

1 Channel 4's unique public service role

1.1 Channel 4's unique institutional model

- Channel 4's institutional model results in a unique relationship with audiences, programme suppliers, advertisers and policymakers

1.2 Twenty-five years of distinctive programming

- Channel 4's output reflects the enduring values – of quality, innovation, diversity and distinctiveness – embodied in its remit
- The values in Channel 4's remit are readily recognised by its audiences
- Channel 4 has held its audience share steady over the last two decades, in the face of intense competitive pressures
- There has been more UK originated programming on Channel 4 in recent years than at any time in the 1980s and 1990s
- The schedule maintains a strong diversity of genres, though the mix has evolved
- In response to the abundance of familiar and undemanding options on digital television, Channel 4 has sought new ways to attract viewers to innovative programmes of public service value

1.3 A proactive approach to supporting independent production

- Channel 4 continues to play a pivotal role in the development of the independent production sector
- It works with more companies than any other broadcaster in the UK
- Its integrated approach to training and development gives new talent exposure on network television early in their careers
- It helps individuals set up new companies, and helps small companies grow and become sustainable businesses
- Channel 4 does more than any other broadcaster to support independent production across the nations and regions
- Channel 4's support for creative clusters in the nations and regions extends beyond television

1.4 Channel 4's long-term support for British film

- Channel 4 has been the most committed broadcaster to UK film over the last 25 years
- Film4's investment in UK film production is distinguished by its long-term commitment to projects and support for filmmakers' creative ambitions
- Film4's new digital television and on-demand services offer an integrated approach that promotes UK and specialised films

1.1 Channel 4's unique institutional model

Channel 4's institutional model results in a unique relationship with audiences, programme suppliers, advertisers and policymakers

Channel 4 is a unique organisation – a publicly-owned, commercially-financed broadcaster. It launched in November 1982 with a commitment to provide an alternative to the mainstream offerings of the BBC and ITV, showing things that had never before been seen on British television.

Channel 4's primary role has always been to fulfil its public remit. As such, it resembles the BBC, the other main publicly-owned broadcaster in the UK. Like the BBC, Channel 4 has always received some form of public support – through the "funding formula" in its early years, and more recently through gifted access to analogue spectrum (see Chapter 5). But whereas the BBC's income via the licence fee is guaranteed in full over 5-10 year planning horizons, Channel 4 is funded primarily in the marketplace, through advertising and sponsorship. The subsidy that it receives represents only a small part of its income.

This means that Channel 4 has to maintain a delicate balance in its schedule in order to deliver as much public value as possible while also including sufficient programming with popular appeal to ensure financial viability. Its fortunes are therefore directly affected by fluctuations both in its own performance and in external factors that are entirely beyond its control, such as the health of the advertising market. So its Executives and Commissioning Editors need to be as attuned to the marketplace, and to the demands of viewers, as any commercially-funded organisation, and at the same time ensure that the public service remit is fully delivered.

Channel 4 is very different from the other advertising-funded broadcasters with public service roles, ITV and Five. Those companies are privately-owned, and their primary duty must be to generate returns to their shareholders. Their licence obligations represent the cost of access to privileges such as guaranteed spectrum and placement at the top of electronic programme guides. For Channel 4, by contrast, its public duties come first, and its financing is merely a means to this end. All surpluses are reinvested in programming and services.

The final major point of uniqueness in Channel 4's institutional structure is its status as a publisher-broadcaster, required to source all of its programming from external suppliers. Channel 4 does not have its own in-house production base, unlike the BBC and ITV. Nor does it have access to production companies that are under common ownership (in the same way that Five has links with other companies owned by its parent RTL). It was a deliberate decision of the Government to establish Channel 4 in this way, and Channel 4's partnerships with its suppliers led directly to the creation of the independent television production sector in the 1980s, now one of the powerhouses of the UK creative economy.

1.2 Twenty-five years of distinctive programming

Channel 4's output reflects the enduring values – of quality, innovation, diversity and distinctiveness – embodied in its remit

Despite radical changes in the broadcasting environment and the passing of several successive broadcasting and communications Acts in primary legislation, Channel 4's remit has altered little since it was first established (see Box 1.1).

Box 1.1. Channel 4's remit (current articulation)

The public service remit for Channel 4 is the provision of a broad range of high quality and diverse programming which, in particular –

- a. demonstrates innovation, experiment and creativity in the form and content of programmes;
- b. appeals to the tastes and interests of a culturally diverse society;
- c. 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 educative value; and
- d. exhibits a distinctive character.

How Channel 4 delivers its remit, on the other hand, has evolved substantially over time, although its performance, in terms of audience share, has been remarkably stable, as we see below.

The values in Channel 4's remit are readily recognised by its audiences

While audiences do not always use the same language, they clearly recognise the different components of Channel 4's remit. When we asked viewers in an online survey what single word most sums up Channel 4, they responded more frequently with the likes of "different", "innovative", "varied" and "diverse"; while words such as "modern" and "cool" captured Channel 4's lively approach (see Figure 1.1).

Figure 1.1. Channel 4 in one word: Top 10 responses in an online survey

- Different
- Modern
- Interesting
- Innovative
- Entertaining
- Varied
- Alternative
- Good
- Diverse
- Cool

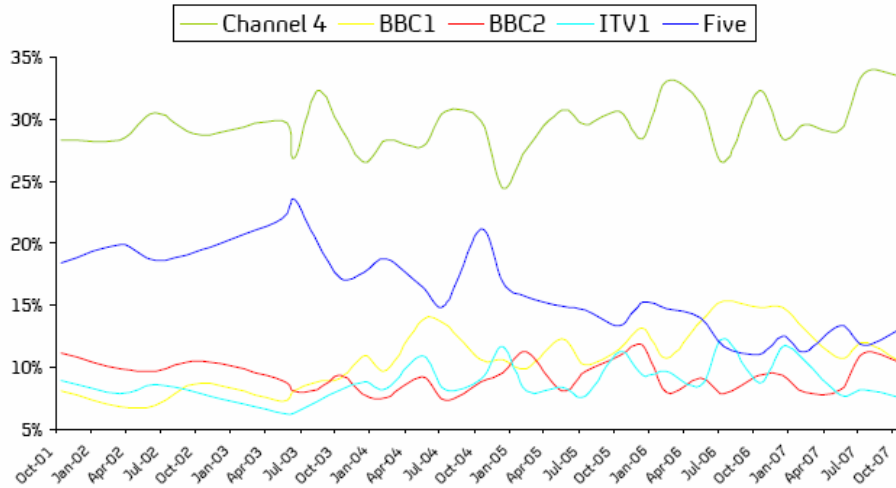
Source: Channel 4 Propeller online survey, September 2007. Nationally representative survey of around 1000 respondents, run for Channel 4 by Ipsos Mori

Channel 4's distinctiveness relative to other broadcasters is also appreciated by viewers. Our quarterly audience tracking survey, conducted since 2001, shows that Channel 4 is consistently rated highest for "always trying something new", for "taking a different approach to subjects", for "covering ground other channels wouldn't", and for "catering for audiences other channels don't cater for" (Figure 1.2).

