pact.

Consultation on Channel 4 Licence Renewal: **Channel 4's Made out of England Quotas.**

Submission to Ofcom

August 2024

Introduction.

1. Pact is the UK trade association which represents and promotes the commercial interests of independent feature film, television, digital, children's and animation media companies.

2. The UK independent television sector is one of the biggest in the world with sector revenues growing to just under £4 billion in 2022.[1]

3. Pact works on behalf of its members to ensure the best legal, regulatory, and economic environment for growth in the sector. Pact has around 800 member companies across the UK and the majority of these are SMEs (small and medium sized enterprises) with a turnover of less than £50m a year.

4. Pact recognises the important role that Channel 4 plays in the UK television marketplace as a publicly owned public service broadcaster, with a unique remit to promote diversity and innovation both on and off screen – the health of the UK TV production sector is closely interlinked with that of Channel 4.

5. For further information, please contact Pact's Director of Policy, Emily Oyama at emily@pact.co.uk or on 020 7380 8232 and/or Pact's Senior Policy Executive, Susie Heron Halliday, at susie@pact.co.uk or on 020 7380 8236

Overview.

1.1 Pact is disappointed that Ofcom decided against increasing Channel 4's (C4C) Made outside England (MoE) quota to 16%. The redaction of key figures in Ofcom's consultation document makes it difficult for Pact and others to assess the financial impact the 12% and 16% quota would have on C4C and their sustainability. However, we accept that the proposed 12%

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[1] Pact Census 2023

quota would allow C4C some degree of flexibility over the 16% quota, at least in the short term. However, in the long term, C4C should be reaching at least 16% by the end of the licence period in 2034.

1.2 We are also disappointed that Ofcom has failed to consider the regulatory changes in the Media Act, something which we pointed out in our response to Ofcom's previous consultation. The ability for C4C to move into production represents a fundamental shift in the way C4C operates. For the first time, C4C will be able to meet its Made outside London (MoL) and MoE quotas through its own production arm; there is a risk that this will diminish opportunities for producers in the nations and regions, whilst also weakening the nations and regions content budget. The Media Act will also allow C4C to fulfil their obligations and quotas via their online services and possibly their portfolio channels. C4C's next licence will cover a ten-year period, and these changes are likely to come into force in the next few years. We're concerned that there seems to have been no consideration given to regulatory changes which will be implemented during the licence period.

1.3 Pact strongly disagrees with Ofcom's proposal to retain C4C's current MoE quota until 31 December 2029. Instead, Pact proposes that the 12% quota should come into force from 2027. C4C will need a period to adjust to the increased quota and plan its commissioning strategy in the nations. However, the proposed 12% quota change is only 1.1% above C4C's achieved spend levels in 2023, indicating that C4C could easily reach this quota for 2027.

1.4 Pact commissioned Oliver and Ohlbaum Associates (O&O) to examine Ofcom's proposals and analyse the impact of these proposals. Their research found that the 12% quota would require an additional £4 - £7 million of investment from C4C in the nations per year from 2025 – 2027.[2] While this may seem like a significant investment, investment will likely come from diverting spend away from London, as Ofcom and C4C set out in the consultation document. New commissions account for a higher share of commissions in London than outside indicating that C4C could divert some of their spend on new London commissions to the nations, rather than moving returning series or substantially increasing the content budget.[3]

1.5 Pact still considers it vital for separate quotas for Scotland, Wales and Northern Ireland to be introduced. A 12% quota for C4C, using a population-based ratio would imply quotas of 6% for Scotland, 3.75% for Wales, and 2.25% for Northern Ireland. C4C's current commissioning is skewed towards Scotland and Wales and C4C would already be able to meet quotas for Scotland and Wales quite easily. Meeting the quota in Northern Ireland would require C4C to boost commissioning activity in Northern Ireland based on their current commissioning ratios. However, C4C could easily divert some of their spend on new London-based commissions to Northern Ireland.

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[2] Channel 4 Made outside England analysis, O&O, August 2024
[3] IBID

1.6 Ofcom's latest consultation focuses on the MoE quotas. However, we reiterate the importance of enshrining C4C's 50% voluntary commitment in its next licence. If C4C's spend in 2023 had been at quota levels (35%) rather than C4C's voluntary commitment, spend outside London could have been £65 million lower,[4] which would have had a substantial impact on the sector in the nations and regions. Writing C4C's voluntary commitment into their licence would help to mitigate the impact of any C4C move into production, and future proof C4C's commitment to the nations and regions and cultural diversity across the next licence period.

Q1. Do you agree with our assessment of the potential impact on specific groups of persons?

2.1 Pact agrees with Ofcom's assessment of the potential impact on specific groups of persons.

Q2. Do you agree with our Welsh language impact assessment?

