Channel 4 submission to House of Lords Communications Committee inquiry into the regulation of television advertising

1. Channel 4 welcomes the opportunity to provide written evidence to the House of Lords Select Committee on Communications’ inquiry on the regulation of television advertising. Television advertising regulation—such as the scheduling of advertising and product placement—has an impact on broadcasters’ ability to invest in UK content, and Channel 4 welcomes the opportunity to discuss where changes might enable greater investment. Equally, essential forms of competition regulation—such as the Contract Rights Renewal mechanism—can also have an impact on content investment and the public service broadcasting ecology as a whole, and this submission also discusses the effect of CRR on UK content investment.

2. Channel 4 is a publicly-owned, commercially-funded public service broadcaster. Its core public service channel, Channel 4, is a free-to-air service funded predominantly by advertising. In recent years, Channel 4 has broadened its portfolio to offer a range of digital services, including the free-to-air digital television channels Channel 4+1, E4, E4+1, Film4, More4 and 4Music as well as HD services on a number of platforms. Channel 4 also offers a range of content and other material on its website channel4.com, including the video on-demand service 4oD.

3. As a public service broadcaster, Channel 4 is committed to the fulfilment of its statutory remit and to generating the maximum possible amount of revenue to invest in UK-produced content. As commercial revenues are the primary way of delivering Channel 4’s public purpose end, Channel 4 believes it is vital that the advertising regulatory framework provides appropriate incentives for broadcasters to invest in UK content. Channel 4 is therefore actively engaging in the various advertising regulatory processes which may affect the amount of revenue available for the broadcasting sector as a whole to invest in UK content.

4. In this context, Channel 4 would like to address the following issues in this submission:

- the importance of television advertising in supporting UK content;
- the impact of regulation on television advertising;
- the potential consequences of regulatory change in the advertising market;
- the impact of CRR; and
- the importance of advertising innovation in supporting content investment.

The importance of television advertising

5. The Committee’s inquiry is a timely opportunity to advance the debate on how the UK can continue to fund high quality, domestically-produced content. As the Committee identifies, the prospects of the advertising-funded model will have serious implications for the future of public service broadcasting. Advertising is a key pillar of the UK’s mixed broadcasting system—where public funding (via the TV licence fee), subscription revenues (for cable and satellite operators), and advertising revenues (for free to air broadcasters) fund a system which provides audiences with a wide range of UK-produced content.
6. On the advertising side, the three commercially-funded public service broadcasters—ITV, Channel 4 and Five—use the revenues generated from advertising to invest in UK content and meet their public service remits. The Channel 4 model in particular—public ownership combined with commercial funding—has always ensured the maximum flow of funds from advertising to content investment. Thanks to its public status, Channel 4 is able to re-invest its profits in the creative economy, instead of paying out dividends to shareholders. This has allowed Channel 4 to sustain high levels of investment in UK content; despite the economic downturn Channel 4 still spent over £370 million in 2009 on UK-originated content across its portfolio, in genres like drama (eg. *This is England ’86*, the follow-up to Shane Meadows’ award-winning feature film); film (eg. *Never let me go*, the adaptation of Kazuo Ishiguro’s novel, which will open this year’s London Film Festival); and comedy (eg. *The Inbetweeners*, which recently won the Rose d’Or for best sitcom). Across all genres, Channel 4’s investment seeks to support innovation and risk-taking—providing audiences with programmes that wouldn’t be supplied by other broadcasters.

**Prospects for television advertising revenues**

7. Given the fundamental importance of television advertising in supporting UK content creation, the Committee is right to assess the prospects for television advertising revenues in future. As the Committee identifies, in recent years television advertising revenues have been in decline—falling from £3.6 billion in 2007 to £3.1 billion in 2009 according to Ofcom—and have only recovered partially in 2010. That said, while it is difficult to predict future revenues with certainty, Channel 4 believes that the prospects for television are sound and that it will continue to compete successfully for advertising in future. This section discusses the reasons behind the fall in advertising revenue, as well as the likely prospects for revenues in the medium term.

8. The decline in advertising revenues has been driven by two broad factors—the economic recession; and structural changes in the market caused by the move from an analogue to a digital television multichannel landscape. Digital television is now in 92% of homes, meaning the commercially-funded public service broadcasters have moved from an analogue world of three competing commercial channels to a digital world where, on some platforms, they compete with over 800 channels. The volume of commercial impacts (one person seeing one advertisement), grew by 35% between 2002 and 2009, from 603 billion to 817 billion as viewing of commercial multichannels increased and viewing of BBC channels decreased—and this growth in supply has been a leading cause of the drop in price of television advertising, and the consequential reduction in advertising revenues.

