

**EMBARGOED UNTIL 1PM, 19/06/2007**

**CHECK AGAINST DELIVERY**

**Andy Duncan speech to Westminster Media Forum**

You're hearing from me today because there's a lot to say at the moment. I'm not talking about recent programme controversies – though they are part of the broader debate and I'll come back to those in a moment. There's a lot to say because, after many months of discussion and a lot of work by the regulator and by ourselves, Ofcom last week announced the latest phase of its financial review of Channel 4, following publication of the LEK report earlier this year. This represents significant progress since almost a year ago when I gave 'The New Statesman Media Lecture' and said that 'Securing Public Value in the post-digital economy depended on three things : a strong BBC, successful switchover and plurality in PSB'. The first of these is now secure, the second is well on track, and it is now the third of these that needs to be properly resolved, I also said that it was the Channel 4 issue that was at the heart of ensuring this.

A year on a lot has happened and I believe this is now a decisive moment for the development of Channel 4. With the debate about whether there will be a funding gap as advertising revenues decline now effectively over, attention can turn to ways of plugging it. Ofcom's statement confirms what we've been saying for some time: that to do all that is expected of us up to and beyond digital switchover, we'll need something to replace the subsidy we have now that comes in the form of analogue spectrum. Ofcom recognises that it is 'reasonably likely' that we will be losing money within three years. Not just dipping into our reserves, but unable to deliver our public purposes at the current level and still balance the books. And in proposing to monitor our financial performance from now on, it accepts the possibility that this *could* happen sooner.

Ofcom's statement and its proposal to move forwards on a dual track, working with us to continue to develop the ways in which we monitor Channel 4's financial performance and public service delivery whilst investigating options for medium and longer term financial measures, are very welcome. With this progress towards securing the means, we can now re-focus our efforts on how best to deliver the ends as we move into a different media landscape.

The Channel 4 Board will be looking hard at how we can ensure delivery of the remit for the future, but there's been some misunderstanding about how we're performing against our remit requirements now. So let me clear this up straight away. *Channel 4... continues to deliver the quantifiable elements of its remit, and consistently meets and in some cases significantly exceeds its licence obligations.* These aren't my words but Ofcom's own assessment, following the most comprehensive review of our output ever done by the regulator.

I think the misunderstanding has arisen in part because Ofcom's analysis noted annual fluctuations in spend as well as hours in some psb areas. These crude metrics reflect the normal ebb and flow of the schedule over time, as the balance between different kinds of programme shifts and costs inevitably change. Costs don't always go up. Last year we renegotiated the ITN news contract – as a result we still have the same consistently excellent **Channel 4 News** but now it's even better value.

Right from the start, Channel 4 has balanced traditional public service formats with more populist fare. Those traditional formats are still there in significant numbers: a run of **Cutting Edge** has just finished; our current affairs strand **The Insider** returns this week to follow on from **Unreported World**, and **Dispatches** is also there in the heart of peak. Andrew Rawnsley's three-hour assessment of the achievements of our outgoing Prime Minister starts this weekend. The uncomfortable dramas about live issues are still there: **The Mark of Cain**, **Secret**

**Life, The Trial of Tony Blair** – “*brave, important, contemporary*” as one of the founding fathers of Channel 4 recently described them. But who would also deny the public service clout of more populist projects like **Jamie’s School Dinners**, **Grand Designs**, or **Secret Millionaire**? The balance may shift from year to year, but we do our utmost to maintain that range which is an important and explicit part of our remit.

Always an implicit part of the remit, our off-screen contribution to the UK’s creative economy was assessed last year by PriceWaterhouseCoopers as worth £2bn and 22,000 jobs. We commission 300 independent producers a year – of whom around 50 were first time producers last year - and we pump around £6m into talent and training. We fund films, like **The Last King of Scotland**, that win Oscars. We are already a central pillar of the creative industries, and we’ll continue to play a critical role in the ongoing success of the government’s ambitions for this sector in future. Last week in his appearance before the Commons Culture, Media and Sport Committee, the Creative Industries Minister Shaun Woodward used our contribution to British film as just one example of the way Channel 4 is meeting its remit obligations. He said: “*I think it’s meeting them. It’s meeting them in different ways. I think it remains challenging. I think Channel 4 is in the right place and doing the right thing*”.