3.1 Pact agrees with Ofcom's Welsh language impact assessment.

Q3. Do you agree with our proposals that:

a) Until 31 December 2029, in each calendar year at least 9% of the hours of programmes made in the UK for viewing on the Channel 4 service must be produced outside England, and at least 9% of expenditure on programmes made in the UK for viewing on the service must be allocated to the production of programmes outside England and referable to programme production at production centres in Scotland, Wales and Northern Ireland?

4.1 Pact strongly disagrees with Ofcom's proposal to keep Channel 4's current MoE quotas in place until 31 December 2029. While we understand that Channel 4 will need a period to adjust to any increase in the MoE quota, we do not agree five years is necessary to meet only a 3% increase. C4C plays an important role in the UK broadcasting ecology, and the health of C4C is closely interlinked with the health of the production sector. Pact would not want to see C4C unable to fulfil any increased quota given the financial implications of this, and the potential knock-on effect this could have on the independent production sector and C4C's commissioning budget. However, a five-year adjustment period is halfway through C4C's next licence period and while we welcome the increased quota, we are concerned that another five years of a lack of investment and opportunities for the sector in the nations would damage the cultural diversity of the sector, which would ultimately impact the overall PSB compact. Instead, Pact proposes that the 12% quota should come into force from 2027,

[4] Channel 4 Made outside England Analysis, O&O, August 2024

which we discuss in more detail in the question below.

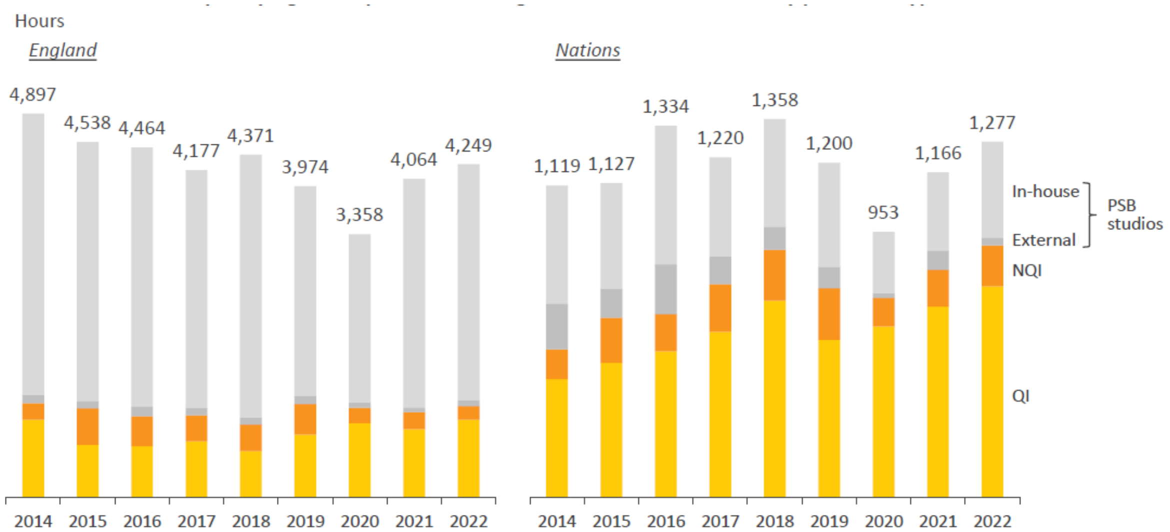
4.2 Pact is again disappointed that no consideration has been given to the Media Act and the flexibility this will give the PSBs, including C4C, to fulfil their obligations and quotas via their online services and possibly their portfolio channels. We raised this in our response to the consultation earlier in the year, and we are concerned that Ofcom seems to not have taken this into consideration yet again. Given that the licence spans ten-years and these changes are likely to come into force in the next few years, we are concerned that there seems to have been no consideration given to regulatory changes which will be implemented during this time. We understand that work is currently underway by Ofcom and DCMS to change the quotas from a proportion of hours and spend to 'at least the number of hours that Ofcom consider appropriate' and 'a suitable amount of expenditure'[5], and assess the appropriate number of hours and suitable expenditure for the regional programming quotas for Channel 4. We would strongly urge Ofcom to consider the proposals in the Media Act in relation to the MoE quota and how this flexibility will help to contribute to the overall sustainability of C4C in the context of the MoE quotas.

4.3 Similarly, we remain concerned about the impact C4C going into production could have on the independent production sector in the nations and regions. Ofcom states that 'there is too much uncertainty about this potential change [removal of the publisher-broadcaster restriction] for us to be able to take it into account in considering the appropriate level for the MoE quotas.'[6] We do agree to some extent that there are uncertainties around this however, it's likely that C4C will have moved into production before the end of the next licence period. It is unlikely that C4C will be able to scale to the same level as ITV Studios and BBC Studios over the next ten-year period however, the lack of consideration given is concerning. The increased independent production quota will safeguard investment into the independent sector but given that C4C would be able to use its own in-house arm to meet the MoE and MoL production quotas; there is a risk that this will eat into opportunities currently open to producers in the nations and regions. We would urge Ofcom to take this into consideration during the licence renewal process.

