

<b>Title: Video Recordings Act exemptions</b>  <b>IA No: DCMS052</b>  <b>Lead department or agency:</b> Department for Culture, Media and Sport  <b>Other departments or agencies:</b> Department for Education	<b>Impact Assessment (IA)</b>		
	<b>Date:</b> 25/04/12		
	<b>Stage:</b> Consultation		
	<b>Source of intervention:</b> Domestic		
	<b>Type of measure:</b> Secondary Legislation		
<b>Contact for enquiries:</b> Eleanor Hodge, DCMS Tel: 0207 211 6429			

<b>Summary: Intervention and Options</b>	<b>RPC:</b>
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Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as One-Out?
-£3m	-£3m	£0.29m	Yes   IN

**What is the problem under consideration? Why is government intervention necessary?**

The Video Recordings Act governs the circumstances under which DVDs and other hard copy video works must be submitted to the British Board of Film Classification for classification (age rating). Under the Act some types of work are exempt from age rating unless they include adult-type matters like sex, gross violence or criminal behaviour. In response to concerns raised about music and sports videos in particular, Government is committed to launching a public consultation on the appropriateness of the current exemptions. A review of the exemption for music videos was a specific recommendation of the independent Bailey Review of the Commercialisation and Sexualisation of Children in 2011.

**What are the policy objectives and the intended effects?**

The broad policy aim is to ensure children are protected from exposure to inappropriate content in hard copy video works (DVDs, Blu-ray, VHS etc). The consultation will aim to help Government determine how best to ensure the UK has in place a classification system for all video works that is meaningful, effective and proportionate and provides the appropriate levels of child protection, including ensuring that parents and consumers have access to the information they need when making decisions about a product's suitability for their children.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

The policy options we propose for consideration in the consultation are:

- Leave the current exemptions in place and untouched
- Remove the existing exemptions for some or all of the currently specified categories
- Lower the existing thresholds for exemption so that more products are classified but those products likely to be suitable for viewing by younger audiences remain exempt
- Ask other parts of the video industry to adopt the self regulatory "parental advisory" labelling system for some or all categories of currently exempt works, modelled on the existing PAS system offered for music video by the British Phonographic Industry (BPI)

Government's preference at this point is to lower the threshold for exemption, However, the consultation seeks views and evidence on the full range of options to assist with arriving at the best possible solution.

<b>Will the policy be reviewed? It will be reviewed. If applicable, set review date: -</b>					
Does implementation go beyond minimum EU requirements?				N/A	
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		<b>Micro Yes</b>	<b>&lt; 20 Yes</b>	<b>Small Yes</b>	<b>Medium Yes</b>
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)				<b>Traded: N/A</b>	
				<b>Non-traded: N/A</b>	

***I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.***

Signed by the responsible Minister: 

Date: 24 April 2012

# Summary: Analysis & Evidence

# Policy Option 1

Description: Remove the current classification exemptions

Price Base Year 2012	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -	High: -	Best Estimate: -10

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low			
High			
Best Estimate	0	-1.36	-10

### Description and scale of key monetised costs by 'main affected groups'

Removing exemptions for music, sports, religious and educational/instructional titles would lead to costs for industry from BBFC classification charges. Total additional classification fees are estimated to be £1.36m per year, with a net present value of approximately £10m over ten years. Costs incurred by BBFC to undertake classifications are expected to be fully offset by the fees charged to industry.

### Other key non-monetised costs by 'main affected groups'

If removing exemptions leads to some previously unclassified products becoming age restricted then it is possible that this will affect sales of those products. The size of any such effect is highly uncertain and so cannot be robustly monetised.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low			
High			
Best Estimate	0	0	0

### Description and scale of key monetised benefits by 'main affected groups'

### Other key non-monetised benefits by 'main affected groups'

Removing exemptions would stop any ambiguity for both consumers and producers over whether products are within scope of the classification regime and would prevent the direct supply to children of products containing scenes where concerns have been raised about the suitability of their content.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
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The number of titles that are currently exempt and so would be brought within the classifications regime is based on data from BVA and BPI, but is not known with certainty. It is assumed that the number of titles affected stays constant going forward.

## BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 1.13	Benefits: 0	Net: 1.13	Yes	IN

# Summary: Analysis & Evidence

# Policy Option 2

Description: Lower the existing thresholds for classification exemption so that more products are classified but those products likely to be suitable for general audiences remain exempt

Price Base Year 2012	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -	High: -	Best Estimate: -3

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
	Low			
High				
Best Estimate		0	-0.34	-3

### Description and scale of key monetised costs by 'main affected groups'

Lowering the existing threshold for exemptions for music, sports, religious and educational/instructional titles would lead to costs for industry from BBFC classification charges. Total additional classification fees are estimated to be around £0.34m per year, with a net present value of approximately £3m over ten years. Costs incurred by BBFC to undertake classifications are expected to be fully offset by the fees charged to industry.

### Other key non-monetised costs by 'main affected groups'

If lowering the threshold for exemptions leads to some previously unclassified products becoming age restricted then it is possible that this will affect sales of those products. The size of any such effect is highly uncertain and so cannot be robustly monetised.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
	Low			
High				
Best Estimate		0	0	0

### Description and scale of key monetised benefits by 'main affected groups'

### Other key non-monetised benefits by 'main affected groups'

As with Option 1, lowering the existing threshold for exemptions would similarly prevent the direct supply of these products to children. It would also avoid the administrative burden of BBFC classification for products likely to be suitable for all audiences.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
<p>The number of titles that are currently exempt is based on data from BVA and BPI, but is not known with certainty. It is uncertain how many of these titles would be affected by lowering the threshold. It has been necessary to draw on evidence from the video games sector, but this is an imperfect comparator because of differences between the two markets.</p> <p>It is assumed that the number of titles affected stays constant going forward.</p>		

### BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0.29	Benefits: 0	Net: 0.29	Yes	IN

# Summary: Analysis & Evidence

# Policy Option 3

Description: Seek a self-regulatory "parental advisory" system for some or all categories of currently exempt works (modelled on the existing PAS system offered by the BPI)

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: -	High: -	Best Estimate: 0

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low			
High			
Best Estimate	0	0	0

Description and scale of key monetised costs by 'main affected groups'

### Other key non-monetised costs by 'main affected groups'

This option would result in voluntary costs for industry. It is likely the burden would fall on DVD/Blu-ray producers who would need to review their products' content and apply labels where appropriate though an industry organisation may also incur costs associated with developing guidelines, making official label designs available and communicating about the scheme.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low			
High			
Best Estimate	0	0	0

Description and scale of key monetised benefits by 'main affected groups'

### Other key non-monetised benefits by 'main affected groups'

A self-regulatory system would provide consumers with information on the suitability of content while avoiding non-voluntary costs for industry or the BBFC.

Key assumptions/sensitivities/risks

Discount rate (%)

The possible costs to industry are highly uncertain. It is a possibility that industry would not be willing to adopt a self-regulatory system if the costs proved to be too high.

## BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: N/A	Benefits: N/A	Net: N/A	No	N/A

## Evidence Base (for summary sheets)

### A. PROBLEM UNDER CONSIDERATION

The UK's Video Recordings Act 1984 governs the supply of DVD, Blu-ray discs and some other hard copy video works in the UK. Under the Act, certain video works must be referred to the British Board of Film Classification (BBFC) which reviews the content and awards classifications based on age-suitability (eg 'U', 'PG', '12', '15', '18' or 'R18'). If a video work is awarded a BBFC age rating, the video work and its packaging must carry the appropriate BBFC labelling in order to be supplied (ie. sold or rented) in the UK. Anyone convicted of supplying a BBFC-rated video work to someone not meeting the age requirement faces a fine or jail term.

The Act however currently offers exemption from classification for certain categories of video work provided they do not feature to a significant extent content which includes matter like sex, gross violence or criminal behaviour. The exemption applies to video works that are concerned with:

- music
- sport
- religion
- education or instruction (which is generally interpreted to include documentaries)

The Video Recordings Act also covers video games. Following the Byron Review and subsequent consultation, Government is already in the process of making changes to the Act to bring into force a new regulatory regime for video games. When fully implemented any video games that are suitable for viewing by persons aged 12 and above will be rated by the PEGI system via the Video Standards Council (which is being designated the Video Games Rating Authority).

The current exemptions for specific filmed content have been in place and unchanged since the Video Recordings Act was first passed back in 1984 giving rise to the question of whether they remain justifiable following the market, product and cultural changes seen in the intervening period. Particular concerns have been expressed about the impact on young people of music videos, most recently in the independent Bailey Review of the Commercialisation and Sexualisation of Childhood in 2011 which recommended that an urgent public review be carried out on whether allowing some music videos to be placed on sale without an age rating or certificate is appropriate.