Figure 1.2. Audience perceptions of public service channels: how they measure up against key statements

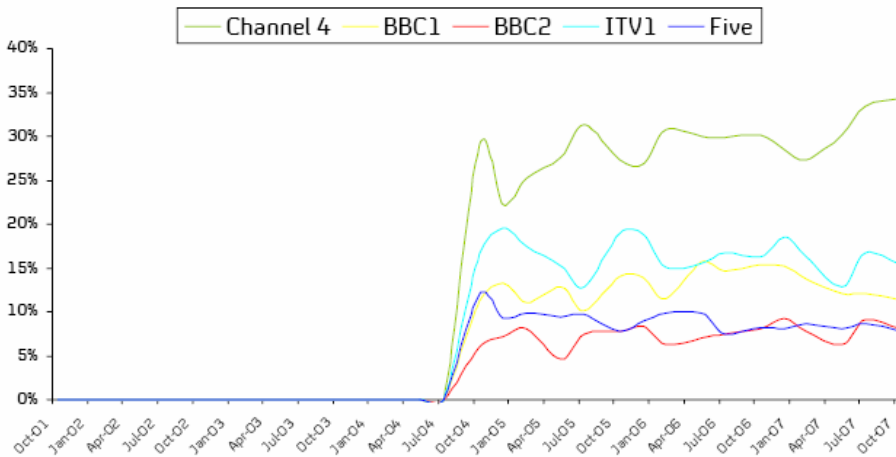
Covers ground other channels wouldn't

by TIME



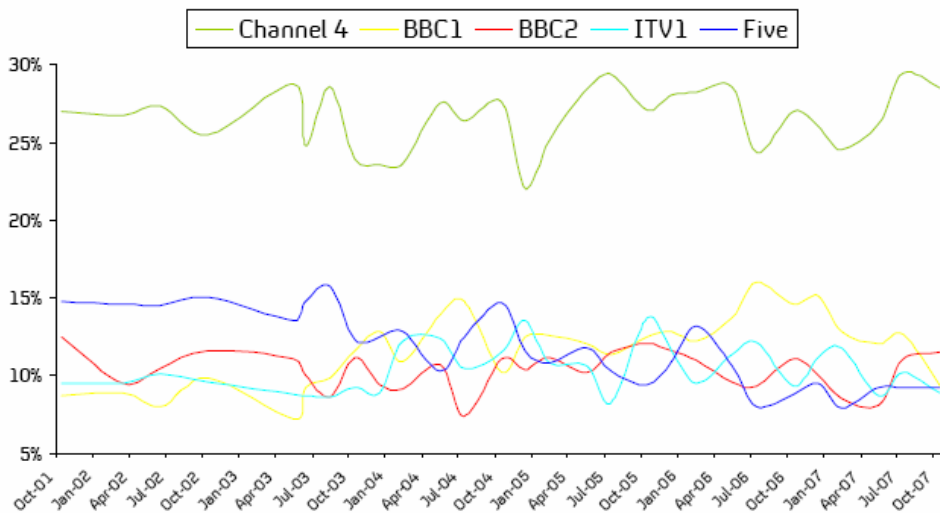
Always Trying Something New

by TIME



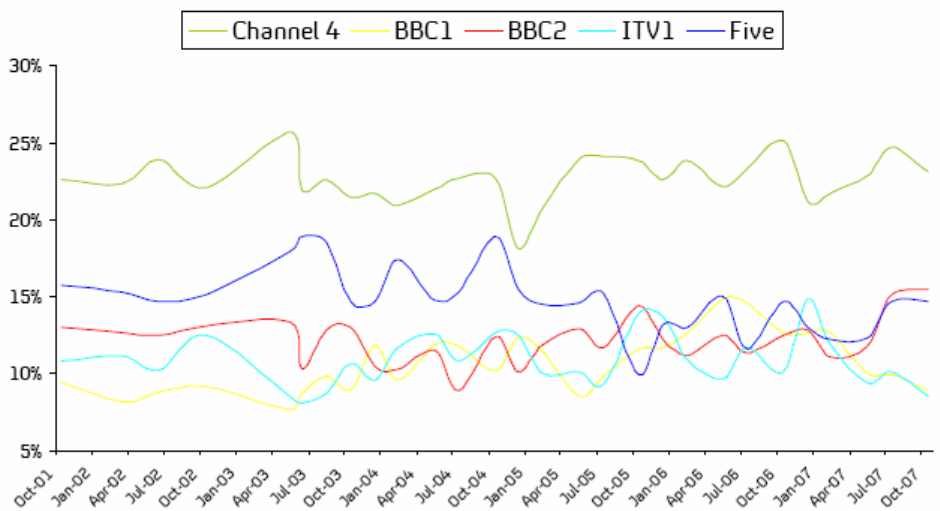
Takes a different approach to subjects compared to other channels

