European Commission Green Paper: Unlocking the potential of cultural and creative industries

Channel 4 welcomes the opportunity to contribute to the public consultation on the European Commission’s Green Paper on the Cultural and Creative Industries.

Channel 4 plays a leading role in the provision of public service content in the UK. Channel 4 is a publicly owned commercially funded public service broadcaster. This unique status ensures that its priority is the delivery of its public remit and purposes through investment in high quality, distinctive, original content. The core of the Channel 4 remit – enshrined in statute – is to innovate, experiment and provide diversity.

In 2010, the UK Digital Economy Act updated the Channel 4 remit to recognise its role in a digital environment, where Channel 4 increasingly delivers public value across a range of digital channels and services. It also includes a new function to invest in film and to cater for older children, building on our historic strong relationship with young people.

Channel 4 continuously strives to seek new ways to engage audiences and achieve impact with public service content. This constant drive to innovate requires Channel 4 to seek out the most creative talent from across the UK. Channel 4’s status as a “publisher-broadcaster” also means that all our investments are made in partnership with the independent production sector and third party suppliers. We seek out and nurture the best on and off screen talent. Our programmes are sourced from the widest range of production companies to ensure we have access to the best ideas and talent, with an active policy to support the creative economies across the UK nations and regions.

Channel 4 has pioneered innovation to embrace the digital age – by recognising the impact of technology and the fast evolving consumer trends in consumption of digital content. We were the first broadcaster in the UK to make our content available on an on-demand basis with the launch of 4oD in December 2006. Since its launch, over 365 million programmes of long form content have been made available on 4oD, making it the UK’s leading commercial long-form VOD platform. Channel 4 was also the first broadcaster in the world to strike a pioneering deal for long form content with Google’s YouTube service in 2009. The deal will make Channel 4’s original programmes available on demand, in full and free-of-charge in the UK.

Green Paper – Economic contribution of creative and cultural industries

Channel 4 welcomes the recognition in the Green Paper of the important economic contribution made by the creative and cultural industries to the European economy. We agree with the Green Paper that if Europe wants to remain competitive in a changing global environment, it needs to put in place “the right conditions for creativity and innovation to flourish in a new entrepreneurial culture”.

Public Service Broadcasters – at the forefront of unlocking the potential of cultural and creative industries

At their best, public service broadcasters are at the forefront of unlocking the potential of cultural and creative industries. PSBs are by far the largest investors in the production of original European content – in the UK public service broadcasters account for some 90% of total UK originated investment in content.
In 2009, Channel 4 invested £373 million in UK originated content across its channels and services. We have used our investment to work in partnership with both small and large independent producers. Under statute, Channel 4 is not permitted to own its own production base but is required to commission its programming from the independent sector. In 2009, Channel 4 commissioned programmes from 275 different production companies for its core channel and also interacted with up to 100 companies outside London across TV and digital projects.

**Economic Impact of Channel 4**

In terms of the economic contribution of Channel 4, PricewaterhouseCoopers (PwC) have estimated that Channel 4’s commissioning and other activities generated a total gross value added output of up to £1.9 billion in 2009. £1 billion of this was directly and wholly attributed to Channel 4’s expenditure in the year. The remainder represents an estimate of wider benefits to the independent sector that have accrued over time. PwC also estimate that Channel 4’s investment supported around 18,000 jobs across the UK.

Channel 4 has chosen to help develop the industry proactively, in partnership with independent producers, the wider creative community and the talent base that supplies it. This has been done by:

- Supporting a wide range of independent producers to ensure that a diversity of ideas reach the screen
- Contributing to the development of regional clusters in the UK creative economy
- Identifying and nurturing creative talent

**Promoting Regional Creative Economies**

Channel 4’s public service remit requires it to commission 35% of its programming each year from companies outside of London. Of this 3% must be spent in the devolved nations of the UK.

