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Mini-Presentation

SPPI for

ISIC4 Group 591

*Motion Picture, Video and Television Program Production,
Post-Production and Distribution Activities*

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1. Introduction

At the previous Voorburg Group meeting held in Melbourne Australia in 2015, it was decided that ISIC Group 591 – *Motion picture, video and television program activities* would be on the 2016 meeting agenda and would be covered by a mini-presentation.

The structure of this paper is according to the Content Development Framework set out by the Voorburg Group, which formed the basis for the presentation at the 25th Voorburg Group meeting in Vienna, Austria.

In Israel, developing price indices for Group 591 began with a survey of that industry in 2016. The survey included a meeting with a representative from the Association of Filmmaking and Television Production, as well as meetings in production companies. The sample of companies was drawn from the Business Survey of Industries.

2. Definition of the Service

Division 59 – *Motion picture, video and television program production, sound recording and music publishing activities* is a component of Section J in both the NACE (Rev. 2) and the ISIC (Rev. 4). Section J combines the activities of information and communication, due to the fact that the information field is increasing in the economy and society.

Filmmaking (film production) is the process of making a film. Filmmaking involves a number of discrete stages including an initial story, idea, or commission, through scriptwriting, casting, shooting, sound recording and reproduction, editing, and finally screening the finished product before an audience that may result in a film release and exhibition. Filmmaking takes place in many places around the world in a range of economic, social, and political contexts, and using a variety of technologies and cinematic techniques. Typically, it involves a large number of people, and can take from a few months to several years to complete.

Film production consists of five major stages:

- **Development** - The first stage in which the ideas for the film are created, rights to books/plays are bought etc., and the screenplay is written. Financing for the project has to be sought and green-lit.
- **Pre-production** - Preparations are made for the shoot, in which cast and film crew are hired, locations are selected, and sets are built.
- **Production** - The raw elements for the film are recorded during the film shoot.
- **Post-production** - The images, sound, and visual effects of the recorded film are edited.
- **Distribution**- The finished film is distributed and screened in cinemas and released to home video.

3. Pricing Unit of Measure

The pricing unit of measure in films is a day or an hour of production, depending on the kind of professional staff involved, for example: one day of shooting, payment for a photographer, sound-man, set designer, director, etc. In television, the payment is for a minute of screen time, from which the payment for one chapter of a series is derived, according to the length of the chapter.

4. Market Conditions and Constraints

4.1 Size of the Industry¹

In 2013, the turnover of Group 591 - *Motion picture, video and television program activities* amounted to NIS 3.747 billion (approximately USD 1.041 billion). This group accounts for only about 3.6% of the total revenue in Section J – *Information and communication*. In 2013 there were 2,322 companies in *Motion picture, video and television program activities*, with 6,896 employees.

The business survey of industries, 2013 ¹

Distribution of Revenue among the Classes in 2013

ISIC	Class Description	Revenue (NIS millions)	Percentage
5911	Motion picture, video and television program production activities	2369	63
5912	Motion picture, video and television program post-production activities	430	11
5913	Motion picture, video and television program distribution activities	136	4
5914	Motion picture projection activities	812	22
591	Motion picture, video and television program activities	3747	100

The biggest class is 5911 – *Motion picture, video and television program production activities*, which accounts for 63% of the group, followed by 5914 – *Motion picture projection activities*, which accounts for 22%, 5912 – *Motion picture, video and television program post-production activities*, which accounts for 11%, and the smallest class is 5913 – *Motion picture, video and television program distribution activities*, which accounts for only 4% of total *Motion picture, video and television program activities*.