We are delivering, and Ofcom’s financial review confirms it.

Now our efforts must focus on ensuring we don’t ever reach the position where we have to stop fulfilling our remit because of financial pressures.

As Ofcom recognises, this isn’t just about finding the right financial model. It’s about the Board taking a long term perspective on how we will deliver the remit in future and how to shape it for a fast-changing media market in which consumer behaviour – and our needs as citizens – are rather different from when the remit was first given expression in 1982. It also provides an important opportunity for

us to be much more open and transparent in the way we assess and demonstrate Channel 4's impact as a public service operator.

This is my main message today: in our 25<sup>th</sup> anniversary year, there are no greater priorities for the Board than:

- to reaffirm its commitment to Channel 4 as a public corporation with clear public purposes and new ways of being accountable for them,
- to create an inspiring new vision for our services up to 2012 and, in particular beyond,
- and to consider how the remit might need to adapt and evolve for the next phase of Channel 4's development so that those services meet the needs of modern users.

This process started late last year within Channel 4. Work continues, but Ofcom's statement makes this the right point in that process to make public our intentions and the roadmap we're following to achieve them.

Before that, some essential context. This is by no means the first time Channel 4 has addressed the Great Remit Question: *'What is 4 For?'* It has been asked on a regular basis since 1982. But it's the major policy crossroads that have prompted the most stringent analysis as well as the most soul searching. Preparations for the 1990 Broadcasting Act and the 2003 Communications Act concentrated minds and propelled the Channel into new phases of its creative and commercial evolution. In the early 1990s we first started selling our own advertising and, later, in the mid 1990s privatisation first became a live issue.

The remit debate has meandered on since then, enlivened by occasional outbursts from Channel 4's 'critical friends'. In 2003 four former Chief Executives exchanged trenchant views on the question at the RTS Cambridge Convention but there was little agreement about where their former charge should be

headed. The debate really started to crystallise with the publication of Ofcom's first PSB review the following year. This placed Channel 4 firmly in the public service frame but acknowledged an increasing tension between its remit ambitions and the inevitable downturn in advertising revenues towards switchover. It was also then that the Channel 4 Board ruled out a possible merger with Five, in large part due to fears that this move was incompatible with continuing fully with our public purpose. Since then, the funding issue has taken centre stage. Now that debate has moved on, we can come back to the crux of the matter – what we're here to do.

Forgive the history lesson, but it's important to remember that our deliberations aren't some knee-jerk response to recent controversies about individual programmes or the re-surfacing of perennial rumblings about Channel 4 'losing its way', 'dumbing down' or 'mislaying its remit'. They are the latest manifestation of an evolutionary process that's been in train for 25 years. It's a fundamental part of the job of running Channel 4: to steer its evolution into the next phase of development.

I don't seek to minimise the importance of the **Celebrity Big Brother** case, the offence it caused, or the issues it raised for us. Following the independent review that Luke Johnson and I commissioned, we put our hands up where errors and misjudgements were made; new safeguards are in place and they're demonstrably working. It's been a painful time, but recent events have served to sharpen the internal debate about our values and purposes. As a result, I think the Board is more committed and determined than ever to prove Channel 4's worth as a net contributor to Britain's cultural life and media economy. Because delivering these public purposes is our whole reason for being.

When we talk about Channel 4's public purposes, what do we mean?

These are the fundamentals that drive everything we do. Though we are committed to re-creating a vision of Channel 4 for the digital world, and to

refreshing its remit, these imperatives will continue to lie at the heart of the enterprise.

