC Two consider it to be a more effective provider of educational programming than regular viewers of Channel 4.
- 3.110 The rise in 'other factual' programming and anecdotal evidence indicates that Channel 4 is increasingly delivering 'educative' programming rather than traditional 'educational' programming. Often this output is comprised in factual entertainment formats such as *You Are What You Eat*, *Ian Wright's Unfit Kids*, and *Property Ladder*.
- 3.111 Responses to the BBC Pulse survey generally showed a high level of agreement to the statement that something was learnt from both other factual and serious factual programmes. However responses for Channel 4 and Five revealed that there was less agreement to the statement than for the other broadcasters.
- 3.112 It is apparent that the current impact measures may not be subtle enough to assess the delivery and impact of Channel 4's educative output.

Conclusions – Culturally Diverse

- 3.113 Channel 4's regular viewers are as likely as the BBC's to consider that the channel shows a range of opinions and cultures than regular viewers to any other PSB channel.

Conclusions - Innovative

- 3.114 Channel 4 has maintained a high level of investment in original programmes. However, over the last few years the proportion of original programming in the schedule has begun to fall, as has investment in original programmes.
- 3.115 Between 2004 and 2005 the number of new series transmitted by Channel 4 fell but the number of one-off titles increased. In 2005 Channel 4 broadcast 36% of all new titles broadcast by the commercial public service broadcasters during that year.
- 3.116 Regular viewers of Channel 4 rate the level of innovation on the broadcaster relatively highly, at a similar level to BBC 2.
- 3.117 Younger viewers rate Channel 4 more highly for innovative programming than other demographics

Conclusions – Distinctiveness

- 3.118 Channel 4 has a higher proportion of 16 – 34 year old viewers than any other PSB terrestrial broadcaster
- 3.119 This age group is also more likely to have a positive view of Channel 4

Conclusion - Summary

- 3.120 The analysis in the above section indicates that Channel 4 is delivering its remit. The broadcaster consistently meets and in some cases considerably exceeds its licence obligations, and has a significant role in delivering some core PSB genres that are highly valued by viewers.
- 3.121 The analysis also identifies some ways in which Channel 4's delivery of its remit has changed in recent years. Hours of original programming have declined, in recent years and spending on several PSB genres has declined in real terms. The cost of acquisitions has increased, and there has been a shift from serious factual programming to other kinds of educational output that seeks to engage audiences through a more entertaining style and approach.

Section 4

Delivery of Other Licence Requirements and Common PSB Obligations

Channel 4's delivery of common PSB obligations – Tier 2

- 4.1 Obligations common to all PSBs are to meet the output quotas (Tier 2) and contribute to the general purposes and characteristics of PSB.
- 4.2 The Communications Act requires that all PSBs meet output quotas as provided for by sections 277, 278, 279, 286, 288 of the Act, as well as the European output quotas under the Television Without Frontiers directive. The output quotas, and performance against these, for Channel 4 are summarised in the table below. Channel 4 consistently meets or exceeds its output quotas.

Figure 33: Channel 4 Tier 2 Quotas (% of qualifying output or hours per week)

	Quota	2006	2005	2004	2003	2002	2001
Original production – % all hours	60%	63%	62%	63%	71%	68%	69%
	– % peak hours 70%	74%	75%	80%	83%	78%	82%
European production	50%	71%	71%	71%	77%	72%	73%
Independent produced – UK quota	25%	84%	87%	82%	62%	65%	61%
	– European quota 10%	56%	69%	65%	45%	42%	42%
Produced in regions – % of hours	30%	40%	33%	35%	-	-	-
	– % of spend 30%	37%	31%	30%	30%	30%	29%
Network news – all hours	4:00	6:03	6:09	6:01	5:55	4:36	5:00
	– peak hours 4:00	4:02	4:10	4:06	4:00	4:30	4:46
Network current affairs – all hours	4:00	4:13	4:08	4:08	4:09	4:47	5:00
	– peak hours 1:32	2:18	2:26	2:15	2:17	1:48	1:40
Network schools	6:20	13:01	13:05	12:56	13:12	12:55	10:52

- 4.3 In some cases, such as news output, current affairs in peak or programmes for Schools, the quota has been exceeded by a significant margin. Also, as Channel 4 is a publisher broadcaster with no in-house production facility, it significantly exceeds the Independent quota. Channel 4 commissions more hours of original programming from independent producers than any other PSB, and accounts for 29% of total commissioned hours by the PSBs to independent producers. Channel 4 continued to exceed the quota for original productions in 2006 but, the margin by which it exceeded the quota has fallen since 2001.
- 4.4 Other than the value of expenditure on regional productions, the Communications Act does not specify quotas or targets for financial investment in output by broadcasters.

However, PSBs are required to provide services of 'consistently high quality', of which programme investment may be considered an indicator.

Tier 2 Requirement – News and Current Affairs

Output

- 4.5 News and current affairs are the core genres by which the public service broadcasters deliver the PSB purpose “to inform ourselves and others and to increase our understanding of the world through news, information and analysis of current events and ideas”. Ofcom recognizes that programmes that fall into other genres may also contribute to this purpose – particularly in the case of serious factual. However, for the purpose of this report we have concentrated on News and Current Affairs.
- 4.6 News and current affairs are two of only three genres where there are numerical quotas for the public service broadcasters. To evaluate what Channel 4 uniquely brings to the delivery of this PSB purpose we have examined the output of news and current affairs programming, the reach of this programming and the impact of Channel 4's news and current affairs output on the audience.
- 4.7 Analysis of this output highlights Channel 4's contribution to public service broadcasting in these specific areas.

