



VOORBURG
GROUP

ROME

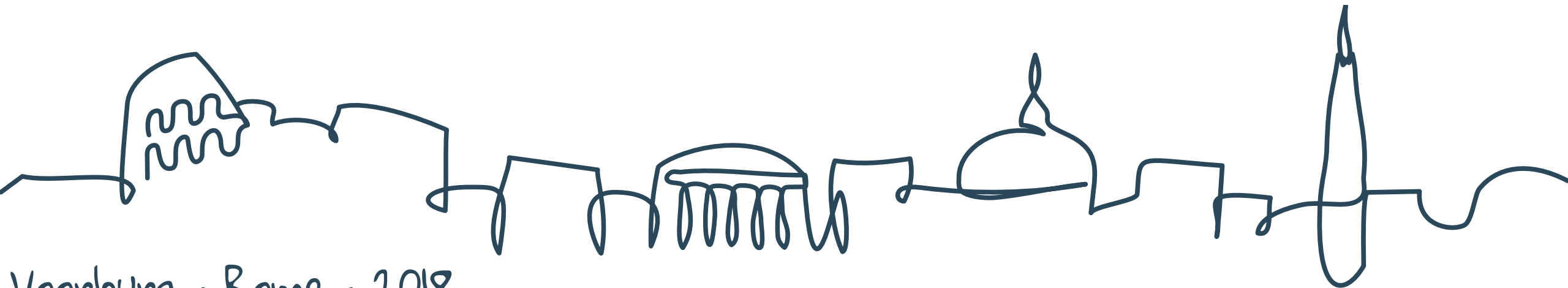
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Issues Paper

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

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Voorburg · Rome · 2018



Foreword

This issues paper aims to summarise where appropriate the experiences that have previously been presented and highlight areas for further research (issues) to enable the completion of a sector paper. This paper therefore largely borrows from and credits content to the following mini-presentations (papers) published on the Voorburg website as of the 33rd Voorburg meeting held in Rome, Italy (2018):

Price Statistics.

Draper, R., Eshraghi, A., & Bäckström, M. (2016, September). CPA 59 Motion picture, video and television programme production, sound recording and music publishing services. Statistics Sweden, Sweden.

Leurs, Y. (2016, September). Mini-presentation on “Sound recording and music publishing activities” (SPPI) ISIC 4.0:59.20 / NACE rev.2:59.20. Institut national de la statistique et des études économiques, France.

Vizner, R. (2016, September). ISIC4 Group 591 Motion Picture, Video and Television Program Production, Post-Production and Distribution Activities. Israel Central Bureau of Statistics, Israel.

Output.

Yazaki, K. (2016, September). Mini-presentation - Motion picture, video and television programme production, sound recording and music publishing activities in Japan. Economic Statistics Division, Statistics Bureau. Ministry of Internal Affairs and Communications, Japan.

Issue (1): Depth and Breadth of Understanding.

The Voorburg Group currently has limited understanding regarding *Motion picture, video and television programme production, sound recording and music publishing services*. The following papers are published per detailed activity.

Motion picture, video and television programme services.

Price Statistics – Sweden and Israel

Output – Japan

Sound recording and music publishing services.

Price Statistics – Sweden and France

Output – Japan

Proposal (1): Expression of interest to share further experiences.

In order to produce a meaningful sector paper further research needs to be completed. Ideally a diverse mix of countries that have experiences from both small/medium and large scale production activities.

