



## Renewal of the Channel 4 licence: Out of England quota

	<b>Consultation</b>
Publication date:	7 January 2014
Closing date for responses:	4 February 2014



# Contents

Section		Page
1	Introduction	1
2	Out of England (UK Nations) Quota	2
3	The duration of the licence	19

Annex		Page
1	Responding to this consultation	20
2	Ofcom's consultation principles	22
3	Consultation response cover sheet	23
4	Consultation questions	25

# Introduction

- 1.1 The Digital Replacement Licence for Channel 4 expires at the end of 2014. Under section 231 of the Communications Act 2003 (“the Act”), Ofcom has the power to renew the Channel 4 licence for a further period. In doing so, Ofcom must:
- set the licence conditions that Ofcom “consider appropriate”; and
  - determine the length of the renewed licence, which may run “for such period as Ofcom may think fit”.
- 1.2 On 25<sup>th</sup> July 2013 Ofcom published a consultation<sup>1</sup> on renewal of the Channel 4 licence (the “July consultation”). The consultation period closed on 10<sup>th</sup> October 2013. Ofcom received 37 responses to the consultation: the non-confidential responses have been published on our website.<sup>2</sup> We also conducted stakeholder events in Scotland, Wales and Northern Ireland in the consultation period, attended by independent producers, Channel 4 Corporation (“C4C”), representatives of Ofcom’s Nations Advisory Committees and other stakeholders. A number of attendees also submitted responses to the consultation.
- 1.3 The responses, and discussion at the stakeholder events, focused almost entirely on the proposal to increase the out of England (UK Nations) production quota. In the July consultation, we set out C4C’s proposal that the quota should increase to 9% by 2020. Respondents advanced a number of different proposals for the level of the quota, suggesting an increase from the current level of 3% to 12%, 15% or 17%. Respondents also made proposals for sub-quotas, and commented on the date of implementation of the quota.
- 1.4 Ofcom has considered each of the proposals put forward in these responses carefully and considered their likely impact on different stakeholders. For the reasons set out in this document, Ofcom proposes that a quota of 9% by volume and spend from 2020 is appropriate. Ofcom is consulting on this proposal.
- 1.5 Given the limited scope of this consultation, the consultation period will close on **4<sup>th</sup> February 2014**.
- 1.6 We are not consulting on any other issues relating to the renewal of the Channel 4 licence at this time. Following consideration of responses to this consultation, we will issue a concluding statement on this and all other matters included in the July consultation.

---

<sup>1</sup> <http://stakeholders.ofcom.org.uk/binaries/consultations/renewal-c4-licence/summary/c4.pdf>

<sup>2</sup> <http://stakeholders.ofcom.org.uk/consultations/renewal-c4-licence/?showResponses=true>

# Out of England (UK Nations) Quota

## The July consultation

- 2.1 In our July consultation<sup>3</sup> we set out our view that the rationale for Channel 4's out of England quota remains. We considered that a higher quota level, set above Channel 4's current level of production, might further enhance its range of production centres and programmes. We considered that this would be likely to benefit Channel 4 viewers across the UK by increasing the diversity of programming on Channel 4, some of which may reflect the communities and cultures of the areas in which it was made. However, we were mindful of commercial implications for C4C and the effect on delivery of Channel 4's other licence conditions, and the potential impact on other stakeholders, particularly the independent producers from whom Channel 4 commissions programmes, of a significant increase in the quota.
- 2.2 We therefore set out options for the quota: to increase it to 9% by 2020, as proposed by C4C; to increase it to a different level, or over a different time period; or to leave it unchanged at 3%.
- 2.3 We received a large number of responses in relation to this issue putting forward a number of proposals.
- 2.4 There were broadly three proposals put forward in the responses:
- i) increase the quota to 17%, being proportionate to distribution of population in the Nations (i.e. Scotland, Wales and Northern Ireland) and the target adopted by the BBC;
  - ii) increase the quota to 12% or 15%, suggested as a mid-point between current delivery and the BBC's target, reflecting the particular constraints for Channel 4;
  - iii) increase the quota to 9% by 2020, the proposal made by C4C.
- 2.5 In addition, some responses proposed that Ofcom should:
- i) introduce sub-quotas for each Nation, proportionate to population, again being the targets adopted by the BBC; and
  - ii) set a date other than 2020 for the quota to apply, and/or set interim targets.
- 2.6 Below we summarise the main arguments made in support of the proposals made by stakeholders.

## Increasing the quota to 17%

- 2.7 Two main arguments were advanced in favour of this proposal: that it would be in line with the BBC's target for production in the UK Nations of 17% by 2016, and that it would be proportional to the percentage of the UK population that resides in the UK Nations. A 17% quota was supported by twenty respondents: Ofcom's Advisory Committee for Northern Ireland (ACNI); the Arts Council of Northern Ireland; the Department of Culture, Art and Leisure; the Department of Enterprise, Trade and Investment; Invest Northern Ireland; the Northern Ireland Assembly; Northern Ireland

---

<sup>3</sup> See paragraphs 3.77 to 3.115 of the July consultation for discussion of the out of England quota.

Screen; Creative Scotland; the Scottish Government; Equity; Waddell Media; two individuals; and seven confidential respondents.

- 2.8 Some respondents argued that a further reason to impose a 17% quota would be to secure a share of economic investment in production by Channel 4 proportionate to population in their Nation. This reason was put forward in particular by Northern Ireland respondents, who considered there to be a continued low level of commissioning by Channel 4 in Northern Ireland. Three responses argued that a significant proportion of the economic value of a production is not retained in the area in which it is made, and stated that it was necessary for a higher quota level to be set to offset this.
- 2.9 Equity stressed that it was essential to ensure a greater proportion of production employment was spread across the UK, and noted a decline in production in the Midlands. It argued that, if the out of England quota was set at 17%, Channel 4's out of London quota should be increased from the current 35% to 50%.
- 2.10 Of these responses, the majority argued that 2020 was the most reasonable date to impose a 17% quota, although the ACNI also suggested the timescale could be 2024. However, two respondents argued that a 17% quota should apply earlier in 2017, and one respondent argued for an additional interim target of 9% by 2016.

### **Increasing the quota to 12% or 15%**

- 2.11 Ofcom received responses from its Advisory Committee for Wales (ACW), its Advisory Committee for Scotland (ACS), Rondo Media and Plaid Cymru suggesting C4C should go further than its proposal and meet a target of 12% or 15%. The responses considered that Channel 4 is already achieving above the 3% level for both spend and volume and there was an upward momentum in production. The responses noted that 17% of the population lives in the UK Nations, but considered that a direct comparison could not be made between the BBC and Channel 4 and that, unlike the BBC, Channel 4 does not have production bases to move to the nations to facilitate meeting this scale of target in a short time frame.
- 2.12 The ACW and ACS argued that C4C should be able to meet a 12% or 15% quota in advance of 2020, and suggested that the level might then be reviewed. The ACW proposed that it may be advisable to then introduce a higher target for the end of the licence period. Rondo Media suggested that it was not unreasonable for 9% to be achieved by 2018.
- 2.13 Plaid Cymru argued that a quota should broadly be representative of population, and suggested C4C face fewer restrictions in the location of production than other PSBs because they do not produce programmes. They cited 15% as a reasonable and achievable target for out of England production.