News

- 4.8 News is a genre of public service programming that has historically been valued by audiences. According to the PSB Tracker conducted by Ofcom in 2005, news remains the genre of programming that viewers say is most important to them personally and to society as a whole (56% and 62% respectively). Current affairs, though considered to be of less personal importance to many individuals, is considered to be important to society by 40% of viewers.
- 4.9 As indicated in the previous section Channel 4 meets or exceeds its Tier 2 quota for news provision. A recent content analysis conducted by Ofcom for the Future of News project audited the output of the different public service broadcaster news providers. The study was conducted over a period of three weeks and analysed the evening news bulletins on BBC One, ITV, Channel 4 and Five. This analysis indicates that *Channel 4 News* played a slightly different role to the news bulletins provided by ITV, BBC One and Five. The analysis noted that:
- 4.10 "*Channel 4 News* traditionally offers more long form news than the other broadcasters with more substantial analysis. Many of the items that feature are covered in depth. This can be seen in the amount of time devoted to the lead story. Channel 4 often devotes more than ten minutes air time to the top story and provides analysis through a variety of methods including video packages, studio interviews, live links and graphics."
- 4.11 Other significant findings were that in the period of the audit *Channel 4 News* included the highest number of international stories as well as the highest number of stories defined as 'hard news'. With a longer running time than the evening bulletins on the other public service broadcasters many of these findings are unsurprising. However, this study supports previous analysis conducted by Ian Hargreaves in *New News Old News* (2002). Ian Hargreaves' research also documented that *Channel 4*

News had a more notably international and multicultural feel than the news provided by the other terrestrial broadcasters.

4.12 Although all the public service broadcasters provide news - Channel 4's output is distinctive in a number of ways:

- Scheduling (scheduled at 7.00pm)
- Longer running time allowing for substantial analysis
- International focus (more international stories)
- Multicultural (presenters)

4.13 Current Affairs – Output

4.14 The Communications Act sets out the following requirements for current affairs programming on the public service broadcasters:

- News programmes and current affairs programmes should account for an appropriate proportion of the schedule (as determined by Ofcom)
- The current affairs programmes included in the service should be of high quality and deal with both national and international matters
- The programmes should be scheduled in what appears to Ofcom to be an appropriate manner between peak viewing and other times.

4.15 Ofcom's Review of Public Service Broadcasting (the PSB Review) defined the purposes and characteristics of public service broadcasting. The most relevant of these to the genre of current affairs is:

To inform ourselves and others and to increase our understanding of the world through news, information and analysis of current events and ideas through programming that is: high quality, original, innovative and challenging.

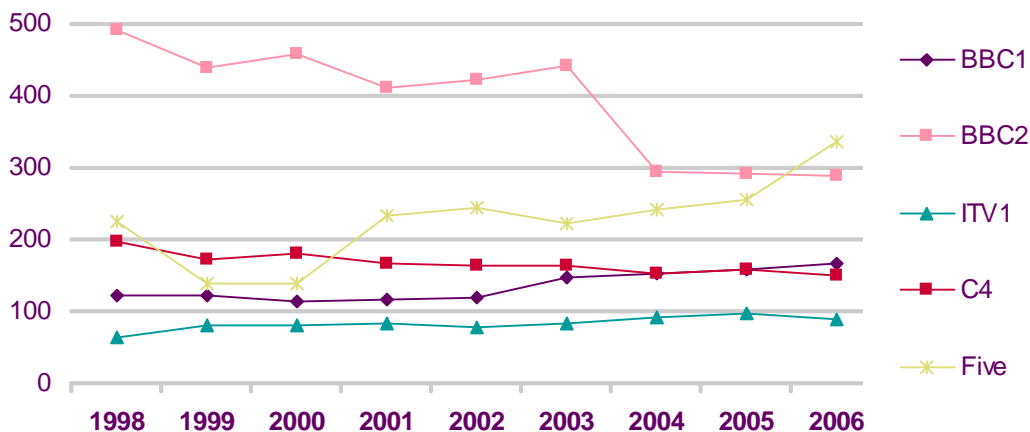
4.16 As noted above Channel 4 meets its current affairs quota and delivers more current affairs in peak than its requirement.

4.17 In terms of genres linked to societal good Ofcom's PSB Tracker found that Current Affairs followed News and Education in importance to viewers. Despite its perceived societal importance, current affairs is a genre of public service broadcasting that is generally considered to be at risk. Ofcom's Public Service Broadcasting Review (2004) noted that current affairs programming was being pushed out of peak and that it was losing viewers. In the period studied by Ofcom's PSB Review (1998 - 2002) the total output of current affairs across the five main terrestrial channels rose from 24.4 hours a week to 26.0 hours. However, within peak time (1800 - 2230) there was a decline in volume from 6.4 hours to 4.8 hours per week. Programme makers and commissioners interviewed for the PSB Review confirmed that the genre was under extreme pressure in the multichannel environment.

4.18 Another piece of research *A Shrinking Iceberg Travelling South* (1999)¹⁰ highlighted the types of current affairs programming that were considered to be most under threat - foreign affairs coverage, political programming and economic based current affairs. In recent years Channel 4's peak time output of current affairs programming has included an international series *Unreported World* and a political series *Morgan and Platell* (although *Morgan and Platell* was not broadcast in 2005 or 2006).

Current Affairs Output

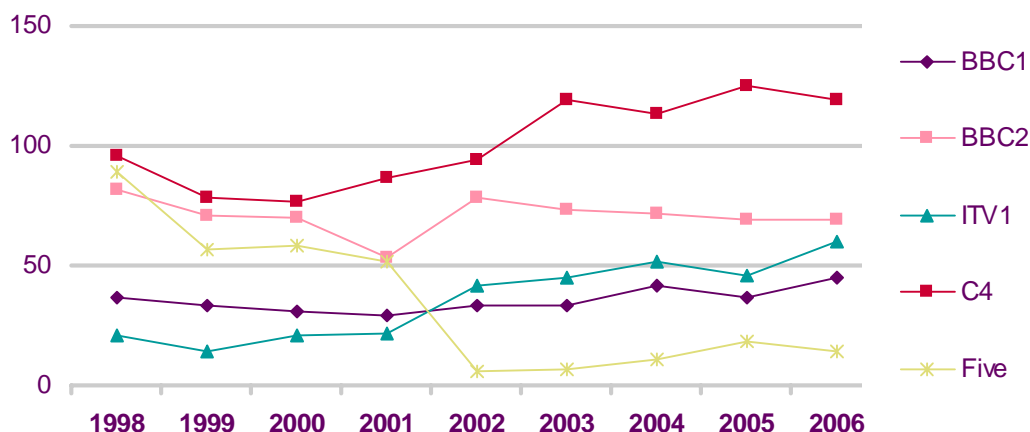
Figure 34: Volume of First Run Current Affairs (hours per day)



Source: PSB broadcaster returns

4.19 In 2006 14.3% of the total amount of current affairs programming broadcast by the terrestrial public service broadcasters (including GMTV) was transmitted by Channel 4.