by TIME



Caters for Audiences other channels don't cater for

by TIME



Source: Channel 4 Audience Research Quarterly Tracker

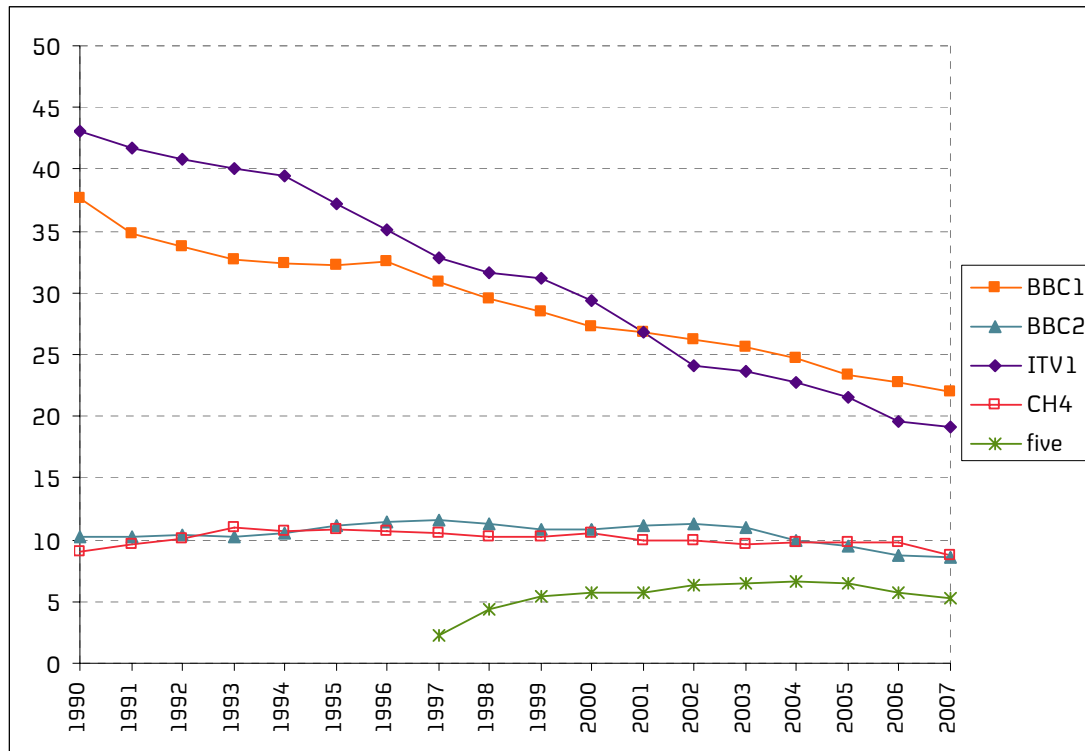
Channel 4 has held its audience share steady over the last two decades, in the face of intense competitive pressures

Over the course of the 1980s, Channel 4's audience share grew to around 10% of total television viewing. From the outset, it appealed particularly to younger viewers.

The 1990s saw an explosion of choice following the development of satellite and cable TV in the early part of the decade, and the introduction of digital TV in the latter years. Channel

4 developed its own digital channels, and continued steadily to increase its impact, with a portfolio viewing share of almost 12% in 2007. The core channel, meanwhile, maintained its audience share at around 10% for most of the last two decades, over a period when viewing to BBC One and ITV1 fell dramatically (Figure 1.3).

Figure 1.3. Viewing share of the main network channels, 1990-2007



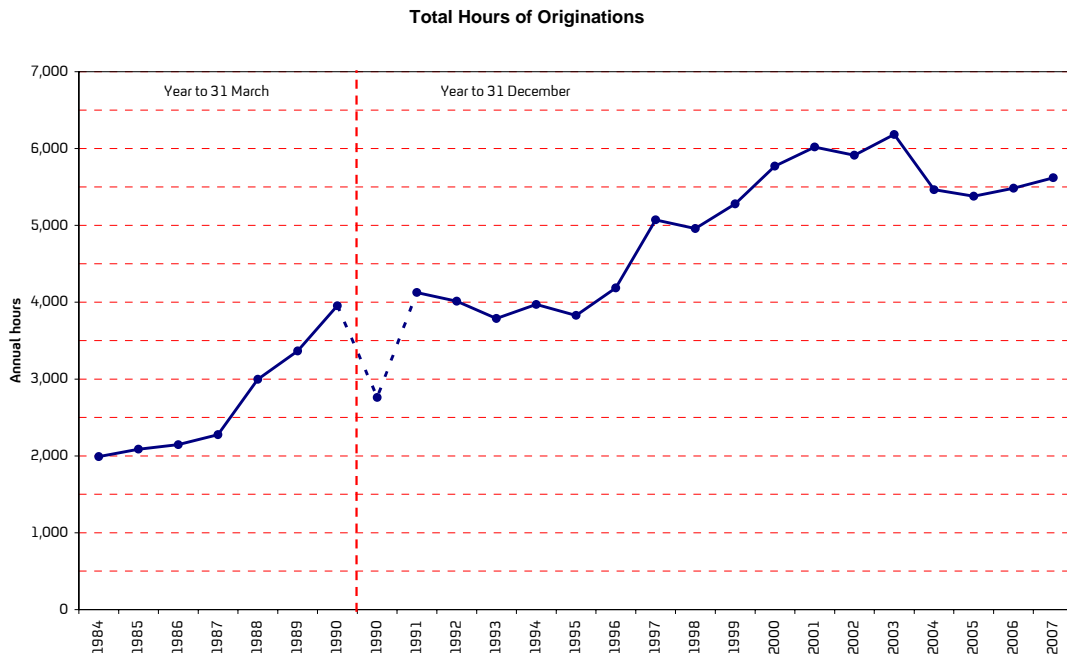
Source: BARB

It has been a considerable achievement of Channel 4 to maintain share in a rapidly growing market, over a period in which the proportion of multichannel homes grew from virtually zero in 1990 to over 85% in 2007. It has remained competitive in part through increased professionalism in its scheduling and marketing, but also by adapting the type and balance of programming to achieve greater impact with viewers.

There has been more UK originated programming on Channel 4 in recent years than at any time in the 1980s and 1990s

The core channel has shown higher levels of originations in recent years than at any time in the past, as Figure 1.4 shows. The volume of originated programming peaked at just over 6,000 hours in 2003, boosted by a strong advertising market that allowed record levels of investment (see below), and by around 1,000 hours of programming accounted for by breakfast show *RI:SE*. Despite a modest fall-off since then, the 5,620 hours of original content in 2007 still exceeds the levels achieved at any time during the 1980s and 1990s.