### **Increasing the quota to 9%**

- 2.14 In its response to the July consultation C4C submitted that a quota of 9% of production by 2020 is achievable and realistic, but that a requirement beyond this level would have adverse effects on its commercial performance and delivery of its other obligations and other aspects of its remit. C4C stated that unlike the BBC, Channel 4 does not have the ability to move in-house production to the UK Nations and has 'sought to grow our investment organically instead'. C4C also stated that Channel 4's obligations with regard to out of England production are formally binding, in contrast to the BBC's voluntary commitments. As a commercially funded PSB,

Channel 4 must ensure it can compete commercially by commissioning and scheduling the best ideas and that this is not unfairly or disproportionately hindered by regulation.

- 2.15 In response to our request for clarification of this response, C4C stated that it considered that 9% by 2020 would represent a significant increase and a logistical challenge for the following reasons:
- C4C had examined its existing commissioning across each genre and identified what opportunities there were for growth, based on its analysis of the skillsets in each sector and their scope for further development. This included an analysis of the independent production companies in each Nation, their expertise, capacity for growth and ‘fit’ with C4C, as well as the availability of approximately half of the Channel 4 schedule that was not already committed to long-running series.
  - C4C considered that by 2020 the ‘indigenous’ production sectors in each Nation would be of sufficient size, scale and range that commissioning at a volume of 9% would be possible without disproportionately limiting its creative and commercial choices. C4C stated that “given the dynamics of the schedule the 9% effectively equates in practical terms to a 15% quota on C4C’s uncommitted budget.”
  - Beyond a level of 9%, C4C considered it would have to decommission or re-locate existing commissions. C4C considered that it was likely that these would be from the English regions. It considered that the relocation would be cost inflationary and would affect delivery of other parts of its remit.
- 2.16 C4C also stated that, in addition to its proposal for a 9% licence condition, it would be open to making additional voluntary commitments aimed at supporting production in the Nations, reflecting the difference between the public ‘commitments’ and ‘aspirations’ made by the BBC in this area, and the formal licence condition that C4C would be subject to. This could include:
- C4C would see the 9% as a base minimum and its aspiration will be to exceed this quota where possible.
  - Developing partnerships with broadcasters and other partners to develop skills and genre expertise in the independent production sector.
  - Publishing the breakdown by spend and by hours for each Nation.
  - Meeting annually on a formal basis with Nations stakeholders to review progress.
- 2.17 Five other respondents were supportive of C4C’s proposal. These were the International Broadcasting Trust (IBT), the Voice of the Listener and Viewer (VLV), PACT and two individuals. The VLV argued that at least 9% should be achieved by 2020. PACT argued that 9% was acceptable, subject to greater transparency through the publication of the annual spend data for each nation and the publication of a strategy for production in Wales, Northern Ireland and the English regions, similar to C4C’s initiatives to engage with producers in Scotland. The IBT supported the 9% level and welcomed the proposal for C4C to commission from a range of companies across the UK, although they highlighted in relation to this the risk of a decline in certain genres of programming appropriate to C4C’s diversity remit.
- 2.18 Ofcom’s Advisory Committee for England (ACE) stated that while it did not consider C4C’s proposal was particularly ambitious, it did not want to be prescriptive on a quota figure and argued for a commonsense approach to be applied to setting a realistic but challenging target for more equal out of London distribution. The ACE considered whether there should be targets to reflect ethnic and minority diversity as well as geographical diversity, and expressed concern that Nations quotas “can be

an easy way to appear to demonstrate a commitment to geographical distribution of production while ignoring talent and diversity of approach in the English regions”.

### **Leave the existing quota unchanged at 3%**

- 2.19 No respondents argued that the quota should remain at 3%. Typically, respondents argued that a continued 3% level did not support greater representation of the diversity of the UK Nations, and was not stretching, given that Channel 4 has exceeded the 3% target consistently in recent years.

### **Other variations related to the quota**

#### Sub-quotas

- 2.20 A number of respondents argued for sub-quotas for each Nation. Most of these proposed setting a quota level proportionate to population in each Nation; others proposed a quota of 17%, with a defined Nations sub-quota set at a level below population share, leaving the remaining quota to be allocated as C4C sees fit.
- 2.21 In support of this, respondents highlighted the present distribution of production in the UK Nations by Channel 4, which is predominantly in Scotland, and that as the largest production centre Scotland would be likely to account for most of an increase in production.
- 2.22 In the context of devolution, a number of individuals argued that focus should be placed on Channel 4 delivering more production in Scotland. The Scottish Government and two confidential respondents argued for a sub-quota in their respective nations.
- 2.23 Other respondents suggested that sub-quotas for each of the English regions as well as the UK Nations should be set, potentially proportionate to population.
- 2.24 Birmingham Creative City Partnership suggested that Channel 4 should set out 10 year plans to make 50% of its UK programming in the regions, with an allocation to each region defined on a per capita basis.

#### Interim targets and timing of the quota

- 2.25 In addition to commenting on when a revised quota level should apply, a number of respondents proposed that Ofcom set interim targets in the licence. At the stakeholder events we held in the Nations, it was argued that interim targets would create momentum in production in the Nations and would enable Channel 4 to demonstrate progress toward the final quota level.
- 2.26 Some respondents proposed specific interim targets. Equity suggested an interim target of 9% in 2016, rising to 17% by 2020. Two confidential respondents proposed 5% in 2014, 8% by 2015, 12% by 2016, rising to 17% by the end of 2017.
- 2.27 The Welsh Government argued that a final quota level should not be determined until 2020, at which point a further review should take place and targets put in place for the remainder of the licence period. In the interim, a quota of 9% to be met by 2016 should be imposed in the licence.