4.4 The BBC and C4C do have some fundamental differences, and while C4C may be smaller in scale, it remains one of the largest broadcasters in the UK with revenues reaching £1.14 billion in 2022.[7] We disagree that the BBC's experience isn't 'directly relevant as C4C is of a much smaller scale and the BBC can deliver its quotas by way of its own substantial in-house production bases in the nations and regions.'[8] The BBC does have a substantial production capacity through BBC Studios however, its in-house capacity in the nations does not substantially contribute to the BBC's fulfilment of its own quotas. In 2022, over 16% of total BBC qualifying hours were made in the nations by external companies. **Figure 1** below shows that in the last three years, the BBC has increased externally commissioned hours in the nations by four times the amount C4C would need to under a 9% - 12% quota increase.

[5] S14(8) and S14 (9) Media Act 2024
[6] Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, Ofcom, July 2024
[7] Channel 4 Annual Report 2022
[8] Channel 4 Licence Renewal: Consultation on Channel 4's Made outside England quotas, Ofcom, July 2024

Figure 1: BBC One and Two qualifying hours produced in England and in the Nations, by producer type, 2014 - 2022[9]



Note: Qualifying production only. PSB owned are external labels owned 25% or more by another UK PSB, or 50% or more by multiple. England includes English regions and London
Source: Ofcom Made Outside London registers, Ofcom CMR, Ofcom PSB compliance report, BBC Annual Reports Oliver & Ohlbaum Producer Database

25

4.5 The BBC's Commissioning Supply Report 2023/2024 also indicates that while the BBC does have a PSB in-house capacity in Scotland, Wales and Northern Ireland. These PSB in-house units only work in certain genres, for example sports.[10] Given this, and the data from O&O, we question Ofcom's assertion that the BBC is relying on its in-house capacity in the nations to meet its quota, especially as the BBC is moving towards 100% contestability by 2027.

4.6 The O&O report we submitted alongside our response to the consultation earlier in the year showed that there is sufficient capacity for more production in the nations.[11] In C4C's submission to Ofcom in May, they made a number of statements regarding production in the nations, the size and scale of these companies and its commissioning strategy, which we

[9] Channel 4 Made outside England Analysis, O&O, August 2024
[10] BBC Commissioning Supply Report 2023/2024.
[11] Channel 4 Nations and Regions Quotas, O&O, February 2024

query. While C4C's commissioning strategy in the nations may be largely mid-tariff programmes, we would argue that this is not down to a lack of capability and innovative ideas from local companies to produce higher tariff shows; rather it's been a conscious decision from C4C. We note that the redaction of the figures of hours commissioned by C4C from the nations compared to England makes it incredibly difficult for Pact and others to understand how much time is needed to change commissioning strategies. We do understand that commissioning takes time however, implementing the increased nations quota in 2027 would act as an incentive to seek out new innovative, creative ideas from new suppliers in the nations. There are many examples of higher tariff shows for the other PSBs from the nations, for example *The Winter King* for ITV produced by Bad Wolf and *The Way* for BBC produced by Little Door. Channel 4's remit states that they must make available a broad range of programmes which 'demonstrates innovation, experiment and creativity… and appeals to the tastes and interests of a culturally diverse society.'[12] We would question C4C's ability to meet their remit if it is not commissioning from a diverse range of producers across the UK, including in the nations.

4.7 In its submission to Ofcom, C4C make a number of assertions regarding companies in the nations and regions typically having a smaller number of staff than London-based companies, and that development, research and specialist staff are essential for scaled long-running productions but are expensive to hire on an FTE basis. Broadcast's Indie Survey does not go into detail on how many of the FTE staff in each production company work on development. It's a false equivalence for C4C to state that because indies in the nations and regions have comparatively smaller staff numbers than London-based companies, that this means they don't have the capacity to invest in research and development. Further analysis of Broadcast's Indie Survey shows that there are a number of companies based in the nations who do have at least one development executive as part of its staff.[13]

4.8 Investment in the research and development of new ideas is vital to ensure ideas are developed to the high quality required to win a commission. Development budgets have been put under pressure due to production inflation and flat levels of development investment from the broadcasters. There is development funding available from Screen Scotland, Creative Wales and Northern Ireland Screen, which producers based in the nations make use of and provides an important strategic intervention for the sector in the nations. Further development funding and strategic investment is always welcome, however winning commissions is important for production companies to be able to scale up, invest in training and skills and further research and development to build up their slate. Without the opportunity to win these commissions, businesses cannot grow.