9. In addition, as the Committee points out, advertisers are shifting expenditure online. While this is a relevant factor, Channel 4 believes that it is important not to overestimate the substitutability between advertising on television and on the internet. In the UK in particular, shifts in revenue to online have been driven to date by our relatively high levels of e-commerce activity, rather than demand for audiovisual content. In addition, while the internet has increased its share of advertising expenditure in recent years and this may grow in future, over 80% of internet advertising spend is directed to search and classified advertising. For now, internet display advertising remains a small proportion of the total display...
advertising sector relative to television, and is not currently growing at the significant expense of television.

10. These structural changes were exacerbated by the recent economic recession, which accelerated the rate of decline in advertising revenue. Taken together, these developments contributed to the fall in television advertising revenue. This decline has put pressure on content investment by the commercially-funded public service broadcasters, who have had to generate efficiencies and cut programme budgets in response. Channel 4, for example, implemented an aggressive series of efficiency measures and savings in 2008, but these actions alone could not compensate for falling revenues and Channel 4 had to cut its programme budget—with a consequential impact on content investment.

11. However, the cyclical situation is improving and television advertising revenues recovered somewhat in 2010—revenues are forecast by some analysts to be up by between 10% and 12% on 2009. Going forward, while we don’t know with certainty how advertisers will react, as the economy continues to grow advertisers are likely to increase their budgets, which should go some way to offsetting the decline in television advertising revenue of recent years. While the structural changes mean that the market may not return to its previous peak levels, Channel 4 believes that television advertising revenues will still be key to funding public service content in future.

12. Despite the structural changes, Channel 4 believes it is important not to underestimate the continuing and significant success of television, and commercially-funded television in particular. Viewers have more and more options competing for their time—such as radio, social networking or the internet—but television viewing has actually increased in recent years. Ofcom’s Communications Market Report 2009 found that the average viewer watched three hours and forty-eight minutes of television each day, up 3% over five years. Viewing of commercial television has also grown, and is now at an all time high of two hours and twenty-one minutes per viewer per day. And despite the commonly held view that younger audiences are turning away from television, viewing of commercial television by 16–34 year olds is at its highest level for the past five years, at two hours and five minutes per day per viewer.

13. Given this ongoing popularity, Channel 4 believes that television will continue to compete successfully with other media for advertising in future. Television is a ubiquitous, mass medium, and will continue to be attractive to advertisers thanks to its ability to build mass awareness quickly and deliver a shared experience. Even with developments online, television advertising still makes up a significant proportion of the display advertising market—generating 35% of total display advertising spend in 2009, compared to 8% for online.

14. Broadcasters are also seeking to take advantage of the growth in online by developing their own offerings—for example, Channel 4’s video on-demand service 4oD—in order to sustain revenues to invest in UK content. In addition, projects such as YouView (previously Project Canvas), which will bring a new free-to-air, internet connected television service to UK homes next year, will not only provide viewers with greater choice, but will also be key to sustaining investment in UK content.
The impact of regulation on television advertising

Is the current level of regulation of television advertising appropriate?

15. The UK broadcasting system is subject to high levels of regulation. There are rules designed to prevent harm and offence in programming, quotas requiring the provision of certain types of content (like news and current affairs), and regulations affecting the advertising market. The level of advertising regulation can affect the revenues generated by broadcasters, which in turn has an impact on their ability to invest in UK-produced content.

16. In recent years there have been widespread calls for a reduction in the level of regulation faced by businesses and consumers across all industries—including broadcasting. The Coalition Government Agreement, for example, set out a range of measures designed to reduce regulation, including plans for a ‘one-in, one-out’ rule, whereby no new regulation is brought in without other regulation being cut by a greater amount; and plans to impose ‘sunset clauses’ on regulations and regulators to ensure that the need for each regulation is regularly reviewed.

17. Calls for deregulation have also extended to the creative industries and the broadcasting sector. For example, the DCMS Structural Reform Plan set out ambitions to reform the media regulatory regime for the digital age to reduce regulation, encourage investment and create the conditions for sustainable growth; and to change the media regulatory regime by reforming Ofcom and deregulating the broadcasting sector. Outside of Government, some broadcasters have also argued for deregulation, such as ITV’s long campaign to have the Contract Rights Renewal (CRR) competition remedy removed, or the BBC’s call to remodel the terms of trade governing the relationship between broadcasters and independent producers.