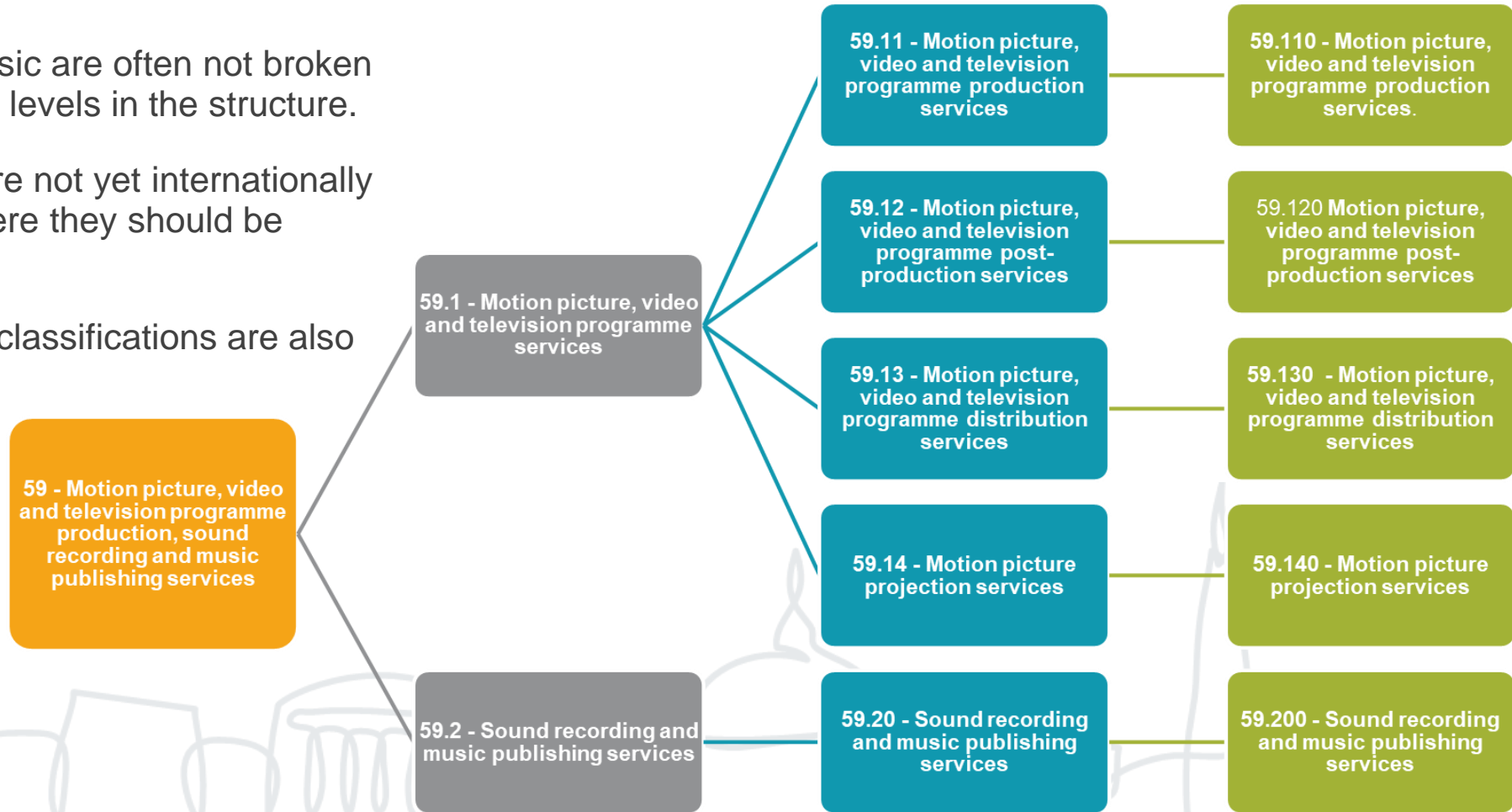


1.1 Definition of the industry

Classification (example diagram – CPA)

Classification Summary:

- Essentially covers the following activity phases: Production; Post-production; and Distribution
- Classifications for music are often not broken up until more detailed levels in the structure.
- Streaming services are not yet internationally harmonised as to where they should be classified.
- Product and industry classifications are also yet to be harmonised.





Issue (2): Classification of streaming services.

Results from the survey sent to Voorburg participants highlights a remaining inconsistency regarding exactly where streaming services and respective businesses should be classified. Businesses are currently being classified to the following activities:

USA and Canada – Streaming of film and music.

- ‘Hosting Services’ – NAICS 5182: Data Processing, Hosting, and Related Services. USA and Canada classify to this activity.

