

House of Lords Select Committee on Communications

Inquiry into the Sustainability of Channel 4

Submission from Ben Roberts, Director BFI Film Fund on behalf of the British Film Institute

Summary

1. In 2011 the BFI became the lead organisation for film in the UK. It is now a Government arm's-length body and a distributor of Lottery funds for film.
2. Our mission is to ensure that film is central to our cultural life, in particular by supporting and nurturing the next generation of filmmakers and audiences. The BFI serves a public role which covers the cultural, creative and economic aspects of film in the UK.
3. Both the BFI and its precursor as distributor of National Lottery funding, the UK Film Council, have worked hand in hand with Channel 4, specifically its Film4 division, to invest in and support British independent film with an excellent track record in talent development and commercial, breakout successes.
4. Our response to the Select Committee focuses on C4C's engagement with film, and associated moving image content including high end TV drama (defined under the High-end Television Tax Relief rules as having a minimum core expenditure of £1m per broadcast hour) with some focus on recent changes in approach at Film4. We have not commented on C4C's broader remit, merely its relevance to, and impact on, the British independent film sector.
5. In the BFI's view:
 - We recognise the increasing financial pressures placed on C4C as a result of shifts in consumer behaviour and technological change and the associated pressure to become sustainable. We have seen this directly in its approach to film;
 - Recent changes to Film4's investment strategy which focus on recoument and delivering value for money to C4C could narrow its commitment to British independent film;
 - By association, the BFI, reflecting the views of many of its stakeholders (both industrial and cultural) in the British independent film sector would be wary of any ownership structure at C4C which reduced or could compromise its PSB obligations;
 - C4C remains very important to the UK film industry and to UK film culture. Their broadcast of film surpasses that of other PSBs, and their continued support for high-end drama content is increasingly vital as the screen industries continue to converge;
 - C4C currently contributes more 'programmes of distinction' to the National Television Archive than any other PSB;
 - The current system of monitoring C4C by Ofcom requires more focus on film, as evidenced by their 2015 statement which omits C4C's commitments to film investment and programming; and
 - Whilst C4C's commitment to diversity is to be applauded, we would welcome a commitment to apply the BFI's Diversity Standards to all investments made by Film4.

Responses to Specific Questions and Areas of Interest

Funding

6. The BFI can only speak to Channel 4's funding of, and investment in, film both through its position as an important public funder of film via Film4 division, and as a conduit for feature films across its portfolio of channels, especially through the Film4 channel.
7. Film4's investment division has, since its inception in 1982, been a very important source of public investment in British films, working alongside organisations such as the BFI and BBC Films to unearth, support and promote the careers of British film talent.
8. For much of its lifetime Film4 has operated as a 'loss leader' for the C4C family, helping the Corporation to deliver on its broader, statutory PSB remit, but being rewarded through the cache attached to the success of their award-winning projects such as Danny Boyle's *Slumdog Millionaire* and Steve McQueen's *12 Years a Slave*.
9. Historically, Film4 often agreed to 'recoup' their investments behind commercial investors on the understanding that their input brought with it a quality marque, an element of de-risking and the opportunity to fulfil C4C's statutory obligations, as set out in the Digital Economy Act 2010 (DEA) to cultivate quality content and talent in respect of film.
10. Section 22 (1) (b) and (c) of the DEA 2010 state that C4C must participate in;

 “(b) the making of high quality films intended to be shown to the general public at the cinema in the United Kingdom, and

 (c) the broadcasting and distribution of such content and films.”
11. Sub-Section 2 of the same clause states that C4C must participate in

 “(c) the broadcasting or distribution by means of electronic communications networks of feature films that reflect cultural activity in the United Kingdom (including third party films).”
12. Sub-section 4 of the same clause states that:
 “In performing their duties under subsections (1) to (3) C4C must—
 (a) support the development of people with creative talent, in particular—
 (i) people at the beginning of their careers in relevant media content or films, and
 (ii) people involved in the making of innovative content and films,
 b) contribute towards the fulfilment of the public service objectives (as defined in section 264A).” [of the Communications Act].
13. Recent changes in Film4's approach to investment in films offer a snapshot of how a drive towards a 'sustainable' business model might change the strategy of the broader C4C family.

14. Whilst Film4's remains an important part of the UK film ecosystem their investment decisions appear to be aligned to a need to more broadly balance subsidies for riskier material with profit on commercial projects.
15. Film4 is now more willing to partner with non-British studios which offer both potential returns on investment and, in some instances, more 'saleable' product to exhibit on their channels as the time becomes appropriate.
16. C4C recently announced that it was increasing its investment in Film4 for 2016 by £10m to £25m. Whilst this boost is welcomed the BFI would encourage it to be used as a way for Film4 to invest in a greater and broader range of films, and caution against it being used as a financing facility (e.g. debt, tax relief advances) in competition with that already available in the market.
17. As mentioned already, the same is true of film across the C4C family. Broadcast of films remains an important source of revenue, and is often built into project budgets at inception stage. The BFI estimates that it was worth £1.4billion to the industry in 2014¹.
18. Both Channel 4 and the Film4 channel remain key broadcast channels for film. According to the BFI's Statistical Yearbook Channel 4 shows more British independent films, more foreign language films and films at 'peak viewing time' than other PSBs². The year on year trend is also 'flat' with a similar number of films, in all categories, being shown on Channel 4 over the last ten years. Film4 showed almost 2600 film in 2014³.

Viewing

Is viewing of Channel 4 (the main channel) and C4C sustainable? To what extent is the decline in reach and share on the main channel a problem for C4C?

To what extent is Channel 4 (the main channel) equipped to deal with the challenges posed by new technology and viewing habits such as online and search and recommendation?

