Channel 4 submission to Labour's Creative Industries Policy Review:
Talent, aspiration and growth: Is Britain missing out?

• Channel 4 welcomes the opportunity to respond to the Labour Party’s review of the creative industries. The creative sector is one of the fastest-growing in the UK, and the review is right to recognise its importance to the country’s cultural and economic success. It is clear, though, that the combined forces of new technology, globalisation and economic uncertainty are causing the current landscape to undergo significant changes. UK companies now compete for advertising and audiences within a global marketplace. Digital media is enabling new business models and job opportunities, while simultaneously undermining others. These changes are posing both economic and regulatory challenges.

• The considerable strengths of the UK’s creative industries have in part been a result of sustained political support. From the establishment of the BBC and Channel 4 to the introduction of the film tax credit, public policy has played an important role in driving competition and incentivising investment in talent and innovation. In a challenging economic environment, it is vital that this support is not diminished. Equally, it is important that any regulatory framework be sufficiently flexible and responsive to technological developments, ensuring the UK is not restricted in its ability to invest in high-quality creative content that is the envy of the world.

Channel 4’s contribution to the UK’s creative economy

• Channel 4 is the UK’s only publicly-owned, commercially-funded public service broadcaster, with a remit to be innovative, experimental and distinctive. In addition to the main Channel 4 service, its portfolio includes E4, More4, Film4 and 4Music, as well as an ever-growing range of online activities that includes channel4.com, Channel 4’s bespoke video-on-demand service 4oD and standalone digital projects.

• As a publisher broadcaster with no in-house production capacity and a specific remit to support talent (as outlined in the 2010 Digital Economy Act), Channel 4 is an integral part of the creative industries’ value chain – investing £362m in original high-quality content across television, film and digital media in 2010. This investment has helped to develop the careers of a wide range of on-screen and off-screen talent as well as driving the growth of the UK’s vibrant independent sector. Channel 4’s investment in content has a catalytic impact on the industry – it works with over 300 television and digital production companies from across the UK, investing more than £100m outside of London in television production alone. An independent report compiled by Oxford Economics estimates that Channel 4’s commissioning and other activities were responsible for contributing £1.1bn to UK GDP in 2010 and supporting 28,000 jobs across the country.
This impact is not limited to the UK – it also enables the industry to punch above its weight internationally. The UK is now the single largest exporter of TV formats in the world, and the second largest exporter of TV programmes – generating over £1bn in 2009. From Endemol’s *Million Pound Drop*, which has sold to 35 different countries, to Dragonfly’s *One Born Every Minute*, which has recently been exported to the USA, Channel 4’s initial investment enables UK producers to compete on the world stage.

Channel 4’s role in developing innovative, internationally renowned businesses can be demonstrated by the success of West Midlands-based producer Maverick. The company began as a small television producer making single films and education projects for Channel 4. With the channel’s support, it diversified into features programmes and series, ultimately becoming one of Channel 4’s biggest suppliers, with hit series such as *How To Look Good Naked* and *Embarrassing Bodies*. Now part of global production group All3Media, Maverick are a major media employer in both London and the West Midlands, have sold their programme formats internationally, and have expanded beyond television to create an award-winning digital division, which in 2010 won a £15m contract with the NHS to build a broadband medical service.

It is ultimately investment in high-quality original content that provides growth, innovation and employment across the creative sector and sustains the UK’s success in the global media market. Broadcasting in this country has historically been heavily regulated to promote these cultural and economic objectives, creating an industry that produces high levels of UK-originated programming. However, despite an increase in the number of international media companies running digital channels and online services in the UK, there has not been a corresponding increase in original content. Indeed, while some companies are increasingly experimenting with UK programming, which is to be welcomed, Ofcom figures show that the 5 main PSBs are still responsible for 90% of the UK’s investment in original TV content. Channel 4 would therefore emphasise the importance of the current public service broadcasting system, and its own status as a publicly-owned entity, in nurturing an internationally renowned, dynamic creative sector.

Digital technology and changing business models

It is clear that digital technology is providing many exciting opportunities for audiences and industry alike. Consumers are increasingly able to access content however and whenever they want, and low barriers to entry are enabling digital start-ups to pioneer new business models.