## Reflection of UK communities and cultural diversity

- 2.28 Some responses, including from Ofcom’s Nations Advisory Committees, argued that, in addition to any production quota, Channel 4 could do more to represent the diversity of the cultures and communities of the UK Nations on-screen.
- 2.29 The ACS felt that Channel 4 did not represent the diversity of Scotland and that it should “reconsider how themes of general interest might be portrayed through programmes set in Scotland and elsewhere in the UK in a way that does justice to the changing political geography and its various expressions.” The ACW argued that improvements could be made in representing Wales and other UK Nations to the whole of the UK. It considered that a change to Channel 4’s public service remit to “appeal to the tastes and interests of a culturally diverse society” to add “in the context of a devolved United Kingdom” would be merited. It also considered that Channel 4 should formulate a strategy to reflect that the “UK nations have their own minorities and diverse communities and there must be ways of filming more general programming in those nations, in addition to bringing to a UK audience, strong stories from the nations of general interest.” However, both Advisory Committees considered that there was not necessarily a direct link between production in the UK Nations and reflection of communities, and that this should not be a limitation on producers in the Nations.
- 2.30 Plaid Cymru considered that Channel 4’s remit for cultural diversity should be amended to include “cultural diversity of the four nations of the UK” and targets on portrayal should be introduced as part of the wider public service obligations.
- 2.31 C4C’s contribution to the representation of UK communities and cultures was also discussed at the stakeholder events held in the Nations. A number of points were raised, including the low level of commissioning by Channel 4 in Northern Ireland, which was felt to impact negatively on the level of portrayal of Northern Ireland in Channel 4 programming.
- 2.32 In its response, C4C reiterated its commitment to portraying diversities in the UK, and said that while it does not have a specific remit or licence obligation to reflect regional identities in the way that the BBC or ITV does, it is committed to reflecting the full diversity of contemporary Britain on-screen, whether its regional diversity or ethnicity, disability or sexuality. C4C stated that it considers that it is already delivering this element of its remit well through its major programme strands.
- 2.33 C4C argued that reflecting cultural diversity is a separate issue, and policy objective, to that of ensuring a sufficiently diverse range of production bases across the country. It considered that production quotas do not guarantee on-screen representation. C4C observed that tying a representation requirement to the production quota would limit the opportunities and ambition for nations and regions based producers to make UK-wide programming and encourage them to only develop ideas relating to their particular regional identity, rather than covering a broad scope of topics, ideas and genres.

## **Assessment**

- 2.34 In the light of the responses to our July consultation, we have considered how different quota levels and implementation dates may affect particular groups of stakeholders. In addition to the appropriate level of the quota, we have considered when the revised quota level should apply and whether interim targets should be set.

As no respondents argued for leaving the quota unchanged or a quota level below 9%, we have not considered this further.

2.35 From the responses to our consultation, we have identified the main stakeholders to be Channel 4 viewers, C4C and producers. We outlined the potential effects of an increase in the quota level on these groups in our consultation.<sup>4</sup> We have now considered in more detail the costs and benefits to stakeholders of the different proposals to assess the impact of each proposal. We have used the following sources of data:

- Viewer data collected by BARB, and Ofcom's PSB Tracker;
- Broadcaster returns data for Channel 4 and other PSBs collected by Ofcom;
- Data on the production sector, published by PACT and other sources;
- Data provided by C4C. Following receipt of its response, we asked C4C to clarify aspects of the response and provide evidence of the impact various proposals for the level of the out of England quota would have on the areas it had identified: its costs, programming and delivery of its other obligations. C4C's response to our questions is published as an Appendix to this document, and has been redacted where indicated for confidentiality.

2.36 However, full quantification of the costs and benefits is not possible from the available data sources, and in many cases we have had to make judgments in qualitative terms, in particular with regards to the likely benefits for viewers of each of the proposals.

2.37 Some respondents argued that the out of England quota may have an impact on the wider economies of the nations and regions and considered this to be a reason for increasing the quota or introducing sub-quotas. Whilst the Act specifies that a suitable proportion of expenditure should be directed outside of London (outside the M25 area) to a range of production centres, there are no specific objectives concerned with contributing to the wider economies, either outside of London or in other parts of the UK. We consider that the purpose of the out of London and out of England quotas is to strengthen regional production in the UK, with the ultimate aim of securing benefits for viewers in terms of quality, innovation, and range and diversity of content and perspectives. We have therefore not directly considered this wider economic impact.

2.38 Ofcom must also assess the effect of functions, policies, projects and practices on equality in accordance with the Northern Ireland Act 1998 and Equality Act 2010. Equality impact assessments also assist us in making sure that we are meeting our principal duty of furthering the interests of citizens and consumers. We have therefore considered what (if any) impact the issues under consideration in this document may have on equality. Where relevant, we have highlighted our consideration of equality issues.

## Viewers

2.39 Many types of broadcasting can be expected to have wider social or economic benefits for viewers and citizens that broadcasters may not be fully aware of or may

---

<sup>4</sup> See the July consultation, paragraphs 3.101 to 3.111.

not fully take into account when deciding what to produce or where to produce it.<sup>5</sup> Broader social value is reflected, for example, in the objectives for public service broadcasting set by Parliament. These include the objective to reflect the lives and concerns of different communities and cultural interests and traditions within the United Kingdom, and locally in different parts of the United Kingdom.

- 2.40 If Channel 4's out of England quota is increased, viewers could expect to see a greater proportion of the programmes they watch being made in the UK Nations as compared to other areas of the UK. This could in turn improve the way that the lives and concerns of different communities and their cultures and traditions are reflected, and represented to viewers or citizens in the UK, to the extent that this depends on the location of production.<sup>6</sup>
- 2.41 It is difficult to place a precise value on the benefits that viewers and citizens would derive from each of the proposals and we have therefore not attempted to quantify those benefits, but have used available evidence cited in the July consultation, and considered what it suggests in terms of the likely benefits.
- 2.42 We have firstly considered how Channel 4's share of the TV viewing audience varies across the UK, because this may be an indicator of viewer benefit. As set out in the July consultation, Channel 4 has similar audience share figures across the UK, and this has been the case before and after the introduction of the out of England quota in 2010. Channel 4 has a slightly higher viewing share among viewers in Scotland and Northern Ireland compared to viewers across the UK overall, although it has a lower share in Wales<sup>7</sup>. Overall, this suggests that viewing of Channel 4 programmes in the UK Nations is broadly similar to the UK average.
- 2.43 We also have other data, from Ofcom's PSB Tracker, which shows how viewers have rated Channel 4 against a range of PSB characteristics, and relative to the other PSBs.<sup>8</sup> Channel 4 is rated higher than the PSB average on most of the statements with relevance to its specific remit. However, Channel 4 is rated below the average of PSBs on the statement related to "portrayal of my nation/region to the rest of the UK". On the other hand, Channel 4 is rated higher than average on "showing different kinds of cultures within the UK". This reflects the fact that there are other types of cultural diversity, beyond geographic diversity, which its viewers' value on Channel 4. We also note that viewers' ratings on both the portrayal and the other cultural diversity questions are similar across the UK. The absence of marked variations in the way viewers in different areas perceive Channel 4's characteristics again suggests that viewers in different parts of the UK place a broadly similar value on Channel 4's output.
- 2.44 We recognise that increasing the out of England quota could mean that less production for Channel 4 occurs in the English regions or London. A significant increase in the out of England quota could therefore have negative consequences for

---

<sup>5</sup> For instance, we have recognised that certain types of intervention may be justified in the broadcasting sector if they promote outcomes that are socially desirable. For example, see Consultation Annex 11 of our Second Public Service Broadcasting Review – Phase One: The Digital Opportunity April 2008 at

[http://stakeholders.ofcom.org.uk/binaries/consultations/psb2\\_1/annexes/annex11.pdf](http://stakeholders.ofcom.org.uk/binaries/consultations/psb2_1/annexes/annex11.pdf)

<sup>6</sup> See paragraph 3.99 of the July consultation.