In 2009, Channel 4 spent £117 million on original content from independent production companies outside of London, including some of Channel 4’s most popular series, including *Hollyoaks* and *Skins*, which help build scalable regional production centres.

Channel 4’s Nations and Regions team have also helped grow smaller companies by providing creative development support. This support includes investing in start-ups, funding digital media innovation and hosting TRC media, a unique training unit for independent producers based in Glasgow.

In some instances, we have enlisted the support of the regional screen agencies to help nurture and develop the creative sector.

An example of such a partnership between Channel 4 and a national screen agency has been the recent commission to produce a brand new religion and ethics strand awarded to the Northern Irish independent producer Waddell Media in June 2010. The online strand of the deal 4thought.tv will be co-funded by the national screen agency Northern Ireland Screen.

This commission follows our successful collaboration with Northern Ireland Screen on the critically acclaimed and award winning film *Hunger* and the biopic *Mo* about the British politician Mo Mowlam.
In the area of digital content, we have established 4iP, Channel 4’s digital media innovation fund. A key ambition of 4iP is to nurture a new generation of creative talent from the UK’s emerging digital media sector. We have had a very successful partnership with the regional screen agency in the West Midlands (Screen West Midlands) who have co-funded a number of innovative projects from companies based in the area. Examples include *Such Tweet Sorrow* - a ground breaking partnership with the Royal Shakespeare Company, in which a cast of actors used Twitter and other digital platforms to tell a 21st century version of *Romeo and Juliet*.

Our investments in the development of new media companies include business building commissions, strategic support, and high level training. Further examples of where we have worked with companies across the UK include *Iso Design* from Glasgow, *Denki* from Dundee, *Tuna Technologies* from Sheffield and Edinburgh based *Blipfoto*, a new photo sharing website and a winner of a Scottish BAFTA.

**Channel 4 – Education and Youth**

Channel 4’s remit regarding education output focuses on life skills for younger audiences. Channel 4’s Education strategy is based on a cross-platform strategy on using content to achieve greater engagement with digitally literate pupils by offering immersive online games and online tools: Examples include *Battlefront*, a site which helps and mentors young people to campaign on issues of common concern; *1066*, a historical strategy game aimed at teaching young people about the strategies deployed at the Battle of Hastings and which has had over 10 million plays; and the online and privacy portal *Smokescreen*, which encourages players to think about online privacy and ethics in an engaging and non-patronising way, including the consequences of sharing personal information on social networking sites.

**EU Priorities – Europe’s Cultural and Creative Industries**

At European level, a key aim of Channel 4 is to seek a supportive regulatory framework for public service broadcasting and Europe’s cultural and creative industries. Alongside our ongoing focus on delivering our remit and purposes, as articulated above, we wish to outline some comments on the key policies which will be considered by the EU over the next year.

**Advertising’s Key Role in Funding Original European Content**

As a commercially funded but publicly owned public service broadcaster, Channel 4 is fully dependent on commercial revenues to support delivery of its public service remit. Channel 4 would welcome greater recognition from Europe’s policy makers of the key role played by advertising in the funding of original European content – and in particular public service content. In recent years, commercially funded broadcasters have not only had to face the challenges of digital convergence and structural change, but also the reduction in total advertising spending due to the economic downturn. However, Channel 4’s ability to fulfil its remit will continue to be dependent on commercial revenue sources.
Digital Agenda for Europe

Channel 4 welcomes the European Commission’s Communication “A Digital Agenda for Europe – a policy for growth and innovation in the digital society”. As a public service broadcaster, we share the objectives of the Digital Agenda for Europe to maximise the social and economic potential of ICT, in particular the internet.

Simplified Copyright Licensing

Channel 4 recognises that copyright is one of the key foundations on which the success of the creative economy in the EU has been built. As a broadcaster, we are both a major rights-holder and user of third party rights.