Figure 1.4. Total hours of originated programming on Channel 4, 1983/4-2007

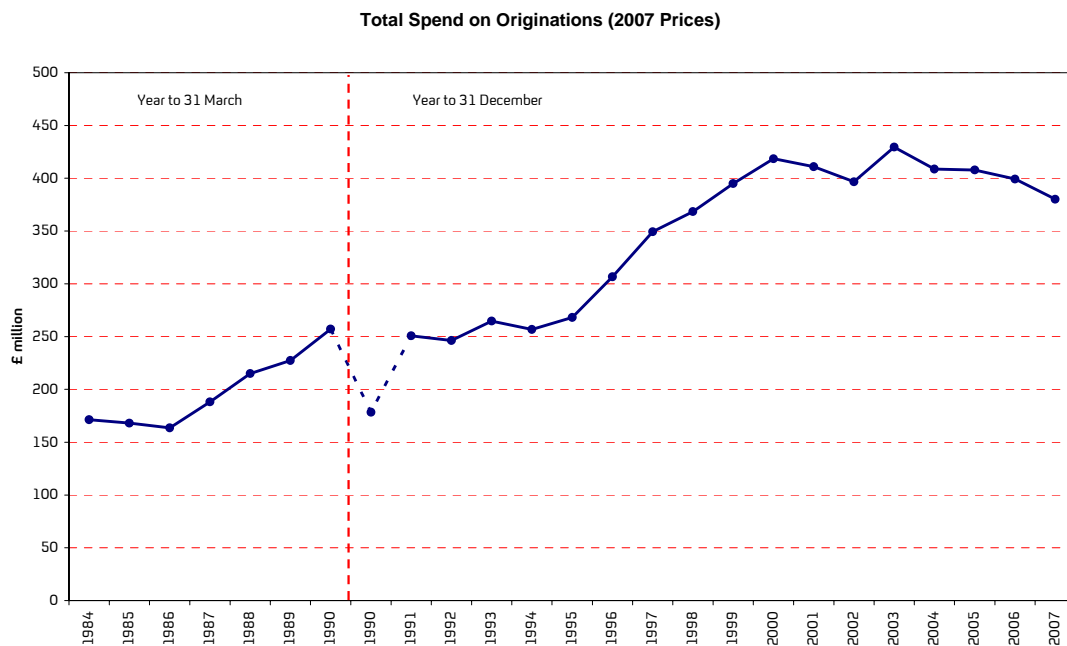


Source: Channel 4

A similar picture emerges in terms of investment in original programming, which was £380 million in 2007. This is higher in real terms than at any time up to the late 1990s.

Investment rose rapidly in real terms between 1995 and its peak in 2003, as Figure 1.5 shows. Over the last five years, it has risen in nominal terms, but fallen steadily in real terms, due to competitive pressures (see Chapter 5).

Figure 1.5. Total spend on originated programming on Channel 4 (2007 prices), 1983/4-2007



Source: Channel 4

The schedule maintains a strong diversity of genres, though the mix has evolved

Channel 4 has consistently innovated in form, reinventing traditional genres and bringing entirely new ones to screen:

- In the 1980s, *Brookside* challenged audiences' expectations of soap operas with its willingness to tackle previously taboo subjects. *After Dark* was highly innovative as a live late-night open-ended chat show. Programmes were commissioned specifically by and for people whose voices had never before been heard on television: there were programmes specifically about trades unions and women's rights, for example, as well as programmes made specifically for ethnic minority groups and gay men and lesbians
- In the 1990s, Channel 4 engaged young audiences with ground-breaking programmes such as *The Big Breakfast* and *The Word*. Minority perspectives were brought to mainstream audiences in *Desmonds* and *Queer As Folk*
- In the 2000s, Channel 4 found new ways to tap in to consumers' aspirational values with lifestyle programmes like *Grand Designs* and *Location, Location, Location*. It was the first to explore subtle social and behavioural issues in formatted documentaries such as *Faking It* and *Wife Swap*. And it brought opera, classical music and ballet to mainstream audiences in *Operatunity*, *Musicality* and *Ballet Hoo!*

Some genres have disappeared over time, in response to broader changes in the television industry and in society more generally. For example:

- Channel 4 was the first UK channel to champion sports such as American football and Italian Serie A soccer, and more recently it reinvented coverage of Test match cricket. But these sports have been taken over by pay-TV services
- Programmes made specifically by and for minority groups have become less relevant as people from these groups (in particular, those from different ethnic backgrounds, and gays and lesbians) have become more visible in society, and their portrayal more common, in mainstream programming.

Across the television industry, schedules have tended to evolve in response to the proliferation of choice in digital TV homes. As with other broadcasters, Channel 4's schedules have become more structured, with stripped and stranded programming around fixed points to make them easier to navigate. At the same time, Channel 4 has maintained a highly diverse range of programming in its schedules. Other broadcasters' schedules have tended to become less eclectic over time, with some types of programmes – especially in core public service genres such as arts, religion or current affairs – being moved into late night slots or on to digital channels, or cut altogether.

By contrast, Channel 4 has maintained high levels of ambition in all genres, from the most mainstream to the most niche. The one-hour *Channel 4 News* bulletin remains the mainstay of the peak-time schedule. Channel 4 has significantly increased its commitment to current affairs in recent years, with 40 hour-long episodes of *Dispatches* shown in peak in 2007. Most of its originated output in arts and religion is also shown in peak. As evidence of the diversity across the schedule, Channel 4 showed 357 new or one-off titles between 6pm and midnight in 2007, more than any other network channel.¹

In response to the abundance of familiar and undemanding options on digital television, Channel 4 has sought new ways to attract viewers to innovative programmes of public service value

Viewing behaviour in the digital world is guided in part by what some studies have called the "paradox of choice". People find making decisions increasingly daunting as choice increases. This has particular consequences for public service content. When faced with the hundreds of channels available on Sky Digital or cable, many viewers select familiar options such as

¹ Source: Attentional. Between 6pm and midnight in 2007, the number of new or one-off titles was 206 on BBC1, 294 on BBC2, 175 on ITV1 and 127 on Five.

repeats of favourite programmes or easy options that offer pure entertainment. They are accordingly less willing to experiment with new or challenging programmes.

When Ofcom compared ratings in analogue and digital television homes for a range of programmes, it found that the largest drop-off in viewing in digital homes occurred for programmes in genres such as arts, religion and current affairs. Ofcom concluded that viewers who make the switch from analogue to digital television “tend to move away from more challenging content towards that which is more accessible”².

This creates a vicious circle, making it harder for some public service programmes to find an audience. In a crowded digital world, programmes that tackle culturally or socially valuable subject matter have to work harder than ever to engage audiences and to stand out.

This is a particular issue for Channel 4, given its public remit, its commitment to tackling challenging subject matter, and the large volume of entirely new programmes in its schedule. In response, it has sought to innovate in the form of public service content, for example using engaging factual entertainment formats that can draw larger audiences. In some traditional public service programmes, such as arts, it has increased investment and marketing spend in individual projects to give them a higher chance of standing out.

1.3 A proactive approach to supporting independent production

Channel 4 continues to play a pivotal role in the development of the independent production sector

Channel 4’s public service remit is defined in legislation solely in terms of what appears on-screen. But its off-screen contribution in stimulating investment, supporting innovation and nurturing talent in the creative economy represents a key part of Channel 4’s distinctive public service role.

The creative economy is an increasingly important element of the wider UK economy. It contributes £60 billion a year, making up over 7 per cent of output, and is growing at 5 per cent per year (twice the rate of the rest of the economy). In total, the creative industries employ 1 million people themselves, while another 800,000 work in creative occupations. The UK Government has repeatedly acknowledged the role played by the creative industries in cultural and economic life, and the importance to the whole economy of creating a framework in which these industries can flourish. Broadcasting (television and radio) is the largest entertainment sector in the UK, with a Gross Value Added of £8 billion in 2005.