<sup>7</sup> The difference in Wales may be partly explained by the fact that S4C is the dedicated Wales service on the 4<sup>th</sup> channel position, and prior to digital switch-over, Channel 4 was not available in all Welsh households.

<sup>8</sup> See paragraphs 3.70 to 3.72 and 3.104 to 3.106 of the July consultation.

viewers if is achieved at the expense of particular production centres, or if this has a significant effect on the range or quality of programmes on Channel 4.

- 2.45 We also note that Channel 4 is not the sole source of programming produced in the UK Nations for UK wide audiences. The BBC achieved a share of out of England production of 17% across its UK wide services in 2012<sup>9</sup> based on a higher volume and spend on original production than Channel 4. Its services together have higher audience levels than Channel 4. Therefore viewers already have an alternative choice of programming produced in the UK Nations by the BBC. This may limit the extent to which increased out of England production by Channel 4 would represent an additional benefit to viewers who favour programmes produced in the UK Nations.
- 2.46 In conclusion, increasing the level of the out of England quota may be of benefit to some viewers, in the sense that it could help to further some of the objectives of public service broadcasting and delivery of Channel 4's public service remit. While some increase in the quota level, without requiring significant changes to Channel 4's overall range of programmes, could be beneficial we consider that a higher quota level that did require such changes would be of lower marginal benefit, and may cause some disbenefits if it were to affect production in other areas, or other forms of cultural diversity that Channel 4 aims to represent.

## **C4C**

- 2.47 We have considered how a change in the quota we set for out of England production could affect C4C itself, in terms of delivery of the Channel 4 licence conditions and remit, and the sustainability of the Channel 4 service.
- 2.48 C4C, as the statutory body which operates Channel 4, has a duty and incentive to balance the delivery of Channel 4's different licence obligations and its public service remit effectively and efficiently. As C4C exceeds the current out of England quota level and has proposed a quota for production in the UK Nations of 9%, it would be reasonable, in the light of this duty and in the absence of evidence to the contrary, to regard this level as likely to be sustainable and as taking this balance into account.
- 2.49 In its response C4C has stated why it considers that 9% would be achievable and support delivery of the licence conditions overall, but that a higher quota level would not. Our assessment of the effect on C4C has considered whether and how an increased quota level beyond its proposed level of 9% could lead to additional costs or risks in:
- Direct costs of commissioning;
  - Indirect costs;
  - Commercial risks, including impact on other Channel 4 commissions;
  - Delivery of its public service remit.

### *Direct costs*

- 2.50 An increase in the out of England quota would require a greater proportion of production and spend by Channel 4 in the UK Nations. By itself, this does not require

---

<sup>9</sup> <http://stakeholders.ofcom.org.uk/broadcasting/reviews-investigations/public-service-broadcasting/annrep/psb13/>

an overall increase in spending. However, for a number of reasons, complying with a higher quota that forces Channel 4 to re-allocate production in a way that it would otherwise not choose may impose additional costs on C4C.

- 2.51 C4C told us that it had not carried out a full financial assessment of its proposal for a 9% quota or retrospectively evaluated the cost and benefits of past increases in out of England production. However, C4C argued that additional direct costs would be incurred if the quota were set above 9%. C4C estimated that, in order to meet a 12% quota instead of a 9% quota, an additional £10.8m of spending would have to be relocated to the UK Nations in the period 2014-2020. At this level, it considered it would be necessary to decommission or relocate production of existing, established productions from England to the UK Nations. C4C explained that relocating programmes in this way leads to additional costs, arising from the need to develop new contractual relationships, find new premises and suppliers, and relocate staff.
- 2.52 C4C stated that, as it has historically favoured organic growth over a 'lift and shift' strategy, it does not have concrete examples of these kinds of relocation costs. However it has estimated the cost implications of relocating a programme, and has other recent anecdotal evidence of some producers of other programmes increasing production budgets by an average of around 5-10% per episode when asked to relocate series to meet regional or national criteria. C4C stated that an increase in costs of this kind would directly impact on Channel 4's commissioning budget and force savings in other areas.
- 2.53 We have considered whether there is a differential in production costs between the UK Nations and the UK overall for Channel 4. The share of production volume outside England achieved by C4C in 2012 was higher than the share of spend (7% compared to 5.4%). On the face of it, this could be taken to suggest that making programmes in the UK Nations is less costly than making them elsewhere in the UK.
- 2.54 However, the current lower average cost of programmes produced in the Nations is likely to be more a function of programme mix than an indication of greater efficiency. It is likely that, as production increases, the current mix of programmes would need to change, with a greater number of programmes in a wider range of genres having to be made out of England. C4C could choose to commission more productions in less costly genres, but this may then constrain the type, genre and overall volume of production it commissions.
- 2.55 In the light of this, we consider that an increase in the quota, if it can be met through more 'indigenous' production, would not necessarily create significant upward pressure on Channel 4's total costs. However, there would be a greater risk of cost increases or inflation in the cost of returning series if existing productions had to be relocated from their current location to the Nations in order to meet a higher quota.
- 2.56 We therefore consider that an overly rapid or large increase in out of England production would lead to a greater risk that C4C would incur additional or higher average costs of commissioning. Assuming no other changes in its qualifying programme spend, this would need to be met from other production in terms of reduced average spend or change to the range of programmes. We are also mindful of the fact that a high minimum spend requirement could diminish C4C's ability to commission efficiently and control costs. However, in the longer term, a gradual increase in the level of production in the UK Nations may make it possible to realise greater economies of scale and efficiencies with less risk of production cost inflation.

#### *Indirect costs*

- 2.57 An increase in the out of England quota would require a greater proportion of commissioning, potentially to a wider range of producers and in a wider range of locations, in the UK Nations. C4C may incur additional indirect costs and overheads such as staff or premises costs when commissioning additional production in the UK Nations. C4C stated that its Creative Diversity team are its primary means of developing relationships with new producers across the UK. C4C considers that this team would either need to be replicated (at an equivalent cost including overheads and development budget) or to shift focus away from emergent talent – which includes those from regional backgrounds, BAME backgrounds and companies run by producers with disabilities - if it was required to meet a higher quota for production in the UK Nations.
- 2.58 We consider that indirect costs may increase if there is a requirement for a higher level of out of England production, but that the increases would be relatively low and not correlated directly to production level or level of the quota. However, there may be an adverse effect on C4C's indirect costs in supporting other parts of its remit.