Australia – Streaming of film and music.

- ‘Internet Publishing and Broadcasting’ – ANZSIC 5700: Internet Publishing and Broadcasting (this is despite the alternate classification of ANZSIC 5921 Data Processing and Web Hosting Services being available).

Japan – Streaming of film and music.

- ‘Application Service Providers’ – JSIC 4021.

Europe – Streaming of film. CPA2.1

- ‘Distribution services’ - 59.13; ‘Broadcasting (with programming)’ - 60.2; ‘Rental and Leasing’ - 77.2.
[CPA 2.1 - 59.11.25 Streamed video content \(data\) sent over the internet. Note: CPA2008 classified streaming to 63.11 ‘hosting services’ which was updated to 59.11 upon the review to CPA 2.1](#)

Europe – Streaming of music. CPA2.1

- ‘Sound recording and music publishing services’ 59.2, ‘Radio broadcasting’ 60.1, ‘Hosting’ 63.11, ‘Advertising’ 73.11
[CPA 2.1 - 59.20.36 Streamed audio content \(data\) sent over the internet. Note: CPA2008 classified streaming to 63.11 ‘hosting services’ which was updated to 59.2 upon the review to CPA 2.1](#)

Proposal (2): Harmonisation.

- i. International - Should work continue in the pursuit of a harmonised way of classifying internationally or are we satisfied that we can concord results internationally with appropriate classification mapping?
- ii. Europe – Suggest that countries actively seek to resolve classification issues for European harmonisation.

Issue (3): Product and industry classification differences.

Currently discrepancies exist between product and industry classifications.

Proposal (3): Harmonisation.

Raise issue with respective international classification groups.

“Subscription and ad-supported streaming services such as Spotify, Pandora and Apple Music — which work like digital jukeboxes with unlimited repositories of songs — are the new industry gatekeepers. They contributed the majority of U.S. music sales for the first time last year, outpacing the money coming from CDs, vinyl and digital downloads.” Washington Post (cited by John Murphy Voorburg 2017).

Issues (2) and (3). Working Group?

It should be noted that John Murphy has been pursuing these issues and provided advice at Voorburg 2017. If there is consensus and interest that work should be pursued on this front perhaps a small working group could be formed to support such investigations.



1.2 Market Conditions and Constraints

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.

59.12 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

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.

59.13 Distribution

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



Distribution to television is an inter-division transaction.

Distribution to cinemas is an intra-division transaction.

59.14 Screening

Viewership of films by the public at cinemas, drive-in-theatres, festivals, film clubs and other establishments.