The Government’s recent strategy document for the creative industries³ emphasises the growing importance of the creative industries to the economic health of this country. The report highlights the need for the creative industries to move to the centre of policy thinking on economic issues, and the importance of unlocking creative talent across the nations and regions to drive growth. It proposes a combination of effective intervention and business support to achieve this objective.

Channel 4 plays a pivotal role in supporting creativity in television and other parts of the creative economy. It provided the initial stimulus for the development of the independent television production (“indie”) sector in the UK in the 1980s. When Channel 4 launched with a requirement to commission all of its originated programmes from external suppliers, the indie sector was practically non-existent. Through the new channel’s patronage, and the subsequent introduction of the 25% independent production quota for all public service broadcasters, the independent sector now comprises over 700 companies that are members of PACT, producing programmes for UK and international markets, and generating total revenues of over £2 billion (according to PACT’s 2007/8 Independent Production Census).

Channel 4 remains the largest investor in independent television production in the UK. Recent PACT figures show that Channel 4’s investment in first-run UK network programming

² Source: Ofcom, Review of Public Service Television Broadcasting – Phase 1, April 2004

³ Creative Britain: New Talents for the New Economy, DCMS, BERR and DIUS, February 2008

of £377 million in 2006 significantly exceeded that of the BBC (£283 million across BBC One and BBC Two), ITV1 (£250 million) and Five (£80 million) in 2006.⁴ A report commissioned by Channel 4 from Mediatique estimates that Channel 4 has contributed £5 billion to the independent production sector (in real terms) since its launch.

In addition to the simple act of commissioning all its content from external suppliers, Channel 4 supports the UK's creative industries in a number of ways:

- The range of companies with which it works
- Its support for new talent
- A twin-track approach focusing on both creativity and business development
- Its commitment to creative talent in the nations and regions
- Its support for creative industry clusters that extends beyond television.

Channel 4 works with more companies than any other broadcaster in the UK

Through its publisher-broadcaster model, Channel 4 maintains a deeper relationship with the independent television production sector than any other broadcaster. Over the years, the BBC and ITV have commissioned increasing amounts of programming from the independent television production sector, thanks largely to the introduction of a 25% quota and, more recently, the BBC's Window of Creative Competition. But Channel 4 works with more independent production companies than any other broadcaster: over 300 companies in 2007, compared with estimated figures of around 200 across BBC One and BBC Two, and 100-150 for ITV1 and Five.⁵ The channel is also constantly refreshing its relationships, working with 60 suppliers for the first time in 2007.

In a report commissioned by Channel 4 to look at the economic impact of our investment in the independent television production sector, PricewaterhouseCoopers (PwC) estimated that Channel 4's investment in the creative industries generated a total economic impact worth up to £2 billion in UK Gross Value Added, and supported 22,000 jobs spread across the UK.⁶

Channel 4's integrated approach to training and development gives new talent exposure on network television early in their careers

PwC found that the way Channel 4 interprets and delivers its remit results in a unique contribution to the development of talent in the independent sector in general, and across the nations and regions in particular. Channel 4's hands-on approach to selecting and nurturing talent, to building regional clusters and working with regional agencies is markedly different from that of any other broadcaster, public or private.

"[We] believe it is how Channel 4 has chosen to interpret and deliver its remit that marks out its unique contribution: it has worked with more independent producers and provided more seed capital and training to a large number of independent producers than is required by its remit. Channel 4's initiatives range from supporting major, on-the-ground long-term projects (such as Castleford) on the one hand, to reserving parts of the schedule to showcase new talent (such as 3 Minute Wonders – the only nightly new talent slot on prime-time in the UK) on the other."

Channel 4 supports a range of creative training and development schemes around the UK, as part of its 4Talent hub. In 2007, Channel 4 invested approximately £10 million in almost 60 schemes.

As well as supporting industry projects such as the National Film and Television School and the Skillset TV Skills fund, Channel 4's own initiatives are wide-ranging. They include the

⁴ Source: The Production Trend Report for Out of London, PACT, January 2008

⁵ Source: Attentional

⁶ The impact of Channel 4 on the UK independent sector, creative industries and the economy, PricewaterhouseCoopers, March 2007

Researcher Development Programme (see below), the Channel 4 TV Journalism Trainee Scheme Bursary, the Channel 4 British Documentary Film Foundation, which supports feature-length independent documentary films, and E-stings, an open competition to make idents for E4.

These funds are themselves integrated with dedicated spaces in the schedule for new talent – such as the shorts strand *3 Minute Wonders*, which follows *Channel 4 News* every evening; *Coming Up*, a first-time filmmaker slot for dramas; *First Cuts*, a peak-time strand on More4 which showcases established producers and directors wishing to cross over to documentary from other genres; and *New Shoots*, providing disabled talent opportunities for their first broadcast credit.

Channel 4 is committed to broadening the pool of writers, producers, directors and on-screen talent with which it works. It plays a leading role in strengthening the independent production sector by seeking and nurturing the next generation of creative talent. PwC confirmed that Channel 4 has pursued its own mini “industrial policy” for the benefit of the creative economy:

“ [Channel 4] has sought out talent and ideas from within the independent production sector, and from a wider creative economy – on the internet, outside the sector, and in the regions – and then supported it throughout the commissioning process. This policy permits a wider diversity of productive talent, which generates new and innovative ideas which translate into high quality on-screen programming and commercial returns.”

Channel 4 helps individuals set up new companies, and helps small companies grow and become sustainable businesses

At the same time as nurturing new talent and creativity, Channel 4 helps individual production companies at the corporate level, encouraging them to develop and grow as viable businesses. Its business support focuses on small and medium-sized independent companies, and on strengthening out-of-London production.

This twin-track approach is vital: supporting creativity over the long-term helps independent businesses become financially sustainable. Channel 4’s initiatives go far beyond individual project-related support, embracing much wider creative and business support that serves to ensure the ongoing viability of production companies. By looking beyond the next commission and the direct return on its investment, Channel 4 contributes to the long-term vitality of the independent sector – a focus that benefits the entire industry, including other broadcasters.

Channel 4 offers a range of company development deals for start-ups, and its regional funds provide seed capital to help indies kick-start their businesses, enabling them to mature, grow and become increasingly independent of Channel 4 itself. It also provides considerable non-monetary support, including the provision of expertise (e.g. market intelligence and strategic advice), ambassadorial assistance (e.g. providing access to commissioners or industry expertise), talent matching (e.g. matching directors and executive producers) and networking events.

