TRANSFORMATIONS AND OPPORTUNITIES IN THE AUDIOVISUAL SECTOR

Press Conference

26 September 2017

SACD

Agenda

1 Transformations in the audiovisual sector: new trends

- A The changing ecosystem
- B Creation is innovating

2 Profound inequalities in the funding of creation

- A The non-contribution of new market entrants…
- B … vs traditional broadcasters

3 A new deal to promote creation and better protect authors

- A Redefining the rules of the audiovisual landscape
- B Protecting authors

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I- Transformations in the audiovisual sector: new trends

A- The changing ecosystem
B- Creation is innovating

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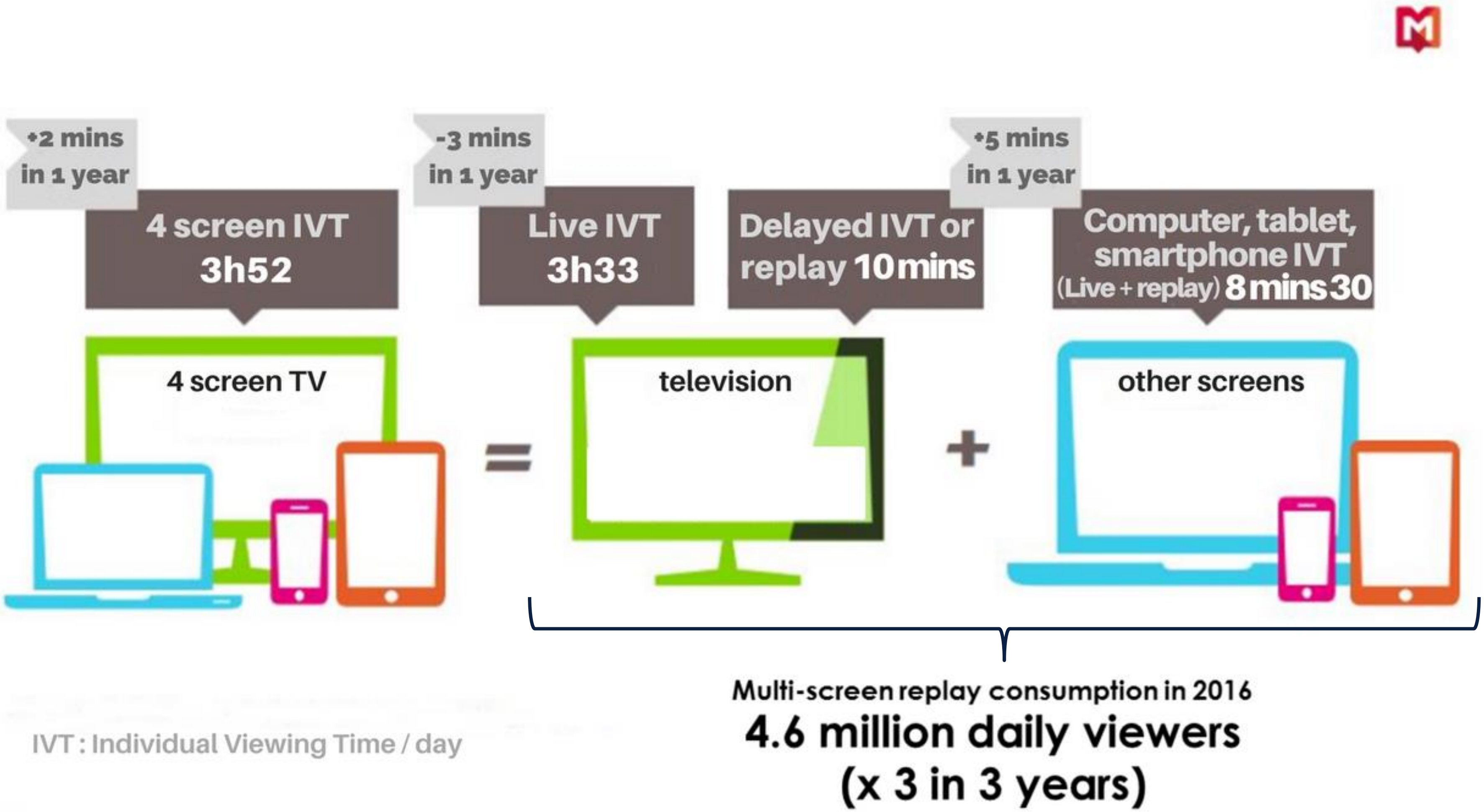
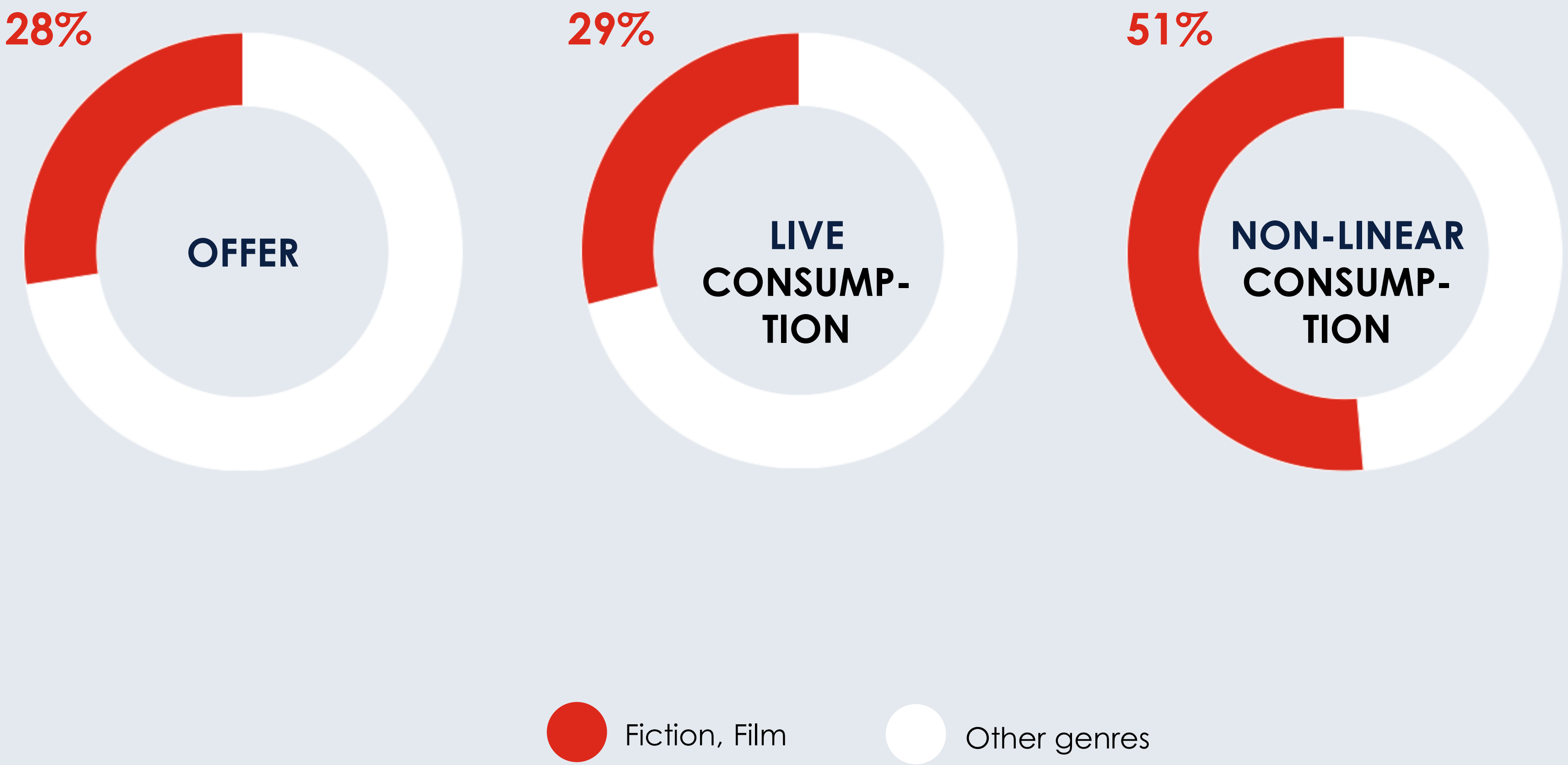
The progression of non-linear viewing and screen-based media