Diagram 1. The Development of Revenues, 2011-2013

Group 591 - Motion picture, video and television program activities

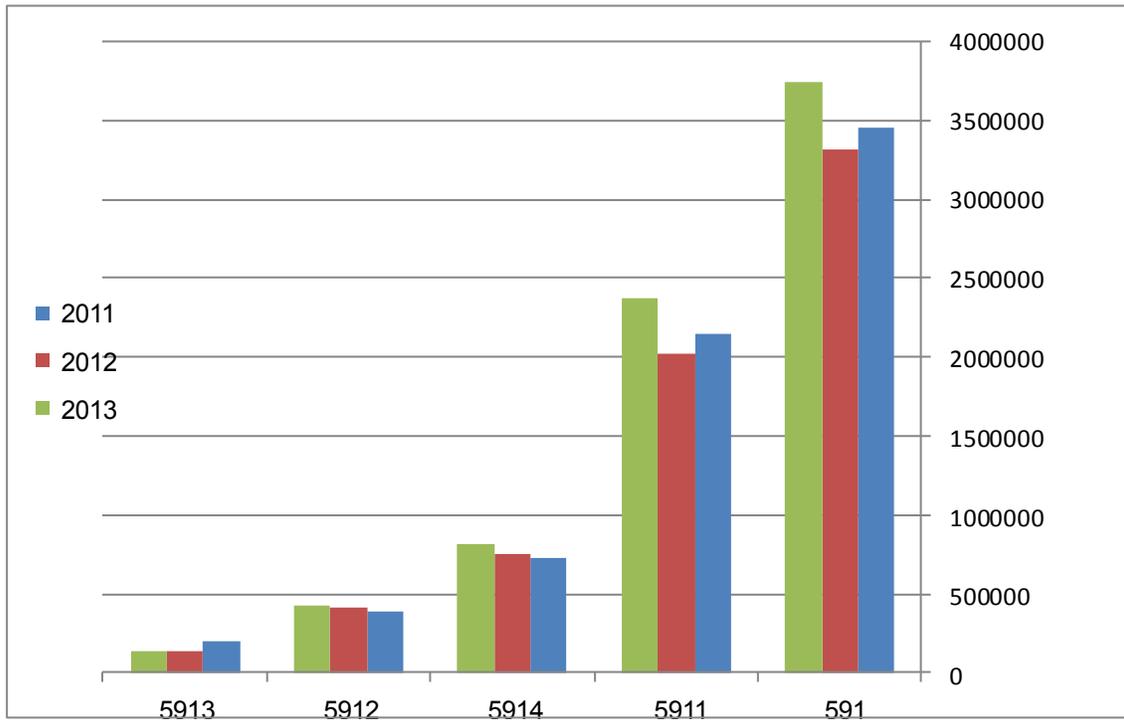


Diagram 2. The Development of Dealers 2011-2013

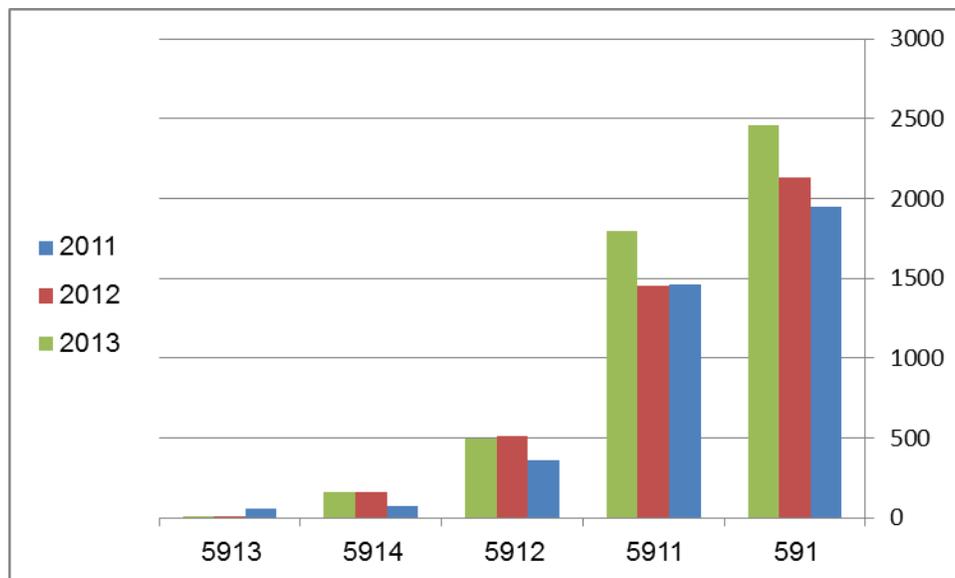


Diagram 3. The Development of Employees 2011-2013

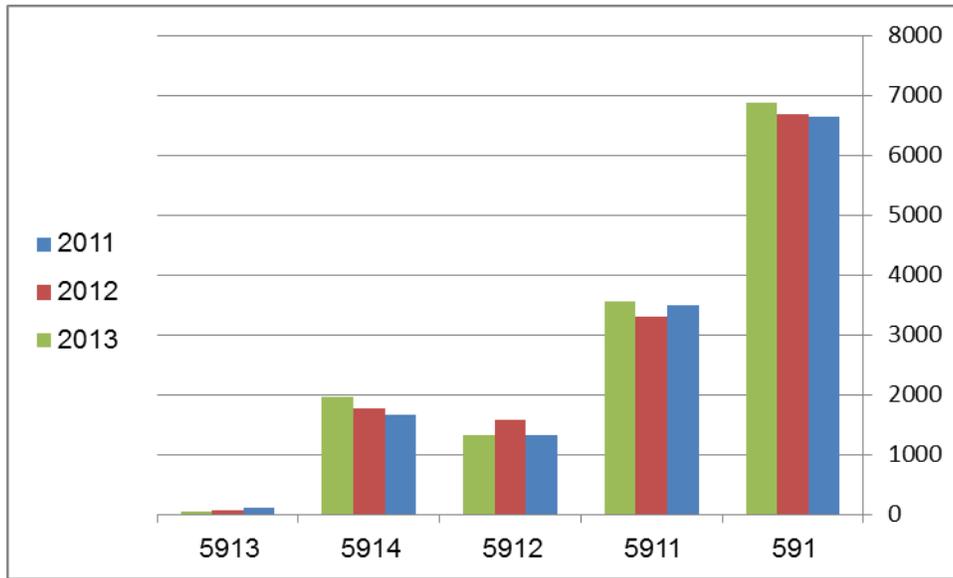


Diagram 1 describes the development of revenues during the years 2011-2013. As can be seen, there was an average increase in revenue in Group 591 of 8.4%. There was an increase in revenues for three classes: 5911, 5914, and 5912. In Class 5913, the revenue decreased from 2011 to 2013.

4.2 The Structure of the Market

Production and Post-Production

In the production market there are many small companies, several medium size and a few very large companies.

Eight very large production companies, employing many workers and producing content for television, such as reality programs, dramas etc., control 85% of the market, and they have long-term contracts with the TV franchises.

The filmmaking market is more decentralized. There are 20-30 medium size production companies that make films and three very large production companies. Each of the large companies makes 3-4 films a year, which earn fame and success. In contrast, a small production company makes one film in three years.

A movie is considered well done if it reaches an audience of 40,000; a very good film will be seen by 40,000-70,000, and an audience of more than above 70,000 signifies a success. There are only few post-production companies or studios for editing films.

Distribution

There are three distribution companies that own cinemas. Two of them project both Israeli and foreign movies and the other one projects only foreign movies. Those companies are involved also in the distribution process, public relations, and advertisement of the films.

4.3 Special Conditions and Constraints

Technology

There has been dramatic technological progress in the last ten years that influence the structure of the market. Video has grown on cell phones and the internet. Today, 50% of the video market is on small screens, the other half is on the big screens (television and cinemas). There are multiple platforms for delivering content. Technological instruments and the technological process have become as cheap as cameras. The recording market is dispersed and the internet has become a cheap and easy platform for delivering content. Actually, everyone can do it. In the past there were many editing studios but now there are only a few. The market has become small and centralized, since every production company has their own editing room and there is no need for a big studio to edit a film. This trend is worldwide.

Regulation

Television is under the regulation of the Ministry of Communication and films are under the regulation of the Ministry of Culture and Sport.

Films

Israel's Ministry of Culture and Sport is responsible for implementing the Cinema Law, passed in 1999. The Cinema Law ensured a significant increase in the budget allocated to

Israeli cinema through the Israel Film Fund. From 2004-2016, the Ministry dedicated about NIS 600 million (almost €140 million) to support Israeli cinema.