19. As an organisation charged with supporting a cultural medium which finds itself challenged by the changing habits of consumers, and the shift towards multi-platform consumption, the BFI has a degree of sympathy for, and solidarity with, Channel 4. Our own BFI Player offers a platform for both significant cultural cinematic content and 'free to access' digitised content from the BFI National Archive. This has helped bring the work of the BFI to new audiences and improved our own understanding of both the opportunities and challenges of operating in an increasingly broad media environment.
20. From the perspective of the BFI we would urge C4C to stay true to its statutory PSB remit in maintaining a point of difference and continuing to focus on setting a high bar for quality and diversity of screen content which appeals to young audiences, regardless of where they watch it. Whilst consumption of screen content is increasingly fragmented, talent and productions

¹ <http://www.bfi.org.uk/sites/bfi.org.uk/files/downloads/bfi-film-on-uk-television-2015-12-18.pdf>

² Ibid

³ Ibid

techniques are increasingly convergent – with many actors and film makers switching easily between TV and film. Channel 4 has been, and should continue to be, the ‘go to’ place for high quality narrative story-telling for young people in the UK. The success of shows such as *Boy A*, *Top Boy*, *Humans* and *Babylon* have spillover benefits for the broader screen eco-system and demonstrate that Channel 4 will always find an audience if it continues to focus on what it does best.

21. C4C are leading in the area of audience insight. They have nearly 12m registered viewers including over 50% of all 16-24yo in the UK (via All4) whose behaviour they can track and map against demographics and location backed by a dedicated team of c.50 people focused solely on this function. As a PSB they should share some of this insight with the publicly funded film and cultural bodies who find it prohibitively expensive to tap into this level of insight and expertise.

Remit

Would changes to the Channel 4's remit provide greater sustainability for the broadcaster? Is the current legislation too detailed, or too vague?

22. Our answers to the questions on both Funding and Viewing outline the BFI's position on C4C's remit. We would be concerned that a further move toward ‘greater sustainability’ might endanger the broadcast of independent film on TV and could potentially water down C4C's commitment to unique, high quality drama and documentary programming which is such a strong ‘teaching school’ for many British film makers, writers and actors and which are expressly outlined in section 4 of the DEA 2010.
23. Similarly we would be concerned about ‘greater sustainability’ compromising Channel 4's commitment to diversity both in front of and behind the screen in its representation of minority interests and UK wide stories.
24. Whilst Channel 4 has taken strong steps to support diverse programming, we would welcome their support and ‘sign up’ to the BFI's own Diversity Standards which are widely regarded as best practice in the screen industries by helping to support for opportunity, access and breadth of subject matter.
25. The number of programmes of distinction requested from C4C by the BFI's National Archive is currently the highest amongst the commercial PSBs. This is because their existing remit allows C4C to fulfil their particular PSB duties in ways which we find valuable for the national collection, such as “alternative views and new perspectives”. These have been particularly strong in relation to diversity and disability programming in recent years and the BFI National Archive would be concerned that this may suffer if the channel were to pursue a more commercial path.

What benefits/drawbacks could there be to Ofcom's suggestion in its PSB review that PSB obligations be applied to C4C as a whole rather than to the main channel alone?

26. The BFI does not consider that the Ofcom recommendation presents the right path forward, rather it might present an option for C4C to 'water down' their PSB commitments across their channels and platforms. We would prefer a model which saw the PSB obligations applying 'jointly and severally' to all C4C channels and platforms. From a film perspective this would ensure that Channel 4 continued to exhibit a diverse slate of films, and that the Film4 channel also continued to serve a broad audience rather than shifting towards screening mainstream films and away from supporting independent cinema from the UK and overseas.

Does the current regulatory system provide for adequate assessment of C4C's performance against its obligations?

27. Whilst the current system seems broadly sensible and 'light touch', we would like reference to be made to *all* aspects of C4C's remit under both the Communications Act 2003 and Digital Economy Act 2010 in *every* assessment process.

28. The 2015 letter⁴, for example, makes no reference to C4C's film related obligations either in relation to their investment in production or the broadcast of film content across their platforms despite these obligations being explicitly set out in the Digital Economy Act 2010.

29. Section 23 of the DEA gives C4C an obligation to publish an annual statement making clear how it has fulfilled its obligations in relation to Section 22 and other public service obligations, as part of its overall "media content policy".

30. On a more general note, Section 5 of Clause 22 of the DEA gives C4C a duty to consider the desirability of working with "cultural organisations" in regard to discharging its duties, including around film. Such cultural organisations presumably include bodies such as the BFI, yet we have seen no assessment of this in Ofcom's letters in recent years.

Ownership

What are the different models of ownership for C4C? What are the positives and negatives of these?

Would a change in ownership, such as privatisation, affect the remit of C4C, and in what ways?

What impact might privatisation have on:

- (b) key PSB genres such as news and current affairs;*
- (c) the independent production community;*
- (d) those communities/audiences currently served by C4C's remit;*
- (e) the advertising industry; and*
- (f) the viewer/consumer?*

⁴ http://stakeholders.ofcom.org.uk/binaries/broadcast/tv-ops/c4/Ofcom_letter_to_Channel_4_Corporation_on_its_Statement_of_Media_Content_Policy_2014_2015.pdf

31. The BFI's view is that any new ownership model should continue to provide support, at least at current levels, for the British screen ecosystem through investment in production, and through its fulfilment of existing PSB remit obligations to diverse programming, talent development and high-quality drama programming.

32. We would have concerns around any ownership model which may erode some of C4C's existing statutory duties, including its obligations to British independent film.