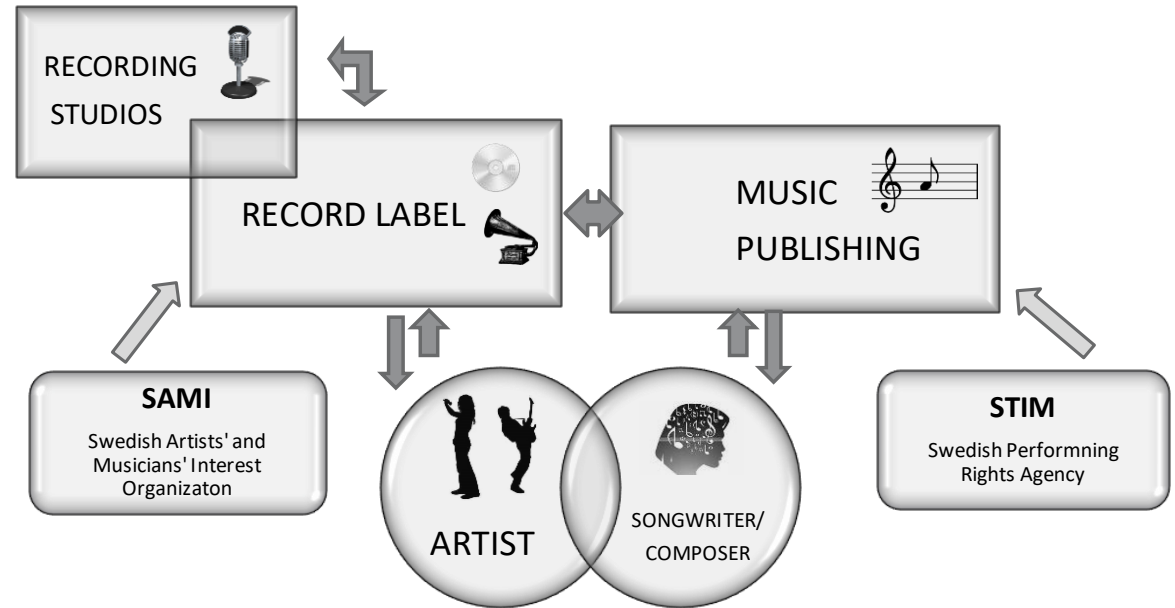


output of 59.12 is an input to 59.11

Activity and enterprise overlap

To division 60 "Programming and broadcasting activities"

59.2 Sound recording and music publishing services (music industry)



- France and Sweden both noted in their papers that opportunities exist to collect data centrally from national organisations that collect royalties on behalf of 'artists and musicians' and 'songwriters and composers' respectively.
- Sweden noted SAMI and STIM and France noted SACEM, SPRE and COPIE FRANCE.