### *Commercial risks*

- 2.59 C4C's response stated that, whilst a 9% quota does not preclude it from producing a higher share in the UK Nations if circumstances permit, imposing a higher out of England quota through a licence condition reduces its flexibility in commissioning. It considers this may also reduce competition between programme suppliers, with an adverse effect on the prices charged and the range of ideas from suppliers.
- 2.60 Due to C4C's structure and remit, it relies to a large extent on the independent production sector for programming. C4C stated that its intention is to meet an increase in UK Nations production from commissions to indigenous producers based in the UK Nations.<sup>10</sup> The majority of independent producers, particularly of large scale, are based in London. PACT, the independent producers' trade association, estimated in 2013 that 37% of its members are based out of London, including the 15% of its members based in the Nations.<sup>11</sup> The Broadcast Greenlight database suggests that 11% of producers are based in the UK Nations. On average, producers in the Nations are likely to be of smaller scale. According to the Broadcast Indie Survey 2013, only 9 of the largest 100 independent production companies in the UK were based in the UK Nations.<sup>12</sup>
- 2.61 This suggests that c.10% of active independent producers of scale are currently based in the UK Nations; not all of these producers would be active or available to C4C at a given time. While both the number and proportion of producers based in the UK Nations could increase in the future, if supported by increased development and commissioning, we note that this is uncertain and not entirely in C4C's control.
- 2.62 C4C informed us that it has undertaken analysis of production companies in the Nations in order to inform its proposals for delivering a 9% quota. C4C's analysis indicated a disconnect between the number of companies in the sector, and the number that C4C believes have potential to develop scaleable, network ideas for Channel 4. Its analysis suggests that there are [redacted] companies based in the

<sup>10</sup> We note that the definition of regional production would not preclude a non-independent or non-Nations based producer providing programming that qualified as production in the Nations, provided that the criteria were met. The definition is set out at

[http://stakeholders.ofcom.org.uk/broadcasting/guidance/programme-guidance/reg\\_prod/](http://stakeholders.ofcom.org.uk/broadcasting/guidance/programme-guidance/reg_prod/)

<sup>11</sup> PACT report: *Estimating the economic impact of production outside of London May 2013*

<sup>12</sup> Broadcast Indie Survey 2013, <http://www.broadcastnow.co.uk/home/digital-editions/broadcast-indie-survey-2013/5056300.article>

Nations with current potential to develop and produce programmes for Channel 4, which is only [redacted] of the total. Although this number could increase over time, C4C considers the typical time to develop a new producer to a returning series is 5 years.

- 2.63 Additionally, C4C stated that where producers in the UK Nations are strong in genres, particularly features, specialist factual and daytime, they already represent a relatively high share of commissioning in that genre. Producers may have less experience in producing programmes in genres that may typically be higher spend, longer running and returning series. As noted in the discussion of direct costs, this type of programming is a large component of Channel 4's schedule and would need to make up part of the increase to fulfil a higher quota level.
- 2.64 A higher out of England quota would require C4C to commission more programmes, from more producers, in more genres in the UK Nations in preference to other areas. Over time, this may lead to a larger producer base in the Nations producing in a wider range of programme genres. However, in developing to this point there could be limits in the capacity of producers in the Nations to meet the demands of a large increase in out of England production. At higher quota levels, C4C has stated that it would have to move existing productions to the Nations, which would go against its strategy to increase commissions to indigenous producers. We note that this may also require C4C to incur additional direct costs as set out in the section above.

#### *Delivery of Channel 4's other obligations and public service remit*

- 2.65 Channel 4 has a number of licence conditions and a public service remit to fulfil, of which the out of England quota is one condition. C4C funds its operations from commercial revenues and has discretion in allocating its resources to fulfil its obligations and remit. Increasing the level of production in the UK Nations may produce certain benefits, but at a higher quota level it has the potential to affect C4C's ability to deliver its other public service obligations. In particular, C4C considers that an increased out of England quota may conflict with central elements of its delivery of its public service remit, as set out in the Act, for innovation, distinctiveness and cultural diversity.
- 2.66 In its annual report C4C estimates the total cost of its investment in key PSB programming in 2012 at £186m.<sup>13</sup> A significant increase in the out of England quota, while not adding directly to this level of investment, may have a bearing on the allocation within this and Channel 4's ability to meet other obligations.
- 2.67 In its submission prior to our July consultation and its response to the consultation, C4C asserted that it considers the current licence conditions would be sustainable through a ten year renewed licence period. However, in the event that C4C's financial position turns out to be significantly worse than expected, it could have to consider ways of cutting its programming costs. If, at the same time, it had to meet a relatively high out of England quota, it might have to sacrifice other aspects of its service, or delivery against obligations with no minimum spend quota, to a greater extent than it would otherwise choose.

## **Producers**

- 2.68 We consider two main types of effect on producers:

---

<sup>13</sup> <http://www.channel4.com/info/corporate/annual-report/> P.14



- Direct effect on producers based in particular areas of the UK; and
- Channel 4's commissioning "on merit".

*Direct effect on producers*

- 2.69 Given a particular volume of or spend on production by Channel 4, changing the quota commissioned out of England would mainly affect the geographic distribution of this production rather than the levels overall. Hence, an increase in the out of England quota should have a broadly neutral impact on producers as a whole.
- 2.70 However, increasing the out of England quota may cause a redistribution of production away from other geographic areas. Whilst we have seen an increase in the share of Channel 4's production both out of London and in the UK Nations since 2010, in the most recent reporting period (2012) production in the UK Nations increased while production in the English regions fell. C4C has indicated that if it "were subject to a higher quota (above 9%) and therefore forced to relocate a long-running high volume title to the Nations, it is likely that this would be a regional title."
- 2.71 The proposals for the quota level put forward by respondents would have different orders of effect on the distribution of production by Channel 4. To give an idea of the scale of the redistribution in each case, we have asked C4C to project the increase in spend in the Nations, over the current level, which would be required to meet different levels of the quota by 2020.
- 2.72 C4C estimates that its proposal of 9% would require it to increase original production spend in the Nations by about £12m p.a. by 2020 from its current level of £20m. It estimates that a 12% or 17% quota would require it to increase spend in the UK Nations by £23m p.a. or £41m p.a. respectively by 2020.
- 2.73 Based on current spend (2012) data, a requirement for a higher quota level of 12% or 17% would double or treble Channel 4's spend on production in the Nations. It would increase the total spend by PSBs on production in the UK Nations significantly, with Channel 4 by far the single largest commissioner of producers in the UK Nations. Were all of the additional production required by a 12% or 17% quota level to be relocated from the English regions, this would represent about a fifth or a third of Channel 4's current spend on production in them.
- 2.74 Whilst producers have alternative sources of revenues or commissions from the other UK broadcasters, the PACT report suggests that Channel 4 is the largest single source of commissions to out of London independent producers, and that these companies tend to be smaller than the UK average in financial scale. At the higher quota levels, the impact on producers in the English regions who are currently commissioned by Channel 4 could therefore be significant.

*Channel 4's commissioning "on merit"*

- 2.75 Unlike the BBC and its in-house production, Channel 4 cannot mandate or co-ordinate the location of independent producers to meet targets or gain economies of scale, other than by exerting influence through its strategy and commissioning decisions. Higher quota levels could mean that the location of production was given more weight in commissioning decisions than pure creative or commercial merit. This would impair Channel 4's flexibility in commissioning, could result in inefficiency and higher costs, and have an effect on the overall quality of programmes and schedule.