The budget aims to encourage filmmaking and co-production, as well as helping artists, producers and members of the film community at all levels to produce new films. The films are expected to enrich Israel culturally, to represent Israel worldwide, and to assist in strengthening the national economy.

The Israel Film Fund guides and supports the Israeli film industry. The main goal of the Fund is to facilitate the production of Israeli full length feature films, produced by Israeli production companies, and to support the marketing and distribution of these films in Israel and worldwide. The Fund incorporates the whole production process, encompassing the initial starting point of an idea and development of the script, and including the entire film production, marketing and distribution. In part, the Fund acts as a film promotion unit and is present at all the major international festivals promoting Israeli cinema worldwide. Every year, about 140 new scripts are submitted, out of which 12-15 films are selected and granted Fund support. This support is given to full length Israeli films of at least 80 minutes, intended primarily for cinema release.

The average budget of an Israeli feature film is \$500,000 to \$1,000,000. The Fund can invest up to two thirds of the approved budget.

In 2014 the budget for the production of 24 Israeli films amounted to 92.5 million NIS and the revenues amounted 26.91 million NIS only (not include DVD revenues and revenues from selling the movies aboard).

In recent years, Israel has been impressively represented by a wide range of films at major international film festivals including Cannes, Berlin, Venice, Amsterdam, Montreal, Sundance, Karlovy Vary and Toronto. In the past decade more than 10 Israeli films have been nominated for an Oscar or an award at the Cannes Festival. In 2014 76 Israeli films participated in world festivals in 61 countries 31 won 50 rewards.

Television

There are five major broadcasting organizations: Public TV, two commercial television channels, cable television, satellite TV, and educational TV.

The Council for Cable TV and Satellite Broadcasting is a public council established under the Communications Law (Telecommunications and Broadcasting), 1982. Its fundamental work is to represent, protect and promote public interests in the field of cable and satellite multichannel subscriber television. Among these interests is to ensure maximum diversity and pluralism by the broadcasting channels and the contents they deliver, improvement of services and technologies, increasing the supply, and minimizing the price. Another interest is the need to develop original Israeli content production, which is part of the cultural benefits. Additionally, developing the local production industry creates new jobs and services, such as studio services, channels, producers, etc. Commercial TV is under the supervision of the Second Authority of Television and Radio Broadcasting and public TV is under Channel 1, the Israeli TV. According to the law, 65% of the content should come from an external producer and the rest can be in-house production, for the sake of pluralism and diversification.

5. Classification Structure and Details

ISIC4. Section: J - *Information and communication*

Division: 59 - *Motion picture, video and television program production, sound recording and music publishing activities*

The breakdown of Division 59 is as follows:

591 - Motion picture, video and television program activities

- 5911 - Motion picture, video and television program production activities
- 5912 - Motion picture, video and television program post-production activities
- 5913 - Motion picture, video and television program distribution activities
- 5914 - Motion picture projection activities

592 - Sound recording and music publishing activities

- 5920 Sound recording and music publishing activities

Group 591 includes production of theatrical and non-theatrical motion pictures whether on film, videotape, DVD or other media, including digital distribution, for direct projection in theatres or for broadcasting on television; supporting activities such as film editing, cutting, dubbing etc.; distribution of motion pictures or other film productions

(video tapes, DVDs, etc.) to other industries; as well as their projection. Buying and selling of motion picture or any other film production distribution rights is also included.

Group 592 includes the production of original (sound) master recordings, such as tapes, CDs; sound recording service activities in a studio or elsewhere, including the production of taped (i.e. non-live) radio programming, audio for film, television, etc.; music publishing, i.e. activities of:

- acquiring and registering copyrights for musical compositions,
- promoting, authorizing and using these compositions in recordings, radio, television, motion pictures, live performances, print and other media,
- distributing sound recordings to wholesalers, retailers or directly to the public.