Source: Mediametrie 2016

Time-delayed consumption driven by fiction and film

Offer and consumption of fictional programmes and films



Source: SNPTV / Médiamétrie

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The growth of GAFAN in figures

NETFLIX	facebook		amazon	YouTube
Revenues: $8.8 billion	Revenues: $28 billion	Revenues: $216 billion	Revenues: $136 billion	> $4 billion
>190 countries	No. 1 social network in 129 countries	>115 countries	>200 countries	> 75 countries
+100 million subscribers worldwide	2 billion monthly users	27 million Apple Music subscribers	80 million Prime subscribers in the USA	1.5 billion monthly users
1.4 million subscribers in France	33 million monthly users in France	NC	23 million unique visitors in France	24 million monthly users

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Entering the circle of creators

Watch on Facebook

Up to **$3 million per episode**

$1 billion invested **in 2018** in the creation of films and **original** series

Creation of **40 original programmes**

$7 billion invested **in 2018** in **original** content

$10 million per episode for the David O. Russell series

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The animation market hasn't been left behind…

INTERNATIONAL

NORTH AMERICA

EUROPE

MyKidio

Kividoo

ASIA

Oksusu

YOU Kids

LATIN AMERICA

NLziet

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… And a few less-than-expected players: social networks, telecommunications and brands

Agreement with Time Warner: $100 million to produce original content and for advertising

Alliance with Bloomberg

'Sling TV' online TV offer

6.3 million followers on YouTube

Launch of 'Entertain TV Serien' with exclusive series

Service broadcasting multi-ethnic content

And in France?

Creation of original series

CANAL PLAY

STUDIO+ PREMIUM MOBILE SERIES

blackpills

Short format

OCS

Launch of a new film-series channel

altice STUDIO
La nouvelle chaîne ciné-séries

Innovative platforms

arte 360 VR

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I- Transformations in the audiovisual sector: new trends

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French fiction is making waves

Funding for fiction	Volume of fiction produced	French fiction vs US fiction	Number of French fictions among top 100 fiction audience figures
€779 million	897 hours	51%	82
+22%	+21%	+2 points	+39%

Source: CNC publications – 'La production audiovisuelle aidée en 2016', 'La diffusion de la fiction à la télévision en 2016',
CNC 2016 reports

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Main genres sold overseas in 2016: Fiction and Animation

No. 1 ANIMATION

Sales

€75.0 million

+48%

Advance sales

€31.3 million

+74%

No. 2 FICTION

Sales

€49.8 million

+21%

Advance sales

€25.6 million

+127%

Source: CNC / TVFI – 'L'exportation des programmes audiovisuels français en 2016'

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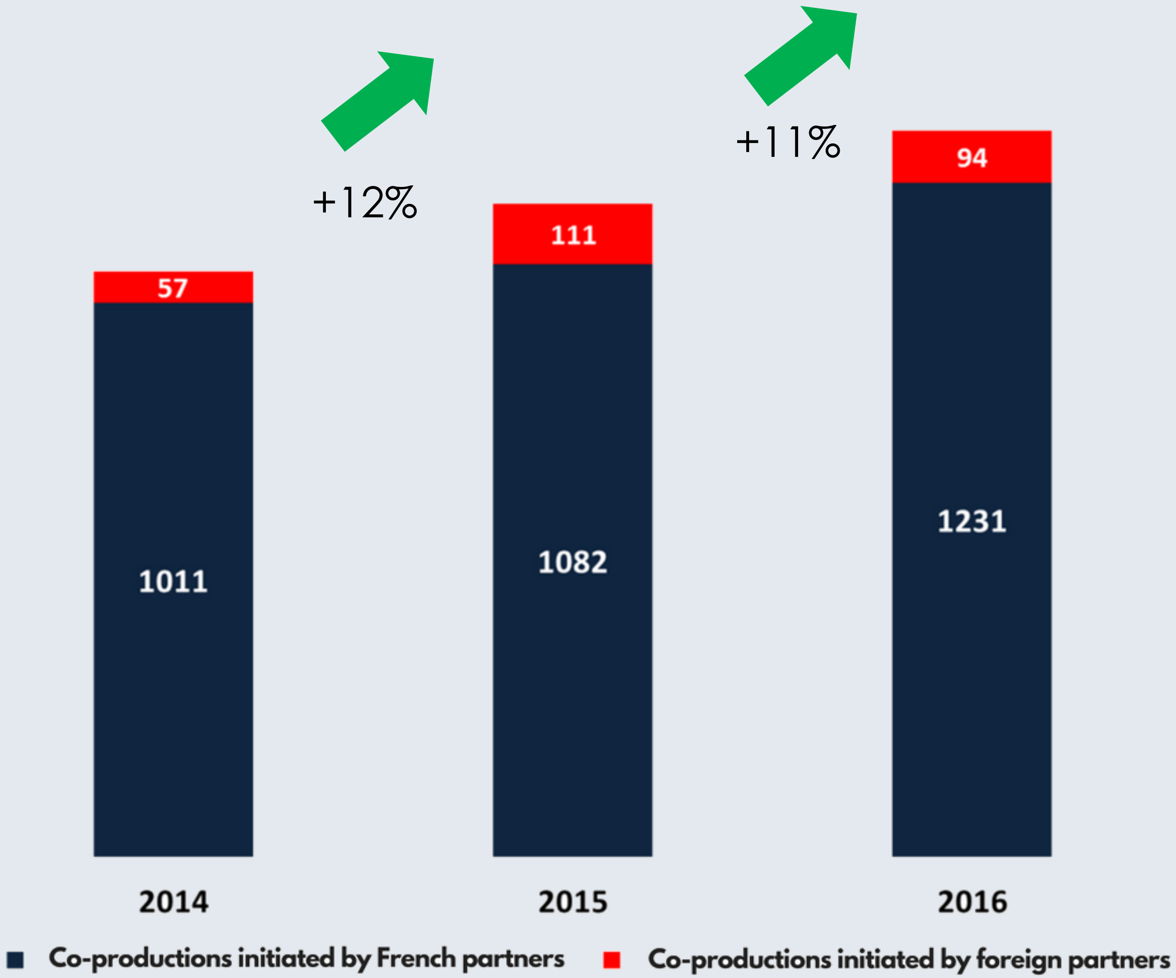
Co-productions are growing