2.76 In the longer term, this could be mitigated if increased commissions encouraged new production companies to start up or establish bases in the UK Nations. However, if this is to happen, it is likely to be a gradual process, suggesting that a large or rapid increase in the quota may not be appropriate. By contrast, a more modest increase would limit the restriction on Channel 4's ability to commission on merit whilst giving some stimulus to the producer base in the Nations.

## Summary of effects on stakeholders

2.77 The table below sets out a summary of the potential effects on stakeholders from higher out of England quotas. Whilst this does not capture the detail we have included in the discussion above, it may be a useful illustration of the comparison of the proposals in a summarised form.

**Table 1 – Summary of potential effects of different quota levels proposed**

	9%	12%	17%
<b>Viewers</b>	Some potential benefits from increased range of production centres and programmes made in them.	Limited additional benefit compared to 9% quota, and greater risk of disbenefits to viewers.	Significant further benefits unlikely, and likely to be a reduction in range of programmes from other centres, or other aspects of Channel 4 service.
<b>C4C</b>	Sustainable and achievable under C4C plans.	Potential additional costs and less flexibility to C4C in balancing its obligations and remit.	Higher additional costs and constraints to C4C in balancing its obligations and remit.
<b>Producers</b>	UK Nations producers benefit, and stimulus to production in the Nations. Any loss to producers in England likely to be relatively small.	UK Nations producers benefit, producers in English regions likely to lose out. Greater risk that ability to commission on merit could be compromised.	UK Nations producers benefit, producers in English regions could lose out to a significant degree. Significant risk that inability to commission on merit could weaken delivery.

## Sub-quotas

2.78 Imposing sub-quotas for certain regions or nations of the UK, perhaps in proportion to population, would tend to increase the impact of the out of England quota in terms of the difference between viewer benefits and costs.

2.79 For example, a number of responses proposed that there should be a quota for production in each Nation proportionate to its share of the UK population. This would require Channel 4 to increase production in each Nation at the expense of other areas of the UK. This may increase the range of producers used by Channel 4, and their output may reflect each Nation's culture and communities, with a benefit to some viewers. However, as noted in the section on viewers, at a level proportionate to population, sub-quotas would be likely to result in a reduction in the range and diversity of programmes for Channel 4 viewers overall.

2.80 The likely short and medium term impact of sub-quotas is on C4C, in terms of constraining its ability to commission on merit, and on other producers in the UK in their ability to compete for commissions. Sub-quotas would represent a more substantial constraint than a general out of England quota upon commissioning on

merit, and competition and diversity of suppliers. We consider that any benefits of sub-quotas are likely to be outweighed by these constraints and costs.

## Target dates

- 2.81 In general, achieving a given quota sooner (for example 9% by 2015 rather than 2020) does not alter our view of its likely effects. We consider that, in most cases, the effects set out above would apply regardless of the date by which the quota, or an interim target, is required to be met.
- 2.82 An earlier implementation date may bring forward the benefits described for viewers. However, trying to achieve a given quota more rapidly could reduce flexibility, increasing commercial risks and some types of cost. It is more likely that C4C will need to relocate commissions into the Nations. This may result in a reduction in the potential benefit for viewers as the range of producers and programmes for Channel 4 may not increase, but additional direct costs may be imposed on C4C.
- 2.83 A gradual adjustment to a higher quota would give Channel 4 and producers more time to adapt, delivering benefits to viewers with less adverse impact on costs. On balance, we are not persuaded that there would be greater net benefits if the proposed increase in the out of England quota were brought forward in time or if Channel 4 were required to meet a particular interim target.

## Ofcom's provisional view for the out of England quota

- 2.84 Channel 4 is a UK-wide service that must appeal to, and deliver its licence obligations in the interests of, viewers across the UK. The requirements for out of London<sup>14</sup> and out of England production are among a number of licence conditions, which include other quotas and its public service remit. C4C, as the statutory provider of the service, funds the delivery of its public service obligations from commercially generated revenues and must therefore allocate resources accordingly.
- 2.85 The out of London and out of England quotas were respectively amended and introduced following the PSB Review 2009. Ofcom increased the level for the out of London quota to 35% - the same level as in the Channel 3 licences, and higher than for the BBC.
- 2.86 Since 2009, Channel 4's production out of London has increased. The proportion of out of England production has also increased in total and as a proportion of out of London production: however, at 7% by volume and 5.4% by spend it remains a relatively low proportion of Channel 4's production overall, and 14% of Channel 4's current out of London production. This is a lower proportion of overall production than that of the BBC, higher than the Channel 3 licensees' and a similar proportion to that of Channel 5.
- 2.87 All of the respondents, including C4C, agreed that an increase in production in the UK Nations from the current levels would be desirable, and that an increase to the quota would support this. We agree with this view. A higher out of England quota would lead to Channel 4 commissioning more programmes, from more producers, in more genres in the UK Nations. This is likely to increase the range of production centres and programmes produced in them, and therefore the diversity of programmes that are broadcast on Channel 4. These programmes may contribute to

---

<sup>14</sup> See paragraphs 3.34 to 3.41 of the July consultation for discussion of the out of London quota.

the reflection of different communities and cultures in the UK and appeal to a culturally diverse society, in line with Channel 4's public service remit.

- 2.88 It is difficult to determine an optimum level of production in the UK Nations, and the appropriate balance between the benefits of increased production and other considerations is a matter of judgment. Imposing a quota at any level removes some of C4C's flexibility to commission productions in the way it believes it would best fulfil its obligations and according to the circumstances it faces at the time. However, it is reasonable to do so to the extent that the quota level delivers benefit for viewers, is consistent with its other obligations, and is sustainable.
- 2.89 We do not consider that, as production in the Nations is increased, the benefits for viewers and other citizens will increase in equal proportion. As more programmes are produced in the Nations, the additional benefit from further increases in the Nations' share of production is likely to diminish. Viewers across the UK, including in the UK Nations, have a similar level of viewing share to Channel 4 and rate its delivery in a similar way, which suggests a similar level of demand for and satisfaction with Channel 4 programming under current levels of production. The benefits to UK viewers overall of an increased range of programmes from the UK Nations may be offset by a reduction in those from other centres, or those that reflect other communities or other aspects of cultural diversity. Viewers also have an alternative choice, in the BBC, of substantial volumes of programming both made in, and made for, the UK Nations.
- 2.90 We do not consider that Channel 4's production out of England needs to be proportionate to the population in the Nations, either at the aggregate level of 17% or at the individual Nations' levels, in order to deliver benefits at an appropriate level. The quota level should balance the benefits to viewers of a diverse range of producers and programming from different centres, with the benefits and economies of scale of programmes produced in larger centres. In this sense, aiming over time to reflect the distribution of independent producers rather than population might be more appropriate to delivery of viewers' interests in terms of quality, innovation and range and diversity of content and perspectives. This is particularly the case in respect of Channel 4 since it is prevented by statute from involving itself in programme making for Channel 4 without Ofcom's consent and could not therefore meet any increase through in-house production. Industry surveys suggest c.10% of independent producers are currently based in the UK Nations, though not all of these producers would be active or available to C4C at a given time.
- 2.91 A number of responses made explicit comparison with the BBC, which aims for proportionality of production to population in each of the Nations. We do not agree that the BBC's rationale or approach should apply for Channel 4. Channel 4 is a UK wide service and does not have the same structure, national services, in-house production facilities or licence fee funded resources as the BBC. It does not have the BBC's remit to represent the different nations, regions and communities to the rest of the UK and cater for the different nations, regions and communities of the UK.<sup>15</sup> Within the PSB framework we consider it is appropriate that Channel 4's contribution to out of England production will be different to, and less than, that of the BBC. We are also mindful that the BBC's commitments are its own targets, while Ofcom would be setting a legally binding licence quota for Channel 4.

