TRANSFORMATIONS AND OPPORTUNITIES IN THE AUDIOVISUAL SECTOR

Press Conference
26 September 2017
Agenda

1. Transformations in the audiovisual sector: new trends
   - The changing ecosystem
   - Creation is innovating

2. Profound inequalities in the funding of creation
   - The non-contribution of new market entrants...
   - ... vs traditional broadcasters

3. A new deal to promote creation and better protect authors
   - Redefining the rules of the audiovisual landscape
   - Protecting authors
I- Transformations in the audiovisual sector: new trends

A- The changing ecosystem
B- Creation is innovating
The progression of non-linear viewing and screen-based media

- **4 screen IVT**: 3h52 (2 mins increase in 1 year)
- **Live IVT**: 3h33 (3 mins decrease in 1 year)
- **Delayed IVT or replay**: 10 mins
- **Computer, tablet, smartphone IVT**: 8 mins 30 (5 mins increase in 1 year)

Multi-screen replay consumption in 2016:
- **4.6 million daily viewers**
- *(x 3 in 3 years)*

Source: Mediametrie 2016
Time-delayed consumption driven by fiction and film

Offer and consumption of fictional programmes and films

- **Offer**: 28%
- **LIVE CONSUMPTION**: 29%
- **NON-LINEAR CONSUMPTION**: 51%

Source: SNPTV / Médiamétrie
# The growth of GAFAN in figures

<table>
<thead>
<tr>
<th>Company</th>
<th>Revenues: $8.8 billion</th>
<th>&gt;190 countries</th>
<th>+100 million subscribers worldwide</th>
<th>1.4 million subscribers in France</th>
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<tbody>
<tr>
<td>Netflix</td>
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<tr>
<td>Facebook</td>
<td>Revenues: $28 billion</td>
<td>No. 1 social network in 129 countries</td>
<td>2 billion monthly users</td>
<td>33 million monthly users in France</td>
</tr>
<tr>
<td>Apple</td>
<td>Revenues: $216 billion</td>
<td>&gt;115 countries</td>
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<td>NC</td>
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<tr>
<td>Amazon</td>
<td>Revenues: $136 billion</td>
<td>&gt;200 countries</td>
<td>80 million Prime subscribers in the USA</td>
<td>23 million unique visitors in France</td>
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<td>YouTube</td>
<td>&gt; $4 billion</td>
<td>&gt; 75 countries</td>
<td>1.5 billion monthly users</td>
<td>24 million monthly users</td>
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**SACD**
Entering the circle of creators

- **Watch on Facebook**: Up to $3 million per episode
- **Apple**: $1 billion invested in 2018 in the creation of films and original series
- **YouTube**: Creation of 40 original programmes
- **NETFLIX**: $7 billion invested in 2018 in original content
- **Amazon**: $10 million per episode for the David O. Russell series
The animation market hasn’t been left behind…
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
- Launch of a new film-series channel
- Innovative platforms

- CANAL PLAY
- STUDIO+ PREMIUM MOBILE SERIES
- blackpills
- OCS
- arte 360

Short format
I- Transformations in the audiovisual sector: new trends

A- The changing ecosystem
B- Creation is innovating
French fiction is making waves

- Funding for fiction: €779 million, +22%
- Volume of fiction produced: 897 hours, +21%
- French fiction vs US fiction: 51% (51% vs 53%)
  +2 points
- Number of French fictions among top 100 fiction audience figures: 82, +39%

Main genres sold overseas in 2016: Fiction and Animation

No. 1 ANIMATION

Sales: €75.0 million
Advance sales: €31.3 million
+48%
+74%

No. 2 FICTION

Sales: €49.8 million
Advance sales: €25.6 million
+21%
+127%

Source: CNC / TVFI – ‘L’exportation des programmes audiovisuels français en 2016’
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’
Worldwide: solid production of local fiction, emergence of new creation centres

70% LOCAL + 30% IMPORTS

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
II- Profound inequalities in the funding of creation

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

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

(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
II- Profound inequalities in the funding of creation

A- The non-contribution of new market entrants...
B- ... vs traditional broadcasters
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
Pay-TV isn’t dead!
The Sky example...

£13 billion
+5%

22.5 million
+3%

*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

NOW TV

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

3 months (exemption)

Release

Cinema

4 months

Video (DVD…)

10 months

Video-on-demand

12 months

Paying channels 1st broadcast

If interprof agreement

22 months

Paying channels 2nd broadcast

If co-production > 3.2% Revenues

30 months

Free channels

36 months

48 months

Free VOD

VOD

Source: CSA

24
III- A new deal to promote creation and better protect authors

A- Redefining the rules of the audiovisual landscape
B- Protecting authors
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
  - Audiovisual production
    - TF1 / producers
  - Marketing mandates
    - TF1 / France Télévisions / producers

- **2017**
  - Audiovisual production
    - M6 / producers
  - 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
## 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 distributor to authors
Overview of the 2012 protocol

Improvements in the application of the protocol

Orders for the entire scriptwriting works: 80%

Presence of an *FGE: 33%

Provisions relating to bonuses at least equal to the minimum: 95%

Step-in clause: 47%

BUT

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

AND...

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

**52' fictions**
- OPCA 2016: 51.7%
- OPCA 2017: 70.7%
  - Bonus: +19 points
  - Bonus: = 30%

**90' fictions**
- OPCA 2016: 51%
- OPCA 2017: 72.7%
  - Bonus: +21.7 points

**39.2%**
- OPCA 2016: 39.2%
- OPCA 2017: 21.9%
  - Bonus: -17.3 points
  - Bonus: > 30%

**42.7%**
- OPCA 2016: 42.7%
- OPCA 2017: 27.3%
  - Bonus: -15.4 points

In percent of contracts analysed

Source: SACD
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

- **OPCA 2012**: 29% (of which 7%)
- **OPCA 2016**: 57% (15%)
- **OPCA 2017**: 77% (15%)

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*
Scriptwriting budget / work’s budget

3.4%

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

3.3%

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

3%

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

3.1%

Scriptwriter

4.5%

Scriptwriter + Director

90’ data | Scriptwriter

Work’s budget between €1 million and €2 million: 3.5%
Work’s budget between €2 and €2.5 million: 2.4%

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

Source: CNC / SACD
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
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
Presentation
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