Our public purposes are:

- to commission content in strength and breadth, based on our unique combination of remit values: innovation, distinctiveness, diversity and education, that fulfil the public service purposes set out by Ofcom in its first psb review, for example to help people understand the world, make us aware of alternative viewpoints, stimulate interest in ideas, and reflect Britain's cultural identity and diversity.
- to help ensure the commercial strength and diversity of the UK's creative sector,
- and to ensure public service plurality by providing essential competition for the BBC.

In case there's any doubt that we aren't already fulfilling those purposes, here are some peer reviews, among many submitted to Ofcom as part of their work on Channel 4 finances.

This is Stuart Prebble, distinguished programme-maker and senior broadcaster:

*"In a fast-changing world, Channel 4 has continued to produce... an astonishing range of worthwhile topical programming, from parts of the globe which are seldom if ever noticed by other broadcasters."*

Roger Graef, a founding director of Channel 4 says:

*"It is not my place to list all the channel's achievements. But the major one, cumulatively, has been to keep the others honest... the channel's commitment to*

*the ongoing but deeply intractable subject of Iraq is outstanding, and puts the BBC to shame.”*

And on our contribution to UK’s creative sector, the view from a small regional independent:

*“We make programmes for all the main terrestrial broadcasters, but no other broadcaster has provided us with anything like the support and encouragement we have received from Channel 4. It is unique in its on-screen and off-screen commitment to small independent producers like Testimony. The benefits ripple outwards into the local and national creative economy.*

Alex Graham, Chairman of the producers’ body, PACT, last week summed it up like this:

*“The role of Channel 4 in consistently delivering contemporary, stimulating and engaging public service programmes across all genres has always been a vital part of the UK’s broadcasting ecology. Looking to the future it will be even more important to provide plurality of psb to keep the BBC honest and maintain quality.”*

So I believe, as others obviously do, that we have a vital role to play and are delivering against our public purposes.

The current debate internally is not about whether we should continue with our public role, or how to re-write the remit. It’s about refreshing and updating what it will mean to our viewers in the digital age, defining how we’ll deliver our public service responsibilities in a changing world up to switchover, and anticipating how the Channel will evolve in the period until the next major communications legislation.

We're looking especially at the scope of that public role, now that our work is no longer confined to one television channel, or even to what happens on a screen near you.

How we can maximise this public value off-air as well as on. Can we build on our outstanding record for finding and nurturing talent? Are there new ways of building diversity into everything we do, through content, on-screen portrayal and the suppliers we use? How can we capitalise – for example for educational purposes – on our unique appeal to young audiences?

So this is what we're engaged in now, and today marks a new phase in that work. We can now move to complete the comprehensive strategy review initiated by the Board last autumn, as this keys in to Ofcom's formal process for evaluating options for medium to long-term financial intervention.

We very much welcome the announcement of this process and in particular Ofcom's suggestion that government considers short-term measures targeted to ensure a successful transition to digital.

We're playing our part. We've been rigorous about cost control, reducing our administrative cost base by 25% on 2001 levels, reducing our headcount by 15%, rationalising our accommodation needs and where appropriate outsourcing some of our key support functions. We're very cost-conscious but any further significant cuts risk compromising public service delivery and commercial performance.

The Board intends to work with Ofcom to set out clearly how it wants to take Channel 4 forward – how it sees the remit evolving, how much this might cost and how it might best be funded, and how the cultural and economic value we create can be better measured and accounted for. As I've indicated, that process is well on the way and we welcome the chance to feed in our ideas on new

funding models, governance and accountability to the next PSB Review and to inform future government decision-making. And we will, of course, continue to work closely with our two key stakeholders, Government and Ofcom, to ensure they have clear visibility on Channel 4's financial performance and prospects.