Funding with foreign partners:

- 91% of French **animation**
- 44% of French **fiction**



Volume of French audiovisual programmes financed by foreign capital (in hours)

Source: CNC / TVFI – 'L'exportation des programmes audiovisuels français en 2016'

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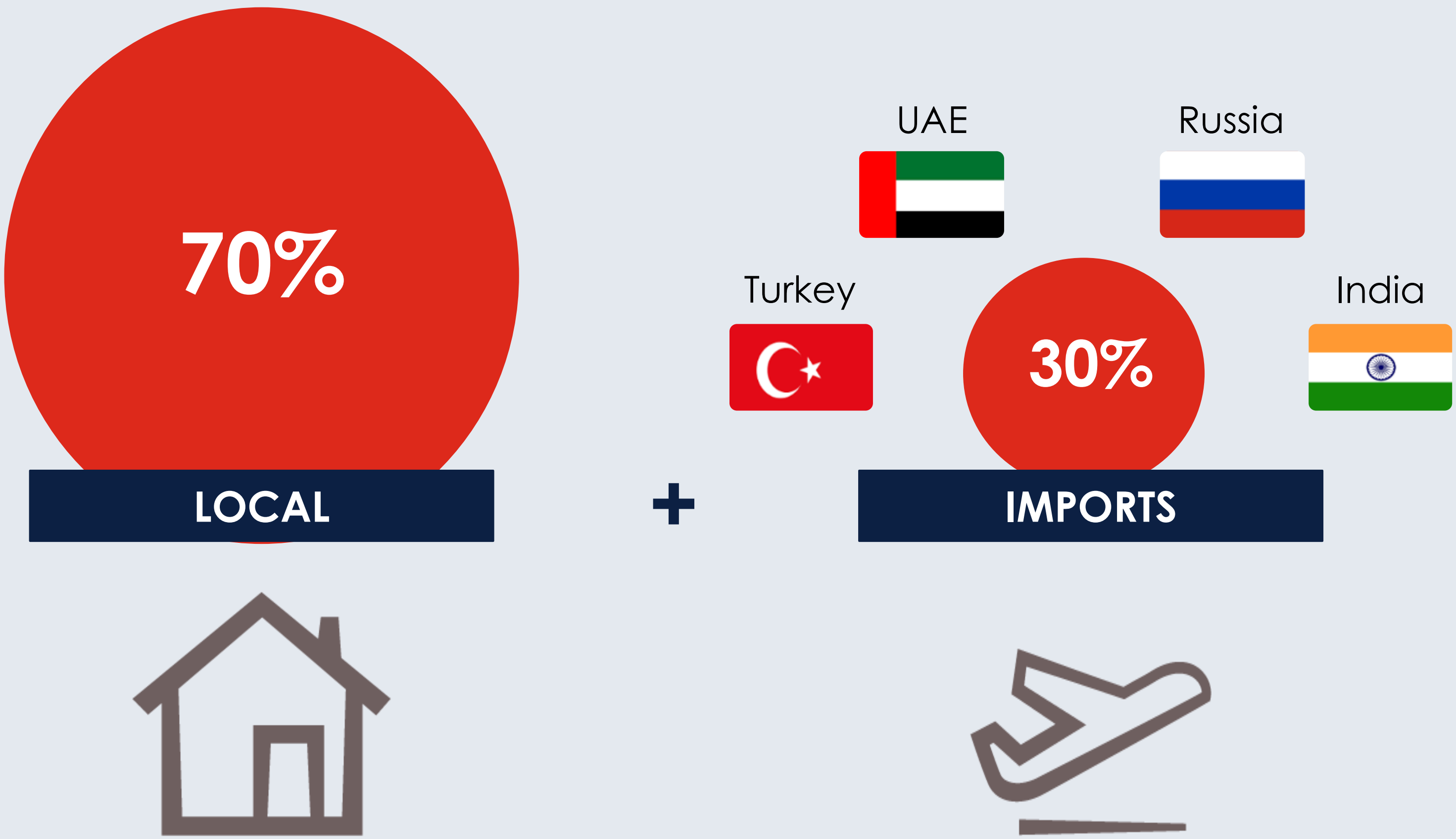
Worldwide: solid production of local fiction, emergence of new creation centres