The BBFC does not have data breaking down the specific number of music, sports, religious or educational video works that currently are being age rated each year where they have lost their classification exemption due to content depicting gross violence or human sexual activity. However, analysis by the British Video Association (BVA) and data services company West 10 of products sold through mainstream retail suggests that relatively few DVD and Blu-ray discs in these categories are currently classified. For music video specifically, the music producers trade body the BPI agrees that the number of products currently being classified is likely to be negligible. A look at the DVD top seller charts for 2011 would support this : of the top 10 music DVDs all would be exempt. Three works in fact carried BBFC 'PG', 'U' and '12' ratings but these were films (Justin Bieber, Never Say Never, Michael Jackson This is It and George Harrison Living in the Material World) which we assume had been classified originally for a cinema release.

A similar story appears with sports and religious/educational videos. We know for example that all products in the Sports top 10 best seller charts in 2011 claimed exemption.

### B: RATIONALE FOR INTERVENTION

In carrying out the public consultation on the Video Recordings Act exemptions the primary concern will be to determine whether these exemptions - or a different approach - offer the best framework in terms of :

- Protecting children from exposure to inappropriate content

- Promoting consumer confidence, ensuring they are able to make informed decisions about video purchases and their suitability, particularly when they are acquiring products that may be watched by children
- Compliance for product producers and retailers

The Government's preferred position at this point is to lower the exemptions thresholds in the Video Recordings Act via secondary legislation so that more products are classified. However, the consultation seeks views and evidence on the full range of possible options, to assist with arriving at the best possible solution to meeting the policy aims.

## C: OPTIONS CONSIDERED

The consultation discusses 4 potential options as follows:

- **Do nothing:** keep the existing classification exemptions for music, sports, educational/instructional and religious video works exactly as they are
- **Remove the exemptions** so that in future music, sport, educational and religious video works must be subject to statutory classification by the BBFC. This option would require primary legislation.
- **Lower the existing statutory thresholds for exemption for music, sport and educational and religious videos** so that more such products are classified by the BBFC but those likely to be suitable for viewing by younger audiences remain exempt. This would require secondary legislation
- **Ask other parts of the video industry to introduce a self-regulatory 'parental advisory'** labelling system for currently exempt products, similar to the PAS scheme put in place by the BPI for audio works and recently introduced on a voluntary basis for music videos available online

As Government has only recently publicly consulted on the age rating provisions for video games in the Video Recordings Act and subsequently is in the process of bringing into force a new regulatory regime for these products, we are not actively seeking views on the exemption in place for video games suitable for the under-12s. However the consultation allows respondents to offer views and evidence on any possible options as they wish.

## D: COSTS AND BENEFITS

### Size of the video industry

In its well-established annual Yearbook the British Video Association (BVA) publishes detailed data from database services company, West10, showing video works sales made through mainstream retail in the UK. This is the best available data and thus we use it for the basis of this impact assessment. However, we are mindful that it is unlikely to represent 100% of the UK market and some DVD and Blu-ray disc releases and sales in the UK may currently simply be unidentified. These for example might relate to small or micro-businesses which could be dealing in speciality genres, and imports for niche or culturally-specific consumer demand in the UK.

**The BVA's assessment of the entertainment video market in 2011 is :**

By Volume			By Value		
		million			million
Physical Retail	207.2	56.2%	Physical Retail	£ 1,749.1	75.8%
Physical Rental	96.1	26.1%	Physical Rental	£ 274.4	11.9%
Digital Retail	14.2	3.8%	Digital Retail	£ 96.0	4.2%
Digital Rental	51.5	13.9%	Digital Rental	£ 88.9	8.2%
Total volume	369.0		Total value	£2,308.5	

Source: BVA/West 10

The BVA's analysis for 2011 shows that 12.4% of the value of the market related to the sale or rental of video works via digital download and this percentage is growing year on year. However, this section of

the market is out of scope of the consultation as the Video Recordings Act applies only to hard copy recordings.

The BVA estimates that a total of 7999 DVD and Blu-ray discs titles were released for distribution through mainstream retail in the UK in 2011. The genre breakdown in terms of sales and number of releases is below.