Major components of Channel 4’s independent production sector support include:

- **TRC (formerly The Research Centre).** This was established by Channel 4 at its Glasgow offices in 1998, with the aim of improving the quality of ideas from the independent sector and developing a culture of innovation. TRC’s support covers traditional and digital media, and has both a domestic and international focus. Its services include hot-desking facilities, high-end training, provision of access to commissioners, and the production of industry research
- **The Researcher Development Programme.** This subsidises the costs of placement and training of development researchers, to strengthen the R&D capabilities of non-London based companies. To date, 130-150 companies have benefited from this scheme.

In addition, Channel 4 offers individual strategic support for companies to deepen their skills in existing areas and to extend the scope of their activities into new areas, e.g. different

programme genres or new forms of digital media. It provides a ring-fenced £0.5 million development fund for companies based outside London. And it helps companies secure growth funding from regional funds.

Interviews conducted by PwC and THINKbigger found that many organisations believed Channel 4's non-monetary contribution – including its expertise, assistance (such as opening doors), talent matching, networking events and the ability to lever funding from RDAs – to be of greater value than its direct cash injections.

PwC argued that Channel 4 acts as an “angel investor” for the UK creative economy. Through a series of joined-up initiatives that together enable Channel 4 to identify, foster and drive creative talent, the organisation operates a form of “talent escalator”:

“Beginning with the creative individual, Channel 4 escalates talent through successive support measures, by: nurturing the individual through to the stage of a job or the individual's idea through to a commission; then supporting further creative development by providing the necessary skills, contacts and/or finance to the individual, as an independent producer; and finally delivering help at the strategic level, with advice and support for established independent producers on new locations or genres. Channel 4's ongoing search for new, diverse and innovative talent with creative ideas completes the cycle. We found evidence that the result is a continuing virtuous circle of new opportunities for new and existing talent and independent producers, and on-screen innovation for the viewer.”

Channel 4 does more than any other broadcaster to support independent production across the nations and regions

The London-centric nature of most British television means that production companies based in the nations (Scotland, Wales and Northern Ireland) and the English regions often face particular challenges in terms of accessing development support and programme commissions. Moreover, much of the broadcasters' investment is spent with the largest independent production companies, which are also mostly based in the capital (London accounts for more than 50% of all UK employment both in the independent production sector and in the whole broadcasting industry).

This raises a number of concerns:

- Diversity is a fundamental component of all public service broadcasting, and geographical diversity is an important part of this
- Diversity correlates positively with innovation: the greater the pool of creative talent, the more innovation and creativity there is likely to be. So an over-reliance on a relatively small group of companies based in the same region can become counterproductive
- The health of the creative economy across the UK suffers to the extent that London-based companies enjoy a disproportionate share of total commissioning spend.

These issues are relevant to all broadcasters, but are particularly pertinent to Channel 4, with innovation and diversity explicitly embodied in its remit. Channel 4's licence requires a minimum of 30% (by both volume and spend) of original commissions to be sourced from companies based in the nations and regions. Channel 4 has consistently met this quota, investing more than £1 billion since 1998.

These figures do not adequately capture the full benefits of Channel 4's support for creativity across the UK, resulting from its immersive, proactive approach, which includes its on-screen investment in programming, along with a range of training and development activities delivered through innovative partnerships with public agencies. Many of these are coordinated by Channel 4's Director of Nations and Regions, Stuart Cosgrove, through its Glasgow-based editorial office, which also houses The Research Centre.

One might expect Channel 4's impact in the nations and regions to be dwarfed by the BBC and ITV, given the scale of their activities. The BBC spends more than £550 million across all of its TV, radio and online services in the nations and regions – larger than Channel 4's total programming budget. ITV, which began life as a series of regionally-based companies,

was traditionally the mainstay of regional broadcasting in the UK, and spends a minimum of 50% of its originations budget (including network and regional programmes) outside London.

However, a report conducted by consultants EKOS on Channel 4's contribution in the nations and regions argues that Channel 4's approach is differentiated from those of the BBC and ITV in a number of important respects, enabling Channel 4 to punch far above its weight:

- Much of the BBC and ITV's production spend relates to their programming specifically for the nations and regions (primarily local news), while Channel 4's focus is entirely on network programming
- The BBC and ITV's regional and national obligations are mostly fulfilled through their own in-house production bases, and there tends to be relatively little interaction with independent companies based around the UK (notwithstanding recent initiatives such as the BBC's support for MediaCity:UK in Salford Quays).

A recent PACT report showed that Channel 4's investment in first-run network programming from independent companies in the nations and regions was £165 million in 2006. This figure was higher than that of the other public service broadcasters (ITV spent £137 million, the BBC £95 million, and Five £29 million).

According to EKOS, only Channel 4 has a clear and sustained strategy to support independent production across the nations and regions:

"Channel 4 seems alone amongst the main PSBs in articulating within its nations and regions strategy the role of the broadcaster within a wider creative economy."

Channel 4's support for creative clusters in the nations and regions extends beyond television

Channel 4's initiatives go beyond individual company support, and provide benefits to the development of creative clusters more generally. This has been achieved through a series of strategic partnerships with public agencies, and in particular through Channel 4's Creative Cities initiative, which aims to help strengthen infrastructure in key cities across the UK identified as having particular (actual or potential) creative strengths.⁷ The initiative has facilitated significant investment in talent development and training programmes, regeneration projects and sector support strategies, working with a wide range of partners.

Industry clusters rely not only on geographical concentration, but also on companies' intrinsic interconnectedness, with the linkages often cemented by social relationships and networks. Channel 4's strategy in the Nations and Regions also draws on the latest thinking from experts in the field, such as urban studies theorist Richard Florida. He highlighted the importance of cities as the focus for regional economic development, arguing that openness, diversity and culture are key attractors of creative talent. Channel 4 has deliberately extended its strategy beyond purely television, spanning talent, diversity and the wider creative and cultural environment. This is illustrated by the wide range of schemes supported by Channel 4 (see Box 1.2).

⁷ The Creative Cities on which Channel 4 currently focuses are Belfast, Birmingham, Bristol, Cardiff, Glasgow, Leeds, Liverpool, Manchester and, to a lesser extent, Brighton and Newcastle

Box 1.2. Initiatives supported by Channel 4 in the nations and regions

- Scottish Factual Development Fund, in partnership with Scottish Screen
- MESH, a digital animation scheme managed by Glasgow-based Blackwatch
- Warp X, a low-budget feature film production slate managed by Warp Films in Sheffield
- Self Portrait UK, a national campaign aimed at encouraging people to submit self-portraits, managed from Newcastle
- Support for the International Centre for Digital Content, a post-graduate centre at John Moores University in Liverpool
- Sponsorship of the So You Think You're Funny? Awards at the Edinburgh Festival Fringe
- A digital film archive in Belfast for educational purposes

UNESCO identifies public-private partnerships as being key to unlocking entrepreneurial and creative potential. This is also an intrinsic part of Channel 4's approach. It proactively engages with public agencies – in particular, national and regional economic development agencies and screen agencies – to establish new partnerships both in order to support individual projects and to encourage the growth of regional creative clusters (see Box 1.3).

