

House of Lords Select Committee on Communications
**Call for Evidence for Inquiry into the Government's Superfast
Broadband Strategy**

BFI response

March 2012

Introduction

1. The British Film Institute (BFI) is today the lead organisation for film in the UK. Founded in 1933, it has always been a champion of film culture in the UK but in its new wider role, it has the additional purpose of supporting and helping to develop the entire film sector. Its Royal Charter emphasises its responsibilities to develop the arts of film, television, and the moving image. Its new role as a Government arms-length body and distributor of Lottery funds, widens the BFI's strategic focus and increases its potential impact, both culturally and industrially.

The BFI welcomes the opportunity to respond to the House of Lords Select Committee on Communications' Call for Evidence in relation to its inquiry into the Government's superfast broadband strategy.

2. The Government's broadband strategy has important implications for the film industry in general, and for film culture and the BFI's public policy goals in particular. As with other content industries, the internet is transforming the ways in which films are delivered and consumed, both legally and illegally. As with other forms of content, there are both opportunities and threats.
3. The greatest opportunity comes from the growing availability of video-on-demand (VOD) services, which allow potentially limitless libraries of films to be offered to people wherever they live. Films and other forms of audiovisual content are being consumed in greater amounts on smart-phones and tablet devices. And as take-up of connected TVs grows, VOD services will migrate over time from PCs to TV sets, allowing families and friends to watch films together on large screens in their living rooms.
4. The BFI especially welcomes the access VOD services can potentially provide to contemporary and classic British and international films that have historically been difficult to see, especially for people who live a distance from their nearest independent cinemas (which are typically located in the main metropolitan areas). As well as allowing films themselves to be distributed, new digital services offer a wide range of information on films – such as film-related news and blogs, previews and clips, and reviews – enabling communities of fans to engage more deeply with the films that they love.
5. As DVD sales fall, it is important for film rights-holders to be able to develop new business models that generate sufficient income from the exploitation of films via online services. Alongside the difficulty in establishing viable business models, one of the biggest threats to the film industry comes from copyright theft and infringement, given the ease with which it is possible to make perfect digital copies of films and distribute them illegally around the world.
6. The Call for Evidence asks if superfast broadband will meet the needs of our “bandwidth hungry” nation. More than any other popular form of content, film is highly reliant on fast and reliable broadband services to enable online distribution, given the large data requirements: it is audiovisual in nature, feature-length films often run to more than two hours in duration, and consumer expectations of high picture and sound quality are typically higher than for other forms of audiovisual content (such as TV programmes). Our understanding is that minimum bandwidth requirements of 3Mb/s are needed to provide DVD-quality pictures. The

requirements for HD video are higher (in the region of 5-10Mb/s) and much higher still to match the quality of Blu-ray discs (50-100 Mb/s).

7. For these reasons, the rollout of superfast broadband in the UK will have a significant effect on the film sector. This brief submission responds to the issues raised by the Call for Evidence that are of greatest concern to the BFI. We would be pleased to provide further information to the Select Committee on any of the matters discussed, on request.

Responses to individual questions

Overall communications infrastructure

1. ***What communications infrastructure does the UK ultimately need to remain competitive and meet consumer demand over the next 20 years?***

The BFI believes that the UK needs a broadband infrastructure that is (a) universally available, and (b) sufficiently fast to provide the full range of digital media services that people will demand. We discuss these points in relation to other questions in greater detail below.

2. ***To what extent will the advent of superfast broadband affect the ways in which people view, listen to and use media content? Will the broadband networks have the capacity to meet demand for new media services such as interactive TV, HD TV and 3D content?***

For films, in particular, the availability and quality of superfast broadband services will have a significant impact on levels of consumption in the home. The success of DVDs relative to their predecessors, VHS cassettes, indicates how much consumers value superior picture and sound quality, and how this can drive levels of consumption. The growth in demand for large flat-screen HD TV sets in people's homes has led to the increased popularity of Blu-ray discs in recent years, offering even higher levels of quality, including the ability to offer films in 3D (this also requires special TV sets and glasses, although glasses-free 3D technologies are expected to come to market in the near future). Audiences increasingly want to watch feature films at home with the highest levels of picture and sound quality. New VOD services linked to connected TVs can potentially bring vast libraries of films to people's living rooms. But such services can only deliver HD-level (or higher) sound and vision with superfast broadband. Reliability of service is also very important. At peak times of day, delivered broadband speeds can be substantially less than advertised rates. This has a disproportionate impact on video streaming services. As with other utilities, fit-for-purpose broadband networks need sufficient capacity to be able to meet demand at all times of day.

More generally, superfast broadband opens up the potential for a broader range of consumer, business and educational services, particularly those that require two-way interactivity or which involve the use of moving images. One area of particular interest to the BFI, given its educational remit, is the potential for new services to be developed that facilitate learning in schools and in higher education.