We support the approach outlined in the recent European Commission Reflection Document “Creative Content in a European Digital Single Market – challenges for the future”, that different parts of the audiovisual sector face different trends and challenges, depending on the digital content in question. However, Channel 4 believes that policy makers should recognise that proposals or regulatory action affecting key inputs to audiovisual content, such as music licensing, may have an impact on the audiovisual sector.

We believe that complexity in relation to rights clearance for mass use by broadcasters and other media service providers needs to be tackled by both the EU and Member States, if the ambition of creating a single genuine digital market for content is to be achieved.

We would strongly welcome EU policies that simplify rights clearance and enable users such as Channel 4 to have easy access to global repertoire for music from a single collecting society in the EU. Any hindering of access to global repertoire will raise costs and complexity for online licensing and it may also have an impact on the freedom of the creative community by impinging on their ability to choose the best piece of music for a work and thus resulting in a loss in cultural diversity.

Channel 4 would welcome proposals at EU level to increase greater transparency and supervision of collecting societies as we believe this will enhance the trust of rights-holders and users in relation to collective licensing.

Extended Collective Licensing

Channel 4 believes that the forthcoming Framework Directive on Collective Rights Management should include proposals for Member States to facilitate Extended Collective Licensing as implemented by a number of Nordic countries. An extended collecting licensing system will enable a collecting society or another organisation with a significant representation in a particular category of right to apply for permission from the government of a Member State to licence all works in that category, including rights-holders who have not specifically signed up to that society or organisation, subject to appropriate safeguards including an opt-out for rights-holders.

Channel 4 would welcome an extended collecting licensing system in the UK. We believe an extended collecting licensing could lead to gains for users, rights-holders and consumers of digital content.
The advantages for users include a potential reduction in the average cost of obtaining a licence, enhanced legal certainty, as well as access to a broader repertoire of works. For example, Nordic rights holders have benefited from extended collective licensing. Figures for 2004 demonstrate that the revenue raised by collecting societies in the Nordic market with a population of around 25 million amounted to around €450 million or 5% of estimated global revenue.

Viewers and consumers benefit in being able to access legal offers of digital content. In 2002, the Danish government established a special extended collective licence for archives, which subsequently led to an agreement between the Danish public service broadcaster DR and the relevant collecting society Copydan. The agreement allows DR; the right to use its archive productions for on demand streaming, to use archived clips in new productions, and to launch an internet service called bonanza which provides access to a wide range of television and radio programmes from its archives.

Adopting an extended collecting licensing system will not only benefit current industry operators but it is also likely to benefit new entrants into the industry thus increasing innovation and competition in the market, and at the same time enhancing cultural diversity.

**Open Internet and Net Neutrality**

Channel 4 strongly supports the principle of an open and neutral Internet. We believe this would help ensure that Europe’s cultural and creative industries continue to flourish and innovate. The open and neutral internet would also enable Europe’s consumers and citizens to have access to content they want - including public service content.

**Spectrum - Digital Dividend**

Channel 4 and other UK public service broadcasters have played a key role in creating the digital dividend in the UK. Channel 4 services can be found on all key digital platforms – including Digital Terrestrial Television (DTT), IPTV, cable and satellite. However, we regard the DTT platform as our principal distribution platform.

Channel 4 recognises that spectrum is a valuable public resource. The UK broadcasting industry is working closely with the regulator Ofcom to ensure that the switchover from analogue is completed by the established deadline of 2012. The industry is also working to ensure that spectrum efficiency is maximised.

Channel 4 believes that a forward looking European Spectrum policy should not only “accommodate broadcasting” as outlined in the European Commission’s Communication “A Digital Agenda for Europe” but instead support the continuous development of terrestrial broadcasting, thus enabling new services such as HDTV to develop.

Channel 4 would welcome acknowledgement from the European Commission of the significant creative and cultural contribution made by broadcasters who use DTT platform as their principal distribution platform.

**Channel 4**

**July 2010**