Top 10 (in viewers) of the most watched TV series in 2016 in 78 territories
Based on the number of occurrences in%

Source: Médiamétrie – EurodataTV Worldwide - 2016

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II- Profound inequalities in the funding of creation

A- The non-contribution of new market entrants…
B- … vs traditional broadcasters

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Stakes of the AVMSD

A need to INVEST

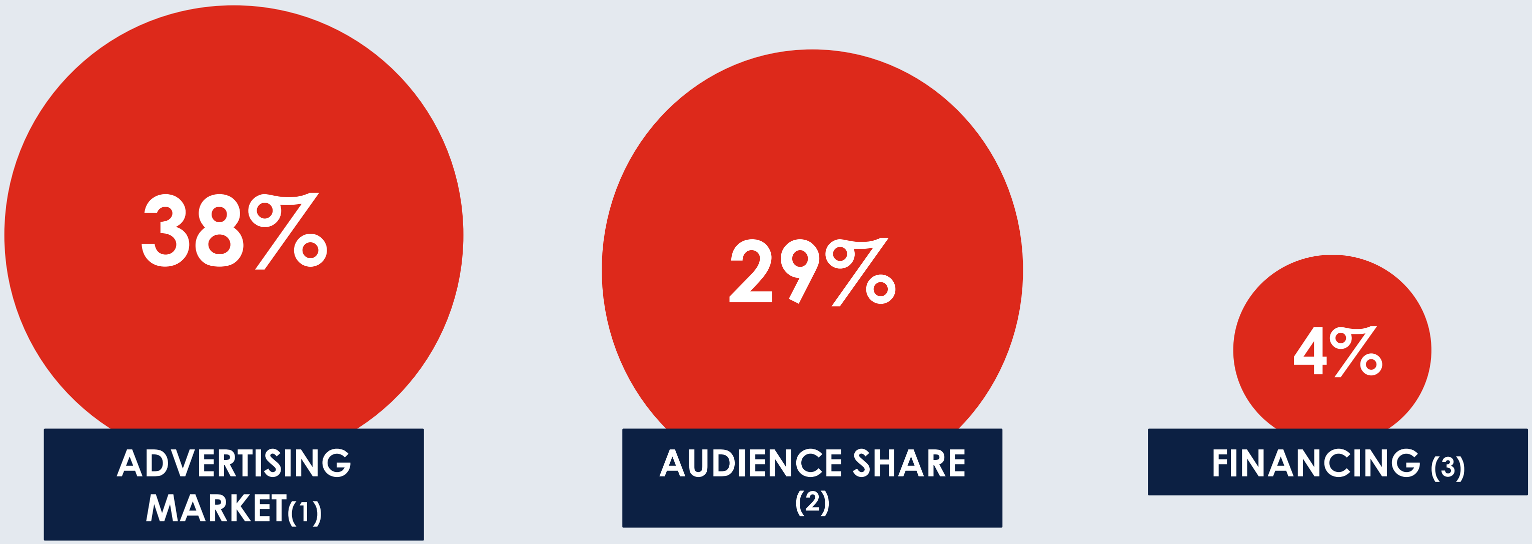
End the distortion of competition. Give each Member State the possibility to let platforms contribute to financing creation.

A need to EXHIBIT

Ensure the broadcasting of European works on digital media. Towards a minimum quota of 30%.

And going forward?
How can algorithms be regulated to favour cultural diversity?

