



**STATEMENT OF MICHAEL P. O'LEARY,
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ON BEHALF OF
THE MOTION PICTURE ASSOCIATION OF AMERICA, INC.**

**BEFORE THE HOUSE ENERGY AND COMMERCE
SUBCOMMITTEE ON COMMUNICATIONS AND
TECHNOLOGY**

"THE FUTURE OF VIDEO"

**RAYBURN HOUSE OFFICE BUILDING, ROOM 2123
WASHINGTON, D.C.**

**WEDNESDAY, JUNE 27, 2012
10 A.M.**

The Film and Television Industry

Chairman Walden, Ranking Member Eshoo and members of the subcommittee I want to thank the Committee for the opportunity to testify on behalf of the Motion Picture Association of America, Inc.¹ and its member companies. As the primary voice and advocate for the American motion picture, home video and television industries in the U.S. and around the world, we are committed to providing audiences with a wealth of delivery options to experience the high quality entertainment that our companies produce. Whether you are at the theater, at home, on the road, or choose to download and view when you want, content creators, consumer electronics companies, and content distributors are working together to provide these new, innovative options for audiences to easily access licensed content. We welcome this opportunity to testify and work with the subcommittee as you consider appropriate policies. We hope you will recognize that as wondrous as these new forms of distribution are, they still need high quality content to deliver.

Enhanced Offerings to Our Audience

We have listened to consumers, we are attuned to their desires, and are at the forefront of developing innovative ways to meet and anticipate those desires. For some, there is not, and may never be, a better way to truly appreciate the magic of movies than in the theater setting. Creating wonderful movies that people can watch in movie theaters is an important part of America's rich history, but is equally part of the present and the future of video. In addition to utilizing cutting-edge and sophisticated visual and special effects in our productions, our companies have embraced 3-D, IMAX, and brilliant sound that has enhanced and even transformed the movie theater experience.

However, our member companies are not just about making movies for the big screen. We know that our audience enjoys watching our movies and television shows on every type of screen, from the television set in your living room, to your computer, iPad, Kindle, other tablet, or smartphone. We are partnering with companies of every stripe across the globe, including YouTube, Facebook, Netflix, Vudu, Roku – and soon, no doubt with some new platform being conceived by an unknown start-up company. All of these exciting innovations in distribution benefit both the audience who receive a high-quality viewing experience, and the creators who are able to monetize their enormous investment and success, and have the resources to reinvest in those dollars into creating even more high-quality programming.

Viewers Choose Screen Size

For many people, watching great entertainment on their television with their family is a cherished part of the day. And today, our programs are being delivered to television screens by over-the-air digital broadcasts and through an astonishing range of channel choices enabled by our distribution partners in the cable and satellite business. Viewers are able to watch these programs at the time of original airing, or at a time of their choosing, either through DVR, or through the increasing array of video on demand options.

But a viewer's options do not end there. In addition, with the advent of interactive televisions, Blu-ray players, Roku boxes, Microsoft's X-box 360, Sony's Playstation, Nintendo's Wii, and Apple TV, viewers can watch HD movies and TV shows streamed across the Internet into their home through services like Netflix, VUDU, Hulu, HBO GO, or other services too numerous to be listed. And as

Internet-enabled televisions continue to gain in popularity, the variety of options will expand even more.

More and more, people want the option to view programs not only at the theater or on TV, but also on their computers, tablets, and mobile phones. And we are responding to this call. Almost all the great ways you can watch your favorites programs on television are also available on-line or through your mobile phone. Hulu has been a great success, allowing people to use the Internet to catch up on their favorite TV shows or to explore new ones. YouTube and Facebook have entered into arrangements to distribute some of our companies' titles and Netflix is, for the first time, providing its customers with original content with shows like "Arrested Development". HBO GO is just one of the many services that allow cable and satellite subscribers to access the same content that they could on television and sometimes even more.

And in our enthusiasm over the distribution mechanisms, let's not forget Blu-ray disc, and the DVD, which much of our audience still consider the most enjoyable and convenient way to experience entertainment.

Our Audience Wants High Quality Content Online

It's amazing to think that in only a few short years the picture quality of online video has come to match traditional video distribution mechanisms. More than 350 unique licensed online services around the world now provide high-quality, on demand film and television shows online to viewers, including more than 60 such services in the United States. These services cater to every manner of consumer viewing model including rental viewing, download-to-own, subscription viewing, and ad-supported viewing. They are provided by every conceivable type of commercial entity, including technology companies like Apple's i-Tunes; broadcast television networks like ABC, CBS, Fox and NBC; cable networks like Comedy Central, TBS and USA; pay television channels like HBO and Epix; telecommunications/cable/satellite providers like AT&T, Dish and Comcast; retailers and "rentailers" like Amazon, Best Buy, Blockbuster, Netflix, and Walmart (Vudu); gaming systems like PlayStation and Xbox; and new ventures devoted entirely to delivering great content seamlessly like Crackle, Hulu and MUBI.