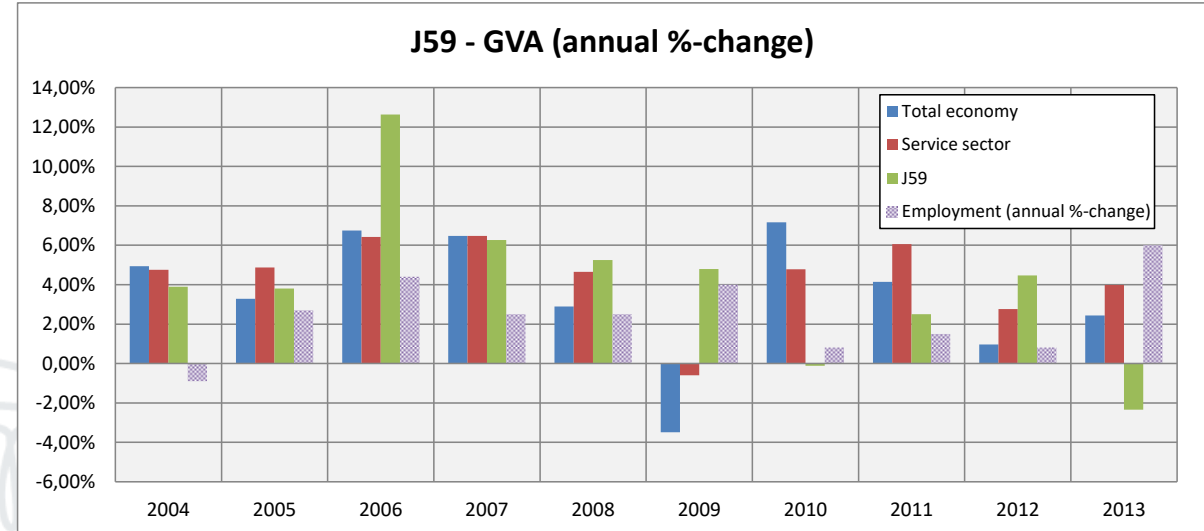
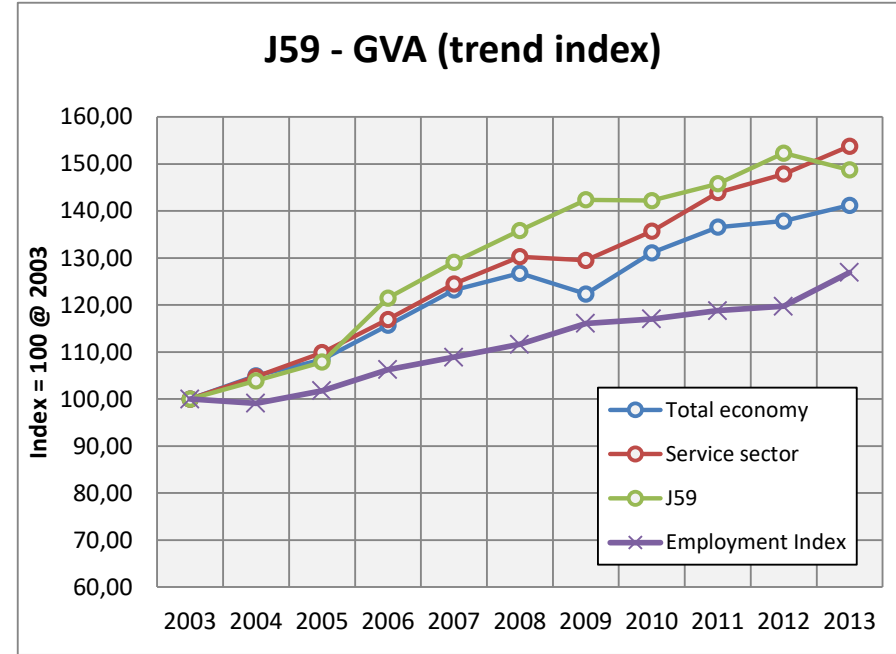
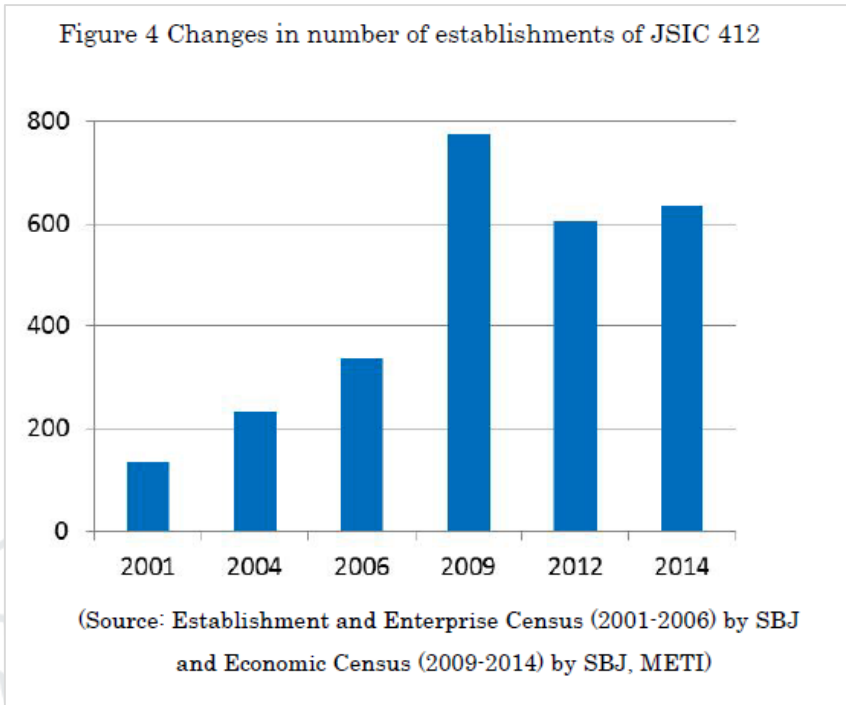


1.2 Market Conditions and Constraints

- All four countries noted positive growth in their papers. The papers reviewed business registrations; employment; GVA; and revenue indicators.

Draper, R. et al. Mini-Presentation. Sweden. 2016.

Yazaki, K. Mini-Presentation. Japan. 2016.