TNT channels: **38%** of the **advertising** market, **29%** of the TV audience, **4%** of audiovisual production **financing**



(1) Advertising market share of TNT / TNT HD channels in 2016
(2) Médiamat Annual data – 4 years et +- 2016
(3) Share of the total financing of audiovisual production

Source: CNC 'La production audiovisuelle aidée en 2016' – Kantar Media - Médiamétrie

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II- Profound inequalities in the funding of creation

A- The non-contribution of new market entrants…
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An uncertain financial outlook

TV advertising revenues(1)

€3.25 billion

+0.4%

TV subscription revenues(2)

€3.30 billion

-2.1%

TV licence fee(3)

€2.26 billion

-0.9%

Source: CNC 2016 results,
IREP 2016 French advertising market

(1) Advertising revenues for all TV media – 2016
(2) Canal+, cable and satellite subscription revenues (estimation) – 2016
(3) Ex 'redevance audiovisuelle' (Licence Fee), television portion – 2016

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Pay-TV isn't dead!
The Sky example…

£13 billion	+5%	22.5 million	+3%
Revenues*		**Subscribers***	

**Revenues and subscribers based on 12 months prior to 30th June 2017*

Ensure better management of Churn and stabilisation of ARPU

Diversification of the OTT offer

Increase investments in original creation (fiction being a priority; 4 series per quarter): £750 million / year

Source: Les Echos, Forbes and Wired

III- A new deal to promote creation and better protect authors

A- Redefining the rules of the audiovisual landscape
B- Protecting authors

5 Proposals
to
Redefine the rules of the audiovisual landscape

① Modernise media chronology

② Increase public access to works

Further to the sustained exploitation of works obligation:
> Relax the rules governing prohibited days
> Make films available on France Télévisions catch-up TV
> Create a European digital platform

③ Favour cultural diversity in the digital age

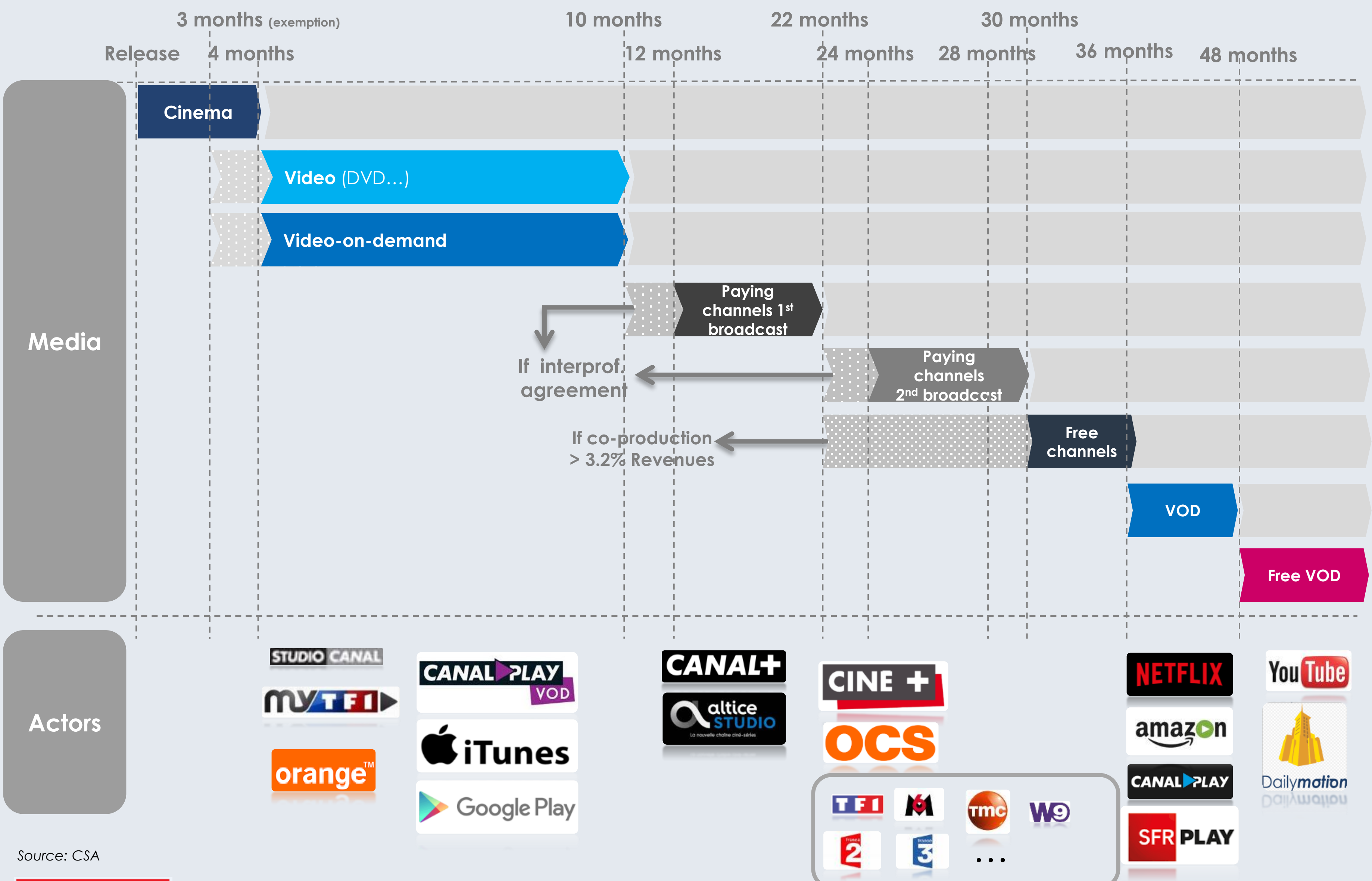
> Rapidly replicate the Audiovisual Media Services Directive (AVMSD)
> Make algorithms subject to obligations to promote cultural diversity