4.9 London remains as the UK's largest production hub. London's share of commissioning revenue and production budgets has been gradually falling. These hubs may not be as large as London but that doesn't mean that there is not the skills, infrastructure and creativity needed to meet any enhanced demand from an increased C4C MoE quota.

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[12] Section 3(3) Media Act 2024
[13] Broadcast Indie Survey 2024

b) With effect from 1 January 2030, in each calendar year at least 12% of the hours of programmes made in the UK for viewing on the Channel 4 service must be produced outside England, and at least 12% of the expenditure on programmes made in the UK for viewing on the service must be allocated to the production of programmes outside England and referable to programme production at production centres in Scotland, Wales and Northern Ireland?

5.1 Pact is disappointed that Ofcom has decided against a 16% MoE quota, and we note that the redaction of the figures that set out the cost impact and the difference between a 12% quota and a 16% quota, makes it difficult for Pact and others to accurately assess the financial impact of a 16% quota. As such, during the consultation process earlier in the year, Pact invested in independent research and analysis from O&O. We're pleased that Ofcom took our research on board and further analysed the cost of production in the nations in light of O&O's findings and found that production in the nations is not inherently more expensive. However, we are disappointed with the redaction of key C4C and Ofcom analysis from this consultation. Pact commissioned O&O to model the impact of the increased quota based on Ofcom's modelling in the consultation, and the cost impact under a digital first commissioning model. As per Ofcom's method[14], a 12% quota would increase nations commissioning by 74 hours and £12 million in spend in 2022[15] which C4C have said they would divert these hours and spend from London-based commissions. The uplift in spend in the nations under the 12% quota would result in a cumulative increase of £130 million between 2025 and 2034, based on O&O's modelling.[16]

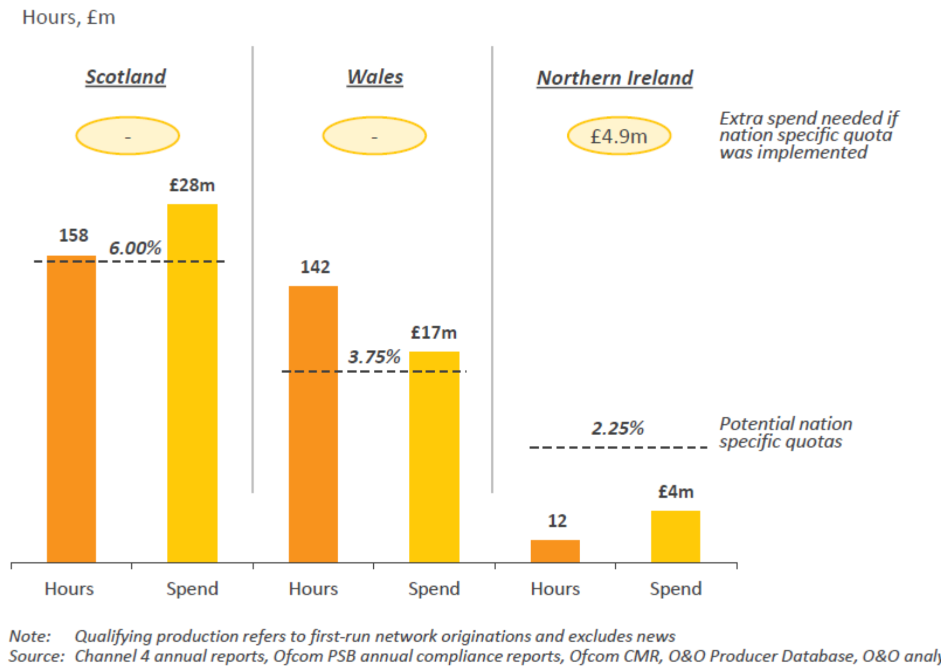
5.2 Since May 2024, Ofcom has a new statutory duty to have regard to the desirability of promoting economic growth when exercising certain regulatory functions.[17] Ofcom must consider the importance of the promotion of economic growth and ensure any regulatory action taken is necessary and proportionate. Given this new statutory duty, it now has an opportunity to give a much-needed signal to the supply side of the market within the nations and regions that Ofcom trusts that it can deliver for C4C. We are disappointed that Ofcom chose not to move forward with a 16% quota. However, a 12% quota along with separate quotas within this for the nations and an earlier introduction date will mean businesses have certainty and will seek to invest in these areas, which are all important for the promotion of economic growth.

