



Response to statement and further consultation on  
Television Advertising of Food and Drink  
Advertising to Children

December 2006

- 1) Pact accepts Ofcom's recommendations on the restriction of unhealthy food advertising to children and absolutely understands and supports the need for children to lead healthy lives.
- 2) However, we would also like to point out that the consequences of these recommendations could result in a significant reduction in the amount of money UK commercial broadcasters invest in new British children's programming, with major economic and cultural implications. We would therefore urge the regulator not to extend restrictions beyond its announced proposal for a total ban on HFSS food and drink advertisements in and around all programmes of particular appeal to children under the age of 16, broadcast at any time of day or night on any channel.
- 3) Further restrictions would have a disproportionate impact on broadcasters' ability to fund children programming. As Ofcom concluded in announcing its findings in November:

"A 9pm watershed ban would also significantly reduce broadcaster revenues, to an extent inconsistent with a proportionate approach."<sup>1</sup>
- 4) Pact calculates, based on available data, that commercial broadcasters invest approx £35m a year in new UK children's programming. By Ofcom's own estimates, the initial impact on broadcasters' advertising revenues from these restrictions will eclipse this figure, hitting £39m.
- 5) This could result in broadcasters seeking to cut costs by acquiring more imported programmes. Independent producers of children's and animation programmes will be hit particularly hard by these restrictions as they are major suppliers of new UK children's and animation programmes in the commercial sector, accounting for

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<sup>1</sup> New restrictions on the television advertising of food and drink products to children, press release, Ofcom, November 2006.

around 80% of qualifying hours on ITV and Five, according to Ofcom's figures.<sup>2</sup>

- 6) In addition to the damage to public service programming in this key genre, the economic impact will be considerable. Children's programming accounts for 15% of all UK programme exports (by airtime), the highest genre after film and drama. This is an over performance compared to other countries, testifying to the worldwide reputation of UK children's programmes. The average level of kids exports for other countries is 12%.<sup>3</sup>
- 7) Children's programming has therefore been a key genre in the UK television sector's recent export success. The UK's market share of overall television exports is 10%, second only to the far larger US industry, and substantially ahead of its closest rival Canada, which is on just 3.9%.<sup>4</sup>
- 8) A key part of these companies' economic success has been in succeeding to generate a far higher proportion of revenues from secondary and ancillary sales, including merchandising, than companies manage in other genres. Research by Oliver & Ohlbaum Associates indicates that in 2004 all UK children's and animation programming generated £105m in income from the primary commission; and £219m from UK and overseas secondary and ancillary use. This means that an average 68% of income from children's programmes comes from secondary or ancillary sources. In comparison, the proportion of income generated from secondary sources for all UK programmes, excluding children's and news, is just 15.3%.<sup>5</sup>
- 9) Ancillary sales are therefore particularly important for the children's and animation sector - however, without the initial investment from the primary commission, effectively acting as a 'shop window' for future sales, a company cannot generate the subsequent income from secondary sources and merchandising.

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<sup>2</sup> Communications Market 2005, Ofcom, page 222.

<sup>3</sup> Rights of Passage: British television in the global market, page 14.

<sup>4</sup> Ibid, page 3.

<sup>5</sup> UK TV Content In The Digital Age - Opportunities and Challenges, Oliver & Ohlbaum Associates, for Pact, January 2006.