18. Channel 4, like any business that earns its keep in a competitive marketplace, is keen to minimise the regulatory burden facing the industry. As outlined above, Channel 4 relies on commercial revenues in order to deliver its remit, and is constantly seeking to minimise costs in order to maximise its investment in content—Channel 4 does not therefore support regulation for regulation’s sake. Channel 4 also recognises that regulation often imposes costs on organisations in the industry, and believes these costs should be minimised wherever possible.

19. However, in Channel 4’s view, when considering potential regulatory changes it is impossible to take a blanket approach. While some regulations are outdated and merely generate red tape, other regulations are essential for the proper functioning of society and the economy. Regulation is needed where markets don’t work to the benefit of consumers or don’t create the best outcome for the economy, and this is seen across many sectors of the economy. While removal of these essential types of regulation can benefit some organisations it can also impose costs on others, especially in highly competitive sectors, so any debate about removing these types of regulation should be approached with care.

20. Further, regulation can also be useful where the Government wants to achieve a social policy objective. For example, the Government uses the broadcasting regulatory regime in the UK to promote investment in UK-produced content; and has used regulation to restrict advertising of products such as alcohol or food and...
drink high in fat, salt or sugar. In these cases, regulation has been used with the objective of influencing behaviour.

21. Channel 4 therefore believes that it is impossible to look at all “regulation” in the same way. While it’s true that poor regulation can cause frustration and unintended consequences, some regulations are essential for a well functioning economy and society, and the Government should think carefully before altering them. In this context, the remainder of this submission looks at the potential impact a number of advertising regulatory changes could have on the market.

Potential impact of regulatory changes in the advertising market

Airtime Sales Rules

22. In July 2010, Ofcom concluded its review of the Airtime Sales Rules (ASR). Ofcom looked at the “withholding rule”, which requires the commercially-funded public service broadcasters to sell 100% of the advertising minutes they are allocated, and the “conditional selling rule”, which prevents advertising sales houses from anti-competitively bundling channels (ie. selling airtime on one channel on the condition that the advertiser will also buy airtime on another channel). Ofcom decided to remove both of these rules from 1 September 2010.

23. Channel 4 supported the removal of both of these general regulations as they were outdated and unnecessary and had little, if any, positive effect on broadcasters’ incentives to invest in UK-produced content.

24. In particular, Channel 4 welcomed Ofcom’s decision to remove the withholding rule. In Channel 4’s view, broadcasters have the incentive to manage the supply and demand for airtime on their channels in an appropriate way. The rule requiring broadcasters to carry a minimum amount of ads was therefore unnecessary, especially as it did not support broadcasters’ investment in UK content.

25. Channel 4 also welcomed the removal of the conditional selling rule. This could have a positive effect on revenues, as some conditional selling can benefit advertisers and the market by allowing advertisers to strike deals with one sales house for airtime on a number of channels. In addition, advertisers are still protected from anti-competitive conditional selling by the ex post competition regulation regime—so the removal of the conditional selling rule had the benefit of streamlining two layers of regulation into one.

Product placement

26. In March 2010, the Government legislated to allow television product placement in the UK, in a limited number of genres and subject to a number of restrictions designed to safeguard viewers. Ofcom is currently consulting on changes to the Broadcasting Code to permit product placement, and aims to publish a revised Code allowing product placement by the end of 2010.

27. The removal of the rules prohibiting product placement does represent a new revenue opportunity for commercially-funded public service broadcasters. Channel 4 is therefore working closely with its independent production partners to establish how product placement might work in practice. However, Channel 4
believes it is important that the potential benefit from product placement is not overplayed—additional revenues are likely to be at the low end of the estimates cited, which range from £25 million after five years, through to much larger estimates of £140 million per annum. There is also a risk that revenue from product placement is substitutional—with advertisers shifting money away from other audiovisual advertising, such as sponsorship, towards product placement.

28. In addition, the introduction of product placement will involve further regulatory and compliance costs for broadcasters. Channel 4 has seen it as a priority to help ensure that product placement is implemented responsibly and in a way which maintains broadcasters’ editorial independence. Channel 4 therefore welcomes Ofcom’s proposals for a clear regulatory framework in the Broadcasting Code, with industry guidance, to ensure that the central principles of preventing undue prominence, protecting editorial integrity and prohibiting direct encouragements to purchase are maintained.

