

## **Ofcom – Channel 4 Licence Fee Renewal Consultation** **Welsh Government’s response**

Please see Welsh Government’s response to Ofcom’s Consultation on the Channel 4 Licence Fee, as published on 6<sup>th</sup> December 2023.

Following the announcement of the consultation, our conversations with key stakeholders in Wales have highlighted concerns regarding the potential impact of some of the proposed changes to the production industry in Wales. As such, our response focuses specifically on the key areas below.

### **Potential Impact on Specific Groups**

Channel 4, as a publicly owned public service broadcaster, holds a significant position in the UK television market. It has a responsibility to foster diversity and contribute to a vibrant industry that mirrors the experiences of audiences and offers independent and distinct content that reflects the interests of different communities across the nations and regions of the UK. A report by Ofcom demonstrates the reach Channel 4 has to audiences in Wales. Of the 93% of online adults and teens in Wales using BVoD services, just under half (48%) used Channel 4 in the last 3 months to watch programmes, films or other video content. Furthermore, viewers in Wales were most satisfied with Channel 4 (80% of viewers) of all the PSB channels when considering the content they have watched in the last 6 months.<sup>1</sup>

We do not feel that the Impact Assessment fully addresses the risk to ‘protect the different interests of persons in the different parts of the UK’. The recommendations to effectively decrease regional quotas from their current level will have an adverse impact on the people of Wales (and that of other regions), and Channel 4’s duty to support a thriving creative sector across the UK and to reflect the lives of audiences within the different UK nations and regions will be diluted.

### **Welsh Language Impact**

We note the Welsh language impact assessment and its confirmation that the Channel 4 licence does not include any Welsh language conditions. In assessing the potential impact of proposed changes on the Welsh language, Ofcom may wish to consider the indirect benefits that can be realised through joint working, such as the recent collaboration between C4 and S4C on *Y Golau / The Light in the Hall*, which can help to facilitate the generation of Welsh language content. We would be keen that any future operating licence provides a framework that could support more of these collaborations.

### **Proposed Licence Changes**

We recognise that the decision to propose changes ahead of new broadcasting legislation is a proactive approach to provide certainty for Channel 4 and its partners, and that the proposed changes to existing licence obligations are a strategic response to the growing importance of digital platforms in content delivery. In our

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<sup>1</sup> [Media Nations: Wales 2023 \(ofcom.org.uk\)](https://www.ofcom.gov.uk/consult/condocs/media_nations_wales_2023/media_nations_wales_2023.pdf)

discussions with Welsh stakeholders on the proposed changes, they have highlighted the need for confirmation of the following points:

- that the production values and outputs are not negatively impacted through any of the changes.
- that the proposed regulatory changes will not impact on continued support to training, community and educational initiatives, as they affect the broader cultural and creative landscape.
- that the current rounds of job losses are rebalanced in some way, with particular attention being paid to the Nations & Regions.
- that the C4 PSB role is clearly defined and supported as a key component part of the UK broadcasting landscape.
- that the 'edgy' role that C4 has historically carried out is not only continued but preferably strengthened.

### **Licence Period Renewal**

We recognise that it is imperative that Channel 4 accelerates its digital transformation plans in order to maintain competitive and note the importance of stability during this period of transformation. However, due to the rapidly evolving media environment and the substantial transformations within Channel 4, including organisational shifts, permission for in-house production, and a shift towards digital content, we would argue in favour of a five-year license rather than the ten years recommended in the consultation document. This duration would enable a more timely evaluation of the license's relevance, considering the dynamic changes. We believe this approach would empower Ofcom to set more ambitious original production and out-of-London production quotas.

### **Quotas**

There is a thriving creative industry in Wales which has been helped by the Made Outside England and Regional quotas, with several productions basing themselves in Wales. We would expect to see more of a commitment rather than a reduction in the quotas, demonstrating a real commitment to increased production activity in the Nations and Regions.

Some stakeholders have highlighted the need for continued investment and development funding in the Nations and Regions in particular, creating more connections and partnerships between training programmes and independent production companies to bring through new talent.

While we recognise the benefits that regional schemes and initiatives have on bolstering the local production industry, expanding its capacity to meet demand, the key to fostering and safeguarding the regional sector lies in securing commissions, especially for enduring and recurrent series. As such, the proposal to reduce the current level of regional quotas shows a lack of commitment to growing the industry outside the M25.

There are concerns amongst some screen stakeholders in Wales, about how we can maintain the independent production sector and realistically grow the next generation of programme-makers if there are fewer commissions.

It is our view that, both publicly owned PSBs, namely the BBC and C4, should fulfil their remit and license obligations equitably across the entire UK. It is essential that they operate in a manner ensuring no individual nation experiences undue advantages or disadvantages. The current consultation lacks justification for the 9% quota, perpetuating an imbalance that favours England.