Figure 35: Volume of First Run Current Affairs (hours, peak time)



Source: PSB broadcaster returns

4.20 In 2006 the weekly average amount broadcast by the terrestrial public service broadcasters in peak was 6 hours. Of this total, 2 hours and 18 minutes was

¹⁰ Barnett, S and Seymour, E, 'A Shrinking Iceberg Travelling South...' *Changing Trends in British Television*, London, Campaign for Quality Journalism, 1999.

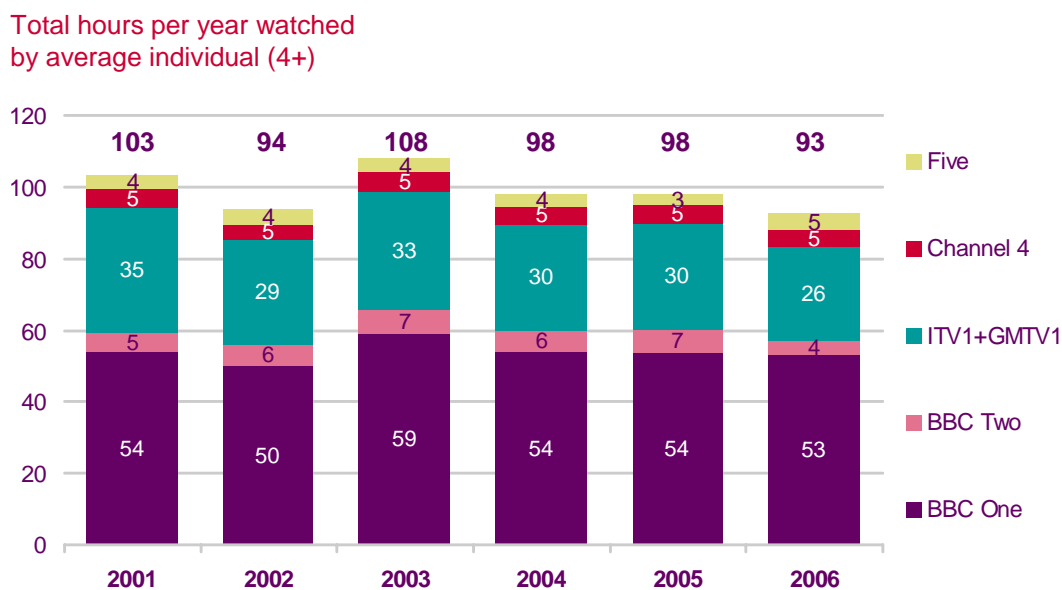
transmitted by Channel 4. In 2006 Channel 4 transmitted 38% of all first run current affairs programming played in peak by the terrestrial public service broadcasters

4.21 As defined by the Communications Act 2003 the current affairs output of the public service broadcasters must include both national and international programmes. International current affairs is one of the sub genres of current affairs that have been flagged up as being at risk by research into the genre. *A Shrinking Iceberg Travelling South* noted that BBC Two was increasingly becoming the sole purveyor of international current affairs. In a six month audit of current affairs programming conducted by Ofcom between 1 July 2005 and 31 December 2005 one of the areas studied was the amount of international current affairs programming supplied by the public service broadcasters (terrestrial channels only excluding the BBC digital channels). The audit found that during this period 18% of the programmes transmitted by the PSBs were considered to be 'international' programming. The majority of these programmes were broadcast by BBC Two or Channel 4. In the case of Channel 4 much of this output formed part of its international current affairs strand *Unreported World*.

Reach and Viewing of Channel 4 News and Current Affairs

4.22 Figure 30 shows the split in total viewing hours of national news across the terrestrial PSBs over time.

Figure 36: Total Viewing Hours of National News by Channel, terrestrial channels only (2001-2006)



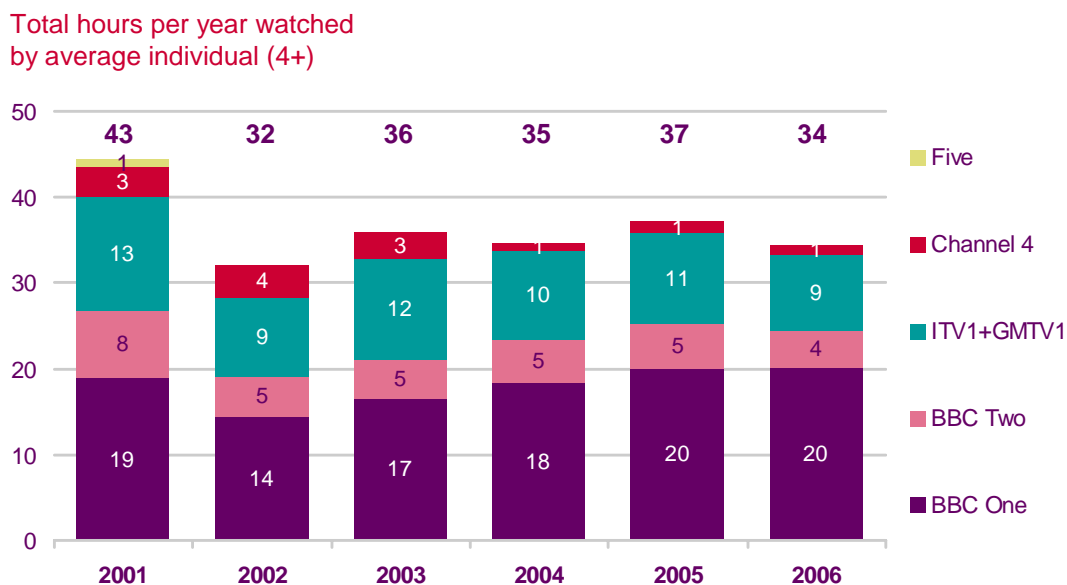
Source: BARB

4.23 In 2006 out of an average of 93 hours of news watched, 5 of these hours were viewed on Channel 4. The proportion of viewing in the genre to Channel 4 has remained broadly static in the period and hours spent viewing Channel 4 news have remained constant since 2001