We now have more work to do. The most important policy issue in broadcasting today is the need to secure public service plurality – through content and through a positive impact on the creative economy. I see Channel 4 as an essential foundation stone for plurality in the digital age. That doesn't mean it will or should be the only player other than the BBC. I hope other broadcasters will make a contribution, and emerging digital technologies will undoubtedly offer new and different ways of providing it. Ofcom's work on a possible Public Service Publisher is radical and thought-provoking. Channel 4 has made clear that we believe that by partnering with any potential PSP, which is now focused exclusively on new media opportunities, we could help to ensure that public service media output beyond the BBC can really punch above its weight.

In the meantime, it's essential for us to convince policy-makers and our stakeholders that Channel 4 can deliver that plurality effectively, distinctively and accountably. And we want our stakeholders to play a part in ensuring that it does.

We have been embarked on a process for some time now to make all of that happen. The timetable is tight, but we're making progress. The Chairman and I have already made sure that this has had top priority since late last year. Overseen by Luke and the Board, I'm leading the internal process, which includes half a dozen work streams that feed in to our strategic review. Kevin Lygo is leading the one on creative on-screen vision. Others focus on creative and economic impact off-screen, on future audience needs, and on developing a robust new framework for capturing and tracking public value. Alongside these, our Group Finance Director Anne Bulford is leading work to consider the

financial, commercial and other operational implications for Channel 4 of delivering our vision.

Between now and early autumn, work will continue on the vision, the remit, and public accountability. Then we'll discuss our proposals with Ofcom and our stakeholders in government – the DCMS, the DTI and the Treasury – and with advertisers, producers, interest groups and of course viewers – through face-to-face meetings and research. I don't want to call this phase a 'public consultation' because this makes it sound too formal, but it will be rigorous and inclusive, and we want to ensure people can have a say in our future. The research we are already undertaking with Trevor Philips on race and diversity in Britain today will also feed into this process.

Then, later on this year, the Board will unveil its vision and strategy for Channel 4's public service contribution in a digital world. This will set out in well-defined terms what we intend to do, the impact we aim to have, and how we'll measure performance against those ambitions and be accountable for what we do. It will contribute directly to Ofcom's next PSB Review and inform the government's longer-term decision making. It will set a positive, exciting and clear course for how Channel 4 can continue to make a uniquely valuable contribution to society beyond switchover.

This process will address three important questions:

First,

- Does the way in which Channel 4's current remit is framed – i.e. purely in terms of a single television channel – adequately reflect the much more wide-ranging public role that we believe we should be performing in a world of multiple channels, platforms and media? And where should the line be drawn?

Second,

- Given the changing way in which the remit is being delivered, how can we update the assessment of its delivery ?

And third,

- How can we capture the public value of our contribution off-screen, including our value to the creative economy?

The first question points up an uncomfortable truth. The Channel 4 remit may be a wonderful thing but it applies only to one linear television channel, and our other activities have a primary commercial purpose. Important as our main television service is, the public service impact of what now constitutes 'Channel 4' ranges much more widely – with digital channels E4, More4, and Film 4, our web presence and on-line educational services like 4Talent and 4Docs. **Channel 4 News** online, **More4 News** and targeted dramas like **Skins** on E4 all have public value and many of these 'non-core' activities will assume greater significance as we move towards and beyond switchover. Most recently our global first in launching our pioneering 4On Demand service introduced a whole new way of delivering all our programmes to our audience without the need for a traditional channel at all.

Obviously, I don't ascribe public value to everything we do. Channel 4 has always been a mix of pure public service, output that meets both public service and commercial objectives to varying degrees – Film4 for example - and the purely commercial. We need to be clear about the different roles these will play, and how we maintain a balance between them, going forward.

But the fact remains that Channel 4's remit and public purposes are now fulfilled through more than a single television channel, in ways and means unimagined pre-2003, and all without official recognition or support. As part of our efforts to

articulate a fresh statement of the remit and to capture the full range of public value we now offer, we need to confront this policy gap.

As to the second question, the public now expects greater accountability in public life, and technology is making this a practical reality. As a commercially funded public/private hybrid, Channel 4 is something of a special case, but we are fully committed to being open, transparent and accountable for everything we do.

