[GB] Channel 4 Funding Formula Payments Will End from 1999

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In a letter to ITC Chairman Sir Robin Biggam, Mr Chris Smith, the Secretary of State for Culture, Media and Sport (the former Department of National Heritage) announced that there is no continuing need, or real justification, for the Channel 4 Funding Formula now that Channel 4 is a well-established broadcaster with a steady income stream. The 1990 Broadcasting Act contains a safety net mechanism by which Channel 4 is guaranteed funding from the Channel 3 companies should its income from advertising revenue fall below 14 per cent of Total National Advertising Revenues (TNAR). The 14 per cent threshold can be altered, by order, after the end of 1997. Income which Channel 4 obtains from advertising revenue which takes it above the 14 per cent threshold is subject to a distribution mechanism whereby 50 per cent goes to the ITC (who then allocate it to the Channel 3 companies in proportion to their shares of TNAR), 25 per cent goes to a statutory reserve fund, held by Channel 4, and 25 per cent to Channel 4's current expenditure. Chris Smith stated that there should be one transitional year (1998) under the Formulawith the payment set at a lower rate (33 per cent) - in order to soften the financial impact on Channel 3 companies. Moreover, Channel 4's licence should be reviewed to ensure that its income is used to further its distinctive public service identity, and while the transfer payments between Channel 3 and Channel 4 remain, he hoped they would further the aim of making new programmes as part of their commitment to Digital Terrestrial Television. The Secretary of State also said that future broadcasting legislation should revise Channel 4's current statutory remit which requires it to appeal to interests not catered for by Channel 3. He wants to introduce a positively-framed remit which emphasised what Channel 4 is to provide, rather than what it is not.

Letter from the Secretary of State for Culture, Media and Sport, the RT Hon Cris Smith MP to the Chairman of the Independent Television Commission, Sir Robin Biggam of 28 July 1997

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