



A VOICE FOR COMMERCIAL BROADCASTERS IN THE UK

COBA
The Courtyard
18 Marshall Street
London W1F 7BE

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Claudio Pollack
Group Director of Content, Consumer and External Affairs
Ofcom
Riverside House
2a Southwark Bridge Road
London SE1 9HA

Cc Tony Close, Anthony Szykaruk

Dear Claudio

Re: Scheduling of Television Advertising: Approaches to Enforcement

I am writing on behalf of COBA members regarding Ofcom's final statement for its review of the enforcement of the Scheduling of Advertising (July 9 2015). Due to the significant operational and commercial challenges associated with making the necessary changes to comply with Ofcom's decision, we would like to request an extension on the November 1st implementation date until the end of the financial year, i.e. until April 1 2016.

Ofcom's decision requires children's channels currently using transmission logs to define scheduled duration to move to an EPG-based approach, meaning that their ability to schedule internal breaks will be significantly restricted. Ofcom has acknowledged that, in complying with this decision, broadcasters will adopt various mitigation strategies. These strategies will involve significant operational challenges, and costs, that will in many cases be amplified by such a short implementation period. Without wishing to open the debate over the resulting level of impact on revenues, Ofcom's (in our view conservative) estimate that it will reduce children's sector income by 5-7% perhaps gives some indication of the disruption that complying with this will cause.

To be specific, one of the biggest challenges facing channels as a result of this decision is the need to re-comply and to re-edit editorial content so that it can be shown in a slot without a centre break. Many shows have recaps around breaks and a compliance team will need to edit these out. The magnitude of the task to review each piece of content is genuinely significant, amounting to hundreds of hours of content in some cases, and the shorter the implementation time for doing so, the greater the impact to the business will be. In the current implementation period ending November 1, broadcasters may well need to hire freelance compliance officers to prepare the content. An extension until April 1 would impose a more moderate reversioning cost on the channels affected, ensuring that the costs of change for the business are kept to a minimum.

A longer implementation period would also help COBA members revise their commercial arrangements in order to comply. As COBA detailed in its submission to the consultation, scheduling processes are at the heart of channel operations and are built up weeks in advance of the actual broadcast, with programmes and other elements such as commercials, sponsorship credits and cross-promotion references layered in at different stages in advance of transmission. The commercial arrangements for those elements – deals with advertising sales houses, merchandising and sponsors, as well as commercial arrangements with content producers and suppliers – will be agreed months before this. Advertising for the Christmas period, for example, has in many cases already been booked. In the case of programme content, arrangements may well be in place a year or more in advance of the broadcast to allow for development, production and marketing plans.

In addition to editing existing content, channels will have to change long term programming plans and license new content. COBA members also have business commitments to other stakeholders such as Sky Media and television sponsors that in some cases cannot be changed at such short notice, due to both practical considerations and contractual arrangements. Many advertising sales commitments will run from January 1 until December 31st, while some annual agreements are not concluded until into the first quarter and so may run until well into the first quarter of next year.

Exacerbating these issues, the implementation date of 1st November comes in the run up to Christmas, the busiest and most critical time period of the children's broadcasting year. Implementing new systems in the December run up clearly adds to the operational challenge.

Looking at precedents, Ofcom's introduction of HFSS advertising restrictions in 2006 is perhaps instructive. At the time, Ofcom's assessment of the impact on total revenues for dedicated children's channels was remarkably similar to your estimate for this latest COSTA decision - in fact slightly less at an estimated 4.7% of total revenues. For the sector as a whole, the implementation period was almost a year, despite the impact being significantly lower for most non children's channels. For

dedicated children's channels, however, the implementation period was a little over two years, with reductions in the amount of permitted advertising phased in during a "transitional" period that ran until January 2009.

In light of the substantial challenges arising from Ofcom's decision we believe the three-month implementation currently required is particularly onerous, and request that it be extended until the end of the financial year, i.e. April 1 2016. Based on the arguments set out in this letter we hope that you will consider this request favourably to facilitate COBA members making the transition to the new regime.

Yours sincerely

Adam Minns
Executive Director
COBA