Given the rapidly growing demands for bandwidth for audiovisual and other kinds of content that we can expect over the coming years – which will be exacerbated by the development of cloud-based services and by the proliferation of new kinds of internet-enabled devices – we

agree with the comment in the Call for Evidence that broadband speeds of 1Gb/s may be needed by 2020, if not sooner (see also para 4 below).

Digital divide

3. Several questions in the Call for Evidence relate to the digital divide, and regional variations in service. The BFI welcomes the focus on the digital divide in the Call for Evidence. A key public policy goal of the BFI is to ensure that audiences all over the UK have access to a rich diversity of films. As we noted in the introductory remarks, VOD services potentially have an invaluable role to play in making a rich and diverse range of films available to rural and remote populations. There is a risk that – if the digital divide is not adequately addressed – the same people who do not live close to independent cinemas or other cultural venues that offer films other than those programmed by the main multiplex chains will likewise be denied of access to VOD services that would expand the range and kinds of films available to them.

4. *Is a universal service obligation necessary to avoid widening the digital divide?*

We believe that the Government's commitment to ensuring universal access to standard (2 Mb/s) broadband represents only a modest start. As ever more audiovisual content is distributed online, and in particular as the demand for access to feature films grows, the BFI believes that such speeds will rapidly come to seem as outdated as dial-up internet access now is. We believe that the universal access provisions should be extended, over a sensible time frame, to superfast broadband, to ensure that feature films are not excluded from the types of content that are able to benefit from this new means of delivery.

We would welcome greater clarity in the definitions of broadband speeds, as different levels of what are loosely referred to as "superfast" broadband will have very different implications for the range of services that are feasible. Speeds of 1Gb/s (which the South Korean government aims to achieve in all homes by the end of this year) will enable a much richer range of services than speeds of 100Mb/s, for example. We would suggest that different tiers of "superfast" broadband should be clearly defined (e.g. 1-10 Mb/s, 10-100 Mb/s, etc), and that the government should set an ambitious but realistic series of targets to achieve universal access for each successive tier of broadband over the next decade.

5. *The Government have committed £530 million to help stimulate private investment – is this enough and is it being effectively applied to develop maximum social and economic benefit [in locations where the commercial investment case is weak]?*

While the BFI is not in a position to comment on the effectiveness of the deployment of the £530 million of public funds, we believe that sufficient funds should be made available to ensure that the universal service obligations can be met, given that it will not be commercially viable to serve the most remote parts of the UK.

Impact on creative industries

6. *How might superfast broadband change the relationship between providers and consumers in other sectors such as content?*

The BFI believes that superfast broadband can stimulate a series of positive changes in the film industry, to the benefits of audiences and the industry alike. On the supply side, as noted above, it becomes feasible to offer much wider selections of films than are typically offered in cinemas and video rental stores. This means that, where most multiplex cinema chains mostly show films from the major studios, there is far more potential for VOD services to make available films from a wider selection of producers and distributors. This can have positive benefits for UK plc, helping British filmmakers get their films to audiences. Of particular importance to the BFI is the ability for a wider range of current and archive British films to be made available to the public, including those in the BFI National Archive. On the demand side, audience tastes need no longer be constrained by the range of films on offer at their local multiplex. These changes can trigger a virtuous circle: by expanding audiences' horizons, it can stimulate demand for a more diverse range of films, making it easier for British filmmakers to raise funding for new projects.

7. *What impact will enhanced broadband provision have on the media and creative industries in the UK, not least in light of the increased danger of online piracy? What is the role of the Government in assuring internet security, and how should intellectual property (IP) best be protected, taking into account the benefits of openness and security?*

Our responses to previous questions have covered the impact of broadband provision on film, focusing primarily on ensuring the potential opportunities can be realised. Alongside this, online copyright theft and infringement is a major concern, as we noted in the introduction. As an organisation which invests public money in the production, distribution, exhibition and archiving of films, the BFI is keenly aware that copyright infringement and theft is damaging to the interests of citizens generally as well as to rights-holders and the creative community. It is crucial that rights holders are able to make their films available to audiences secure in the knowledge that there is a robust legal framework in place which is designed to significantly reduce copyright infringement and theft – both online and offline. In previous submissions, the BFI has welcomed the announcements by Government regarding the next steps for the implementation of the Digital Economy Act (DEA) in respect of measures to curb online copyright infringement, and we wish to see rapid implementation of the measures to significantly reduce online copyright infringement that are contained within the Act.

Conclusion

8. Film is the most “bandwidth hungry” of all kinds of content, and demand for films via new VOD services will play a significant role in setting overall levels of demand for bandwidth from UK consumers. The BFI believes that the Government’s superfast broadband policy should seek to ensure universal access across the UK, closing the digital divide over time. This will enable audiences across the country to access the rich heritage and diversity of films – and information about them – with an ease never previously available. Measures to combat online piracy should remain a priority for the Government, to enable legal services to develop and viable business models to emerge.