Box 1.3. Partnerships supported by Channel 4 in the nations and regions

- The **Company Development Fund** levers contributions from Channel 4 with matched funds from regional development or screen agencies in order to strengthen suppliers, e.g. by funding the costs of additional producers or researchers, thus helping to support both indigenous growth and inward investment to individual regions
- Channel 4 has invested over £5 million in **The Research Centre**, and has attracted a further £4 million from the BBC, regional and European development funds
- Through **4Talent**, Channel 4 provides investment in an online resource for emerging talent that offers expertise and insights from industry and career development opportunities, while both private and public sector partners manage and fund the “real world” training and networking events
- For example, 4Talent secured more than £1 million from Scottish Enterprise and Highlands and Islands Enterprise for a Scottish hub, and £750,000 from development agencies for a West Midlands hub. Hubs in the West Midlands and Northern Ireland are managed by local independent production companies, helping those companies as well as the beneficiaries of their support
- Channel 4 also works with development agencies to help build regional infrastructure, for example by helping established companies relocate to the region. Such an approach serves to develop a critical mass in terms of infrastructure that can support the emergence of new indigenous production companies.

1.4 Channel 4's long-term support for British film

Channel 4 has been the most committed broadcaster to UK film over the last 25 years

Film is not just another genre of television. It is a cultural artform in itself, one which predates television. The film industry may have been overtaken by television long ago in terms of the volume of output each year and the size of its economic contribution. But high

production standards (even medium-budget films cost more than most genres of TV on a per-hour basis) and established global platforms (British films are distributed around the world in cinemas and on DVD) mean that break-out films can resonate more powerfully, and reach larger audiences, around the world than television, or indeed any other artform.

Channel 4 has demonstrated a more sustained and innovative commitment to British film and to film culture throughout its 25-year history than any other broadcaster. It has developed and co-financed many of the key defining British films of the last quarter century, working with filmmaking talent such as Neil Jordan, Peter Greenaway, Stephen Frears, Derek Jarman, Ken Loach, Mike Leigh, Danny Boyle, Gurinder Chadha, Kevin Macdonald and Penny Woolcock, to name just a handful.

Recent acclaimed hits include Shane Meadows' *This Is England* (winner of the 2008 BAFTA for Best British Film), Roger Michell's *Venus* (Oscar-nominated for Best Performance by an Actor in a Leading Role by Peter O'Toole), Sarah Gavron's *Brick Lane* (winner of CICA Award at the San Sebastián International Film Festival) and David Mackenzie's *Hallam Foe* (winner of the grand jury prize, the Hitchcock d'Or, at the Dinard British Film Festival).

As evidence of our commitment to talent and our high levels of ambition, projects supported by Channel 4 have now won five Oscars over the last four years: Best Music (Original Song) for *The Motorcycle Diaries* in 2004, Best Short Film (Live Action) for Andrea Arnold's *Wasp* in 2004 and Martin McDonagh's *Six Shooter* in 2005, Best Actor for Forest Whitaker in 2006 for his role in *The Last King Of Scotland*, and the Best Short Film (Animated) for Suzie Templeton and Hugh Welchman's *Peter and the Wolf* in the recent awards for 2007.

Channel 4 has innovated consistently since it launched in 1982 with the ambition of commissioning high-quality single dramas with cinematic production values. In the 1980s, it took the then-unprecedented step of giving the best of these "Films on Four" the opportunity of a theatrical release – *My Beautiful Laundrette* is one of the most iconic examples. The 1990s saw a hugely successful run of films such as *Four Weddings and a Funeral*, *Trainspotting* and *The Madness of King George*, along with the launch of Britain's first specialist film channel, FilmFour, coinciding with the advent of digital television in the UK in 1998. Channel 4's online offer has grown to include a rich array of resources for film-lovers, including weekly online film show Movie Rush (which also airs on the Film4 channel), shorts and movie clips, and movie-making masterclasses.

Film4's investment in UK film production is distinguished by its long-term commitment to projects and support for filmmakers' creative ambitions

Channel 4's filmmaking arm, Film4, ringfences £10 million every year to develop and finance films intended for theatrical release. It aims to have 6-10 films in production each year, and a further 60 in development, with an editorial focus on distinctive, resonant, contemporary British cinema from established talent and emerging stars. This focus on creativity contrasts with the usual project assessment tools used in the private sector, which evaluate projects in the first instance on the basis of their likely financial performance.

More recently, Film4 has focused on nurturing new creative talent through an integrated approach across all genres, bringing film and single drama together under a single commissioning head and strengthening links with other programming genres. This provides a single clear point of entry to Channel 4 for anyone with a good idea, giving filmmakers the greatest flexibility in how their projects are realised. And it gives talent supported by Channel 4 in other genres (e.g. arts and comedy) the opportunity to branch out into film. Under this approach, Kevin Macdonald, Penny Woolcock and Dan Reed all came from making documentaries with the Channel to directing fiction features, while Channel 4 drama has been the proving ground for the likes of Joe Wright and David Yates. *Touching the Void* is a good illustration of a project that was initially conceived as TV drama-documentary; appreciating its potential, Film4 increased its budget to allow director Kevin Macdonald's ambitions to be fully realised, and it evolved into a theatrical feature film (going on to become the most successful British documentary ever at the cinema box office).

Channel 4's commitment to UK film production is not confined to the £10 million ringfenced for Film4. The Film4 team also works with filmmaking talent on projects that will be

screened as TV single dramas in the UK and as theatrical releases in other countries (along with a limited theatrical release in the UK in some cases). Examples include Kenneth Glenaan's *Yasmin*, Michael Winterbottom's *The Road to Guantánamo* and Ken Loach's *It's A Free World*. In addition, digital channel More4 commissions a range of feature-length documentaries and dramas that have gone on to enjoy a theatrical release in the UK and overseas, such as Kim Longinotto's *Sisters In Law*, Gabriel Range's *Death of a President* and Nick Broomfield's *Ghosts* and *Battle for Haditha*. Projects such as these that have been released theatrically but which fall outside Film4's dedicated commissioning budget for films have in recent years added a further £3-5 million to Channel 4's total annual investment in theatrical films.