29. However, some of Ofcom’s proposals would have the effect of limiting the amount of revenue broadcasters could generate from product placement. In particular, Ofcom’s proposals are likely to provide a disincentive to invest in certain key types of public service content, including “specialist factual programmes”—in genres like education or the arts—and single dramas. The regulations proposed by Ofcom for these genres would have the perverse effect of discouraging programme investment, which is inconsistent with the public policy rationale underpinning the introduction of product placement in the UK.

30. Channel 4 has made a full submission to Ofcom on these issues and would be happy to provide a summary of the arguments to the Committee. Ofcom is due to publish a revised Broadcasting Code, setting out the regulatory framework for product placement, by the end of 2010, and the Committee’s inquiry therefore comes at key time in that process.

Advertising minutage

31. In autumn 2010, Ofcom plans to review the regulations governing the amount of advertising television channels can broadcast per hour. These rules are currently set out in the Code on the Scheduling of Television Advertising (COSTA).

32. At the moment, there are different rules for the PSB channels (ITV1, Channel 4 and Five) and the non-PSB channels (ie. digital multichannels like Sky One, but also ITV2 and E4 etc.). The PSB channels are allowed an average of 7 minutes per hour (rising to an average of 8 minutes per hour across peak-time); while the non-PSB channels are allowed an average of 9 minutes per hour (12 minutes in peak-time). All channels must operate within an overall limit of 12 minutes of advertising in any one hour.

33. In Channel 4’s view, of all the current reviews of advertising regulation, Ofcom’s decisions in relation to advertising minutage could have the greatest impact on the UK broadcasting ecology and broadcasters’ ability to invest in UK-produced public service content. Regulatory changes relating to advertising minutage are likely to have an impact on both the amount of revenue available to the commercial broadcasting industry as a whole, and equally importantly the distribution of that revenue between different broadcasters.
34. Regulatory changes in this area must therefore be considered carefully. In particular, minutage regulation is currently used to achieve a specific social policy objective—investment in UK content—and changes to the rules could damage that ecology. For example, an increase in minutage, such as harmonising up the PSB channels to non-PSB channel levels of advertising, could have a deflationary effect on the television advertising market as a whole—which would further limit investment in content. A recent report commissioned by Ofcom supported this view, finding that any change resulting in an overall increase in commercial impacts is likely to lead to a further fall in prices and reduction in advertising revenue.

35. Regardless of whether the market as a whole goes up or down, regulatory changes could also have an impact on the distribution of revenue between the PSB channels themselves, with bigger channels benefitting at the expense of smaller channels. In turn, this could affect the balance of the UK broadcasting ecology, as different channels have different public service remits and varying levels of commitment to UK-produced content—ie. an extra pound spent on ITV1 is not the same as an extra pound spent on Channel 4.

36. In addition, increases in advertising minutage are likely to have an impact on viewer enjoyment, which in the longer term will affect the revenues available to commercial broadcasters. For example, an increase in the amount of minutage is likely to decrease viewer enjoyment, which could turn viewers away from commercial television to publicly-funded television or other media altogether. Recent research commissioned by Channel 4 found that two thirds of viewers oppose an increase in advertising on commercial PSB channels, while over half of all viewers would switch over or fast forward through adverts if advertising minutage was increased. If fewer viewers watch commercial television this will over time further limit the revenues commercial broadcasters can generate to invest in UK content.

Impact of CRR

Reasons for the introduction of CRR

37. The Contract Rights Renewal (CRR) mechanism is a competition remedy introduced in 2003 as a condition of the merger between Carlton and Granada to form ITV plc. The merger was referred to the Competition Commission due to concerns about the combined ITV abusing its market power in the advertising sales market. The Competition Commission found that the merger could be expected to operate against the public interest and recommended that, before allowing the merger to proceed, the Secretary of State should ask for undertakings from ITV which put in place certain safeguards to remedy the adverse effects of the merger. These undertakings included the CRR mechanism.

38. The CRR remedy was proposed by ITV, and was intended to ensure that advertisers and media buyers are no worse off after the merger than before. It includes a ratchet mechanism which means that advertisers can reduce the share of their television advertising budget committed to ITV1, in the event that ITV1’s audience share falls. In essence, this prevents ITV1 from abusing its dominant position in the market and forcing advertisers to pay higher prices for fewer viewers seeing their advertisements. It does not restrict ITV from benefitting from improved performance—if ITV1’s share increases it is free to
charge higher prices—so there is no question of the market being artificially frozen at 2003 levels.