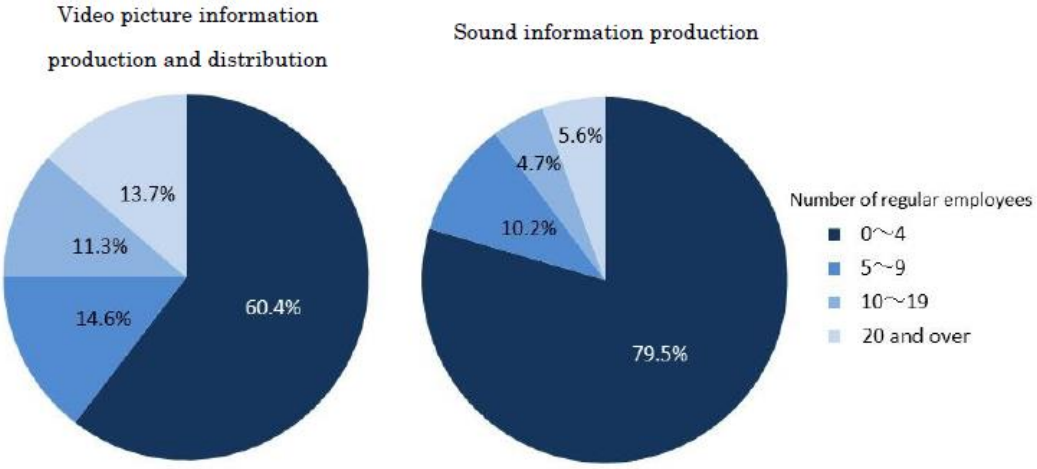


1.2 Market Conditions and Constraints

○ Japan and Sweden showed in their respective data that concentration was generally relatively low. Due to technological advancements market barriers continue to drop and competition is increasing. Many players conducting niche activities.

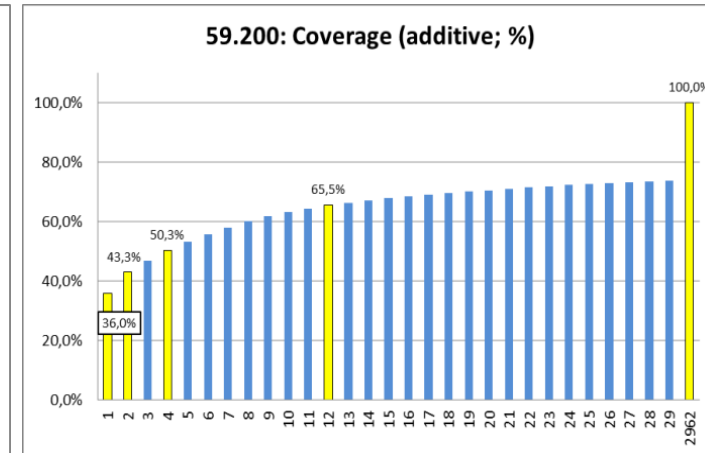
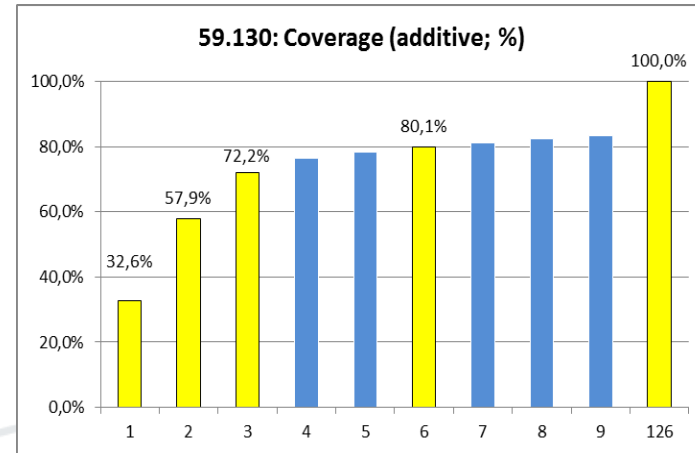
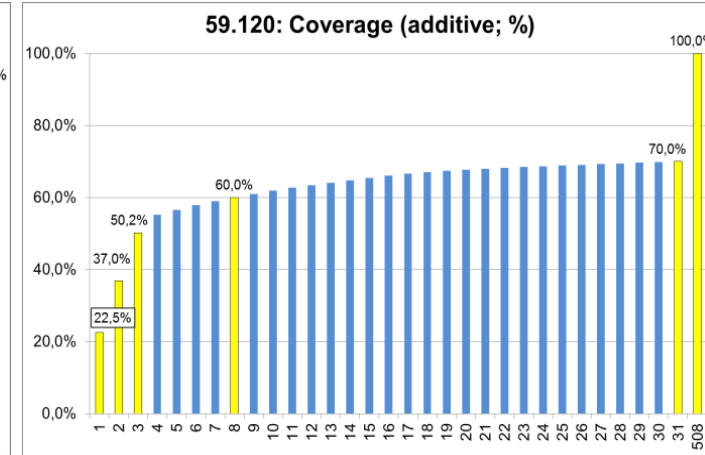
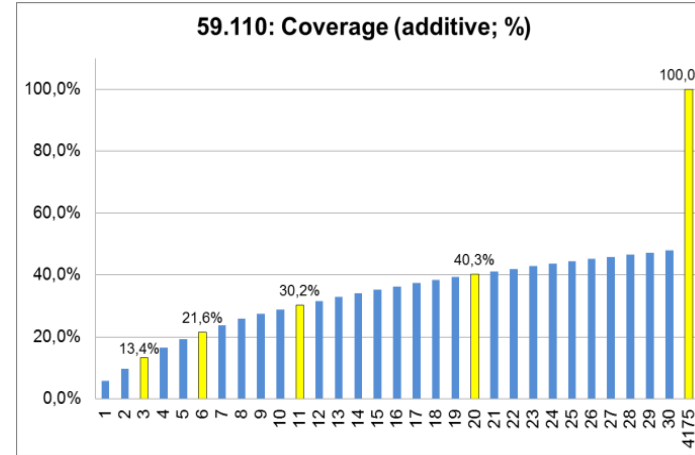
Yazaki, K. Mini-Presentation. Japan. 2016.