#### Unit sales (of DVDs and Blu-ray discs) across all genres in 2011 by value

Film	TV	Music	Sport	Children's	Special interest	Total
£132,972,437	£29,069,736	£4,079,206	£2,822,029	£32,002,402	£6,276,852	£207,222,662
64% of total value	14% of value	2% of total value	1.5% of total value	15.5% of total value	3% of total value	

Source: BVA/West10

#### Number of DVDs and Blu-ray disc releases in 2011

	Film	TV	Music	Sports	Childrens	Special interest <sup>1</sup>	Total
	3,460	912	1,300	571	695	1061	7,999

Source: BVA/West 10

BPI specific research on the music market offers an estimate of 1481 music videos released in physical copy in the UK in 2011. For this impact assessment we are using the BVA figure for music videos, simply for consistency across the piece and to minimise any potential for double-counting.

Of the 1,300 music-themed DVD and Blu-ray disc releases identified by BVA/West 10 in 2011, they believe **1,269** claimed exemption under the current regime.

Of the 571 sports-themed DVD and Blu-ray disc releases, BVA/West 10 believe **483** claimed exemption.

Religious and educational/instructional (including documentary) releases are found mostly in BVA/West 10's "specialist interest" category though a small number are also found in "children's", "film" and "television" as follows:

Religious/educational DVD and Blu-ray disc releases in 2011 <sup>2</sup>							
	Film	TV	Music	Sports	Childrens	Special interest	Total
<b>Religious and educational titles</b>	192	26	-	-	91	984	1,293

Source: BVA/West10

From this we can see that 1,293 religious and educational (including documentary) titles were released in 2011 according to BVA/West 10's analysis. Of these they believe **1,112** were exempt from classification.

Any changes to the current exemptions will impact primarily on video publishers, mostly in terms of the costs of classification though there will also be costs of package labelling and possible impact on sales of new age restrictions. Industry suggests also that should changes be made that introduce statutory age ratings to some products for the first time, individual producers could decide not to put some specific

<sup>1</sup> The BVA's "special interest" figures covers Live Comedy releases and other releases not counted in other categories. It therefore includes a wide range of educational/instructional (including documentary) and religious products

<sup>2</sup> Does not include music tuition DVDs/Blu-rays discs which are already counted in the "music" category

products on the UK market i.e. they will either not publish them at all or offer them only online. This is a possibility though industry cannot currently estimate how many products might be affected or the size of potential revenue losses.

### **BBFC charges for classification**

For each submission the BBFC charges a £75 administration fee plus £6 per minute of content. The BBFC advised that the average duration of hard copy video works submitted to them for classification in 2011 was 66.4 minutes. Thus an estimate for the average costs to producers of submitting a work for classification is: £473.40.

### **Costs of option 0 : Keep current exemptions**

Keeping the current exemptions will not introduce any new costs or benefits. The large majority of music, sports, religious and educational/instructional videos would continue to be exempt from classification.

### **Costs of option 1 : Remove the exemptions**

Focussing on the main exempt category – music<sup>3</sup> - and assuming that the number of exempt titles in 2011 is a reasonable model on which to forecast, the additional fees for industry would be:

$$1269 \times £473.40 = £600,745$$

Making a similar assumption for sports titles and using BVA figures on the number of releases that claimed exemption in 2011:

$$483 \times £473.40 = £228,652$$

Similarly, the additional fees for religious and educational titles would be:

$$1,112 \times £473.40 = £526,421$$

Total additional classification fees would therefore be in the region of £1.36 million per year. Over ten years the cost of option 1 has a net present value of approximately £10 million.

This option considers the costs of removing the exemptions for all of the categories in question. It would also be possible to remove the exemptions for only individual categories of videos, rather than all of those discussed. In which case the costs would be those only for whichever category is chosen.

We should note, also, as mentioned earlier that the figures made available by the BVA and BPI used here, whilst extremely helpful, are unlikely to include 100% of the products placed on the UK market.

Under the new regulatory regime Government is in the process of implementing for video games, it is possible there are games that would be expected to be rated 12 by PEGI but in fact could still be able to claim exemption because they are primarily about music, sports, religion or education. Publishers would lose the potential to claim such an exemption under Option 1 discussed in the consultation. However, on currently available data it is impossible to estimate how many video games products could possibly be relevant here, if any. Also it's worth noting that, in practice, publishers of boxed video games voluntarily refer all of their products for PEGI classification (retailers generally will not carry boxed video games that have not been PEGI rated) so may not claim the exemption even where it is available.