Separate quotas for Scotland, Wales and Northern Ireland

[14] Described in 4.36 of the consultation document
[15] Channel 4 Made outside England Analysis, O&O, August 2024
[16] IBID
[17] Under section 108 of the Deregulation Act 2015. The Economic Growth (Regulatory Functions) (Amendment) Order 2024 applies the duty set out in section 108 to Ofcom

5.3 We do understand the need for C4C to maintain a certain level of flexibility to adapt to the changes in the market and the shift to digital. Pact accepts that a 12% quota may provide some degree of flexibility over a 16% quota, at least in the short term. However, it remains vital that separate quotas for Scotland, Wales and Northern Ireland are written into C4C's licence. A 12% quota for C4C, using a population-based ratio would imply quotas of 6% for Scotland, 3.75% for Wales, and 2.25% for Northern Ireland. C4C's current commissioning is skewed towards Scotland and Wales and C4C would already be able to meet quotas for Scotland and Wales quite easily. **Figure 2** below indicates that C4C would likely need to boost its commissioning activity in Northern Ireland based on its current commissioning ratios. However, given the high level of new commissions from London (which is discussed later), C4C would be able to divert some London-based spend to concentrate on boosting commissioning in Northern Ireland.

Figure 2: C4 qualifying hours and spend, by Nation, 2030 compliance at 12% quota with no nation specific quotas[18]



5.4 O&O's analysis shows that £4.9m extra spend per year would be required in Northern Ireland to meet a 2.25% quota. C4C's investment in Northern Ireland has historically been low, something which Northern Ireland Screen highlighted in its response to the previous consultation.[19] In 2022, C4C announced More4 Northern Ireland with Northern Ireland Screen. This scheme resulted in two commissions for Tern TV, based in Belfast, and Big Mountain Productions, based in Newry. This is a positive step however, the introduction of separate quotas for the nations would play a large role in shifting C4C's commissioning strategy and help address historic lack of under investment, whilst also promoting the

[18] Channel 4 Made outside England Analysis, O&O, August 2024
[19] Northern Ireland Screen submission to Ofcom consultation on Channel 4 licence renewal, February 2024

economic growth of the sector in Scotland, Wales and Northern Ireland.

5.5 Glasgow, Cardiff and Belfast are already well-established production hubs, and Pact has around 77 members based in Scotland, Wales and Northern Ireland. There are also a range of company sizes in the nations, along with other production companies who are not Pact members.

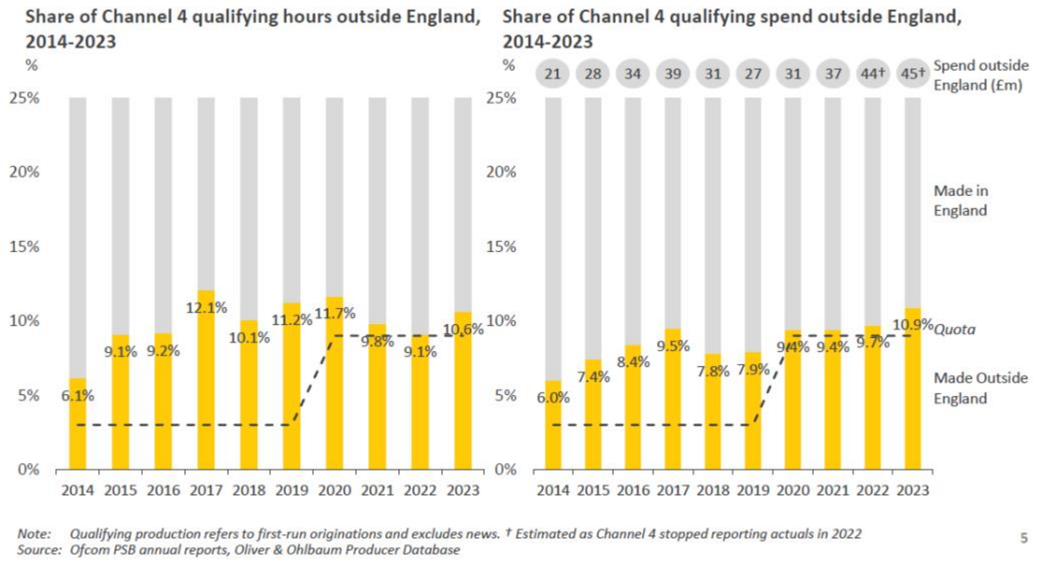
5.6 We disagree with Ofcom that there is a degree of uncertainty about capacity in the separate nations for C4C to meet nation specific demand and deliver its new commissioning strategy. As we've evidenced above, this shows that the number of the assertions made by Ofcom and C4C that there isn't the capacity to meet nation specific quotas is unfounded. As the way audiences watch content has changed, all the PSBs have been shifting their commissioning strategies towards high impact and high tariff shows as it seeks to draw in new audiences and increase advertising revenue. C4C is currently undergoing a period of change with the merging of a number of key departments, and we question why C4C would be unable to deliver on separate quotas for the nations and deliver its new commissioning strategy, particularly given that Pact is proposing that these quotas wouldn't come into force until 2027.