Unlike C4, the BBC has implemented a more proportionate approach with a 16% out-of-England quota, aligning more closely with the population share of Wales, Northern Ireland, and Scotland within the UK. The BBC has adeptly and strategically expanded its supplier base in each UK nation, surpassing volume and value quotas annually.

We disagree with the proposals to retain the requirements that, in each calendar year, at least 9% of the hours of programmes made in the UK for viewing on Channel 4 are produced outside England. We would suggest that Channel 4 could adopt a similar approach in its out-of-London commissioning to allocate a proportionate spend to each nation, supporting the growth of creative industries. We would propose to Ofcom the introduction of nation-specific spend requirements for Channel 4, aligning with the BBC's model.

We disagree with the proposal to maintain the out-of-London production quota for Channel 4 at 35% and would want to highlight Channel 4's successful achievement of a 50% target in recent years, contributing to regional diversity. There has been a positive impact on production companies throughout Wales and across the UK due to the government's support for Channel 4's commitment to spend at least 50% outside London. We would recommend that Ofcom raises the out-of-London commissioning quota to 50% to align with Channel 4's own goals and allow necessary flexibility.

Pledging 50% to the nations, in line with the BBC's commitments, could help alleviate the effects of Channel 4's entry into production and any potential decrease in the content budget for Nations and Regions indies. This would provide greater assurance to the nations.

### **In-house Production Quotas**

We have concerns about Channel 4's heightened ability to produce its own programmes, fearing negative consequences for the production sector and creative economy, especially in the Nations and Regions.

We don't agree with reducing Channel 4's original production requirement to 45%, suggesting a 50% reduction for flexibility while maintaining audience appeal and content balance. We would caution against disproportionate changes and propose a more moderate reduction to 50% in order to balance flexibility and audience retention, opposing any further reduction in quotas.

There are some concerns in the sector that in-house production will put further risk to the small indies here in Wales, meaning that only the super indies will be able to compete due to the lack of commissions. For example, some of the questions raised by stakeholders in Wales include:

- Will the commissions being offered externally have scale or will only the commissions that are less favourable to the in-house team be offered?
- Will the in-house commissioning team be centralised somewhere like London? Putting at risk diversity and inclusion for the audience.

### **Diversity of Independent Production Quotas**

We acknowledge that the license renewal precedes the enactment of the Media Bill. As per Ofcom's consultation, the Media Bill will eliminate the restriction preventing Channel 4 from producing its own content and modify the calculation of the indie production quota from a percentage to a fixed volume of hours. Despite not fully endorsing the UK Government's reasoning behind this change, we accept it as part of the Media Bill and anticipate Ofcom incorporating it into an updated Channel 4 license. In exchange for this adjustment, the UK Government's statement on November 8th last year mentioned that, in the event of Channel 4 establishing an in-house production facility, the independent production quota would be set at a higher level of 35%. We consider this measure significant and assume its inclusion in the Channel 4 license.

A genuine baseline target of 50% should be the primary goal for C4, Ofcom, and the independent supply sector, even if the licensing requirement is officially established at 35%. Maintaining a 50/50 balance is crucial for fostering diversity in the supply chain.

If C4 excessively focuses on large, non-qualifying production companies, it could potentially go against its mandate to foster the growth of the independent production sector. This sector thrives on creativity and entrepreneurial spirit, creating capacity for new entrants and diverse voices, which aligns precisely with the purpose of C4's existence.

### **News & Current Affairs Programming**

Media plurality is the backbone to any functioning, democratic society and its safeguarding is paramount to ensuring informed, balanced news provision. In Wales, audiences are particularly reliant on broadcast news as a source of information. The role of Channel 4 as a source of news for viewers in Wales is highlighted in a report by Ofcom, showing that 12% of adults use Channel 4 for news.<sup>2</sup>

We support the proposals to retain the condition requiring no less than 208 hours of news programmes in peak time, to retain the licence condition requiring one programme a day in the early evening on Saturdays and Sundays and to retain the

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<sup>2</sup> [News consumption survey 2023: Wales \(ofcom.org.uk\)](https://www.ofcom.gov.uk/consult/condocs/news/newsconsumption2023/wales/)

licence condition requiring no less than 80 hours of current affairs in peak viewing time. We do not support wider proposals affecting news and current affairs coverage on C4, such as the removal of the lunchtime news scheduling requirement, which will have a significant impact on various sections of society that cannot access live peak-time news broadcasts. These groups, which include shift workers and older viewers would be particularly affected by the decision to eliminate the lunchtime news on C4.

### **Schools Programming**

As a minimum, we would agree that half an hour of schools programming must be maintained. These educational initiatives are vital for fostering creativity, learning, and cultural development among students. Positive changes in Channel 4's license renewal could enhance support for projects like these, potentially contributing significantly to the educational and cultural enrichment of students through improved digital delivery efforts. As a Wales-based example, Channel 4 supported Screen Alliance Wales in its Screen 4 Schools project, benefiting over 5000 school pupils, so we would be opposed to seeing changes that might impact schemes like this.