4.24 BARB data on the Viewing volume of Current Affairs indicates that out of the total average yearly hours viewed on the public service broadcasters only 1.1 hours is viewed on Channel 4. It is important to note that the BARB classification of current

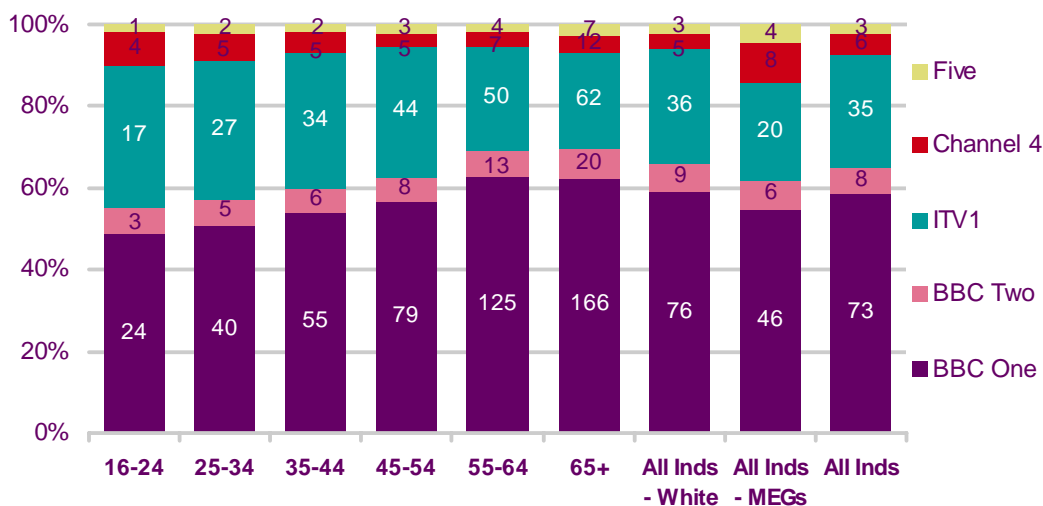
affairs includes 'softer' elements of current affairs whereas Channel 4's output is predominantly in what are considered to be 'harder' areas of current affairs programming. (Please note that Five's *The Wright Stuff* is classified on the BARB system as Entertainment and therefore does not appear here).

Figure 37: Total Viewing Hours of Current Affairs by Channel, terrestrial channels only (2001-2006)



Source: BARB

Figure 38: Split in Total Viewing hours of National News and CA, terrestrial channels only (2001-2006)



Source: BARB, 2001-2006

4.25 The above chart indicates that alone among the terrestrial PSBs the total hours viewed of Channel 4's news and current affairs is proportionately higher for minority ethnic viewers and younger viewers than for other demographics.

Impact of Channel 4's News and Current Affairs Provision

The PSB Tracker

4.26 Impact data in this section is sourced from Ofcom's Public Service Broadcasting Tracker. Different statements in the PSB Tracker relate to particular genres. In terms of news the most relevant PSB purpose is: '*Informing our understanding of the world*'. For the PSB Tracker three viewer research statements relate to this purpose. These are:

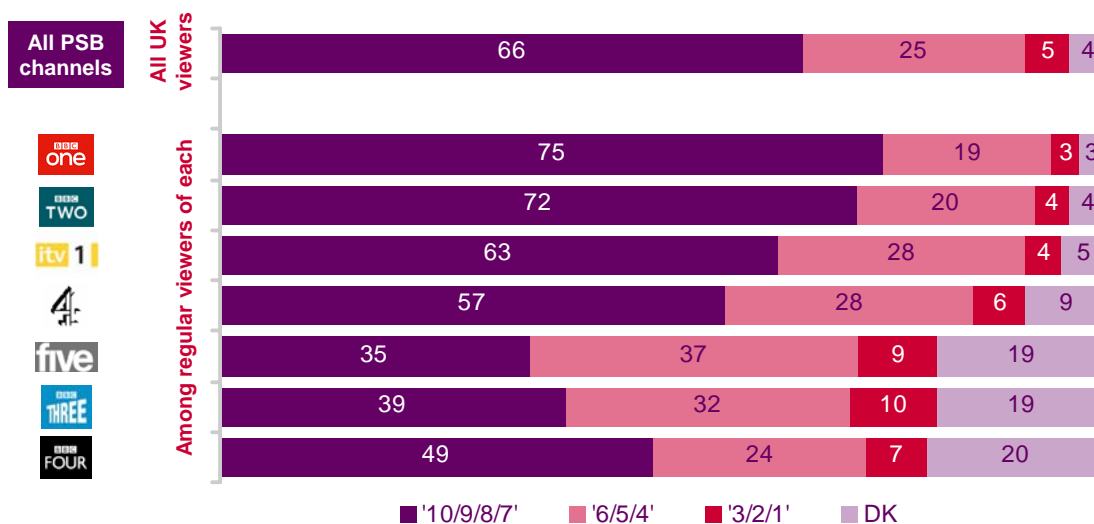
- Its programmes help me understand what's going on in the world
- It shows news programmes and factual programmes that explain complicated issues clearly
- Its news programmes are trustworthy

4.27 By analysing the results of the PSB Tracker it is possible to gain some understanding of the relative impact of Channel 4's news and current affairs provision when compared with other public service broadcasters.