Enhanced quota from 2027

5.7 C4C's hours and spend in the nations has varied from year to year.[20] However, C4C's qualifying hours from the nations have remained at 9% or above since 2015. Qualifying spend has fluctuated more than hours, the increase from 7.9% in 2019 to 9.4% in 2020 (when the 9% MoE quota came into force) highlights that C4C is able to deliver on any enhanced quotas when required. **Figure 3** below also shows that C4C have consistently delivered on their 9% quota since its introduction and in 2023, spend increased to close to 11% which indicates that meeting the proposed 12% would be feasible before 2030.

Figure 3: Share of Channel 4 qualifying hours and spend outside England, 2014 - 2023[21]

[20] Channel 4 Made outside England Analysis, O&O, August 2024
[21] IBID



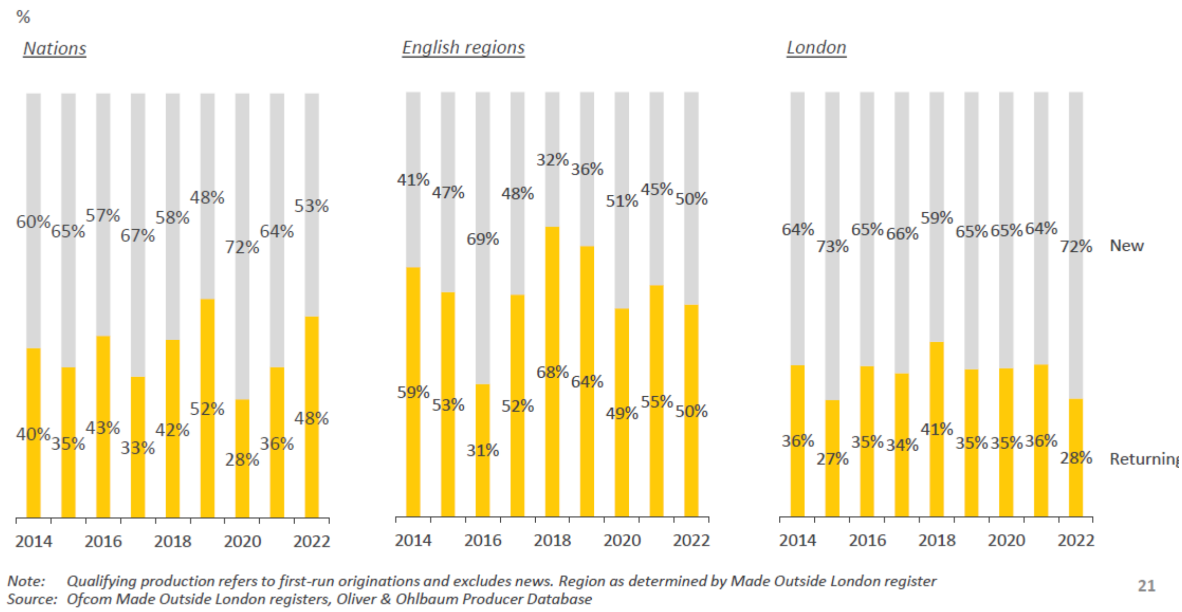
5.8 As part of our submission to Ofcom, Pact commissioned O&O to look at how C4C could comply with its increased 12% quota from 2027, before Ofcom's proposed 2030 date. The increased MoE quota would require some planning. However, given that the proposed quota change is only 1.1% for spend and 1.4% for hours above Channel 4's achieved levels in 2023, Pact does not agree that C4C would need a five-year adjustment period. O&O's modelling shows that meeting the 12% quota in 2027 would require an additional £4 – 7 million of investment in the nations per year from 2025 – 2027.[22] While this may seem like a significant investment, we note that this additional investment would likely come from diverting spend away from London, as Ofcom and C4C set out in the consultation document.

5.9 New commissions account for a higher share of commissions in London than outside indicating that C4C could divert some of their spend on new London commissions to the nations, rather than moving returning series or substantially increasing its content budget.[23]

5.10 All broadcasters rely on popular returning series to draw in viewers and increase advertising revenue. There are a number of popular long running returning series, such as *Gogglebox,* which C4C has remaining commitments to. C4C state that these commitments mean that there are limitations on the volume and pace at which it can reallocate spend from London. However, new commissions account for a higher share of commissions in London than from the nations and regions, as shown below in **figure 4.**

Figure 4: share of qualifying strands that are new vs returning, by region allocation, 2014 - 2022[24]

