31st Voorburg Group Meeting
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Mini-presentation

CPA 59 Motion picture, video and television programme production, sound recording and music publishing services

Presenter – Rohan Draper
Contents

1. Classification and scope
2. Market conditions and constraints
3. National accounts concepts and measurement issues related to GDP
4. Pricing criteria, units and methods
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1. Classification and Scope

- CPA 59 is comprised of two major groups:
  1. 59.1 - Motion picture, video and television programme services; and
  2. 59.2 - Sound recording and music publishing services.

- Sweden produces product based PPIs. CPA 59 is currently under development in Sweden.

- Essentially covers the following activity phases:
  - Production
  - Post-production
  - Distribution

- Streaming services are currently out-of-scope for Sweden within CPA 59 (SPIN 2007*).

*Swedish Standard Classification of Products by Activity 2007*
CPA 59: Motion picture, video and television programme production, sound recording and music publishing services

1. Classification and Scope

- CPA 59 is worth circa 21 billion Swedish kronas to the Swedish economy (USD 2.5billion).

<table>
<thead>
<tr>
<th>Structure - CPA 2008 / SPIN 2007 (5-digit level)</th>
<th>Weight (%) within:</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPA</td>
<td>Description</td>
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</tr>
<tr>
<td>59</td>
<td>Motion picture, video and TV programme production, sound recording and...</td>
</tr>
<tr>
<td>59.11</td>
<td>Motion picture, video and TV programme production services</td>
</tr>
<tr>
<td>59.12</td>
<td>Motion picture, video and TV programme post-production services</td>
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<tr>
<td>59.13</td>
<td>Motion picture, video and TV programme distribution services</td>
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<tr>
<td>59.14</td>
<td>Motion picture projection services</td>
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<tr>
<td>59.140</td>
<td>Motion picture projection services</td>
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<tr>
<td>59.2</td>
<td>Sound recording and music publishing services</td>
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<tr>
<td>59.20</td>
<td>Sound recording and music publishing services</td>
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<tr>
<td>59.200</td>
<td>Sound recording and music publishing services</td>
</tr>
</tbody>
</table>

Structure and Weights: 59 - Motion picture, video & television programme production, sound recording & music publishing services
CPA 59: Motion picture, video and television programme production, sound recording and music publishing services

2. Market conditions and constraints – Turnover & Gross Value Added

### CPA 59 - Turnover Data

<table>
<thead>
<tr>
<th>SPIN 2007</th>
<th>Description</th>
<th>% of Section J</th>
<th>% of NACE 59</th>
<th>Turnover (SEK million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>59.110</td>
<td>Motion picture, video and television programme production services (<em>Production services</em>)</td>
<td>2.5%</td>
<td>50.5%</td>
<td>10481 Mkr</td>
</tr>
<tr>
<td>59.120</td>
<td>Motion picture, video and television programme post-production services (<em>Post-production services</em>)</td>
<td>0.2%</td>
<td>3.5%</td>
<td>732 Mkr</td>
</tr>
<tr>
<td>59.130</td>
<td>Motion picture, video and television programme distribution services (<em>Distribution services</em>)</td>
<td>0.3%</td>
<td>5.6%</td>
<td>1171 Mkr</td>
</tr>
<tr>
<td>59.140</td>
<td>Motion picture projection services</td>
<td>0.4%</td>
<td>8.1%</td>
<td>1679 Mkr</td>
</tr>
<tr>
<td>59.200</td>
<td>Sound recording and music publishing services</td>
<td>1.6%</td>
<td>32.3%</td>
<td>6703 Mkr</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>5.0%</td>
<td>100.0%</td>
<td>20766 Mkr</td>
</tr>
</tbody>
</table>

### J59 - GVA (trend index)

- Total economy
- Service sector
- J59
- Employment Index

### J59 - GVA (annual %-change)

- Total economy
- Service sector
- J59
- Employment (annual %-change)
CPA 59: Motion picture, video and television programme production, sound recording and music publishing services

2. Market conditions and constraints – Population and Coverage
2. Market conditions and constraints – Cost Structure

Production, sound recording and music publishing services

CPA 59: Motion picture, video and television programme, sound recording and music publishing services

Market conditions and constraints – Cost Structure

Costs (%)
CPA 59: Motion picture, video and television programme production, sound recording and music publishing services

2. Market conditions and constraints – Market Trends

- Technology – quality and productivity.
- Low entry barriers and high competition.
- Distribution and consumption.

"prices of television production have decreased even though we usually do an indexation of productions when reorders are made. The reason is that our customers are few and we have an over establishment of production companies, while for some years the TV-channels have ordered less domestic production in favour of foreign productions. The production companies [due to increased competition] therefore sell new productions with lower margins than before. In other words, while we have received the same or slightly higher prices for a production that has passed one or more seasons with good viewing figures, it has been difficult to sell new ideas with the same margin as the older production."