The consultation document will include a question that specifically seeks market intelligence on this possible scenario.

### **Costs of option 2 : Lower the existing statutory thresholds for exemption**

There are other possibilities but a model we offer as an indication in the consultation is the new threshold that has been set for the new regulatory regime Government is implementing for video games. Here legislative changes in section 2 (2) of the Video Recordings Act mean that products depicting, for

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<sup>3</sup> Music videos released on DVD or BluRay are typically of concerts or compilations, not individual songs. Hence it is reasonable to apply the average video length of 66.4 minutes to music videos.



example, swearing, words or images intended to convey a sexual message or activities involving drug abuse will in future have to be classified but products suitable for younger audiences will continue to be exempt. In effect it will mean that video games rated 12 and above are within scope of the Video Recordings Act and anything below is exempt from classification.

For video games, an estimated 23% of games released are rated suitable for 12 years by PEGI and thus will be brought into the statutory classification regime for the first time. However, 54 % of products (those rated PEGI 3 and 7) would remain exempt from statutory classification<sup>4</sup>.

It is not possible to say with any certainty at this stage what proportion of video works would be brought within classification thresholds as a result of this option as insufficient data is available. The percentage of games brought into the statutory classification regime for the first time can be used to give an indication of the possible costs. However, this is not an ideal proxy as the products and markets are possibly very different (for example a far higher proportion of video games were already classified than is currently the case for the video genres in question for this policy). If the impact on video games was applied across music, sports and special interest video works it would imply the following costs:

Music : 299 (23% of 1,300) X £473.40 = £141, 547

Sports : 131 (23% of 571) X £473.40 = £62,015

Special interest : 297 (23% of 1,293 ) x £473.40 = £140,600

Total additional classification fees would therefore be in the region of £0.34 million per year. Over ten years the cost of option 2 has a net present value of approximately £3 million.

Once again, this option considers the costs for all of the categories in question. It would also be possible to lower the thresholds for exemptions for only individual categories of videos or types of content, rather than all of those discussed. In which case the costs would be those only for whichever category of video or type of content is chosen.

The same caveats about the figures apply as for Option 1, particularly with respect of the special interest category, which we suspect includes other works in addition to the educational and religious titles under consideration for this consultation.

Again, as with option 1, it is possible that video games suitable for 12 year olds but primarily about music, sports, religion or education could lose an ability to claim exemption from classification with this option. However, as noted earlier there is no data available on how many products, if any, could be relevant.

### **Costs of option 3 : Seek a self-regulatory “parental advisory” system for some or all categories of currently exempt works**

An estimation of costs of additional parental advisory schemes is not possible on currently available data.

It is likely the burden would fall on DVD producers who would need to review their products' content and apply labels where appropriate though an industry organisation would presumably also incur costs associated with developing guidelines, making official label designs available and communicating about the scheme. However, it is possible costs could vary considerably depending on the approach that industry decided to take.

A self-regulatory system would be voluntary. For industry to elect to opt into the system, their costs would therefore at least be equalled by their expectations of their benefits. If this is not the case then it is likely industry would not opt in and hence the self-regulatory system would not be effective.

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<sup>4</sup> Figures on classifications based on Video Standard Council's analysis of the 2206 games submitted for PEGI age rating in 2011

## **Other costs :**

Options 1 – 3 would imply the need to change the way in which products are labelled for the UK market. This may suggest additional costs should any producers find for the first time they are unable to have one packaging design they can use across the whole of Region 2 (i.e. the European territory).

Whilst DVD/Blu-ray publishers would be the group most affected by any changes to the Video Recordings Act exemptions, others impacted might include:

**Retailers:** mainstream retailers are already fully configured to deal with age-restricted products. Sales assistants will need to learn any changes to the current exemptions but this may be absorbed as part of existing ongoing training requirement (typically staff are required by their employers to undergo training and reassessment every 3 months as a minimum). If exemptions are removed and age restrictions to some previously-unclassified works, it seems reasonable to assume that some retailers could see an impact on sales. However, the scale of any such effect is uncertain and cannot be quantified at this stage.