[22] IBID
[23] IBID
[24] IBID



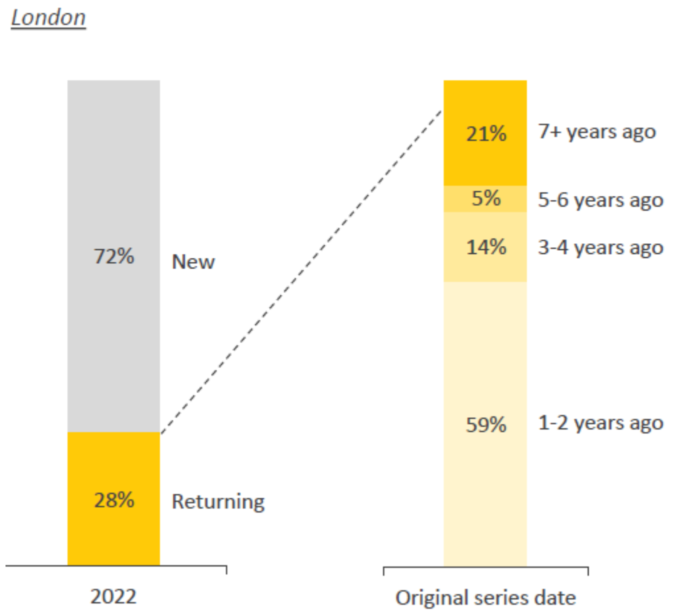
5.11 Spend on returning series may be difficult to divert to the nations however, the high volume of new commissions from London indicates that there is room for this spend to diverted to the nations.

5.12 O&O also analysed the length of time C4C's returning series last. While C4C does have prior commitments to returning series, O&Os analysis indicates that the majority of the 28% of returning titles do not last more than five years, meaning that C4C's portfolio will have been largely refreshed prior to any enhanced quota coming into force. **Figure 5** sets out the length of time each returning series has been running, with the majority of these being less than 1 – 2 years old. Given the life cycle of returning series based on O&Os analysis, Pact disagrees that C4C's commitment to these returning series would hinder an enhanced quota coming into force before 2030.

Figure 5: Strand length, C4 made in London programmes, 2022[25]

[25] IBID

Titles, %



5.13 We are also disappointed with Ofcom's comments regarding increased quotas diminishing C4C's ability to make commissioning decisions on merit in order to meet its strategic and commercial objectives. We disagree that this would limit C4C's creative freedom to commission the best ideas. Given previous patterns of behaviour from C4C following enhanced quotas, separate nations quotas could lead to increased access to commissioners and shift focus to looking for the best ideas from production companies that C4C hasn't worked with previously. C4C is actively doing its audiences in the nations, and elsewhere, a disservice if it is not seeking out new ideas from a diverse supply of companies.

Made out of London Quota

5.14 As we set out in our response to the consultation earlier in the year, we disagreed with Ofcom's proposal to retain then 35% quota for hours and expenditure on programmes outside the M25. Pact proposed that C4C's 50% voluntary commitment should be written into the licence to help mitigate the impact of any C4C move into production and to future proof C4C's commitment to the nations and regions and cultural diversity across the next licence period. Given the interaction between the MoL quota and the MoE quota, it's important for Ofcom to clarify if the proposed 12% MoE quota is 12% of the MoL quota in its current form (35%), or if its 12% of 50% voluntary commitment (which we proposed in our previous response). While C4C did oppose increasing its MoL quota as part of its new licence, we note that in its *4: The Next Episode* plan, it proposed enshrining its 50% voluntary commitment into its licence.[26] Further clarity is needed on whether Ofcom's proposed 12% is of the current licence commitment, or C4C's voluntary commitment. If C4C's spend in 2023 had been at its quota levels (35%) rather than its voluntary commitment, spend outside of

[26] 4: The Next Episode: Enhancing Channel 4's economic and social contribution to the whole of the UK under public ownership, May 2022

London could have been £65m lower.[27] Over a three-year period, if we saw this scenario continuing, approximately £195m of spend outside London could be at risk assuming total qualifying spend remains constant, as Channel 4 could reallocate this to within the M25.[28] Separately, it is estimated that £65 – £130m of commissioning spend across the UK could be diverted from the qualifying independent production sector if C4C were to establish an in-house production arm. This does not make any assumption about the level of the N&R quota or C4C's voluntary spend commitment, but it is likely this £65 – £130m will be split across London and the nations and regions.[29]

5.15 Ofcom are currently undertaking work to change the nations and regions quotas over to absolute hours and a 'suitable amount of expenditure'. As an interim measure prior to the introduction of these, the12% MoE quota should be 12% of the total spend and hours outside of London each year, and not just 12% of C4C's current MoL quota. The changes in the Media Act make writing the 50% voluntary commitment into C4C's renewed licence even more imperative as the hours that Ofcom set should represent the average of the last five years, which is above 50%. If the absolute hours are set using the 35% licence condition, this would make C4C's hours quota under the Media Act considerably lower than the average hours of the last five years.