Figure 39: Informing our understanding of the world – audience views (%)

Its programmes help me understand what's going on in the world today

Extent to which the purpose/characteristics applies to the channel(s), where 10 means 'applies completely' and 1 means 'does not apply at all'



Base for 'all PSB channels': all UK adults, 937, Oct 06

Base for individual channels: self-reported regular viewers of each channel (amalgamated data: Jan 06, April 06, July 06, Oct 06)
 BBC1 = 5220, BBC2 = 2420, ITV1 = 4027, Channel 4 = 2746, Five = 1424, BBC3 = 481, BBC4 = 247

Source: PSB Tracker - GfK NOP Media, 2006

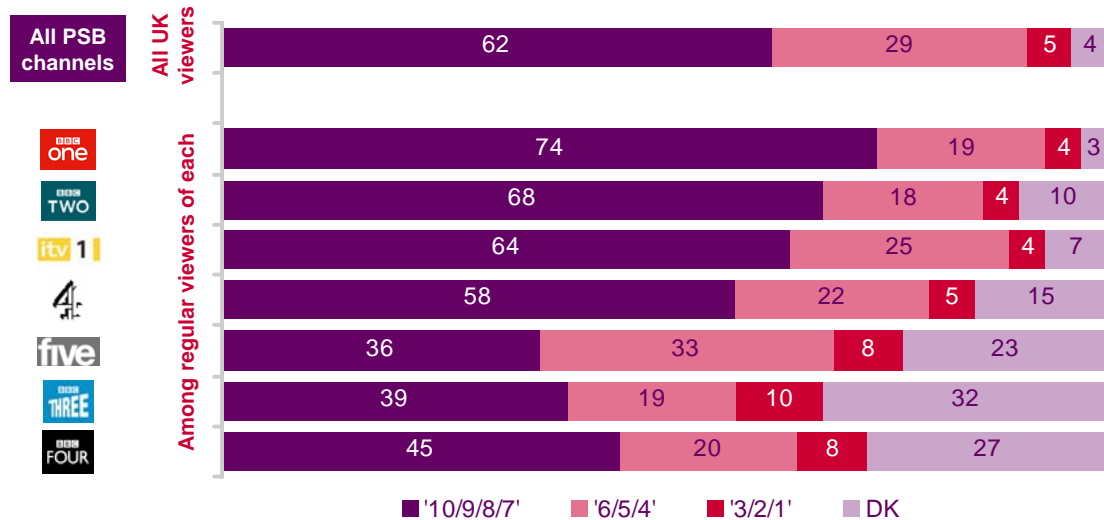
4.28 Around three quarters of regular viewers to BBC One and BBC Two said that programmes on these channels helped them understand what was going on in the

world. This decreases to almost two thirds of regular viewers of ITV1 and 57% of viewers to Channel 4. However, it is interesting to note that viewers aged between 16-34, males and those from minority ethnic groups are more likely to give Channel 4 a higher rating on this measure.

Figure 40: Trust – audience views (%)

Its news programmes are trustworthy

Extent to which the purpose/characteristics applies to the channel(s), where 10 means 'applies completely' and 1 means 'does not apply at all'



Base for 'all PSB channels': all UK adults, 937, Oct 06
 Base for individual channels: self-reported regular viewers of each channel (amalgamated data: Jan 06, April 06, July 06, Oct 06)
 BBC1 = 5220, BBC2 = 2420, ITV1 = 4027, Channel 4 = 2746, Five = 1424, BBC3 = 481, BBC4 = 247

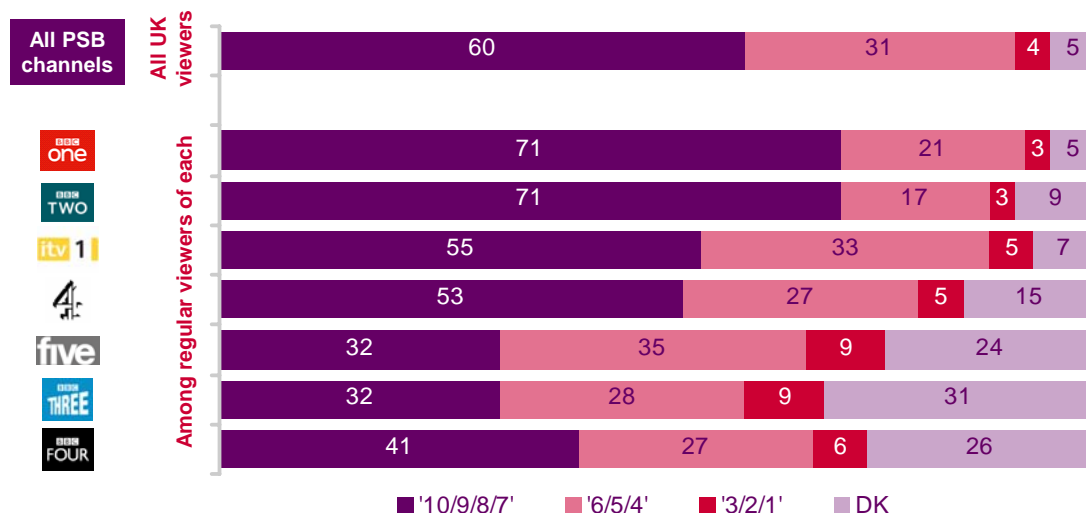
Source: PSB Tracker - GfK NOP Media, 2006

4.29 Regular viewers to all the channels ascribe relatively high levels of trust to the news programmes of each broadcaster. Levels of active disagreement are small. The PSB Report pointed out that the main distinctions in response between various sub-groups are between different economic groups. ABs are more likely than average to strongly rate the trustworthiness of the BBC and Channel 4, whereas DEs are less likely to rate these channels. There is a further difference between men and women over Channel 4 with 63% of men saying its news programmes are trustworthy compared to 53% of women. Channel 4 viewers aged between 25-34 are more likely to rate the channel higher than those in other age demographics.

Figure 41: Explaining complicated issues clearly – audience views (%)

It shows news programmes and factual programmes that explain complicated issues clearly

Extent to which the purpose/characteristics applies to the channel(s), where 10 means 'applies completely' and 1 means 'does not apply at all'



Base for 'all PSB channels': all UK adults, 937, Oct 06
 Base for individual channels: self-reported regular viewers of each channel (amalgamated data: Jan 06, April 06, July 06, Oct 06)
 BBC1 = 5220, BBC2 = 2420, ITV1 = 4027, Channel 4 = 2746, Five = 1424, BBC3 = 481, BBC4 = 247

Source: PSB Tracker - GfK NOP Media, 2006

4.30 The PSB Tracker found a more marked distinction here between views about the BBC terrestrial channels, and also more similarity between ITV1 and Channel 4. Again, men are more likely to rate Channel 4 in this regard more highly than women. White people were more likely than those in minority ethnic groups to rate BBC One and BBC Two highly, but viewers from minority ethnic groups were more likely to rate Channel 4 highly.