Channel 4 has led the way amongst UK broadcasters in embracing the digital age. Channel 4 was the first channel in the UK to make its
content available on an on-demand basis with the launch of 4od in December 2006, and in 2009 signed a landmark deal with Google to provide a catch-up service on YouTube. Channel 4 is also a joint venture partner in YouView, which will combine digital TV with catch-up television, on-demand services and interactive applications, all accessible from the television set.

- In addition to on-demand services, Channel 4 also commissions bespoke cross-platform projects to complement our television offering. Ranging from ‘play-a-long’ games such as Million Pound Drop to interactive story-telling in Misfits, Channel 4’s digital commissions seek to give viewers ways to engage with their favourite programmes more directly.

- This commitment to digital innovation will continue to drive Channel 4’s business model in the future, as it explores new ways of using technology to enhance the viewing experience. A key focus will be using information from viewer registrations and social media, as well as the more detailed analysis of their tastes and media consumption that converged technology will be able to provide, to gain a deeper understanding of the audience. This will enable Channel 4 to not only provide viewers with a more personalised experience but also to innovate and improve its offer to advertisers. Of course, this evolution of the advertising model raises important questions about privacy and data management. Any new business models will need to be built on strong consumer trust. It may also raise new regulatory issues that will need further consideration, such as whether or not content providers are able to access data about their end users.

- While experimentation with new business models is essential in ensuring the UK’s creative industries do not lose their competitive edge in a digital world, it is also necessary for the sustained success of the content industries that there continues to be appropriate protection of IP. Channel 4 believes that overall the existing UK IP framework works effectively, rewarding content creators and stimulating innovation and economic growth in the creative sector.

- In this context, Channel 4 welcomes the recent recommendations of the Hargreaves Review on IP, and in particular the review’s rejection of a US-style ‘fair use’ system, as well as amendments to orphan works, collective licencing and copyright exceptions. Channel 4 will engage with the implementation of these recommendations to ensure that they encourage growth and innovation without undermining content creators.

- The retention of a strong, independent and effective competition regime will also remain an important factor in sustaining the position of our creative industries. For example, Channel 4 believes that CRR remains a necessary mechanism to constrain ITV1’s considerable market power. The nature of the TV advertising market means that
removal or relaxation of CRR is very likely to increase ITV’s revenues, as they exercise their market power to increase prices. Gains that ITV might accrue as a result are likely to mean losses for other commercially-funded broadcasters, impacting upon their ability to invest in UK content and limiting their contribution to economic growth.

**Talent, skills and promoting access**

- Channel 4 welcomes the review’s emphasis on ensuring young people from all backgrounds and communities can access jobs in the creative industries, and believes that only by harnessing the full range of talent and skills available in the UK will the country be able to maximise its competitive position.

- As a broadcaster with a remit to both nurture talent and cater to culturally diverse audiences, as well as a desire to ensure its content feels fresh and distinctive, Channel 4 has a unique role in finding and developing creative talent from diverse social backgrounds, both on-screen and off-screen.

- It has helped to launch the careers of some of the UK’s brightest talents – producing the debut films of directors such as Andrea Arnold, who grew up on an Essex council estate and went on to win an Oscar for her Film4 funded-short *Wasp*, as well as rising stars like Nottingham-based actress Lauren Socha – who was given her first role at the age of 16 on Samantha Morton’s Channel 4 film *The Unloved* and who recently won a BAFTA for her part in E4’s *Misfits*.

- Off-screen, Channel 4 runs a range of training and work-related learning schemes through its 4Talent programme, aimed at providing opportunities to young people at the beginning of their careers who may not otherwise consider a career in the media. In October 2008 Channel 4 launched its award-winning Kick Start programme, which includes work experience, inspiration days and structured paid internships and apprenticeships. Since its launch, Channel 4 has had direct engagement with over 2000 young people aged between 11 and 25, working with over 400 schools, colleges, charities and community groups. Over 50% of participants across the programme have come from a diverse background.

- While the public service broadcasters offer extensive opportunities for new talent to gain access to the media, Channel 4 believes more could be done to incentivise a broader range of companies to invest in skills development. Larger companies, such as independent producers, should also play a role, especially in training and developing freelancers.

- In addition, to enhance the employability of graduates and to ensure that there is a clear path from education to the media, it is important that there is regular engagement between industry and educational
institutions. In particular, Channel 4 would echo BSAC’s response to this review, which calls for creative industries courses to be more tailored to the needs of industries, ensuring that there is not a skills gap between graduates and employers.

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