39. There are therefore clear economic and competition reasons underpinning the CRR remedy. It is a necessary form of behavioural regulation needed to address a situation where the market, left to itself, would not provide the best outcome for viewers or advertisers. Despite this, concerns have been raised that CRR limits ITV’s ability to invest in UK content. ITV has argued “only to tilt the playing field away from the biggest investors in UK content”, and that a further review of CRR is necessary. However, in Channel 4’s view CRR cannot be viewed in the same way as other types of regulation which could be removed with only positive outcomes—it is an important example of competition regulation which is needed to protect consumers.

Competition Commission review of CRR—published May 2010

40. In May 2010, the Competition Commission published a review of the CRR remedy, following a review period lasting nearly two and a half years (including a preliminary review by Ofcom and the Office of Fair Trading). The review was undertaken in light of possible changes in the television advertising sales market since 2003.

41. The Competition Commission found that ITV1 still has continuing strength in the advertising market. The Competition Commission considered alternative remedies to CRR but rejected these in favour of modifying CRR slightly—to allow viewing of ITV+1 and ITV1 HD to also be included in the definition of ITV1—but the key conclusion was that the CRR mechanism continues to be necessary to protect consumers and advertisers from the enhanced market position created by the ITV merger.

42. ITV still has an extremely strong position in the market (45% share of net advertising revenue in 2009). The Competition Commission found that “ITV1’s relative position of strength compared with other commercial broadcasters is little changed since 2003”. It added that while ITV’s share of commercial impacts has fallen since 2003, ITV “remains by far the largest commercial broadcaster with a share of net advertising revenue around double that of the next largest commercial channel (Channel 4)”. In addition, media agencies and advertisers continue to believe that ITV1 offers them something that no other commercial channel can give.

43. ITV still has tremendous negotiating power because there is no mass market alternative for advertisers. The Competition Commission found that ITV1 retains the unique ability to deliver audiences of up to 18 million at a time, and in 2009, ITV1 accounted for 982 of the top 1,000 most-watched programmes on commercial television. ITV has traditionally used this power to drive a hard bargain and charge advertisers a premium for the privilege of advertising on its flagship channel. Indeed, the Competition Commission found that ITV1’s price premium over other commercial channels has increased since the CRR undertakings were introduced. In the view of almost everyone except ITV (the Competition Commission reported “virtual unanimity among advertisers, media agencies, commercial broadcasters and trade bodies we have heard from”), CRR is working as it was intended in that it is still preventing ITV significantly increasing its prices at the same time as its audience share is declining.
Does CRR limit ITV’s ability to compete in the production of quality programming?

44. In relation to the effect of CRR on ITV’s ability to invest in UK content, the Competition Commission found that ITV overstated the detrimental effects of CRR. The Competition Commission clearly found that CRR “does not prevent ITV from producing good-quality programmes that people want to watch”. This is borne out by ITV’s performance in 2009—ITV1 was still able to spend nearly £700 million on original UK commissions. In terms of viewing, in 2009 all but one of the top 50 rating programmes on commercial television were broadcast by ITV1, while every commercial programme with an audience of greater than 6 million was on ITV1 (as were 95% of programmes with an audience between 4 million and 6 million).

45. The evidence shows that ITV is still able to invest hundreds of millions of pounds in UK content while CRR is in place. Of course, CRR does prevent ITV from abusing its position and generating super-normal profits, and in that sense it does restrict the revenues ITV can invest in content. However, this is a positive outcome—akin to a monopolist being prevented from artificially raising prices to generate excess profits. CRR is therefore in the interests of consumers and advertisers.

46. While CRR does prevent ITV from abusing its position in the market, there is no definitive evidence showing that CRR, in itself, has had a deflationary impact on the UK advertising market as a whole. While the UK market has declined at a greater rate than advertising markets in other EU member states, this has been caused primarily by structural factors in the UK market, rather than as a clear consequence of CRR. As discussed above, the decline in the UK has been largely driven by the rapid shift to digital viewing. The UK has been one of the most successful countries in moving towards digital switchover, which means that the supply of commercial impacts in the UK has increased at a faster rate compared to other countries, with a consequential deflationary impact on price. The UK is not therefore at a disadvantage compared to other countries without a similar competition remedy in place—rather, decline has been driven by the particular characteristics of the UK.