4.31 The BBC Pulse survey also posed a number of statements relating to news programming regarding trustworthiness, impartiality, quality and whether or not viewers learnt anything. The responses to the BBC Pulse survey demonstrate a strong level of agreement in responses across all the broadcasters. Channel 4 however, consistently showed the largest proportion of positive responses.

4.32 Conclusions

- Channel 4's news and current affairs output makes a significant and distinctive contribution to the public service broadcasting ecology
- The range of Channel 4's current affairs output and particularly its international current affairs programming provides creative competition to the BBC
- Despite the peak time scheduling of Channel 4's current affairs output Channel 4's regular viewers do not rate the PSB value of this programming as high as the BBC's regular viewers do.

Channel 4's contribution to the other PSB Purposes and Characteristics that are not directly related to Channel 4's remit

- 4.33 Channel 4's remit as laid out in the Communications Act 2003 and the delivery of this remit has been considered in the previous chapters of this report. The following section considers, and where possible quantifies, the further role Channel 4 plays in contributing to the public service environment as a whole.
- 4.34 Ofcom's Public Service Broadcasting review established four purposes and six characteristics of public service broadcasting. The majority of these purposes and some of these characteristics directly relate to Channel 4's specific remit and, as such, have been considered in the previous chapter. However, the third purpose: "to reflect and strengthen our cultural identity through original programming at UK, national and regional level on occasion bringing audiences together for shared experiences" does not directly relate to Channel 4's remit.
- 4.35 Likewise, the public service characteristics that mirror the Channel 4 remit (namely high quality, original, innovative and challenging) have also been examined in relation to Channel 4's remit. There are two remaining characteristics which do not fall under the auspices of Channel 4's remit: "widely available" and "engaging". As a national broadcaster Channel 4's output is as a matter of course widely available. Therefore, the only characteristic that needs to be considered separately is "engaging – remaining accessible and attractive to viewers".
- 4.36 Therefore, this section looks at the remaining PSB Purpose and PSB Characteristic in terms of the output, reach and impact of Channel 4's delivery and places Channel 4's delivery into the context of Public Service Broadcasting taken together. The focus of this section is to establish the distinctive aspects of Channel 4's output, the audience it reaches and the impact that it has on that audience.
- 4.37 PSB Purpose 3: To reflect and strengthen our cultural identity through original programming at UK, national and regional level, on occasion bringing audiences together for shared experiences.
- 4.38 This PSB purpose is less closely linked to Channel 4's remit than the other purposes and characteristics of public service broadcasting. However, it is worth considering in relation to what Channel 4 delivers to the public service broadcasting environment.
- 4.39 The aspect of Channel 4's remit that correlates most closely with this PSB purpose is the out of London production quota (i.e. 30% of spend and 30% of hours). As detailed in the previous chapter, Channel 4 meets this quota.
- 4.40 Channel 4 provides 16.3% of all out of London production from the Public Service Broadcasters.
- 4.41 As a publisher broadcaster the majority of Channel 4's out of London output is commissioned from independent producers. (BBC and ITV have substantial in house production capabilities based outside of London which contribute to their OOL production quotas).
- 4.42 According to data gathered for Ofcom's Television Production Sector Review, in 2004 37.5% of all regional output supplied by external producers and 33.6% of hours produced by regional qualifying independent producers was transmitted by Channel 4.

- 4.43 Channel 4 does not have a regional news programme. Therefore the regional aspect of its programming is more implicitly expressed in the casting and location of its factual programming. Series such as *Location Location Location* and *Ramsey's Kitchen Nightmares* are filmed throughout the UK. The PSB Tracker found that programmes that are visibly located in a particular area tend to gain proportionally more audience share in that Nation or region than across the UK as a whole. For example, *Shameless* has 30% more viewers in the North West.
- 4.44 The 'shared experiences' element of this remit is often interpreted to comprise sporting events or news stories. There is another interpretation that includes 'talked about programmes'. Channel 4 plays a role in delivering high profile programming such as *Big Brother* and *Deal or No Deal* which could be construed as fulfilling this part of the public service purpose.
- 4.45 One of the questions posed by the BBC Pulse Survey was whether viewers would 'talk about' programmes they had watched. For the comedy genre Channel 4 received the largest number of positive responses of all the terrestrial PSBs (76%). This was slightly higher than the number in agreement for BBC Two and Five which had around 70% agreement. ITV1 and BBC One had smaller proportions of agreement with 63% and 56% of responses agreeing respectively.
- 4.46 When the same question was posed for drama programmes around nine out of ten responses to programmes on BBC Two, Channel Four and Five were in agreement.

Reflecting UK Cultural Identity

- 4.47 Channel 4's delivery of this purpose is not central to Channel 4's remit. The most relevant statement posed by the PSB Tracker for examining the impact of Channel 4's output was:
- Its entertainment and factual programmes show people from the different parts of the UK.
- 4.48 Only 50% of all viewers felt that the PSBs as a whole delivered this purpose (but their satisfaction did depend on whether they believed their own region was well represented). A slightly lower percentage of Channel 4's regular viewers strongly agreed that the broadcaster delivered on this statement.

Public Service Broadcasting Characteristic – Engaging

- 4.49 One of the relevant measures for this PSB characteristic is audience size data. The following chart shows the most watched Channel 4 programmes of 2006:
- 4.50 Ofcom's PSB Tracker indicates that Channel 4's younger regular viewers felt particularly positive about its programming – 83% of its 16-24 year old viewers said it showed programmes they wanted to watch, the highest rating across all channels and demographic groups.