④ Instigate an active anti-piracy policy

⑤ Strengthen the role of the public sector in creation

> Modernised funding
> A secured level of resources

Media chronology



Source: CSA

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III- A new deal to promote creation and better protect authors

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Follow up of the OPCA 2016 conclusions

- Increased funding for scriptwriting in the cost of a work 
- Producers' respect for obligation to broadcast 
- Efforts to structure the relationship between authors and producers 
- Authors must be associated with the success of their work and the revival of French fiction 

Poorly structured author / producer relations

Producer / broadcaster agreements

- **2015** — Audiovisual production
  France Télévisions / producers
- **2016** — Transparency of production accounts
  producers / broadcasters / distributers
- **2016** — Audiovisual production
  TF1 / producers
- **2016** — Marketing mandates
  TF1 / France Télévisions / producers
- **2017** — Audiovisual production
  M6 / producers
- **2017** — Transparency of operating accounts
  broadcasters / distributers / producers

Author / producer agreements

- **2012** — Contractual practices
  scriptwriters / producers
- **2017** — Transparency of operating accounts
  authors / producers

+2 annex agreements
- ✓ 2016: sustained exploitation of works
- ✓ 2017: France Télévisions' development charter

Source: SACD

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Transparency Agreements of 6th July 2017

Audiovisual

Harmonisation of the *RNPP-Auteurs (RNPP-A) definition

Guaranteed minimum covered as soon as the cost of the work is amortised

Referral to subsequent collective discussions
- Minimal remuneration for fiction scriptwriters
- Improvement of contractual practices between scriptwriters and producers
- Terms for associating certain fiction authors to the success of a work once it has been amortised

*RNPP-A: Producers' share of net receipts - Authors

Cinema

Production agreement

Formalisation of the agreement of 16 Dec. 2010

Standardised production account format
- Detailed cost of the film
- Total financing means

Operating agreement

Obligations of the distributor
- Communication of operating accounts to appointed producer
- List of minimum obligatory information in the operating accounts

Obligation of the producer
- Communication of operating accounts received from the distributer to authors

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Overview of the 2012 protocol

Improvements in the application of the protocol

Orders for the entire scriptwriting works	Presence of an *FGE	Provisions relating to bonuses at least equal to the minimum	Step-in clause
80%	33%	95%	47%

*FGE: Fiche généalogique de l'écriture: a genealogical data sheet or an exhaustive list of the history of the project in question

BUT

almost 90% of contracts signed do not comply with at least one of the provisions of the protocol

AND...

Scriptwriting orders: works approach
Other data: contract approach
Overall basis OPCA 2017

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The minimum is becoming the rule