---

<sup>15</sup> These were identified by the BBC as two of the priorities of its purpose remit to represent the UK, its nations, regions and communities:

<http://www.bbc.co.uk/aboutthebbc/insidethebbc/whoweare/publicpurposes/communities.html>

- 2.92 A quota of 9%, as proposed by C4C, would triple the existing quota level, and, at a minimum, require that a quarter of Channel 4's out of London production must be made in the UK Nations. This would require an increase of 60% by 2020 from Channel 4's current level of delivery by spend in the UK Nations.
- 2.93 An increase in the quota above 9%, to the levels of 12% or 17% proposed by other respondents, would require Channel 4 to double or triple its proportion of production spend in the UK Nations from the current level, and would account for a third or a half of its minimum requirement for out of London production. This may impose higher direct costs, and commercial and competitive constraints in commissioning choice, on Channel 4 that may detract from its resources for production in other areas, and delivery of its other licence obligations and public service remit.
- 2.94 An increase from current production levels would be likely to benefit producers in the UK Nations, in terms of increased commissioning spend, at the expense of producers based in England. At a higher level, there may be a particular effect on those producers in the English regions. This may also affect Channel 4's commissioning to fulfil other parts of its remit, including its representation of other aspects of cultural diversity.
- 2.95 The difference between the costs and benefits, and the constraints on commissioning on merit, are likely to be increased by sub-quotas: for this reason we do not propose that it is appropriate to impose sub-quotas in Channel 4's licence conditions.
- 2.96 Balancing the above factors, we propose that an increase in the quota to 9% of production would secure a suitable range of production centres, and achieve the aims of the quota, with least adverse impact.
- 2.97 We consider that the benefits of increasing the out of England quota would be more likely to be delivered by sustainably increasing the production base in the UK Nations, so that a virtuous circle of commissions to a range of producers, growth of production capacity and ongoing, returning commissions may be possible. We note the following constraints on C4C in achieving this:
- the limited volume of new commissions in a given year (as currently half of the schedule is committed to long-running commissions), particularly of series in higher spend genres such as drama and factual;
  - a pool of producers in the UK Nations that is relatively small in number and who tend to be smaller in scale, production capacity and range of genres, compared to other areas of the UK;
  - commercial risks associated with commissioning higher volumes of programmes in more genres from producers new to Channel 4;
  - a typical 5 year timescale in developing a new producer to delivering a returning series.
- 2.98 We note C4C's intention to meet an increase in the quota through developing sustainable, indigenous production, and that this will mean developing new producers in order to grow the production base and volume in the UK Nations. We consider that it would be undesirable to require or incentivise Channel 4 instead to relocate existing productions, which may do less to further the aims and potential viewer benefits of the intervention. We consider that setting an increased quota to

apply earlier than C4C's proposed date of 2020, or setting binding interim targets to the quota, would tend to have this effect.

- 2.99 On the basis of the assessment set out above, **Ofcom is proposing that the out of England production quota should be set at 9% by volume and spend from 2020 in a renewed licence.** We also propose that it should remain at 3% until 1<sup>st</sup> January 2020. In light of this assessment, we are seeking further views on the following question:

*Consultation question: Do you agree that our proposed quota of 9% from 2020 appropriately balances the costs and benefits of the out of England production quota for stakeholders? Please provide reasons for your view and any supporting evidence you may have.*

- 2.100 We welcome stakeholders' responses by **4th February 2014.**

## The duration of the licence

- 3.1 In the July consultation we set out the challenges in the next licence period for the sustainability of the Channel 4 service. We considered the balance between C4C's delivery of its licence obligations and public service remit, and its need to maintain commercial viability through appeal to viewers and advertisers.
- 3.2 We noted the market changes of the current licence period and considered that the next licence period may see as many, if not more, challenges for Channel 4. We noted that C4C's main challenge will remain to sustain a cross-subsidy model enabling it to invest in distinctive and attractive content. We considered C4C's financial model to be credible and its submission that the licence obligations could be maintained realistic.
- 3.3 We consulted on the licence duration and proposed that a ten year licence was appropriate. We noted that this would provide continuity and certainty for long-term investments, and would be in line with the Channel 3 and 5 licences.
- 3.4 Several respondents considered that while they agreed with the creative and commercial challenges for C4C identified, we had under-estimated the impact they may have on sustainability of the Channel 4 service. C4C's response asserted that they considered that delivery of the service and its licence conditions would be sustainable for the proposed 10 year period.
- 3.5 The few respondents commenting on the proposed licence duration generally supported a ten year duration, as it would align the licence period with Channel 3 and 5, and allow for long term investment and commissioning by Channel 4 to meet its obligations. No respondent disagreed that a 10 year licence period was appropriate, or proposed an alternative duration.
- 3.6 We remain of the view that, while there is potential for significant change over a ten year period, C4C's submission that the licence obligations can be maintained is credible and realistic. We note the risks that a structural decline in revenue might pose to meeting Channel 4's public service remit and the licence quotas, however, we do not consider that a shorter licence duration would be beneficial, or more appropriate, to Channel 4 in meeting the obligations in a renewed licence.
- 3.7 On the basis of the above, we intend to renew the licence for a 10 year period. We note that in the event that we were to require a significantly higher quota for out of England production than the proposed 9%, it may be appropriate to consider this position.

## Annex 1

# Responding to this consultation

## How to respond

- A1.1 Ofcom invites written views and comments on the issues raised in this document, to be made **by 5pm on 4 February 2014**.
- A1.2 Ofcom strongly prefers to receive responses using the online web form at <http://stakeholders.ofcom.org.uk/consultations/renewal-c4-licence-out-of-england-quota/>, as this helps us to process the responses quickly and efficiently. We would also be grateful if you could assist us by completing a response cover sheet (see Annex 3), to indicate whether or not there are confidentiality issues. This response coversheet is incorporated into the online web form questionnaire.
- A1.3 For larger consultation responses - particularly those with supporting charts, tables or other data - please email [4relicensing@ofcom.org.uk](mailto:4relicensing@ofcom.org.uk) attaching your response in Microsoft Word format, together with a consultation response coversheet.
- A1.4 Responses may alternatively be posted to the address below, marked with the title of the consultation.
- Channel 4 licence renewal  
Content Policy
- Riverside House  
2A Southwark Bridge Road  
London SE1 9HA
- A1.5 Note that we do not need a hard copy in addition to an electronic version. Ofcom will acknowledge receipt of responses if they are submitted using the online web form but not otherwise.
- A1.6 It would be helpful if your response could include direct answers to the questions asked in this document, which are listed together at Annex 4. It would also help if you can explain why you hold your views and how Ofcom's proposals would impact on you.