Respondent, CPA 59 Pilot Study, 2016 (SCB).
59.1 Motion picture, video and television programme services

"Screen Industry"

Post-production companies largely sell their services to production companies. Products are normally transacted on a fixed-fee or hourly-rate basis.

59.11 Production
All work leading up to and including filming. This includes development, pre-production, and production.

Production companies realise their revenues through the final sale of the ownership of the rights to their products including hardcopies and originals.

In some instances production companies will retain partial ownership and derive secondary revenue from distribution.

59.12 Post-production
Activities to make a production complete. For example: editing, visual effects, animation, developing, captioning and sub-titling; and audio and duplication.

Large enterprises often have activity in both Production and Post-production.

Distributers sell the right for screening companies to show products for public consumption. This takes traditional forms like cinemas and television to modern forms like streaming service operators.

Revenue is derived from fixed fees based on specified showing criteria or as a %-fee of revenue derived from the showing.

59.13 Distribution
Distribution of completed screen productions (for example: film, television, or software distributors, film library, operators and film leasers).

Distribution to cinemas
is an intra-division transaction.

Distribution to television is an inter-division transaction.

To division 60 "Programming and broadcasting activities"

59.14 Screening
Viewership of films by the public at cinemas, drive-in-theatres, festivals, film clubs and other establishments.
2. Market conditions and constraints – 59.2 Overview

This overview is sourced from Musiksverige (http://www.musiksverige.org).

Major players within 59.2
- Music publishing companies
- Record label companies
- Recording studios
- Other main players – e.g. Associations.
CPA 59: Motion picture, video and television programme production, sound recording and music publishing services

3. National accounts concepts and measurement issues related to GDP

- Current use of WPI and CPI proxy indices will be phased out once CPA 59 indices are officially implemented into the suite of PPIs.

- Price statistics are delivered to a number of internal users who either use them directly (as product deflators) or further transform them to create industry deflators.

- Structural Business Statistics and Business Register underpins both National Accounts and Price Statistics development and production.
Pricing Criteria

- Non-recurring productions (NRPs) (e.g. film production)
- Recurring productions (RPs) (e.g. series production)

Pricing Units

- NRPs - Price per film
- RPs - Price per episode of a given series

 Specification example (1): Production of “Reality Show ABC”, price in SEK per episode.

Pricing Methods

- "Buyer-side" pricing adjusted to basic prices
- Direct use of repeated services; contract pricing; component pricing; model pricing

Special Treatments

- Adjustment to isolate movements to be purely attributable to 59.110
Pricing Criteria

- Recurring Post-Production services (for example: editing, titling, subtitling, computer-produced graphics, animation and special effects)

Pricing Units

- Price per hour
  
  *Specification example (1): Colour grading of film; feature film; operator and studio incl.; one hour.*
  
  *Specification example (2): Editing of TV reality shows; operator and pc equipment with editing software; one hour.*
  
  *Specification example (3): Sound editing; film/TV based commercial; operator and studio; one hour.*

- Price per service (fixed fee)

Pricing Methods

- Direct use of repeated services
Pricing Criteria

- Sale of physical and/or digital products
- Distribution to cinemas (profit-sharing)
- Distribution to TV (note: under development)

Pricing Units

- Price per physical and/or digital unit
  
  Specification example (1): New release; Blu-ray; physically sold; average price; reference period sales.

- Price per film (based % ticket sales)

Pricing Methods

- Direct use of repeated services
- Percentage fee method
Pricing Criteria
- Sale of tickets for screenings

Pricing Units
- Price per ticket

Pricing Methods
- Direct use of repeated services
- Representative CPI, ex-tax (basic prices)
Pricing Criteria

- License fees connected to the consumption of music across various platforms (music publishers and record labels)
- Sale studio time (recording studios)

Pricing Units

- Price per type of music consumption
  
  **Specification example (1):** License “music in sales area”; Annual fee; opening days > 312, square meters area 501-600 sq. fixed annual fee.
  
  **Specification example (2):** License “live music”; free entrance; price per person
  
- Price per hour
  
  **Specification example (1):** Studio time; one hour.

Pricing Methods

- Centralised collection of license fees per repeated types of music consumption
- Direct use of repeated services

Special Treatments

- Public Radio – i. Input cost factor method or ii. unit cost method
CPA 59: Motion picture, video and television programme production, sound recording and music publishing services
5. Summary/ Q&A

- Outcome of research.
- Classification and segmentation.
- Respondent engagement and sample maintenance.
- Pricing methods.