ISIC Rev. 4 – CPC Ver. 2

ISIC Rev.4	CPC Ver.2	Detail
5911	38950	Motion picture film, exposed and developed
	47620	Films and other video content on disks, tape or other physical media
	73320	Licensing services for the right to use entertainment, literary or artistic originals
	84331	Films and other video downloads
	84332	Streamed video content
	96121	Motion picture, videotape and television program production services
	96123	Motion picture, videotape, television and radio program originals
5912	73320	Licensing services for the right to use entertainment, literary or artistic originals

	9613 (96131-96139)	Audiovisual post-production services (Editing, transfers and duplication, color correction, visual effects , animation, captioning, titling and subtitling, sound editing and design, and other post-production services)
5913	73320	Licensing services for the right to use entertainment, literary or artistic originals
	96140	Motion picture, videotape and television program distribution services
5914	96150	Motion picture projection services

6. Evaluation of standards vs. definition and market condition

The industry classifications, both ISIC and NACE, distinguish between 4 different classes according to the stage of the process of filmmaking: production, post-production, distribution and projection. In the market companies usually engage in more than one activity. Production companies do the editing themselves instead of paying to editing studios, cinemas owner do the distribution function, the public relation and advertisement, and in many cases they also participate in the production stage as investors. TV broadcasting channels classified in division *60 programming and broadcasting activities* at the same section *J Information and communication* also produce content in some level (as 65% of production should be external and 35% can be their own contents).

Production companies usually are engage in other activities not classified in division 59, such as business consultancy, because they must have another source of earning, as filmmaking is not a certain one and the profits are low.

The product classification does not distinguish between the different types of screens to deliver the content: cinemas movies, TV programs and video content in the internet and cellular which is growing.

Filmmaking in Israel is an important export industry due to international agreements and co-productions with European countries especially Germany and France. Israel film industry is considered worldwide and the participation in world festivals has a significant role in exposing the films to the foreign market.

The industry based on public financing, 40 percent of the budget of a film is based on public financing and the rest comes from TV companies and private investors. That has implication on measuring turnover and prices.

Since it is about public money statistics about the industry is available and published transparency.

7. Pricing Methods

- Rates are charged for one hour of work or for one working day according to the kind of professional staff involved, for example: photographer, soundman, editor, actor, etc. Minimum rates are set by the Israel Film and Television Producers Association. For example the rate for one day of shooting for a camera man is about NIS 1,500.
- A commission for the production of a film is paid to the producers of the film. The commission is a percentage of the budget of the film, usually 10% - 15%. The rest of the budget is for covering the expenses of the film, such as paying the staff, who are usually freelancers, payment for employees, office expenses, etc.
- In television, payment for one minute of screen time is NIS 13,000, on the average. Thus, the payment for one chapter of a TV series of about 40-45 minutes is between NIS 600,000 – 800,000.
- The revenues from selling tickets are divided between the different roles: 70% goes to the distributor to partially cover the distribution expenses, and 30% goes to the production professionals (producer, director, script writer).

8. Quality Adjustment Methodology

It is not easy to define a quality of a movie, since a movie is product of art and its value depends on subjective tastes and preferences, it has also a social and cultural value in addition to the economic value. But there are several factors that help in planning the budget of a film or TV program.

The budget of a film and the payments for professionals are determined according to the number of shooting days; the rates of payment to the staff involved, the genre of the film (drama, comedy or documentary film) and the complexity of the script: how many actors are involved, how many sets are designed for shooting the film, and how many days are needed for making the film – The more complex the script, the higher the payment for professional staff.

Selling a film to a cinema in the local market is not all the story, since the movie can be sold again to a foreign country or to TV.

The budget of a film to the local market is lower and the quality of the film or television program is also lower. If the film is sold abroad, another fund is available to finance it – a foreign fund. The budget is higher, and naturally the quality of the film is higher, since there is money for a more professional staff with more experience.

9. Summary

A survey of the industry started in Israel in 2016. the different industry classifications divided group 591 *motion picture, video and television program activities* into 4 classes according to the stage of production. The biggest class in Israel is 5911 *production activities*. In recent years there has been dramatic technological progress that affect the industry and it is a worldwide trend. This industry is under regulation, The Ministry of Communication regulates the TV broadcasting companies and the Ministry of Culture regulates and finances the production of Israeli films. Filmmaking in Israel is an export industry, and there are many co-production based on agreements with European countries. There is a public finance involved in filmmaking. The revenues are from

selling tickets in box offices, selling to TV broadcasting and selling the film aboard. Revenues are divided between the producers and distributors of the film as commissions. The pricing methods are charge out rates and commissions. in TV payments is according to a minute of screen time. Quality is determined according to the complexity of the script, the genre of the film and the professional staff.

