Pact Briefing for Constitution, Europe, External Affairs and Culture Committee on Channel 4 and the indie sector in Scotland

Overview

1.1 Pact is the UK trade association which represents and promotes the commercial interests of independent feature film, television, digital, children's and animation media companies. We currently have over 800 members based across the UK, with around 59 companies based in Scotland. Pact members make programmes for a range of UK Public Service Broadcasters, UK commercial broadcasters, and SVODs, including Netflix

1.2 The Scottish independent production sector is in a strong position with 5% of commissioning spend coming from Scotland and 7% of the production workforce being based in Scotland in 2020.[i]1 Glasgow is one of the larger production hubs outside of London and many popular programmes such as Escape to The Chateau, Supershoppers and Kirstie and Phil's Love it or List It are all produced in Scotland by local production companies

1.3 Channel 4 is a key investor in the Nations and Regions. In 2019, Channel 4 contributed £992m to the UK economy including £274m to the regional economy representing 30% of Channel 4's indirect and induced GVA contribution to the UK. This supported around 10,600 jobs across the UK in 2019, of which nearly 3,000 related to jobs supported by Channel 4 in the Nations and Regions.[ii]

1.4 The Government's proposals for the future of Channel 4 contained within the Broadcasting White Paper will do damage to the independent production sector across the UK, impact jobs, and limit opportunities for the next generation of creative talent. Pact commissioned independent economic consultancy, Oliver & Ohlbaum Associates (O&O) to undertake an assessment of DCMS's proposals for Channel 4.[iii] Which found that the Government's proposals would lead to £4.2 billion of lost investment by 2032, an increase from the £3.7 billion we had originally estimated in 2021. This lost investment would not only have an impact on the UK's production sector, but also the wider creative economy.

Channel 4 and the Scottish Indie Sector

2.1 Channel 4 is an important investor in the Nations and Regions. Many production companies based outside of London rely on commissions from the UK PSBs, particularly Channel 4. Over the last 8 years Channel 4 has spent around £144m on content from Scotland by commissioning programmes such as Location Location Location, and Fifteen to One. It's long running series such as these which allow producers to build sustainable businesses of scale and invest in areas such as training and the research and development of new ideas.

2.2 Channel 4 still commissions more programmes from small production companies than the other the PSBs between 2015 – 2016.[iv] This has enabled generations of creative entrepreneurs and small innovative start-ups to break into the UK broadcasting market and grow their businesses, initially working for Channel 4 and then supplying other broadcasters. Every year, Channel 4 commissions content for the first time from around 15 independent production companies. Which then go on to become successful businesses with further commissions from other broadcasters.

2.3 In a conversation with a Pact member based in Glasgow, Finestripe Productions, they told us how important Channel 4 has been to their business and the growth of the wider indie community in Scotland. Finestripe's first commission was for Channel 4, Bank of Dave, which is currently being made into a film for Netflix. They told us that without this Channel 4 commission, it would be unlikely they would be making a film for Netflix. Channel 4 has a commitment to taking risks, innovation, and diversity and it's this commitment that has helped indies like Finestripe Productions build a successful local business.

Government's Proposals for the Future of Channel 4

3.1 In April 2022, the Government published their Broadcasting White Paper, which sets out their future vision for the wider UK broadcasting ecology. It also details the Government's proposals for the future of Channel 4, which include:

• Removing Channel 4's publisher broadcaster status and applying the minimum 25% independent production quota to the main channel.

• Reducing Channel 4's voluntarily 50% commissioning spend in the Nations and Regions and instead applying the minimum 35% quota.

• No protection for Film4's investment in UK independent film, which is currently £25 million a year.

• No protection for Channel 4's commitment to training and skills.

3.2 Currently 100% of Channel 4's hours go to external production companies. This helps to ensure a wide range of high-quality programming from a range of suppliers across the UK. Under a new owner, Channel 4 would be free to commission 75% of qualifying hours from any future in-house studio or broadcaster-owned studio (such as ITV Studios, Paramount Studios). This move to 75% in-house is a transfer of value away from British SMEs to large profit driven corporations. New owners would seek to maximise profits back to shareholders and invest in their own IP rather than take the risk of commissioning a small start-up indie looking to break into the industry. Reducing the independent production quota to only 25% will result in a loss of jobs, investment and opportunities for SMEs who are just starting out.

3.3 To enable Channel 4 to make and own its own programmes, new owners would need to free up commissioning slots for its own production arm, which would mean cancelling a range of productions. Channel 4 may also have to scale back on programme investment, production is a hit driven business and hits are not a guarantee. BBC Studios and ITV Studios have an advantage with a substantial back catalogue of IP, it would take Channel 4 many years to build a catalogue similar to its competitors. This would be at the expense of the independent production sector.

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[i] Pact Census Independent Production Sector Financial Census and Survey 2021, by Oliver & Ohlbaum Associates Limited

[ii] IBID

[iii] O&O Assessment of DCMS's Channel 4 Privatisation Proposals: Remit and Regulation, O&O, May 2022

[iv] Channel 4's impact on the UK's International Competitiveness and Global Profile, O&O Associates, p18 2021