Figure 42: Channel 4 Top 10 Programmes (all individuals, 2006)

		Day	Date	Start Time	000s	TVR	Share
1	Big Brother	Fri	18/08/06	21:59	8198	14.7	40.9
2	Celebrity Big Brother	Fri	27/01/06	22:02	7310	13.1	35.9
3	8 Out of 10 Cats	Fri	18/08/06	21:29	5282	9.4	23.3
4	Lost	Wed	11/01/06	22:05	5246	9.4	25.8
5	Bodyshock: Half Ton Man	Mon	06/02/06	20:59	5145	9.2	19.5
6	Lost	Wed	11/01/06	23:04	5048	9.1	40.6
7	Ramsay's Kitchen Nightmares	Tue	05/12/06	21:00	4895	8.7	20.9
8	Deal or No Deal	Sat	11/03/06	18:59	4662	8.4	21.7
9	Gordon Ramsey's F Word	Wed	28/06/06	21:00	4521	8.1	21.4
10	Desperate Housewives	Wed	18/01/06	22:04	4520	8.1	23.5

Source: BARB UK / InfoSysTV (Based on Highest Episodes, 2006)

Conclusions

- 4.51 Channel 4's regional production quota means that it commissions from a range of independent producers based outside London. It also plays a role in development talent outside London via its Creative Cities scheme.
- 4.52 On the whole Channel 4's regular viewers are less inclined to agree that the channel is delivering factual and entertainment programming that shows people from throughout the UK than regular viewers to the BBC or ITV1
- 4.53 Channel 4's remit can be interpreted as being closely connected to the 'shared experiences' element of this PSB purpose. Channel 4 offers 'talked about TV' in a number of genres including comedy and drama, as demonstrated by responses to the BBC Pulse Survey.

Section 5

Measures and Benchmarks for Channel 4 Remit Delivery

- 5.1 The preceding section together with Channel 4's own submission highlight the wide range of measures and indicators relevant to Channel 4's delivery of its remit. This analysis should make clear that relying on a narrow set of output measures (such as the volume of programmes broadcast in a particular genre) is insufficient to gain a fully rounded picture of Channel 4's public service contribution. Many of Channel 4's commitments – to innovation, diversity and distinctiveness – relate not only to the formal content or format of Channel 4's output but also to the way it approaches subjects, the tone of its factual output and the style of its dramas.
- 5.2 These aspects of Channel 4's public service delivery are inevitably more difficult to capture than traditional genre-based volume and value measures of PSB delivery. Nevertheless, we believe that to illustrate as fully as possible all the components of Channel 4's remit that contribute to the channel's PSB delivery, it is helpful to consider a basket of approaches rather than any one single measure or set of measures.
- 5.3 Channel 4 is currently considering the development of a framework that articulates the 'public value' delivered by all the different components of its remit and its broader public service role. This should form the basis of a basket of measures that can be used to effectively assess the full delivery of Channel 4's public service role through the various components identified in this framework.
- 5.4 These measures are likely to continue to include the kinds of indicators presented in the previous sections and by Channel 4 in its analysis of its remit delivery, such as quantitative output and expenditure data, data on reach and impact, audience tracking studies, and audience research focusing on specific aspects of PSB delivery and specific audience groups.
- 5.5 Such an approach will help to paint the fullest possible picture of Channel 4's public service delivery, and amongst other things, we believe will provide Channel 4 with an early warning if funding pressures start to constrain Channel 4's ability to deliver its remit.

Channel 4's overall contribution to PSB

- 5.6 In the section of its submission to Phase 1 of the Financial Review that deals with its public service remit, Channel 4 describes two senses in which it contributes to PSB. First, it has a set of formal responsibilities which are enshrined in its Tier 2 and Tier 3 commitments. These are monitored and managed through the regulatory framework and are generally measured with reference to Channel 4's output.
- 5.7 The second element of Channel 4's role consists of the activities and strategies designed to serve its wider remit, as set down in the Communications Act. These tend to be more difficult to capture with traditional programme volume and value measures. As Channel 4's submission makes clear, there are a number of aspects to this role, including:
- PSB plurality - in particular offering a different perspective to the BBC

- A unique approach to creativity (squaring the popular with the intelligent/innovative; relationship with Indies; autonomy of commissioning)
 - Focus on creative risk and innovation
 - Appealing to a culturally diverse society
 - Programmes of educational value and an educative nature
 - Commitment to supporting new talent and plurality in the creative industries.
- 5.8 In addition to the above aspects of the core channel's PSB delivery, the group believes that to maximise the impact of that delivery, it must:
- Extend Channel 4's values and role into digital (channels, distribution, new media)
- 5.9 These various aspects of PSB delivery will be captured in the public value framework currently being developed by Channel 4.

The available measures

- 5.10 Channel 4 draws on a wide range of measures in its report and these, together with some of the measures identified by Ofcom, could form the basis of the measures that should make up the basket of measures discussed above. For ease of exposition, these can be categorised into measures of output, reach and impact.
- 5.11 The **output** measures currently used by Channel 4 include:
- Broadcast hours of, and investment in, original UK programming, overall and by genre
 - Cost per hour of original programmes, overall and by genre
 - The mix of the Channel 4 schedule by different types of programming
 - Channel 4's delivery against its licence quotas (for original production, regional production, use of independent producers, news, current affairs and schools programming).
- 5.12 The **reach** measures presented by Channel 4 include:
- Channel 4's audience share
 - The audience share of the Channel 4 portfolio
 - The audience share of individual programme genres.
- 5.13 Channel 4's **impact** measures include:
- Audience attitudes towards Channel 4, as measured by Channel 4's Reputation Tracking Study
 - Audience attitudes towards particular programmes, as measured by the BBC-led Pulse study

- Number of awards won
 - Spend on 'creative talent' initiatives and development support for the independent sector.
- 5.14 A number of other measures relevant to Channel 4's delivery of its public service remit collected by Ofcom – for example the PSB tracker – have also been included in this report.

Conclusions and next steps

- 5.15 Ofcom and Channel 4's work demonstrates that it requires a basket of different kinds of measures to fully capture the delivery of Channel 4's remit. This is likely to include many of those presented by Channel 4 and Ofcom in their respective reports relating to Channel 4's remit delivery, some of which are listed above.
- 5.16 Going forward, we believe an important next step will be to present these measures in the context of the public value framework that Channel 4 is developing to articulate different components of the remit. We expect that this basket will mainly comprise measures already routinely collected by Channel 4 or Ofcom. This includes new measures presented by Channel 4 as part of its submission to Ofcom for Phase 1 of the Financial Review. However some new measures may have to be developed to achieve a full picture of Channel 4's remit delivery in the future.
- 5.17 These measures would be used primarily as an internal management tool for Channel 4 and its board. Going forward, we suggest that it would be useful for Channel 4 to benchmark and consider progress against the chosen measures and within the public value framework. This reporting could also be incorporated, for example, into Channel 4's annual reviews, and its forward plans into its statements of programme policy where appropriate.