**Classification bodies:** the BBFC already classifies video works as defined in the Video Recordings Act. This includes all feature films and tv programmes released in physical form and also those music, sports, educational/instructional and religious video works that have lost their exemption because they depict to a significant extent gross violence, human sexual content or scenes likely to show techniques useful in committing a crime. Options 1, 2, and 3 under consideration in the consultation would potentially impact on the BBFC in terms of their remit and their classification caseload. The BBFC is a not-for-profit organisation and the options would be cost neutral - resources needed to deal with the larger number of submissions that the organisation received would be wholly covered by the classification fees charged.

## **Implications for enforcement**

The consultation looks at possible amendments to existing regulation. Enforcement of the Video Recordings Act and the Video Recordings Labelling Regulations is by Trading Standards Officers who carry out checks on sales of age-restricted products to ensure that DVDs/Blu-ray offered for sale are appropriately classified and labelled. It is unlikely that the proposed options would have a significant impact on these enforcement costs. However any changes made to the Video Recordings Act exemptions would imply, for example, training needs for Trading Standards Officers in order for them to learn the new arrangements.

## **E: RISKS AND ASSUMPTIONS**

The number of titles in each genre is not known with complete certainty. As discussed, the data for the number of videos from BPI and BVA may not include all products on the UK market. The number of titles that would no longer have exemption from lowering the threshold is uncertain. It has been necessary to draw on evidence from the video games sector, but this is an imperfect comparator as the markets are not the same.

For net present value calculations the number of titles affected is assumed to remain constant over time. However, in reality there is likely to be some fluctuation in individual years. The number of titles affected is increasingly uncertain in later years. Whilst there has been no obvious trend in unit sales in recent years, it is possible that the number of titles affected may fall going forward as consumers move to more digital rather than boxed purchases, especially in the longer-term. Policy implementation is assumed to be in 2013.

Further information on the number of titles affected by the proposed options is being sought through the consultation process.

## **F: WIDER IMPACTS**

### **Benefits**

Options 1 – 3 would result in more products carrying advice for consumers about the suitability of the content for children.

Option 1 would remove any ambiguity for both consumers and producers over whether products are within scope of the classification regime and would prevent the direct supply to children of products containing scenes where concerns have been raised about the suitability of their content.

Option 2 would similarly prevent the direct supply of these products to children whilst avoiding the administrative burden of BBFC classification for products likely to be suitable for all audiences.

### **Competition Assessment and Small Firms Impact Test**

None of the options are expected to have a substantive impact on competition. However, if some small firms specialise in production of music, sport, religious or educational titles then these firms will incur BBFC classification fees as outlined above.

### **Micro Organisations**

Micro organisations are within scope as any video works classification requirements are designed to provide protection for consumers, and particularly children, so exempting any organisations could potentially undermine this protection. On the limited data currently available we have been unable to assess the extent to which any micro-businesses might be affected by options discussed. However, questions in the consultation document have been included specifically to seek new data to allow a robust analysis of any micro-business impacts.

### **Direct costs and benefits to business calculations (following OIOO methodology)**

Options 1 and 2 both remove exemptions from classification for titles in the music, sports, religious and educational genres. Under option 1 all titles in these genres will be subject to classification. Under option 2 only those that are affected by the lowered threshold will be subject to classification.

Under the 'One-In, One-Out' methodology Option 1 is an 'IN' with an Effective Annual Net Cost to Business (EANCB) of £1.13m. Option 2 is also an 'IN' but with a lower EANCB of £0.29m.

Option 3 operates on a voluntary basis rather than introducing new regulation. Therefore it is out of scope of One-In, One-Out methodology.

### **Statutory Equality Impact Tests**

We have also considered the potential effects of these proposals on protected groups under the Equality Act 2010. Again, after initial screening it has been deemed that no significant impact is anticipated in any case.

### **Other specific impact tests**

Other specific impact tests have been considered including Legal Aid, Sustainable Development, Carbon Assessment, Other Environment, and Rural Proofing. After initial screening it has been deemed that no significant impact is anticipated in any case.

## **G: IMPLEMENTATION PLAN**

It is planned that the public consultation on Video Recordings Act exemptions will be launched in Spring 2012, run jointly with a consultation on the future regulation of cinema advertising. The two topics have some read across in terms of policy aims and have several stakeholders in common. The consultation will be open for 12 weeks and it would be expected that Government will announce its response in Autumn 2012. If Government decides that the removal of the exemptions in the Video Recordings Act are merited, primary legislation will be required. Lowering the threshold for exemption could be dealt with through secondary legislation.