Figure 5 Share of number of enterprises by number of regular employees in JSIC 411 and 412



(Source: ECBF (2014) by SBJ)

Draper, R. et al. Mini-Presentation. Sweden. 2016.



1.2 Market Conditions and Constraints

Market Trends:

- **Technology – quality and productivity.** This division can be described as highly technologically driven. Modern technological improvements should not necessarily be lumped into the productivity basket. Important to note is that in some elements of production and post-production, technology does not impact efficiency but rather the quality of the final distributed product. That is, it is not the number of worked hours within film production and/or sound recording that is impacted but rather the final quality of the purchased product by the consumer.
- **Low entry barriers and high competition.** Where large numbers of small-to-medium sized companies are present, with similar market shares, this is an indicator of low entry barriers and high competition. The fuel for this intensity of activity within CPA 59 is driven by the aforementioned technological improvements. Advanced technology has become cheaper and more portable making it much more accessible to smaller sized operations.
- **Distribution and consumption.** The “rise of the digital age” has also opened up new methods of distribution and consumption. Television series, film and music is now readily accessible and on demand across a number of alternate platforms than just linear television (traditional scheduled television). Consumers have a much greater opportunity to substitute away from traditional modes of consumption. For example, consumers utilising tablets and phones to consume television series, film and music via providers such as iTunes and Netflix. This increased accessibility applies pressure on local traditional producers whom now increasingly have to compete with international enterprises across multiple consumption platforms.



2. Turnover/Output Measurement

Turnover / Output Statistics

- All countries with the exception of one produce turnover/output data.
- Data is published predominantly monthly and annually with more detailed information published annually. A smaller number of countries publish highly detailed breakdowns of data on a less frequent basis (e.g. Australian Bureau of Statistics cat. 8681).
- In Europe, data collection is regulated by STS and SBS requirements.
- There doesn't seem to be any major difficulties in collecting this data and a great deal of experience from which we can draw from.
- The only addition to current practises (as previously mentioned) is the asking of data at a more detailed level to enable the potential of creating weights at a lower level of the structure where there is a greater chance of homogeneity.
- Our 'published' understanding is however somewhat limited by only having one paper to draw conclusions from.



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Issue (4): Dispersion; competition; and niche activities.