Annex 2

Survey methodologies

Ofcom PSB Tracker

Data collection

The Ofcom PSB Tracker is conducted via telephone interviews with adults aged 16+. Fieldwork in 2006 (the first year of the survey) was conducted during four months: January 2006, April 2006, July 2006, and October 2006, chosen to represent the range of the broadcast year. Per wave, a total of 1,874 interviews were conducted (1070 in England; 268 in Scotland; 268 in Wales; 268 in Northern Ireland). The average interview length was 18 minutes. Fieldwork was conducted by GfK NOP.

Weighting

Quotas were applied and survey data was weighted to be nationally representative of adults 16+. Weights were applied to: Gender, Age, Region, Social grade and Ethnicity using data from mid-2004 population estimates (ONS).

Questionnaire

Respondents were asked to rate specific TV channels on four different aspects of broadcasting (each of the PSB purposes and characteristics – 17 statements in total).

Respondents who either regularly or occasionally watched a channel were asked to rate each of the seven channels (BBC One, BBC Two, ITV1, Channel 4, Five, BBC Three and BBC Four) separately and also to consider all of the channels together for each of the 17 statements. Statements on BBC Three and BBC Four were only asked of multi-channel households.

They were asked to rate on a 10-point scale the degree to which they felt the statement applied (10 = applies completely; and 1 = does not apply at all) to each channel.

The order of channels was rotated to minimise order bias. Fifty percent of the sample was asked about channels in order A below, and the remaining asked in order B¹¹:

- A: BBC One, BBC Two, BBC Three, BBC Four, ITV1, Channel 4, Five, All channels combined
- B: ITV1, Channel 4, Five, BBC One, BBC Two, BBC Three, BBC Four, All channels combined

Analysis conventions

All of the channel summaries and sub-group analysis was carried out on 'regular' viewers. Regular viewers provide a more informed opinion as they are more involved with the

¹¹ Randomising the order of all channels was piloted. However, this introduced interview fatigue. In the pilot, statements were both randomised and grouped together by area (e.g. News statements together). It was found that the number of incomplete interviews was lower where statements were grouped together.

channels, and rely less on potentially out-of-date or unfounded perceptions of the channel. Moreover, including occasional viewers increases the level of “Don’t know” responses, thereby reducing the granularity of the insight provided.

Two different questions were asked to ascertain frequency of viewing of each channel:

- i) Asked of all with access to channel: How often do you watch <channel>? Regularly/Occasionally/Never/Don’t Know
- ii) Asked of all who code regular/occasional above: So is that...? (Every day/4-5 times a week/2-3 times a week/Once a week/less).

Data was analysed using two different definitions of regular viewers:

- Those who claimed to be ‘regular’ viewers at the first question
- Those who claimed to watch the channel at least 2-3 times a week

Using the second definition, almost all viewers of some channels became ‘regular’ viewers, as shown in Figure A.1. Therefore, the first definition was chosen to provide better granularity for analysis purposes.

Figure A.1: Percentage of regular viewers as proportion of viewers to each channel

% of respondents	BBC One	BBC Two	ITV1	Channel 4	Five	BBC Three	BBC Four
Self-defined regular viewers	74	40	60	44	29	18	13
Watch at least 2-3 times a week	94	75	87	79	62	47	40

Reporting conventions

Viewers were asked to rate each channel (and the channels taken together) out of 10, and the top four scores (7-10) were used to calculate responses, correlating to a very/quite response.

Additional omnibus questions

Additional data was required that was not covered in the PSB questionnaire, therefore four GfK NOP Omnibus surveys were commissioned and completed in January, July and August 2006. These are detailed below:

- i) The January omnibus asked viewers to rate the key statements in terms of their importance
- ii) The July omnibus asked viewers to choose the five types of programmes that were:
 - o Personally valuable to them
 - o Important for the good of society as a whole

- iii) An omnibus was conducted in August looking at delivery ratings for all channels combined
- iv) An additional omnibus was conducted in August looking at how many people use Teletext

BBC-GfK Pulse Survey

Methodology

This report includes data from the BBC Pulse survey – an online, nationally-representative panel survey of 15,000 viewers (including Northern Ireland, Scotland, Wales and England), conducted on behalf of the BBC by GfK NOP.

Panellists are presented with the previous day's schedules for all the terrestrial channels plus BBC Three, BBC Four, E4 and Sky One, and S4C in Wales. Once they have selected the programmes they viewed they are asked a number of questions about them. Some questions are specific to the BDS (Broadcasting Dataservices) genre into which a programme falls, some are cross-genre questions (e.g. on appreciation) and there are also sometimes panellists are asked additional programme-specific questions dependent on the research needs of the BBC.

The panel is not informed that the survey is conducted on behalf of the BBC to avoid influencing answers, and the survey is presented with GfK branding. The Pulse survey is also carried out online and therefore represents the opinions of online users, but demographically representative of the UK population.

Analysis considerations

Panellists score only those programmes that they have watched for at least five minutes; generally they will be scoring programmes that they have chosen to watch. As such, average scores are relatively high, and lower scores in the Pulse survey are likely to represent strong dissatisfaction. In this report, ratings are aggregated into genre-level summaries.

It should also be noted that results are calculated on the basis of the number of responses, not respondents. In this way, multiple responses to a programme over a period of time from the same respondent are registered. This means that for any given rating, it is not possible to extrapolate views of the population as a whole. The rating provides an indication of the strength of opinion about a particular programme. Over 5,000 responses are collected each day.

This methodology is useful when looking at Pulse scores overall, as it can be considered that the opinions of dedicated viewers may greatly influence the rating. Therefore the rating and number of responses represents both a score for the programme and for its popularity. For example, if a programme has a high number of responses and a high score, this shows that lots of people watched the programme and liked it. A programme with fewer responses and the same high score, would suggest that not as many people watched it, but those that did liked it.

Genre classification

In the Pulse survey, programmes are aggregated by genre lists in accordance with Broadcasting Dataservices' (BDS) classifications. This differs from BARB and broadcaster returns' genre classification. Genres are not, therefore, directly comparable.

The BDS Serious Factual genre was amended by Ofcom to more closely fit the BARB and broadcaster returns' classifications.