The accountability question has gained significance since the **Celebrity Big Brother** affair. If we can't convey clearly and convincingly that we're doing a good job overall when we occasionally make mistakes, and if we don't take notice of people's views about what we do, then we'll find it increasingly difficult to resist pressure from our detractors in future. And it will be hard to justify intervention when we really need it. We clearly have some work to do here.

We are already accountable through a Board appointed by Ofcom. Our corporate governance safeguards match those of any FTSE 100 company, and we're responsible to Ofcom for delivering our programme and public service obligations.

But all this isn't enough if we are to fully engage people in our future and earn their support by demonstrating public value. Partnership with external organisations and individuals has been the basis of the Channel 4 model since its launch, and the cause of much of its success. So there are two legs to our plans to improve public accountability.

First, alongside a new articulation of our remit, we recognise the need for an enhanced monitoring regime that tracks financial and remit performance and measures the benefits we believe Channel 4 contributes so richly to Britain's cultural and economic life. This will build in part on internal measures we already have, like our brand tracking research that gauges public perceptions of our

performance. Currently this tells us that Channel 4 is not only perceived as the most innovative channel by a very considerable margin over its competitors, – but in absolute terms, we are at the highest levels we have seen since our tracking began. This should become public, not just internal, information.

This new monitoring regime will enable the Board to continue to steer the organisation in the right direction, and demonstrate to the wider world the return on public investment that Channel 4 delivers by fulfilling its remit in both letter and spirit. Importantly, it will also provide early warning when financial pressures risk impacting future remit delivery, so that action can be taken swiftly.

We'll be working with Ofcom in the coming months to create this rigorous and objective new safeguard of Channel 4's future public service performance. The information it produces will form the basis for a new annual statement of public service purpose and performance, published from next year alongside the Annual Report and the annual Statement of Programme Policy and Review. This will set out our plans for how we intend to deliver public value across all our services for the coming year, together with a new framework of measures to capture performance against our public objectives, using research and other tools.

Second, we also want to engage more directly with the public on our ongoing performance and longer-term evolution. We've already announced new access points for people to make their views on our output known: the appointment of a Viewers' Editor will bring the voice of viewers to editorial decisions, and **Right to Reply** – television's only serious feedback programme - is set to return.

New media opens up many more opportunities for engagement, using blogs and online discussion forums as well as the big set-piece debates like the one that followed the recent **Diana: the Witnesses in the Tunnel** documentary. We were absolutely right to broadcast the programme in the face of formidable pressure

from outside, but we were also able to engage with people's concerns and issues in a timely and sensitive manner.

All these different strands – vision, remit, financial models, monitoring, measurement and accountability - will come together in the strategic document we're working towards. Ofcom's statement last week helps us on our way to completing the task. Now we have some clarity on the financial future, we can concentrate on refining our vision for Channel 4's creative future, scoping its burgeoning public role, and accounting for what we do.

Ultimately of course, it is for Parliament to decide how Channel 4 is funded. Our task in the coming months is to convince politicians, policy-makers and the public that Channel 4 has a bright future as a public asset, newly shaped to meet the demands of a dynamic post-digital age, and fully accountable to its many stakeholders.

Over the last 25 years Channel 4 has nurtured Britain's creative talent on and beyond the television screen. We have consistently innovated and experimented. We have surprised and delighted our audiences. The process we are currently going through matters a great deal because it aims to secure the future of one of Britain's great public treasures. We must not let the advance of digital technology and greater competition see the powerful contribution we make diminished. I want to look forward to five, ten or even twenty five years from now and still see a Channel 4 that is producing programmes and content that capture the complexity of modern Britain. Programmes that entertain, challenge and engage our audiences, however they are choosing to watch them. A strong Channel 4 alongside the BBC and a thriving commercial sector is vital to maintaining our much envied world class UK broadcasting system.

Thank you for listening.