## Further information

- A1.7 If you want to discuss the issues and questions raised in this consultation, or need advice on the appropriate form of response, please contact Content Policy team on 020 79813000.

## Confidentiality

- A1.8 We believe it is important for everyone interested in an issue to see the views expressed by consultation respondents. We will therefore usually publish all responses on our website, [www.ofcom.org.uk](http://www.ofcom.org.uk), ideally on receipt. If you think your response should be kept confidential, can you please specify what part or whether

all of your response should be kept confidential, and specify why. Please also place such parts in a separate annex.

- A1.9 If someone asks us to keep part or all of a response confidential, we will treat this request seriously and will try to respect this. But sometimes we will need to publish all responses, including those that are marked as confidential, in order to meet legal obligations.
- A1.10 Please also note that copyright and all other intellectual property in responses will be assumed to be licensed to Ofcom to use. Ofcom's approach on intellectual property rights is explained further on its website at <http://www.ofcom.org.uk/about/accoun/disclaimer/>

## Next steps

- A1.11 Following the end of the consultation period, Ofcom intends to publish a statement.
- A1.12 Please note that you can register to receive free mail Updates alerting you to the publications of relevant Ofcom documents. For more details please see: [http://www.ofcom.org.uk/static/subscribe/select\\_list.htm](http://www.ofcom.org.uk/static/subscribe/select_list.htm)

## Ofcom's consultation processes

- A1.13 Ofcom seeks to ensure that responding to a consultation is easy as possible. For more information please see our consultation principles in Annex 2.
- A1.14 If you have any comments or suggestions on how Ofcom conducts its consultations, please call our consultation helpdesk on 020 7981 3003 or e-mail us at [consult@ofcom.org.uk](mailto:consult@ofcom.org.uk) . We would particularly welcome thoughts on how Ofcom could more effectively seek the views of those groups or individuals, such as small businesses or particular types of residential consumers, who are less likely to give their opinions through a formal consultation.
- A1.15 If you would like to discuss these issues or Ofcom's consultation processes more generally you can alternatively contact Graham Howell, Secretary to the Corporation, who is Ofcom's consultation champion:

Graham Howell  
Ofcom  
Riverside House  
2a Southwark Bridge Road  
London SE1 9HA

Tel: 020 7981 3601

Email [Graham.Howell@ofcom.org.uk](mailto:Graham.Howell@ofcom.org.uk)



## Annex 2

# Ofcom's consultation principles

A2.1 Ofcom has published the following seven principles that it will follow for each public written consultation.

### Before the consultation

A2.2 Where possible, we will hold informal talks with people and organisations before announcing a big consultation to find out whether we are thinking in the right direction. If we do not have enough time to do this, we will hold an open meeting to explain our proposals shortly after announcing the consultation.

### During the consultation

A2.3 We will be clear about who we are consulting, why, on what questions and for how long.

A2.4 We will make the consultation document as short and simple as possible. We will try to make it as easy as possible to give us a written response. If the consultation is complicated, we may provide a shortened Plain English Guide for smaller organisations or individuals who would otherwise not be able to spare the time to share their views.

A2.5 We will consult for up to 10 weeks depending on the potential impact of our proposals.

A2.6 A person within Ofcom will be in charge of making sure we follow our own guidelines and reach out to the largest number of people and organisations interested in the outcome of our decisions. Ofcom's 'Consultation Champion' will also be the main person to contact with views on the way we run our consultations.

A2.7 If we are not able to follow one of these principles, we will explain why.

### After the consultation

A2.8 We think it is important for everyone interested in an issue to see the views of others during a consultation. We would usually publish all the responses we have received on our website. In our statement, we will give reasons for our decisions and will give an account of how the views of those concerned helped shape those decisions.

## Annex 3

# Consultation response cover sheet

- A3.1 In the interests of transparency and good regulatory practice, we will publish all consultation responses in full on our website, [www.ofcom.org.uk](http://www.ofcom.org.uk).
- A3.2 We have produced a coversheet for responses (see below) and would be very grateful if you could send one with your response (this is incorporated into the online web form if you respond in this way). This will speed up our processing of responses, and help to maintain confidentiality where appropriate.
- A3.3 The quality of consultation can be enhanced by publishing responses before the consultation period closes. In particular, this can help those individuals and organisations with limited resources or familiarity with the issues to respond in a more informed way. Therefore Ofcom would encourage respondents to complete their coversheet in a way that allows Ofcom to publish their responses upon receipt, rather than waiting until the consultation period has ended.
- A3.4 We strongly prefer to receive responses via the online web form which incorporates the coversheet. If you are responding via email, post or fax you can download an electronic copy of this coversheet in Word or RTF format from the 'Consultations' section of our website at [www.ofcom.org.uk/consult/](http://www.ofcom.org.uk/consult/).
- A3.5 Please put any parts of your response you consider should be kept confidential in a separate annex to your response and include your reasons why this part of your response should not be published. This can include information such as your personal background and experience. If you want your name, address, other contact details, or job title to remain confidential, please provide them in your cover sheet only, so that we don't have to edit your response.

## Cover sheet for response to an Ofcom consultation

### BASIC DETAILS

Consultation title:

To (Ofcom contact):

Name of respondent:

Representing (self or organisation/s):

Address (if not received by email):

### CONFIDENTIALITY

Please tick below what part of your response you consider is confidential, giving your reasons why

Nothing  Name/contact details/job title

Whole response  Organisation

Part of the response  If there is no separate annex, which parts?

If you want part of your response, your name or your organisation not to be published, can Ofcom still publish a reference to the contents of your response (including, for any confidential parts, a general summary that does not disclose the specific information or enable you to be identified)?

### DECLARATION

I confirm that the correspondence supplied with this cover sheet is a formal consultation response that Ofcom can publish. However, in supplying this response, I understand that Ofcom may need to publish all responses, including those which are marked as confidential, in order to meet legal obligations. If I have sent my response by email, Ofcom can disregard any standard e-mail text about not disclosing email contents and attachments.

Ofcom seeks to publish responses on receipt. If your response is non-confidential (in whole or in part), and you would prefer us to publish your response only once the consultation has ended, please tick here.

Name

Signed (if hard copy)

## Annex 4

# Consultation questions

A4.1 We are seeking responses to the consultation on the following question:

*Consultation question: Do you agree that our proposed quota of 9% from 2020 appropriately balances the costs and benefits of the out of England production quota for stakeholders? Please provide reasons for your view and any supporting evidence you may have.*