Film4 originates and develops most of the projects in which it invests. This approach is extremely unusual: independent companies do not generally have the resources that enable the major US studios to put their own developments into production, and typically back projects at later stages. Film4 is unique as a small independent company in its emphasis on its development slate, which means that it is able to offer filmmakers creative guidance and financial support throughout the entire process from origination of a project through development to production and post-production. This adds an important dimension to the usual practices of the major public service investors in UK films.

A report commissioned by Channel 4 from Olsberg SPI on Channel 4's contribution to the UK film sector emphasised the distinctive nature of Film4's working methods. Its approach is underpinned by its relationships with individual filmmakers and commitment to nurturing talent, and its financing skills, which serve to facilitate the highly complex process that producers face to raise their films' budgets. Film4 is often the first to put its financing offer on the table. This approach is almost unique in the UK independent British film industry: most film companies provide production financing much later in the process. Film4 offers support for independent producers through revenue-sharing from its own equity return, by means of a 10% equity corridor (only the UK Film Council does something similar in the UK, with a smaller share of 5%). And Film4 also puts up significant sums of money to allow films to survive whilst transactions are being closed (BBC Films is the only other UK investor that does this).

Film4's development initiatives help new directors to make hallmark short films as a springboard towards their first features. Film4 and the UK Film Council jointly run the prestigious Cinema Extreme scheme, which finances five hallmark short films a year. And they focus on innovative new structures to make the business of development of British cinema more sustainable and effective, such as Warp X and the MyMovieMashup project.

Film4's new digital television and on-demand services offer an integrated approach that promotes UK and specialised films

Through its distribution platforms, Film4 has embraced new digital technologies, helping to reinvent the distribution of films by launching a free-to-air digital channel in 2006, followed by Film4oD, part of Channel 4's new video-on-demand service 4oD (see Box 1.4).

This cross-platform proposition represents an innovative approach to promoting film culture, with films playing to large audiences on Channel 4, and also available for free to most of the population on the Film4 channel; along with increased choice and flexibility through the on-demand service Film4oD; and smart branding and cross-promotion across all the services to help drive mass-market audiences from Channel 4 to the more diverse range of films on Film4 and Film4oD.

Channel 4 is the only broadcaster in the UK that promotes a diverse film offer through an integrated approach spanning mass-market free-to-air channels at one extreme and specialised video-on-demand services at the other. In the online space, specialist film on-demand services are becoming available, but their lack of access to mass-market platforms means that they tend to be niche propositions.

A recent report commissioned by Channel 4 from Narval Media surveying broadcasters' video-on-demand strategies across Europe shows that no other broadcaster in the EU offers a similar integrated cross-platform approach. The report observes that while video-on-

demand services offer an opportunity to open up the archives of classic European films and make them widely available, there is a risk that such services will fail to take off, and that mainstream Hollywood titles will dominate in the on-demand space just as they do in traditional media such as cinema and DVD. It concludes that by its integrated approach across “old” and “new” media, Film4 has the potential to achieve one of the Holy Grails of European cinema – bringing a more eclectic range of European and world cinema to wider audiences.

Box 1.4. An integrated cross-platform approach to promote access to films

- Channel 4 shows far more UK films than any other network channel, almost as many as BBC One and BBC Two combined (according to the most recent UK Film Council statistics). It also showed 35 of the 41 foreign language films broadcast on network television in 2006
- Channel 4 programmes an annual Bollywood/Asian film season comprising 20 titles per year, showcasing the latest Bollywood hits along with classic and contemporary arthouse fare, representing a substantial and long-term commitment to Asian-language cinema
- Film4 is the most widely available free-to-air film channel in the UK. More people watch it every month than go to the cinema. In January 2008, for example, the CAA reported 13.5 million cinema admissions, while the Film4 channel was watched by almost 19 million people over the same period (source: BARB)
- The most popular films, including many British titles, have enjoyed audiences of over 500,000 viewers, while its highest-rating film, *The Shawshank Redemption*, was watched by more than 1 million viewers. Total audience share in multichannel homes was 1.0% in the 12 months since Film4 went free-to-air, impressive viewing figures for a digital channel
- The Film4 channel offers the most distinctive range of mainstream and independent films of all dedicated film channels in the UK, encouraging audiences to broaden their horizons under the slogan “**Great films you know, great films you don’t**”. Almost half of its output is devoted to non-Hollywood films: in the first 12 months since going free-to-air, 31% of the schedule was devoted to British content, 7% to other European films, and 8% to international (non-European and non-US) titles
- British films play across the entire Film4 schedule, including both classics and new discoveries, with a strong presence in peak. The channel showcases British films in a regular branded weekly slot (“The British Connection”), every Wednesday at 11pm, with introductions by Observer film critic Jason Solomons. Recent seasons have spotlighted acclaimed filmmakers Mike Leigh and Danny Boyle
- Film4 also promotes film culture more widely, with dedicated seasons of British and international filmmakers, including premieres and director’s cuts. Recent highlights include premieres of *Pan’s Labyrinth*, *Black Book* and *The Motorcycle Diaries*; a Korean cinema season showcasing emerging talent, including the award-winning *Old Boy*; and a season of classic gay films marking the 40th anniversary of the decriminalisation of homosexuality
- The 4oD video-on-demand service, launched by Channel 4 in December 2006, includes a branded Film4oD zone offering more than 250 films, complementing the offer on the Film4 linear channel, with 50% of the catalogue comprising British films.

Conclusions

- Channel 4 has carved out a clear place in the UK broadcasting system. While it is funded in the marketplace primarily by advertising and sponsorship (its public support, in the form of gifted access to analogue spectrum, represents a small part of its income), its schedule is shaped by its public remit, which requires it to show a wide range of high-quality originated programming that is innovative, distinctive, diverse and educational. Its financing is merely a means to this public service end, and all surpluses are reinvested in programming and services
- Channel 4 is the third-largest television network in the UK, attracting almost 12% of total viewing across its portfolio of digital channels. It connects in particular with young, upmarket and diverse audiences, who value its entertaining, modern and lively approach. Channel 4 has the strongest reputation amongst all broadcasters for trying things that are new and different, and covering ground other channels would not
- Channel 4 is the largest investor in independent television production, both in the UK overall and across the nations and regions. It is committed to finding and developing new talent, and helping programme-makers realise their creative ambitions. It dedicates slots on the core channel to emerging talent, giving them mainstream exposure early in their careers
- Support for creativity and talent extends beyond television into other creative sectors, in particular film. Channel 4 ringfences £10 million to invest in film development, commissioning and production each year, taking a long-term approach to development that places filmmakers' creative ambitions ahead of financial targets. It also invests heavily in other initiatives to support UK film, including the Film4 channel and its associated Film4oD on-demand service, which work together to promote a diverse range of films to British audiences