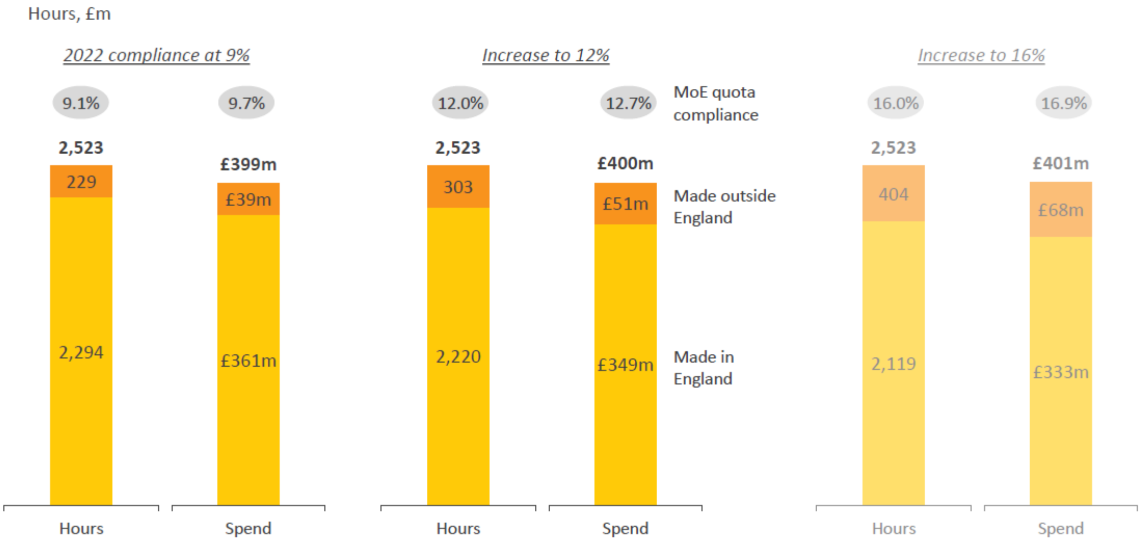
16% by 2034

5.16 We are disappointed that Ofcom decided against introducing a 16% MoE quota, something which Pact, Screen Scotland, Northern Ireland Screen, Creative Wales and others called for in their responses to Ofcom's previous consultation. However, we do understand the need for C4C to maintain a degree of flexibility with the move to digital and changes in their commissioning strategy.

5.17 As we have set out earlier in our response, the redaction of key figures from C4C and Ofcom regarding the cost impact of a 12% and 16% quota makes it difficult for Pact to assess the impact of a 16% quota on C4C. O&O modelled what the cost impact of a 16% quota would be on C4C, as per Ofcom's methodology. Their analysis found that a 16% quota would increase nations commissioning by 175 hours and £29m spend in 2022, as set out in **figure 6** below.[30]

Figure 6: indicative C4 qualifying hours and spend, by MoE quota level, with 2022 average cost per hour for each Nation*[31]

[27] Channel 4 Made outside England Analysis, O&O, August 2024
[28] IBID
[29] Impact of 4Studios on the Independent Production Sector, O&O, April 2023
[30] Channel 4 Made outside England Analysis, O&O, August 2024
[31] IBID



*Note: Qualifying production refers to first-run network originations and excludes news. *Assumes the genre mix produced in each nation is unchanged, meaning the total genre mix does change in favour of the genres produced in the Nations*

Source: Channel 4 annual reports, Ofcom PSB annual compliance reports, Ofcom CMR, O&O Producer Database, O&O analysis

10

5.18 While this may seem like a substantial increase, if we compare the 12% quota to the 16% quota the increase is much smaller. A 16% quota would increase nations commissioning by 101 hours and £17m spend when compared to a 12% quota. Ofcom and C4C have both stated their opposition to the 16% quota. However, reaching this by the end of the 2034 licence period should be an achievable goal given the relatively low-cost difference between the 12% and the 16% quota. We also note that by 2034, many of the changes in the Media Act will be enacted and C4C will likely have shifted their commissioning strategy and increased digital revenue, freeing up more commissioning capacity and spend for increased commissioning from the nations.

Q4. Do you agree with our proposed guidance for C4C on how it should report on its MoE production in its SMCP?

6.1 Pact agrees with Ofcom's proposed guidance for C4C on how it should report on its MoE production in its SMCP. We always welcome enhanced monitoring and reporting. However, this is not a sufficient replacement for separate nations quotas and sustained long term investment and commissioning from the nations and regions.

6.2 The SMCP is a useful tool for Pact and others in the sector to see how C4C is performing against its remit and obligations. Pact would welcome further clarity from Ofcom on how it will hold C4C to account if it is not satisfied with its progress in the nations.