Our Audience Wants Content Available on Their Mobile Devices

All of the major motion picture studios distribute full-length films and television shows directly to viewers' mobile devices through the major mobile operators. AT&T's MobileTV service contains full length episodes of hit television shows; television channels; and PIX, a film service for mobile phones launched by Sony. Sprint TV includes television channels and on demand television shows and movies from studios including Disney (Watch Disney Channel, Watch Disney XD, and Watch ESPN apps), Paramount, Sony, and Warner Bros. Verizon offers V Cast Mobile TV with channels and on demand full episodes of hit shows. Other wireless networks have similar licensed offerings. Apart from streaming to mobile devices, studios have made content available to load onto those devices through media such as SD flash memory cards, like those used in digital camera card.

Offering Portability and Flexibility to Our Viewers

More of our audiences want the convenience to access the content they purchased on a variety of devices without having to buy the same thing twice. And we're delivering. This began a few years ago, as our companies started to include with many DVD and Blu-ray disc titles a transferable or downloadable digital copy for viewers to use on computers or portable devices. Now there are a variety of ways to "buy once, and play everywhere". The Digital Entertainment Content Ecosystem (DECE) consortium of more than 60 studios, retail stores and technology firms has created "UltraViolet," a digital storage locker for your content. It works like this. When a consumer purchases UltraViolet media – such as a Blu-ray, DVD or Internet download – the viewer also receives the enduring right to access the content on any UltraViolet device registered to their household, and to enjoy the content via streaming through devices at home or on the go.

The first UltraViolet content rolled out late last year, through services like Walmart's Vudu, Flixster, and studio offerings. Presently, over 5,000 titles are available through UltraViolet and over three million consumers have set up accounts. This past spring, Walmart began offering the ability to convert current DVD and Blu-ray collections to digital UltraViolet copies that can both download and stream. Walmart estimates that the average user of this service is bringing about seven discs to the store and each conversion takes about a minute. Other [s] complementary digital initiatives are also being developed, such as Disney Studio All Access, which will provide viewers with easy access to Disney content across multiple digital video services and devices.

A Unique American Manufacturer

The U.S. motion picture and television industry is a creative community of many thousands of creators and makers, one that serves as a global cultural ambassador and one that plays a unique role in the American economy. Our members:

- Provide high-paying jobs to workers in all 50 states;
- Fuel small business growth, injecting capital into local, state, and national revenue pools and consistently generating a positive balance of trade;
- Help provide jobs for 2.2 million American workers who depend on the entertainment industry for their jobs, 12 percent of whom are directly employed in motion picture and television production and distribution – from behind-the-scenes production technicians to make-up artists and set-builders – across all 50 states;
- Provide quality jobs paying an average salary of nearly \$79,000, 73 percent higher than the average salary nationwide;
- Support a nationwide network of nearly 95,000 small businesses—83 percent of whom employ fewer than 10 people—involved in the production and distribution of movies and television.
- Generate more than \$15 billion in public revenue nationwide; and
- Return a positive balance of trade, making us critical to the U.S. export economy.

Over the last year our studios have filmed in Tennessee, Georgia, Illinois, Texas, New York, California, Michigan, Louisiana, Ohio and Massachusetts. Today there are ongoing productions in most of those states but we are also in Florida, Oregon and recently wrapped a film in Pennsylvania. “The Lone Ranger” is currently on location in Colorado and moves onto Utah next week. On average, a major motion picture shooting on location contributes \$225,000 every single day to the local economy, impacting the hundreds of thousands of other businesses that provide services to productions, like the local drycleaner that served the cast and crew on location or the local hardware store that supplied paint and lumber.

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Audiences haven’t been shy about their desire for seamless access to their favorite movies and television shows, at the time and on the device or platform that works best for them. We are relentlessly innovating to keep meeting that demand, and the choices available to audiences keep getting better. Our creative community – the studios and many thousands of creators and makers who create and make great

movies and television shows – is committed to continuing that innovation. As noted in this testimony, we welcome and embrace the plethora of new forms of distribution, because they provide us new ways of offering our content to our audience in the manner they want to view our product. As this committee considers the appropriate policies for the future of video, we hope that it will recognize that as wondrous as these new forms of distribution are, they still need content to deliver. A video streaming site, a satellite television company, a broadcaster – they are all great technologies, but virtually meaningless to consumers if they don't have content to distribute. As the creators of that content, we are the entities that are taking financial risks in investing in product with no guarantee it will be profitable. As the party that takes the financial risk, we are entitled to control the distribution of our product. Make no mistake – we will always have an incentive to seek out new ways for our content to be distributed, but we must be allowed to be compensated for it and we must be allowed to make decisions about the proper context for its distribution. Mr. Chairman, Ranking Member Eshoo, again I thank you and this Committee on behalf of our member companies for the opportunity to testify today.

¹ The Motion Picture Association of America and its international counterpart, the Motion Picture Association (MPA) serve as the voice and advocate of the American motion picture, home video and television industries, domestically through the MPAA and internationally through the MPA. MPAA members are Paramount Pictures Corporation, Sony Pictures Entertainment Inc., Twentieth Century Fox Film Corporation, Universal City Studios LLC, Walt Disney Studios Motion Pictures, and Warner Bros. Entertainment Inc.