How would removal or relaxation of CRR affect the commercial PSB sector?

47. ITV’s investment in content is only one part of the commercial PSB story. Regulators and policymakers should also consider the impact of any changes to CRR on investment in high-quality UK programming from the broadcasting sector as a whole. The nature of the advertising market means that any gains that ITV might accrue from a relaxation of CRR are likely to mean losses for other commercially-funded public service broadcasters—with a negative impact on their ability to invest in UK content.

48. As discussed above, ITV is the largest commercial investor in UK-produced content (not including sports rights), spending nearly £700 million per year on originated UK commissions. By contrast Channel 4, with half the advertising market share of ITV, invests £340 million per year in UK content, while Five spent just under £70 million on UK content in 2009. Any reduction or removal of CRR would simply allow ITV to add to its revenue position at the expense of the other commercially-funded public service broadcasters—and because of the
relative scale of the broadcasters, a small incremental increase for ITV would represent a significant loss for Channel 4 and for Five.

49. Like any changes to the advertising minutage rules, changes to CRR would affect the balance of the UK broadcasting ecology, as different channels invest in UK-produced content in different ways. For example, increased revenue for ITV1 would likely lead to increased investment in UK-programming suited to that channel, while a loss of revenue for Channel 4 would hit UK-programming in line with Channel 4’s remit. Not all investment in UK-produced content has equal public value—while mass market entertainment programmes have their place in the broadcasting ecology, programmes that encourage innovation, nurture new talent, support independent producers and benefit the nations and regions are also vital, and the impact of any changes to CRR on these factors should also be taken into account.

50. In short, removal or relaxation of CRR would have a negative impact on the other commercially-funded public service broadcasters. This would damage the public service broadcasting ecology as a whole and reduce the diversity of content and viewpoints available to viewers.

To what extent do the current arrangements reflect the public interest?

51. Concerns have also been expressed that the CRR arrangements are overly-focused on competition issues, and do not sufficiently take into account wider public interest issues. The Government has stated that it is looking at the legislative framework to assess whether there is scope to move consideration of the CRR arrangements away from the Competition Commission and instead allow the Secretary of State to take decisions on the future of CRR, potentially considering issues beyond competition.

52. In Channel 4’s view these concerns appear misplaced. Looking at the history behind the CRR arrangements, they were specifically designed to address public interest issues. In reporting on the effects of the merger in 2003, the Competition Commission specifically stated that the merger of Carlton and Granada “could also be expected to operate against the public interest” in relation to the future sale of advertising airtime. The current CRR arrangements therefore already take into account public interest issues.

53. Finally, Channel 4 believes it is important to avoid drawing a false distinction between competition issues and public interest issues. The CRR arrangements, while a competition remedy, do protect the public interest—in terms of competition in the advertising market, as identified by the Competition Commission, but also in a wider sense, ensuring that ITV cannot generate excess profits with the effect of limiting investment in UK-produced content by a range and diversity of competing public service broadcasters.

Sustainable investment in UK content is about more than regulatory change

54. Finally, Channel 4 would encourage the Committee to look beyond regulatory change and consider other ways of sustaining investment in UK content by commercially funded public service broadcasters. Of course, regulatory change does have the potential to affect the viability of the advertising-funded PSB model. However, Channel 4 believes that broadcasters and policymakers should
not be overly-focused on tinkering with external rules and regulations. In Channel 4’s view, broadcasters should also seek to help themselves and generate additional revenues, by innovating in the services they offer advertisers, using technology to better understand audiences, and developing deeper relationships with advertisers.

55. Channel 4 has been at the forefront of advertising innovation, and has undertaken a number of exciting campaigns in recent years to provide advertisers with more value, and generate greater revenues for Channel 4 to invest in content. For example, in April 2010 Channel 4 partnered with a range of advertisers to allow comedian Jimmy Carr to “hijack” all the advertisements in a single break of Channel 4’s Comedy Gala. The comedian appeared in a range of popular ads and provided a witty commentary, which increased viewer recall and retention to the benefit of advertisers. Channel 4 has also successfully innovated in contextual advertising, advertising special events and narrative campaigns. Channel 4 believes that these types of innovations can help broadcasters sustain revenues for investment in UK content, and the potential of these developments should not be forgotten at the expense of regulatory change.

30 September 2010