Israel Film & Television Industry: Some Facts and Figures, 2016²

A. Audiovisual Industry: Structure, Volume, Co-Productions, Budgets

1) Structure

- a. 5 major broadcasting organizations: Public TV, 2 commercial television channels, cable television, satellite TV and educational TV.
- b. About 120 independent production companies, 10 production studios, 30 post-production studios / facilities.

2) Volume of Israeli Local Production

- a. About 18 –24 full length feature films a year
- b. About 300 hours of TV fiction drama, 90 hours of documentaries and 10 hours of animation a year.
- c. Over 200 new Israeli commercials are produced every year.

3) Co-Productions

- a. About 3-5 co-productions of feature films (fiction), mainly with Europe and Canada, and 5-10 co-productions of documentaries a year.

4) Budgets

The average budget of a production in U.S dollars:

- a. Feature film, about \$800,000 – \$1,200,000.
- b. TV programs average budget is about \$180,000 – \$100,000 per hour (documentaries, fiction drama, and TV series).

B. Market

1) Cinemas / theatrical releases

- a. About 10 distribution companies;
- b. About 130 cinema theaters with 400 screens and a total of about 88,000 seats;
- c. Total number of admissions in 2012-2013 was about 12 million persons in each of these years.
- d. The price of a cinema ticket is around \$9 including VAT.

² The Israel Film Fund

2) Feature Films

- a. About 200 new feature films are imported/brought into Israel, of those, 68% are American, 23% are European, and 9% are from other countries.
- b. In addition, about 12-16 new Israeli feature films are released annually.
- c. Films from Israel are sold primarily to the European and American markets with an average of about 4-7 feature films and about 15-20 television films and programs sold every year to distributors and broadcasters.

C. Legislation – Regulatory Framework of the Audio-Visual Sector

- 1) The Cinema/Film Law was implemented on January 1st, 2001, with the aim of encouraging and supporting Israeli filmmaking, by regulating and increasing public funding, and by creating the Israel Film Council, which is the policy-making and advisory funding body of the Ministry of Culture and Sport.
- 2) The Public Television Act – 1966: The Public Television Act as well as the public television network (Channel 1) is currently undergoing major changes and restructuring.
- 3) The Second Channel: The Commercial Television Law 1991 – The law regulating terrestrial commercial television was modified in 2000, to include the new commercial television channel (Ch. 10). Now, Israel has two commercial television channels: Channel 2 and Channel 10 (both terrestrial).
- 4) The Cable and Satellite Television Law, 1989: The law regulating cable and satellite television was modified in 2000. About 80% of all Israeli households are connected either to cable or to satellite.

A special emphasis on “local content” was inserted in all the regulating measures. At least 40% of all the broadcasting hours on public and commercial television must be of local content, in addition to news, current affairs and sports.

At least 60% of all local television productions have to be commissioned by the Israeli Broadcasters to independent production companies.

D. Television Broadcasting

- 1) The public television channel (Channel 1) broadcasts 18 hours a day. It is financed by license fees paid by all the households in Israel.

2) Education TV – A public service, fully financed by the Ministry of Education, broadcasting eight hours a day and sharing the same channel with the public television channel.

3) The commercial television channels (Channel 2 and Channel 10) broadcast 20 hours a day, and are financed solely by the revenues from sales of commercial airtime.

4) Cable television provides a wide selection of channels, including those from Europe, the Middle East, Russia and the U.S.A. Twenty of the channels are locally packaged and include local Israeli programs. Cable television is financed by a subscription fee.

5) Satellite television offers a wide range of channels, including 15 channels that are locally packaged and include locally produced programs. Satellite television is financed by a subscription fee.

The total turnover of the entire Israeli television industry in monetary terms exceeds \$950 million a year.

E. Investment and Financing