**British Film Institute**

**Response to the Business Innovation and Skills Committee Inquiry
on the Digital Economy**

**November 2015**

1. **Executive summary**

# The British Film Institute (BFI) welcomes the opportunity to comment on the Business, Innovation and Skills Committee Inquiry on the Digital Economy. In particular:

# The BFI would welcome a specific stream of Government work on what the right policies might be to build sustainable companies of scale which are based in the UK. However, we also recognise that in a globalised economy the challenges of building UK companies of scale which are kept in UK ownership over a long period of time are significant.

# Access to corporate finance remains an issue for the audiovisual sector in building scale, except in television where the terms of trade enabled independent production companies to put significant assets – in the form of ownership of IP - on their balance sheet.

# Innovate UK has played an important role in helping to drive innovation for example through its support for the Copyright Hub via the Digital Catapult.

# The financial resources devoted to research in the university sector needs to be better aligned with incentives for innovation provided by the Government.

# With regard to the Digital Single Market the BFI sees the development of a stable and clear copyright framework that will support the creative, cultural and economic progress of the European film and audiovisual sector, and innovation within that sector, as essential to delivering on the ambitions for increasing the diversity of films which can be accessed by consumers and the sustainability and growth of our creative sector.

# The challenge is to have a copyright regime that strikes the right balance between broader access for audiences, the flexibility for European Member to implement copyright exceptions for cultural and educational purposes, and protection for content creators and rights holders. In particular, it is essential to protect territorial exclusivity which serves as the basis for financing independent films.

# It is important that Government’s attempts to renew the curriculum should balance excellence in traditional subjects with a responsiveness to the massive changes in the working patterns and family lives of the population.

# **About the BFI**

In 2011 the BFI became the lead organisation for film in the UK. It is now a Government arm’s-length body and a distributor of Lottery funds for film.

Our mission is to ensure that film is central to our cultural life, in particular by supporting and nurturing the next generation of filmmakers and audiences. The BFI serves a public role which covers the cultural, creative and economic aspects of film in the UK.

It delivers this role:

* As the UK-wide organisation for film, a charity core-funded by government;
* By providing Lottery and government funds for film across the UK;
* By working with partners to advance the position of film in the UK.

In October 2012, the BFI published ‘Film Forever, Supporting UK Film 2012-2017’, which set out its strategy for the next five years, following an extensive industry consultation. It described the activities underpinning the BFI’s three strategic priorities:

* Expanding education and learning opportunities and boosting audience choice across the UK;
* Supporting the future success of British film; and
* Unlocking film heritage for everyone in the UK to enjoy.

To that end, the BFI helps ensure that public policy supports film and, in particular, British film.

Founded in 1933, the BFI is a registered charity governed by Royal Charter. The BFI Board of Governors is chaired by Greg Dyke.This inquiry focuses on Government actions affecting businesses in the digital economy; how to maximise the opportunities and overcome challenges in the sector; and how the sector can contribute to improving national productivity. It considers how businesses can best adapt to the rapidly changing environment and utilise digital infrastructure to improve their performance, and what the Government can do to ensure that the UK can play a leading role in taking advantage of digital technologies.

1. **Scope of the inquiry**
2. What are the major barriers to UK business success in the digital economy? What steps could the Government take to help businesses to overcome these barriers?

The UK has become very much a talent-led and project-led economy which appears to lack the kind of corporate incentives or financial investment which would allow nascent indigenous firms to aspire to scale and to compete in global markets when the alternative of acquisition by a foreign company is available. Some companies in the UK seem willing to forego broader opportunities to build sustainable businesses in the digital economy which might, for example, enable them to acquire overseas entities to build global companies rather than being acquired themselves. While Government and other agencies are rightly focusing on developing a better skilled labour force and encouraging R&D in the digital economy the barriers to success for business are not easily pinned down.

The BFI would welcome a specific stream of Government work on what the right policies might be to build sustainable companies of scale. However, we also recognise that in a globalised economy the challenges of building UK companies of scale which are kept in UK ownership over a long period of time are significant – the recent announcement regarding the sale of King, the social games company, to US company Activision Blizzard is a case in point.

1. How effective are UK financial markets in supporting the digital economy? What actions could the Government take to improve their effectiveness?

Access to corporate finance has long been identified as a major obstacle to the development of scalable UK firms in the film sector – although the situation is different for television where the introduction of Terms of Trade in the 2003 Communications Act enabled independent television production companies to secure finance for growth as a result of owning the IP to programmes. While WPP has succeeded in building a global advertising business and has managed to enhance its value at every stage of development of the digital economy companies in other sectors with successful UK businesses have lacked this ambition.

1. What lessons can be learned from the Government’s support of tech start-ups and other measures targeted at the digital economy?  How is this developing around the regions and nations of the United Kingdom?

# Innovate UK has been an important initiative in helping to drive innovation for example through its support for the Copyright Hub via the Digital Catapult. However, the amounts of money available are not sufficient to do more than encourage the attempts of micro-businesses to grow into an SME. The financial resources devoted to research in the university sector needs to be better aligned with these initiatives but this still leaves the key bold next step in growth to be resourced. Better alignment with European partners in allocating and securing funding for European companies might well be appropriate. An advisory panel – along the lines of the Technology Foresight programme run in the 1980s – which drew together private and public sector partners and which would have some influence on investment decisions might be worth consideration. The BFI welcomes the recent decision by the Secretary of State to set up a new national panel of innovation expertise.[[1]](#footnote-1) However, blue skies research should not be deprioritised in terms of the allocation of funding.

1. Does the UK’s Intellectual Property regulatory regime provide effective protection for the digital economy and sufficient scope for innovation and competition?

In the round, the level of protection of IP in the UK is sufficient. There is a difficult balance to be achieved in IP law between access and protection. The regulatory regime also needs to be complemented by initiatives such as Creative Content UK a partnership between the UK’s creative content community and internet service providers, supported by the UK Government. Creative Content UK will promote awareness and a wider appreciation of the value of creative content and the copyright which underpins it.

Of course, the competence for much legislation in the sphere of IP belongs to the European Commission, especially in the context of its evolving plans to complete the Digital Single Market. We believe that film is at the heart of the broader digital economy.  We see the transition to a digital world representing economic and cultural opportunity - we support the ambition for the increased circulation of European films to benefit audiences and content creators, stimulating innovation and economic growth, creating jobs, strengthening the European industry and enhancing cultural diversity for Europe’s audiences. The challenge is to have a copyright regime that strikes the right balance between broader access for audiences, the flexibility for European Member to implement copyright exceptions for cultural and educational purposes, and protection for content creators and rights holders. In particular, it is essential to protect territorial exclusivity which serves as the basis for financing independent films.

In short, the BFI sees the development of a stable and clear copyright framework that will support the creative, cultural and economic progress of the European film and audiovisual sector, and innovation within that sector, as essential to delivering on the ambitions for increasing the diversity of films which can be accessed by consumers and the sustainability and growth of our creative sector.

1. What actions could the Government take to foster the development of potentially disruptive technologies? Are further safeguards warranted to help existing businesses adapt to the impact of these technologies on their traditional business models?

See answer to Q.4.

1. What actions could the Government take to ensure the availability of a workforce with the skills to support businesses in the digital economy?

It is important that Government’s attempts to renew the curriculum should balance excellence in the traditional core subjects with an awareness (and provision of training for teachers) in subjects which are consistent with the massive changes in the working patterns and family lives of the population.

1. https://www.gov.uk/government/news/business-secretary-sharpens-the-uks-innovation-expertise-with-regional-research-and-development-audit [↑](#footnote-ref-1)