Sampling and weighting practises will need to be robust enough to handle high dispersion (low concentration) in combination with a high degree of heterogeneity and potential high growth and high competition (dependent on country specific industry analysis).

Turnover/output measures may consider collecting data at a more disaggregated level where the music and film industries represent a high share of total output.

3. Pricing criteria; units; and methods

Motion picture, video and television programme production services.

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 production services only.

3. Pricing criteria; units; and methods

Motion picture, video and television programme post-production services.

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

3. Pricing criteria; units; and methods

Motion picture, video and television programme distribution 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

3. Pricing criteria; units; and methods

Motion picture projection services.

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)



3. Pricing criteria; units; and methods

Sound recording and music publishing services.

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

3. Pricing criteria; units; and methods

Sound recording and music publishing services (by activity).

Recording services

Pricing model is quite complex: prices have measurable components and non-measurable (or non-reproducible) components:

- measurable : technical components of the price, such as studio hours, engineer hours,
- non-measurable: fame of the performers for instance.

Only measurable components were integrated in our pricing method.

Radio programming

The number of companies in our sample was too small to draw conclusions.

Music scores

We check the prices of durable music scores (standards).

Physical audio records

We follow the prices excluding tax, specifying the distribution channel and the range of product (standard, new issue, second edition...).

We excluded to follow titles or artists for a long time.

During the glorious years of CD, the choice of the price of a new release incorporated sales prospects based on several criteria: fame of the artist, past sales of the same artist, past sales in the same kind of music, and so on. This price model has evolved to something simpler because of the depreciation of the support.

It is now relevant to differentiate products using a generic criteria (full price, mid price, low price for instance).

3. Pricing criteria; units; and methods

Sound recording and music publishing services (by activity).

Digital files to download (excluding streaming)

Households buy their music on specialized platforms; part of them are abroad. Publishers sell digital files to these platforms, and/or licenses for albums or titles. Because the prices are very steady and similar from an artist to another, we tend to follow average quarterly prices.

In order to follow the prices of digital files imported from foreign sites, we also decided to check the prices on the Internet sites.

Streaming media

B to C:

The purchasers prices generally consist in several ways of subscription to the sites (gold, silver...). The fees of these subscriptions cannot measure consumer utility as they ignore the number of songs listened ("streams"), so we tried to get unit value prices (prices per stream), when possible.

B to B:

Publishers sell files to Internet sites for a price that depends on the numbers of streams generated by each work. In practice, publishers and Internet sites share the turnover created by the subscriptions of users and/or the volume of advertisement, in accordance with the terms of their contracts, that can be different from one to another. So for B to B, we also tried to follow prices per stream, but the analysis of production price is quite complex.

To complete the focus, there are also sales to telephone companies, as some of them include a streaming service in the users' contracts.



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Issue (5): Limited (published) long-term practical knowledge.

As of 2018, there is fairly limited published practical knowledge on measuring prices for this industry. Although a well known industry in popular culture, in the statistics world this industry is relatively unexplored. This rings true even for the countries that are traditional high volume producers of film and audio based products.

The survey sent to the Voorburg group did, however, highlight that particularly in Europe this industry is on the development plans for a number of countries due to changes in EU regulatory requirements.



4. Summary of International Progress & Issues

International Progress.

Price Statistics.

Draper, R., Eshraghi, A., & Bäckström, M. (2016, September). CPA 59 Motion picture, video and television programme production, sound recording and music publishing services. Statistics Sweden, Sweden.

Leurs, Y. (2016, September). Mini-presentation on “Sound recording and music publishing activities” (SPPI) ISIC 4.0:59.20 / NACE rev.2:59.20. Institut national de la statistique et des études économiques, France.

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Issues.

Issue (1): Depth and Breadth of Understanding

Issue (2): Classification of streaming services

Issue (3): Product and industry classification differences.

Issue (4): Dispersion; competition; and niche activities.

Issue (5): Limited (published) long-term practical knowledge.

Expressions of interest.

A number of countries expressed interest in writing papers both on the turnover/output side and prices side.