52' fictions

51.7% → 70.7%
+19 points

OPCA 2016 | OPCA 2017

39.2% → 21.9%
- 17.3 points

Bonus = 30%

Bonus > 30%

90' fictions

51% → 72.7%
+21.7 points

OPCA 2016 | OPCA 2017

42.7% → 27.3%
- 15.4 points

Source: SACD

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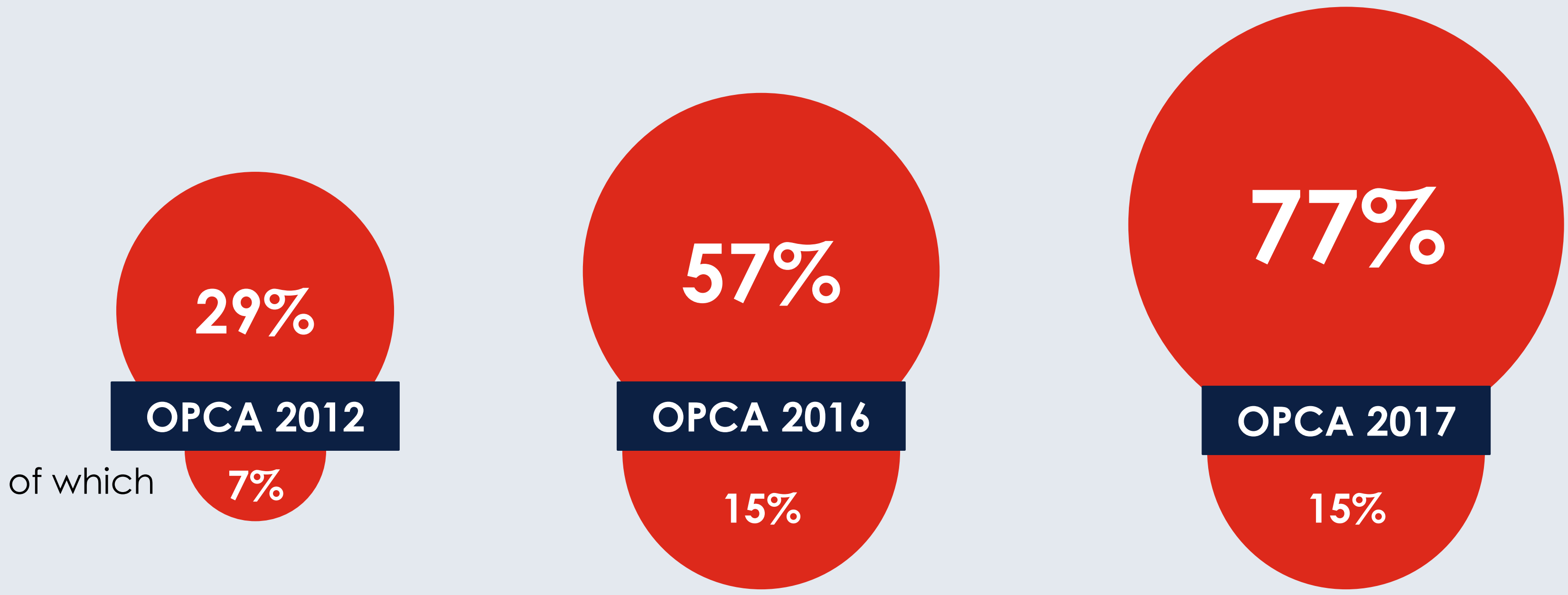
In percent of contracts analysed

Faced with a limited power to renegotiate: the sustained exploitation of works is necessary

Proportion of contracts whose duration of rights is **greater than 30 years**



Proportion of contracts whose duration of rights is 70 years following the death of the last remaining co-author of the work (statutory period of protection)

Source: SACD

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Scriptwriting budget / work's budget

52' data | Scriptwriter

3.4%

Work's budget between
€0.5 million and €1million

3.3%

Work's budget between
€1million and €1.25 million

3%

Work's' budget between
€1.25 million and €1.5 million

$\bar{x}$ =

Scriptwriter
3.1%

Scriptwriter + Director
4.5%

Basis: 145 episodes of 52'
Scriptwriting budget (basis OPCA 2017) / Cost of work (basis CNC)
Production cost plateau and averages

90' data | Scriptwriter
Work's budget between €1 and €2 million: 3.5%
Work's budget between €2 and €2.5 million: 2.4%

Source: CNC / SACD

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Minimum Basic Agreement

WGA / DGA

Contractual architecture that is decisive for the author

MINIMAL + ADDITIONAL remuneration

+

Possibility to negotiate MORE FAVOURABLE CONDITIONS

+

SPECIFIC REGULATION on working conditions

Renegotiation every 3 years

Source: MBA WGA / DGA

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4 Proposals

to

Protect authors

① Protect authors in their contractual relations with producers

- > Resume post-July 2017 agreement professional negotiations
- > Increase investments in scriptwriting
- > Create a post-amortisation incentive for all authors

② Strengthen public policy to support scriptwriting

- > Condition the support of the CNC for compliance with extended professional protocols and agreements
- > Enhance CNC support for producers who make stronger commitments in scriptwriting budgets

③ Establish a proportional right to remuneration for digital operations in Europe

④ Reinforce the powers of the CSA with regard to the respect of authors’ rights

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Presentation

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